

ABSTRACT

Along with the development of globalization era made economic trade penetrate international markets. Local companies are transformed into multinational companies which not only operate in one country. The operations carried out by multinational companies can involve several countries that have different taxation provisions, multinational companies utilize the loopholes in different provisions by doing transfer pricing in purpose to minimize their taxes payment.

This study aims to examine whether the tax expenses, bonus mechanism, exchange rate and foreign ownership affect the indications of transfer pricing on mining companies listed on the Indonesian Stock Exchange during the 2014-2018 period. Data that used in this study were obtained from annual reports and financial reports for 2014-2018.

The population in this study are mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018. The sampling technique used in this study is nonprobability sampling with the type of purposive sampling in order to obtain as many as 75 samples from 15 mining companies listed on the Indonesia Stock Exchange during the 2014-2018 period. The analytical method used is logistic regression analysis method with help of the IBM SPSS 25 application.

The results showed that tax expenses, bonus mechanism, exchange rate and foreign ownership effected the indication of transfer pricing simultaneously. Partially, tax expenses and foreign ownership have a positive effect on indication of transfer pricing while bonus mechanism and exchange rate didn't have effect on indication of transfer pricing.

Based on research results, other researcher is expected to be able to use other types of sectors by adding other independent variables that are not used in this study such as intangible assets, debt covenants, tunneling incentives, firm size, and other proxies that might influence the indication of transfer pricing.

Keywords: Bonus Mechanisms, Exchange Rate, Foreign Ownership, Tax Expense, and Transfer Pricing