

Corporate Tax Policy: Impact Tunnelling Incentive, Debt Covenant, And Transfer Pricing

Deden Tarmidi^{1*}, Agustin Fadjarenie^{2,3}, and Lin Oktris³

^{1,2,3}Department of Accounting, Faculty of Economic and Business, Universitas Mercu Buana, Jakarta, Indonesia

Email Address:

deden.tarmidi@mercubuana.ac.id^{}, agustin.fadjarenie @mercubuana.ac.id,*

lin.oktris@mercubuana.ac.id

^{}Corresponding author*

Submitted 31-12-2022

Reviewed 11-01-2023

Revised 11-01-2023

Accepted 11-01-2023

Published 12-01-2023

Abstract: Transfer pricing is considered one of the corporate policies for minimizing the tax burden. This study aims to analyze the role of transfer pricing in the influence of tunnelling incentives and debt covenants on corporate tax policy. Manufacturing companies listed on the Indonesia Stock Exchange are unit analyses in this study. Their 398-panel data after purposive sampling. Using STATA, this study found that tunnelling incentives are used in transfer pricing activities, while debt covenant and transfer pricing are used in management in tax policies. Meanwhile, debt covenant is not widely used in the transfer pricing scheme, and tunnelling incentive also does not affect management on corporate tax policy. The mediating role of transfer pricing is not found in the indirect effect of tunnelling incentives and debt covenants on corporate tax policy. This result explains that transfer pricing and debt covenants are commonly used by companies in their tax policy.

Keywords: Corporate Tax Policy; Debt Covenant; Transfer Pricing; Tunnelling Incentive.

Abstrak: Transfer pricing dianggap sebagai salah satu cara kebijakan perusahaan dalam meminimalkan beban pajak, penelitian ini bertujuan menganalisis peran transfer pricing dalam pengaruh tunnelling insentif dan debt covenant terhadap kebijakan pajak perusahaan. Manufaktur di Bursa Efek Indonesia adalah unit analisis penelitian ini, ada 398 data panel dianalisis setelah dilakukan purposive sampling. Menggunakan STATA, penelitian ini menemukan bahwa tunnelling insentif digunakan manajemen dalam kegiatan transfer pricing, dan kebijakan pajak yang diambil manajemen secara signifikan adalah transfer pricing dan debt covenant. Sedangkan debt covenant tidak banyak digunakan dalam skema transfer pricing unit analisis dan tunnelling incentive juga tidak mempengaruhi manajemen terhadap kebijakan pajak perusahaan. Peran mediasi transfer pricing tidak ditemukan pada pengaruh tidak langsung tunnelling insentive dan debt covenant terhadap kebijakan pajak perusahaan. Hasil ini menjelaskan bahwa transfer pricing dan debt covenant sudah biasa digunakan perusahaan dalam kebijakan pajaknya.

Kata Kunci: Kebijakan Pajak Perusahaan; Debt Covenant; Transfer Pricing; Tunnelling Incentive.

INTRODUCTION

Tax is one of the burdens for taxpayers, so tax policy is taken by management to increase earnings without contradicting existing regulations. This for the state is one of the reasons for the reduction in state revenue so far, but even the Government as a regulator has taken various policies, including tax law enforcement (Putra and Tjaraka, 2020), and resulted in the amount of tax revenue reaching the target in 2021 as shown in Figure 1 below.



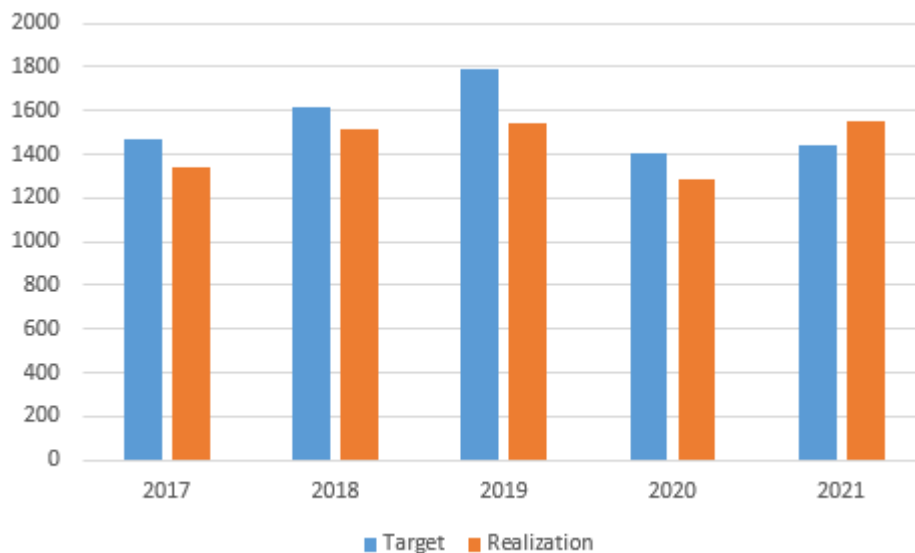


Figure 1. Target Vs Realization of Indonesia's Tax Revenue 2017-2021

Source: Kementerian Keuangan (LKPP, 2022)

Figure 1 shows, it is known that the achievement of tax revenue usually does not reach the amount according to the Government's target even for the last 12 years. Only in 2021, the revenue reached the specified target. The achievement of the tax revenue target in 2021 is said to be due to several things, namely economic recovery in 2021 after the COVID pandemic hit Indonesia at the beginning of 2020, tax relaxation which has a positive knock-on effect on tax revenue, and optimal supervision from the Directorate General of Taxes (Akbar, 2021).

As the tax policy taken by the Government so that tax revenues continue to increase and reach the set target, various tax policies are also taken by companies as taxpayers so that the corporate tax burden does not reduce company performance. Various tax policies are taken by management, especially companies whose shares are owned by foreign parties. Tax policies are carried out for various purposes to minimize direct tax burdens such as Income Tax or to minimize indirect tax burdens such as tax penalties arising from taxpayer errors in calculating, paying and reporting taxes payable. Corporate tax policy is strongly related to company performance, both past performance and future performance targets (Waluyo, 2017), and also real earnings management (Permatasari and Trisnawati, 2022).

Transfer pricing is one of the policies taken by companies, especially companies whose shares are widely owned by foreign parties (Waluyo and Doktoralina, 2018). Multinational enterprises (MNEs) manipulate transfer pricing to take advantage of differences in tax rates between countries. Generally, group companies in countries with high tax rates will have small amounts of profit, while group companies in countries with low tax rates will have high amounts of profit so that the group tax burden is low and group profits are high (Choi et al., 2020). Literature found that the size of the transfer pricing value affects the company's tax policy in conducting tax avoidance (Nurrahmi and Rahayu, 2020). However, others did not find a significant effect of transfer pricing in the company's tax avoidance policy (Irwan et al., 2020; Widiyantoro and Sitorus, 2019). Some transfer pricing cases in Indonesia that stick out in the media and also the tax court are the Bentoel and Toyota cases.

In addition to transfer pricing in the sale and purchase of products (goods or services), the tax policy that is also carried out by the company is a tunnelling incentive. Tunnelling incentive is the activity of transferring assets and profits out of the company for the benefit of the controlling shareholders of the company by minimizing transaction costs so that the tax burden and profits can be determined in accordance with the wishes of the company. The incentive to tunnel exists in two forms: first, controlling shareholders can transfer resources from the company to themselves through transactions between the company and the owner. These transactions can be done through asset sales, transfer pricing agreements, excess management fees, loans and more. Another form is that controlling shareholders can increase their investment in the company without removing their assets by issuing dilutive shares or making other financial transactions that cause losses to non-controlling shareholders (Andayani and Sulistyawati, 2020). Some literature found that tunnelling incentive is done by companies in transfer pricing procedures as a tax policy (Mintorogo and Djaddang, 2019; Rahma and Wahjudi, 2021; Saraswati and Sujana, 2017). With the increasing practice of tunnelling incentives, the company will do more transfer pricing with companies that have a special relationship. Tunnelling incentive policy occurs more in high-concentrated ownership structures than in low-concentrated structures (Andayani and Sulistyawati, 2020). However, the opposite result is found (Putri, 2019) research which found a negative effect of tunnelling incentives on transfer pricing decisions. Even the others did not find the effect of tunnelling incentives on transfer pricing (Junaidi and Zs, 2020; Komarudin et al., 2022; Nurjanah et al., 2022). Furthermore, other research shows that the high tunnelling incentive cannot directly influence management in making tax policies due to the high information asymmetry between management and owners (Sanggenafa and Majidah, 2022).

Another tax policy taken by the company is debt covenants, namely manager actions against creditor interests, such as excessive dividends, additional loans, or allowing working capital and owner wealth to fall below a predetermined level, with the aim of reducing security (or increasing risk) for existing creditors from agreements to protect lenders or creditors (Junaidi and Zs, 2020). The literature found a positive effect of debt covenants on the company's decision to do transfer pricing. The higher the company's debt ratio, the company manager will choose accounting methods that can increase a company's profit (Junaidi and Zs, 2020). Creditors, like owners, also have the power to influence management in policy making because the capital used in running a business is the result of creditor negotiations, so there are things that management is finally forced to consider over the control of these creditors (Ersahin et al., 2021). Even so, the influence of debt covenants does not always have an influence on the company's decision to do transfer pricing (Mintorogo and Djaddang, 2019; Sujana et al., 2022).

Generally, the literature analyzed tax avoidance, tax evasion to tax compliance on each policy compartmentalized, this study seeks to analyze tax policy as a whole which is not limited to avoidance, evasion or compliance. Although both use indicators of the amount of income tax expense in the company's financial statements, the amount of income tax is not limited to avoidance, evasion or compliance in this study but all are part of the company's tax policy analyzed according to the statistical results in this study. The difference in the literature on the influence of tunnelling incentive, debt covenant and transfer pricing, which are policies commonly used by management in its tax policy, encourages researchers to re-analyze by discussing the role of transfer pricing in these policies.



THEORETICAL REVIEW

Agency Theory. The agency theory initiated by Jensen and Meckling reveals the existence of a contract between resource owners, namely shareholders and managers, to use and control these resources. There are different interests between shareholders and managers. Shareholders want a large profit distribution, while managers have a rational nature, so they want a large bonus distribution from the shareholders because they have performed well. Based on agency theory, there is also information asymmetry between management and owners because management is an internal party that manages the company internally and has the authority to make company policies, including tax policies. The potential for agency conflict over information asymmetry is quite high because each party has its own goals and authority. The tax policy taken by management certainly has certain risks and can ultimately have an impact on the company and the owner as the owner of the capital or the bank that provides the loan. The tax policy taken by management is generally with the aim of minimizing the burden on taxes so that it can produce a high net profit for the company, and managers will get rewards from the owner (Jafri and Mustikasari, 2018).

The Effect of Tunnelling Incentive on Transfer Pricing. Transfer pricing in tunnelling incentives is done because of agency problems between majority shareholders and minority shareholders. This is due to the different interests and objectives of each party. Transfer pricing transactions by way of tunnelling incentive, for example, is the purchase of inventory from the parent company at a price that is much higher than the fair price, and the cost of raw materials will also greatly affect the profit obtained by the subsidiary which will be very large. This is beneficial for the parent company, but minority shareholders are clearly disadvantaged by this practice because the dividends they will receive will be smaller or even there will be no dividend distribution due to the company experiencing losses with the number of inventory costs incurred by the company (Refgia et al., 2017). In previous research conducted by (Saraswati and Sujana, 2017), research results show that tunnelling incentive affects transfer pricing. In line with these results, the others also found a positive effect of corporate tunnelling on transfer pricing. This indicates that companies with a high amount of tunnelling tend to do transfer pricing, of course with the interests of majority shareholders who have great control over the company (Andayani and Sulistyawati, 2020; Mintonoro and Djaddang, 2019; Rahma and Wahjudi, 2021).

Companies with concentrated ownership tend to tunnel through transfer pricing. When shareholders have a great controlling power in a company, the company's operations tend to transfer the company's assets and profits to related parties from the company through transfer pricing. The company's related party transactions tend to drive the company's assets and profits out of the company by setting unfair prices in favour of controlling shareholders instead of distributing dividends to minority shareholders. (Jafri and Mustikasari, 2018; Saraswati and Sujana, 2017; Sujana et al., 2022; Tarmidi and Novitasari, 2022). Examples of tunnelling are withholding dividends, transferring assets from companies they control to companies owned by majority shareholders or still in the same group as majority shareholders by ignoring price fairness and placing family or relatives in important positions in the company even though they are not qualified.

H1a: Tunnelling incentive affects transfer pricing practices.



The Effect of Tunnelling Incentive on Corporate Tax Policy. Tunnelling incentives arise due to the desire of majority shareholders to benefit more than other shareholders. With their power, majority shareholders have the opportunity to influence management in various policies, one of which is corporate tax policy. With tax positioned as a corporate burden, the majority owner will also bear the burden in the form of a reduction in dividends received (Tarmidi et al., 2022). Of course, the tax burden in question is not only the income tax burden that is clearly regulated in the tax rules but far from that, such as the tax penalty burden, which is a future risk for the wrong tax policy taken. So a high tunnelling incentive can encourage management to make tax policies. Likewise (Rifan, 2019; Tang, 2016) explain that tunnelling incentives are used by management in corporate tax policy. The higher value of the tunnelling incentive indicates the high influence of majority shareholders on management, so that with this power it causes a lot of input and even encouragement in every management policy, including tax policy, with the main objective of getting more profit for the majority shareholder (Rohmani and Amin, 2022; Suropto and Novitaria, 2021; Ullah et al., 2021).

H1b: Tunnelling incentive affects corporate tax policy

The Effect of Debt Covenant on Transfer Pricing. Debt covenant also influences the decision on transfer pricing because companies that have a high debt ratio cause the tendency of a company manager to choose a violation of accounting procedures by reporting changes in earnings from the future to the present. The reason is that the increase in reported profit will reduce technical negligence so as to encourage management to take transfer pricing actions. Especially in companies with high foreign ownership, transfer pricing actions are also carried out in terms of loans and borrowing costs. By utilizing high loan interest rates, transfer pricing activities are carried out by charging them domestically so that profits will move to affiliates abroad. Some literature in their research found the effect of debt covenants on corporate transfer pricing practices (Hakim et al., 2022; Hartika and Rahman, 2020). A debt covenant is a requirement that must be met by the company to maintain its general ratios associated with the company's accounting data, such as the ratio of debt to total capital. The higher the company's debt, the stricter the conditions proposed by creditors (Junaidi and Zs, 2020; Ramdhany and Andriana, 2022).

H2a: Debt covenant affects transfer pricing practices.

The Effect of Debt Covenant on Corporate Tax Policy. Specifically, how creditors have the power to influence tax policies taken by management in various ways. First, managers take tax policies to comply with tax rules because the tax planning costs are quite high (Blaylock, 2016), so creditors encourage management to take tax policies that do not carry high risks in the future. Second, tax policy is generally associated with direct tax savings and agency costs arising from tax uncertainty, so it has an impact on the risk of loan payments to creditors. Meanwhile, the tax policies adopted by management may contain hidden goals of management personally and not for the benefit of the company and the owner, so they can be detrimental to the owners of capital, including creditors. Thus, management may adopt tax policies to minimize agency costs, although creditors may encourage other tax policies. Tax policy by way of tax avoidance can increase the company's solvency and secure the expected payments to creditors (Lin et al., 2017).



In addition, higher corporate loans encourage creditors to increase oversight of management in making tax policies so as not to endanger creditors. On the other hand (Ersahin et al., 2021) also found that creditor intervention had an effect on increasing firm value. Therefore, creditors have a strong role in corporate tax policymaking. In line with (Cook et al., 2020), which indicates that creditors play an active role in shaping corporate tax policy outside of bankruptcy with debt covenants. In addition, loan expenses used for business activities can be expensed in calculating taxable income, so in the end, this is used by management in making tax policies (Isin, 2018; Rahma and Wahjudi, 2021; Sari and Kurniatio, 2022).

H2b: Debt covenants affect corporate tax policy

The Effect of Transfer Pricing on Corporate Tax Policy. Transfer pricing is one of the corporate tax policies used to minimize tax risk, either income tax burden or tax penalty. Transfer pricing is the most popular tax issue and the main scheme used by companies, especially Multinational enterprises (MNEs). Taxpayers manipulate transfer prices to take advantage of differences in tax rates between countries, and the regulatory implications of countering profit shifting (Amidu et al., 2019; Choi et al., 2020) state that transfer pricing manipulation is the most dominant or frequently used tax avoidance strategy. Multinational companies can simultaneously use various Tax Avoidance schemes in business activity. Transfer pricing abuse is positively related to company policies in the form of tax avoidance (Amidu et al., 2019; Herianti and Chairina, 2019). Transfer pricing is often referred to as a reasonable action in tax avoidance activities because companies practice transfer pricing with the aim of manipulating the amount of profit so that tax payments to the state are low. For this purpose, transfer pricing is widely used in making corporate tax policies (Nurrahmi and Rahayu, 2020).

H3: Transfer pricing affects corporate tax policy

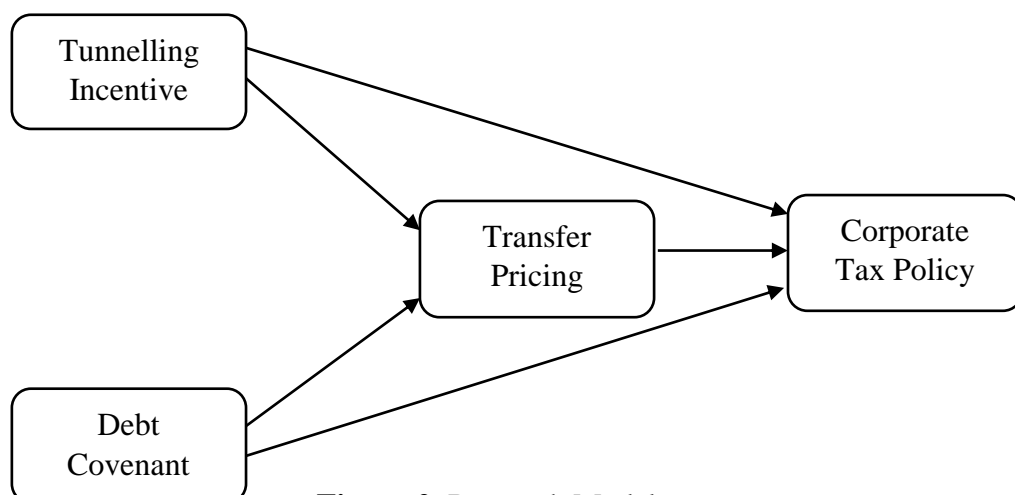


Figure 2. Research Model

METHODS

The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange, totalling 168 companies. This study uses manufacturing companies because most foreign investors are made in companies engaged in manufacturing and have substantial internal links with parent companies abroad. The purposive sampling was carried out to select a sample of companies that fit the criteria, namely (1) manufacturing listed on the Indonesia Stock Exchange in 2018 to 2020, (2) majority-owned shares of at least 20 per cent, and 3) have complete research data. Using panel data, this study analyzes 398-panel data from a sample of companies that are according to the criteria, as shown in **Table 1**.

Table 1. Sampling Criteria

	Purpose	Amount
1.	Manufacture Companies listed at Indonesian Stock Exchange (IDX)	168
	Year of Analysis	3
	Amount of data panel (168 X 3)	504
2.	Share majority under 20 Percent	-106
3.	Company with not complete data analyzed	0
	Data panel analyzed	398

This study is a type of causality research to analyze the cause and effect of the unit of analysis, in this study, the independent variables and intervening variables are analyzed as causes and the dependent variable as a result. In this study, there are 3 types of variables, namely corporate tax policy which is the dependent variable, it is a management policy to minimize the tax burden, either directly minimizing the Income Tax burden or indirectly to minimize tax penalties which will ultimately reduce the overall tax burden for the company, measured by the Effective Tax Rate (Tarmidi et al., 2022), which divides the tax expenses by earnings before tax.

$$ETR = \frac{\text{Total Tax Expense}}{\text{Earnings Before Tax}} \times 100 \text{ per cent} \dots\dots\dots (1)$$

Then there are independent variables, namely tunnelling incentives as measured by the largest share ownership divided by the total share ownership, at least 20 per cent (Refgia et al., 2017).

$$TI = \frac{\text{Largest Share Ownership}}{\text{Total Ownership}} \times 100 \text{ per cent} \dots\dots\dots (2)$$

Debt covenants as a part of the independent variable measured by DER, which is dividing the amount of debt by the amount of equity (Siska and Suwarno, 2022).

$$DC = \frac{\text{Debt}}{\text{Equity}} \times 100 \text{ per cent} \dots\dots\dots (3)$$



In addition, there is transfer pricing which is an intervening variable, i.e. the number of company transactions with related parties, measured by dividing the number of sales to affiliated parties by the amount of equity (Sari et al., 2020). There are actually many types of transfer pricing transactions carried out by companies both in practice and by many researchers. Sales transactions to affiliates, material purchase transactions to affiliates, and payment transactions for service fees or intangible goods such as royalties, brand license loans and dividends are widely used by companies that have affiliates abroad and are related to corporate tax policies. In the scientific realm, several indicators are used in measuring transfer pricing transactions, as done by (Sari et al., 2020), who analyzed several types of corporate transfer pricing activities in 10 countries from 2010 to 2014. In the study, there are four indicators used in measuring transfer pricing, namely, transfer pricing sales, transfer pricing purchase, transfer pricing expense, and transfer pricing fee. However, transfer pricing in this study is only measured by transfer pricing sales, considering that this transaction is done more in the analysis unit in the analysis year compared to other types of transfer pricing.

$$TP = \frac{\text{Sales to Affiliated Parties}}{\text{Equity}} \times 100 \text{ per cent} \dots\dots\dots (4)$$

Research Model

Model 1,

$$TP_t = \alpha + \beta_1 TI_t + \beta_2 DC_t + \varepsilon \dots\dots\dots (5)$$

Model 2,

$$CTP_t = \alpha + \beta_1 TI_t + \beta_2 DC_t + \beta_3 TP_t + \varepsilon \dots\dots\dots (6)$$

Where TP_t is transfer pricing at year- t_0 , TI_t is tunnelling incentive at year- t_0 , DC_t is debt covenant at year- t_0 , and CTP_t is corporate tax policy at year- t_0 .

The use of panel data in this analysis stems from the advantages of panel data over other types of data where model selection is adapted to existing data. This is because panel data is a combination of time series and cross-sectional data. Data analysis is performed using STATA in several steps, namely selection of the best model using the Chow test, LM test and Hausman test. The three best models are selected in three tests: The Common Effects Model (CEM), the Fixed Effects Model (FEM) and Random Effects Model (REM).

The Common Effect model is a basic panel data regression model or estimation method that continues to use the principle of ordinary least squares (OLS). Therefore, this method is also called combined least squares. The interaction model combines cross-sectional data with time series and uses the OLS method to estimate the panel data model. This model is the simplest model compared to the other two models. This model cannot distinguish between cross-sectional and time-point variance because it has a fixed intercept and does not vary randomly. The joint effect method is the simplest approach because it combines cross-temporal data with time series data independent of time and individual size. The panel data regression coefficient for the common effects model contains (Ghozali and Ratmono, 2017) (1) Coefficient: is the beta coefficient of the panel data regression against the variables in the variables column. This coefficient value is used to form the panel data regression equation. (2) Standard error: is the standard error of the coefficient value in the coefficient column, (3) t-statistic: is the panel data regression partial t-value for each variable in the variable column. This t-value indicates the partial effect of the



predictor variable on the response variable in a panel data regression model. (4) Prob: is the p-value or significance level of the partial t in the t-statistics column. The p-value indicates the significance level of the partial t in answering the hypothesis of the partial test. If the p-value is less than the critical limit, say 0.050, then the answer to the hypothesis is to accept H1, which means that the predictor variable has a statistically significant effect on the response variable.

The fixed effect approach is that the object has a constant that remains large over several time periods. As with the regression coefficient, the magnitude remains constant (time-invariant) from time to time. A fixed effects model is one that has different intercepts for each subject (cross-section), but the slope for each subject does not change over time. This model assumes that the intercept is different for each item while the slope remains the same across items. Sample variables are used to distinguish one subject from another. Fixed effects assume that differences in intercepts can be adjusted for between individual differences (cross-sectional).

In order to estimate the Fixed Effects Model with different intercepts between individuals, the dummy variable technique is used. This estimation model is often called the Least Squares Dummy Variable technique, or LSDV for short. If a study uses ten cross-sections, the number of dummy variables is 9 to avoid the dummy variable trap, which is the condition where perfect collinearity occurs. The fixed effect model is different from the general effect but still uses the principle of ordinary least squares. The modelling assumption of a constant cross-section for each cross-section and time is considered unrealistic, so a model that can better capture the difference is necessary.

Panel data models that include time-varying correlation of error terms due to different observations can be overcome with an error component model, also known as a random effects model. It is assumed that both individual errors and combinations of errors are uncorrelated. Using the random effects model can save the use of degrees of freedom and not reduce the sum as it is done in the fixed effects model. This means that the parameter estimation results are more efficient.

After selecting the best model, classical hypothesis testing, such as multicollinearity, autocorrelation and heteroskedasticity, is performed. The purpose of this multicollinearity test is to test whether or not there is a high or perfect correlation between the independent variables in a regression model. A high correlation between independent variables can be detected in several ways, one of which is the use of the variance inflation factor (VIF). According to (Ghozali and Ratmono, 2017), tolerance measures the variation in selected independent variables that is not explained by other independent variables. If the VIF is less than ten and the tolerance value is greater than 0.100, there is no multicollinearity. The purpose of the autocorrelation test is to test if there is a correlation between mixed errors (residuals) of period t and errors of period t-1 in the linear regression model (Ghozali and Ratmono, 2017). If there is a correlation, there is an autocorrelation problem. A regression model is considered good if there is no autocorrelation. A heteroscedasticity test means that there are variances in the regression model that are not the same. If, on the contrary, the variables in the regression model have the same value, this is called homoskedasticity (Ghozali and Ratmono, 2017).

To prove the hypothesis, a t-test, range test, F-test and coefficient of determination were performed. An F-test is called a simultaneous test or one-sample test/Anova test, which is a test to see how all the independent variables together affect the dependent variable. Or to test whether the regression model we made is fit/significant or not fit/not



significant. If the model is significant, the model can be used for prediction/prediction. Otherwise, if it is not appropriate/insignificant, the regression model cannot be used for prediction. An F-test can be performed by comparing the F-number to an F-table. The model is significant as long as the significance column (percentage) is less than Alpha (10 per cent or 5 per cent, or 1 per cent). Conversely, if the F-number is less than in the F table, the model is not significant, as indicated by the value (percentage) in the significance column being greater than the Alpha. A t-test is called a partial test that tests how each independent variable affects the dependent variable separately.

This test can be done by comparing the t-score to a t-table or by looking at the significance column for each t-score. R-squared is also known as the coefficient of determination, which explains how well the dependent data can be explained by the independent data. R-squared is between 0.000 and 1.000 with the proviso that closer to 1 is better. An R-squared of 0.600 means that 60 per cent of the distribution of the dependent variable is explained by the independent variable. The remaining 40 per cent cannot be explained by the independent variable or can be explained by variables outside the independent variable (error component). If the r-squared value is small, it means that the error component is large. For example, in this study, the adjusted R-squared value is 0.500. The adjusted R-squared value helps to solve the problems often encountered with the R-squared value, namely the constant increase in value when independent variables are added to the model, while the adjusted R-squared can measure the confidence level of the additional independent variables to increase the predictive power of the model.

RESULTS

Manufacturing companies listed on IDX.co.id are the largest sector on the Indonesian stock exchange (IDX), making it suitable for analysis. The use of STATA software begins with determining the best model, then testing classical assumptions and ending with the coefficient of determination test, fit test, and t-test. Based on purposive sampling, 398 data from financial statements were processed and analyzed using STATA software, as shown in **Table 2**.

Table 2. Descriptive Statistics

Variable	Min	Max	Mean	Std. Dev
CTP	-12.347	3.734	-0.274	1.037
TP	-120.293	38.698	2.427	7.936
TI	0.200	0.997	0.536	0.225
DC	-139.422	8747.915	83.091	607.926

CTP = Corporate Tax Policy, TP=Transfer Pricing, TI=Tunnelling Incentive, DC=Debt Covenant

Table 2 shows, it can be seen that the amount of CTP in manufacturing companies on average is -0.274, this value is still below the statutory tax rate for Income Tax article 17, which is 0.250, so it can be concluded that on average, manufacturing companies take tax policies to minimize the burden of Income Tax even so, whether there is a role of transfer pricing, tunnelling incentives and debt covenants in the company's tax policy. At the same time, the average transfer pricing value is 2.427 which explains that the affiliate



sales transaction of the analysis unit is 2X the amount of equity. With an average value of 0.536, it explains that the largest shareholding in the analysis unit used as an indicator of tunnelling incentive is 53.600 per cent, which means that the authority of the largest shareholder is high enough in the entity so that it can influence management policies, including tax policies. With an average value of 83.091, it explains that the DER value, which is an indicator of debt covenant in this study, is quite large, which is 83X compared to the entity's equity. The value of debt that is much higher than the equity of the analysis unit can affect the analysis of debt covenants because it means that operating capital is carried out with loans rather than from shareholders.

Then as shown in **Table 3**, the best model selection analysis is carried out with the Chow test to compare the Fixed Effect Model (FEM) with Common Effect Model (CEM), the LM test to compare Random Effect Model (REM) with Common Effect Model (CEM), and Hausman test for comparing Fixed Effect Model (FEM) and Random Effect Model (REM), as in table 2. Based on three types of model selection tests, the Common Effect Model is selected by the Chow test. The Common Effect Model is selected by the LM test and Random Effect Model is selected by the Hausman test. Based on these selections, it was found that the Common Effect Model was the best model in the data analyzed after selecting two tests, Chow and LM.

Table 3. Selection of the Best Model

Test	Comparison	Criteria	Result	Selected
Chow	FEM Vs CEM	Prob. F less than 0.050	Prob.F = 0.333	CEM
LM	REM Vs CEM	ProbChibar2 less than 0.050	ProbChibar2 = 1.000	CEM
Hausman	FEM Vs REM	ProbChi2 less than 0.050	ProbChi2 = 0.0582	REM

FEM=Fixed Effect Model, CEM=Common Effect Model, REM=Random Effect Model

After it is found that the Common Effect Model is the best model, then the classical assumption test is carried out, as shown in **Table 4**. The classic assumption tests carried out on the Common Effect Model are the multicollinearity test, heteroscedasticity test, and autocorrelation test, while the normality test is not mandatory for data with the CEM model because it uses the original least square / OLS approach.

Table 4. Classical Assumption Test

Test	Indicator	Result	Description	Solution
Multicollinearity	VIF less than 10	Range 1.020 to 1.240	Ok	
Autocorrelation	Prob. F more than 0.050	Prob. F is 0.582	Ok	
Heteroscedasticity	Prob Chi2 more than 0.050	ProbChi2 is 0.000	Not	Robust



This classic assumption test begins with a multicollinearity test with the aim of testing for a high correlation or perfect correlation between independent variables in the regression model (Ghozali and Ratmono, 2017). The data is declared to pass the multicollinearity test if the Variance Inflation Factor (VIF) value is less than 10. Based on table 4, it is known that the VIF value is in the range of 1.020 to 1.040, so it is stated that it passes the test. Then proceed with the autocorrelation test to test the correlation between residuals in period t and the previous period (Ghozali and Ratmono, 2017). The data passes the autocorrelation test if it has a ProbF value of more than 0.050. Based on Table 4, it is known that the ProbF value is 0.528 and above 0.050, so the data passes the autocorrelation test. Furthermore, the heteroscedasticity test is carried out to test the variance of variables in the regression model (Ghozali and Ratmono, 2017), which should not be the same. The data passes the heteroscedasticity test if the ProbChi2 value exceeds 0.050. Based on **Table 4**, it is known that the ProbChi2 value is 0.000, so it is stated that the data is problematic, and then the solution is robust.

Then the t-test, F-test and coefficient of determination are carried out to prove the hypothesis made, and as a discussion of the main results of this study, as the model selection test, the one analyzed for the main hypothesis is the common effect model (CEM).

Table 5. Coefficient Determination

Information	Model 1	Model 2
N	398	398
R-Square	0.0160	0.0270
Prob F	0.0380 **	0.0100 **

** Significant 90 percent, ** Significant 95 percent, *** Significant 99 percent*

Table 5 shows, it is known that the first research model has an R-Square value of 0.016, where the tunnelling incentive and debt covenant explain transfer pricing by 1.600 per cent and transfer pricing activities are carried out in other ways as much as 98.400 per cent. While in model 2, the R-Square value is 0.027, which explains that tax policy with tunnelling incentive, debt covenant, and transfer pricing procedures is only 2.790 per cent and other tax policies are 97.210 per cent. In the F-test, it is known that the first model with a significant value of 0.038 and the second model with a significance value of 0.010 explains that these two research models are fit and feasible. **Table 5** also explains that model 2 is better than model 1 from R-square and F-Test.

Table 6. Model 1 Hypothesis

Information	Coefficient	Prob t-stat
TI -> TP	4.533	0.000 ***
DC -> TP	-0.001	0.896

CTP=Corporate Tax Policy, TP=Transfer Pricing, TI=Tunnelling Incentive, DC=Debt Covenant, * Significant 90 percent, ** Significant 95 percent, *** Significant 99 percent

Table 6 shows, it is known that the coefficient value of the effect of tunnelling incentive on transfer pricing is 4.533, and with a significance value of 0.000, it explains



that tunnelling incentive has a positive effect on transfer pricing. These results indicate that *hypothesis 1a is accepted*. Meanwhile, the coefficient value of -0.001 and the significance value of 0.896 explain that debt covenant does not significantly affect transfer pricing, so *hypothesis 2a is rejected*.

Table 7. Model 2 Hypothesis

Information	Coefficient	Prob	t-stat
TI -> CTP	-0.334	0.152	
DC -> CTP	0.001	0.012	**
TP -> CTP	0.013	0.040	**

CTP=Corporate Tax Policy, TP=Transfer Pricing, TI=Tunnelling Incentive, DC=Debt Covenant,
 * Significant 90 percent, ** Significant 95 percent, *** Significant 99 percent

Table 7 shows, it is also known that the coefficient value of the effect of tunnelling incentives on corporate tax policy is -0.334, and with a significant value of 0.152, it explains that tunnelling incentives have no significant effect on corporate tax policy, these results indicate that *hypothesis 1b is rejected*. Meanwhile, with a coefficient value of 0.001 and a significance of 0.012, it explains that debt covenants have a significant positive effect on corporate tax policy and states that *hypothesis 2b is accepted*. Meanwhile, with a coefficient value of 0.013 and a significance value of 0.040, it explains that transfer pricing activities are indeed used in corporate tax policy, so *hypothesis 3 is accepted*.

Table 8 explains the role of transfer pricing as an intervening variable. In **Table 8**, it is known that transfer pricing does not mediate the effect of tunnelling incentive or debt covenant on corporate tax policy. This explains that debt expenses are used by management as a part of corporate tax policy and are not always connected with a related party or transfer pricing transaction. As the result of model 2, debt convention has a direct effect on corporate tax policy, but it does not affect if mediated by transfer pricing activities. Meanwhile, the tunnelling incentive, as the result of model 2, has no effect on corporate tax policy and also has no effect when mediated by transfer pricing activities.

Table 8. Intervening Role

Info	Direct Effect		Indirect Effect		Total Effect	
	Coeff	P	Coeff	P	Coeff	P
TP -> CTP	0.135	0.038**			0.135	0.038**
TI -> TP -> CTP	-0.334	0.149	0.061	0.107	-0.273	0.237
DC -> TP -> CTP	0.0002	0.011**	0.000	0.896	0.0002	0.012**

CTP=Corporate Tax Policy, TP=Transfer Pricing, TI=Tunnelling Incentive, DC=Debt Covenant, * Significant 90 per cent, ** Significant 95 per cent, *** Significant 99 per cent

DISCUSSION

As the model 1 hypothesis test results in **Table 6** found that tunnelling incentives have a positive effect on transfer pricing. This result explains that incentive tunnelling activities are indeed carried out for transfer pricing policy where the higher the share value

of the majority shareholder, the higher the transfer pricing transaction. It is as generally that with transfer pricing, the business profit will be increasingly controlled by the largest shareholder. The higher the number of shares owned by the majority shareholder makes the owner's power very high, and one of the policies carried out is transfer pricing, sales transactions, purchases, and use of services to the use of intangible goods are finally made to affiliated parties, especially those related to the majority shareholder.

These results are in line with the literature that found the influence of tunnelling incentives on transfer pricing (Andayani and Sulistyawati, 2020; Jafri and Mustikasari, 2018; Mintorogo and Djaddang, 2019; Rahma and Wahjudi, 2021; Refgia et al., 2017; Saraswati and Sujana, 2017; Sujana et al., 2022; Tarmidi and Novitasari, 2022). These results indicate that companies with a high amount of tunnelling tend to do transfer pricing by diverting profits to majority shareholders, either by way of sales or other asset transfers. The power owned by majority shareholders encourages management to do a lot of transfer pricing so that the profit can be shifted to the majority owner. This action is detrimental to other minority shareholders who do not have the power so that the dividends received become small because the company's profits have been shifted to special relationship transactions.

Even so, the increasing number of corporate tax policy schemes makes the tunnelling incentive scheme less used by manufacturing companies in Indonesia, so in this study, no significant effect of tunnelling incentives on corporate tax policy was found, showed in **Table 7**. This is expected because the value of the tunnelling incentive that occurs in the analysis unit during the observation year with an average value of 0.536 means that the incentive that occurs is more than 50 per cent. This proves the agency theory where the number of majority shares which is an indicator of tunnelling incentive, cannot directly influence management in making company policy. Although majority owners generally have the power to control so that many company transactions are carried out with affiliated companies, this does not encourage management to make tax policies.

Corporate tax policy is taken by management as an internal party who knows and understands very well the internal situation of the company and the company's planning objectives for the future so that no matter how many shares are owned by shareholders cannot influence management decisions in making tax policy. This result is indeed anomalous and contradicts (Rifan, 2019; Tang, 2016). The uniqueness of manufacturing companies in Indonesia and the tax policies in them are thought to be the cause of this result. Although the tax policy taken can facilitate tunnelling, there is a risk of costs in the future, so in this study, the tax policy taken by management is not affected by the tunnelling incentive because of the high risk that management is worried about being borne by the company in the future. The weak influence of majority shareholders in influencing corporate tax policy is thought to be due to better tax reform and encouragement from the stock market related to tax cases that have an impact on the entity's operating profit (Huang, 2019). The result means that the high tunnelling incentive cannot directly influence management in making tax policies due to the high information asymmetry between management and owners (Sangganafa and Majidah, 2022).

Other results shown in **Table 6** explain that debt covenant has no significant effect on transfer pricing, but has a significant effect on corporate tax policy. This result explains that the high amount of corporate debt is not used in the practice of transfer pricing by the company. This result is in line with studies that don't find the effect of debt covenant on transfer pricing (Mintorogo and Djaddang, 2019; Sujana et al., 2022). The lack of effect



of debt covenant on transfer pricing is because the company borrows business capital from a non-affiliated bank, so it is not related to transfer pricing. Generally, the bank only has the right in the form of loan interest expense, and the amount is in accordance with the market price. It will be different if the loan is made to an affiliate, whether it is in the financial sector or other sectors. If it is connected with descriptive statistics in Table 2, it is known that, on average, the value of the debt covenant is 83X from the value of DER (debt divided by equity), which explains that the amount of the loan is 83X higher than the equity, meaning that the company's loan is much higher than the owner's share (share in equity), so that the owner's power in transfer pricing activities is not related to the amount of loan obtained by the company.

However, the amount of debt used in the company's tax policy showed in **table 7**. Interest on loans for the company's business activities can be used as a deduction from taxable income, as explained in article 4, paragraph (1) of the Income Tax Law. This result is in line with the literature, which indicates that corporate debt policy is carried out by management in corporate tax policy to minimize taxable income (Cook et al., 2020). Although the loan amount is not related to the company's transfer pricing activities, the loan expense can still be used as a consideration in making corporate tax policy, provided that the loan that is the basis of the loan expense is related to business activities, such as used for the purchase of capital goods or business as described in the Income Tax Law article 4 paragraph (1).

The results of this study found that debt covenants affect management in policy making. Creditors use their power to influence management to take tax policies in the form of tax planning (Blaylock, 2016) either by means of tax avoidance (Lin et al., 2017) or other means in connection with loans to banks. This result is in line with a study which indicates that the active role of creditors has an impact on corporate tax policymaking (Cook et al., 2020; Isin, 2018; Rahma and Wahjudi, 2021; Sari and Kurniatio, 2022).

Table 7 also found a positive effect of transfer pricing on corporate tax policy. This result strengthens the presumption that the company conducts transfer pricing in one of the company's policies, not only to minimize the income tax burden but also by minimizing the tax penalty, which is a negative impact on tax policies that are not in accordance with applicable tax regulations. This result is in line with some studies whose research explains that transfer pricing is taken by management in corporate tax policy to minimize the company's burden (Amidu et al., 2019; Choi et al., 2020). Transfer pricing is generally carried out by companies that are Multinational Companies or Domestic Companies for the purpose of shifting profits, especially in companies with higher tax rates to companies with lower tax rates (Amidu et al., 2019; Herianti and Chairina, 2019; Nurrahmi and Rahayu, 2020), although not only for that transfer pricing is used in company policy.

As in the case of transfer pricing in Indonesia by Bentoel and Toyota Manufacture, based on the Tax Justice Network report in 2019, it was reported that Bentoel took tax policies that harmed the state with transfer pricing transactions in the form of affiliate loans, namely with Rothman Far East BV, payment of royalty fees to BAT Holdings Ltd, payment of engineering and consulting fees to BAT Investment Ltd, all of which were affiliated parties with the allegation that the transaction value was not reasonable and harmed the state (Prima and Dewi, 2019). Another transfer pricing case that surfaced in Indonesia was the case of Toyota Motor Manufacturing Indonesia for the payment of royalty fees, purchase of raw materials and unreasonable sales of affiliates.



Based on **Table 8**, it is found that transfer pricing does not mediate the effect of tunnelling incentives or debt covenants on corporate tax policy. This result proves that incentive tunnelling activities are part of corporate tax policy in the form of transfer pricing, where related party transactions are usually arranged to minimize the corporate tax burden as a group. While debt covenant, although it is one of the corporate tax policies, is not always a transfer pricing transaction between affiliated parties because a debt covenant can also occur due to loans with banks that are not affiliated parties. This result is in line with the literature that transfer pricing cannot mediate the impact of tunnelling incentives and also debt covenants on tax avoidance (Sanggenafa and Majidah, 2022).

CONCLUSION

Conclusions. Based on the results of the main hypothesis test and intervening test, this study found the following results the tunnelling incentive is part of transfer pricing practice, so the increase of tunnelling incentive may also increase transfer pricing practice. This study does not find a significant effect of debt covenant on transfer pricing practices because the interest expense incurred on the value of the loan can also be done at a bank that is not an affiliated party. The study found that transfer pricing is one of the corporate tax policies, so the increasing value of transactions between affiliated parties can increase the corporate tax policy to minimize the burden and risk of the company. Tunnelling incentive is not a practice that is directly used in corporate tax policy, but debt covenant is a corporate tax policy used in minimizing corporate expenses. There is no mediating role of transfer pricing on the influence of tunnelling incentives and debt covenant on corporate tax policy.

Suggestions. Based on the results of this study, several suggestions can be of concern and contribution. This study found the effect of transfer pricing and debt covenant on corporate tax policy. These results provide a practical contribution to management in making tax policies with transfer pricing and debt covenant practices. This study does not find the effect of tunnelling incentives directly on corporate tax policy or mediated by transfer pricing. This result contributes to future research that transfer pricing can't be used as an intervening between tunnelling incentive and corporate tax policy. Although manufacturing companies in Indonesia Stock Exchange is the most sector, different units of analysis may produce different results or strengthen this research. Future researchers can try to conduct research with similar models on different units of analysis.

REFERENCES

- Akbar, F. (2021). Terungkap! 3 Alasan Penerimaan Pajak 2021 Lampau Target. *Bisnis.Com*. <https://ekonomi.bisnis.com/read/20211229/259/1482901/terungkap-3-alasan-penerimaan-pajak-2021-lampau-target>.
- Amidu, M., Coffie, W., and 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>.
- Andayani, A. S., and Sulistyawati, A. I. (2020). Pengaruh Pajak, Tunnelling Incentive dan Good Corporate Governance dan Mekanisme Bonus Terhadap Indikasi Transfer Pricing Pada Perusahaan Manufaktur. *Majalah Ilmiah Solusi*, 18(1), 33–50.
- Blaylock, B. S. (2016). Is Tax Avoidance Associated With Economically Significant Rent



- Extraction Among U.S. Firms? *Contemporary Accounting Research*, 33(3), 1013–1043. <https://doi.org/10.1111/1911-3846.12174>.
- Choi, J. P., Furusawa, T., and Ishikawa, J. (2020). Transfer Pricing Regulation And Tax Competition. *Journal of International Economics*, 127. <https://doi.org/10.1016/j.jinteco.2020.103367>.
- Cook, K., Ma, T., and Zhao, Y. E. (2020). Do Creditors Influence Corporate Tax Planning? Evidence From Loan Covenants. *Advances in Taxation*, 27, 1–42. <https://doi.org/10.1108/S1058-749720200000027001>.
- Ersahin, N., Irani, R. M., and Le, H. (2021). Creditor Control Rights And Resource Allocation Within Firms. *Journal of Financial Economics*, 139(1), 186–208. <https://doi.org/10.1016/j.jfineco.2020.07.006>.
- Ghozali, I., and Ratmono, D. (2017). *Analisis Multivariat Dan Ekonometrika : Teori, Konsep, Dan Aplikasi Dengan Eview 10* (1st ed.). Badan Penerbit Universitas Diponegoro. <http://inlislite.perpusnas.go.id>.
- Hakim, L., Widyastuti, T., Darminto, D. P., and Darmansyah, D. (2022). Determinan Transfer Pricing Dengan Debt Covenant Sebagai Pemoderasi. *Jurnal Akuntansi Dan Pajak*, 23(01), 1–17. www.bps.go.id.
- Hartika, W., and Rahman, F. (2020). Pengaruh Beban Pajak dan Debt Covenant Terhadap Transfer Pricing Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2013-2017. *Jurnal Riset Akuntansi Dan Keuangan*, 8(3), 551–558. <https://doi.org/10.17509/jrak.v8i3.24903>.
- Herianti, E., and Chairina, S. W. (2019). Does Transfer Pricing Improve the Tax Avoidance through Financial Reporting Aggressiveness? *International Conference on Economics, Management, and Accounting*, 357–376. <https://doi.org/10.18502/kss.v3i26.5387>.
- Huang, W. (2019). Ownership, Tax And Intercorporate Loans In China. *International Journal of Accounting and Information Management*, 27(1), 111–129. <https://doi.org/10.1108/IJAIM-09-2017-0114>.
- Irawan, F., Kinanti, A., and Suhendra, M. (2020). The Impact of Transfer Pricing and Earning Management on Tax Avoidance. *Talent Development & Excellence*, 12(3s), 3203–3216. www.investindonesia.go.id.
- Isin, A. A. (2018). Tax Avoidance And Cost Of Debt: The Case For Loan-Specific Risk Mitigation And Public Debt Financing. *Journal of Corporate Finance*, 49, 344–378. <https://doi.org/10.1016/j.jcorpfin.2018.01.003>.
- Jafri, H. E., and Mustikasari, E. (2018). Pengaruh Perencanaan Pajak, Tunneling Incentive dan Aset Tidak Berwujud Terhadap Perilaku Transfer Pricing pada Perusahaan Manufaktur yang Memiliki Hubungan Istimewa yang Terdaftar di Bursa Efek Indonesia Periode 2014-2016. *Berkala Akuntansi Dan Keuangan Indonesia*, 03(02), 63–77.
- Junaidi, A., and Zs, N. Y. (2020). Pengaruh Pajak, Tunneling Incentive, Debt Covenant dan Profitabilitas Terhadap Keputusan Melakukan Transfer Pricing. *Jurnal Ilmiah Akuntansi, Manajemen & Ekonomi Islam*, 03(01), 31–44.
- Komarudin, M., Gursida, H., and Indrayono, Y. (2022). The Effect of Transfer Pricing On Taxes Is Reviewed From Its Relationship With Tunneling Incentives, Intangible Assets, Leverage, And Profitability. *Asian Journal of Management Entrepreneurship and Social Science*, 02(04), 305–322. <https://ajmesc.com/index.php/ajmesc>.



- Lin, Y., Xin, X., Zhang, L., and Zhang, Z. (2017). Bank Monitoring and Corporate Tax Planning: Evidence from Loan Covenants. *Annual Conference Accounting, Senior Fellows*, 1–50.
- Mintorogo, A., and Djaddang, S. (2019). Pengaruh Tunnelling Incentive dan Debt Covenant terhadap Transfer Pricing yang Dimoderasi oleh Tax Minimization. In *Jurnal Akuntansi dan Auditing* (Vol. 16, Issue 1).
- Nurjanah, Yunus, M. H., Renaldi, Munawir, and Asaff, R. (2022). Factor Supporting Companies Performing Transfer Pricing. *Jurnal Akuntansi*, 26(1), 76. <https://doi.org/10.24912/ja.v26i1.818>.
- Nurrahmi, A. D., and Rahayu, S. (2020). Pengaruh Strategi Bisnis, Transfer Pricing, dan Koneksi Politik Terhadap Tax Avoidance (Studi pada Perusahaan di Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia). *Jurnal Akuntansi & Ekonomi FE UN PGRI Kediri*, 5(2), 48–57.
- Permatasari, M., and Trisnawati, E. (2022). Deferred Tax On Real Profit Management With Tax Planning As Moderating. *Jurnal Akuntansi*, 26(2), 280–305. <https://doi.org/10.24912/ja.v26i2.886>.
- Prima, B., and Dewi, H. K. (2019). Tax Justice laporkan Bentoel lakukan penghindaran pajak, Indonesia rugi US\$ 14 juta. *Kontan.Co.Id*. <https://nasional.kontan.co.id/news/tax-justice-laporkan-bentoel-lakukan-penghindaran-pajak-indonesia-rugi-rp-14-juta>.
- Putra, E. P., and Tjaraka, H. (2020). Tax Law Enforcement in Strengthening Tax Compliance Behavior of Individual Taxpayers. *Jurnal Akuntansi*, 24(1), 154. <https://doi.org/10.24912/ja.v24i1.664>.
- Putri, V. R. (2019). Analisis Faktor yang Mempengaruhi Transfer Pricing pada Perusahaan Manufaktur di Indonesia. *Daya Saing: Jurnal Ekonomi Manajemen Sumber Daya*, 20(1), 1–11. www.pajak.go.id.
- Rahma, P. A. R., and Wahjudi, D. (2021). Tax Minimization Pemoderisasi Tunnelling Incentive, Mechanism Bonus dan Debt Covenant dalam Pengambilan Keputusan Transfer Pricing. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, 8(02), 16–34. <https://doi.org/10.35838/jrap.2021.008.02.13>.
- Ramdhany, F., and Andriana, N. (2022). The Influence of Tax Burden, Bonus Mechanism, and Debt Covenant on Transfer Pricing Decisions in Manufacturing Companies Listed on the Indonesia Stock Exchange. In *Journal of Applied Management and Business Administration* (Vol. 1, Issue 1). <https://stiabandung.ac.id/ojs51/index.php/jamba>.
- Refgia, T., Ratnawati, V., and Rusli, R. (2017). Pengaruh Pajak, Mekanisme Bonus, Ukuran Perusahaan, Kepemilikan Asing, dan Tunnelling 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.
- Rifan, D. A. (2019). Analisis Penerapan Tunnelling Incentive dan Mekanisme Bonus Terhadap Penghindaran Pajak. *Jurnal Ilmiah Keuangan Dan Perbankan*, 2(1), 31–37.
- Rohmani, R., and Amin, A. (2022). The Effect of Profitability, Company Size, and Tunneling Incentive on Tax Avoidance with Transfer Pricing as a Moderating Variable. *Wiga: Jurnal Penelitian Ilmu Ekonomi*, 12(3), 217–226. <https://doi.org/10.30741/wiga.v12i3.856>.



- Sangganafa, M. A., and Majidah, E. A. (2022). Effect of Bonus Plan, Debt Covenant, Firm Size and Tunnelling Incentive on Tax Avoidance With Transfer Pricing as Intervening Variables. *Academy of Accounting and Financial Studies Journal*, 26(1S), 1–09.
- Saraswati, G. A. R. S., and Sujana, I. K. (2017). Pengaruh Pajak, Mekanisme Bonus, dan Tunnelling Incentive pada Indikasi Melakukan Transfer Pricing. *E-Jurnal Akuntansi Universitas Udayana*, 19(2), 1000–1029.
- Sari, D., Utama, S., Fitriany, and Rahayu, N. (2020). Transfer pricing practices and specific anti-avoidance rules in Asian developing countries. *International Journal of Emerging Markets*, 16(3), 492–516. <https://doi.org/10.1108/IJOEM-10-2018-0541>.
- Sari, I. R., and Kurniatio, C. A. (2022). Pengaruh Profitabilitas, Debt Covenant dan Transfer Pricing Terhadap Tax Avoidance pada Perusahaan Sektor Energi yang Terdaftar di Bursa Efek Indonesia Tahun 2016-2021. *Scientific Journal of Reflection*, 5(4), 944–950.
- Siska, A. F., and Suwarno, S. (2022). Pengaruh Debt Covenant, Financial Distress Terhadap Konservatisme Akuntansi. *Jurnal Akuntansi UMMI*, II(2), 67–80.
- Sujana, I. K., Suardikha, I. M. S., and Saraswati, G. A. R. S. (2022). Tax, Bonus Mechanism, Tunneling Incentive, Debt Covenant and Transfer Pricing in Multinational Companies. *Matrik: Jurnal Manajemen, Strategi Bisnis Dan Kewirausahaan*, 63. <https://doi.org/10.24843/matrik:jmbk.2022.v16.i01.p05>.
- Suripto, and Novitaria. (2021). Influence of Tunneling Incentive, Risk Management and Company Characteristics on Tax Avoidance with Corporate Social Responsibility Disclosure Asa Moderating Variable In Mining Companies Listed on IDX. *International Journal of Social Science and Business*, 5(4), 498–506. <https://ejournal.undiksha.ac.id/index.php/IJSSB/index>.
- Tang, T. Y. H. (2016). Privatization, tunnelling, and tax avoidance in Chinese SOEs. *Asian Review of Accounting*, 24(3), 274–294. <https://doi.org/10.1108/ARA-08-2014-0091>.
- Tarmidi, D., Alfia, Y. D., and Umar, H. (2022). Analyzing Owner's Role in Influencing Corporate Tax Policy. *Humanities and Social Sciences Letters*, 10(4), 428–439. <https://doi.org/10.18488/73.V10I4.3107>.
- Tarmidi, D., and Novitasari, N. D. (2022). Transfer Pricing: Dampak Beban Pajak, Tunnelling Incentive, dan Profitabilitas. *Jurnal Akuntansi Dan Bisnis Krisnadwipayana*, 9(2), 691. <https://doi.org/10.35137/jabk.v9i2.658>.
- Ullah, H., Shah, H. A., and Khan, S. A. (2021). Tax Aggressiveness, Tunneling and Firm Value: Interactive Effect of Corporate Governance in Business Groups. *Journal of Applied Economics and Business Studies*, 5(1), 109–130. <https://doi.org/10.34260/jaeb.516>.
- Waluyo. (2017). The Effect of Good Corporate Governance on Tax Avoidance: Empirical Study of Indonesian Banking Company. In *The Accounting Journal of BINANIAGA* (Vol. 02, Issue 02).
- Waluyo, W., and Doktoralina, C. M. (2018). Factors Affecting Tax Avoidance through Thin Capitalization: Multinational Enterprises in Indonesia. In *Int. J. Manag. Bus. Res* (Vol. 8, Issue 3). <https://ssrn.com/abstract=3436024>.
- Widiyantoro, S. C., and Sitorus, R. R. (2019). Pengaruh Transfer Pricing Dan Sales Growth Terhadap Tax Avoidance Dengan Profitabilitas Sebagai Variabel Moderating. *Media Akuntansi Perpajakan*, 4(2), 18–32. <http://journal.uta45jakarta.ac.id/index.php/MAP>.

