# **ABSTRACT**

Dharani Kusuma/30150303/2019/ The Effect of Tax, Tunneling Incentive and Company Size in Transfer Pricing Decision of Manufacturing Companies Listed on Indonesia Stock Exchange For The Period of 2013-2017 /Advisor: Dr. Hanif Ismail, S.E.,M.M.,M.Ak.

Transfer pricing can happen in companies that are relatively large in size and aim to maximize profits. This transfer pricing can happen if there is a transaction of goods or services between taxpayers who have a special relationship. Transfer pricing activities by multinational companies will affect the level of state revenues from the tax side both directly and indirectly.

In this study the tax variable is proxied by ETR, the tunneling incentive variable is proxied by the percentage of overseas subsidiary company ownership that has a lower tax rate than Indonesia, and the company size variable is proxied by the logarithmic result of total assets.

This study aims to examine the effect of taxes, tunneling incentives, and firm size on transfer pricing decisions. The population of this research is the manufacturing sector companies listed on the Stock Exchange in 2013-2017 which amounted to 13 companies. The number of data obtained was 65 data. Data samples were obtained by purposive sampling method. The analysis technique used in this study is logistic regression analysis using the SPSS version 23 application.

The results of this study indicate that the tax variable has a sig value of 0.345> 0.1 and B value -0,214. Sig value of the tunneling incentive variable of 0.080< 0,1 with B value 0,904 and the sig value of the variable firm size is 0.091 < 0,1 with B value -4,514. And the value of Negelkerke square is 0.786.

From the results of tests that have been done by SPSS, it can be concluded that tax does not have an effect towards transfer pricing decisions, while tunneling incentive has a positive effect towards transfer pricing decisions and company size has a negative effect towards transfer pricing decisions. The coefficient of determination shows that Tax, Tunneling Incentive, and Company Size contribute 78,6%. While the remaining 21,4% is influenced by other variables outside the model.

Keyword: Tax, Tunneling Incentive, Company Size, Transfer Pricing.