



Jurnal Dinamika Akuntansi dan Bisnis

URL: <http://jurnal.unsyiah.ac.id/JDAB/index>



Transfer Pricing Aggressiveness in Indonesia: Multinationality, Tax Haven, and Intangible Assets

Ferry Irawan^{1*}, Imla Amelia Ulinnuha²

^{1,2}Politeknik Keuangan Negara STAN, Tangerang Selatan, Indonesia

*Corresponding author: ferry.irawan@pknstan.ac.id

<https://dx.doi.org/10.24815/JDAB.V9I1.23217>

ARTICLE INFO

Article history:

Received date: 27 October 2021

Received in revised form: 1 January 2022

Accepted: 5 February 2022

Available online: 10 April 2022

Keywords:

Intangible assets, multinationality, tax haven, transfer pricing aggressiveness

Citation:

Irawan, F., & Ulinnuha, I.A., (2022), Transfer Pricing Aggressiveness: Multinationality, Tax Haven, and Intangible Assets in Indonesia, *Jurnal Dinamika Akuntansi dan Bisnis*, 9(1), 2022, pp 1-18

Kata Kunci:

Aset tak berwujud, multinasionalitas, tax haven, agresivitas transfer pricing

ABSTRACT

This study aims to examine the effect of corporate multinationality, occurrence of transactions with tax-haven-countries, and intangible assets on transfer pricing aggressiveness in Indonesian companies. Applying purposive sampling method, this study analyzed 100 samples of multinational companies listed in the Indonesia Stock Exchange (IDX) during the period from 2015 to 2019, except companies from the financial and insurance sector. Applying multiple regression analysis, this study unveiled a positive and significant impact of multinationality, occurrence of transactions with tax-haven-countries, and intangible assets on companies's transfer pricing aggressiveness.

Agresivitas Transfer Pricing di Indonesia: Multinasionalitas, Tax Haven, dan Aset tidak berwujud

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh multinasionalitas perusahaan, keberadaan transaksi dengan negara tax haven, dan aset tidak berwujud terhadap agresivitas transfer pricing. Dengan menggunakan Teknik metode purposive sampling, 100 sampel perusahaan multinasional non keuangan dan asuransi yang terdaftar di Bursa Efek Indonesia (BEI) pada periode 2015 s.d. 2019. Metode analisis data yang digunakan adalah regresi berganda untuk data panel. Hasil dari penelitian ini menunjukkan multinasionalitas, keberadaan transaksi dengan negara tax haven, dan aset tidak berwujud berpengaruh positif dan signifikan terhadap agresivitas transfer pricing perusahaan.

1. Introduction

One of the essential issues of taxation, both nationally and internationally, is transfer pricing. Based on the Organization for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines (2017), one of the main difficulties in implementing the transfer pricing method is finding open market transactions between independent companies comparable to transactions between affiliated parties in multinational companies. The Arm's Length Principle introduced by the OECD is expected to overcome these difficulties.

The arm's length principle is a method for assessing the fairness of transactions between

affiliated parties that countries in the world can apply to their domestic tax systems (Irawan, 2020). However, increase of transfer pricing cases is noticeable globally (Nurhidayati & Fuadillah, 2018; Firmansyah & Yunidar, 2020).

In November 2020, the OECD released statistical data on transfer pricing disputes through the 2019 Mutual Agreement Procedure (MAP) Statistics. Based on this statistical data covering 105 jurisdictions, cases of transfer pricing abuse in 2019 globally increased by 20% compared to cases of transfer pricing abuse in 2018. Furthermore, in 2019 Indonesia was ranked 25th out of 105 jurisdictions with cases of highest abuse of transfer

pricing. Based on findings from the Tax Justice Network (Kontan, 2020), Indonesia's losses due to tax evasion are up to US\$ 4,86 billion per year or equivalent to Rp 68,7 trillion per year.

Transfer pricing is a significant form of tax avoidance that is carried out by diverting profits from countries with higher tax rates to countries with lower tax rates (Richardson *et al.*, 2013; Sari, 2020; Muhammadi *et al.*, 2016; Makni *et al.*, 2020; Amidu *et al.*, 2019; Arham *et al.*, 2020; Wahyudi *et al.*, 2021; Falbo & Firmansyah, 2018; Irawan *et al.*, 2021). Supported by OECD country-by-country reporting statistics in Baerentzen (2020), one of the main findings of the report is the discrepancy between the jurisdiction of profit reporting and the jurisdiction of economic activities, such as employment, assets, and sales (Rahman & Utami, 2021; Devi & Suryarini, 2020; Taylor *et al.*, 2018; Sari & Irawan, 2021; Utami & Irawan, 2022). In other words, the profit is not reported where the value is made, which means it is also not where the tax is paid.

The Director General of Taxes (DGT) believe that the cause of tax evasion is because there are parties who make transactions that have special relationships at Indonesia and overseas (Kontan, 2020). One of the transactions carried out by taxpayers is through the transfer pricing mechanism.

According to Richardson *et al.* (2013), to strengthen the policy-making in the assessment of corporate transfer pricing, further research is needed on the most dominant factors affecting transfer pricing schemes. Research conducted by Arham *et al.* (2020) in Indonesia mapped 41 research articles under the topic of transfer pricing. The results of this research find out that research on transfer pricing is still relatively small during the last ten years. Furthermore, the research also discovered that the most widely discussed variables are taxes, tunneling incentives, bonus mechanisms, exchange rates, leverage, and company size, with at least four studies discussing them, while multinationality, tax haven, and intangible assets

are still under-researched when compared to other variables.

Multinational companies are actively involved in cross-border intercompany transactions through transfer pricing activities, these companies have a significant incentive to manipulate internal transfer prices to avoid paying taxes (Choi *et al.*, 2020; Sebele-Mpofu *et al.*, 2021; Supriyati *et al.*, 2021). OECD (2012) states that more than 60% of world trade occurs in multinational companies. In addition, around 60,000 multinational companies worldwide control more than 500,000 subsidiaries (Suldina *et al.*, 2020). This issue makes the multinationality of companies is an essential issue for further research.

Research on multinationality on transfer pricing aggressiveness in Indonesia have been conducted by Ramadhan & Kustiani (2017), Rezky & Fachrizal (2018), and Dinca & Fitriana (2019), shows that multinationality has a positive effect on transfer pricing aggressiveness. However, based on research by Waworuntu & Hadisaputra (2016), multinationality has a negative effect on transfer pricing aggressiveness.

Transfer pricing transactions are also related to the existence of tax havens. Multinational corporations transfer profits to low-tax jurisdictions or tax havens through manipulation of transfer prices (Van Fossen, 2015; Taylor, Richardson, & Taplin, 2015; Taylor, Richardson, & Taplin, 2015; Gumpert *et al.*, 2016; Galaz *et al.*, 2018; Atwood & Lewellen, 2019; Makni *et al.*, 2020; Deng *et al.*, 2020; Lewellen *et al.*, 2021; Guex, 2021).

Many research conducted also unveiled that tax havens operations facilitate tax evasion by permitting the redistribution of taxable income from high-tax jurisdictions to low-tax or no-tax jurisdictions, and through reducing the number of tax liability imposed on foreign income (Jaafar & Thornton, 2015; Mara, 2015; Taylor, Richardson, & Taplin, 2015; Jones & Temouri, 2016; Markle & Robinson, 2018; Liu *et al.*, 2019; Janský, 2020; Guyton *et al.*, 2020; Hauck, 2019).

One of the cases of using transfer pricing in Indonesia is PT Adaro Energy Tbk, based on a report from Global Witness in finance.detik.com (2019), utilizes its subsidiary in Singapore, which is one of the tax haven countries, to reduce the number of tax payments to Indonesia. Tax haven variables were also studied in Indonesia, based on research by Ramadhan & Kustiani (2017) tax haven positively significant affected transfer pricing aggressiveness. Meanwhile, based on research by Waworuntu & Hadisaputra (2016), tax haven has no effect on transfer pricing aggressiveness.

One type of transaction that companies easily utilize in carrying out transfer pricing aggressiveness is through intangible assets. Transferred of intangible assets within the group are used to avoid tax (Grubert, 2003; Plesner Rossing, 2013; Gallemore & Labro, 2015; Hunter *et al.*, 2015; Klassen *et al.*, 2017; Blouin *et al.*, 2018). In addition, also explained that intangible assets are often difficult to measure based on the principle of market prices, affiliated companies easily take advantage of this to carry out transfer pricing aggressiveness. Therefore, according to Shackelford *et al.* (2011) and Dyreng *et al.* (2008), there are more significant opportunities to engage in transfer pricing aggressiveness by transferring intangible assets between jurisdictions with varying taxes.

Ramadhan & Kustiani (2017), Novira *et al.* (2020), and Yunidar & Firmansyah (2020) researched association between intangible assets and transfer pricing aggressiveness in Indonesia companies. The studies showed intangible assets has a positive and significant on pricing aggressiveness. Meanwhile, based on research conducted by Waworuntu & Hadisaputra (2016), the results showed that intangible assets have a negative effect on transfer pricing aggressiveness.

The previous studies show that multinationality, tax haven and intangible assets are important variables in transfer pricing research. However, there are still inconsistency among those previous results. First, whether multinationality

variable affect the transfer pricing aggressiveness as shown by Richardson, *et al.* 2013; Grantley, *et al.*, 2015; Anh *et al.*, 2018; Ramadhan & Kustiani, 2017; Karunia, 2017; Rezky & Fachrizal, 2018; Dinca & Fitriana, 2019; Widyanti, 2019; and Waworuntu & Hadisaputra, 2016.

Second, we are still questioning whether tax haven affect transfer pricing aggressiveness as shown by Grantley *et al.*, 2015; Anh *et al.*, 2018; Richardson, *et al.*, 2013; Ramadhan & Kustiani, 2017; Karunia, 2017; and Widyanti, 2019. Lastly, this paper also tries to figure out whether intangible assets can influence the transfer pricing aggressiveness as elaborated by Richardson, *et al.*, 2013; Grantley *et al.*, 2015; Klimova & Eden, 2019; Anh *et al.*, 2018; Merle *et al.*, 2019; Ramadhan & Kustiani, 2017; Widyanti, 2019; Novira *et al.*, 2020; Firmansyah & Yunidar, 2020; Waworuntu & Hadisaputra, 2016; and Karunia, 2017.

The inconsistency of prior studies' results is the main motivation of this study. But, this study continues the previous research by Richardson *et al.* (2013) and Taylor *et al.* (2015). The purpose of this research is to examine the effect of multinationality, tax havens, and intangible assets on transfer pricing aggressiveness in non-financial companies.

Previous studies that have been conducted in Indonesia only used data from the Indonesia Stock Exchange (IDX). Therefore, to bring the research results closer to the conditions in the field, this research adding an interview with tax authorities as a supporting analysis.

This study contributes to the transfer pricing literatures. Also, the results of this study are expected to be used by Indonesian tax authority officers especially account representatives and tax auditors in assessing taxpayer risk involving information in the company's financial statements that have a high significance on transfer pricing aggressiveness, as well as being a reference for DGT regarding the information on factors that have a significant and non-significant effect on transfer pricing aggressiveness.

The following section discusses the theoretical basis for multinationality, tax haven, intangible assets, and transfer pricing aggressiveness. Furthermore, in the third part, the research method is explained, followed by the results and discussion in the fourth part. Finally, the conclusions of this study, the limitations in carrying out the research, and suggestions are explained in the last section.

2. Literature review and hypotheses development

Literature review

Based on Watts & Zimmerman (1990), one of the hypotheses in positive accounting theory is the political cost hypothesis. Furthermore, Watts & Zimmerman (1990) also explain that the political cost hypothesis predicts that large companies tend to choose accounting methods that reduce reported earnings compared to small companies.

Based on Godfrey *et al.* (2010), positive accounting theory seeks to explain the reasons for the opportunistic behavior of companies making certain accounting policy choices. In this case, the political cost hypothesis explains that the higher the firm's political costs, the more likely it is for firm managers to choose accounting policies that shift profits/expenses to countries with lower/higher tax rates or delay revenue recognition.

Tax is a form of political cost that can reduce the company's profits because the company must pay the tax money to the state. Based on Watts & Zimmerman (1979), the political cost hypothesis states that company management seeks to minimize taxes imposed by the government. This behavior happened due to the information asymmetry between the company and the government, especially the tax authorities. Management, as an agent, knows complete information on company transactions, both regarding the parties involved in the transaction and the fair price of the transaction.

On the other hand, the government as the principal only knows limited information. The government is unlikely to monitor all transactions carried out individually by corporate taxpayers and

only have access to limited information in the financial statements presented by the company. This limitation encourages management to conduct opportunistic behavior to reduce tax payments, one of which is through the practice of transfer pricing aggressiveness.

Hypothesis development

Companies tend to seek profits for themselves through opportunistic actions, by reducing the number of tax payments to the state. In line with the political cost hypothesis, which states that taxes are political costs that can reduce the number of company profits (Watts & Zimmerman, 1990). The motivation to get greater profits makes multinational companies shift their profits.

Multinational companies, when compared to non-multinational companies, have more significant opportunities to avoid tax (Dyrenge *et al.*, 2008; Cristea & Nguyen, 2016; Choi *et al.*, 2020; Sebele-Mpofu *et al.*, 2021; Supriyati *et al.*, 2021). Multinational companies have subsidiaries abroad so they can take advantage of their access to countries with different tax rates to shift company profits to countries with lower or zero tax rates with unfair transactions. Shifting its profits to countries with lower or zero tax rates will make the tax that companies have to pay to the country smaller so that the consolidated profits obtained by the company are maintained.

One way to shift profits is by abusing transfer pricing transactions carried out by multinational companies with their overseas relationships. This issue makes multinational companies tend to do transfer pricing aggressiveness (Richardson *et al.*, 2013; Taylor *et al.*, 2015; Ramadhan & Kustiani, 2017; Rezky & Fachrizal, 2018; Anh *et al.*, 2018; Dinca & Fitriana, 2019). Therefore, we propose there is a positive relationship between multinationality and the transfer pricing aggressiveness of a company. The first hypothesis of this research is:

H₁: Multinationality has a positive affect on the company's transfer pricing aggressiveness.

Companies are rational entities. Hence, multinational companies that want to increase their profits tend to take opportunistic actions by utilizing tax haven facilities. One of the tax haven facilities has a lower tax rate or even having a zero-tax rate.

In line with the political cost hypothesis, the company's profits will decrease if the company pays taxes to the state which are high political costs. This issue underlies multinational companies to regulate their transactions so that they can allocate their profits to tax haven countries (Desai *et al.*, 2006; Dharmapala, 2008; Van Fossen, 2015; Taylor, Richardson, & Taplin, 2015; Taylor, Richardson, & Taplin, 2015; Gumpert *et al.*, 2016; Galaz *et al.*, 2018; Atwood & Lewellen, 2019; Makni *et al.*, 2020; Deng *et al.*, 2020; Lewellen *et al.*, 2021; Guex, 2021).

The transaction mechanism that companies can use to avoid paying higher taxes to the state is to allocate the profits received to the tax haven state and impose high costs on the state with a higher tax rate. This can be done by misusing the transfer pricing mechanism to conduct transactions between multinational companies and their relations in tax haven countries.

In addition, the abuse of the tax haven is supported by not being required to have substantial activities in the country when establishing a company, the absence of information transparency, and the difficulty of exchanging information with other tax authorities (OECD, 1998).

This is what makes multinational companies that have transactions with tax haven countries have a higher tendency to conduct transfer pricing aggressiveness (Taylor *et al.*, 2015; Ramadhan & Kustiani, 2017; Anh *et al.*, 2018). Therefore, we propose there is a positive relationship between transactions owned by the company and its relations in tax haven countries and the aggressiveness of the company's transfer pricing. The second hypothesis of this research is:

H₂: The existence of transactions with related parties in tax haven countries has a positive effect

on the company's the transfer pricing aggressiveness.

The political cost hypothesis argues that managers seek for the lower cost. Intangible assets have certain characteristics that companies can easily take advantage of for doing an abuse. Intangible assets tend to be unique between one intangible asset and another. This condition makes intangible assets difficult to assess and evaluate by tax authorities because it is difficult to find similar and comparable transactions in the market. Companies can use this characteristic of intangible assets to take opportunistic actions so that they can increase their profits by reducing tax costs.

Based on the political cost hypothesis, companies will tend to reduce tax costs because they can reduce the profits they get (Watts & Zimmerman, 1990). Companies tend to be subjective in assessing their intangible assets so that they can be used to conduct unfair transactions (Dyrenge *et al.*, 2008; Shackelford *et al.*, 2011). This subjectivity creates information asymmetry between the company and the government. The government knows the information of intangible assets only from the financial statements reported by the company, meanwhile, the company knows every single detail of intangible assets they have. Multinational companies that have access to countries with different tax rates can take advantage of these intangible assets by transferring them to countries with lower or zero tax rates to reduce tax payments to the country.

One of the company's unfair transactions is through transfer pricing aggressiveness. Therefore, there is a more significant opportunity to engage in aggressive transfer pricing through the transfer of intangible assets between jurisdictions with varying tax rates (Richardson *et al.*, 2013; Taylor *et al.*, 2015; Ramadhan & Kustiani, 2017; Klassen *et al.*, 2017; Blouin *et al.*, 2018; Yunidar & Firmansyah, 2020). Thus, the third hypothesis that we propose for this study is:

H₃: Intangible assets have a positive effect on the company's transfer pricing aggressiveness.

3. Research method

Population and samples

This study is research with a quantitative method. The population was companies in Indonesia listed on the Indonesia Stock Exchange (IDX) in the 2015-2019 period. The research period is limited to 2015-2019 to consider the strategic plan of the Indonesian Tax Authority (ITA) was implemented during 2015 and 2019 to increase optimal tax revenue and taxpayer compliance.

In 2015, several tax regulations related to transfer pricing were enacted as a form of realization of the Base Erosion and Profit Shifting (BEPS) action plan which is expected to reduce the level of aggressiveness of transfer pricing in Indonesia and support the achievement of DGT's strategic plan.

These regulations are minister of finance regulation number 240/PMK.03/2014 concerning procedures for implementing mutual agreement procedures and minister of finance regulation number 7/PMK.03/2015 concerning Procedures for establishing and implementing advance pricing agreement. With this consideration, the results of this study will be more relevant as a strategic policy evaluation.

Samples were selected using a non-random purposive sampling method. The reasons are (1) to obtain more relevant research data and (2) to avoid incomplete and biased data. All research samples

had similar characteristics and could be compared with each other. Sample selection criteria as described as follows.

- a. Companies listed on the IDX or Initial Public Offering (IPO) after January 1, 2015, are eliminated. Companies that have IPO are required to publish financial statements consisting of audited annual financial statements;
- b. Companies in finance and insurance are excluded because of significant differences in accounting standard treatment. This is due to significant differences in the application of accounting policies and various regulatory constraints faced by companies engaged in these fields (Richardson *et al.*, 2013);
- c. Companies that do not have complete financial statements for the period 2015 to 2019 are eliminated; and
- d. Companies that have overseas subsidiaries are included in the sample selection criteria. This is because profit will still be taxed in Indonesia when the company does not have a subsidiary outside Indonesia, although there is still a possibility of compensation for losses (Gufron, 2019).

The results of the purposive sampling are shown in table 1.

Table 1. Purposive sampling criteria

No	Purposive sampling criteria	Total
Sample and population		525
1	Companies listed on the IDX or IPO after 1 January 2015	(14)
2	Finance and insurance companies	(79)
3	Companies that do not have complete financial statements in the 2015-2019 period	(58)
4	Companies that do not have overseas subsidiaries in the 2015-2019 period	(274)
Total sampling		100
Observation period (2015-2019)		5
Total observation		500

The data used in this study is secondary data in the form of financial reports and annual reports from companies listed on the IDX in the 2015-2019 period and is a type of panel data that combines cross-sectional data and time-series data. We finally found 500 observations firm-year. Furthermore, the data were tested using the STATA SE 15.0 application and the research writing process using microsoft word as word processing software and microsoft excel as data processing software. In addition, this study also adds supporting analysis in the form of interviews conducted with tax auditors at the foreign investment tax office, Jakarta Special Region Tax Office, and transfer pricing knowledge centers administrators, namely the chair and head of the training section. The selection of resource persons is based on the registered place of the company that is in the public listed companies tax office that is included in the work area of the Jakarta special region tax office together with the foreign investment tax office.

Operationalization of variables

The proxy used to determine dependent variable (transfer pricing aggressiveness) is an index based on Richardson et al. (2013) which consists of eight criteria. The index builds on the attributes emphasized in the Australian Taxation Office (ATO) audit program and issues researched by the Australian Securities and Investment Commission (ASIC). The proxy for measuring transfer pricing aggressiveness through the Richardson *et al.* (2013) index explained that it can be applied and replicated in countries other than Australia. This index uses the dummy method, by giving a value of 1 if it meets each of the criteria of the eight criteria, and vice versa gives a value of 0

if the criteria is not met. Furthermore, the approach used is the sum-score approach by adding up the assessment results of each of these criteria and then dividing them by eight. For implementation in Indonesia, the eighth criteria still cannot be applied due to the absence of regulations about group taxation. The seven criteria that can be applied in Indonesia are:

- a. The existence of interest-free loans between related entities;
- b. The existence of debt forgiveness between related entities;
- c. The existence of impaired loans between related entities;
- d. The provision of nonmonetary consideration (e.g., services or nonliquid assets) without commercial justification between related entities;
- e. The absence of formal documentation held by a firm to support the selection and application of the most appropriate arm's length methodologies or the absence of formal documentation relating to transfer pricing between related entities;
- f. The disposal of capital assets to related entities without commercial justification; and
- g. The absence of arm's length justification for transactions between related entities.

The independent variables used in this study consist of multinationality, tax haven, and intangible assets. Multinationality (MULTI) is measured following research by Richardson *et al.* (2013), which is the same proxy in Rego's (2003) research, as well as Mills and Newberry (2004). The proxy considers the corporate income tax rate in Indonesia, which is 25%. Based on OECD statistical data (2020) the tax rate in Indonesia, when compared to other countries in the OECD data, tends to be higher.

$$MULTI_{i,t} = \frac{\text{Total number of foreign incorporate subsidiaries}_{i,t}}{\text{Total number of subsidiaries}_{i,t}}$$

where:

$MULTI_{i,t}$ = Multinationality Company i for the year t

Total foreign subsidiaries $_{i,t}$ = Total number of foreign incorporate subsidiaries i for the year t

Total subsidiaries $_{i,t}$ = Total number of subsidiaries i for the year t

The tax haven (TAXHAV) variable is based on the briefing paper tax justice network, the combined list of tax havens and offshore financial centers from the OECD (2006), Tax Justice Network (2005), and the Financial Stability Forum (2000). The list of tax haven countries consists of 72 jurisdictions. This variable is the same variable used in the research of Ramadhan and Kustiani (2017), because the list of tax haven countries used is complete than the list in the OECD used in the research of Richardson *et al.* (2013). In addition, tax haven countries in the OECD list are not used as destinations for corporate tax avoidance in Indonesia, such as Singapore and Hong Kong, which are not on the list. However, based on the Tax Justice Network (2005) and the Financial Stability Forum (2000), both countries are included in the list of tax haven countries. The measurement of the tax haven country variable (TAXHAV) uses a dummy variable of 1 if the company has at least one related party in the tax haven country that has transactions with the company. On the other hand, if the company has no related parties in the tax haven country that has transactions with the company, it is declared 0.

Intangible assets (INTANG) in this study uses a proxy as used in the research of Grantley *et al.* (2015) and Firmasnyah and Yunidar (2020):

$$INTANG_{i,t} = \frac{Intangible\ Assets_{i,t}}{Total\ Assets_{i,t}}$$

Description:

INTANG_{i,t} = Intangible assets on Company i for the year t
 Intangible Assets_{i,t} = Total intangible assets on for the year t

This study used 3 control variables consisting of Leverage (LEV), Profitability (ROA), and Firm Size (SIZE). Leverage (LEV) in this study uses the same proxy as research by Gupta and Newberry (1997), Richardson *et al.* (2013), and Grantley *et al.* (2015).

LEV is measured by dividing the total long-term debt on the company by total assets owned by the company. ROA uses the same proxy as research by Gupta and Newberry (1997) and Grantley *et al.* (2015), measured by dividing income before tax with total assets owned by the company. Lastly, SIZE in this study uses the same proxy as Richardson *et al.* (2013) who followed the proxies in the research of Stickney and McGee (1982) and Porcano (1986), besides that this proxy was also used by Grantley *et al.* (2015), which uses the natural logarithm of the asset value in the statement of financial position.

The regression model

The model in this study is determined as follows.

$$TP_{i,t} = \alpha_{0,i,t} + \beta_1 MULTI_{i,t} + \beta_2 TAXHAV_{i,t} + \beta_3 INTANG_{i,t} + \beta_4 LEV_{i,t} + \beta_5 ROA_{i,t} + \beta_6 SIZE_{i,t} + \varepsilon_{i,t}$$

where:

TP_{i,t} = Transfer pricing aggressiveness on company i for the year t
 MULTI_{i,t} = Multinationality on company i for the year t
 TAXHAV_{i,t} = Dummy variable from the existence of transactions with a related parties in tax haven countries on, 1 if the company own at least one transaction with related party in tax haven country, 0 if otherwise
 INTANG_{i,t} = Intangible assets on company i for the year t
 LEV_{i,t} = Leverage on company i for the year t
 ROA_{i,t} = Profitability on company i for the year t
 SIZE_{i,t} = Firm size on company i for the year t

4. Results and discussion

The results of the statistics descriptive of the data in this study are shown in table 2. Transfer pricing aggressiveness variable is measured by using

index formulated by Richardson *et al.* (2013) which consists of 7 criteria that can be applied in Indonesia. The average of each index is shown in table 3.

Table 2. Statistics descriptive

Variabel	N	Mean	Median	Min	Max	Std. Dev
TP	500	0.431	0.429	0	0.857	0.160
MULTI	500	0.29	0.221	0.010	1	0.255
TAXHAV	500	0.37	0	0	1	0.483
INTANG	500	0.025	0.001	0	0.470	0.055
LEV	500	0.370	0.306	0	5.073	0.393
ROA	500	0.033	0.038	-3.928	2.557	0.297
SIZE	500	29.758	29.896	23.552	33.030	1.549

Table 3. Mean of the aggressiveness transfer pricing index

Criteria	Criteria description	Mean
1	The existence of interest-free loans between related entities	0.252
2	The existence of debt forgiveness between related entities	0.026
3	The existence of impaired loans between related entities	0.252
4	The provision of nonmonetary consideration (e.g., services or nonliquid assets) without commercial justification between related entities	0.686
5	The absence of formal documentation held by a firm to support the selection and application of the most appropriate arm's length methodologies or the absence of formal documentation relating to transfer pricing between related entities	0.900
6	The disposal of capital assets to related entities without commercial justification	0.056
7	The absence of arm's length justification for transactions between related entities	0.846

In panel data, there are three types of regression models, namely Ordinary Least Square (OLS), Fixed Effect Model (FEM), and Random Effect Model (REM). To strengthen the model selection result, the Chow test, Hausman test, and

Lagrange Multiplier test were carried out. The results of the test show that the most appropriate model for panel data regression in this study is the Fixed Effect Model (FEM). Hypothesis testing is shown in table 4.

Table 4. Regression result

TP	Sign	Coef.	Std. Err.	t	P> t	P> t one-tailed
MULTI	+	0.012	0.005	2.21	0.027	0.014
TAXHAV	+	0.003	0.002	1.75	0.081	0.041

INTANG	+	0.181	0.036	5.07	0.000	0.000
LEV		0.008	0.003	2.61	0.009	
ROA		-0.007	0.009	-0.85	0.394	
SIZE		0.003	0.001	2.74	0.006	
TP						
L1.		0.877	0.020	44.03	0.000	
_cons		-0.035	0.025	-1.38	0.169	
R ²	0.756					
Adj. R ²	0.751					
Prob (F-stat.)	0.000					

Multinationality and transfer pricing aggressiveness

Based on the results of this study, multinationality has a significant positive effect on the firm's transfer pricing aggressiveness. In other words, the more foreign subsidiaries a company owns, the higher the tendency to engage in transfer pricing aggressiveness. Based on field facts at the Special Jakarta Directorate General of Taxes Regional Office, the larger the company's size that has many foreign subsidiaries, the greater the company's resources to carry out aggressive transfer pricing activities.

Multinational corporations have operations in different countries with different tax rates to shift income and expenses to a country with the lowest tax rate. This fact is in line with the study conducted by Grubert & Mutti (1991) that multinational companies have incentives to increase after-tax profits by diverting taxable income from affiliated companies in countries with high tax rates to subsidiaries in countries with low tax rates.

Multinational corporations can arrange schemes for the functioning of the company and its affiliates. Based on the practice facts, the company

has already calculated the scheme so that the consolidated profit will be higher, but the reported profit in Indonesia tends to be lower. This fact means that transactions carried out by companies can cause profits in Indonesia to be suppressed and transferred to other countries that have lower tax rates.

In addition, the existence of transactions is also a problem that many multinational companies list transactions but the company cannot prove the truth of the occurrence of these transactions. This causes the transactions carried out by the multinational companies to be unfair, both in the formal aspects of the transactions and based on the substantial aspects of the business schemes carried out by the company.

This is in line with studies by Dyreng *et al.* (2008) that companies with a larger international scale have more opportunities to engage in tax avoidance activities. In line with this fact, statistical data from this study shows that the problem of fairness of transactions with related parties in multinational companies is still high.

Based on the transfer pricing aggressiveness index Richardson *et al.* (2013), the sample in this

study the highest performing the seventh criteria which is the absence of arm's length justification for transactions between related entities, and the fifth criteria related to the absence of formal documentation of the transfer pricing method used.

The underlying motive for multinational companies to carry out transfer pricing aggressiveness is because taxes are a cost for companies that can reduce the share of profits received by shareholders. This reasoning is in line with the study of Watts & Zimmerman (1979) on the political cost hypothesis, which states that company management seeks to minimize taxes imposed by the government.

Based on data from the ASEAN Briefing (2018), Indonesia has a corporate income tax rate of 25% higher than other ASEAN countries. Singapore has a corporate income tax rate of 17%, Brunei Darussalam at 18.5%, and Cambodia, Thailand, and Vietnam, which have a rate of 20% each. In addition, based on OECD data (2020), tax rates in Indonesia, compared to other countries in the OECD data tend to be higher, there are still many other countries that have rates below 25%.

Therefore, multinational companies in Indonesia reduce tax costs using various financial instruments and accounting policies. The strategies are in the form of sales and purchases of merchandise, delivery of services, transfer and/or utilization of tangible and intangible assets, debt and cash contribution arrangements.

Thus, multinational companies with many subsidiaries abroad will increase the opportunities for these companies to conduct transactions with countries with different tax rates and carry out aggressive transfer pricing to reduce the amount of taxes that multinational companies have to pay to the government.

Occurance of transactions with related parties in tax haven countries and transfer pricing aggressiveness

The study indicates that the existence of transactions with tax haven countries has a positive

effect on the company's transfer pricing aggressiveness. In other words, companies that have transactions with related parties in tax haven countries have a higher tendency to carry out transfer pricing aggressiveness.

Facts at the Jakarta Special Region Tax Office also support the results of this study. Multinational companies widely use the state of tax haven, because the tax haven offers benefits that can benefit the company. The OECD in 1998 used four criteria to identify whether a country is a tax haven, namely no income tax levied or low-income tax, lack of effective exchange of information with foreign tax authorities, lack of transparency, and no substantial activity requirements. The four advantages offered will be used by companies to act opportunistically to reduce taxes which are political costs that must be paid to the government according to the political cost hypothesis.

The company can take advantage of the absence of an income tax rate or having a lower income tax rate in a tax haven country. Based on data from the ASEAN Briefing (2018) and the OECD (2020), Indonesia has a relatively high tax rate compared to other countries. Based on the facts in practice, companies in Indonesia tend to shift their profits to tax haven countries and make their reported profits in Indonesia smaller. Many companies regulate their transaction schemes so that profit transactions are made out of Indonesia and transfer into their affiliated companies in the tax haven country, and vice versa with transaction cost as if costs are charged to companies in Indonesia for transactions with affiliates from tax haven countries.

This transaction scheme makes transactions with tax haven countries that do not meet the arm's length principle. This is in line with the study by Richardson *et al.* (2013), which states that tax avoidance can be achieved through transfer pricing manipulation by transferring goods to countries with lower income tax rates (such as tax haven) with the lowest possible transfer prices and transferring goods out of countries with lower tax rates at the highest possible transfer price.

Unfair transactions carried out by companies are also supported by the absence of effective exchange of information with tax authorities abroad and the lack of transparency of information in tax haven countries, both in terms of legality and administration. Companies will feel safe in conducting transactions that are not fair in a tax haven country because the tax authorities will not be able to get information about these transactions easily. Based on the facts on the practice, the tax authorities still find it challenging to obtain information exchange with tax haven countries such as Hong Kong, even though Hong Kong already had an agreement on open access to financial information for tax purposes or Automatic Exchange of Information (AEOI) with Indonesia.

In addition, the tax haven also does not require any substantial activity. This lack of substantial activity means that the company can set up a business in a tax haven country without actually having a real business activity and can record transactions without adding value to the company. This makes many companies use it to establish subsidiaries in the country as one of the company's schemes to shift profits. Based on the facts on the practice, many companies in Indonesia have subsidiaries and/or relations in Singapore. Companies use this relationship in Singapore to shift profits and costs through transactions according to the fourth transfer pricing aggressiveness criteria, which is the existence of non-monetary obligations (services/utilization of non-current assets/leases) between related parties. The companies conduct sales and/or purchases of goods and/or services with their related parties so that the income goes to Singapore which has a lower tax rate and expenses incurred are recorded as expenses in Indonesia which has a higher tax rate. In addition, other transactions carried out by companies with relations in tax haven countries are assets distribution transactions, loan transactions, and intangible assets with schemes that tend to be complicated.

Apart from Singapore, other countries that are also used the most by companies registered at

Jakarta Special Region Tax Office, are Hong Kong, the Netherlands, the British Virgin Islands, Bermuda, Mauritius, Cayman Islands, Ireland, and the Netherlands Antilles. Based on the practice are in line with the results of the sample data processing in this study, the tax haven countries that are the most common destinations for companies in Indonesia to conduct transactions are Singapore, Hong Kong, and the Netherlands. Furthermore, a study by Ramadhan & Kustiani (2017) also found that companies in Indonesia often use Singapore and Hong Kong as their transaction destinations.

Regulations to overcome the abuse of transfer pricing with tax haven have been implemented in Indonesia, starting from the necessity to report transfer pricing documents or commonly referred to as TP-Doc and reporting in the Annual Tax Return (SPT), to the existence of an Avoidance of Double Taxation Agreement (P3B) with the other states, and also AEOI. Currently, Indonesia has a P3B with 67 countries. However, in practice, many companies have formally complied with all these regulations, but in substance, the economy and their existence are still being questioned about the fairness of their transactions and business by the tax authorities. The companies deliberately regulate their affiliates' transaction schemes and functions to take advantage of the difference in tax rates in their affiliated countries and reduce their taxes. Facts on the practice also show that companies can still take advantage of the P3B facility to commit transfer pricing aggressiveness violations by conducting treaty shopping. Based on the OECD (2015), treaty shopping is an attempt to indirectly benefit from a tax treaty between two countries without being a resident in one of these jurisdictions. In other words, companies that carry out treaty shopping use the tax treaty owned by Indonesia with other countries and use it for purposes contrary to the existence of the tax treaty to reduce the taxes that must be paid to the state.

Compared to the list of countries in the briefing paper tax justice network, 52 countries out of 72 tax haven countries do not yet have a tax treaty with

Indonesia. Companies can use the absence of P3B between Indonesia and the tax haven country to carry out transfer pricing aggressiveness with unfair transactions due to not being able to apply the Mutual Agreement Procedure (MAP) with the tax haven country so that the tax authorities will find it difficult to make agreements and resolve transfer pricing disputes. Also, the implementation of AEOI in Indonesia, which began to be implemented in 2018 (Ministry of Finance, 2017) faces many challenges such as the list of countries participating in the exchange of information with Indonesia which is still limited and the difficulty of obtaining information exchange even though it has an agreement.

The existence of transactions with related parties in tax haven countries further increases the company's opportunity to conduct transfer pricing aggressiveness. The company uses unfair schemes and transactions to reduce the number of its tax payments to the government, which is supported by the existence of facilities from the tax haven state, also there are still many challenges and gaps in the implementation of tax regulations that tax authorities in Indonesia must face.

Intangible assets and transfer pricing aggressiveness

Based on the results of this study, intangible assets have a significant positive effect on the company's transfer pricing aggressiveness. In other words, the greater the value of intangible assets owned by the company, the higher the tendency of the company to carry out transfer pricing aggressiveness.

Based on facts in the Jakarta Special Region Tax Office, companies use intangible assets to shift profits to countries with lower or zero tax rates, or those that are more profitable for the company. One of the most widely used intangible assets by companies is royalties. The company places its intangible assets in the most profitable countries with lower tax rates on royalties. This makes companies in Indonesia have to pay royalties to

countries with lower tax rates or even to tax haven countries to avoid the imposition of Indonesian taxes which tend to be higher. This fact in the practice is in line with a study conducted by Yunidar & Firmansyah (2020), which stated that the issue of transfer pricing in Indonesia that requires more prudence is the use of intangible assets in the form of royalty fees. Furthermore, Yunidar & Firmansyah (2020) explained that many large companies register intangible assets with high value such as trademarks, trade names, trade secrets, brands, service marks, and intellectual property to countries with lower tax rates even to tax haven countries.

In addition, not all intangible assets have been registered and protected by law. Based on the facts on the practice, one of the intangible assets that have not been regulated by law that companies widely used is know-how. Based on the OECD (2011), know-how is an unpatented trade secret that is technically related and comes from experiments conducted by companies. Usually, know-how is confidential, substantial, and identifiable by the company. Tax auditors need to pay attention to know-how in conducting transfer pricing checks on intangible assets based on SE-50/PJ/2013. Due to the specific nature of being owned by a company that is not necessarily the same as other companies makes know-how difficult to assess and evaluate by tax auditors.

Not only related to know-how, the facts on the practice state that the main difficulty associated with the use of intangible assets as a tool to perform transfer pricing aggressiveness as a whole, is related to the fair value of these assets. Tax auditors have difficulty assessing and evaluating the value of the company's intangible assets transactions because they have different forms and characteristics, and lack of information and media to find information about the fairness of the value of intangible assets. This fact in the practice is in line with the study by Richardson *et al.* (2013), which states that intangible asset transactions are complicated because they have unique characteristics. The unique characteristics of these intangible assets are influenced by the

unavailability of a strong market for the company's intangible assets, so asset valuation tends to be subjective. The limitations of technical regulations also cause the difficulty of tax auditors to assess and evaluate intangible assets. In addition, the company has not all made an Advanced Pricing Agreement (APA) with the Directorate General of Taxes, so there is still no agreement on the transfer pricing method used by the company and the fairness of the transaction still has to be evaluated by the tax auditors.

The facts on the practice further strengthen the political cost hypothesis. The characteristics of these intangible assets cause information asymmetry between the company as an agent and the government as the principal. Companies will take advantage of this information asymmetry gap to reduce tax costs to be paid to the government. Thus, companies can take advantage of these intangible assets to carry out aggressive transfer pricing by shifting their profits to countries with lower or zero tax rates, including tax haven countries.

5. Conclusions

Based on the discussion, this study finds several important results. First, the transfer pricing aggressiveness conducted by multinational companies is influenced by multinationality. In practical, companies that own one or more subsidiaries in overseas have a willingness to obtain tax shelter and avoid tax in their domestic countries. Managers identify which countries or territories provide large tax benefits for companies. Second, tax haven is still a main alternative for companies to avoid tax throughout transfer pricing activities. Tax haven provide most things multinational companies need to minimize tax such as information secrecy and low tax rates. Those facilities support the multinationals transfer price activities. Finally, multinational companies can also deploy intangible assets as a tool to conduct transfer pricing aggressiveness. Companies can (re)allocate their intangibles assets to a certain country or territory.

Hence, the payment of intangibles utilization shift to the country or territory.

Limitations in conducting this research are caused by the limited data access to data of multinational companies throughout Indonesia because the data is confidential data that cannot be disseminated to the public by article 34 of law number 6 of 1983 concerning general provisions and tax procedures as amended several times most recently by law No. 16 of 2009. Therefore, this study only uses data on companies listed on the Indonesia Stock Exchange (IDX), which are only a small part of all multinational companies in Indonesia.

The Indonesian Tax Authority (ITA) as a policymaker, considered developing more detailed technical guidelines that can make it easier for tax auditors to conduct an assessment and evaluation of the fairness of taxpayer transactions. Especially regarding intangible assets, providing media that makes it easier for tax auditors to carrying out tax audits and seeking information related to intangible assets that do not have a strong market. DGT is able to increase the dissemination of the Advance Pricing Agreement (APA) to taxpayers so that they are willing to participate, also expanding the network of Double Taxation Avoidance Agreements (P3B) with countries with lower tax rates including tax haven.

For further research, it is possible to expand the research sample using foreign investment companies (PMA) starting in 2020, projected by the Foreign Investment Coordinating Board (BKPM) as much as 1-2% PMA (260-520 PMA out of 26,000 PMA) to list on the IDX (cnbcindonesia.com, 2020). This can provide a broader picture of the research results because it can reach PMA companies that during this research period, 2015-2019, were still private companies due to the confidentiality of taxpayer data, could not be used as objects of research. In addition, to measure research variables, different proxies of transfer pricing, multinationality, and intangible assets can be used as proxies so that they can provide an overview of variations in research methods.

References

- A.S. Klimova, M. E. (2019). *To Be or Not To Be: Transfer Pricing Aggressiveness in The Enterprises of Kazakhstan*. 1467 (December).
- Amidu, M., Coffie, W., & Acquah, P. (2019). Transfer pricing, earnings management and tax avoidance of firms in Ghana. *Journal of Financial Crime*, 26(1), 235–259. <https://doi.org/10.1108/JFC-10-2017-0091>
- Anh, N. H., Hieu, N. T., & Nga, D. T. (2018). Determinants of Transfer Pricing Aggressiveness: A case of Vietnam. *South East Asia Journal of Contemporary Business, Economics and Law*, 16(5), 104–112. https://seajbel.com/wp-content/uploads/2018/10/seajbel5_237.pdf
- Arham, A., Firmansyah, A., & Nor, A. M. E. (2020). Penelitian Transfer Pricing di Indonesia: Sebuah Studi Kepustakaan. *Jurnal Online Insan Akuntan*, 5(1), 57. <https://doi.org/10.51211/joia.v5i1.1318>
- Atwood, T. J., & Lewellen, C. (2019). The Complementarity between Tax Avoidance and Manager Diversion: Evidence from Tax Haven Firms. *Contemporary Accounting Research*, 36(1), 259–294. <https://doi.org/10.1111/1911-3846.12421>
- Blouin, J. L., Robinson, L. A., & Seidman, J. K. (2018). Conflicting Transfer Pricing Incentives and the Role of Coordination. *Contemporary Accounting Research*, 35(1), 87–116. <https://doi.org/10.1111/1911-3846.12375>
- Choi, J. P., Furusawa, T., & Ishikawa, J. (2020). Transfer pricing regulation and tax competition. *Journal of International Economics*, 127, 103367. <https://doi.org/10.1016/j.jinteco.2020.103367>
- Cristea, A. D., & Nguyen, D. X. (2016). Transfer pricing by multinational firms: New evidence from foreign firm ownerships. *American Economic Journal: Economic Policy*, 8(3), 170–202. <https://doi.org/10.1257/pol.20130407>
- Deng, Z., Yan, J., & Sun, P. (2020). Political Status and Tax Haven Investment of Emerging Market Firms: Evidence from China. *Journal of Business Ethics*, 165(3), 469–488. <https://doi.org/10.1007/s10551-018-4090-0>
- Desai, M. A., Foley, C. F., & Hines, J. R. (2006). The demand for tax haven operations. *Journal of Public Economics*, 90(3), 513–531. <https://doi.org/10.1016/j.jpubeco.2005.04.004>
- Devi, D. K., & Suryarini, T. (2020). The Effect of Tax Minimization and Exchange Rate on Transfer Pricing Decisions with Leverage as Moderating. *Accounting Analysis Journal*, 9(2), 110–115. <https://doi.org/10.15294/aaj.v9i2.36469>
- Dharmapala, D. (2008). What problems and opportunities are created by tax havens. *Oxford Review of Economic Policy*, 24(4), 661–679. <https://doi.org/10.1093/oxrep/grn031>
- Dinca, M. H., & Fitriana, V. E. (2019). Do R&D Expenditure, Multinationality and Corporate Governance Influence Transfer Pricing Aggressiveness? *Jurnal Akuntansi Dan Bisnis : Jurnal Program Studi Akuntansi*, 5(2), 102. <https://doi.org/10.31289/jab.v5i2.2633>
- Dyrenge, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. *Accounting Review*, 83(1), 61–82. <https://doi.org/10.2308/accr.2008.83.1.61>
- Falbo, T. D., & Firmansyah, A. (2018). Thin Capitalization, Transfer Pricing Aggressiveness, Penghindaran Pajak. *Indonesian Journal of Accounting and Governance*, 2(1), 1–28. <https://doi.org/10.36766/ijag.v2i1.6>
- Firmansyah, A., & Yunidar, A. (2020). Financial Derivatives, Financial Leverage, Intangible Assets, and Transfer Pricing Aggressiveness: Evidence from Indonesian Companies. *Jurnal Dinamika Akuntansi Dan Bisnis*, 7(1), 1–14. <http://jurnal.unsyiah.ac.id/JDAB/article/view/15334/pdf>
- Galaz, V., Crona, B., Dauriach, A., Jouffray, J. B., Österblom, H., & Fichtner, J. (2018). Tax havens and global environmental degradation. *Nature Ecology and Evolution*, 2(9), 1352–1357. <https://doi.org/10.1038/s41559-018-0497-3>
- Gallemlere, J., & Labro, E. (2015). The importance of the internal information environment for tax avoidance. *Journal of Accounting and Economics*, 60(1), 149–167. <https://doi.org/10.1016/j.jacceco.2014.09.005>
- Godfrey, J.; Hodgson, A.; Tarca, A.; Hamilton, J.; & Holmes, S. (2010). *Accounting Theory 7Th Edition.Pdf*.
- Grubert, H. (2003). Intangible Income, Intercompany Transactions, Income Shifting

- and The Choice of Location. *National Tax Association*, 56(1), 610–610. https://doi.org/10.1057/978-1-349-95988-4_100273
- Grubert, H., & Mutti, J. (1991). Taxes, Tariffs and Transfer Pricing in Multinational Corporate Decision Making. *The Review of Economics and Statistics*, 73(2), 285. <https://doi.org/10.2307/2109519>
- Guex, S. (2021). The emergence of the Swiss Tax Haven, 1816-1914. *Business History Review*, 1–20. <https://doi.org/10.1017/S0007680520000914>
- Gumpert, A., Hines, J. R., & Schnitzer, M. (2016). Multinational firms and tax havens. *Review of Economics and Statistics*, 98(4), 713–727. https://doi.org/10.1162/REST_a_00591
- Guyton, J., Risch, M., Zucman UC Berkeley, G., Auten, G., Johns, D., Johnson, B., Lim, K., Miller, A., & Smith, M. (2020). *Tax Evasion by the Wealthy: Measurement and Implications* *. 1970. <http://www.oecd.org/ctp/harmful/2090192.pdf>
- Hauck, T. (2019). Lobbying and the international fight against tax havens. *Journal of Public Economic Theory*, 21(3), 537–557. <https://doi.org/10.1111/jpet.12361>
- Hunter, C. L., Herr, T., & Heyland, M. (2015). Transfer Pricing for the Rest of Us. *Business Economics*, 50(2), 75–79. <https://doi.org/10.1057/be.2015.13>
- Irawan, F. (2020). Metode Transfer Pricing: Hierarchical atau The Most Appropriate? *Jurnal Pajak Indonesia*, 4(1), 34–40.
- Irawan, F., Ahmad, L. H., & Muhasan, I. (2021). Jurnal Manajemen dan Bisnis. *Jurnal Manajemen Dan Bisnis*, 10(1), 93–102.
- Jaafar, A., & Thornton, J. (2015). Tax Havens and Effective Tax Rates: An Analysis of Private versus Public European Firms. *International Journal of Accounting*, 50(4), 435–457. <https://doi.org/10.1016/j.intacc.2015.10.005>
- Janský, P. (2020). The costs of tax havens: evidence from industry-level data. *Applied Economics*, 52(29), 3204–3218. <https://doi.org/10.1080/00036846.2019.1707765>
- Jones, C., & Temouri, Y. (2016). The determinants of tax haven FDI. *Journal of World Business*, 51(2), 237–250. <https://doi.org/10.1016/j.jwb.2015.09.001>
- Klassen, K. J., Lisowsky, P., & Mescall, D. (2017). Transfer Pricing: Strategies, Practices, and Tax Minimization. *Contemporary Accounting Research*, 34(1), 455–493. <https://doi.org/10.1111/1911-3846.12238>
- Lewellen, C. M., Mauler, L., & Watson, L. (2021). Tax Haven Incorporation and the Cost of Capital*. *Contemporary Accounting Research*, 38(4), 2982–3016. <https://doi.org/10.1111/1911-3846.12703>
- Liu, L., Schmidt-Eisenlohr, T., & Guo, D. (2019). International Transfer Pricing and Tax Avoidance: Evidence from Linked Trade-Tax Statistics in the UK. *Review of Economics and Statistics*. <https://doi.org/10.1002/0471667196.ess7028.pub2>
- Makni, Y. F., Maaloul, A., & Dabbebi, R. (2020). The determinants of tax-haven use: evidence from Canada. *Journal of Applied Accounting Research*, 21(1), 142–162. <https://doi.org/10.1108/JAAR-01-2019-0014>
- Mara, E. R. (2015). Determinants of Tax Havens. *Procedia Economics and Finance*, 32(March), 1638–1646. [https://doi.org/10.1016/s2212-5671\(15\)01490-2](https://doi.org/10.1016/s2212-5671(15)01490-2)
- Markle, K., & Robinson, L. (2018). Negotiated Tax Havens. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3280683>
- Muhammadi, A. H., Ahmed, Z., & Habib, A. (2016). Multinational transfer pricing of intangible assets: Indonesian tax auditors' perspectives. *Asian Review of Accounting*, 24(3), 313–337. <https://doi.org/10.1108/ARA-10-2014-0112>
- Novira, A. R., Suzan, L., & Asalam, A. G. (2020). Pengaruh Pajak, Intangible Assets, dan Mekanisme Bonus Terhadap Keputusan Transfer Pricing (Studi Kasus pada Perusahaan Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2018). *Journal of Applied Accounting and Taxation*, 5(1), 17–23.
- Nurhidayati, N., & Fuadillah, H. (2018). The Influence of Income Shifting Incentives towards The Tax Haven Country Utilization: Case Study on the Companies listed in Indonesian Stock Exchange. *Jurnal Akuntansi Dan Keuangan*, 20(1), 27–38. <https://doi.org/10.9744/jak.20.1.27-38>

- Plesner Rossing, C. (2013). Tax strategy control: The case of transfer pricing tax risk management. *Management Accounting Research*, 24(2), 175–194. <https://doi.org/10.1016/j.mar.2013.04.008>
- Ramadhan, M. R., & Kustiani, N. A. (2017). Faktor-Faktor Penentu Agresivitas Transfer Pricing. In *Politeknik Negeri Jakarta* (pp. 549–564).
- Rezky, M. A., & Fachrizal. (2018). Pengaruh Mekanisme Bonus, Ukuran Perusahaan, Leverage, dan Multinationality terhadap Keputusan Transfer Pricing pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2010-2014. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*, 3(3), 401–415.
- Richardson, G., Taylor, G., & Lanis, R. (2013). Determinants of transfer pricing aggressiveness: Empirical evidence from Australian firms. *Journal of Contemporary Accounting and Economics*, 9(2), 136–150. <https://doi.org/10.1016/j.jcae.2013.06.002>
- Sari, D. K. (2020). *Transfer Pricing Aggressiveness and Corporate Governance: Indonesia's Evidence*. February. <https://doi.org/10.2991/assehr.k.200331.123>
- Sari, D. V., & Irawan, F. (2021). Tax , Tunneling Activities, Corporate Governance and Transfer Pricing Decision. *Bina Ekonomi*, 25(2), 80–96.
- Sebele-Mpofu, F., Mashiri, E., & Schwartz, S. C. (2021). An exposition of transfer pricing motives, strategies and their implementation in tax avoidance by MNEs in developing countries. *Cogent Business and Management*, 8(1). <https://doi.org/10.1080/23311975.2021.1944007>
- Shackelford, D. A., Slemrod, J. B., & Sallee, J. (2011). A Unifying Model of How the Tax System and Generally Accepted Accounting Principles Affect Corporate Behavior. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.958436>
- Suldina, G., Sulyagina, J., Eroshkin, S., & Sorokina, A. (2020). Specifics of global governance in transnational transport corporations. *IOP Conference Series: Materials Science and Engineering*, 918(1), 0–5. <https://doi.org/10.1088/1757-899X/918/1/012199>
- Supriyati, S., Murdiawati, D., & Pranetha Prananjaya, K. (2021). Determinants of transfer pricing decision at manufacturing companies of Indonesia. *International Journal of Research in Business and Social Science* (2147- 4478), 10(3), 289–302. <https://doi.org/10.20525/ijrbs.v10i3.1118>
- Taylor, G., Richardson, G., & Al-Hadi, A. (2018). Uncertain tax benefits, international tax risk, and audit specialization: Evidence from US multinational firms. *International Journal of Auditing*, 22(2), 230–248. <https://doi.org/10.1111/ijau.12117>
- Taylor, G., Richardson, G., & Lanis, R. (2015). Multinationality, tax havens, intangible assets, and transfer pricing aggressiveness: An empirical analysis. *Journal of International Accounting Research*, 14(1), 25–57. <https://doi.org/10.2308/jiar-51019>
- Taylor, G., Richardson, G., & Taplin, R. (2015). Determinants of tax haven utilization: Evidence from Australian firms. *Accounting and Finance*, 55(2), 545–574. <https://doi.org/10.1111/acfi.12064>
- Utami, M. F., & Irawan, F. (2022). Pengaruh Thin Capitalization dan Transfer Pricing Aggressiveness terhadap Penghindaran Pajak dengan Financial Constraints sebagai Variabel Moderasi. 6, 386–399.
- Rahman, H.A., & Utami, W. (2021). Determinant of Tax Aggressiveness: Gender Diversity as Moderator. *Archives of Business Research*, 9(10), 223–237. <https://doi.org/10.14738/abr.910.10985>
- Van Fossen, A. (2015). *Law and Political Economy in Vanuatu's Tax Haven*. *Comparative Law Journal of The Pacific*, 1.00
- Wahyudi, D. E., T, S., & Rusydi, M. K. (2021). Determinants of Transfer Pricing Aggressiveness with the Moderation of Corporate Governance in Indonesia and Malaysia. *Journal of Economics, Business, & Accountancy Ventura*, 24(1), 23. <https://doi.org/10.14414/jebav.v24i1.2536>
- Watts, R. L., & Zimmerman, J. L. (1979). The demand for and supply of accounting theories: the market for excuses. *Accounting Review*, 54(2), 273–305. <http://www.jstor.org/stable/10.2307/245516>

- Watts, R. L., & Zimmerman, J. L. (1990). Accounting Year Theory : Ten Perspective. *Review Literature And Arts Of The Americas*, 65(1), 131–156.
<http://www.jstor.org/stable/247880>
- Waworuntu, S. R., & Hadisaputra, R. (2016). Determinants of transfer pricing aggressiveness in Indonesia. *Pertanika Journal of Social Sciences and Humanities*, 24(July), 95–110.
- Yunidar, A., & Firmansyah, A. (2020). Financial Derivatives, Financial Leverage, Intangible Assets, and Transfer Pricing Aggressiveness: Evidence from Indonesian Companies. *Jurnal Dinamika Akuntansi Dan Bisnis*, 7(1), 1–14.
<https://doi.org/10.24815/jdab.v7i1.15334>