EXCHANGE RATE AS A MODERATE RELATIONSHIP BETWEEN THE EFFECT OF TAX MINIMIZATION AND DEBT COVENANT ON TRANSFER PRICING DECISIONS

Elsa Dwiyana, Zulfa Rosharlianti*)
Accounting Department Pamulang University
*Email: dosen00876@unpam.ac.id

ABSTRACT

This study aims to determine whether Tax Minimization and Debt Covenant will affect Transfer Pricing. And whether the Exchange Rate is able to moderate the effect of Tax Minimization and Debt Covenant on Transfer Pricing. This research also involves independent variables, namely Tax Minimization and Debt Covenant. And also involves a moderating variable, namely Exchange Rate. The type of research used in this research is descriptive research with a quantitative approach. The data collection technique in this study is secondary data with data collection methods, namely documentation. The study was conducted on 13 Mining sector companies listed on the Indonesia Stock Exchange in 2016-2020. The analytical tool used in this research is analysis with the help of the E-Views version 10 program. Based on the test results, it proves that Tax Minimization and Debt Covenant have a significant effect Simultaneous to Transfer Pricing. This study also proves that Tax Minimization can affect Transfer Pricing, while the Company's Debt Covenant has no effect on Transfer Pricing. This study also shows that the Exchange Rate is not able to moderate the effect of Tax Minimization on Transfer Pricing. And the Exchange Rate is not able to moderate the influence of the Debt Covenant on Transfer Pricing.

Keywords: Tax Minimization, Debt Covenant, Transfer Pricing, and Exchange Rate

1. INTRODUCTION

Currently, business development is increasingly global and advanced, where previously many national companies have now become multinational companies which result in operational activities not only in one country but in several countries. Multinational companies will experience differences in legal basis in a country, including differences in tax rules between countries in multinational companies, one of which is the difference in applicable tax rates (Yuniasih et al in Dian Rudiana, 2017). This difference can be used by multinational companies to do tax avoidance. This can be done by reducing the amount of tax through transfer pricing transactions, namely by increasing the purchase price or reducing the selling price within the company (Ilyas and Suhartono, 2016 in Andayani et al). The phenomenon of transfer pricing practices in Indonesia in 2016, where the Directorate General of Taxes, Ministry of Finance stated: as many as 2000 multinational companies operating in Indonesia do not pay Articles 25 and 29 of Corporate Income Tax for 10 years because the company is making losses (Nurul Baiti and Suryani, 2020:139).

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From the government side, it is believed that the potential for tax revenue will be reduced or lost in a country because multinational companies tend to shift their tax obligations from countries that have high tax rates (high tax countries) to countries that apply low tax rates. On the other hand, companies are more likely to try to minimize costs, including minimizing corporate tax payments. Therefore, the goal of multinational tax planning is to minimize the worldwide tax burden on companies. Because taxes have a large impact on the net income and cash flow of companies through their influence on foreign investment decisions, financial structure and so on. Therefore, the practice of transfer pricing is often associated with taxes (www.transferpricing.web.id).

Several factors that influence companies to transfer pricing are tax minimization. Through transfer pricing, the multinational company concerned can shift its tax obligations from its members or subsidiaries in countries that set higher tax rates to members or subsidiaries in countries that set low tax rates (Marfuah and Azizah, 2014: 158). According to Wahyu Nurul Hidayati, Aris Sanulika and Alfi Sylvatica (2021) minimizing the tax burden borne by the company does not necessarily make the company transfer pricing, therefore the results of tax minimization research have no effect on transfer pricing. This result is not in accordance with other studies which have found a positive effect of taxes on the company's transfer pricing decisions (Yuniasih, Rasmini and Wirakusuma, 2012). This means that the increasing tax burden has prompted companies to carry out transfer pricing in the hope of reducing the burden.

In addition to tax minimization reasons, transfer pricing is also influenced by the existence of a debt covenant, which is an agreement to protect lenders and excessive dividends or keep equity below a predetermined level. The debt covenant hypothesis predicts that managers want to increase profits and assets to reduce debt contract costs when the company decides on its debt agreement (Fatmariani, 2013). The tendency of companies to choose accounting procedures with changes in reported earnings from future periods to current periods, one of the practices of profit changes is to do transfer pricing. This is evidenced by research that debt covenants affect transfer pricing (Bernard, Jensen & Schott, 2006). Meanwhile, with other studies that debt covenants have no effect on transfer pricing (Indrasti, 2016).

The development of companies on a global scale resulted in their transactions not only in one currency, but related to currency sharing a country. Moderation (exchange rate) which will affect transfer pricing practices in multinational companies. For example most multinational companies require the exchange of one currency for another to make payments, because exchange rates fluctuate continuously, the amount of cash needed to make payments is also uncertain. Based on the results of his research that the bonus and tax minimization mechanisms have a significant effect on transfer pricing decisions, while exchange rates and multinationality do not affect transfer pricing decisions companies in making transfer pricing decisions (Deni Ardiyanti, 2017). However, the results of this study are not in accordance with other studies, which found that Multinational companies may try to reduce foreign exchange rate risk by moving funds to strong currencies through transfer pricing to maximize the company's overall profits (Chan, Landry and Jalbert, 2002).

2. LITERATURE REVIEW

1. Agency Theory
The theory used in my research is agency theory. Agency theory is the principle used to explain and solve problems in the relationship between business principals and their agents.

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Most commonly, the relationship is one between shareholders, as principals, and company executives, as agents in the Eisenhardt relationship agency (Nuswandari, 2009 in Zulfa Rosharlianti, et al 2020). An agency relationship occurs when one party (principal) hires another party (agent) to perform a service and delegates the authority to make decisions to the agent (Prasiswa in Yunanda and Derick, 2015)

The relationship between agency theory and transfer pricing is based on the assumption that human nature explains that each individual will tend to focus on his own interests so that agency problems can occur because there are parties who have different interests but work together in different divisions of tasks. The authority to manage company assets given by the principal to the agent can make the agent, put aside the interests of the shareholders by taking advantage of the incentives to carry out transfer pricing with the aim of reducing taxes to be paid.

H₁ : Tax Minimization and Debt Covenant have a simultaneous effect on Transfer Pricing

2. Tax Minimization

Tax Minimization is a strategy taken by companies to minimize the company's tax burden in the form of transfer pricing. These companies can transfer income to a tax haven country in order to minimize their tax burden. Taxes in companies cannot be included in production costs, because taxes are mandatory contributions on a number of incomes obtained by taxpayers, both individuals and entities or companies. This is used by managers or directors as an excuse to carry out transfer pricing in order to minimize the amount of tax they have to pay. Previous research found that the transfer pricing mode is carried out by manipulating the imposition of transaction prices between companies that have a special relationship with the aim of minimizing the overall tax burden payable (Rahayu, 2010). Then there are those who state that the practice of transfer pricing is often used by many companies as a tool to minimize the amount of tax that must be paid (Mangoting, 2000). Similar studies have found that the increasing tax burden triggers companies to carry out transfer pricing in the hope of reducing the burden (Yuniasih in Hendra Dasmin Dakal, Albrik, 2012).

H₂ : Tax minimization affects the Transfer Pricing Decision

3. Debt Covenant

The Debt Covenant also influences management's decision to transfer pricing. In accordance with the debt covenant hypothesis, companies with high debt ratios will try to avoid breaches of debt contracts by choosing accounting methods that increase company profits. Companies tend to choose accounting procedures with changes in reported earnings from future periods to current periods, one of which is transfer pricing. Previous research found that debt covenants had a significant positive effect on the company's decision to transfer pricing (Prasmana, 2014). Subsequent research with results showing that debt covenants affect transfer pricing with the conclusion that every one percent of debt covenants will increase transfer pricing decisions (Rosa, 2017).

H₃ : Debt Covenant influences transfer pricing decisions

4. Exchange Rate Moderates Tax Minimization

Tax minimization is a legal effort to minimize taxes including principal, sanctions and tax administration costs. The main target of most profit-oriented companies is to generate profits in their business, but this cannot be separated from the obligation to pay taxes. For this reason, the company tries to optimize profit by minimizing its tax obligations. Through transfer pricing, the multinational company concerned can shift its tax obligations from its members or subsidiaries in countries that set higher tax rates to members or subsidiaries in countries that set lower tax rates (Marfuah and Azizah, 158: 2014).

H₄: Exchange Rate moderates Tax Minimization on Transfer Pricing decisions

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5. Exchange Rate Moderates Debt Covenant

The high ratio of debt or company equity will allow managers to choose strategies to increase company profits, one of which is by using transfer pricing. The existence of debt on the company will be used by managers to reduce the company's tax burden through the exchange rate by increasing interest costs so that company profits increase.

H₅: Exchange Rate moderates the Debt Covenant on Transfer Pricing decisions.

3. DATA AND RESEARCH TECHNIQUE ANALISYS

The type of research used by the author is quantitative research. Secondary data in this study were obtained from the official website of the Indonesia Stock Exchange. The data sources for this research are financial reports and annual reports (financial reports and annual reports) of the mining sector for five consecutive years during the 2016-2020 period.

Operational Research Variables

Definitions of research variables must be formulated to avoid errors in collecting data. In this study, the operational definitions of the variables are as follows:

1. Transfer Pricing

In this study the dependent variable is Transfer Pricing. According to Yuniasih (2012) "Transfer pricing is the price contained in each product or service from one division to another in the same company or between companies that have a special relationship". Transfer Pricing is measured by the ratio of Related Party Transaction (RPT) values (Kiswanto, 2014).

The formula can be seen as follows:

$$\text{Transfer Pricing} = \frac{\text{related receivables}}{\text{total accounts receivable}}$$

2. Tax Minimization

According to Hartati (2015) "tax minimization is a strategy to minimize the tax burden owed through the act of cost transfers and ultimately the transfer of income to the country with the lowest tax rate". Tax Minimization is proxied by the Effective Tax Rate (ETR) (Pramana, 2014).

The formula can be seen as follows:

$$\boldsymbol{Tax\ Minimization} = \frac{\text{Tax Expense}}{\text{Taxable Profit}}\ x\ 100\%$$

3. Debt Covenant

According to Pramana (2014) "debt covenants are one of the ways the company chooses by choosing a method that increases profits". Where the Debt Covenant variable is proxied by the debt ratio using the debt to equity ratio (DER) (Pramana, 2014).

The formula can be seen as follows:

$$\boldsymbol{Debt\ Covenant} = \frac{\text{Total Amount of Debt}}{Total\ Equity}\ x\ 100\%$$

4. Exchange Rate

According to Hanafi in Mulyani (2014) Exchange Rate is the price in units of currency relative to other currencies (exchange rate) depending on the strength of supply (supply) and demand (demand) of the currency. Where the exchange rate variable is calculated based on the Effective Tax Rate (ETR) ratio.

The formula can be seen as follows:

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$$ETR = \frac{\text{Foreign Exchange Profit and Loss}}{\text{Profit and Loss Before Tax}} x \ 100\%$$

Population and Sample

The population in this study is the mining sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period as many as 43 companies. Where the sample in this study is 13 mining sub-sector manufacturing companies listed on the IDX which will be sampled during the 2016-2020 period or for 5 years of observation, which amounts to 65 financial report data (Annual Report) which the authors then determine the sample for this study using purpose sampling technique which will be presented in the form of a table as follows which will be selected based on the criteria that have been determined by the author described in table 4.1 below:

Table 4.1
Company Sample Selection Procedures and Results

No.	Criteria	Violation Criteria	Accumulation
1	Total mining sector companies listed on the Indonesia Stock Exchange in 2016-2020	0	43
2	Mining sector companies that publish audited financial reports in 2016-2020	(3)	40
3	Mining sector companies that use rupiah in 2016-2020	(27)	13
Number of research samples			13
Observation year 2016-2020			5
Total research data 13x5			65

Method of collecting data

The data used in this research is secondary data. Secondary data is data obtained indirectly through published intermediary media, articles, books as theory, and so on (Sujarweni, 2014: 3). The data is obtained by downloading company reports on the Indonesia Stock Exchange (www.idx.co.id). The data collection method used in this study is a purposive sampling technique, namely sampling based on considerations that are in accordance with the research objectives. Companies that have met the requirements with purposive sampling technique are 13 companies with 65 financial statement data.

Data analysis technique

The data analysis techniques in this study are, the selection of panel data regression models, the selection of panel data estimation models, Descriptive Statistical Analysis, the classical assumption test there is a normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, followed by the coefficient of determination test (R^2), multiple linear regression analysis, and hypothesis testing which includes f test and t test and MRA test.

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4.   RESULT AND DISCUSSION
1. Panel Data Regression Model Selection

To choose one model that is considered the most appropriate from the three types of panel data models, it is necessary to carry out a series of tests.

1. Uji Chow
The Chow test is carried out by looking at the probability value of the Chi Square cross-section in the output results.
The basis for making the decision is as follows:
H_0: Common Effect Model
H_1: Fixed effect model
Chow test criteria as follows:
If the result of the probability cross-section Chi-square > 0.05, then H_0 is accepted
If the result of the probability cross-section Chi-square < 0.05, then H_1 is accepted

Table 4.2
Uji *Chow*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.320088	(10,51)	0.0002
Cross-section Chi-square	39.884254	10	0.0000

Source: Data Processed in 2021 with E-views program version 10

Based on the results of the Chow test shown in Table 4.2 above, it can be seen that the hypothetical model has a probability cross-section Chi-square < 0.05, i.e. 0.0000 < 0.05. Then H_1 is accepted, which means that the Fixed Effect is a suitable model to use compared to Common Effect model Then the test is continued to the Hausman test to determine whether the Random Effect model is more suitable to use than the Fixed Effect.

2. Uji Hausman
In Eviews 10 software, the Hausman test is carried out by looking at the random cross-section probability value in the output results. The basis for making the decision is as follows:
H_0: Random Effect Model
H_1: Fixed effect model
Hausman test criteria as follows:
If the results of the random cross-section probability > 0.05, then H_0 is accepted
If the result of the random cross-section probability < 0.05, then H_1 is accepted

Tabel 4.3
Uji *Hausman*

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.545363	3	0.0005

Source: Data Processed in 2021 with E-views program version 10

Based on the Hausman test results shown in Table 4.3 above, it can be seen that the results of the random cross-section probability < 0.05, namely 0.0005 < 0.05, then H_1 is

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accepted. So it can be concluded that the Fixed Effect model is the most appropriate to use compared to the Random Effect model.

Uji *Chow*	0,0000	FEM
Uji *Hausman*	0,0005	FEM

Based on the results of the Chow Test, namely the Fixed Effect and Hausman Test, the Fixed Effect. Then the test does not need to be continued to the Lagrange Multiplier Test.

2. Selection of Panel Data Model Estimation

Fixed Effect Model is estimating panel data by using Dummy variable to win the intercept difference. This model assumes that the regression coefficient (slope) remains between firms and over time. The results of the regression using the Fixed Effect model are as follows:

Table 4.4
Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	1.504294	0.473537	3.176718	0.0025
X2	-0.406288	0.290380	-1.399156	0.1678
Z	0.145826	0.311240	0.468531	0.6414
C	0.965550	0.278494	3.467046	0.0011

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.517460	Mean dependent var	1.728732
Adjusted R-squared	0.394460	S.D. dependent var	1.614709
S.E. of regression	1.256510	Akaike info criterion	3.482760
Sum squared resid	80.51964	Schwarz criterion	3.951090
Log likelihood	-99.18970	Hannan-Quinn criter.	3.667546
F-statistic	4.206980	Durbin-Watson stat	1.844536
Prob(F-statistic)	0.000101		

Source: Data Processed in 2021 with E-views program version 10

3. Analisis Statistik Deskripstif

According to Ghozali (2016) "Descriptive statistical analysis is a test used to provide a description or descriptive of a data seen from the average value, standard deviation, variance, maximum, minimum, sum, range, quartosis, and skewness". In this study, the researcher will use the E-views software version 10, with the results of the descriptive statistical analysis test as follows which will be explained in table 4.5:

Table 4.5
Descriptive statistics

	X1	X2	Y	Z
Mean	0.409155	-0.350223	1.728732	0.037035
Median	0.253200	-0.250600	1.151300	-0.011200
Maximum	1.235500	0.186600	6.475400	3.944700
Minimum	0.000000	-4.271700	0.197100	-1.311100
Std. Dev.	0.395267	0.587962	1.614709	0.575840
Skewness	0.270167	-5.153767	1.746069	4.836341
Kurtosis	1.459115	33.18035	5.131565	34.39055

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Jarque-Bera	7.221195	2754.643	45.33370	2922.095
Probability	0.027036	0.000000	0.000000	0.000000
Sum	26.59510	-22.76450	112.3676	2.407300
Sum Sq. Dev.	9.999104	22.12472	166.8663	21.22190
Observations	65	65	65	65

Source: Data Processed in 2021 with E-views program version 10

4. Normality Assumption Test

The following are the results of the Normality Test which aims to find out in the model the independent and dependent variables are normally distributed. In Eviews software the normality of a data can be determined by comparing the Jarque-Betra (JB) value and probability. The significance value of the normally distributed residual is if the probability value in the Jarque Bera test is more than = 0.05 (Ghozali, I., & Ratmono, 2013: 165-168).

Picture 4.6
Normality test
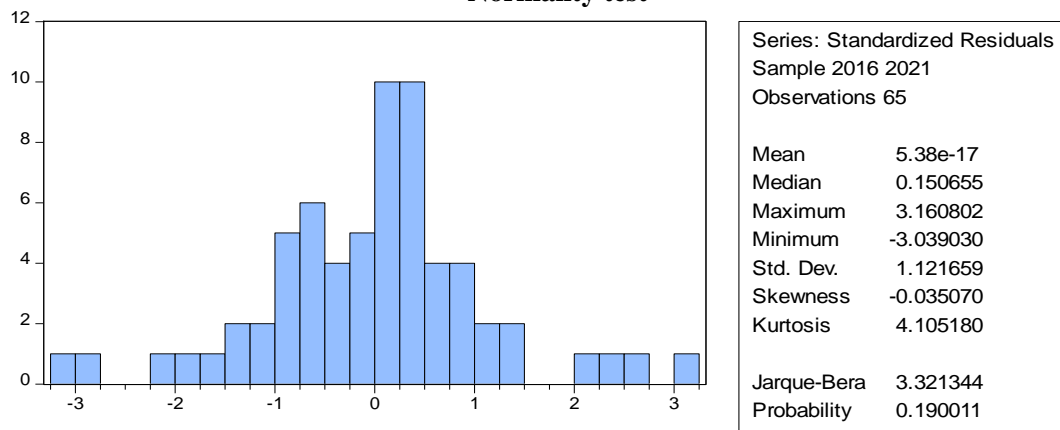
Source: Data Processed in 2021 with E-views program version 10

From Figure 4.6 above, it can be seen from the Jarque-Bera value of 3.321344 > 0.05 and the probability is 0.190011 > 0.05, this indicates that the residual data is normally distributed. So, it can be concluded that the data in this study are normally distributed.

5. Multicollinearity Test

The following are the results of the Multicollinearity Test which aims to find out in the independent and dependent variable models whether or not there are deviations between variables. An indication of the occurrence of multicollinearity is if the correlation coefficient between each independent variable is greater than 0.80 (Winarno, (2015) and (Ghozali, I., & Ratmono, (2013)), so when viewed from the results of the research above there is no correlation between the independent variable is high above 0.80. The following is a multicollinearity test in the study:

Table 4.7
Multicollinearity Test

	X1	X2
X1	1.000000	0.133544
X2	0.133544	1.000000

Source: Data Processed in 2021 with E-views program version 10

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Table 4.7 above shows the correlation between X_1 (Tax Minimization) and X_2 (Debt Covenant) of 0.133544, so if viewed from the results of the study there is no correlation coefficient value greater than 0.800 so this test finds no multicollinearity between independent variables.

6. Heteroscedasticity Test

Heteroscedasticity test in this study using the White Heteroskedasticity Test. The required results from the results of this test are Obs*Rsquared, with the following hypothesis:

H_0 : No Heteroscedasticity

H_1 : There is Heteroscedasticity

If the p-value Obs*R-square > 0.05, then H_0 is accepted so that there is no heteroscedasticity in the model.

Table 4.8
Uji Heteroskedastisitas

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.717998	0.142548	5.036900	0.0000
X1	0.321925	0.242381	1.328177	0.1900
X2	0.071766	0.148632	0.482847	0.6313
Z	0.005732	0.159309	0.035978	0.9714

Source: Data Processed in 2021 with E-views program version 10

Based on table 4.8 it can be concluded that the significance probability value of the independent variable is above the 5% or 0.05 confidence level, namely Tax Minimization (X_1) of 0.1900, Debt Covenant (X_2) of 0.6313, Exchange Rate (Z) of 0.9714, it can be concluded that this regression model does not contain heteroscedasticity symptoms.

7. Autocorrelation Test

The following are the results of the Autocorrelation Test which aims to determine whether or not autocorrelation occurs in the independent and dependent variable models. In Eviews software the normality of a data can be known by looking at the Durbin-Watson stat value. The provisions in this test if the DW value lies between the upper bound (du) and (4-du) then the autocorrelation coefficient is equal to 0 meaning there is no autocorrelation.

Table 4.9
Uji Autokorelasi

R-squared	0.517460	Mean dependent var	1.728732
Adjusted R-squared	0.394460	S.D. dependent var	1.614709
S.E. of regression	1.256510	Akaike info criterion	3.482760
Sum squared resid	80.51964	Schwarz criterion	3.951090
Log likelihood	-99.18970	Hannan-Quinn criter.	3.667546
F-statistic	4.206980	Durbin-Watson stat	1.844536
Prob(F-statistic)	0.000101		

Source: Data Processed in 2021 with E-views program version 10

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The autocorrelation test was carried out using the Durbin Watson method and the criteria for not autocorrelation were if du < dw value < (4-du). The Durbin – Watson (DW) value of 1.8445 will be compared with the Durbin – Watson table value. The number of samples (N) is 65 and the number of variables is 2 (k = 2), then the Durbin Lower (DL) = 1.5355 and Upper Durbin (DU) = 1.6621 values are obtained.

From table 4.9 the value of DU 1.6621 is smaller than DW 1.8445 and less than 4–DU, namely 4 – 1.6621 = 2.3379 so that the results are 1.6621 < 1.8445 < 2.3379, so in this regression model there is no positive or negative autocorrelation or it can be concluded that in this regression model there is no autocorrelation.

8. Coefficient of Determination (R^2)

This study uses Adjusted R^2 because it uses more than one independent variable, and if you use the R square value, the value will change if you add several independent variables (Setia Nepi, 2018). The coefficient of determination (R^2) essentially measures how far the model's ability to explain variations in the dependent variable is. The value of the coefficient of determination is between 0 and 1. A small R^2 value means that the ability of the independent variables to explain the variation of the dependent variable is very limited.

A value close to one means that the independent variables provide almost the same information needed to predict the variation of the dependent variable (Ghozali, 2016: 247). The greater the number of Adjusted R^2, the better the model used to explain the relationship of the independent variable to the dependent variable. The smaller the Adjusted R^2, the weaker the model is to explain the variability of the dependent variable.

Based on Table 4.9, it is known that the Adjusted R-squared value is 0.394460. It means that 39.45% Transfer Pricing can be explained by the Tax Minimization Variable (X_1), Debt Covenant (X_2) and while the remaining 60.55% is influenced by variables outside study.

9. Multiple Linear Regression Analysis

The model specification test that has been carried out is the Fixed Effect Model (FEM). The Fixed Effect Model (FEM) has passed the classical assumption test, so the estimation results are consistent. The results of the panel data estimation are as follows:

Table 4.10
Model *Fixed Effect*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	1.504294	0.473537	3.176718	0.0025
X2	-0.406288	0.290380	-1.399156	0.1678
Z	0.145826	0.311240	0.468531	0.6414
C	0.965550	0.278494	3.467046	0.0011
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.517460	Mean dependent var		1.728732
Adjusted R-squared	0.394460	S.D. dependent var		1.614709
S.E. of regression	1.256510	Akaike info criterion		3.482760
Sum squared resid	80.51964	Schwarz criterion		3.951090
Log likelihood	-99.18970	Hannan-Quinn criter.		3.667546
F-statistic	4.206980	Durbin-Watson stat		1.844536
Prob(F-statistic)	0.000101			

Source: Data Processed in 2021 with E-views program version 10

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The model obtained by the regression equation as follows:
$Log(Y_{TP}) = \alpha + \beta 1\ Log(TAXMIN_{it}) + \beta 2\ Log(DEBCOV_{it}) + D_1 + e_{it}$
$Y = 0,9655 + 1,5042X_1 - 0,4062X_2 + \varepsilon$

10. Simultaneous Significance Test (F Test)

The F statistical test basically shows whether all the independent variables included in the model have a joint effect on the dependent variable. The F test aims to determine the effect of the independent variable and the dependent variable simultaneously. To find out whether there is a significant effect of each independent variable, namely Tax Minimization, Debt Covenant, Exchange Rate and the dependent variable, namely Transfer Pricing independently with a significant of 0.05, it can be concluded (Ghozali, 2016: 98).

1. If the significant value is < 0.05, then H_0 is accepted and H_a is rejected, this means that all independent or independent variables have a joint influence on the dependent or dependent variable.

2. If the significant value is > 0.05, then H_0 is rejected and H_a is accepted, this means stating that all independent or independent variables do not have a joint influence on the dependent or dependent variable.

Table 4.11
F Test Results Count

R-squared	0.517460	Mean dependent var	1.728732
Adjusted R-squared	0.394460	S.D. dependent var	1.614709
S.E. of regression	1.256510	Akaike info criterion	3.482760
Sum squared resid	80.51964	Schwarz criterion	3.951090
Log likelihood	-99.18970	Hannan-Quinn criter.	3.667546
F-statistic	4.206980	Durbin-Watson stat	1.844536
Prob(F-statistic)	0.000101		

Source: Data Processed in 2021 with E-views program version 10

Search table on F count with df = nv, 65-3 = 62. Based on the results of model testing using the Fixed Effect model in table 4.11 it is found that the F-statistic is 4.2069 > f_{table} is 2.75 and the probability value is 0.000101 < 0.05 with this indicating that the three variables Tax Minimization (X_1) and Debt Covenant (X_2) simultaneously affect the Transfer Pricing of mining sector companies listed on the IDX during the 2016-2020 period.

11. t test (Partial)

This study examines the dependent variable, namely Transfer Pricing with the independent variables, namely Tax Minimization (X_1), and Debt Covenant (X_2). It can be calculated as df= n-v, 65-3= 62.

Table 4.12
t test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	1.504294	0.473537	3.176718	0.0025
X2	-0.406288	0.290380	-1.399156	0.1678
C	0.965550	0.278494	3.467046	0.0011

Sumber : Data Diolah Tahun 2021 dengan Program E-*views* versi 10

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"The Review and Outlook of The Economy after Covid 19 Pandemic"

The results in the table obtained the value in the t table, namely 1,998. From the results of statistical testing of panel data regression analysis using Eviews 10 software, the t statistical test is obtained as follows:

1. Tax Minimization (X_1) The value of t $_{count}$ > t $_{table}$ is 3.1767 > 1.998 and the value of Prob t is 0.0025 < 0.05 so it can be concluded that Tax Minimization (X_1) has an effect and is significant on the Transfer Pricing of listed mining sector companies on the IDX during the 2016-2020 period.
2. Debt Covenant (X_2) The value of t $_{count}$ < t $_{table}$ is -1.3991 < 1.998 and the value of Prob t is 0.1678 > 0.05 so it can be concluded that the Debt Covenant (X_2) has no significant effect on the Transfer Pricing of mining sector companies that listed on the IDX during the 2016-2020 period.

12. MRA Test (Moderate Regression Analysis)

Moderate Regression Analysis (MRA) or interaction test is a special application of linear regression where the regression equation contains interaction elements (Gantino, Rilla, and Leli Ruliati Alam, 2020). This study uses the Moderate Regression Analysis (MRA) regression equation, which is to test whether the moderating variable can strengthen or weaken the relationship between the independent variable and the dependent variable. The moderating variable in this study is the Exchange Rate, so in this study examine the interaction between the moderating variable Exchange Rate with the independent variables Tax Minimization and Deb Covenant on the dependent variable Transfer Pricing.

Table 4.13
Moderation t Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.992170	0.292079	3.396926	0.0014
M1 (X1.Z)	0.025804	1.999839	0.012903	0.9898
M2 (X2.Z)	0.279012	0.906174	0.307901	0.7595

Source: Data Processed in 2021 with E-views program version 10

1. For Moderation Variable I (Tax Minimization x Exchange Rate), i.e. Tax minimization moderated by the Exchange Rate cannot moderate Transfer Pricing, it can be seen from the results of the t test output that the Tax minimization variable moderated by the Exchange Rate has a higher probability value greater than the significance level, which is 0.9898 greater than 0.05 so that the Exchange Rate cannot moderate the effect of Tax Minimization on Transfer Pricing decisions.
2. For Moderation Variable II (Debt Covenant x Exchange Rate) the Debt Covenant moderated by the Exchange Rate has no significant effect on Transfer Pricing, it can be seen from the results of the t test output that the Debt Covenant variable moderated by the Exchange Rate has a greater probability value compared to the significance level, which is 0.7595, which is greater than 0.05 so that the Exchange Rate cannot moderate the effect of the Debt Covenant on the Transfer Pricing decision.

5. CONCLUSION

Based on the research that has been done, the following conclusions can be drawn:

1. Simultaneous test results show that Tax Minimization and Debt Covenant simultaneously have a significant effect on Transfer Pricing decisions.
2. The results of testing the Tax Minimization variable partially show that Tax Minimization has a significant effect on Transfer Pricing decisions.

PROCEEDING
Call for Paper – 3rd International Seminar on Accounting Society
"The Review and Outlook of The Economy after Covid 19 Pandemic"

3. The results of testing the Debt Covenant variable partially show that the Debt Covenant has no effect on the Transfer Pricing decision.
4. The results of testing the Exchange Rate variable as a moderating of the relationship between Tax Minimization partially show that the Exchange Rate cannot moderate the effect of Tax Minimization on Transfer Pricing.
5. The results of testing the Exchange Rate variable as a moderating relationship between the Debt Covenant partially show that the Exchange Rate cannot moderate the effect of the Debt Covenant on Transfer Pricing.

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