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Effect of Tax, Tunneling Incentive, Good Corporate Governance, Profitability, and Bonus Mechanism on Transfer Pricing
(Case Studies of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2018-2020)

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ABSTRACT: Transfer Pricing is part of a business and taxation activity that aims to ascertain whether the prices applied in transactions between companies that have special relationships are based on the principle of fair market prices. This study aims to analyze and determine the effect of Taxes, Tunneling Incentives, Good Corporate Governance, Profitability and Bonus Mechanisms on manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. Data collection technique using purposive sampling technique. A total of 18 companies have met the criteria as a unit of observation. The analytical method used is logistic regression analysis. The research results provide case study evidence that the bonus mechanism influences transfer pricing decisions. Meanwhile, taxes, tunneling incentives, good corporate governance and profitability have no effect on transfer pricing decisions.

KEYWORDS : Transfer Pricing, Tax, Tunneling Incentive, Good Corporate Governance, Profitability, Bonus Mechanism.

I.   INTRODUCTION

In the increasingly modern era, many companies are faced with increasingly fierce business competition. This can be influenced by many factors ranging from the development of economic globalization to the number of multinational companies that have emerged within a country. The development of multinational companies in practice is often exploited and used for tax evasion due to differences in tax rates that apply in each country, as well as minimizing high tax levies, which can be done by means of transfer pricing (Noviastika et al, 2016).

Efforts to reduce taxes internationally are carried out by transfer pricing, namely increasing the purchase price or costs (over invoice) or reducing the selling price (under invoice) (Ilyas and Suhartono, 2009). Transfer pricing is a sensitive issue in the world of business and the global economy, especially in taxation. Transfer pricing activities carried out by multinational companies will affect the level of state revenue from a tax perspective, both directly and indirectly. Transfer pricing is carried out by determining the amount of income earned by each company involved and income tax receipts in the exporting and importing countries.

Determination of the transfer price is a determination that can be made on the production of transactions, services, financial transactions or intangible assets between companies that have relationships. Transfer pricing can be classified into transfers between divisions which are within one company and the determination of transfer prices for transactions between companies that have special relationships. In determining the method of determining the transfer price for transactions carried out by inter-divisions still within the same company, it is called intra-company transfer pricing. While the transfer pricing method between companies that have a special relationship is called inter-company transfer pricing. Inter-company transfer pricing itself can be classified into domestic transfer pricing and international transfer pricing. There are differences between domestic transfer pricing carried out between companies that are in the same country while international transfer pricing is carried out between companies.

In the business world, it has long been known that multinational companies can use internal debt to shift profits from countries with low tax rates to countries with high tax rates (Mardan, 2013). Therefore, many countries try to make arrangements related to thin capitalization to limit the use of internal debt as a tool for tax evasion. This arrangement was initiated by Canada, which had regulated thin capitalization in 1971 and by 2015, two-thirds of the countries that were members of the OECD had implemented the thin capitalization rule (Buttner et al., 2012).

This research refers to Pratiwi's research (2018) which examines the Effects of Taxes, Exchange Rates, Tunneling Incentives, and Leverage on Transfer Pricing and the research of Sulistyawati et al. (2020) who examined the Effect of Income Tax, Tunneling Incentives, and Bonus Mechanisms on Transfer Pricing. The first novelty of this research is the addition of two independent variables, namely Good Corporate Governance and Profitability. The second novelty, this research expands the scope of observations on manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2018 to 2020.

II. LITERATURE REVIEW & HYPOTHESIS

Agency Theory

Agency theory explains the contract between principals, namely the party that employs another party called an agent which involves the delegation of decision making (Jensen and Meckling, 1976). Agency theory is also an economic theory which has the background to differences in conflicts of interest in companies or organizations (Lestari and Wirawati, 2016). In certain situations, both the principal and the agent will maximize their personal interests and there is no reason for the principal to believe that the agent will always act in accordance with the interests of the principal (Scott, 2012). Management as an agent prioritizes its interests over the interests of shareholders and because management is given the authority to manage company assets so that management has incentives to carry out transfer pricing with the aim of reducing taxes to be paid (Yuniasih et al., 2012).

Transfer Pricing

Transfer pricing is part of a business and taxation activity that aims to ensure whether the price applied in transactions between companies that have special relationships is based on the principle of fair market prices (arm's length price principle) (Septriadi, 2008). The practice of transfer pricing often occurs due to special relationships between companies, which are in a group of multinational companies, so that these companies can work well together in determining transfer prices (Refiga, 2017).

The term transfer pricing is often connoted as something that is not good (abuse of transfer pricing), namely the transfer of taxable income from a multi-national company to countries with low tax rates in order to reduce the total tax burden of the group. the national company (Haemakers, 2009). Garrison, Noreen and Brewer in Lingga (2012: 2) define transfer pricing as the price charged when one company segment provides goods or services to another segment of the same company. Therefore transfer pricing is defined as the price incurred for the delivery of goods, services or other intangible assets from one company to another company but is still bound by an ownership relationship.

Tax

Tax planning is often used by multinational companies, especially in countries with high tax rates (Indrasti, 2016). The higher the tax rate, the company can do tax evasion, by transferring profits earned by the company to countries that have lower tax rates (Yuniasih, et al., 2012). Companies identify paying taxes as a burden in order to minimize the tax burden borne and maximize profits received by the company (Yuniasih, Rasmini, and Wirakusuma, 2012). The results of research by Saraswati & Sujana (2017), Kiswanto & Purwaningsih (2014), and Yuniasih, et al (2012) state that taxes have a positive effect on transfer pricing.

Different research results were revealed by Marfuah & Azizah (2014) which stated that taxes had a significant negative effect on transfer pricing.

H$_1$: Taxes affect on transfer pricing decisions.

Tunneling Incentive

Tunneling arises due to agency problems between the majority shareholders and minority shareholders. Related party transactions are more commonly used for wealth transfer purposes than dividend payments because listed companies must distribute dividends to parent companies and other minority shareholders. Conditions where share ownership in public companies in Indonesia is more concentrated so that there is a tendency for the majority shareholders to tunnel. Therefore, the greater the ownership, the more triggering the practice of transfer pricing occurs.

One form of tunneling is the role of controlling shareholders in transferring company resources through special transactions. By holding tunneling by controlling shareholders, there will be no dividend payments so that minority shareholders can be harmed.

Research conducted by Marfuah and Andi (2014) shows that the more tunneling incentive practices increase, the more companies will do transfer pricing with parties who have special relationship.

H$_2$: Tunneling incentives affect on transfer pricing decisions.

Good Corporate Governance

Companies with good governance will carefully consider all of their activities, especially regarding activities that are not in accordance with the rules. This allows good corporate governance to influence company transfer pricing decisions (Noviastika, et al, 2016). Research conducted (Rosa et al., 2017) shows the results that good corporate governance has a positive effect on transfer pricing because the mechanism of good corporate governance in Indonesia has not effective way to protect the interests of stakeholders.

Research conducted by Noviastika (2016), good corporate governance has no significant effect on indications of transfer pricing in manufacturing companies listed on the Indonesia Stock Exchange. This shows that corporate governance does not influence the company to carry out transfer pricing or not.

H₃: Good corporate governance influences transfer pricing decisions.

Profitability

Companies with high profitability have higher tax burdens and this is a factor driving companies to carry out transfer pricing aggressiveness in shifting profits (Davies et al., 2014). The greater the income the company earns, the greater the tax that must be paid, making it possible for companies to carry out transfer pricing. In research conducted by (Cahyadi & Noviari, 2018) it was stated that there is a significant positive relationship between profitability and transfer pricing. This is in line with research conducted by (Pradipta & Supriyadi, 2015) and (Richardson, Taylor, & Lanis, 2013) that the greater the income earned by the company, the more positive it will be on the amount of income tax that must be paid thereby increasing the possibility of transfer pricing.

In contrast to research conducted by (Bava & Gromis, 2017) which states that the lower the profitability of a company, the higher the possibility of a shift in profit that occurs, in other words, the greater the suspicion that the company is carrying out transfer pricing.

H₄: Profitability influences transfer pricing decisions.

Bonus Mechanism

The company owner or shareholder has assessed the performance of the directors with a good assessment, the company owner will reward the directors who have managed the company well. The award can be in the form of bonuses given to company directors. In giving bonuses to directors, the company owner will see the performance of the directors in managing the company. Company owners in assessing the performance of directors usually look at the overall company profits generated (Hartati and Julita, 2015).

This is supported by the opinion of Hartati and Julita (2015) which states that compensation (bonuses) for directors is seen from the performance of various divisions or teams within one organization. The greater the overall profit the company generates, the better the image of the directors in the eyes of the company owner. Therefore, the directors can do everything to maximize company profits, including transfer pricing practices.

H₅: The bonus mechanism influences transfer pricing decisions.

III.   METHODOLOGY & PROCEDURES

Population and Sample

Table 3.1: Research Sample Selection Process

No	Criteria	Amount
1	Manufacturing companies listed on the IDX during the 2018-2020 period	227
2	Manufacturing companies that publish financial reports or complete annual reports consecutively during the 2018-2020 period	(163)
3	Manufacturing companies that did not experience losses during the 2018-2020 period	(91)
4	Manufacturing companies that use the rupiah currency	(79)
5	Companies controlled by foreign companies	(18)
Total of research samples = 18 x 3 years		54
Outlier data during processing time		(3)
Total research samples		**51**

Source: Data Process 2023

This study uses a type of quantitative research, namely research by processing research data using a statistical approach. This research was conducted with the aim of knowing the effect of tax, tunneling incentive, good corporate governance, profitability and bonus mechanism on transfer pricing. The data used in this study is secondary data obtained through the documentation method by taking the annual reports from each company which can be accessed via the website www.idx.co.id and the company's official website.

The objects of this research are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) which issue annual reports from 2018-2020. Based on the sample criteria that have been determined in this study, a sample of 18 companies is obtained each year. So that the total sample used is 54 and the outliers are using residual values, namely by filtering the unstandardized results from smallest to largest and then outlierting the extreme data. Three companies were outliers so that the sample that met the criteria was 51 companies.

Variables Measurements

Table 3.2: Measurement of variable

Variable	Indicators	Source
Transfer Pricing	Measured by a dummy variable. A value of 1 if the company makes sales transactions to special parties in other countries, while a value of 0 for entities that do not make sales to special parties in other countries	Saraswati & Sujana (2017)
Tax	$$ETR = \frac{\text{Tax Expense}}{\text{Income Before Tax}}$$	Waluyo & Wirawan (2002)
Tunneling Incentive	$$TI = \frac{\text{Number of Foreign Ownership}}{\text{Number of Shares Outstanding}}$$	F et al (2016)
Good Corporate Governance	Measured by a dummy variable. If the company is audited by KAP The Big 10, it is given a value of 1. Meanwhile, if the company is not audited by KAP The Big 10, then it is given a value of 0.	KAP The Big 10
Profitabilty	$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$	Kasmir (2018)
Bonus Mechanism	Measured by a dummy variable. A value of 1 is given to companies with foreign ownership that provide bonuses, tantiem, commissions, or sales incentives to management, while the others score 0.	Batjo & Shaleh (2018)

Data Analysis Technique

Logistic regression analysis is used to explain the relationship between the dependent variable in the form of dichotomous data and the independent variable in the form of interval data. The logistic regression model used by researchers:

$$TP = \alpha + \beta_1 ETR + \beta_2 TI + \beta_3 GCG + \beta_4 ROA + \beta_5 BM + e$$

Information:

TP = Transfer Pricing

α = Constant

$\beta_1 - \beta_5$ = Regression Coefficient

ETR = Tax

TI = Tunneling Incentive

GCG = Good Corporate Governance

ROA = Profitability

BM = Bonus Mechanism

e = Error

IV.   RESULT ANALYSIS & DISCUSSION

Result

a. Normality Test

The normality test in this study uses the CLT (Central Limit Theorem) test, namely if the amount of data observed is large enough (n is more than 30), then the data results are getting closer to normal (Gujarati, 2006). In this study, the number of n is 227 greater than 30. This shows that the data in this study are normally distributed.

b. Multicollinearity Test

Table 4.1: Multicollinearity Test Results

Variable	Tolerance	VIF	Information
Tax	0,877	1,140	No multicollinearity occurs

Tunneling Incentive	0,979	1,021	No multicollinearity occurs
Good Corporate Governance	0,948	1,054	No multicollinearity occurs
Profitability	0,866	1,154	No multicollinearity occurs
Bonus Mechanism	0,919	1,088	No multicollinearity occurs

Source: Data Analysis Results, 2023

Based on the test results above, it shows that all independent variables have a tolerance of more than 0.1 and a VIF value of less than 10, so it can be concluded that the regression model is free from multicollinearity.

c. Heteroscedasticity Test

Table 4.2: Heteroscedasticity Test Results

Variable	Sig.	Information
Tax	0,607	No heteroskedasticity
Tunneling Incentive	0,446	No heteroskedasticity
Good Corporate Governance	0,582	No heteroskedasticity
Profitability	0,955	No heteroskedasticity
Bonus Mechanism	0,263	No heteroskedasticity

Source: Data Analysis Results, 2023

The results of the table above show that the variables tested do not contain heteroscedasticity because the significance of the correlation results is greater than 0.05 (5%). So that when the data is enlarged it does not cause even greater errors.

d. Autocorrelation Test

Table 4.3: Autocorrelation Test Results

Durbin-Watson	Information
1,596	Autocorrelation Occurs

Source: Data Analysis Results, 2023

From the test results above, it is obtained that the DW value (durbin watson) is 1.596 and the dw number is between -2 to +2, so the data has autocorrelation.

Logistic Regression Analysis Model

Table 4.4: Logistic Regression Analysis Test Results

Variable	B	S.E.	Wald	df	Sig.
ETR	9,559	7,233	1,747	1	0,186
TI	-2,538	1,886	1,810	1	0,179
GCG	1,433	1,002	2,047	1	0,152
ROA	-7,081	4,826	2,153	1	0,142
BM	-2,130	1,035	4,238	1	0,040
Constant	1,464	1,906	0,590	1	0,442

Source: Data Analysis Results, 2023

Based on the regression equation that has been described, it can be explained as follows:

1. A constant value (α) of 1.464 with a positive direction this can be interpreted if the independent variables (taxes, tunneling incentives, good corporate governance, profitability and bonus mechanisms) can be assumed to be constant, then the average transfer pricing disclosure (TP) has increased by 1.464.
2. The regression coefficient on the tax variable (ETR) is 9.559 with a positive direction. This can be interpreted that the more the percentage of tax disclosure (ETR) in a company, the TP will increase. Conversely, the lower the percentage of tax disclosure (ETR), the lower the TP.

3. The regression coefficient on the tunneling incentive variable is -2.538 with a negative direction. It can be interpreted that the higher the company's tunneling incentive, the lower the TP. Conversely, the lower the tunneling incentive growth, the higher the TP.
4. The regression coefficient on the good corporate governance (GCG) variable is 1.433 with a positive direction. This can be interpreted that the more the percentage of GCG disclosure in a company, the TP will increase. Conversely, the lower the percentage of GCG disclosure, the lower the TP.
5. The regression coefficient on the profitability variable (ROA) is -7.081 with a negative direction. This can be interpreted that the higher the profitability (ROA) of the company, the lower the TP. Conversely, the lower the profitability (ROA), the higher the TP.
6. The regression coefficient on the bonus mechanism variable is -2.130 with a negative direction. This can be interpreted that the higher the company's bonus mechanism, the lower the TP. Conversely, the lower the bonus mechanism, the higher the TP.
7. The error value is 1.906 which means that the level of error or deviation that may not be known in the regression model is 1.906.

a. Overall Model Fit

Table 4.5: Overall Model Fit Results

-2Log *likelihood (block number* = 0)	55,785
-2Log *likelihood (block number* = 1)	43,587

Source: Data Analysis Results, 2023

Based on Table 4.5 obtained from the results of the regression analysis, it shows that the initial -2Log likelihood value (block number = 0) before being included in the independent variable is 55.785. After the five independent variables were entered, the final -2Log likelihood value (block number = 1) decreased to 43.587. The difference between the initial -2Log likelihood and the final -2Log likelihood shows a decrease of 12.198. It can be concluded that the initial -2Log likelihood value (block number = 0) is greater than the final -2Log likelihood value (block number = 1), resulting in a decrease. This indicates that the hypothesized model is fit with the data, so that the addition of independent variables to the model indicates that the regression model is getting better or in other words H0 is accepted.

b. Simultaneous Testing (Omnibus)

Table 4.6: Simultaneous Testing Results

Chi-square	df	Sig.
15,950	5	0,007
15,950	5	0,007
15,950	5	0,007

Source: Data Analysis Results, 2023

Based on table 4.6 above, it shows that the probability value (Sig) is smaller than the significance level, namely 0.007 <0.05. So it can be concluded that models involving significant independent variables (simultaneously) are better in terms of matching data compared to simple models.

c. Coefficient of Determination (Nagelkarke R Square / R²)

Table 4.7: Nagelkarke R Square Results

-2Log *likelihood*	*Cox & Sneel R Square*	*Nagelkarke R Square*
39,701 [a]	0,269	0,404

Source: Data Analysis Results, 2023

Based on table 4.7 above, the results of the regression analysis show that the coefficient of determination as seen from the Nagelkerke R Square value is 0.404. This indicates that the ability of the independent variables, namely taxes, tunneling incentives, good corporate governance, profitability and bonus mechanisms in explaining the dependent variable, namely transfer pricing, is only 40.4%. While the rest is explained by other variables outside of this research model, namely 59.6%.

d. Hosmer and Lomeshow's Goodness of Fit Test

Table 4.8: Hosmer and Lomeshow's Goodness of Fit Test Results

Chi-square	df	Sig.
8,418	8	0,394

Source: Data Analysis Results, 2023

Based on table 4.8 above, the results of the regression analysis show that the Hosmer and Lemeshow Goodness of Fit Test results show that the significance value is 0.394. The significant value obtained is above 0.05, namely 0.394 ≥ 0.05, then H0 is accepted. This indicates that there is no significant difference between the model and the data so that the regression model in this study is feasible and able to predict the observed value.

e. Partial Model Significance Test (Wald Test)
Table 4.9: Wald Test Results

Variable	B	S.E.	Wald	df	Sig.
ETR	9,559	7,233	1,747	1	0,186
TI	-2,538	1,886	1,810	1	0,179
GCG	1,433	1,002	2,047	1	0,152
ROA	-7,081	4,826	2,153	1	0,142
BM	-2,130	1,035	4,238	1	0,040
Constant	1,464	1,906	0,590	1	0,442

Based on table 4.9 above, the results of hypothesis testing can be obtained using logistic regression analysis, as follows:

1. Taxes have a positive effect on transfer pricing. The results of the Wald test show that the probability value is greater than the significance level (0.186 > 0.05). Based on the test results it can be concluded that H1 which states that taxes have an effect on transfer pricing is rejected. It can be interpreted that taxes have no effect on transfer pricing.
2. Tunneling incentives have a negative effect on transfer pricing. The results of the Wald test show that the probability value is greater than the significance level (0.179 > 0.05). Based on the test results, it can be concluded that H2 which states that tunneling incentives have an effect on transfer pricing is rejected. It can be interpreted that tunneling incentives have no effect on transfer pricing.
3. Good corporate governance has a positive effect on transfer pricing. The results of the Wald test show that the probability value is greater than the significance level (0.152 > 0.05). Based on the test results, it can be concluded that H3 which states that good corporate governance has an effect on transfer pricing is rejected. This can be interpreted that good corporate governance has no effect on transfer pricing.
4. Profitability has a negative effect on transfer pricing. The results of the Wald test show that the probability value is greater than the significance level (0.142 > 0.05). Based on the test results, it can be concluded that H4 which states that profitability has an effect on transfer pricing is rejected. It can be interpreted that profitability has no effect on transfer pricing.
5. Bonus mechanism has a negative effect on transfer pricing. The results of the Wald test show that the probability value is greater than the significance level (0.040 <0.05). Based on the test results it can be concluded that H4 which states the bonus mechanism has an effect on transfer pricing is accepted. It can be interpreted that the bonus mechanism has a significant effect on transfer pricing.

Discussion
The Effect of Tax on Transfer Pricing
The first hypothesis obtained from testing the tax hypothesis on transfer pricing in manufacturing companies for the 2018–2020 period, states that taxes have a positive effect on transfer pricing is not supported. The results of the logistic regression coefficient test show that the significant level of the tax variable is 0.186 > 0.05. This indicates that the tax has no effect on transfer pricing.

This study identified that the smaller or lower the tax that the company wants to pay does not affect the company's decision to practice transfer pricing. This means that the company is able to carry out tax planning properly to minimize the tax burden paid. Related to transfer pricing activities carried out by companies, there are other things that need to be considered so that tax corrections to allegations of companies carrying out transfer pricing become stronger. Other things that must be considered, among others, are affiliation (associated enterprises) or special relations and business fairness and prevalence (arm's length principle) which are

regulated in the Income Tax Law as an instrument to prevent tax evasion practices. The results of this study are consistent with research conducted by Pratiwi (2018), Mineri and Paramitha (2021), and Asmara and Achyani (2022) which state that taxes have no effect on transfer pricing.

The Effect of Tunneling Incentive on Transfer Pricing

The second hypothesis obtained from testing the tunneling incentive hypothesis on transfer pricing in manufacturing companies for the 2018–2020 period, states that tunneling incentives have a negative effect on transfer pricing is not supported. The results of the logistic regression coefficient test show that the tunneling incentive variable has a significant level of 0.179 > 0.05. This indicates that the tunneling incentive has no effect on transfer pricing.

These results indicate that a large number of foreign ownership may not necessarily make shareholders in a strong position to control decisions to carry out tunneling incentives in transfer pricing practices. This activity is due to an agreement within the company, whether operating or investing, which must be discussed with other shareholders, especially the majority shareholder. The results of this study are consistent with research conducted by Pratiwi (2018) and Wijaya & Amalia (2020) that tunneling incentives have no effect on transfer pricing.

The effect of Good Corporate Governance on Transfer Pricing

The third hypothesis obtained from testing the good corporate governance hypothesis on transfer pricing in manufacturing companies for the 2018–2020 period, states that good corporate governance has a positive effect on transfer pricing is not supported. The results of the logistic regression coefficient test show that the significant level of the good corporate governance variable is 0.152 > 0.05. This indicates that good corporate governance has no effect on transfer pricing.

In this case it shows that the higher the existence of the number of audit committees in a company, the quality of good corporate governance in carrying out its activities in the company will improve. The audit committee will be more open and responsible within a company for overseeing the presentation of financial statements and making decisions, thereby reducing the occurrence of decisions to carry out transfer pricing. The results of this study are consistent with research conducted by Noviastika et al. (2016), Wijaya & Amalia (2020) and Asmara & Achyani (2022) that good corporate governance has no effect on transfer pricing.

The Effect of Profitability on Transfer Pricing

The fourth hypothesis obtained from testing the profitability hypothesis on transfer pricing in manufacturing companies for the 2018–2020 period, states that profitability has a negative effect on transfer pricing is not supported. The results of the logistic regression coefficient test show that the significant level of the profitability variable is 0.142 > 0.05. This indicates that profitability has no effect on transfer pricing.

In this case it shows that companies with high profitability have profit before tax which causes the company to maximize the use of its own capital, thus reducing the company's intention to carry out transfer pricing. The results of this study are consistent with research conducted by Asmara & Achyani (2022) that profitability has no effect on transfer pricing.

Effect of Bonus Mechanism on Transfer Pricing

The fifth hypothesis obtained from testing the bonus mechanism hypothesis on transfer pricing in manufacturing companies for the 2018–2020 period, states that the bonus mechanism has a negative effect on transfer pricing is supported or accepted. The results of the logistic regression coefficient test show that the significant level possessed by the bonus mechanism variable is 0.040 <0.05. This indicates that the bonus mechanism has a significant effect on transfer pricing.

In this case, company directors carry out transfer pricing transactions to increase company profits and to get bonuses. This compares best with research conducted by Putri (2018) and Sulistyawati et al. (2020) which concluded that the bonus mechanism has no effect on transfer pricing.

V.   CONCLUSION & SUGGESTION

Conclusion

This study aims to examine the effect of tax, tunneling incentives, good corporate governance, profitability, and bonus mechanisms on transfer pricing in manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2020 period. Based on the test results and discussion obtained in the previous chapter, it can be concluded as follows:

1.   Taxes have no effect on transfer pricing, the level of a company's tax has no effect on transfer pricing.
2.   Tunneling incentives have no effect on transfer pricing, the level of a company's tunneling incentives has no effect on transfer pricing.The bonus mechanism does not affect the company's decision to carry

out transfer pricing. The level of the bonus mechanism in a company does not affect the company's decision to carry out transfer pricing.

3. Good corporate governance has no effect on transfer pricing, whether or not good corporate governance of a company has no effect on transfer pricing.
4. Profitability has no effect on transfer pricing, the high or low profitability of a company has no effect on transfer pricing.
5. Bonus mechanism affects transfer pricing, the level of a company's bonus mechanism affects transfer pricing.

Suggestions

Based on the conclusions of this study, the researchers provide the following suggestions:

1. This study uses a sample of manufacturing companies listed on the IDX in the 2018-2020 period. Further researchers can extend the research period, for example five to seven years so that the results can better describe long-term conditions and provide more accurate results.
2. Further research can pay attention to other variables that also affect transfer pricing, for example exchange rates, company size, and multinational.
3. By proving that the bonus mechanism is a benchmark for companies implementing transfer pricing, company policies must establish strict regulations and minimize gaps in applicable regulations that allow companies to take advantage of them. This can control and reduce transfer pricing practices by companies in Indonesia.

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