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The Effect of Tax, Exchange Rate, and Leverage on Transfer Pricing Policy with Foreign Ownership as Moderating Variables

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Abstract;
In general, multinational companies that have affiliated relationships make transfer pricing policies. There are various motivations related to the transfer pricing policy This research aims to analyze the causalcorrelation of tax, exchange rate, and leverage on transfer pricing with foreign ownership as moderator. Theresearch population is companies from manufacturing sector that listed on the IDX year 2017 until 2019.The sample of this research is 52 companies from manufacturing sector that were chosen based on purposivesampling, with the criteria of companies that have foreign ownership. The method of this research is aquantitative method, with panel data regression analysis. The results of this research are exchange rate andleverage have positive effect on transfer pricing, while tax has no effect on transfer pricing. Foreignownership as a moderator wasn't able to moderate the effect of tax, exchange rate, and leverage on transferpricing. The implication of the research is that the dominant motives that trigger companies to do transfer pricing are exchange rates and leverage, not tax incentives. If the exchange rate increases, the company will sell to countries whose currency exchange rates strengthen so that the price of products/services will be cheaper and able to compete.

Keywords: Tax, Exchange Rate, Leverage, Transfer Pricing, Foreign Ownership

Introduction

Today's business development has become increasingly global. Several companies in Indonesia have developed into multinational institutions that make their activities are not only in a country, but also in several countries. Multinational companies are institutions that have a parent or branch entity in more than one country. Multinational companies certainly have different legal basis in a country, including differences in tax regulations between countries, including differences in applicable tax rates. Transfer pricing is a policy that is manipulated by companies to make transfer pricing for transactions that the company does. Transfer pricing can also mean the price charged by individual business units in multi-unit companies for transactions that arise.

Differences in tax regulations and rates can be used by multinational companies to minimize tax. This is done by minimizing taxes through transfer pricing transactions by reducing the company's selling price or increasing the purchase price. Suryana (2012) argue that transfer pricing is also a company's effort to increase or decrease the price of goods unreasonably. This transaction is carried out by a related party.

Transfer pricing cases in 2018 rose quite rapidly compared to 2017. In a report covering 89 jurisdictions, 2018 MAP Statistics, the OECD published that the amount of transfer pricing difference increased by 20%. This amount is more than other disputes that are at 10%. The OECD also said almost of tax authorities had uncovered more cases than before. On the one hand, data shows a declining in inventory in about 1/2 reporting jurisdictions as well as an increasing in the other 1/2 (Bisnis.com, 2019).

One of the transfer pricing cases in this country that was revealed was the case of PT Adaro Energy Tbk. A report by Global Witness stated that the giant Indonesian mining company, PT Adaro Energy Tbk, carried out tax manipulation. Adaro was said to be implementing transfer pricing through its Singapore subsidiary, International Coal Trade Services. The effort was said to had been carried out from 2009 to 2017. Adaro was suspected of having tricked the company in such a way that the company could deposit tax amount of US$ 125 million or equivalent to IDR. 1.75 trillion less than should be paid in Indonesia (detik.com, 2019).

There are several motives for companies to apply transfer pricing policies. The tax avoidance motive is a popular practice. PT Toyota Motor Manufacturing Indonesia avoided taxation amount of IDR 1.2 trillion through transfer pricing. This case was indicated by the tax authorities when taxpayers requested restitution in 2005, 2007, and 2008 (tempo.co).

Exchange rates arise due to the emergence of international trade followed by several countries. Today's money market is not only used as an exchange rate, but also as a commodity to be sold. Almost of all countries have currencies so that exchange rate problem arise (Anshari, et al, 2017). The problem of exchange rates is commonly experienced by companies with cross-border transactions, one of which is the transfer pricing business carried out by companies for their benefit. Companies are able to move their profits through transfer pricing to countries whose currency values are rapidly growing (Akhadya and Arieftiara, 2018).

The next factor that can trigger transfer pricing is Leverage. Leverage is a ratio that compares how much a company using debt for funding. Companies in one group are generally financed by fellow affiliated companies by means of debt transfers. Companies that carry out debt transactions for tax purposes make more sense to be aggressive for transfer pricing. This is supported by opportunities for tax arbitration that trigger multinational companies to apply debt transfers. In order to get a reduction in tax obligations for group companies, there are indications that leverage can be used to replace transfer pricing (Wardani, 2018).

Foreign ownership is also a factor behind transfer pricing. The controlling shareholder based on Financial Accounting Standards No. 15 (Revised 2020) is an institution that acquires shares of 20% or more so that the institution will have a strong influence to control the company. Controlling shareholders can be owned by individuals, the government, or foreign parties. If the share ownership of foreign controllers is stronger, foreign shareholders will have stronger control over the company and benefit themselves, for example through transfer pricing (Sari, 2020).

This study aims to re-confirm the results of previous studies which are still inconsistent. The independent variables of this research are tax, exchange rate, and leverage, then the dependent variable of this research is transfer pricing, then this study uses foreign ownership as a moderator. The novelty of this research from previous research was using foreign ownership as a moderator. We assume that foreign ownership can strengthen the company's motives for transfer pricing. There are differences in tax rates and exchange rates as well as between countries, so there are opportunities to practice transfer pricing

Literature Review And Hypothesis Development

Agency Theory

Agency theory states the relationship between the principal and the agent. The principal is the party who mandates the agent to do a job for them, while the agent is the one who is mandated. In a company, the agent can be equated with the manager, while the principal can be equated as a shareholder. The interest conflict that arises between the agent and the principal arises when each individual wishes to achieve the level of welfare he has targeted. In this agency theory, there is an assumption that a manager only pursues personal interests, namely increasing personal wealth rather than the interests of shareholders. On the other hand, shareholders expect that managers work earnestly in their interests (Jensen and Meckling, 1976).

Transfer Pricing

Transfer pricing occurs because of transactions carried out by related parties. A related party is a person or entity that is related to the entity that prepared its financial statements (referred to in this Standard as the "reporting entity"). An individual or entity can be classified as a related party if it fulfills the conditions specified in the definition of related parties in PSAK 7. Related party transaction is "a transfer of resources, services or obligations between related parties

Transfer pricing is policy from company to undertake in determining the transaction price, whether it is intangible assets, goods, or services. Companies that implement transfer pricing intend to maximize company's profits, but companies that use transfer pricing neutral try to neutrally and appropriately take into account the profits of company branches in other countries (Buus, 2018).

Transfer pricing is actually a plan that is commonly used by companies to achieve efficient operations. Transfer pricing is closely related to the price of transactions between companies in multinational companies. In order to be able to move profits to low-cost countries by maximizing expenses and turnover, it is possible for companies to carry out transfer pricing, or commonly termed double taxation avoidance (Wardani, 2018).

Tax

Tax according to the Regulation No. 11 of 2020 is a mandatory contribution for the state borne by companies or individuals which are coercive in nature according to the regulation, without getting direct returns and are used for the good of the country to prosper the people.

Tax is usually proxied using the Effective Tax Rate (ETR). ETR is the ratio that divides the total tax burden by earnings before interest and taxes (EBIT) (Akhadya and Arieftiara, 2018). Along with its development, transfer pricing is not only related to the contribution of each organizational unit, but also extends to the role of each company that is a member of the multinational group of companies (Darussalam, et al, 2013).

Previous research by Wijaya and Amalia (2020), Akhadya and Arieftiara (2018), and Nofryanti and Arsjah (2019) concluded that tax has a positive and significant effect on transfer pricing. The different results were caused by differences of the industry and the research period.

H1: Tax has a positive effect on Transfer Pricing

Exchange Rate

Companies that have affiliated relationships with foreign companies have transactions in foreign currencies. Transactions in foreign currencies will affect profit or loss due to changes in exchange rates.

Therefore, multinational companies may explore reducing foreign exchange risk by diverting funds to established foreign exchange by transfer pricing so that the company's profits are optimal (Marfuah and Azizah, 2014).

The company uses foreign exchange as a transaction to make a profit. Through foreign exchange discrepancies from many countries, the company organizes foreign exchange exchanges with other, more promising foreign currencies, because the value of foreign exchange fluctuates more and more, so it is uncertain how much is needed for payment of materials abroad, so in order to minimize foreign exchange risk by diverting money into strong foreign currency through transfer pricing for the purpose of maximizing company's profits (Marfuah and Azizah, 2014).

Previous research by Rosad, et al (2020), Andraeni (2017) and Tjandrakirana (2020) concluded that the Exchange Rate has a positive and significant effect on Transfer Pricing.

H2: Exchange Rate has a positive effect on Transfer Pricing

Leverage

Leverage is the use of sources of funds originating from credit to finance the needs of companies that have a fixed cost. The higher the amount of financing from third-party loans used, the higher the interest expense that exists on the loan (Rezky and Fachrizal, 2018).

Leverage is used to show how much debt the company uses to finance its assets. This is in accordance with the condition in order to profit from debt as a tax-deductible item in financial statements, especially in profit & loss statement. Companies that have high leverage generally carry out debt restructuring using transfer pricing between companies with special relationships. This is carried out through the acquisition of debt from fellow groups in countries with low taxes (Nabila, et al, 2020).

Previous research by Wardani (2018), Rezky and Fachrizal (2018), and Pratiwi (2018) concluded that Leverage has a positive and significant effect on Transfer Pricing.

H3: Leverage has a positive effect on Transfer Pricing

Foreign Ownership

The ownership structure in the company arises because there are comparisons of share owners by individuals, communities, government, foreigners, as well as company employees. In accordance with Regulation No. 25 of 2007 which contains investment, illustrates that the provision of foreign capital is the activity of investing for the sake of doing business in Indonesia by foreign investors, either entirely foreign capital or in collaboration with local investors (Akhadya and Arieftiara, 2018).

Foreign agencies that buy shares 20% or more are seen as having a big effect on controlling the company and can be considered as foreign controlling shareholders. This foreign controlling shareholder may instruct management to do whatever he wants for himself, one of which is to instruct transfer pricing (Putri, 2016). Foreign ownership is used as moderation because it is related to transfer pricing that is generally carried out by companies which have foreign company affiliates.

H4: Foreign Ownership Moderates Tax Effect on Transfer Pricing

H5: Foreign Ownership Moderates Exchange Rate Effect on Transfer Pricing

H6: Foreign Ownership Moderates Leverage Effect on Transfer Pricing

RESEARCH METHODS

The research design is causal research that examine the effect of several variables on other variables. The research purpose is to examine the effect of taxes, exchange rates, and leverage on transfer pricing policy with foreign ownership as a moderating variable. This research is quantitative research.

The following is the framework of thinking in this research:

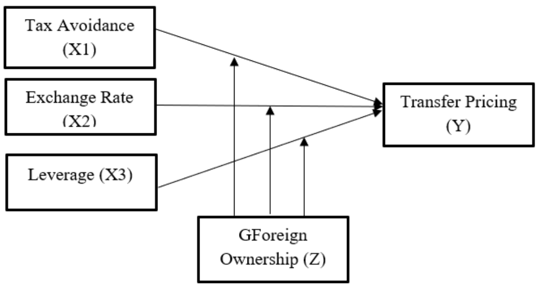

Table 1 presented the operationalization of each variable in this study

Table 1. Variables Measurement

Nbr	Variable	Proxy	Formula	Scale
1	Transfer Pricing (Y)	Receivables from Related Parties	$\frac{\text{Receivables from related parties}}{\text{Total receivables}}$	Ratio
2	Tax (X1)	Effective Tax Rate (ETR)	$\frac{\text{Income tax}}{\text{Earning before tax}}$	Ratio
3	Exchange Rate (X2)	BI's Exchange Rate	Bank Indonesia's middle rate	Ratio

Nbr	Variable	Proxy	Formula	Scale
		(RATE)		
4	Leverage (X3)	Debt to Asset Ratio (DAR)	$\frac{\text{Total Liabilities}}{\text{Total asset}}$	Ratio
5	Foreign Ownership (Z)	Foreign Ownership (KA)	$\frac{\text{Total Foreign Ownership}}{\text{Total share capital}}$	Ratio

Analysis of the research data using quantitative techniques. The technique of analysis used is panel data regression using Eviews version 10. Panel data regression is used to test more than 1 independent variable on the dependent variable.

The research population used companies from manufacturing sector that listed on the IDX for the period 2017-2019. The criteria used to determine the sample are:

Table 2. Sample Selection Based on Criteria

No.	Criteria	Total
1	Companies from manufacturing sector that listed on the IDX for the period 2017-2019.	193
2	The company conducted an initial public offering after 2017.	(49)
3	The Company does not have receivables from affiliates or transfer pricing transactions.	(39)
4	The company has no foreign ownership.	(53)
	Sample used	**52**
	Total sample (3 years)	**156**

Results And Discussion

Table 3 shows descriptive statistics as follows:

Table 3: Descriptive Statistics Test Results

	ETR	RATE	DAR	TP	KA
Mean	0.433840	13976.67	0.115776	0.260468	0.539324
Maximum	32.18600	14481.00	0.443000	1.000000	0.997700
Minimum	-2.363000	13548.00	0.003000	0.000000	0.000000
Std. Dev.	2.580733	385.8739	0.082758	0.287123	0.298306
Observations	156	156	156	156	156

Table 3 shows that the tax variable has an average value of 0.43 or 43%. The sample with the lowest tax value is the sample with PT Goodyear Indonesia Tbk (GDYR) in 2017. The highest tax value is the sample with PT Malindo Feedmill Tbk (MAIN) in 2017. An average of 43% means that the comparison between tax expense and profit before tax is around 43$.

The variable exchange rate has an average value of IDR. 13,977. The lowest tax exchange rate is the rate in 2017, while the highest exchange rate is the rate in 2018. An average of 13,976.67 means that the BI middle rate in the last 3 years is in the position of 13,976.67.

Leverage variable achieves an average value of 0.12 or 12%. The sample with the lowest leverage value is the sample with PT Kedaung Indah Can Tbk (KICI) in 2017. The highest leverage value is the sample with PT Tembaga Mulia Semanan Tbk (TBMS) in 2017. The average leverage of 11.58% shows that on average, 11.58% of manufacturing company assets are funded by using debt.

Transfer pricing variable achieves an average value of 0.26 or 26%. The sample with the lowest Transfer Pricing value is the sample with PT Pan Brothers Tbk (PBRX) in 2019. The highest Transfer Pricing value is the sample with PT Keramika Indonesia Assosiasi Tbk (KIAS) in 2019. An average of 26% means that on average, 26% of manufacturing company receivables consist of receivables from special parties.

Average value of foreign ownership variaables 0.54 or 54%. The sample with the lowest foreign ownership is the sample with PT Charoen Pokphand Indonesia Tbk (CPIN) in 2019. The highest foreign ownership value is the sample with PT Bentoel International Investama Tbk (RMBA) in 2019. An average of 54% means that on average, 54% of manufacturing company shares are controlled by foreigners.

Chow Test Results

Table 4: Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.444945	(51,98)	0.0000
Cross-section Chi-square	160.217705	51	0.0000

Table 4 shows that the Chow test produces a significance value of 0.0000 or below 0.05. This result means that the fixed effect model is the selected regression.

Hausman Test Results

Table 5: Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	37.612715	8	0.0000

Table 5 shows that the Hausman test has a significance value of 0.0000 or less than 0.05. This result means that fixed effect model is the selected model. Since it has been confirmed that the selected model is a fixed effect model, there is no need for the Lagrange Multiplier Test anymore.

Coefficient of Determination Test Results (R2)

Table 6: Coefficient of Determination Test Results (R2)

R-squared	0.667708	Mean dependent var	-1.009353
Adjusted R-squared	0.474437	S.D. dependent var	0.793041

Table 6 shows that the R-squared value is 0.6677 or 66.77%. These results conclude that 66.77% of Transfer Pricing is influenced by Taxes, Exchange Rates, Leverage, and Foreign Ownership. While the difference of 33.23% is due to other variables other than those used.

Panel Data Regression Analysis Test

Table 7: Moderation Regression Test Results

Dependent Variable: Transfer Pricing				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.270861	1.703232	-1.920385	0.0577
ETR	-0.001425	0.307616	-0.004632	0.9963
RATE	0.027609	0.000160	1.723213	0.0088
DAR	0.104126	4.125694	0.025238	0.0097
ETR*KA	-0.042451	0.534989	-0.079349	0.9369
RATE*KA	-0.000227	0.000189	-1.196727	0.2343
DAR*KA	1.671278	5.731776	0.291581	0.7712

The explanation of the t test results is as follows:

Tax (ETR) has a coefficient of -0.001. This indicates that every 1% move in ETR will reduce Transfer Pricing by 0.001, with other factors forecast not moving. The significance value of ETR is 0.9963 or more than 0.05. These results conclude that tax has no effect on transfer pricing, or H1 is rejected.

Exchange Rate (RATE) has a coefficient of 0.027. This shows that every 1% change in RATE can increase Transfer Pricing by 0.027, with other factor estimates not moving. The significance value of RATE is 0.0088 or less than 0.05. These results conclude that the exchange rate has a positive effect on transfer pricing, or H2 is accepted.

Leverage (DAR) achieves a coefficient value of 0.104. This explains that every 1% change in DAR will increase Transfer Pricing by 0.104, with the other factors forecast not moving. The significance value of DAR is 0.0097 or less than 0.05. These results conclude that leverage has a positive effect on transfer pricing, or H3 is accepted.

Tax (ETR) moderated by Foreign Ownership (KA) has a coefficient value of -0.042. This result shows that every 1% movement of Tax moderated by Foreign Ownership can reduce Transfer Pricing by 0.042, assuming other factors do not move. The significance value of Foreign Ownership Moderated Tax is 0.9369 or more than 0.05. This result concludes that the Tax moderated by Foreign Ownership has no effect on transfer pricing, or H4 is rejected. The Foreign Ownership variable as moderator is included in the Moderation homologize category, which means that Foreign Ownership does not result in an interaction with Taxes, nor does it have an effect on Transfer Pricing.

Exchange Rate (RATE) moderated by Foreign Ownership (KA) has a coefficient value of -0.0002. These results indicate that every 1% movement of the Exchange Rate moderated by Foreign Ownership can reduce Transfer Pricing by 0.0002, assuming other factors do not move. The significance value of the Exchange Rate moderated by Foreign Ownership is 0.2343 or more than 0.05. These results conclude that the Exchange Rate moderated by Foreign Ownership has no effect on transfer pricing, or H5 is rejected. Foreign

Ownership variable as moderator is included in the Moderation Predictor category, which means Foreign Ownership does not result in interaction with Exchange Rate, nor does it have an effect on Transfer Pricing.

Leverage (DAR) moderated by Foreign Ownership (KA) has a coefficient value of 1.671. This result shows that every 1% movement of Leverage moderated by Foreign Ownership will increase Transfer Pricing by 1,671, assuming other factors do not move. The significance value of Leverage moderated by Foreign Ownership is 0.7712 or more than 0.05. These results conclude that Leverage moderated by Foreign Ownership has no effect on transfer pricing, or H6 is rejected. Foreign Ownership variable as moderator is included in the Moderation Predictor category, which means Foreign Ownership does not result in interaction with Leverage, nor does it have an effect on Transfer Pricing.

Discussion

The Effect of Tax on Transfer Pricing

The results of this study conclude that tax has no significant effect on transfer pricing, or H1 is rejected. Taxes are mandatory contributions for the state borne by individuals or companies that are coercive in nature according to the regulation, without getting direct returns and are used for the good of the state to prosper the people (Waluyo, 2011). This result in line with Rahman, H. A., & Utami, W. (2021) which showed that there was no correlation between transfer pricing and tax aggressiveness

Tax that does not have an effect on transfer pricing actions mean that manufacturing companies implement transfer pricing instead of being triggered to circumvent the tax payable. The increasingly stringent regulation through PMK number 213/PMK.03/2016 makes it difficult for companies to manipulate taxes by using transfer pricing.

The results of this study are not in line with research of Wijaya and Amalia (2020), Akhadya and Arieftiara (2018), and Nofryanti and Arsjah (2019) which concluded that tax has a positive and significant effect on Transfer Pricing.

The Effect of Exchange Rate on Transfer Pricing

The results of this study showed that the exchange rate has a positive effect on transfer pricing, or H2 is accepted. The relationship with a positive direction means that if the exchange rate increases, transfer pricing will be carried out on companies whose currency strengthens so that product prices are cheaper and have an impact on increasing sales.

The company uses foreign exchange as a transaction to make a profit. Through foreign exchange discrepancies from many countries, the company organizes foreign exchange with other, more promising foreign currencies, because the value of foreign exchange fluctuates more and more, so it is uncertain how much is needed for payment of materials abroad, so in order to minimize foreign exchange risk by diverting money into strong foreign currency through transfer pricing for the purpose of maximizing company’s profits.

The results of this study are in line with research by Rosad, et al (2020), Andraeni (2017) and Tjandrakirana (2020) that concluded that the Exchange Rate has a positive and significant effect on Transfer Pricing.

The Effect of Leverage on Transfer Pricing

The results of this study conclude that Leverage has a positive effect on transfer pricing, or H3 is accepted. Leverage is the use of sources of funds originating from credit to finance company expenses that have a fixed cost. The higher the amount of financing from third-party loans used, the higher the interest expense that exists on the loan (Rezky and Fachrizal, 2018).

Leverage is used to show how much debt the company uses to finance its assets. This is in accordance with the conditions for profiting from debt as a tax-deductible item in financial statements, especially in profit & loss statement. Companies that have high leverage generally carry out debt restructuring using transfer pricing between companies with special relationships. This is done through the acquisition of debt from fellow groups in countries with low taxes.

The results of this study are in line with the research of Wardani (2018), Rezky and Fachrizal (2018), and Pratiwi (2018) that concluded that Leverage has a positive and significant effect on Transfer Pricing.

The Moderating Effect of Foreign Ownership on he Relationship between Tax and Transfer Pricing

The results of this study conclude that the Moderated Tax by Foreign Ownership has no effect on transfer pricing, or H4 is rejected. Foreign entities that control shares of 20% or more are seen as having a strong influence to control over company and can be considered as foreign controlling shareholders (Putri, 2016).

The ineffectiveness of Tax moderated by Foreign Ownership means that no matter how big the company is owned by foreigners, it has nothing to do with taxation in the implementation of transfer pricing, because the purpose of transfer pricing can be considered as purely a business strategy, not a matter of tax efficiency.

The results of this study are not in line with research by Akhadya and Arieftiara (2018) which concluded that Foreign Ownership has a positive and significant effect on Transfer Pricing.

The Moderating Effect of Foreign Ownership on The Relationship between Exchange Rates and Transfer Pricing

The significance value of the Exchange Rate moderated by Foreign Ownership is 0.2343 or more than 0.05. This result concludes that the Exchange Rate moderated by Foreign Ownership has no effect on transfer pricing, or H5 is rejected. Foreign agencies that buy shares 20% or more are seen as having a big effect on controlling the company and can be considered as foreign controlling shareholders. This foreign controlling shareholder may instruct management to do whatever he wants for himself, one of which is to instruct transfer pricing (Putri, 2016).

The ineffectiveness of the Exchange Rate moderated by Foreign Ownership means that Foreign Ownership is unable to weaken the Exchange Rate's effect on Transfer Pricing, because without Foreign Ownership, the Exchange Rate has been proven to be a factor in the consideration of entrepreneurs conducting Transfer Pricing. The results of this study are not in line with research by Akhadya and Arieftiara (2018) which concluded that Foreign Ownership has a positive and significant effect on Transfer Pricing.

The Moderating Effect of Foreign Ownership on the Relationship Between Leverage and Transfer Pricing

The significance value of Leverage moderated by Foreign Ownership is 0.7712 or more than 0.05. These results conclude that Leverage moderated by Foreign Ownership has no effect on transfer pricing, or H6 is rejected. Foreign agencies that buy shares 20% or more are seen as having a major effect on controlling the company and can be considered as foreign controlling shareholders (Putri, 2016).

The ineffectiveness of Leverage moderated by Foreign Ownership means that Foreign Ownership is unable to weaken the Exchange Rate effect on Transfer Pricing, because whether the company is owned by foreign entities/individuals or domestic entities/individuals, Leverage has become an important factor triggering Transfer Pricing transactions. The results of this study are not in line with research by Akhadya and Arieftiara (2018) which concluded that Foreign Ownership has a positive and significant effect on Transfer Pricing.

Conclusion

Tax has no effect on transfer pricing. The increasingly stringent regulation through PMK number 213/PMK.03/2016 makes it difficult for companies to manipulate taxes by using transfer pricing. Exchange Rate has a positive effect on transfer pricing. There is a positive relationship which means that when the dollar exchange rate against the rupiah increases, this means that the selling price of Indonesian products/services abroad becomes cheaper so that the transfer pricing policy becomes the right strategy to increase sales. Leverage has a positive effect on transfer pricing. Companies with high leverage generally carry out debt restructuring using transfer pricing between companies which have special relationships. This is done by being in debt to members of the group in low-tax areas. Foreign ownership did not moderated the relationship between tax, exchange rates, leverage with transfer pricing, It means that no matter how big the company is owned by foreigners, it has nothing to do with taxation in the implementation of transfer pricing, because the purpose of transfer pricing can be considered as purely a business strategy, not a matter of tax efficiency. The implication of the research results is that the dominant motives that trigger companies to transfer pricing are exchange rates and leverage, not tax incentives. If the exchange rate increases, the company will sell to countries whose currency exchange rates strengthen so that the price of products/services will be cheaper and able to compete

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