Lead Journal of Economy and Administration (LEJEA) ISSN: 2961-8177
Vol.5, No.2, 2026
pp. 344-356 https://doi.org/10.56403/lejea.v5i2.538

Determination of Transfer Pricing Practices in Indonesia: Empirical Study on Primary Consumer Sector Companies Listed on the IDX in 2023-2025

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Article Information

Article History
Received, October 5, 2026
Revised, October 29, 2026
Accepted, November 7, 2026
Published, November 9, 2026

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ABSTRACT

This study aims to analyze the influence of Tunneling Incentive, Bonus Incentive, and Leverage on Transfer Pricing in order to respond to the rampant tax avoidance activities through Transfer Pricing. The research sample includes 150 observations from manufacturing companies in the primary consumption sector on the Indonesia Stock Exchange for the 2023-2025 period which were drawn through the purposive sampling method. Data analysis was carried out using binary logistics regression. The test results proved that Tunneling Incentive had a significant positive effect on Transfer Pricing. Furthermore, Bonus Incentive was significant with a negative effect on Transfer Pricing. Meanwhile, Leverage did not have a significant influence on Transfer Pricing. In conclusion, the higher the Tunneling Incentive, the more likely the company to do Transfer Pricing while the increase in the bonus mechanism tends to reduce the likelihood of companies doing Transfer Pricing.

Keywords: Transfer Pricing, Tunnelling Incentive, Bonus Mechanism, Leverage.

1. INTRODUCTION

The era of economic globalization has removed the boundaries of authority in trade, thus encouraging the rapid expansion of multinational corporations, but at the same time opening up a huge gap for the practice of tax avoidance through Transfer Pricing. Transfer Pricing is essentially the policy of determining the price of transactions involving goods, services, or intangible assets between parties with whom a special relationship exists (Yolanda, 2024). This practice was initially a neutral instrument for allocating resources among divisions, but recent trends point to a shift towards an aggressive strategy of shifting profits to countries or entities with lower tax rates (Handayani & Haryati, 2025). This situation has a very significant and damaging impact in the field of tax and financial accounting, as it directly erodes the tax base and causes a loss of potential revenue for the State Budget.

This global phenomenon is very worrying in Indonesia. Data from Global Financial Integrity shows that Indonesia ranks ninth globally among countries with the highest illegal fund flows, which is estimated to reach US$10.9 billion per year due to unnatural cross-border transactions (Wijaya & Amalia, 2020). In addition, indications of aggressive Transfer Pricing in Indonesia are reinforced by findings that estimate that more than 2,000 multinational entities are suspected of evading tax liability, with estimated state revenue

losses exceeding Rp 1,200 trillion (Ramadhany & Amin, 2023). These concerns are also relevant to companies in Indonesia's primary consumer goods sector (consumer non-cyclicals), which includes businesses supplying essential products such as food, beverages, and household necessities. Because companies in this sector may conduct transactions involving raw materials, finished goods, management services, financing, and other resources with affiliated entities, related-party transactions warrant closer examination. However, the existence of such transactions does not automatically indicate tax avoidance or transfer pricing manipulation. Their implications depend on the transaction characteristics, pricing policies, and compliance with the arm's-length principle. Accordingly, examining the disclosure of related-party transactions among primary consumer goods companies can provide sector-specific evidence regarding the characteristics of corporate transactions and their association with ownership structures, management incentives, and financial leverage.The rise of scandals involving the manipulation of related party transactions in public companies further underscores the importance of monitoring such transactions, which has the potential to be used as a strategy to deprive minority shareholders of their rights while avoiding tax liabilities (Handayani & Haryati, 2025; Wijaya & Amalia, 2020).

In the field of financial accounting and taxation, the decision to implement the practice of setting Transfer Pricing is closely related to management behavior that takes advantage of opportunities. This phenomenon can be comprehensively explained through Agency Theory, which is put forward by (Jensen & Meckling, 1976), which highlights the existence of conflicts of interest and information asymmetry between principals (shareholders) and agents (management). These differences in objectives often encourage agents who have wider access to information to act in their own personal interests, rather than to maximize the principal's well-being (Yolanda, 2024). In the context of related party transactions, agency conflicts open up opportunities for management or majority shareholders to aggressively utilize the Transfer Pricing determination policy. The manipulation of Transfer Pricing is carried out as a means to achieve various hidden motives, such as manipulating profits to secure commissions from bonus schemes, unreasonably reducing the entity's tax liabilities, and facilitating the transfer of wealth (Tunneling Incentives) that directly harm minority shareholders (Handayani & Haryati, 2025). In addition, in order to save company tax expenses, one of the ways that companies do it is to implement Transfer Pricing (Isnaini et al., 2024). Studies conducted by (Adelia & Asalam, 2024; Ramadan & Purnamasari, 2025; Sukma & Setiawati, 2022), concluding that the low tax revenue is also due to the high number of assets placed abroad to avoid domestic taxes, most of these assets are placed in countries with low tax rates.

Various previous studies have tested the determinants of Transfer Pricing with varied findings, but still leave room for development (Darmawati & Muslichah, 2022; Hertanto et al., 2023). Research (Hertanto et al., 2023) has limitations because the object of observation is only focused on the manufacturing sector in general and the independent variable is only able to explain 17.26 percent of the variation in Transfer Pricing. In line with this, (Darmawati & Muslichah, 2022) highlights the limitations of its research which is limited to basic and chemical industrial companies in a short period of time during the pandemic period in 2019 to 2021. Nevertheless, the empirical context of related-party transactions and transfer pricing indicators specifically among Indonesian primary consumer goods companies during 2023–2025 requires further examination. In particular, sector-specific evidence on the prevalence and composition of related-party receivables, the proportion of related-party transactions relative to total receivables, and relevant tax audit findings would help establish the extent to which this issue characterizes the sector.

The availability of such evidence is important because the operational characteristics and financial conditions of primary consumer goods companies may differ from those of other manufacturing industries. These two literature explicitly recommend the need to extend the object of observation to other industrial sectors beyond the initial sample as well as update the time period range. Referring to these suggestions, there is an essential research gap to integrate the Tunneling Incentive variables, bonus mechanisms, and Leverage into a new testing model in primary consumer sector companies for the period 2023 to 2025 to prove whether entities with stable fundamentals remain motivated to manipulate affiliate transactions.

Research on the primary consumer sector is very important to prove whether entities with fundamental performance and relatively stable cash flow remain motivated to carry out Transfer Pricing due to debt pressures, shareholder maneuvers, or the pursuit of bonus targets. Academically, this study is expected to be able to enrich the literature and provide new empirical insights related to the expansion of Agency Theory in transfer pricing in Indonesia. Practically, this study provides valuable input for regulators and tax authorities in formulating a more comprehensive policy on the supervision of affiliate transactions (Handayani & Haryati, 2025). If the dynamics in this essential sector are not examined more deeply, the tax authorities will lose the crucial foundation to detect price manipulation practices, so that the tax avoidance gap will continue to erode the potential for massive State Revenue and Expenditure Budget revenues (Yolanda, 2024). On the contrary, targeted research will help the government optimize tax law enforcement to mitigate state losses that are estimated to reach thousands of trillions of rupiah due to unreasonable profit shifting practices (Kawitarka et al., 2024; Ramadhany & Amin, 2023).

To fill the research gap, this study aims to empirically test the determination of Transfer Pricing practices in Indonesia by integrating the variables Tunneling Incentive (X1), Bonus Mechanism (X2), and Leverage (X3) into one comprehensive model. The testing of the three independent variables on the dependent variable of Transfer Pricing (Y) is focused on the observation objects of primary consumer sector (non-cyclical) companies listed on the Indonesia Stock Exchange (IDX) during the observation period of 2023 to 2025. The results of this study are expected to provide real and conclusive empirical evidence regarding the real motivation of business entities in manipulating related transactions. Furthermore, the findings of this research model are expected to be able to comprehensively prove whether the pressure of capital structure burdens, the pursuit of management commission targets, or asset transfer maneuvers by the controlling shareholders are really proven to be the main factors that trigger the practice of unreasonable transfer prices in the industrial sector that is immune to economic shocks.

2. LITERATURE REVIEW

Teori Keagenan (Agency Theory)

Agency theory is proposed by explaining the relationship between shareholders as the principal and management as agents. In this relationship, there is a difference in interests between the company owner and the management that can cause an agency conflict. Management as a company manager has more information than shareholders (information asymmetry), so it can take advantage of these conditions for personal interests. Jensen & Meckling (1976)

In this study, agency theory is used as a basis to explain the relationship between *Tunneling Incentive*, bonus plan, and *Leverage* to the company's decision to carry out *Transfer Pricing*. These three variables reflect the existence of a conflict of interest between principal and agent that can encourage transaction manipulation in the company.

Transfer Pricing

Transfer Pricing is the company's policy in determining the price of transactions between parties that have a special relationship. This practice is measured using the transaction ratio of related parties, namely by dividing the receivables of the related parties by the total receivables of the company. Transfer pricing will be a guideline for managers in making decisions related to the sale and purchase of goods or services to other divisions in one company or from outside parties (Asriani et al., 2023).

Transfer Pricing is the company's policy in determining the price of a transaction, whether in the form of goods, services, intangible property, or financial transactions, which are carried out between parties who have a special relationship (Iqbal & Narulita, 2023). According to the Directorate General of Taxes, *Transfer Pricing* is the determination of prices for the delivery of tangible goods, intangible goods, or services between parties that have a special relationship (affiliate transactions) (Hertanto et al., 2023).

Transfer Pricing is also defined as a special selling price used in interdivisional exchanges to record the revenue of the selling division and the cost of the buyer division (buying division), with the aim of transmitting financial data between divisions when using each other for goods and services. (Yolanda, 2024)

Tunnelling Incentive

Tunneling Incentive is an action taken by a majority shareholder who has control over the company to move the company's resources and assets for personal gain, which can ultimately harm minority shareholders. This concept was first introduced by documenting the practice of transferring assets by controlling shareholders in a number of countries. One of the main reasons companies do tunneling is to reduce transaction costs incurred in the company's activities. According to, examples of tunneling practices include non-payment of dividends, the sale of company assets to external parties at prices below market value, and the appointment of family members in a privileged manner to occupy key positions in the organization. There are two types of ownership structures, namely dispersed ownership structures and concentrated ownership structures. (Darmawati & Muslichah, 2022) Johnson et al., (2000) (Widodo et al., 2025) (Herlina & Murniati, 2023) (Fadilla et al., 2023)

Based on previous research such as the findings of the Iqbal & Narulita (2023) and Ramadhany & Amin (2023 *Tunneling Incentive* variable , it is proven to have a significant and beneficial effect on *the company's* Transfer Pricing decision.

Bonus Mechanism

The Bonus mechanism can be interpreted as a reward to the company's board of directors for their work by looking at the work performance of the directors (Hertanto et al., 2023). PSAK No. 15 on Investment in Associated Entities states that if the entity has a minimum of 20% shareholding, directly or indirectly, it can be considered as a controller and has significant influence. Usually, bonuses given to managers or directors can be in the form of commissions, allowances, sales intensive, and others. Rewards include various incentives provided by companies to make employees part of psychological contracts. Profit is one of the benchmarks of companies in measuring the bonus mechanism to reward managers or directors (Darmawati & Muslichah, 2022). Bonuses based on profit are a commonly used approach by companies to provide incentives to directors or managers. (Rizanti & Karlina, 2024) (Sinaldi et al., 2023) (Adhika & Wulandari, 2023; Anggraeni et al., 2023; Lilyani et al., 2023)

Previous research conducted by By found that partially the bonus mechanism did not have a significant influence on Darmawati & Muslichah (2022) and also Hertanto et al. (2023) *Transfer Pricing practices*.

Leverage

Leverage describes the extent to which a company uses debt to finance its operational activities and investments. A high *level of leverage* reflects the large portion of external financing in the company's capital structure, thereby increasing the financial risks that must be incurred. This variable is measured using the Debt to Asset Ratio (DAR), which is by dividing the total debt to total assets. (Lilyani et al., 2023) (Iqbal & Narulita, 2023)

The higher the value of DAR, the greater the proportion of assets financed by debt, thus triggering pressure for management in managing finances Based on previous research from, Ramadhany & Amin (2023) *Leverage* was found to have a negative effect on *Transfer Pricing practices*.

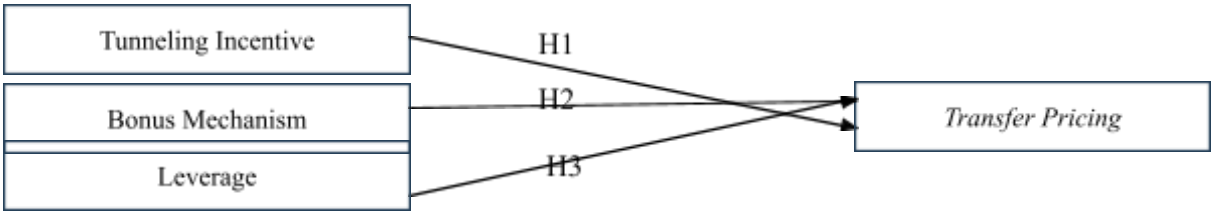


Figure 1. Conceptual Framework

Tunneling Incentive* terhadap *Transfer Pricing

Based on the perspective of agency theory, there is often a conflict of interest between the majority shareholders (controllers) and minority shareholders. According to, Wijaya & Amalia (2020) *Tunneling Incentive* is the activity of transferring resources, both assets and profit sharing, by the majority shareholders that has a loss-making impact on the minority shareholders. In line with this, it is explained that the majority shareholder will be self-interested by transferring profits or assets to an affiliated company, where the minority shareholder shares the cost burden of the activity. To facilitate this transfer of resources, the controlling party can intervene in the company's decision to manipulate the transaction through Sakina & Sugiyanto (2023) *Transfer Pricing*. Empirical research by Sakina & Sugiyanto (2023) proves that *Tunneling Incentive* has a significant influence on decisions *Transfer Pricing*. The greater the incentive of the controlling shareholder to do *tunneling*, the more likely the entity is to manipulate the transfer price.

H1: Tunneling Incentive has a positive effect on Transfer Pricing practices.

Bonus Mechanism* to *Transfer Pricing

Agency theory assumes that agents (management) have a tendency to act to maximize their utility and personal interests. Sakina & Sugiyanto (2023) argue that the bonus mechanism aims to enable companies to improve the performance capabilities of their employees in order to achieve the goal of maximizing profits. However, since the bonuses given are based on the profits earned, employees or managers have the potential to engineer or adjust net profits through the practice of *Transfer Pricing* with the intention of increasing the bonuses they will receive. Although under some empirical conditions such as the findings of Sakina & Sugiyanto (2023) the bonus mechanism has not always been shown to significantly affect *Transfer Pricing*, theoretically the motivation for the pursuit of bonuses remains a powerful catalyst that triggers management to utilize *Transfer Pricing* schemes to inflate division profits.

H2: The Bonus Mechanism has a positive effect on Transfer Pricing practices.

Leverage* on *Transfer Pricing

Leverage refers to the overall proportion of a company's debt obligations compared to all of its assets. When a company expands using external funding, the interest expense arising from its debt obligations also increases, potentially putting significant pressure on profitability by reducing its profit margins. Based on agency theory, agency expenses will be greater for businesses with a larger percentage of debt in their capital structure. This pressure to secure cash to pay off debt obligations motivates management to perform financial maneuvers. As a result, the company's decision to implement *a transfer pricing* plan is greatly influenced by the increasing pressure on the debt repayment. This is in line with the literature study that shows a positive and statistically significant relationship between Ramadhany & Amin (2023) *Leverage* and *Transfer Pricing*. This means that the higher the *Leverage* level, the higher the probability of the company initiating *Transfer Pricing* practices to engineer its tax burden so that cash flow can be focused on debt repayment.

H3: Leverage has a positive effect on Transfer Pricing practices.

3. RESEARCH METHOD

This study employs a quantitative approach with a causal research design to examine the relationships between tunneling incentives, bonus mechanisms, and leverage and transfer pricing practices. The population consists of companies classified in the primary consumer goods sector (consumer non-cyclicals) and listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 observation period. The sample was selected using purposive sampling based on the following criteria: (1) companies were consistently listed in the primary consumer goods sector on the IDX throughout the observation period; (2) companies published audited annual financial statements for each year from 2023 to 2025; and (3) companies provided sufficient information to measure all research variables. Based on these criteria, 50 companies were selected, resulting in 150 firm-year observations. The sample size was evaluated in relation to the requirements of binary logistic regression, particularly the number of observations in each category of the dependent variable relative to the number of estimated parameters. Following the event-per-variable approach, the frequency of transfer pricing and non-transfer-pricing observations should be reported to assess whether the sample provides sufficient information for reliable parameter estimation. The number of observations alone is not sufficient to establish sample adequacy.

Data were collected using a documentary method by obtaining audited annual financial statements and annual reports from the official IDX website (https://www.idx.co.id/id) and the respective companies' official websites. The data were subsequently reviewed, classified, and tabulated according to the operational definitions of the research variables. The dependent variable, transfer pricing, was measured using a dummy variable based on the disclosure of related-party transactions or receivables in the companies' financial statements. A value of 1 was assigned to companies reporting related-party transactions or receivables, while a value of 0 was assigned to companies reporting none. This proxy reflects the presence of disclosed related-party transactions rather than directly measuring the extent of transfer pricing manipulation. Therefore, the interpretation of the findings is limited to the association between the independent variables and the likelihood of observing related-party transactions under this operational definition.

Table 1. Variable Operational Definitions

No	Variabel	Operational Definition	Measurement	Scale	Source
1	***Transfer Pricing***	*Tunneling Incentive* is an action taken by a majority shareholder who has control over the company to move the company's resources and assets for personal gain, which can ultimately harm minority shareholders	$T_F = \frac{Piutang\ Pihak\ Berelasi}{Total\ Piutang}$ Proxied using *the Dummy* variable. • Number **1** = If the company has related party transactions/receivables. • Number **0** = If the company does not have related party transactions/receivables.	Nominal	(Hertanto et al., 2023) Putri & Lindawati, (2023) Pratiwi (2018)
2	***Tunneling Incentive***	The behavior of a controlling/majority shareholder who transfers the company's assets or profits for personal gain, potentially to the detriment of minority shareholders.	$Tunneling\ Incentive = \frac{Kepemilikan\ Sah}{Total\ Saham}$	Ratio	Hertanto et al., (2023) Sakina & Sugiyanto, (2023) Iqbal & Narulita, (2023)
3	Bonus Mechanism	Compensation or bonus schemes to management that are based on the achievement of certain performance targets, generally depend on the company's profit level.	$Bonus\ Mechanism = \frac{Laba\ bersih\ tahun\ t}{laba\ bersih\ tahun\ t-}$	Ratio	Hertanto et al., (2023) Darmawati & Muslichah, (2022)
4	***Leverage***	Financial ratios that measure the extent to which a company's assets are financed by debt compared to funding from its own capital.	$Debt\ to\ Assets\ Ratio = \frac{Total\ Utang}{Total\ Aset}$	Ratio	Ramadhany & Amin, (2023)

The data analysis technique in this study uses the Logistic *Regression* method which is processed using *IBM statistical software SPSS ver 32.* The selection of logistics regression analysis was carried out because of the dependent variable in this study, namely *Transfer Pricing* using a dummy variable proxy (Hosmer et al., 2013).

To test the hypothesis that has been formulated, the data analysis in this study uses the binary logistic regression method considering that the dependent variable is a dichotomy (dummy).

Model 1. Partial Equations and Controls

$$Ln\left(\frac{p}{1-p}\right) = \beta_1 TF_Pricing + \beta_2 TUNNELING + \beta_3 BONUS_MCH + \beta_4 LEVERAGE + \varepsilon$$

4. RESULTS AND ANALYSIS

Descriptive Statistical Analysis

Table 2. Descriptive Statistics

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
TUNNELING	150	0,249	0,993	0,59676	0,189885
BONUS_MCH	150	-3,808	5,709	1,02549	1,371289
LEVERAGE	150	0,012	0,874	0,43965	0,226834
Valid N (listwise)	150	—	—	—	—

The results of descriptive statistical testing showed that the number of *valid* observations (N) *(listwise)* was 150 data. In the *Tunneling Incentive* variable, the minimum value was recorded at 0.249 and the maximum value was 0.993, with an average value of 0.596 and a standard deviation of 0.189. Furthermore, the *Bonus Mechanism* variable had a minimum value of -3.808 and a maximum of 5.709, with an average value of 1.02549 and a standard deviation of 1.371289. The standard deviation value is greater than the average value indicates that the *Bonus Mechanism* variable has a relatively high data spread. Meanwhile, the *Leverage* variable shows a minimum value of 0.012 and a maximum of 0.874, with an average value of 0.43965 and a standard deviation of 0.226834.Overall, the results of descriptive statistics show that there is a variation in the value of each of the research variables used in 150 observations.

Uji Kelayakan Model *(Hosmer and Lemeshow Goodness of Fit Test)*

Table 3. Model Feasibility Testing

Step	Chi-Square	df	Say.
1	5,519	8	0,701

The feasibility test of the logistics regression model in this study was carried out using the Hosmer and Lemeshow Goodness of Fit Test. Based on the test results, a *Chi-square value* of 5.519 was obtained with a significance value of 0.701. The significance value was >0.05 so that **H0 was accepted**. Thus, it can be concluded that the logistic regression model meets the feasibility of the model, because there is no significant difference between the data from the internal observation and the data predicted by the model. Therefore, the research model is considered feasible to be used in hypothesis testing.

Coefficient Determination Test

Table 4. Determination Coefficient Test

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	95,295	0,094	0,181

Based on the test results, the *value of Cox & Snell R Square* was 0.094 and *Nagelkerke R Square* was 0.181. The value of Nagelkerke R Square of 0.181 indicates that 18.1% variability of *Transfer Pricing* can be explained together by independent variables, namely *Tunneling Incentive, Bonus Mechanism*, and *Leverage***.** Meanwhile, the remaining variation of 81.9% was explained by other factors or variables outside of this study model.

Uji F *(Wald Test)*

Table 5. F Wald Test

Variabel	B	S.E.	Forest	df	Say.	Exp(B)
TUNNELING	3,564	1,569	5,157	1	0,023	35,294
BONUS_MCH	-0,554	0,215	6,635	1	0,010	0,575
LEVERAGE	2,138	1,272	2,825	1	0,093	8,485
Constant	*-0,092*	*0,997*	*0,008*	*1*	*0,927*	*0,912*

Based on the results of the logistics regression test in the table above, it is known that the *Tunneling Incentive* (TUNNELING) variable has a regression coefficient value of B of 3.564 with a significance level of 0.023 (< 0.05), which shows that *Tunneling Incentive* has a positive and significant effect on the company's decision to conduct *Transfer Pricing*. The *Bonus Mechanism* (BONUS_MCH) variable has a regression coefficient value of -0.554 with a significance level of 0.010 (< 0.05), which indicates that the bonus mechanism has a negative and significant effect on *Transfer Pricing* decisions. Meanwhile, the *Leverage variable* (*LEVERAGE)* has a regression coefficient value of 2.138 with a significance level of 0.093 (> 0.05), which means that *Leverage* has no significant effect.

The Effect *of Tunneling Incentive* on *Transfer Pricing*

The results of empirical tests show that *the Tunneling Incentive* has a **positive and significant** effect on the company's decision to carry out *Transfer Pricing* (). This means that the higher the $B = 3,564; Sig = 0,023$*Tunneling Incentive*, the more likely the company is to carry out *Transfer Pricing*. The majority shareholders have greater control over the company's decisions so that they can take advantage of transactions with related parties to move the company's resources or profits for their own interests. This condition can be done through *the Transfer Pricing* policy, so that the greater the *encouragement of Tunneling Incentive*, the greater the likelihood of companies to carry out *Transfer Pricing*. These findings are in line with and support the research results of (Jannah et al., 2022) Setyorini & Nurhayati (2022), Princess & Lindawati (2023),, and which prove that Sakina & Sugiyanto (2023) Iqbal & Narulita, (2023) *Tunneling Incentive* has a positive and significant effect on *Transfer Pricing* practices. However, this study is contrary to the results of the study and which found a negative influence, as well as research from, Hertanto et al. (2023),, and which stated Yolanda, (2024) Darmawati & Muslichah, (2022) (Sudarmanto et al., 2023) Ramadhan et al. (2022) Pratiwi, (2018) Wijaya & Amalia, (2020) *that Tunneling Incentive* had no significant effect.

The Effect *of the Bonus Mechanism* on *Transfer Pricing*

The results of empirical testing show that the bonus mechanism has a **negative and significant** effect on *Transfer Pricing* decisions (). This means that increasing $B = -0,554; Sig = 0,010$ *the Bonus Mechanism* tends to reduce the likelihood of companies carrying out *Transfer Pricing*. These negative results can be explained through Agency Theory, which is the difference in interests between management as agents and shareholders as principals. The bonus mechanism is basically given as a form of appreciation for management performance, one of which can be seen through the achievement of profits. However, the results of the study show that the increase in *the Bonus Mechanism* is actually followed by a decrease in the tendency to carry *out Transfer Pricing*. This can happen because management who obtain incentives based on performance achievement has an incentive to improve the company's performance through actual operational activities, not through *Transfer Pricing decisions*. These results reinforce the direction of the negative relationship found in the research of Hertanto et al. (2023) and, but the results of this data managed to prove a significant influence. These findings are different from the study,, as well as those that concluded that the bonus mechanism did not have a significant influence on Iqbal & Narulita, (2023) (Agustin & Stiawan, 2022) Yolanda, (2024) Darmawati & Muslichah, (2022) Sakina & Sugiyanto, (2023) *Transfer Pricing decisions*.

The Effect of *Leverage* on *Transfer Pricing*

The results of empirical tests show that *Leverage* **does not have a significant effect** on *Transfer Pricing* decisions at a significance level of 5% (). The lack of $B = 2,138; Sig = 0,093$*effect of Leverage* on *Transfer Pricing* can be explained through the Agency Theory that the use of high debt can indeed increase the supervision of creditors over management. However, this condition does not always make companies choose *Transfer Pricing* as a way to overcome financial pressure. Companies with high debt levels can focus more on fulfilling obligations to creditors and maintaining the ability to pay debts rather than making transactions that have the potential to increase the company's risk. The results of this study are contrary to the findings that prove that Pratiwi, (2018) *Leverage* has a positive and significant effect on the company's decision in carrying out *Transfer Pricing*.

5. CONCLUSION

Based on the results of the logistic regression test, it can be concluded that the Tunneling Incentive has a positive and significant effect on the company's decision to conduct Transfer Pricing with a coefficient value of 3.564 and a significance of 0.023. This shows that the higher the Tunneling Incentive, the more likely the company is to carry out Transfer Pricing. Furthermore, the Bonus Mechanism has a negative and significant effect on Transfer Pricing with a coefficient value of -0.554 and a significance of 0.010. This means that the increase in the bonus mechanism tends to reduce the likelihood of the company doing Transfer Pricing. Meanwhile, Leverage does not have a significant effect on Transfer Pricing, with a coefficient value of 2.138 and a significance of 0.093. This shows that the high and low level of Leverage does not significantly affect the company's decision to carry out Transfer Pricing. Thus, of the three variables tested, the Tunneling Incentive and Bonus Mechanism are proven to have an effect on Transfer Pricing, while Leverage is not proven to have a significant effect.

ACKNOWLEDGEMENTS

The authors would like to express their sincere gratitude to all individuals and institutions who provided support, guidance, and assistance throughout the research process. Special thanks are extended to the research participants and relevant institutions for their cooperation and valuable contributions. The authors also appreciate the support and constructive feedback from colleagues and academic advisors, which contributed to the completion of this study.

RESEARCH LIMITATIONS

This study has several limitations that should be considered when interpreting its findings. First, the sample consists of 50 companies in the primary consumer goods sector listed on the Indonesia Stock Exchange, resulting in 150 firm-year observations over the 2023–2025 period. Although the sample was selected using purposive sampling, its size and sector-specific scope may limit the generalizability of the findings to companies in other industries or economic contexts. Future studies could expand the sample to include additional sectors and longer observation periods to obtain more comprehensive evidence.

Second, this study relies on secondary data obtained from published annual reports and audited financial statements. Although these sources provide standardized and publicly accessible financial information, they may not fully capture the underlying motivations, decision-making processes, or economic substance of related-party transactions.

Furthermore, the use of a dummy variable to identify transfer pricing based on the disclosure of related-party transactions or receivables does not directly establish the existence of transfer pricing manipulation or tax avoidance. Future research could combine financial statement data with tax audit findings, regulatory disclosures, or qualitative evidence to provide a more detailed understanding of related-party transaction practices.

Third, the study examines company-year observations during the 2023–2025 period and therefore has a limited temporal scope. The findings primarily reflect associations among the variables within the observed period and do not establish causal relationships conclusively. In addition, because the same companies are observed over multiple years, potential dependence among observations from the same company should be considered when selecting the statistical estimation method. Future research could employ longer-term panel data designs and appropriate estimation techniques to examine changes over time and strengthen the robustness of the findings.

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