# **ABSTRACK**

Vanessa Stanley / 31150078 / 2019 / The Effect of Tax, Tunneling Incentive, Debt Covenant, and Audit Quality on Transfer Pricing Decisions in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2015-2017 / Advisor: Sugi Suhartono, S.E., M.Ak.

Globalization make economic development in the world more rapidly and make the borders of the country almost non-existent. Multinational companies will also face a problem, namely the difference in tax rates. This difference in tax rates makes multinational companies make decisions to transfer pricing which will affect Indonesian state tax revenues. Transfer pricing can also be a problem for companies, but it can also be an opportunity for abuse for companies that pursue high profits. This can be done by selling or buying products to related parties at unreasonable prices. Therefore, this study aims to examine the factors that can influence transfer pricing decisions such as tax factors, tunneling incentives, debt covenants, and audit quality.

Related parties are a special relationship that occurs between two or more taxpayers who can cause the tax payable among the taxpayers to be smaller than they should be. In general, this principle has been regulated in the principle of fairness and prevalence of business through comparative analysis and calculation. In agency theory describes a relationship between the management of a company (agent) and shareholders (principals). The further the agency relationship between the agent and the principal, it will lead to the provision of asymmetrical information and there are various interests that increasingly conflict with the interests of the owner. Positive accounting theory also explain that companies that are getting closer to the debt agreement contract tend to move current earnings to the present and encourage transfer pricing.

The sample in this study consisted of 53 manufacturing companies divided into three sectors, namely the basic industry and chemical sectors, various industrial sectors, and the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2015-2017. Sampling is done by purposive sampling method. The analytical method used is logistic regression analysis using the SPSS 22 application.

The results of the logistic regression test show that the tax has a sig value. 0.2595 with a positive direction, tunneling incentive has a sig value. 0.132 in a positive direction, debt covenant has a sig value. 0.0445 with a positive direction, and audit quality has a sig value. 0.001.

The conclusion of the result of the analysis in this study is that it is not proven that taxes have a negative effect on transfer pricing, it is not proven that the tunneling incentive has a positive effect on transfer pricing, it is proven that debt covenants have a positive effect on transfer pricing, and it is proven that audit quality has an influence on transfer pricing decision.

Keywords: Transfer Pricing, Tax, Tunneling Incentive, Debt Covenant, Audit Quality