Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 07 Issue 01 January 2024

Article DOI: 10.47191/jefms/v7-i1-04, Impact Factor: 7.144

Page No: 22-28

The Influence of Tunneling Incentive and Bonus Mechanism on Transfer Pricing Determination Moderated by Tax Minimization During the Covid-19 Pandemic (Case Study on A Manufacturing Company Listed on the IDX)

Riaty Handayani

University Mercu Buana

ABSTRACT: This research is a proof-of-concept of important functions and/or characteristics analytically and experimentally. Transfer pricing is a company action that can add potential tax losses to state revenues. The purpose of this study is to analyze the effect of tunneling incentives and bonus mechanisms on transfer pricing during the Covid-19 pandemic. In addition, this study also examines tax minimization as a moderating variable for the effect of tunneling incentives and bonus mechanisms on transfer pricing. The sample used in this research is a manufacturing company listed on the Indonesia Stock Exchange for the 2020-2021 period. This study uses multiple regression analysis and moderate regression analysis with statistical product and service solution version 23. The benefit of this research is to increase the literature related to transfer pricing. Tunneling Incentive, bonus mechanism has no effect on transfer pricing and tax minimization cannot strengthen the influence of Tunneling Incentive, bonus mechanism on transfer pricing.

KEYWORDS: bonus mechanism, tax minimizationtransfer pricing,tunneling incentive

PRELIMINARY

Research Background

The Covid-19 pandemic is still endemic in this world, especially in our country Indonesia. Where this pandemic has caused many impacts in life, especially in the economic sector. The virus can spread from the mouth or nose of an infected person through small fluid particles when an infected person coughs, sneezes, talks, sings or breathes. These small liquid particles can be in the form of larger droplets from the respiratory tract to smaller aerosols. Making space for activities outside the home to be very limited, as well as business activities, the economy becomes unstable. Financial performance describes the achievement of the success of a company, which can be interpreted as the results that have been achieved for the various activities that have been carried out. In a broad sense, financial performance is based on the extent to which the company's financial goals are being or have been achieved. According to Fahmi (2018: 142) financial performance is an analysis carried out to see the extent to which a company has implemented it using financial implementation regulations properly and correctly. Financial performance can be used as a reference for decision making by investors, because financial performance can provide an overview of the company's financial condition, both in the past and at present (Nafiroh, S., & Nahumury, J., 2017).

The renewal/difference of research from previous research is the year the research object was taken, namely 2020-2021. Which describes the conditions of the Covid-19 pandemic which had an impact in 2020 until the virus is still developing at the end of 2021. With the selection of variable x namely intellectual capital (with the indicator Value Added Intellectual Coefficient (VAICTM) (Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA)) and size as a moderating variable (z).Based on the background and considerations above, the authors are interested in examining this problem with the title "Influence of Intellectual Capital on Financial Performance with Size As a Moderating Variable for Manufacturing Companies in 2020-2021 During the Covid-19 Pandemic.

Formulation of the problem

Based on the background that has been described, the problem formulations in this study are:

1. Does the tunneling incentive affect transfer pricing decisions during the Covid 19 pandemic?

2. Does the bonus mechanism affect transfer pricing decisions during the Covid 19 pandemic?
3. Does tax minimization moderate the effect of tunneling incentives on transfer pricing decisions during the covid 19 pandemic?
4. Does tax minimization moderate the effect of the bonus mechanism on transfer pricing decisions during the Covid 19 pandemic?

Research purposes

The purpose of this study is to determine whether:
1. To find out whether tunneling incentives have an effect on decisions
transfer pricing during the covid 19 pandemic.
2. To find out whether the bonus mechanism has an effect on transfer pricing decisions during the Covid 19 pandemic.
3. To find out whether Tax minimization moderates the effect of tunneling incentives on transfer pricing decisions during the covid 19 pandemic.
4. To find out whether Tax minimization moderates the effect of the bonus mechanism on transfer pricing decisions during the covid 19 pandemic

LITERATURE REVIEW, FRAMEWORK AND HYPOTHESIS

Resources Based Theory, Financial Performance, Intellectual Capital, Size

Resources Based Theory

Resources Based Theory in a pioneer article entitled "A Resources-based view of the firm" was first presented by Wernerfelt (1984). Resources Based Theory is a resource in a company that can be used as a competitive advantage and is able to direct the company to have good long-term performance. The discussion in this theory is about the resources owned by the company and how the company can manage and utilize the resources it has. The resources owned by the company can generate more value for the company in taking opportunities and facing threats so that the company is different from other companies in controlling the market by having a competitive advantage.

Resource based theory believes that a company will achieve excellence if the company has superior resources. Creating and maintaining a competitive advantage, companies can develop their resources to be valuable, not easily imitated, irreplaceable, reliable and different from other companies. This makes Intellectual Capital the key to creating added value for the company.

Financial Performance

For investors, information about the company's financial performance can be used to see how the company can maintain their investment in the company or find other alternatives. Instead of that measurements are also carried out to show investors and customers or the general public that the company has good credibility (Nurhayati, S. 2017). Financial performance is an analysis carried out to see how a company has performed by using financial implementation regulations properly and correctly.

Intellectual Capital

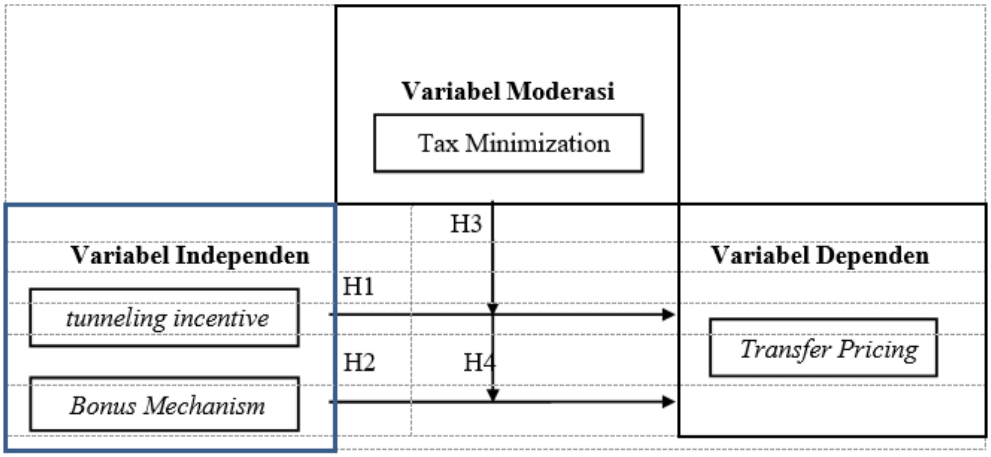
Intellectual capital "intellectual capital" is an intangible asset in the form of information and knowledge resources that serves to increase competitiveness and can improve financial performance. Several factors inherent in the current global situation have emphasized the importance of Intellectual Capital. These contemporary forces e.g. globalization, new technologies, relatively free capital, increased competition, changes in customer demand, demand for innovation, changes in economic and political structures and the role of the state in supporting the knowledge economy are always reshaping the way business will be conducted (Guthrie et al. , 1999; Buckley and Carter, 2000; Thorne and Smith, 2000; Volberda et al., 2001).

Size

Company size or what is often referred to as firm size is an illustration of the size of the company related to the ability and opportunity in terms of generating profits. Large-scale companies are considered to have greater resources and will earn a higher net income than small-scale companies. So that the activity of classifying this company can affect financial performance. The size of the company as assessed by the total assets owned affects the company's financial performance. The greater the assets owned, the greater the possibility of financial performance in a company (Purwaningrat, P. A., & Oktarini, L. N., 2020).

The Influence of Tunneling Incentive and Bonus Mechanism on Transfer Pricing Determination Moderated by Tax Minimization During the Covid-19 Pandemic (Case Study on A Manufacturing Company Listed on the IDX)

Thought Framework



RESEARCH METHODS

Types of research

This study uses a causal research method that aims to examine the influence of the behavior of the Fintech use system on online-based payment users. This research requires hypothesis testing with statistical tests.

Operational Definition of Research Variables

No	Variabel	Indikator	Skala
1	*Transfer Pricing* (Y)	1 = adanya transaksi dengan pihak istimewa 0 = tidak ada transaksi dengan pihak istimewa	Nominal
2	*Tunneling Incentive* ($X1_)$	$TNC = \frac{\text{Jumlah Kepemilikan Saham Terbesar Jumlah saham}}{\text{yang beredar}}$	Rasio
3	Mekanisme Bonus (X_3)	$\text{ITRENDLB} = \frac{\text{Laba Bersih Tahun t}}{\text{Laba Bersih Tahun t}-1}$	Rasio
4	*Tax minimization (Z)*	$ETR = \frac{\text{Beban Pajak Penghasilan}}{\text{Laba Sebelum Pajak}}$	Rasio

Population and Research Sample

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the research year 2020 to 2021. The sample is part of the population that represents the characteristics of the population, which is taken for research purposes. The sample selection technique used in this study was based on purposive sampling method, namely the samples were selected using certain considerations.

Method of Analysis

Descriptive statistical data

Descriptive statistics are used to describe the variables in this study. The analytical tool used is the average (mean), maximum and minimum (Ghozali, 2013). This analysis tool is used to describe the variables of managerial ownership, institutional ownership, and liquidity.

Classic assumption test

Normality test

The normality test aims to test whether in the regression model confounding or residual variables have a normal distribution. As it is known that the t and F tests assume that the residual value follows a normal distribution, if this assumption is violated then the statistical test will be invalid for a small sample size (Ghozali: 2013). In this study, the statistical test used to test the residual normality was the Kolmogorov-Smirnov non-parametric statistical test. K-S test is done by making a hypothesis

H0 : residual data are normally distributed

Ha : residual data are not normally distributed

Multicollinearity Test

Multicollinearity test aims to determine whether the regression model found a correlation between independent variables (independent). A good regression model should not have a correlation between independent variables (Ghozali: 2013).

Heteroscedasticity Test

The Heteroscedasticity test was performed using the Glejser test. Using the Glejser test, the absolute value of the residuals was regressed on each independent variable. Heteroscedasticity problems occur if there are variables that are statistically significant. The hypothesis for testing is as follows:

H0 : there is no heteroscedasticity

H1 : there is heteroscedasticity Decision:

If significant <0.05, then H0 is rejected (there is heteroscedasticity)

If significant> 0.05, then H0 fails to be rejected (no heteroscedasticity)

Autocorrelation Test

The results of data processing are often biased or inefficient due to misleading between adjacent data due to the influence of the data itself or what is called autocorrelation. This will cause the error in the previous period to affect the current error so that the error terms will be lower, resulting in higher R2 and Adjusted R2. The autocorrelation test can be done by calculating the Durbin-Watson d statistic, serial correlation in the residuals does not occur if the d value is between the du and 4-du boundary values. The hypothesis used is as follows:

H0: There is no autocorrelation

H1: There is autocorrelation

Hypothesis testing

Multiple linear regression analysis is used to determine the effect of two or more independent variables with one dependent variable, whether each independent variable is positively or negatively related to the dependent variable.

Research Results and Discussion

A. Results

Determination Coefficient Test

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	35.331[a]	.090	.223

a. Estimation terminated at iteration number 13 because parameter estimates changed by less than .001.

From the results above, it can be seen that Cox & Snell R Square is 0.090, which shows that the ability of the independent variable to explain the dependent variable is 0.090 or 9% and there are 100% - 9% = 81% other factors outside the explaining model. dependent variable.

Regression Model Feasibility Test

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	3.365	8	.909

The Chi-Square value from the results above is 3,365, while the Chi-Square table value is 103,010. Because the value of Chi Square Hosmer and lemeshow count (3,365) <Chi-Square table 103,010 or a significance value of 0.909> 0.05 so it accepts Ho, which indicates that the model is acceptable and hypothesis testing can be done because there is no significant difference between the models. with the observation value.

Research Hypothesis Testing

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	X1	-.012	.080	.022	1	.882	.988	.844	1.156

X2	-.009	.012	.468	1	.494	.992	.968	1.016
Z	-5.146	7.099	.525	1	.469	.006	.000	6421.732
X1.Z	.014	.378	.001	1	.971	1.014	.483	2.128
X2.Z	.024	.055	.194	1	.660	1.024	.920	1.140
Constant	-1.066	1.600	.444	1	.505	.344		

a. Variable(s) entered on step 1: X1, X2, Z, X1.Z, X2.Z.

See the results above for the Tunelling Incentive variable, the significance value (0.882) <0.05 means that the variable has a significant effect on transfer pricing, while the bonus mechanism variable has a significant value (0.494)> 0.05, which means that the variable has an insignificant effect on transfer pricing. Tax Minimization cannot moderate the effect of tunneling incentives on transfer pricing provisions, and Tax Minimization cannot moderate the effect of the bonus mechanism on transfer pricing provisions.

The Formed Logistic Regression Model

The analysis used in this research is logistic regression by looking at the effect of Tunneling Incentive, Bonus Mechanism on Transfer Pricing with Tax Minimization as moderation. The regression model in this study is as follows:

$TP = \alpha + \beta1TIN + \beta2BM + \beta3 (TIN * TMINIM) + \beta4 (BM * TMINIM) + \varepsilon$

Information :

TP = Transfer Pricing

TIN = Tunneling Incentive

BM = Mechanism Bonus

TMINIM = Tax Minimization

α = Constant

$\beta1$ = Tunneling incentive regression coefficient

$\beta2$ = Bonus mechanism regression coefficient

TIN * TMINIM = Interaction between Tunneling incentives and Tax Minimization

BM * TMINIM = Interaction between the Bonus mechanism and Tax Minimization

ε = Error

Based on the values above, the equation model that is formed is as follows:

$TP = \alpha + \beta1TIN + \beta2BM + \beta3 (TIN * TMINIM) + \beta4 (BM * TMINIM) + \varepsilon$

$TP = -1,066 – 0,012TIN - 0,009BM + 0,014 (TIN * TMINIM) + 0,024 (BM * TMINIM) + \varepsilon$

B. Discussion

1. Effect of Tunneling Incentive on Transfer Pricing

From the above analysis it can be concluded that Sig <0.05 seen which means there is a significant influence between Tunneling Incentives and Transfer Pricing. The results differ from research (Suryarini et al., 2020) in The Effect of Tunneling Incentive to Transfer Pricing Decision with Tax Minimization As a Moderating Variable, showing that tunneling incentives have a positive and insignificant effect on transfer pricing decisions..

2. Effect of Bonus Mechanism on Transfer Pricing

From the analysis above, it can be concluded that Sig > 0.05, which means that the effect is not significant between the Bonus Mechanism and Transfer Pricing. The results are the same as research (Herawaty & Anne, 2019), which examines manufacturing companies in the industrial goods sector, yields that tunneling incentives, bonus mechanisms, and company size have an effect on transfer pricing, while leverage has no effect on transfer pricing.

3. Tax Minimization moderates the effect of tunneling incentives on transfer pricing provisions

From the analysis above, it can be concluded that Sig > 0.05, which means that Tax Minization cannot moderate the influence between Tunneling Incentives and Transfer Pricing Determinations. The results are the same as the research of Sri Yulianti & Sistya Rachmawati (2019), conducting research on manufacturing companies regarding Transfer Pricing which is influenced by Tunnelling incentive and Debt Covenant variables where Tax Minimization is the moderating variable. The results of the study show that tax minimization does not moderate the effect of tunneling incentives on transfer pricing decisions.

4. Tax Minimization moderates the effect of Bonus Mechanism on transfer pricing provisions

From the analysis above, it can be concluded that Sig > 0.05, which means that Tax Minization cannot moderate the influence between the Bonus Mechanism and the Transfer Pricing Determination. The results are the same as research research (Amanah & Suyono, 2020) which examines manufacturing companies to find out the factors that influence transfer pricing, obtaining results showing that tax minimization is not able to moderate profitability, bonus mechanisms, tunneling incentives and debt convinent to transfer pricing

V. CONCLUSION AND SUGGESTION

A. Conclusion

From the results of this study, the following conclusions can be drawn:

1) From the results of this study, the following conclusions can be drawn:
2) Tunneling Incentive has no significant effect on Transfer Pricing Provisions with a negative regression coefficient in other words it can increase Transfer Pricing Provisions. Simultaneously, Tunneling Incentive can determine transfer pricing provisions
3) Bonus Mechanism has no significant effect on Transfer Pricing Provisions with a positive regression coefficient in other words, it can increase Transfer Pricing Stipulations. Simultaneously, the Bonus Mechanism cannot determine transfer pricing provisions.
4) Tax Minization cannot moderate the effect of tunneling incentive on transfer pricing provision with a positive regression coefficient in other words, it can increase transfer pricing provision. Simultaneously, Tax Minization cannot moderate the effect of tunneling incentives on transfer pricing provisions
5) Tax Minization cannot moderate the effect of the bonus mechanism on the transfer pricing provision and the negative regression coefficient in other words cannot increase the transfer pricing provision. Simultaneously, Tax Minization cannot moderate the effect of the bonus mechanism on the provision of transfer pricing

B. Suggestion

Some suggestions that can be put forward in the results of this study are due to the imperfections of the research conducted by the author, so the authors provide suggestions that are expected to be able to add knowledge from this research, namely as follows:

1. Further research is needed to be able to find out more things to influence transfer pricing provisions apart from taxminization, tunneling incentives, and bonus mechanisms.
2. The research time should be made long, in order to provide a better picture. Because the results are likely to be different when using different periods..

REFERENCES

1) Amanah, K., & Suyono, N. A. (2020). Pengaruh Profitabilitas, Mekanisme Bonus, Tunneling Incentive dan Debt Convenant Terhadap Transfer Pricing Dengan Tax Minimization Sebagai Variabel Moderasi (Studi Empiris pada Perusahaan Manufaktur yang memiliki Hubungan Istimewa yang terdaftar di BEI P. *Journal of Economic, Business and Engineering (JEBE) Vol. 2, No. 1*, *2*(1), 1–13.
2) Amidu, M., Coffie, W., & Acquah, P. (2019). Transfer pricing, earnings management and tax avoidance of firms in Ghana. *Journal of Financial Crime*, *26*(1), 235–259. https://doi.org/10.1108/JFC-10-2017-0091
3) Ayshinta, P. J., Agustin, H., & Afriyenti, M. (2019). Pengaruh Tunneling Incentive, Mekanisme Bonus Dan Exchange Rate Terhadap Keputusan Perusahaan Melakukan Transfer Pricing. *Jea*, *1*(1), 572–588. Retrieved from http://jea.ppj.unp.ac.id/index.php/jea/article/download/96/61/
4) Ayu, G., Surya, R., & Sujana, I. K. (2017). Pengaruh Pajak, Mekanisme Bonus, Dan Tunneling Incentive Pada Indikasi Melakukan Transfer Pricing. *E-Jurnal Akuntansi*, *19*(2), 1000–1029. *BUKU RATNA & SUGIHARTO.pdf*. (n.d.).
5) Hartati, W., Desmiyawati, & Azlina, N. (2014). ANALISIS PENGARUH PAJAK DAN MEKANISME BONUS TERHADAP KEPUTUSAN TRANSFER PRICING. *Simposium Nasional Akuntansi 17 Mataram*, 1–18.
6) Horngren,Charles T., et al. 2008. Akuntansi Biaya. Edisi 7. PT INDEKS kelompok GRAMEDIA: Jakarta
7) Herawaty, V., & Anne, A. (2019). Pengaruh Tarif Pajak Penghasilan, Mekanisme Bonus, Dan Tunneling Incentives Terhadap Pergeseran Laba Dalam Melakukan Transfer Pricing Dengan Good Corporate Governance Sebagai Variabel Moderasi. *Jurnal Akuntansi Trisakti*, *4*(2), 141. https://doi.org/10.25105/jat.v4i2.4836

8) Imam, G. (2013). BUKU GHOZALI 2013.pdf. In *Aplikasi Multi variatate dengan Program SPSS21 Update PLS regresi*.
9) Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360. Suandy, erly.2014.Perencanaan Pajak. Jakarta: salemba Empat.
10) Melmusi, Z. (2016). Pengaruh Pajak, Mekanisme Bonus, Kepemilikan Asing Dan Ukuran Perusahaan Terhadap Transfer Pricing Pada Perusahaan Yang Tergabung Dalam Jakarta Islamic Index Dan Terdaftar Di Bursa Efek Indonesia Periode 2012- 2016. *Ekobistek Fakultas Ekonomi*, *5*(2), 1–12.
11) Nuradila, R. F., & Wibowo, R. A. (2018). Journal of Islamic Finance and Accounting. *Tax Minimization Sebagai Pemoderasi Hubungan Antara Tunneling Incentive, Bonus Mechanism Dan Debt Convenant Dengan Keputusan Transfer Pricing*, *1*(1), 63–76.
12) Purwanto, G. M., & Tumewu, J. (2018). Pengaruh Pajak, Tunneling Incentive Dan Mekanisme Bonus Pada Keputusan Transfer Pricing Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Equilibrium: Jurnal Ekonomi-Manajemen- Akuntansi*, *14*(1), 47. https://doi.org/10.30742/equilibrium.v14i1.412
13) Refgia, T. (2017). Pengaruh Pajak, Mekanisme Bonus, Ukuran Perusahaan, Kepemilikan Asing dan Tunneling Incentive terhadap Transfer Pricing. *JOM Fekon*.
14) Refgia, T., & Ratnawati, Vince, R. (2016). PENGARUH PAJAK, MEKANISME BONUS, UKURAN PERUSAHAAN, KEPEMILIKAN ASING, DAN TUNNELING INCENTIVE TERHADAP TRANSFER PRICING (Perusahaan Sektor Industri Dasar Dan Kimia Yang Listing Di BEI Tahun 2011-2014). *Jurnal Online Mahasiswa Fakultas Ekonomi Universitas Riau*, *4*(1), 543–555.
15) Ria Rosa1), Rita Andini2), K. R. (2017). *PENGARUH PAJAK, TUNNELING INSENTIVE, MEKANISME BONUS, DEBT COVENANT DAN GOOD CORPERATE GORVERNANCE (GCG) TERHADAP TRANSAKSI TRANSFER PRICING (Studi pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2013 – 2015)*.
16) Setiawan, H. (2014). Transfer Pricing dan Risikonya Terhadap Penerimaan Negara *Journal of Chemical Information and Modeling*, *53*(9), 1689–1699. Retrieved from https://www.kemenkeu.go.id/sites/default/files/2014_kajian_pprf_transfer pricing dan risikonya terhadap penerimaan negara.pdf
17) Sugiyono. (2013). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D.* Bandung: Alfabeta.
18) Suryarini, T., Mega Cahyaningrum, A., & Hidayah, R. (2020). The Effect of Tunneling Incentive to Transfer Pricing Decision with Tax Minimization As a Moderating Variable. *KnE Social Sciences*, *2020*(2010), 1–13. https://doi.org/10.18502/kss.v4i6.6584
19) Susanti, A., & Firmansyah, A. (2020). Determinants of transfer pricing decisions in Indonesia manufacturing companies. *Jurnal Akuntansi, Perpajakan Dan Auditing*, *22*(2), 51–56. Retrieved from https://doi.org/xx.xxxxx/JAPA/xxxxx.%0A
20) Tang, T. Y. H. (2016). Privatization, tunneling, and tax avoidance in Chinese SOEs. *Asian Review of Accounting*, *24*(3), 274–294. https://doi.org/10.1108/ARA-08- 2014-0091
21) Tarmidi, Dede. Fadjarenie, Agustin. Oktris Lin. 2023. Corporate Tax Policy: Impact Tunnelling Incentive, Debt Covenant, And Transfer Pricing. Jurnal Akuntansi, 27(01), 157-175. https://www.ecojoin.org/index.php/EJA/article/view/1249
22) Wicaksananingtyas, C. A., & Sari, S. P. (2019). Pengaruh Effective Tax Rate, Nilai Tukar, Tunneling Incentive, dan Mekanisme Bonus terhaddap Harga Transfer. *The 9th University Research Colloqium 2019*, 283–293.
23) Winda hartati, desmiyawati, julita. (2015). *Tax Minimization , Tunneling Incentive dan Mekanisme Bonus terhadap Keputusan Transfer Pricing Seluruh Perusahaan yang Listing di Bursa Efek Indonesia*.