# *ABSTRACT*

Olivia / 36150200 / 2019 */ The Influence of Tax Expense, Profitability, and Foreign Ownership with Tax Haven as moderating variabel on the company policy of Transfer Pricing /* Amelia Sandra, S.E., AK., M.Si., M.Ak.

*Transfer pricing is one of problem faced because of foreign investment which has an impact on reduced state revenues. This problem arises because of the different tax rates that apply in each country. Companies use transfer pricing mechanisms to avoid paying large income taxes, by moving profits from countries with high tax rates to countries with lower tax rates by carrying out various transaction which are often not in accordance with the principle of fairness and prevalence of business (Arm’s Length Principle).*

*Referring to the agency theory, which explains the contract between the principal and the agent. The problem that often arises is the asymmetrical information that causes the agent in this case foreign ownership as the manager of the company have more information and influence, so they have more incentives to transfer pricing in order to maximizing personal interests and benefits. So it harms the other shareholders (principal) because they are not directly involved in managing the company.*

*This study uses three independent variables which are tax expense, profitability,and foreign ownership. The dependent variable used is transfer pricing as measured by a value index consisting of the transfer pricing mechanism indicators. The moderating variable used is tax haven, which is a country with lower tax rate than Indonesia. Based on purposive sampling method, the sample obtained was 17 companies so that during 3 years of observation 51 observational data were obtained. Observation data obtained from audited financial statements of manufacturing companies listed on Indonesia Stock Exchage. The analysis technique that is used is multiple regression analysis with data pooling test, classic assumtions test, F test, and t test.*

*The result showed that this study has passed the classic assumtions test and data pooling test. Based on the result of F test obtained sig value is 0.002. From the result of the t test is obtained; tax espense variable with a value of sig 0.0325 < 0.05 and coefficient value of 0.439. Profitability variable with a value of sig 0.3525 > 0.05. Variable foreign ownership with a value of sig 0.0025 < 0.05 and coefficient value of 0.494. The variable interaction between tax haven and tax expense with a value of sig 0.048 < 0.05. The coefficient of determination is 0.357 or 35.7%.*

*The conclusion of this study shows tax expense and foreign ownership have positive effect on the company policy of transfer pricing. Profitabiliy has no effect on the company policy of transfer pricing. Tax haven moderate the relationship of tax expanse on the company policy of transfer pricing.*

***Keywords:*** *Transfer Pricing, Tax Expense, Profitability, Foreign ownership, Tax Haven.*