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The Influence of Tax, Foreign Ownership and Company Size on the Application of Transfer Pricing in Manufacturing Companies Listed on IDX during 2013-2017

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ABSTRACT

The objective of this research is to examine the effects of tax, foreign iownership, and firm size on the application of transferi pricing in the manufacturing companies listed on Indonesia Stock Exchange (IDX) during 2013-2017. This study is hypothesis-testing research by using purposive sampling method with a total of 110 samples of data. Secondary data in the form of financial statements with the year ended 31 December were obtained from the IDX. Logistic regression was used to test the hypotheses. The results of thisi research show that tax, foreign ownership, andi firm size simultaneously influences the application of transfer pricing. Meanwhile partially tax was found to significantly influence the application of transfer pricing. In addition foreign ownership and firm sizei does not influence the application of transfer pricing.

Keywords: Transfer Pricing, Tax, Foreign Ownership, Firm Size
JEL Classifications: H2, F21, G30

1. INTRODUCTION

Company in Indonesia is defined as a business entity that manages various types of businesses continuously within the territory of Indonesia with the purpose of profit making (Kansil, 2001. p. 2). Along with the efforts to expand business networks and business complexity, companies domiciled in Indonesia not only generate their profit in Indonesia but also from abroad.

Nowadays, national companies in Indonesia are increasingly transforming themselves into multinational companies and strengthening their position through the operation of branches or subsidiaries. Having branches or representative offices in various countries may complicate costs calculation which are used as a control and performance measures as well as in pricing the products and services (Refgia, 2017). Given these challenges, companies may opt to apply transfer pricing in order to determine such prices.

Transfer pricing according to Gunadi in Suandy (2003. p. 75) is the price or reward determined for the transfer of goods, services, and technology that occurs between companies that have special relationships. Transfer pricing is usually used for business motivation purposes by determining the price of goods, services, or intangible assets. In addition to business motivation, transfer pricing globally also aims to control the flow of resources between divisions (Suandy, 2011. p. 63).

According to John Hutagaol who served as Director of International Taxation at the Directorate General of Taxes, transfer pricing is a global issue because there are many frauds committed by companies by utilizing different tax rates (Kontan, 2017). Taxes are community contributions to the state (which can be imposed by the state) owed by those who are obliged to pay according to the law and not getting back any form of direct reward out of it since the purpose is mainly to finance state expenditure (Waluyo, 2013. p. 2). For instance fraudulent practice of transfer pricing was once commited by PT. Toyota motor manufacturing Indonesia (TMMIN) through utilizing different tax rates.

The Toyota case regarding transfer pricing was discovered after the director general of taxes reviewed the 2005 TMMIN annual tax return followed with a review of taxes in 2007 and 2008. The review was undertaken in response to the claim by TMMIN that it has overpaid its taxes in those years, hence it expects for an entitlement of tax return or refund. TMMIN also allegedly played a selling price with an affiliated party and improperly added the burden of fees through royalties. TMMIN is also known to conduct a buying and selling strategy through an intermediate country, Singapore. TMMIN delivered thousand cars made to the Totoya Motor Asia Pacific Company in Singapore, before being finally transported to the Philippines and Thailand. Buying and selling schemes via intermediary countries are actually considered fair in international trade, but the transaction value must meet the standards of fairness. If it does not meet the fairness standard, it will cause fraud in the name of transfer pricing (Kontan, 2013).

Another case also occurred in 2014 where India conducted an investigation of coal suppliers from Indonesia with a transfer pricing value of nearly US $ 4 billion. Budi Santoso as Director of the Center for Indonesian resources strategic studies (Cirrus) has also reported one of the companies that involve with the practice of transfer pricing in 2014-2015. The company, which its name was not disclosed by Budi, was involved with the practice of transfer pricing by selling coal to Singapore at an export price, which causes profits to be only USD0.5 even though the company can take a profit difference of up to USD3 to USD5 (Kontan, 2017).

Basically transfer pricing can be applied in domestic and global transactions, but when viewed in terms of domestic transfer pricing income tax, it does not affect the potential of taxable income because it is still in the same tax jurisdiction, as contrast with global transactions that are better able to motivate transfer pricing to obtain tax savings globally (Gunadi, 1999. p. 188). According to an unpublished paper, namely Gunadi (1994) in Gunadi (1999. p. 188), transactions of multinational company in terms of foreign investment (including permanent establishments) cannot be separated from transfer pricing manipulation. Along with the existence of funding by foreign parties, foreign ownership arises. Foreign ownership is ownership held by parties from abroad both individually and institutionally on shares of companies in Indonesia (Stephanie et al., 2017). The amount of foreign ownership in a company can lead to greater control of the company, hence it can govern management to make decisions to benefit themselves by carrying out sales and purchase transactions at undue prices (Sari, 2012).

Director General of Taxation Darmin Nasution said that the size of the company also influenced the implementation of transfer pricing (detikfinance, 2008). The size of a company is a ratio of how large or small a company is. Large companies generally have more business activities and greater financial transactions than small companies (Stephanie et al., 2017). Darmin Nasution also acknowledged that transfer-pricing cases often occur in large companies due to their attempt in avoiding tax payment. This is also in accordance with the theory of political power, which states that large companies have more abundant quality resources that can be used to manipulate activities that occur within companies, one of which is involved in tax planning to minimize the tax burden (Siegfried, 1972). In contrast according to Watts and Zimmerman (1986) in the theory of political costs larger companies are mostly on the spotlight by the government and society, therefore large companies are more motivated to deposit higher taxes.

Prior studies have also been carried out with regard to the company's decision for transfer pricing but the results have been varying. For example research by Stephanie et al. (2017) and Tiwa et al. (2017) who found that transfer pricing was influenced by taxes in a positive direction, but in contrast with research conducted by Marfuah and Azizah (2014) and Sari and Mubarok (2017) which stated that transfer pricing was influenced by taxes but in a negative direction.

Stephanie et al. (2017) examined the influence of foreign ownership on transfer pricing and found that there was a positive influence between foreign ownership of the application of transfer pricing in a company, but Tiwa et al. (2017) on the hand fould foreign ownership does not affect the application of transfer pricing.

Another study from Stephanie et al. (2017) related to transfer pricing found that company size also influences transfer pricing but in a negative direction. This is contrary to the results of research from Richardson et al. (2013) which found that transfer pricing is influenced by the size of the company in a positive direction. Their research proves that large companies have a higher desire to implement transfer pricing to reduce tax payments so as to transfer profits to countries with smaller tax levies.

This research was conducted using the samples of manufacturing companies listed on the Indonesia Stock Exchange (IDX). It is important to investigate the issue of transfer pricing within manufacturing sector, as it is a sector that has high potential in implementing transfer pricing. This is also in line with the statement of the Director of Auditing and Billing, Directorate General of Tax, Edi Slamet Irianto in Liputan6.com (2016) who stated that as many as 2000 multinational companies operating in Indonesia had embezzled taxes for 10 years and one of the mechanism is through using transfer pricing policy. Among the 2000 companies, many are engaged in the management of natural resources, industry and trade.

2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

2.1. Agency Theory

Jensen and Meckling (1976) describes agency theory as a cooperative contract between one or more people (principals) who authorize other people (agents) to perform a service on their behalf and make good decisions for them. Agency theory assumes that each individual wants to fulfill their own needs, where shareholders as principals are only attracted to increase profits and investment values, while agents are considered only interested in financial compensation in the form of employee benefits (Lambert, 2001).

The different interest between the two parties has resulted in each party striving to maximize their own profits. Shareholders expect maximum and immediate returns on their investments, while agents expect rewards for their work to be accommodated by provision of appropriate incentives. The principal assesses the agent's performance by seeing the ability to increase profits; therefore the agent fulfills the principal's desire to obtain large compensation. Consequently agents may manipulate the real conditions of the company such as "beautifying" financial statements by using creative accounting that deviates from the rules. One of the ways is to minimize the tax burden by using a transfer pricing policy.

According to agency theory, companies will be very vulnerable to conflicts of interest if they separate management and ownership functions (Jensen and Meckling, 1976). This conflict occurs because the principal and the agent do not have the same goal, where the agent is more concerned with his own interests than the company. This conflict arises because of information mismatches obtained by each party, namely the shareholders do not get the overall information that should be reported by the manager. However it is different if the company has a concentrated ownership structure, in the sense that one party has control over company. In this case the problem that arises is no longer between managers and shareholders, but the majority shareholders with minority shareholders (Claesens, 2000).

Kowanda (2013) highlighted that minority shareholders entrust majority shareholders to monitor management performance, because the majority shareholders as controlling shareholders have relatively much access to minority shareholders. This situation is used by controlling shareholders to prosper themselves. Majority shareholders can also influence forms and terms and conditions of transactions that will only benefit themselves (Kowanda, 2013). One of them is by expropriating through the transfer of wealth from other parties. Expropriation is done because the controlling shareholder wants to maximize personal profits and harm minority shareholders.

One form of wealth transfer from other parties is by transfer pricing, which is carried out by purchasing products from controlling companies at a price below the market price (Refgia, 2017). Usually these conditions are performed by affiliated companies whose parent companies are located abroad hence the transfer pricing process is more susceptible (Liputan6, 2016).

2.2. The Influence of Tax on the Application of Transfer Pricing

Soeparman Soemohamijaya in Resmi (2013. p. 3) defines taxes as contributions in the form of money or goods that must be paid by the people in accordance with the rule of law, to cover the cost of producing collective goods and services in order to obtain the welfare of all parties. The tax paid by the company is the transfer of wealth to the government from the company, which has impacts on the reduction of corporate wealth especially if the costs are paid in large amounts (Tiwa et al., 2017). Therefore, the company will make a saving effort through avoiding tax obligations related to tax efficiency by minimizing tax payments. The amount of tax expense that must be deposited by the company to the state becomes a management benchmark for using transfer pricing in order to minimize the amount of tax so that the company earns high profits (Tiwa et al., 2017).

Several studies have been perfomed in relation to factors that influence transfer-pricing decisions in a company companies such as by Refgia (2017), Tiwa et al. (2017), and Stephanie at al. (2017) who found that tax influences transfer pricing decisions in a company in a positive direction. A high tax rate in a country allows the company to commit fraud by diverting its income to companies in countries that have lower tax rates (Refgia, 2017). Therefore multinational companies with several branches in various countries tend to shift tax burden from countries with high tax rates to countries with low tax rates.

2.3. The Influence of Foreign Ownership on the Application of Transfer Pricing

According to Refgia (2017), foreign ownership is ownership of shares owned by foreign individuals or institutions. Companies in Asia, especially in Indonesia, usually use a concentrated ownership structure and a concentrated ownership structure can lead to differences in interests between controlling shareholders and management with non-controlling shareholders (Refgia, 2017).

The higher foreign ownership in a company, the the greater power of foreign controlling shareholders have to influence the decisions taken by the company to benefit themselves including pricing strategies and the amount of the transfer pricing for transactions (Sari, 2012). This can allow foreign ownership to affect on the frequency of transfer pricing application. For example researches by Stephanie et al. (2017) and Refgia (2017) which prove that foreign ownership is influential on the application of transfer pricing in a positive direction. Foreign ownership also influences his power to influence management in making decisions, such as in sales or purchases at unreasonable prices so that it can benefit those controlling shareholders (Refgia, 2017).

2.4 The Influence of Company Size on the Application of Transfer Pricing

Company size is a scale of how big or small a company is. Usually large companies have more business activities and financial transactions than small size companies, hence they can add other opportunities to minimize taxes (Suprianto and Pratiwi, 2017). With the bigger size of the assets of a company, it indicates that the complexity of the company also broadens, including in making management decisions (Refgia, 2017).

Large companies that have reached certain level of maturity usually are better in making higher profits as compared to smaller size companies. For this kind of company it may subsequently utilize the practice of transfer pricing to shift profits to other companies overseas that have a lower tax rate (Putri, 2016). This is also supported by Richardson et al. (2013) who found that the size of the company may increase the tendency to get involved with the practice of transfer pricing.

2.5. Hypotheses

Based of the previously discussed conceptual framework, the following hypotheses are formulated:

H_1: Tax, Foreign ownership, and company size simultenously inluence the application of transfer pricing in manufacturing companies listed on IDX during 2013-2017.

H_2: Tax affects the application of transfer pricing in manufacturing companies listed on IDX during 2013-2017.

H_3: Foreign ownership affects the application of transfer pricing in manufacturing companies listed on IDX during 2013-2017.

H_4: Company size affects the application of transfer pricing in manufacturing companies listed on IDX during 2013-2017.

3. METHODOLOGY

This study aims to test the formulated hypotheses. It uses a causal study approach where intervention in this study was minimal. The setting of this study is basically unregulated. The unit of analysis comprises of manufacturing companies that are listed on the IDX for the period 2013-2017.

The population in this study was all manufacturing companies that were listed consecutively on the IDX in 2013-2017. Samples were drawn based on certain criteria using purposive sampling method sample. The criteria used are:

1. Manufacturing companies that are listed on the IDX for the period of 2013-2017 respectively.
2. Manufacturing companies controlled by foreign companies with a percentage of ownership of 20% or more in the period 2013-2017.
3. Manufacturing companies that do not suffer losses and have all the data needed for research during the period 2013-2017.

Based on the above criteria, 22 companies form the final samples for the 5 years of observation, i.e. 2013-2017. Therefore the amount of observed data is totaled to 110 observations.

This study uses secondary data in the form of financial statements of manufacturing companies listed on the Stock Exchange for the period 2013-2017. Secondary data refers to information obtained or collected by researchers through intermediary medium and does not need to be self-collected (Sekaran and Bougie, 2013. p. 162).

Hypotheses were tested using the logistic regression method. The use of logistic regression method was chosen because the dependent variable in this study was the company's decision to implement transfer pricing which is a dummy or category variable.

Logistic regression model is a regression model that estimates the magnitude of the relationship between the dependent variables and independent variable using dependent variables for which data is binary data. According to Ghozali (2013. p. 333), the use of logistic regression methods does not require the assumption of normality in the dependent variable. Data processing was performed using the Statistical Package for Social Science (SPSS) program version 24.0.

4. RESULT AND DISCUSSION

Data analysis was performed using the logistic regression analysis method. The first step was to evaluate the overall model and test the feasibility of the regression model. Furthermore, hypotheses were tested according to the formulated test design.

4.1. Result of Logistic Regression Analysis

From the statistical results in Table 1, the equation of logistic regression can be formulated as follows:

$$TP = -20.417+10.128P-2.458KA+0.781UP+e$$

Based on the above equation, it can be explained that:

a. Constant value of −20.417 indicates that variables of tax, foreign ownership, and company size are considered as constant, then the value of −20.417 shows the magnitude of prediction as negative. In other words company may opt to not apply transfer pricing.
b. Tax regression coefficient, which is denoted as P is 10.128. This indicates that for every 1% increase in tax variable there will be an increase of 1012.8% in the application of transfer pricing by company provided that other independent variables are constant.
c. Regression coefficient of foreign ownership, which is noted as KA is −2.458. This finding points out that for every 1% increase in the variable of foreign ownership there will be a decrease of 245.8% in the application of transfer pricing by company provided that other independent variables are constant.
d. Regression coefficient of company size, which is labelled as UP is 0.781. This indicates that for every 1% increase in variable of company size there will be an increase of 78.1% in the application of transfer pricing by company provided that other independent variables are constant.
e. Epsilon (error term) or ε implies that there are other factors (variables) that may influence the application of transfer pricing besides tax, foreign ownership and company size.

4.2. Simultaneous Test of Significance

Based on the result of logistic regression as shown in the previous table, it can be seen that significant value of the model is 0.002 less than significance level of 0.05 (5%). Therefore it can be concluded that H_1 is accepted meaning that variables of tax, foreign ownership and company size have significant influence on the application of transfer pricing in the manufacturing companies listed on IDX during 2013-2017.

Table 1: Logistic regression analysis

Hypothesis	Mean	Coefficient	P-value	Summary
Hypothesis I	15.294		0.02	H_1: Accepted
		Coefficient	**P-value (sig.)**	**Summary**
Hypothesis				
Constant		−20.417	0.072	H_2: Accepted
P		10.128	0.048	H_3: Rejected
KA		−2.458	0.167	H_4: Rejected
UP		0.781	0.055	

n=110; Nagelkerke R^2=0.3

4.3. Individual Test of Significance

The previously tabulated results of logistic regression also lead to the following conclusion:

1. Tax variable has a significance value of 0.048 smaller than 0.05 (5%) which shows that tax affects the application of transfer pricing. Thus, the second hypothesis (H_2) is accepted.
2. Foreign ownership variable has a significance of 0.167 >0.05 (5%). This indicates that foreign ownership does not affect the implementation of transfer pricing. Thus, the third hypothesis (H_3) is rejected.
3. The variable size of the company has a significance of 0.055 >0.05 (5%). This shows that the size of the company does not influence the implementation of transfer pricing. Therefore, the fourth hypothesis (H_4) is rejected.

4.4. Test of Determinant Coefficients

Based on the table it can also be seen that the value of Nagelkerke $R^2 = 0.30$ or 30%. It demonstrates that 30% of dependent variables (transfer pricing) can be explained by the three independent variables used in this study namely tax, foreign ownership, and firm size, whereas another 70% is explained by other variables that iwas not included iin this research.

4.5. The Influence of Tax, Foreign Ownership and Company Size on the Application of Transfer Pricing

Based on the results of the Omnibus tests of model coefficients, a significance value of 0.002, which is smaller than a significant level of 0.05 or 5% indicates that the independent variables of taxes, foreign ownership, and company size jointly influence the implementation of transfer pricing. Among the three independent variables, only one variable has an individual effect on the application of transfer pricing, namely tax, while the remaining independent variables of foreign ownership and company size have no effect on the implementation of transfer pricing.

Nonetheless, the magnitude of the effect of independent variables of taxes, foreign ownership, and the size of the company to the application of transfer pricing is only 30%. This is indicated by the value of Nagelkerke's $R^2 = 0.30$ while the remainder of 0.70 or 70% is explained by other independent variables not included in this study.

4.6. The Influence of Tax on the Application of Transfer Pricing

Based on the formulated hypotheses by comparing the probability value with the level of significance, it is resulted in a positive tax regression coefficient value of 10.128 and the Wald value shows a significant of 0.048 which is smaller than 0.05. From these results it can be concluded that tax has a significant positive effect on the application of transfer pricing. This signifies the greater the tax a company, the greater the actions taken by company management in making decisions to apply transfer pricing.

Transfer pricing can be performed by transferring profits to the related company that is not in Indonesia, so as to minimize tax payments because profits have been transferred to other companies. Transfer pricing is done to minimize tax payments by the company, which is one of the tax planning strategies. The amount of tax burden borne by the company can trigger the company's application of transfer pricing in the hope of minimizing tax burden.

The results of this study are similar with the results of research conducted by Tiwa et al. (2017), Stephanie et al. (2017), and Refgia (2017). Their research also found empirical evidence that the higher the tax burden of a company, the greater the probability of transfer pricing applied by the company. However, the results of this study are not in line with the results of research conducted by Sari and Mubarok (2017) and Marfuah and Azizah (2014) who found evidence that tax is not a factor that determines the probability of companies in implementing transfer pricing.

4.7. The Influence of Foreign Ownership on the Application of Transfer Pricing

The regression coefficient value of −2.458 with a significance level of 0.167 >0.05 was obtained as the results of the hypotheses testing by comparing the probability value with the level of significance. It can thus be concluded from the results of these studies that foreign ownership has no influence on the implementation of transfer pricing. This finding implies that higher foreign share ownership does not necessarily make the shareholders in a strong position to control the company, including implementing a transfer pricing policy. The results also indicate that the foreign controlling shareholders do not use their controlling rights to instruct the management in conducting transfer pricing. In other words it can be illuminated that whether or not there is foreign controlling shareholders, the company will continue to carry out transfer pricing.

The size of foreign ownership in a company does not affect the practice of transfer pricing mainly because companies with large foreign ownership will also analyze the risks to be faced, such as a decrease in the value of the company that will affect minority and majority shareholders. This shows that the amount of foreign ownership in a company cannot be used as an excuse for companies to implement transfer pricing, so that the desire of foreign shareholders to improve personal welfare is irrelevant because managerial decision-making still requires approval from the directors (Tiwa et al., 2017). As a result, the application of transfer pricing through expropriation activities will be difficult to be executed.

The results of this study are consistent with the results of a study conducted by Tiwa et al. (2017) who found that foreign ownership has no influence on the implementation of transfer pricing. Nonetheless the results of this study are different from the results of a study conducted by Stephanie et al. (2017) and Refgia (2017), which state that foreign ownership has an influence on the implementation of transfer pricing. Furthermore Stephanie et al. (2017) revealed that when the share ownership of foreign controlling shareholders is increasing, the foreign controlling shareholders have greater control in determining decisions in companies that benefit themselves, including pricing policies and the number of transfer pricing transactions.

4.8. The Influence of Company Size on Application of Transfer Pricing

Based on the results of the hypothesis testing through comparison of the probability value with the level of significance, the regression coefficient is found to be 0.781 with a significance level of 0.055. Hence it can be concluded from these results that the size of the company does not have an influence on the implementation of transfer pricing. This shows that company size does not become a benchmark for a company whether to implement transfer pricing or not.

The above finding indicating no influence was found of company size on the application of transfer pricing is caused by a low tax audit ratio compared to the number of taxpayers, coupled with the absence of significant differences between small taxpayers and large taxpayers in conducting transfer pricing aggressiveness (Ramadhan and Kustiani 2017). In the practice of transfer pricing audits in various parts of the world, there are countries that use company size as a criterion in selecting taxpayers to be audited. As explained by Li and Pasley in Darussalam et al. (2013), in the practice of transfer pricing audit in China there are various factors that determine the criteria for a company to be audited by the tax authority in accordance with the transfer pricing audit procedure or not and one of them is the size of the company meaning that small and medium companies have higher risks than large companies in conducting transfer pricing practice. However, other countries such as Indonesia, Canada, Belgium, England and Australia do not use company size as one of the criteria in selecting taxpayers to be audited on transfer pricing (Ramadhan and Kustiani, 2017). Even the OECD and the United Nations do not consider the size of the company in determining the transfer pricing risk of a taxpayer.

It can be emphasized that the size of the company is not necessarily a motivating factor for implementing policies of transfer pricing. Companies whether large and small are at the spotlight by the community hence the directors or managers of the company will be more thorough and open when conveying their financial conditions which result in managers who control companies to become reluctant in getting involved with earnings management, one of which is transfer pricing.

The results of this study are in line with the results of research conducted by Refgia (2017) which found that the size of the company had no effect on transfer pricing. Nevertheless the results of this study contradict the results of studies conducted by Stephanie et al. (2017) and Richardson et al. (2013). The results of Stephanie et al. (2017) found that company size has a negative effect on the application of transfer pricing, where large companies lack the drive to reduce profits compared to small companies, because large companies are seen as more critical by investors. Whereas in the study of Richardson et al. (2013) it was found that company size has a positive effect on the application of transfer pricing, because large companies tend to use transfer pricing to reduce the ratio of tax burden that must be paid based on net income before tax.

5. CONCLUSION, LIMITATIONS AND RECOMMENDATION

Based on the previously discussed research findings several conclusions can be drawn. First, taxes, foreign ownership, and company size jointly influence the application of transfer pricing in manufacturing companies listed on the IDX for the period 2013-2017. Second, taxes affect the application of transfer pricing in manufacturing companies listed on the IDX for the period 2013-2017. Third, foreign ownership has no effect on the application of transfer pricing in manufacturing companies listed on the IDX for the period 2013-2017. Lastly, the size of the company has no effect on the application of transfer pricing in manufacturing companies listed on the IDX for the period 2013-2017.

Despite the contribution of this study, this research has limitations that can be further considered in the future research aiming to investigate the issues of transfer pricing. This study only examines manufacturing companies listed on the IDX based on the initially set criteria that have been previously set, hence the results obtained cannot be generalized to all companies listed on the IDX. Apart from that, research observation period was only 5 years which resulted in a small number of companies being sampled in this study. The Nagelkerke R^2 value in the study is also still very low, meaning that there are still many other independent variables that can influence the application of transfer pricing that were not included in this study. An example is the exchange rate (Marfuah and Azizah, 2014), debt covenants (Sari and Mubarok, 2017), and good corporate governance (Noviastika et al., 2016).

It is suggested that further research uses a longer time span to provide more valid results. Fauture studies are also expected not only to use the samples of manufacturing companies, but on a broader subject, such as all companies listed on the IDX to get more complex research results. It is also recommended that further research can add other independent variables that are deemed to influence the application of transfer pricing that is not included in this study, namely the exchange rate, debt covenant, and good corporate governance.

On the practical implications, the findings of this study indicates that the government is better to re-evaluate the regulations that have been made in advance so as to minimize the misuse of transfer pricing activities. This is intended so that state tax revenues will be higher. Meanwhile for investors, attention must be paid on the factors that influence the company in implementing transfer pricing. Hence investors can be more careful in investing to reduce losses.

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