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EFFECT OF TAX, LEVERAGE, COMPANY SIZE AND EXCHANGE RATE ON TRANSFER PRINCING DECISIONS ON MINING SECTOR COMPANIES

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Abstract

The purpose of the study was to test and analyze taxes, Leverage, company size and Exchange Rate on transfer Princing decisions in mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021 using quantitative research methods. Population is a mining sector company listed on the Indonesia Stock Exchange for the period 2019-2021. The population in this study amounted to 85 mining companies and a sample of 19 companies. Sampling is determined by purposive sampling method. Data analysis techniques using multiple linear regression analysis. The results showed that the tax has no effect on the Transfer Princing decision, Leverage has no effect on the Transfer Princing decision, the size of the company has a positive and significant effect on the Transfer Princing decision, the Exchange Rate has no effect on the Transfer Princing decision and tax, Leverage, company size and Exchange Rate has no effect on the Transfer Princing decision.

Keywords: Taxes, Leverage, Company Size, Exchange Rate, Transfer Principle

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INTRODUCTION

The development of technology, transportation and communication that play an active role in reducing barriers between countries in order to facilitate the flow of goods, services, capital and human resources between countries. The loss of these barriers can have an impact on the growing number of activities in multinational companies. In multinational companies, various international transactions take place, one of which is the sale of goods or services. Most of these transactions usually occur between companies that have affiliates, something like this internationally has a very big role. This affiliate transaction can be said to be transfer pricing, because it can be used to determine the company's policy in determining prices. Transfer pricing is the calculated price for the delivery of goods, services or other intangible assets from one company to another company that has a special relationship, based on the arm's length price principle. Transfer pricing by multinational companies is driven by tax and non-tax reasons. Transfer pricing decisions are often made to minimize the amount of tax payable. The increasing tax burden triggers companies to carry out transfer pricing in the hope of reducing the tax burden. Transfer pricing is believed to result in reduced potential state revenue from the tax sector because multinational companies tend to shift their tax obligations from countries that have high tax rates to countries that apply low tax rates.

The phenomenon Data for the AALI issuer code in 2021 obtained a tax

of 0.399 decreased from 2020 and then for pricing transfers increased from 0.032 to 0.048 in 2021. Then for leverage for MBAP in 2020, it decreased by 0.244 while for pricing transfers, it increased by 0.140. In addition, the size of MBAP companies in 2020 decreased by 18.08 while pricing transfers increased by 0.140. For the exchange rate in 2021, it decreased by 0.258 for the DEWA issuer code, while for the pricing transfer, it increased by 0.979. With the existence of various problems, researchers are interested in conducting research by taking the title : "The effect of tax, Leverage, company size and Exchange Rate on Pricing Transfer decisions on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021".

RESEARCH METHODS

This research approach based on quantitative approach. The population used in this study is listed companies mining index on the Indonesia Stock Exchange in the period 2019-2021. Purposive Sampling is a method of determining samples based on certain criteria (Maryuani,2021). The population in this study amounted to 85 mining companies. The research samples obtained were 19 mining companies with 57 observations. Data collection techniques using data based on financial statements. Data analysis techniques using multiple linear regression analysis with SPSS program 26.





RESULT AND DISCUSSION

Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
Taxes	.0583	6.1560	.422661	.7884401
Leverage	.0281	.7344	.426542	.1843590
Firm Size	27.6213	43.8868	34.227535	5.6671399
ExchangeRate	.0005	.8317	.038802	.1147065
Transfer Prancing	.0010	.9876	.385739	.3685234

Table 1. Descriptive Statistics

Table 1 it is known that there are taxes have a minimum value of 0.0583 and a maximum value of 6.1560, the mean value of 0.422661 while the standard deviation of 0.7884401. Leverage has a minimum value of 0.0281 and a maximum value of 0.7344, the mean value of 0.426542 while the standard deviation value of 0.1843590. The size of the company has a minimum value of 27.6213 and a maximum value of 43.8868, the mean value of 34.227535 while the standard deviation value of 5.6671399. Exchange Rate has a minimum value of 0.0005 and a maximum value of 0.8317 mean value of 0.038802 while the standard deviation of 0.1147065. Prancing Transfer decision has a minimum value of 0.0010 and a maximum value of 0.9876 mean value of 0.385739 while the standard deviation of 0.3685234.

Multiple Linear Regression Analysis

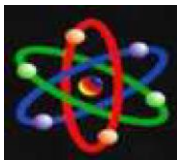
Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	-5.662	1.935	
Taxes	.149	.343	.058
Leverage	-.125	1.502	-.011
Firm Size	.103	.049	.290
ExchangeRate	2.616	2.357	.149

Table 2. Multiple Linear Regression Analysis

Prancing Transfer Decision = -5.662 + 0.149 Tax + (-0.125) Leverage + 0.103 Firm Size + 2.616 Exchange Rate The regression equation can be interpreted.

The alpha coefficient value of 5.662 means that statistically when all tax values, leverage, firm size and exchange rate are constant, the prancing transfer decision is 5.5662. The tax variable has a regression coefficient of 0.149 which shows that there is a positive effect of tax on the Prancing Transfer decision of 0.149 which means that if the tax increases by 1 unit, the Prancing Transfer decision will increase by 0.149 assuming that other independent variables are constant. Leverage variable has a regression coefficient of 0.125 which indicates that there is a negative effect of Leverage on the transfer Prancing decision of 0.125 which means that if the Leverage decreases by 1 unit then the Transfer Prancing decision will decrease by 0.125 assuming that other independent variables are constant. The company size variable has a regression coefficient of 0.103 which shows that there is a positive effect of Firm Size on the Prancing Transfer decision of 0.103 which means that if the company size increases by 1 unit, the Prancing Transfer decision will decrease by 0.103 assuming that other independent variables are constant. The Exchange rate variable has a regression coefficient of 2,616 which shows that there is a positive effect of the Exchange Rate on the Transfer Prancing decision of 2,616 which means that if the Exchange Rate increases by 1 unit, the Transfer Prancing decision will increase by 2,616 assuming that other independent variables are constant.





Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.364 ^a	.132	.066	1.94672

Table 2. Coefficient of Determination

From the table above that the Adjusted R Square is 0.066 means that tax, Leverage, company size and Exchange Rate can explain the Pricing Transfer decision on mining sector companies for the 2019-2021 period of 6.6% and the remaining 93.4% (100-6.6) are influenced by other variables outside of this study.

Partial Test

Model		t	Sig.
1	(Constant)	-2.926	.005
	Pajak	.433	.667
	Leverage	-.083	.934
	UkuranPerusahaan	2.083	.042
	ExchangeRate	1.110	.272

Table 3. Partial Test

The tax variable obtained a value of t count (0.433) < t table (2.007) and a significant value obtained of 0.667 > 0.05 that the tax has no effect on the Pricing Transfer decision on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021.

The Leverage variable obtained a value of t count (-0.083) < t table (2.007) and a significant value obtained of 0.934 > 0.05 that Leverage has no effect on Pricing Transfer decisions in mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021.

The firm size variable obtained a value of t count (2.083) > t table (2.007) and a significant value obtained of 0.042 < 0.05 that the firm size has a positive and significant effect on the transfer Pricing decision on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021. The Exchange Rate variable obtained a value of t count (1.110) < t table (2.007) and a significant value obtained of 0.272 > 0.05 that the Exchange Rate does not affect the transfer Pricing decision on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021.

Simultaneous Test

Model		F	Sig.
1	Regression	1.983	.111 ^b

Table 4. Simultaneous Test

From the above results, it shows that tax, Leverage, firm size and Exchange Rate have no effect on Pricing Transfer decisions on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021 calculated F value (1.983) < F table (2.55) and the significant value obtained is 0.111 > 0.05.

CONCLUSION

The tax variable obtained a value of t count (0.433) < t table (2.007) and a significant value obtained of 0.667 > 0.05 that the tax has no effect on the Pricing Transfer decision on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021. The greater the tax burden of a company, the implementation of the audit committee is





increasingly needed to supervise the performance of company managers so as not to violate tax laws in adjusting transfer prices to increase profits and minimize high tax burdens to avoid paying taxes by practicing transfer pricing (Sugiyanto and Fitria, 2019). The greater the tax burden of a company will encourage companies to make transfer pricing. This is because multinational companies that have several branches in various countries tend to move their tax obligations from countries that have high tax rates to countries that have lower tax rates in order to avoid paying taxes. In previous studies it was stated that taxes have a positive effect on transfer pricing (Santosa & Suzan, 2018). A company will try to reduce their tax burden in order to avoid paying high taxes so it is necessary to implement an audit committee to oversee the performance of the company's management so as not to carry out activities that may violate tax laws in adjusting the transfer price to increase profits and minimize the high tax burden to avoid paying taxes by conducting transfer pricing practices.

The Leverage variable obtained a value of t count $(-0.083) < t$ table (2.007) and a significant value obtained of $0.934 > 0.05$ that Leverage has no effect on Pricing Transfer decisions in mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021. The high level of leverage of a company makes the company need to implement better corporate governance to improve the company's reputation and to convince investors because high levels of leverage can worsen the company's image and make

it difficult for the company to carry out transfer pricing practices (Suryanthi, 2019). The higher the level of leverage of a company shows the poor image of the company to investors. A higher level of leverage ratio indicates that part of the company's funding is financed by debt. From the debt will cause interest that can make it difficult for the company to make transfer pricing so that the potential for the company to make transfer pricing will decrease.

The firm size variable obtained a value of t count $(2.083) > t$ table (2.007) and a significant value obtained of $0.042 < 0.05$ that the firm size has a positive and significant effect on the transfer Pricing decision on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021. The size of a company can affect the company in carrying out transfer pricing practices because large companies have a broader role of interest so that every policy made by the company will have an impact on the public so that better implementation of the quality of the audit committee is needed so that management can be more careful in making transfer pricing policies Nugraha, 2019). The size of the company can affect transfer pricing decisions because the size of a large company is considered to have better prospects and tends to get public attention so it is less likely that large companies will practice transfer pricing than small companies (True., 2021). The larger the size of the company, the implementation of the audit committee will be more stringent because large companies are more likely to get public





attention than small companies so that the implementation of good corporate governance is needed so that companies can be more careful in making a policy, especially policies in conducting transfer pricing.

The Exchange Rate variable obtained a value of t count (1.110) < t table (2.007) and a significant value obtained of $0.272 > 0.05$ that the Exchange Rate does not affect the transfer Pricing decision on mining sector companies listed on the Indonesia Stock Exchange for the period 2019-2021. Companies that are international in scale will certainly use several types of currencies in which the value of each currency will be adjusted to the value of the dollar that continues to change. Continuous changes in exchange rates make companies carry out transfer pricing practices to minimize foreign exchange rate risk by moving funds to stronger foreign currencies to increase the company's overall profit (Nevira, 2021). The higher the foreign exchange profit obtained by the company, the higher the occurrence of transfer pricing practices, conversely, if the lower the foreign exchange profit obtained by the company, the lower the occurrence of transfer pricing practices (Mainisah and Rombli, 2020). The higher the foreign exchange earnings obtained by the company, the higher the company decides to carry out transfer pricing practices and vice versa so that companies with good governance will strive to reduce the risks arising from exchange rates by maximizing the benefits of exchange rates or minimizing losses

arising from exchange rates through transfer pricing practices.

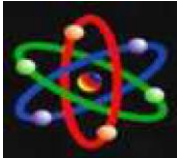
CONCLUSION

The results showed that the tax has no effect on the Transfer Pricing decision, Leverage has no effect on the Transfer Pricing decision, the size of the company has a positive and significant effect on the Transfer Pricing decision, the Exchange Rate has no effect on the Transfer Pricing decision and tax, Leverage, company size and Exchange Rate has no effect on the Transfer Pricing decision..

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