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Determinants of Transfer Pricing Decisions in Infrastructure, Utilities and Transportatition Companies

Maharamya Karuna Anggani
Trisni Suryarini
Universitas Negeri Semarang
maharamyaanggani@gmail.com
trisnisuryarini15@gmail.com

ABSTRAK

Penelitian ini bertujuan untuk menganalisis dan mengetahui besarnya pengaruh tax planning, thin capitalization, dan intangible assets terhadap keputusan perusahaan dalam melakukan transfer pricing. Penelitian ini menggunakan 78 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2014 hingga 2018 sebagai populasi penelitian. Pemilihan sampel penelitian ini menggunakan metode purposive sampling, dan diperoleh hanya 65 data yang dapat digunakan untuk data analisis. Metode analisis data yang digunakan dalam penelitian ini adalah analisis statistik deskriptif dan analisis statistik inferensial dengan menggunakan uji linear berganda untuk model regresi. Hasil penelitian menunjukkan bahwa thin capitalization dan intangible assets tidak berpengaruh secara signifikan terhadap keputusan perusahaan dalam melakukan transfer pricing. Sedangkan, tax planning berpengaruh secara signifikan terhadap keputusan perusahaan dalam melakukan transfer pricing.

Kata kunci: Transfer Pricing; Tax Planning; Thin Capitalization; Intangible Assets

ABSTRACT

This study aims to analyze and determine the affect of tax planning, thin capitalization, and intangible assets on company decisions in transfer pricing. This study uses 78 manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2018 as the study population. The sample selection of this study used a purposive sampling method, and the final sample was obtained by 65 data which is can use for data of analysis. Data analysis methods used in this study are descriptive statistical analysis and inferential statistical analysis using multiple linear tests for regression models. The results showed that thin capitalization and intangible assets did not significantly influence the company's decision to transfer pricing. At the same time, tax planning significantly influenced the company's decision to transfer pricing.

***Keywords**: Transfer Pricing; Tax Planning; Thin Capitalization; Intangible Assets*

INTRODUCTION

The rapid growth of the activity of the business, as well as related business which happens between companies in various countries, bring existence the globalization of the economy that made an impact rising transaction transnational (cross-border transaction) (Lingga, 2012). In the environment of companies, multinationals and conglomerates happen a variety of transactions between members or divisions (Mangoting, 2000). With the conglomeration, various groups of well-known companies formed a holding company to coordinate the company's business activities. Determining the price, remuneration and other so determined by the policy of transfer pricing that is determined by the holding company that can equal or not equal to the price of the market (Gusnardi, 2009). Transfer pricing is very important as a tool to achieve certain goals. The purpose of transfer pricing can be categorized as internal goals and external goals. The purpose of internal goals among others, facilitating the evaluation of performance between managers in subsidiary foreign. The external goals, including the reduction of tax revenue globally, reduction of tariffs, minimizing the risk of foreign exchange, to avoid conflict with the government, the management of the cash flow, and increase the power of competitiveness in the global market (Abdallah & Murtuza, 2006). Transfer pricing is often associated with a manipulation of prices in systematically with the purpose of reducing the profit in a company and add to earnings in the others company. In addition, transfer pricing is an alternative to avoiding taxes or duties in a country (Gunadi, 1994).

Two perspectives transfer pricing there are by the government and the businessman. From the government side, transfer pricing has believed to be able to have a reduced or even disappearing potential for a country's tax revenue (Santoso, 2004)but also extends their business performance abroad and may become multinasional and transnational typed of enterprise. The company then will be operating through its affiliates and branchs in many countries. This brings a consequence of a transfer pricing arrangement in their inter-group transactions. Transfer pricing could be conducted among others with taxes motivation, in which the main objective is to transfer the tax burden from the higher rated country to the lower rate jurisdiction. Under this circumstance, some countries may have losses the potential taxes revenue because of such transfer mechanism. To anticipate the conditions outlined above, Indonesian Tax Law introduces a transfer pricing resolution so called Advance Pricing Agreements (APA. From the other side by the businessman, companies are oriented profit will be trying to gain advantage as much as possible included in terms of efficiency cost (cost efficiency) as like the minimization of payment of taxes companies (Saifudin & Putri, 2018).

The Globalization of business that is growing rapidly brings transfer pricing into the main spotlight that is critical, especially with the existence of tax issues (Jafri & Mustikasari, 2018). The case of transfer pricing in Norway on a company Dynamic Rock Support AS, through a decision of the Borgarting Court of Appeal in March 2019. Dynamic Rock Support AS is a company that is engaged in industrial construction, logistics, and transportation are based in Norway. The cause of this case began with the purchase of Intangible Property (IP) and the purchase of shares to be acquired, but the allocation of IP purchase prices was inappropriate with the Organization for Economic Co-operations and Development Transfer Pricing Guidelines (OECD TPG). Transactions of assets carried out with the base price of the purchase of the IP as much as the market price, authorities tax Norway judge that the price of the purchase of the IP should have amounted to the acquisition of the company. Authorities tax Norway's view that the transaction was rated as only one transaction, namely the acquisition of companies. In addition, Dynamic Rock Support AS should didn't need to get tax benefits. The OECD TPG has a strong influence over court decisions, including in this case. Based on the OECD TPG the right approach is to allocate the price of purchase entirely compared with the price of an asset without watching the value of the entire company (Beeton, 2020 dalam news.bloombergtax.com).

The researchers identify the factors that determine the company in making a decision of transfer pricing. The results of Stephanie et al (2017), Kurniawan et al (2018), Huda et al (2017)the government has a decreasing potential income from tax, since those multinational companies are more likely to shift their tax liabilities into other countries with lower tax rate. The practice of transfer pricing commonly happens as a form of minimizing tax expense by making use the loopholes of tax provision without disobeying any taxation rules (tax avoidance, Jafri & Mustikasari (2018) showed that tax had a positive affect on transfer pricing. Mispiyanti (2015) and Marisa (2017)) proved that tax has a negative affect on transfer pricing. Beebeejaun's research (2019) proved that with thin capitalization, multinational companies are more aggressive in transfer pricing schemes. The results of Ernawati et al (2019) showed that thin capitalization has no affect on transfer pricing. Richardson et al (2013), Dawson & Miller (2015) showed that intangible assets have a positive affect on transfer pricing. Muhammadi et al (2016), Beer & Loeprick (2015)we investigate firm-specific determinants and their variation across major industries. Using the ORBIS database, we show that intangible asset endowment of subsidiaries and the supply-chain complexity of MNE groups explain aggregate profit-shifting trends. According to our estimates, subsidiaries with no intangibles react to an incremental increase of the tax rate by reducing reported profits by 0.76 %, while subsidiaries with above median intangible endowment decrease their profits by 1.2 %. This difference is significant at the 5 % level. We find an even more pronounced difference in the observed semi-elasticities comparing affiliates belonging to simple ($$-$$-0.52, Ohnuma & Kato (2015) proved that intangible assets have no affect on transfer pricing. Based on the description in the above shows that there is inconsistency of the results of prior research.

The purpose of this study is to analyze and knowing the magnitude of the affect of tax planning, thin capitalization, and intangible assets to the decision's company to do transfer pricing. The originality of the research is seen from variable independent of thin capitalization that has not been much studied as well as a proxy to measure a variable dependent transfer pricing, is the relative share of Related Party Transaction of Assets and Liabilities (RPATL) to book value of equity or RPTAL where the proxy is based on the object of research in enterprise sector of infrastructure, utilities and transportation are more a lot going on transactions with related parties transaction to the assets and obligations. In addition, the observation period was also updated, that is from 2014 to 2018.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The theory of agency shows the relationship between the management company and stakeholders which is based through the handover of authority by the stakeholders to the management company. In the continuity of this theory raises the problem of information asymmetry or information imbalance. Conflicts arise due to imbalance of information which is obtained by each party, meaning that management companies got information more lots than the stakeholders (Jafri & Mustikasari, 2018). Supported also by Hartati et al (2015) which states that the problems the theory of agency arise because of differences in the achievement of the level of prosperity of the management company and stakeholders. In the case of transfer pricing transactions can occur between business entities that have a special relationship. It became opportunity transactions with entities related that cause the occurrence conflicts of interest, regard it in accordance with the theory of agency (Jensen, 1986).

Trade-off Theory

The Trade-off theory is the renewal of the theory of MM (Modigliani-Miller Theorem) in the year 1958, then from that Modigliani and Miller is known as the originator of the theory of this. Modigliani & Miller (1963) states that the basic assumption of trade-off theory is there are tax benefits from the use of debt for companies. Trade-off theory is a theory that discusses the proportion of capital structure from debt financing and corporate equity so that it is able to balance costs with benefits (Afifah & Prastiwi, 2019). The biggest benefits of financing with a loan is a reduction taxes that obtained government that allows the interest on the loan can be deducted in calculating the taxable income (Sundjaja & Barlian, 2003).

Transfer Pricing

Transfer pricing is very important as a tool to achieve certain goals. Transfer pricing objectives can be categorized as internal and external goals. Internal objectives include facilitating performance evaluation among managers in foreign subsidiaries. External objectives include reducing global income taxes, reducing tariffs, minimizing foreign exchange risk, avoiding conflicts with governments, managing cash flows and increasing competitiveness in global markets (Abdallah & Murtuza, 2006). The allocation of income and expenses for subsidiaries or branch companies must be properly and clearly regulated by the state. The problems that arise over transfer pricing on state tax revenue, especially in Indonesia, have issued a method that can be used to test the reasonableness of transfer pricing, namely the methods listed in Surat Edaran Direktur Jenderal Pajak Number SE-04/PJ.7/1993 regarding Instructions for Handling Transfer Pricing Cases on March 9, 1993.

Tax Planning

Efforts to legally minimize the tax burden can be carried out by tax management. However, the legality of tax management depends on the instruments used. The objectives of tax management can be achieved through tax management functions, including tax planning, tax implementation and tax control (Suandy, 2016).

Thin Capitalization

The suppression of the tax burden appears not only to function as a source of funding but also as a means of transferring recognition. A company that finances a subsidiary or subsidiary with a loan is made to obtain tax benefits from interest expense (Nuraini & Marsono, 2014)utilization of tax haven, withholding taxes and institutional ownership, while the dependent variable is the thin capitalization. The population of this research is that companies listed in Indonesia Stock Exchange in 2010-2012. Sampling was done by purposive sampling technique. Based on purposive sampling, obtained a sample of 84 companies. The method of analysis used to test the effect of independent variables on the dependent variable is the Ordinary Least Square (OLS.

Intangible Assets

Intangible assets are identified long-term assets of the company, but are not physically present (Jan et al., 2019). These assets are held for use in producing or delivering goods or services, for lease to other parties, or for administrative purposes. These assets are held for use in producing or delivering goods or services, for lease to other parties, or for administrative purposes. (OECD, 2010)26-week studies were conducted in 12 different facilities as a part of an International Life Science Institute Health and Environmental Science Institute (ILSI HESI states that intangible assets owned by the industry, namely patents, trademarks, trade names, designs and models. Intangible assets also include literature or literature and the artistic ownership and intellectual property rights of a company.

Hypothesis Development

The Affect of Tax Planning on Transfer Pricing

Based on the theory of agency, conflicts agency occurs between the manager and the stakeholders as a result of the imbalance of information between the two sides. Stakeholders assumed the manager will exploit the opportunistic for the benefit of oneself through the efforts of manipulation of figures accounting in the financial statement's companies. Jafri & Mustikasari (2018) states that tax planning is considered capable of overcoming the problem of stakeholder's trust of the manager, the purpose of tax planning in order to provide prosperity for stakeholders. With the practice of tax planning which is good, then the manager's desire to do manipulation on the financial statement will be limited. One forms of manipulation that can be done is a decision to carry out a transfer pricing. The manager's awareness to pay taxes according to the company's ability will reduce the manager's desire to do transfer pricing. With the practice of transfer pricing firm also noticed the rules of taxation that can be selected on the type of action which is some that allow the company to carry out tax planning (Suandy, 2016). Research which conducted by Jafri & Mustikasari (2018) was researching the affect of tax planning to transfer pricing showed evidence empirically that the amount of tax that is cash tax paid compared with pretax book income take negative affect on transfer pricing. Based on the description of these, then formulated a hypothesis as follows.

H1: Tax Planning has a negative affect on Transfer Pricing decisions

The Affect of Thin Capitalization on Transfer Pricing

Based on the trade-off theory, which was initiated by Modigliani & Miller (1963), which states that the debt can be used to increase the value of the company, because there is incentive tax that received the company with the ability of the burden of interest loans to reduce income taxable. In line with the trade-off theory, Afifah & Prastiwi (2019) used a thin capitalization as one of the independent variables in the mechanism of minimization of taxes companies for tax avoidance. The results of the research indicated that multinational companies much higher do the practice of thin capitalization, this research have showed their transfer pricing.

With other words, companies that have a relationship privileged or related parties transaction would be more inclined do thin capitalization to use a debt that is relatively much higher than the capital itself as a source of funding. In research Ernawati et al (2019) looked at this case is directly proportional with the flow of the source of funding that comes from parent company to subsidiary will improve the practice of transfer pricing. Supported also Beebeejaun (2019 which have proved with thin capitalization, multinational companies are doing more aggressively scheme of transfer pricing. Based on the description of these, then formulated a hypothesis as follows.

H2: Thin Capitalization has a positive affect on the transfer pricing decision

The Affect of Intangible Assets on Transfer Pricing

Based on the theory of agency, conflicts agency may occur in the stakeholders with the manager, where the stakeholders will do the specific action to the managers of companies to get prosperity are be able to be improved. Intangible assets as one of the assets that are difficult to detect can be exploited by managers to fulfill the needs of the company. Intangible assets are defined as assets of non-monetary who can be identified, but not be seen, touched or measured in physical (Kieso et al., 2010).

The importance of intangible assets in a transfer pricing scheme is to consider these assets in various audit stages of the transfer pricing by the Direktorat Jenderal Pajak (DJP). In the planning stage (risk analysis) and implementation stage (function, asset and risk analysis) (Ramadhan & Kustiani, 2017). Where the risk of aggressiveness of transfer pricing will increase along with the increased variation from assessment interpretation of transfer pricing when having an intangible assets (Grubert, 2003). Intangible assets that are difficult to measure with certainty, in their assessment are still subjective, so companies can exploit several jurisdictions of the transfer pricing mechanism for opportunistic behaviour (Fadhilah, 2018). Supported by a research of Muhammadi et al (2016) which indicates that the auditors tax Indonesia to experience difficulties in determining the transfer pricing on the property intangible assets. Research Dawson & Miller (2015) who examined about negotiating transfer pricing on intra-company about intangible assets and tangible assets can prove that intangible assets have a big potential in transfer pricing. Inline also with the research Richardson et al., 2013) which showed that the intangible assets affect positively on transfer pricing. Based on the description of these, then formulated a hypothesis as follows.

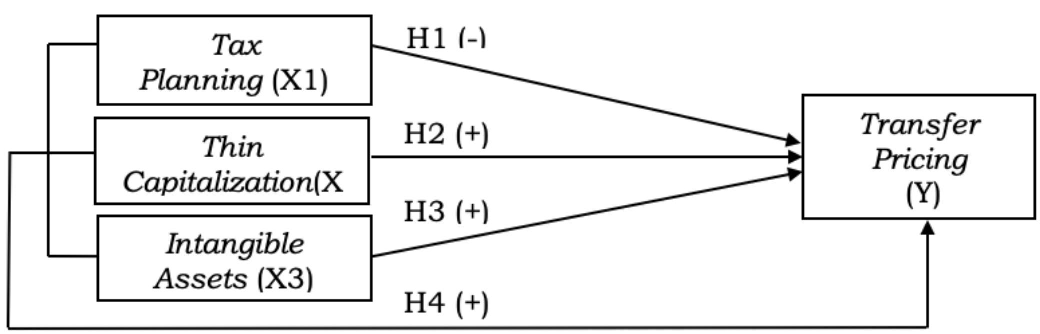
H3: Intangible Assets have a positive affect on Transfer Pricing decisions

The Affect of Tax Planning, Thin Capitalization, Intangible Asset on Transfer Pricing

Based on the theory of agency, which implies the relationship manager and the stakeholders that indicate their relationship is an imbalance of information. For keeping trust the owner of the company that managers are looking for various alternatives in order to stabilize and even increase the profit of companies, including the practice of transfer pricing. Transfer pricing can be supported by the implementation of tax planning as much as possible in order to pay the tax due according to the ability of the company, so affect the implementation purpose of transfer pricing. Then, doing thin capitalization by moving the capital of the parent company to the subsidiary as capital increase and recognized as debt, this action encourages the company to do transfer pricing. The difficulty of detecting intangible assets gave a big opportunity for companies to do transfer pricing, the value of intangible assets that can not be directly known to the naked eye helps, so transfer pricing easily to practised. Some prior research has shown that the determinant of the decision of transfer pricing among others, tax planning, thin capitalization, and intangible assets. Research is done by Jafri & Mustikasari (2018) about the influence of planning tax, tunnelling incentive, and assets not intangible shows that planning tax and tunnelling incentive influence on transfer pricing, while the assets are not tangible does not affect on transfer pricing. Research Beebeejaun (2019) which analyzed the violation of transfer pricing within the international scope has shown the influence of Advance Pricing Agreement procedures, thin capitalization rules, and methods of prevention of double taxation (taxation multiple) to transfer pricing. Then researched by Richardson et al (2013) which analyzed the affect of firm size, profitability, leverage, intangible assets, and multinationality show that firm size, profitability, leverage, intangible assets, and multinationality affect on the aggressiveness of the company to do transfer pricing. This result of research illustrates that tax planning, thin capitalization, and intangible assets are thought to have an influence on transfer pricing. Therefore the following hypothesis is formulated.

H4: Tax Planning, Thin Capitalization and Intangible Assets in mutual influence positively to the decision of Transfer Pricing

Explanation regarding the framework of thinking in the above are summarized in Picture 1.1 as follows:



Picture 1. 1 Thinking Framework Model

Source: Processed from various sources, 2020

RESEARCH METHOD

This study is classified as quantitative research by using data of research in the form of data of secondary which is time-series data. Population in this research is infrastructure, utilities and transportation companies were registered in IDX period 2014 to 2018 (five years), which consists of 78 companies. Data sources used in the form of Annual Reports and Financial Statements, data was obtained by accessing the official website of the IDX (www.idx.co.id) and also by accessing the website of the company concerned. Sampling technique was using the technique of purposive sampling, namely the technique of sampling used when the researcher has a specific purpose with a number of population or data source needed (Wahyudin, 2015). Criteria and identification samples of the research described in Table 1 below:

Table 1. Identification of Research Samples

No	Criteria	Total
1	Infrastructure, utilities and transportation companies are listed on Indonesia Stock Exchange in the year 2014 to 2018	78
2	Infrastructure, utilities and transportation companies that have listings before the year 2014 and did not experience the delisting in 2014-2018	(30)
3	Companies with the value of taxes are not nil in a row in the year 2014-2018	(0)
4	The company published the 2014-2018 Annual Report	(0)
5	Companies disclose the relationship to relate on the assets and liabilities in a row in the year 2014-2018	(7)
6	Companies disclose the ownership of an intangible asset in a row in the year 2014-2018	(24)
	Number of sample companies	17
	Number of research analysis units (5 years x company)	85
	Outlier data were eliminated from the sample	20
	The total final unit of analysis of research during the years 2014-2018	65

Source: Processed from various sources, 2020

The independent variables in this study, namely tax planning, thin capitalization, and intangible assets, while the dependent variable in the study is transfer pricing. The operational definition can be seen in Table 2 as follows:

Table 2. Definition of Operational Variable

No.	Variable	Definition	Indicator
1.	Transfer Pricing	Transfer pricing is the term for the mechanism of determination unnatural price on the transaction provision or transfer of goods or services between divisions or departments or companies by related parties who have a special relationship in a company (Nurhayati, 2013).	(Utama, 2015)this study examines the size of RPT which is performed by majority shareholders to expropriate minority shareholders. The size of RPT measures the direct influence of RPT on shareholders' wealth. In this study, the size of RPT is measured by RPT transactions of assets plus liabilities (RPTAL
2.	Tax Planning	Tax planning is the process of organizing the taxpayer's effort which has a final purpose, which is causing accrued tax payable, both income tax or other taxes are in an as minimum as possible position (Aditama & Purwaningsih, 2014)	(Dyreng et al., 2010)

3.	Thin Capitalization	Thin capitalization, which is a situation where a company has a source of funding from relatively high debt to the company equity (OECD, 2012).	(Ernawati et al., 2019)
4.	Intangible Assets	Intangible Assets based on Pernyataan Standar Akuntansi Keuangan (PSAK) Number 19 of 2009 concerning Intangible Assets an asset non-monetary which can be identified without any form of physical.	(Ohnuma & Kato, 2015)

Source: Processed from various sources, 2020

RESULT AND ANALYSIS

Data research is processed and analyzed using descriptive statistics in view data size with the value of the smallest, largest, mean count, and the standard deviation on each variable, this study is also using inferential statistics. Testing the four hypotheses were proposed to do with multiple linear regression analysis which first through the classical assumption test. The descriptive statistics results of tax planning, thin capitalization, intangible assets, and transfer pricing variables are presented in Table 3 as follows:

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Planning	65	0,014098	2,509953	0,31996582	0,380548070
Thin Capitalization	65	0,013332	2,700940	1,25133363	0,717827695
Intangible Asset	65	0,000413	2,927965	0,76524237	0,811362319
Transfer Pricing	65	0,001765	1,992905	0,28311691	0,427962942
Valid N (listwise)	65				

Source: Secondary data has processed with IBM SPSS Ver.21, 2020

Descriptive statistics data at above shows that the mean value of tax planning in the amount to 0,31996582 which means that the sample of companies had an average of 31,9%, which is proxied by CETR. Then, the mean value of thin capitalization in the amount to 1,25133363 which means that the sample of companies had an average of 125,1%, which is proxied by DER. In the intangible assets the mean value in amount to 0,76524237 which means that the sample of companies had an average of 76,5 % which is calculated from ratio of intangible assets ownership to total sales. The value of average on transfer pricing with 65 unit of analysis is 0,28311691 which showed that 28,3% transaction of assets and liabilities classified as transaction transfer pricing with related parties. Some variables have a standard deviation is smaller than mean count or mean. The standard deviation values are smaller than mean indicate that the distribution of data is not much different, so it can be said that variables data are good enough and homogeneous. Standard deviation values are smaller than average values indicate that the sample is in the average area of calculation. While the majority of the other variables have standard deviation values that are bigger than mean count or mean. Standard deviation values are bigger than mean shows the distribution of data varies, so it can be said that the variables data are heterogeneous.

According to the Gauss-Markov theorem in Gujarati & Porter (2015) Ordinary Least Square research must meet the BLUE criteria, namely Best; linear; Unmark; and Efficient estimator. Model regression needs to be tested by assuming a classic because of the BLUE criteria, which is done with test multicollinearity, test heterokedastisitas, and test autocorrelation. The classical assumption test results show that the study is proven to have normal data distribution, free from multicollinearity, heterocedasticity, and autocorrelation symptoms, so it can be said that this study has a decent regression model and the hypothesis test is continued. The result of testing the hypothesis shows test multiple linear which indicates that thin capitalization and intangible assets do not affect on transfer pricing, tax planning affects on transfer pricing, and tax planning, thin capitalization, and intangible assets have simultaneous affect on transfer pricing. The results are described in Table 4 and Table 5

The Affect of Tax Planning on Transfer Pricing

Results of this study have shown that tax planning has the significance value 0,021 which means tax planning affect significantly on transfer pricing decision. Testing the partial regression coefficient through results of the test that has been done shows about the first hypothesis that tax planning has a negative affect

Table 4. Coefficient[s]a

Model		Unstandardized Coefficients		Standardized Coefficients		
B		Std. Error	Beta		t	Sig.
1	(Constant)	,066	,177		,372	,711
	SQRT_X1	,412	,173	,292	2,376	,021
	SQRT_X2	,120	,125	,122	,965	,339
	SQRT_X3	,006	,091	,009	,069	,945

a. Dependent Variable: SQRT_Y

Source: Secondary data has processed with IBM SPSS Ver.21, 2020

Table 5. Hypothesis Testing Results

No	Hypothesis	Sig.	Conclusion	Relation
1	H1: Tax Planning has a negative affect on Transfer Pricing decisions	0,021	Rejected	Positive
2	H2: Thin Capitalization has a positive affect on Transfer Pricing decisions	0,339	Rejected	Negative
3	H3: Intangible Assets have a positive affect on Transfer Pricing decisions	0,945	Rejected	Negative
4	H4: Tax Planning, Thin Capitalization, dan Intangible Asset simultaneously have a positive affect to the decision on Transfer Pricing	0,009	Received	Positive

Sumber: Processed from various sources (2020), and SPSs output (2020) on transfer pricing decision is rejected. This condition explains that tax planning as measured by the CETR ratio affected transfer pricing as measured by the RPTAL proxy for infrastructure, utilities and transportation companies in Indonesia.

The amount of CETR value to measure tax planning in sample of companies are on average at 31,9% turned out to affect the company's decisions to carry out transfer pricing and the affect is shown through the results were significant. The reason for influence on tax planning in positive direction is suspected because the proxy used to measure of tax planning, namely cash paid tax and pretax book income showed a fairly high number. It is supported by research, Saifudin & Putri (2018) which states, that the company oriented on profit. Reducing the tax burden can be done by manipulating prices between related companies or those that have a special relationship (Stephanie et al., 2017). It can be seen that the implementation of tax planning is directly proportional to the increasing practice of transfer pricing and is able to be a deciding factor in corporate decisions in the practice of transfer pricing.

This condition is indicated by data of infrastructure, utilities and transportation companies in Indonesia, which became the sample of this study have tax planning lowest, which reach 0,014098 or 0,1%, so it can be said that tax planning is proxied by CETR on sample shows the ability of companies were doing tax planning to increase tax avoidance. Result of this study is intersect with the theory of agency who said that tax planning affects negatively to the transfer pricing decision with the assumption that the managers of companies do tax planning with the purpose of maintaining trust and prosperity of stakeholders (Jafri & Mustikasari, 2018). In fact, the results of descriptive statistics show tax planning is directly proportional and have a positive affect on manager's desire to do transfer pricing.

The results of this study indicate that tax planning has a positive affect on transfer pricing decisions, which is supported by the research of Yulia et al (2019) which states that tax partially has a positive affect on the practice of transfer pricing. On the other hand, Jafri & Mustikasari (2018) shows that tax planning has a negative affect on transfer pricing. The differences in the results of testing the hypothesis with the results of the prior research probability occur because of differences in the object of research, years of observation and proxies are used.

The Affect of Thin Capitalization on Transfer Pricing

Results of this study have shown that thin capitalization has the significance value 0,339 which means thin capitalization does not affect significantly on transfer pricing decision. Testing the partial regression coefficient through results of the test that has been done shows about the second hypothesis stated that thin capitalization affects positively on the decision do transfer pricing is rejected. This condition explains that thin capitalization as measured by DER does not affect transfer pricing as measured by the RPTAL proxy for infrastructure, utilities and transportation companies in Indonesia.

In trade-off theory has a basic assumption that tax benefits from the use of debt for companies (Modigliani & Miller, 1963). Supported also by Brigham & Houston (2006) that companies conduct an exchange benefit of funding that comes from the debt will be able to save on taxes were paid to the government. This debt will be incurring interest expense and be able to as a deduction from companies taxable income (Ernawati et al., 2019). The practice of thin capitalization made the parent company can flow-through funds in the form of debt to the subsidiary, but this case is not directly proportional to the research sample. The possible differences in theory with the results because there are regulations regarding debt and capital. Keputusan Menteri Keuangan Republik Indonesia Nomor 1002/KMK.04/1984 regarding Determination of Comparison Between Debt and Capital for the purposes of the imposition of the tax. This regulation talks about the rules of debt to capital highest is 4: 1. Therefore if the comparison between debt and capital of the companies exceed 4: 1, then the interest expense that can be deducted by the taxable income, which amounted to the interest on the debt with the comparison that has been set. Then, differences will be considered as capital, so the paid interest on excess capital will be considered as dividend and cannot be deducted (Ernawati et al., 2019).

This condition is indicated by the data of DER in the sample companies the lowest at 0,013332 or 0,01% and the highest at 2,700940 or 270%. Therefore the sample has shown DER or debt to equity ratio is relatively low, which means that the range of capital ownership is recorded by Annual Report shows the numbers are relatively low. There are considered to avoid recalculating the comparison that has been regulated in Keputusan Menteri Keuangan Republik Indonesia Nomor 1002/KMK.04/1984. The low of DER in infrastructure, utilities and transportation companies are also indicated due to the full support of the IDX Company Assessment Director, I Gede Nyoman Yetna in financing to increase capital market participation. The supported by IDX one of them is approved the registration of Unit Penyertaan Dana Investasi Infrastruktur (DINFRA) which is a form of Kontrak Investasi Kolektif (KIK) (Alexander, 2019 dalam kompas.com). It is known that 17 infrastructure, utilities and transportation companies do not consider and do not use thin capitalization as a transfer pricing transaction. The results of this study indicate that thin capitalization is not a determining factor in corporate decisions in the practice of transfer pricing.

Result of the research is supported by research Ernawati et al (2019) which also proves that thin capitalization did not affect on transfer pricing. On the other hand, Beebeejaun (2019) who analyzed transfer pricing violations on an international scale, with thin capitalization on multinational companies are more aggressive in transfer pricing schemes in the form of profit transfers to avoid tax payments that should be borne. Differences in the results of testing the hypothesis with the results of the prior research can be caused by differences in the object of research and proxies are used.

The Affect of Intangible Assets on Transfer Pricing

The result of this study has shown that intangible assets have significance value 0,945 which means intangible assets does not affect significantly on transfer pricing decision. Testing the partial regression coefficient through results of the test that has been done shows about the third hypothesis showed that intangible assets have a positive affect on transfer pricing decision is rejected. These conditions have explained that intangible assets are measured by calculated from the ratio of intangible assets ownership to total sales do not affect transfer pricing which is measured by a proxy RPTAL on infrastructure, utilities and transportation companies in Indonesia.

The theory of agency is highlighting the imbalance of information between the management company and stakeholders, which can be minimized with the information that can give stakeholder's trust. In these terms, intangible assets are additional information which is presented by the companies in minimizing the imbalance of information that exist. The amount of intangible assets ownership makes the company to improve the transfer pricing decision by transferring the intangible assets in companies in other countries (Jafri & Mustikasari, 2018). The importance of intangible assets on transfer pricing scheme is to consider these assets in various audit stages of transfer pricing by the Direktorat Jenderal Pajak (DJP), both in the planning (risk analysis) and implementation stages (analysis of functions, assets, and risks) (Ramadhan & Kustiani, 2017). Where the risk of aggressiveness in transfer pricing will increase along with an increasing variety of interpretation on transfer pricing assessment when transferring intangible assets (Grubert, 2003). Intangible assets are difficult to measure with certainty, in their assessment are still subjective, so companies can exploit several jurisdictions of the transfer pricing mechanism for opportunistic behaviour (Fadhilah, 2018).

Muhammadi et al (2016) which proves that auditor taxes Indonesia to experience difficulties in determining the transfer pricing on the property intangible assets. It indicates the company has a policy in determining bonuses that are based on profits, where companies choose the amortization procedure to increase profits (Dudar et al., 2015). Intangible assets owned by the sample namely, software, land rights, contractual rights, toll road concession rights, sanitation concessions rights, customer relationships, goodwill and trade intangible assets itself.

Result of this study is seen in companies data sample that shows the ratio of ownership of intangible assets in the lowest at 0,000413 and the highest at 2,927965. The results of this study have also indicated because of the limited information support and needs a big resource for negotiations with other countries related to the exchange of information on the ownership of intangible assets (Jafri & Mustikasari, 2018). It can be concluded that from 17 sample companies did not consider and did not exploit for transferring of intangible assets on transfer pricing transactions. These conditions show that infrastructure, utilities and transportation companies do not aggressive to do transfer pricing, because of the demands to keep the good name of the company. In the other side, sample companies also avoiding actions that violate laws and regulations. From this case, it can be seen that intangible asset transactions are not a determining factor in companies decisions in transfer pricing practices.

The results of this study are supported by Ohnuma & Kato (2015)ho found empirical evidence that intangible assets have no affect on transfer ricing decisions. Research which conducted by Muhammadi et al (2016) and Beer & Loeprick (2015)we investigate firm-specific determinants and their variation across major industries. Using the ORBIS database, we show that intangible asset endowment of subsidiaries and the supply-chain complexity of MNE groups explain aggregate profit-shifting trends. According to our estimates, subsidiaries with no intangibles react to an incremental increase of the tax rate by reducing reported profits by 0.76 %, while subsidiaries with above median intangible endowment decrease their profits by 1.2 %. This difference is significant at the 5 % level. We find an even more pronounced difference in the observed semi-elasticities comparing affiliates belonging to simple ($$-$$-0.52 also supported the case that, the results indicate that transferring of profits on intangible assets does not affect on transfer pricing. This study is not supported by the results of the study of Richardson et al (2013) and Dawson & Miller (2015). Differences in the results of testing the hypothesis with the results of the prior research probability occur due to factors differences in the object of research and proxies that use the researchers.

The Affect of Tax Planning, Thin Capitalization, Intangible Asset on Transfer Pricing

Result of this study has shown that Fhitung test at 4,233 and Sig. at 0,009 which means that variable tax planning, thin capitalization and intangible assets affect transfer pricing. The theoretical basis to support the variable independent of the variable dependent is the theory of agency. The theory implies an imbalance of information between the management company and stakeholders, but can be minimized with information that can give stakeholder's trust. The information that referred them to determine the decisions that will benefit the company through a scheme of transfer pricing, among others by doing tax planning, do thin capitalization and transfer profits intangible assets.

Tax planning is planned well and be done will have an impact on the level of stakeholder's trust that manager's opportunity for taking his benefit can be eliminated, managers do tax planning for the benefit of the company. Also supported by the descriptive statistic results of the sample companies which is doing tax planning with the aim of avoiding taxes through the transfer pricing scheme. With other words, the results of the test showed that with tax planning will make it easier to practice transfer pricing.

Practising of thin capitalization namely, by forming the structure of the capital flow of funding is dominated by debt, so it can reduce companies taxable income. Based on the company's main goal, which is to maximize profits so as to encourage managers to choose the best alternative. The formation of the structure of capital flowed out of debt makes the company become more potentially have earnings were higher than the capital itself. Supported by Afifah & Prastiwi (2019) on their results of research which shows that is done that multinational companies much higher do the practice of thin capitalization, it has shown there is transfer pricing. With other words, companies that have a relationship privileged or related parties would be more inclined do thin capitalization to use the debt is relatively much higher than the capital itself as a source of funding.

Third, to do transfering of profits in the form of intangible assets to subsidiary or branches of the company. Owners of companies on the assets that are owned can be used as a tool to maximize profit companies. Can be said, the aspect most important in transactions intracompany, namely intangible assets for "it prosperity and growth of the economy in the era of globalization is driven by intangible assets" (Lev, 2001). Intangible assets are difficult to measure, Muhammadi et al (2016) explains that the auditor taxes Indonesia to experience difficulties in determining the transfer pricing on the property intangible assets. It becomes an opportunity for managers of companies in the factor deciding taking decisions of transfer pricing.

Some prior research shows that the determinant of transfer pricing decisions among others, tax planning, thin capitalization and intangible assets. Research which conducted Jafri & Mustikasari (2018) about the influence of planning tax, tunnelling incentive and assets not intangible shows that planning tax and tunnelling incentive influence on transfer pricing, while the intangible assets do not affect on transfer pricing.

Research Beebeejaun (2019) which analyzed the violation of transfer pricing within the international scope shows the affect of procedures of Advance Pricing Agreement (planning how APA), thin capitalization rules and methods of prevention of double taxation (taxation multiple) to transfer pricing. Richardson et al (2013) which analyzed the affect of firm size, profitability, leverage, intangible assets and multinationality show that firm size, profitability, leverage, intangible assets and multinationality have affect on the aggressiveness of the company in the conduct of transfer pricing, results of research that illustrate that tax planning, thin capitalization and intangible assets are suspected to have an affect on transfer pricing. Independent variables tested it simultaneously, so it shows that tax planning, thin capitalization and intangible assets affect transfer pricing.

CONCLUSION

Thin capitalization and intangible assets did not affect significantly to the company's decision to do transfer pricing, tax planning affected significantly to the company's decision to do transfer pricing, and tax planning, thin capitalization, intangible assets simultaneously have a positive affect to the company's decision to do transfer pricing.

Suggestions in this study first, the government needs to enhance cooperation at Kementrian Keuangan Republik Indonesia in this terms of Direktorat Jenderal Pajak and the Direktorat Jenderal Bea Cukai jointly with the Komisi Pemberantasan Korupsi to supervise and minimize the action of transfer pricing. Second, the companies need to consider tax planning that is done by carefully so it will be not violating applicable tax regulations, so there are no legal sanctions or administrative sanction which should be borne by the company. Thirdly, proxy to measure thin capitalization in this study is the Debt to Equity Ratio (DER), but can also use the Maximum Amount of Debt (MAD) Ratio. The measurement is by dividing the average debt with Safe Harbor Debt Amount (SHDA) of Size Firm. On the next study can use MAD ratio to measure thin capitalization.

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