



# Company Size, Profitability, Tax, And Good Corporate Governance On The Company's Decision To Transfer Pricing (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2015-2018 Period)

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## ABSTRACT

The research is aimed to analyze the effect of company size, profitability, tax, and good corporate governance on the company's decision to transfer pricing. The dependent variable in this study is transfer pricing which is proxied by the value of the related party transaction sale. The independent variables in this study are company size, profitability, tax, and KAP quality. This research used secondary data on financial reports or annual reports on manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2018 period. Determination of the sample employed purposive sampling method. The sample in this study were 22 companies with 88 data. The results in this study found that (1) company size had a positive effect on transfer pricing, (2) profitability had no effect on transfer pricing, (3) tax had no effect on transfer pricing, and (4) KAP quality had no effect on transfer pricing.

## INTRODUCTION

Transfer pricing was originally known in management accounting as a pricing policy applied to the delivery of goods or services between departments with the aim of measuring the performance of each of these divisions or departments (Nurhayati, 2013). Based on Tiwa, *et al.* (2017), the policy was implemented to adjust internal prices for goods, services, and intangible assets being traded in order to not create too low or high prices. However, in practice, transfer pricing is one of the corporate tax planning efforts with the aim of minimizing the tax burden that must be paid by manipulating transfer prices between companies with special relationships.

Conceptually, transfer pricing can be applied for three different purposes. First, from a corporate legal standpoint, transfer pricing can be used as a tool to increase efficiency and synergy between the company and its shareholders (Wolfgang Schon, 2014). Second, from the side of managerial accounting, transfer pricing can be used to maximize the profit of a company through determining the price of goods or services by an organizational unit from a company to other organizational units within the same company. Third, from a tax perspective, transfer pricing is a pricing policy in transactions carried out by parties who have a special relationship. Arnold and McIntyre (year) postulates that the transfer price is the price set by the taxpayer when selling, buying, or sharing resources with affiliates.

Transfer pricing carried out by multinational companies is driven by tax and non-tax reasons. Along with the times, transfer pricing is often done to minimize the amount of taxes that must be paid (Mangoting, 2000: 80). The greater tax burden triggers companies to carry out transfer pricing in the hope that it can reduce this burden. Transfer pricing in transactions for the sale of goods or services is carried out by reducing the selling price between companies in one group and transferring the profits earned to companies domiciled in countries that apply low tax rates. However, due to the unavailability of standard tools, experts, and regulations, transfer pricing checks are often won by taxpayers in tax courts so that multinational companies are increasingly motivated to carry out transfer pricing (Julaikah, 2014).

Company size is one of the characteristics of a company that affects transfer pricing. Company size is a value that shows the size of the company. Companies that have large total assets show that the company has good prospects for a relatively longer period of time (Rachmawati and Triatmoko, 2007). This makes directors or managers do not have enough effort to carry out earnings management, including by transfer pricing, because large companies pay more attention to the public so that large companies will be more careful in conducting financial report (Pujiningsih, 2011). Companies that have a high level of profit (profitability) will receive wide attention from the public and the government as regulators so that political costs arise, one of which is in the form of higher taxation compared to companies with low profit levels. This causes companies to have a strong tendency to carry out tax management such as transfer pricing by minimize profits so that taxes are lower (Nursari, *et al.*, 2017).

The greater the tax borne by the company, the more triggered the company will be to implement transfer pricing in order to reduce the amount of the tax burden (Yuniasih, *et al.*, 2012). This practice is known as tax avoidance by increasing the purchase price and reducing the selling price between companies within a group and transferring profits to companies operating in countries that apply low tax rates (Sekhar, 2016).

Another factor that can influence companies to carry out transfer pricing is the quality of KAP. According to Dewi in Damayanti and Susanto (2015) audit quality is all the possibilities that can occur when the auditor audits the client's financial report and finds violations or errors that have occurred, and reports them in the audited financial report. Companies that have good audit quality will consider all their activities so as not to deviate from the rules. Thus, the implementation of KAP quality is believed to minimize the company's motivation to carry out transfer pricing.

## METHOD

### Research Type

This type of research employed in this research was explanatory research with a quantitative descriptive approach. According to Zulganef (2013: 23), explanatory research is a research that

aims to examine the causality between variables that explain a particular phenomenon. This study examined the causal relationship between the independent variables, namely company size, profitability, tax, and KAP quality with the dependent variable, namely transfer pricing. The quantitative descriptive approach is based on the philosophy of positivism, it is used to examine certain populations or samples. The sampling technique used is generally carried out randomly. Data collection used research instruments, and data analysis was quantitative / statistical in order to test the predetermined hypothesis (Sugiyono, 2013).

### Population, Sample, and Sampling Technique

The population of this research was manufacturing companies listed in the Indonesia Stock Exchange in 2015-2018. Manufacturing companies were selected as the study population because some of the foreign investment was carried out in companies engaged in manufacturing and had substantial internal company links with overseas parent companies.

The sampling technique used in this study was purposive sampling method. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2013). The sample used in this study had the following criteria:

- a. Manufacturing companies listed on the Indonesia Stock Exchange during 2015-2018.
- b. The companies reported financial reports to the Indonesia Stock Exchange in the 2015-2018 period.
- c. The company presented its financial statements in Indonesia's currency.
- d. The company did not experience a loss during the observation period. This matter because companies that experienced loss did not have tax obligations so that the tax motivation was irrelevant.
- e. Companies were owned by foreign companies with an ownership percentage of 20% or more in accordance with PSAK Number 15.

### Type, Source, dan Collecting Data Method

The type of data used in this study was secondary data. The secondary data was in the form of audited annual financial reports and could be accessed through the official website of the Indonesia Stock Exchange [www.idx.co.id](http://www.idx.co.id). The data collection method used in this research was the documentary method, namely the technique

of collecting data by collecting, recording, and reviewing secondary data.

### The Definition of Operational and Variable Measurement

#### 1. Dependent Variable - *Transfer Pricing*

Transfer pricing is the price contained in each product or service from one division that is transferred to another division within the same company or between companies that have a special relationship. Transfer pricing variable in this study is proxied by the presence or absence of sales to related parties or those with special relationships. Companies that make sales to related parties are assigned a value of 1 and those that are not assigned a value of 0 (Yuniasih et al., 2012).

#### 2. Independent Variable

##### a. Company Size

Company size is a scale that can classify the size of the company according to various ways, including: total assets, log size, stock market value, and others (Suwito and Herawati, 2005). Company size in this study is measured by means of the natural logarithm of the company's asset value. The total asset value of a company reaches trillions of rupiah, while other variables usually use data with relatively few digits, namely 1-2 digits, so that the results of data processing can be interpreted, the size of the company is made into a logarithmic or natural logarithm.

##### b. Profitability

Profitability is the company's ability to get profit from its business (Sunnyoto, 2013: 113). The profitability variable is measured by the return on assets ratio. The lower this ratio, the lower the profitability of a company, which indicates the higher the probability of a shift in profit that will occur, and the greater the suspicion that the company is engaged in transfer pricing practices (Bava and Gromis, 2015).

##### c. Tax

Tax is the amount that must be paid by the company which is the company's obligation for collecting, producing, and maintaining the business of running company operations in the customs area in a tax year (Watam, et al., 2019).

Taxation Law Number 36 of 2008 defines taxes as mandatory contributions to the state that are owed by individuals or entities that are compelling based on law, without receiving direct compensation and used for the state's needs for the greatest prosperity of the people. One way to measure how well a company manages its taxes is by looking at the effective tax rate (Liansheng et al., 2007). The effective tax rate (ETR) is a percentage of the amount of the tax rate borne by the company. Taxes in this study are proxied by the effective tax rate, which is the ratio of tax expense minus the difference in tax expense divided by taxable profit (Yuniasih. *et al.*, 2012).

d. KAP Quality

According to the Minister of Finance Decree Number 43 / KMK.017 / 1997 dated January 27, 1997 as amended by Decree of the Minister of Finance Number 470 / KMK.017 / 1999 dated October 4, 1999 Public Accounting Firm (KAP) is an institution that has a license from the minister of finance as a forum for public accountants to carry out their works. A public accounting firm that has a good reputation or name is affiliated with a universal public accounting firm. Users of financial statements often attribute audit quality to auditor reputation. Public Accounting Firms that are considered to be integrated and trusted are The Big Ten, including Price Waterhouse Cooper-PWC KAP Haryanto Sahari, Deloitte Touche Tohmatsu KAP Osman Bing Satrio, KMPG KAP Sidharta, Sidharta Widjaja, Ernest & Young- E&Y KAP Purwanto, Sarwoko, Sandjaja, RSM AAJ McGladrey & Pullen, Grant Thornton, CBIZ Mayer Hoffman McCann, BDO USA, Crowe Horwath and BKD. A company that is audited by The Big Ten Public Accounting Firm (KAP) will have difficulty implementing aggressive tax policies, including transfer pricing (Annisa and Kurniasih, 2012).

## Data Analysis Method

The data analysis technique used the logistic regression analysis technique using the SPSS program. The methods employed to analyze the data in this study were overall model fit test, Hosmer and Lemeshow Goodness of Fit Test, Determination Coefficient Test, and Classification Matrix Test.

The reason of the use of this technique in this research because the dependent variable in this study, namely transfer pricing, is dichotomous or a dummy variable. The logistic regression model in the research can be shown in the following equation:

$$DTP = \alpha \beta_1 SIZE \beta_2 PRO \beta_3 TAX \beta_4 KAP \epsilon (1)$$

Information:

DTP = Dummy Transfer Pricing, where:

Score of 1 (one) for companies that carry out sales transactions with related parties.

Score 0 (zero) for companies that do not make sales transactions with related parties.

= Constant

= Regression Coefficient

SIZE = Company Size

PRO = Profitability

TAX = Tax

DKKAP = KAP Quality Dummy, where:

Score of 1 (one) for companies whose financial statements were audited by The Big Ten Public Accounting Firm (KAP).

Score 0 (zero) for companies whose financial statements are not audited by The Big Ten Public Accounting Firm (KAP).

= Error

## RESULT AND DISCUSSION

### Data Description

From the data collection that has been done, then the number of samples that have been determined can be arranged as follows:

Table 1. Determination of Number of Samples

Criteria	Suitable Number
All Manufacturing Companies listed on the IDX	149
Criteria:	
1. Unregistered Manufacturing Company reported financial reports on the Indonesia Stock Exchange during 2015-2018	(24)
2. The company did not present its financial statements with Indonesia currency.	(25)
3. Companies experienced a loss or not a profit.	(35)
4. Companies were not owned by foreign companies with an ownership percentage of 20% or more.	(43)
Total sample of companies based on criteria	22
Observation Year	4
<b>Total Sample Observation</b>	<b>88</b>

Based on the determination of the number of samples taken in accordance with the criteria, the number of samples was 88.

### Overall Model Fit Test

The overall model fit test was carried out to assess whether the model fits the data or not. Logistic regression analysis technique used the Overall Model Fit Test.

Overall Model Fit Test is carried out by comparing the value between -2 LogLikelihood (-2 LogL) at the beginning (block number = 0) with the value -2 LogLikelihood (-2 LogL) at the end (block number = 1). A reduction in the value between -2 initial LogL (initial -2 LogL function) and -2 LogL value in the next step (-2 final LogL) indicates that the hypothesized model is fit with the data (Ghozali, 2016). The following is a comparison table of -2 initial LogL (block number = 0) with -2 final LogL (block number = 1).

Table 2. The result of Overall Model Fit Test

Value Comparison -2 LogL	Information
-2 Initial logL (block number = 0)	71,440
-2 Final logL (block number = 1)	66,158

Source: SPSS Output, 2020

Based on the results table above, it can be seen that there was a value comparison between the initial -2 LogL (block number = 0) and the final -2 LogL (block number = 1). The initial -2 LogL value was 71.440 while the final -2 LogL value was 66.158. The comparison of these values showed a decrease in value of 5.282. Thus it can be concluded that the model was fit with the data.

### Assessing the Feasibility of a Regression Model (Hosmer and Lemeshow Test)

The feasibility of a regression model was assessed using the Hosmer and Lemeshow Goodness of Fit Test. Assessment of the feasibility of the regression model was carried out so that the results obtained could be used.

The Hosmer and Lemeshow Goodness of Fit Test examines the null hypothesis that the empirical data fits into the model (there is no difference between the model and the data so that the model can be said to be fit). If the Hosmer and Lemeshow Goodness of Fit Test value  $\leq 0.05$ , then the null hypothesis is rejected, which means that there is a significant difference between the model and its observation value so that the Goodness Fit of the model is not good because the model cannot predict the value of the observation. If the Hosmer and Lemeshow Goodness of Fit Statistics value  $> 0.05$ , then the null hypothesis cannot be rejected and it means that the model is able to predict its observation value or it can be said that the model is acceptable because it matches the observation data (Ghozali, 2016). The following is a table of the results of the Hosmer and Lemeshow Goodness of Fit Test.

Table 3. Hosmer and Lemeshow Test Result

Chi-square	Sig.	Information
5,909	0,657	Null hypothesis is accepted

Source: SPSS Output, 2020

Based on the table of the results of the Hosmer and Lemeshow Goodness of Fit Test above, it can



be seen that the statistical value of Hosmer and Lemeshow Goodness of Fit was a chi square of 5.909 with a significance probability of 0.657 which was greater than 0.05, so the null hypothesis was accepted, which meant the model was fitted the data. Thus it can be concluded that the regression model was suitable to be use in further analysis because the model fitted the data.

### The Coefficient of Determination Test Result

Nagelkerke R2 is a test conducted to find out how much the independent variable is able to explain and influence the dependent variable. The value of Nagelkerke R2 varies between 1 and 0. The closer to the value of 1, the model is considered the better the goodness of fit, while the closer to 0, the model is the less goodness of fit (Ghozali, 2016). The following is a table of results to see the coefficient of determination.

Table 4. The Coefficient of Determination Test Result

Cox & Snell R Square	Nagelkerke R Square
0,187	0,306

Source: SPSS Output, 2020

Based on the results table above, it can be seen that the Nagelkerke R2 value showed a result of 0.306, which meant that the variability of the dependent variable that could be explained by the independent variable was 30.6%, while the remaining 69.4% was explained by other variables outside the model of this research.

### Results of the Classification Matrix

The classification matrix will show the predictive power of the regression model to predict the likelihood of companies doing transfer pricing. In the logistic regression output, the classification matrix value can be seen in the classification table. The following is a table of classification table results.

Table 5. Results of the Classification Matrix

Observed	Predicted	Percentage Correct	
		NON TP	TP
NON TP	6	10	37.5
TP	1	71	98.6
Overall Percentage			87.5

Source: SPSS Output, 2020

Based on the results table above, it can be seen that the prediction rate of 98.6% of the companies

carried out transfer pricing transactions and 37.5% did not carry out transfer pricing transactions. Overall, the model with independent variables of company size, profitability, tax, and KAP quality could be predicted that 87.5% of companies conducted transfer pricing transactions.

### Results of Research Hypothesis Testing (Regression Model Equations)

The following is a table of logistic regression coefficient test results.

Table 6. Coefficient Regression Logistic Test Result

Variable	Coefficient B	Sig.	Information
SIZE	0.654	0.027	Accepted
PRO	2.972	0.564	Rejected
TAX	0.300	0.901	Rejected
KKAP	1.009	0.176	Rejected
Constant	-17.901	0.029	

a. Variable(s) entered on step 1: SIZE, PRO, TAX, KKAP

Significant Level	Information
5% = 0,05**	If the significant value > than the significant level, then the hypothesis is rejected.
	If the significant value < than the significant level, then the hypothesis is accepted.

Source: SPSS Output, 2020

From the logistic regression coefficient test results table above, the logistic regression equation model is as follows:

$$\text{DTP} = -17.901 + 0.654\text{SIZE} + 2.972\text{PRO} + 0.300\text{TAX} + 1.009\text{KKAP} + \quad (2)$$

The results of the logistic regression equation above are as follows:

- The constant value of -17.901 indicated that if SIZE, PRO, TAX, KKAP were assumed to be constant or equal to zero, then transfer pricing decreased by -17.901.
- The company size variable (SIZE) had a positive regression coefficient of 0.654. This meant that every time there was an increase or decrease in one unit of the company size variable, transfer pricing would also increase or decrease by 0.654 with a significance value of 0.027 which was smaller than alpha 5% (0.05). These results can be interpreted that the size of the company affected the transfer pricing decisions of manufacturing

- companies. This is in accordance with the first hypothesis proposed, namely company size affected transfer pricing decisions, so the first hypothesis (H1) was accepted.
- c. The profitability variable (PRO) had a positive regression coefficient of 2.972. This meant that every time there was an increase or decrease in one unit of the profitability variable, transfer pricing would increase or decrease by 2.972 with a significance value of 0.564 which was greater than alpha 5% (0.05). These results could be interpreted that profitability did not affect the transfer pricing decisions of manufacturing companies. This is not in accordance with the second hypothesis proposed, namely profitability had an effect on transfer pricing decisions, so the second hypothesis (H2) was rejected.
  - d. The tax variable (TAX) had a positive regression coefficient of 0.300. This meant that every time there was an increase or decrease in one unit of the tax variable, transfer pricing would increase or decrease by 0.300 with a significance value of 0.901 which was greater than alpha 5% (0.05). These results can be interpreted that tax did not affect the transfer pricing decisions of manufacturing companies. This is not in accordance with the third hypothesis proposed, namely that tax had an effect on transfer pricing decisions, so the third hypothesis (H3) was rejected.
  - e. The KAP quality variable (KKAP) had a positive regression coefficient of 1.009. This means that every time there was an increase or decrease in one unit of the KAP quality variable, transfer pricing would increase or decrease by 1.009 with a significance value of 0.176 which was greater than alpha 5% (0.05). These results can be interpreted that the quality of KAP did not affect the transfer pricing decisions of manufacturing companies. This is not in accordance with the fourth hypothesis proposed, namely the quality of KAP had an effect on transfer pricing decisions, so the fourth hypothesis (H4) was rejected.

## Discussion

### 1. The Influence of Company Size on Company Decisions to Transfer Pricing

Based on the hypothesis testing that has been done, it can be seen that the company size variable had a positive regression coefficient of 0.654 and

a significance value of 0.027 (less than 0.05). This showed that the size of the company affected the decision of the manufacturing company being sampled to carry out transfer pricing.

These results are supported by research which conducted by Marisa (2018), Izadinia et al. (2013), Jayengsari and Soetedjo (2013), Wawonruntu and Hadisaputra (2016), Kusuma and Wijaya (2017) and Ananta (2018) who in their research stated that company size affects the company's decision to carry out transfer pricing. Company size can be defined as an assessment of the size or size of a company. The size of the company has an effect on transfer pricing. Where a large company, the owner will tend to wish a large profit with a small tax so that the owner of a large company will build the company branches to divide the profit in order the amount of tax is small, and even large company owners can build a branch company Low tax countries to carry out transfer pricing to avoid taxes in the country.

Zadinia, *et al.* (2013) stated that the size of the company will have an impact on the amount of tax burden that must be paid. The tax burden is regulated by diverting income to a country with a lower tax rate, which is usually through transfer pricing.

Meanwhile, Jayengsari and Soetedjo (2013) delivered that company size motivates the practice of earnings management by management due to regulations such as tax rules, anti-monopoly law, banking regulations, and others. With the existence of anti-trust or tax avoidance laws, companies with large sizes tend to reduce their profits. This reduction profits is done by diverting income to other countries with lower tax rates through transfer pricing practices.

However, it is not in line with the research of Kiswanto and Purwaningsih (2014), Ramadhan and Kustianti (2017) and Refgia (2017) which in their research stated that company size has no effect on the company's decision to carry out transfer pricing. This is because of companies with a relatively large size will see their performance by the public so that the directors or managers of these companies will be more careful and transparent in reporting their financial conditions. Meanwhile, the smaller companies are considered more likely to carry out transfer pricing to show satisfactory performance. Therefore, managers who lead large companies have less incentive to manage earnings, one of which is by doing *transfer pricing*.

## 2. The Effect of Profitability on Companies' Decisions to conduct *Transfer Pricing*

Based on the hypothesis testing that has been conducted, it can be seen that the profitability variable had a positive regression coefficient of 2.972 and a significance value of 0.564 (greater than 0.05). This showed that profitability had no effect on the decision of the sample manufacturing companies to carry out transfer pricing.

These results are supported by Nurindah (2013), Hapsoro (2015), Wawonuntu and Hadisaputra (2016), Ramadhan and Kustianti (2017) which in their research stated that profitability has no effect on company's decision to carry out transfer pricing. This is because of companies that conduct transfer pricing and companies that do not do transfer pricing tend to ignore the information about the company's profitability in making transfer pricing decisions. This indication is due to the economic conditions of the United States which have an impact on most countries in the world.

Referring to the sample of this study where companies owned by foreign ownership are greater or equal with 20%, so the crisis makes foreign ownership attract their funds to companies in Indonesia, so it has an impact on the level of profitability is low and insignificant.

However, it is not in line with the research of Richardson *et al.* (2013), Kusuma and Wijaya (2017), Anisyah (2018), Deanti (2017), Cahyadi and Noviari (2018), Sari and Mubarak (2018) and Ananta (2018) who in their research stated that profitability affects the company's decisions in perform transfer pricing. This is because investors often use profitability as a basis for making investment decisions. Through good profitability, the investors may make or maintain their investment even greater. This is due to the profitability can describe the condition of the company in making a profit.

Profitability also has an important meaning in the company's efforts to maintain its survival in the long term, because profitability shows whether the company has good opportunities in the future. Therefore the company will always try to increase its profitability, because the higher level of company profitability, the company's survival will be more secure. The decision that can be taken to increase the company's profitability is to carry out transfer pricing.

## 3. The Influence of Taxes on the Companies' Decision to conduct *Transfer Pricing*

Based on the results of hypothesis testing, it can be seen that the tax variable had a positive regression coefficient of 0.300 and a significance value of 0.901 (greater than 0.05). This showed that tax had no effect on the decision of the manufacturing companies being sampled to carry out transfer pricing.

This results are supported by the research conducted by Hartati *et al.* (2014), Mispiyanti (2015), Rosa *et al.* (2017), Ardila (2018), Saifudin and Putri (2018) and Fadhilah (2018) who in their research stated that taxes have no effect on the company's decision to carry out transfer pricing. This is due to the manufacturing companies in Indonesia tend to choose to avoid the transfer pricing mechanism and carry out transactions with affiliated entities because of an agreement with the Directorate General of Taxation on parties who have a special relationship to reduce tax evasion by companies. The large tax burden does not trigger the company to carry out transfer pricing in the hope that it can reduce the burden.

However, it is not supported by the research of Kiswanto and Purwaningsih (2014), Deanti (2017), Wafiroh and Hapsari (2015), Noviasatika *et al.* (2016), Saraswati and Sujana (2017), Stephanie *et al.* (2017), Suprianto and Pratiwi (2017), Tiwa *et al.* (2017), Anisyah (2018), Cahyadi and Noviari (2018) and Kurniawan *et al.* (2018) which states that taxes affect the company's decision to carry out transfer pricing. This is due to the tax motivation is one of the reasons manufacturing companies to carry out transfer pricing by making transactions with affiliated companies that are outside of the national borders. The company carries out transfer pricing in its tax planning in order to minimize the taxes paid. The large tax burden triggers the company to carry out transfer pricing in the hope of reducing the burden..

## 4. The Effect of KAP Quality on Companies' Decisions to Conduct *Transfer Pricing*

Based on the hypothesis testing that has been done, it can be seen that the KAP quality variable had a positive regression coefficient of 1.009 and a significance value of 0.176 (greater than 0.05). This showed that the quality of KAP had no effect on



the decision of the manufacturing companies being sampled to carry out transfer pricing.

This result is supported by the research of Noviasika, *et al.* (2016) which in their research stated that the quality of KAP has no effect on the company's decision to carry out transfer pricing. This is because the quality of the audit does not necessarily become a benchmark whether the company is conducting transfer pricing or not. In the audit report, which is described in an overview of the company, the companies that carry out transfer pricing applies PSAK 7 (Revised 2010), namely "Related Party Disclosures" where all significant transactions with related parties have been disclosed in the financial statements.

However, it is not in line with the research of Annisa and Kurniasih (2012), Rosa, *et al.* (2017) which in their research stated that the quality of KAP has an effect on the company's decision to carry out transfer pricing. This is because if a company is audited by The Big Ten KAP, it will be increasingly difficult to implement an aggressive tax policy. The higher quality of a company's audit, the more likely of company will not manipulate the profits of tax purposes, one of which is by means of transfer pricing.

## CLOSING

### Conclusion

Based on the results of research on company size, profitability, tax, and KAP quality on transfer pricing decisions for manufacturing companies listed on the Indonesia Stock Exchange in 2015-2018, the following conclusions can be drawn:

- The company size variable affected the company's decision to do transfer pricing with a significant value of  $0.027 < 0.050$ .
- The profitability variable had no effect on the company's decision to do transfer pricing with a significant value of  $0.564 > 0.050$ .
- The tax variable had no effect on the company's decision to do transfer pricing with a significant value of  $0.901 > 0.050$ .

- The KAP quality variable has no effect on the company's decision to do transfer pricing with a significant value of  $0.176 > 0.050$ .

### Research Limitation

After analyzing and knowing the interpretation of the results, the researchers found several limitations in this study, including:

- The sample used in this study focuses on manufacturing companies in general without specifically classifying between industrial sectors.
- The theory related to the KAP quality is too little, so there are still difficulties for the author to determine a theory that can be used as a basis to support the results of this study.
- The R-Square value shows a result of 0.306 or 30.6%, which means there are still 69.4% of other variables outside the research that can affect the variables studied.
- The observation period was only 4 years.

### Suggestion

Based on the limitations contained in this study, the researcher proposes several suggestions as an effort to improve writing for further research, including:

- Further research can develop this research by comparing between industrial sectors in manufacturing companies, so that more detailed and different results will be obtained in each sector, because each industrial sector has different characteristics.
- Adding theories regarding the quality of KAP.
- Adding other research variables that can affect the existence of transfer pricing transactions to increase the R-Square of the study. For example Tunneling Incentive, Bonus Mechanism, Political Fees, etc.
- Further research extends the observation period so that the bias results are more accurate and can increase the amount of variable influence.

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