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Transfer Pricing Dynamics: Multinationality, Tax Haven, Intangible Assets and Dual Role of Leverage

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A B S T R A C T

This study investigates the influence of Multinationality, Tax Haven, Intangible Assets, and Leverage on Transfer Pricing practices, which may disadvantage high-tax jurisdictions such as Indonesia. Employing a quantitative approach, data were sourced from S&P Capital IQ, corporate websites, and the Indonesia Stock Exchange. Using two regression models, the findings reveal that Multinationality and Tax Haven presence negatively affect Transfer Pricing, while Intangible Assets show no significant impact. Leverage demonstrates a positive effect and, as a moderating variable, attenuates the negative relationship between Tax Haven and Transfer Pricing, while reinforcing the negative association between Intangible Assets and Transfer Pricing. These results underscore the complex dynamics influencing Transfer Pricing and offer valuable insights for policymakers in fostering equitable and sustainable fiscal environments.

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INTRODUCTION

Nowadays, Transfer Pricing is still a popular topic among governments, especially tax authorities in many countries. This paper looks at four variables that are suspected to be driving Transfer Pricing practices. Indonesia is one of the countries that has lost potential tax revenue due to aggressive Transfer Pricing. Research conducted by Lestari & Hasymi (2022) discovered losses totaling US$125 million as a result of a Transfer Pricing scheme successfully implemented by a multinational company in Indonesia with a subsidiary in Singapore. This amount was reported by one of several multinational companies in Indonesia. If many multinational companies engage in aggressive Transfer Pricing schemes, there will be an increased potential for tax revenue losses. Therefore, this study explores four variables closely related to the business activities of multinational companies that are suspected to be driving factors behind Transfer Pricing practices, such as Multinationality, Tax Haven, Intangible Assets, and Leverage.

Based on the background described earlier, the issues discussed in this research are several phenomena of multinational company activities that are closely related to aggressive Transfer Pricing practices. The establishment of multinational companies creates more opportunities for firms to optimize their expenses. Subsidiaries located in various countries with lower tax rates can be used as strategic options as study by Pranatio & Sutrisno (2024). This is what is then referred to as the Multinationality variable.

Furthermore, several countries where company branches are located offer low tax rates or even a 0% rate, a finding by Irawan & Ulinnuha (2022). These countries are categorized as Tax Haven Countries. The facilities offered by these countries are highly beneficial for multinational companies when they intend to reduce the tax burden they face in high-tax jurisdictions. On the other hand, the countries where the actual business operations take place will likely suffer losses. This phenomenon forms the basis of the Tax Haven variable.

Along with technological advancements and cross-border transactions, multinational companies are increasingly required to use intangible assets as one of the catalysts for their business activities. One of the challenges that then arises is from the accounting side, due to the nature of intangible assets being difficult to detect and challenging to measure their value fairly (Pranatio & Sutrisno, 2024). With such characteristics, intangible assets are highly vulnerable to irregular practices, especially when supported by special relationships that further complicate their valuation. This complexity arises from the difficulty in establishing reasonable comparability. This is what underlies the Intangible Asset variable.

The assets owned by a company may originate from debt. Debt can be an alternative for companies when they intend to expand and finance their operations. According to Lutfia & Sukirman (2021) Leverage can reflect the amount of debt used by a company. An excessive level of debt may indicate covert capital investment activities. On the other hand, the level of leverage is considered to influence a company's behavior, as companies with high leverage, when compared to those with low leverage, tend to disclose more comprehensive corporate data and information in their financial reports with the intention of

avoiding cost monitoring by creditors (Devi & Suryarini, 2020). Given this phenomenon, leverage in this study serves as both an independent variable and a moderating variable.

Previous studies with similar variables have shown differences in test results. Variables consisting of Multinationality, Tax Haven, Intangible Assets, and Leverage still show inconsistent results. Some variables can have a positive effect, a negative effect, or no effect at all. Prior research on similar topics, particularly regarding Multinationality and Transfer Pricing has been quite diverse. Research by Pranatio & Sutrisno (2024), Kusbandiyah et al. (2024), Irawan & Ulinnuha (2022), and Rifqiyati et al. (2021) found that Multinationality has a positive effect on Transfer Pricing. Meanwhile, in a study by Putri & Syofyan (2023) found that Multinationality does not have a significant effect on Transfer Pricing.

Meanwhile, studies by Irawan & Ulinnuha (2022) and Bhudiyantia & Trisni (2022) found that the Tax Haven variable has a positive effect on Transfer Pricing. However, different findings by Kusbandiyah et al. (2024) and Syahputri & Rachmawati (2021) indicate that Tax Haven does not influence Transfer Pricing. Regarding the effect of Intangible Assets on Transfer Pricing, studies conducted by Husna & Wulandari (2022) and Irawan & Ulinnuha (2022) found that Intangible Assets have a positive effect on Transfer Pricing. Meanwhile, studies with different findings were found in studies by Azzuhriyyah & Kurnia (2023) and Bhudiyantia & Trisni (2022) that Intangible Assets do not affect Transfer Pricing. To date, studies examining the impact of Leverage on Transfer Pricing have also not shown any consistency. The results of studies conducted by Devita & Sholikhah (2021) and Wahyudi & Fitriah (2021) show that Leverage has a positive effect on Transfer Pricing. Meanwhile, inconsistent research results were found in a study conducted by Rahayu et al. (2020) which found that Leverage has no effect on Transfer Pricing. Meanwhile, research on Leverage as moderating variable for Transfer Pricing in previous studies still shows diverse result, such as the studies of Devi & Suryarini (2020) and (Dewi Lutfia & Sukirman, 2021).

This study attempts to reveal how several variables that have been tested by previous researchers influence Transfer Pricing practices by combining four variables that are thought to be closely related to Transfer Pricing practices. So far, there has been no similar study that tests this phenomenon using these variables. Not only that, this study also examines how Leverage as a moderating variable influences the three variables of Multinationality, Tax Haven, and Intangible Assets. Variables that are proven to have a positive influence on Transfer Pricing can be taken into consideration by policymakers when formulating regulations to create a fair global business atmosphere.

LITERATURE REVIEW

Positive Accounting Theory

Referring to the theory proposed by Watts & Zimmerman (1990), one of the hypotheses in Positive Accounting Theory is the Political Cost Hypothesis. The Political Cost Hypothesis predicts that large businesses tend to choose

accounting methods that reduce tax when compared to small businesses. Thus, considering the characteristics and conditions of multinational companies with entities located in various regions of the world, it is very likely that this activity occurs within multinational companies. One form of Political Cost is taxes that can reduce a company's profits because the company has an obligation to pay taxes to tax authorities. On the other hand, companies will tend to minimize the taxes they owe to the government. This occurs due to asymmetric information between the government and the company. This phenomenon opens up opportunities for companies to engage in opportunistic activities through aggressive Transfer Pricing. This is supported by business activities that are no longer geographically limited and advancements in technology

Agency Theory

In Jensen et al. (1976), agency theory is a theory in the field of management that discusses the relationship between principals and agents that arises as a result of a contract. In this relationship, the agent carries out the delegation or mandate of the principal. In business practice, interactions that are consistent with this theory can be found in the relationship between managers in a company and shareholders.

The two theories above underlie how Transfer Pricing activities are carried out by multinational companies. With various factors expressed as variables, this study attempts to examine whether variables that are thought to be closely related to Transfer Pricing have a positive effect on aggressive Transfer Pricing activities. When these factors are proven to have a positive influence, they can be used as one of the considerations for policymakers in issuing relevant regulations to create fair business activities.

Hypothesis

Technological advances and global market trends have opened up enormous opportunities for industry participants to expand. This can be seen in the growing number of multinational entities in various countries. In addition, the establishment of a branch or subsidiary in another country offers the possibility of more favorable tax regulations in the destination country, allowing multinational companies to implement Transfer Pricing schemes to reduce their tax burden (Supriyati et al., 2021). In research by Irawan & Ulinnuha (2022), it has been found that multinational companies have many opportunities to avoid taxes when compared to domestic companies. This is because multinational companies have access to countries with lower tax rates through their overseas subsidiaries, enabling them to shift profits through unfair transactions. This profit shifting can be done through Transfer Pricing schemes.

According to Supriyati et al. (2021) there is a tendency for multinational enterprises to reduce their operating expenses by reducing their tax burden. This is an important consideration for some companies when choosing a particular country as the location for their subsidiaries or affiliates, given that different countries have different tax policies. A jurisdiction with competitive tax rates tends to be preferred by multinational companies for locating their subsidiaries. With subsidiaries in various countries with lower tax rates, companies have more

opportunities to shift profits through Transfer Pricing schemes to reduce their overall tax burden. The more control a multinational company has over its subsidiaries, the greater the tendency for the company to engage in Transfer Pricing (Irawan & Ulinnuha, 2022). Based on the description above, the first hypothesis in this study is as follows:

H1: Multinationality has a positive influence on Transfer Pricing.

One common and logical effort made by a company is to maximize profits and minimize expenses. One way to do this is through the use of Tax Haven facilities. In a study by Irawan & Ulinnuha (2022) it has been found that multinational companies seeking to increase their profits tend to take advantage of opportunities offered by Tax Haven in the form of lower tax rates or even zero tax rates. The mechanism used by a group of business entities to avoid paying high taxes in their source countries is to allocate their profits to Tax Haven and impose high costs on their source countries. This can be done by misusing the Transfer Pricing mechanism to conduct transactions between multinational companies and their affiliates in Tax Haven countries. Additionally, Tax Haven is a potential option for maximizing overall company profits due to the availability of asset confidentiality protection facilities (Supriyati et al., 2021).

In a study, it was explained that businesses run by a company by establishing branches or subsidiaries that provide tax facilities can be interpreted as the use of Tax Haven (Kusbandiyah et al., 2024). In addition, it is mentioned that misuse of Tax Haven arises because they are supported by the absence of mandatory substantial activities, lack of information transparency, and difficulties in exchanging information with the tax authorities of the source country (Irawan & Ulinnuha, 2022). These factors then cause multinational companies that have transactions with Tax Haven countries to be more inclined to conduct unfair transactions through Transfer Pricing schemes. In relation to this, the second hypothesis in this study is:

H2: Tax Haven have a positive influence on Transfer Pricing.

Intangible Assets are one of the accounts and components of the balance sheet that have unique characteristics. According to Azzuhriyyah & Kurnia (2023) these assets have a level of uncertainty in value that has the potential for misdetection and makes measurement difficult. This is similar to the study conducted by (Irawan & Ulinnuha, 2022). The study mentions that Intangible Assets have certain characteristics that allow companies to easily take advantage by misusing them. Intangible Assets tend to be more unique compared to other accounts. This condition makes it difficult for tax authorities to evaluate Intangible Assets because it is hard to find similarities and comparability of transactions in the market. Multinational companies can use this characteristic to engage in opportunistic behavior, thereby increasing profits by reducing tax costs. It has even been found that companies tend to act subjectively when measuring Intangible Assets, increasing the likelihood of unreasonable transactions. This subjectivity creates asymmetric information between companies and the government. The government only has access to information about Intangible Assets through what is presented in the company's published

financial statements, while companies have more detailed knowledge of the information and data related to the Intangible Assets they hold. As a result, multinational companies that have access to jurisdictions with low tax policies take advantage of Intangible Assets by transferring these assets to countries with low tax rates to reduce potential tax costs. According to Husna & Wulandari (2022) Intangible Assets are indeed one of the factors causing unfair transactions through Transfer Pricing. Based on the above description, the hypothesis proposed is:

H3: Intangible Assets have a positive influence on Transfer Pricing.

In a study conducted by Devi & Suryarini (2020) it was found that Leverage is used by companies to obtain corporate funding sources. This is possible because Leverage describes corporate debt as one of the sources of financing for corporate operational activities. In the context of corporate management, Leverage planning has been found to be an alternative for companies to maximize profits. Research by Martinho Fernandes (2019) shows that multinational companies can plan their leverage to reduce their overall corporate tax burden, which has become a global issue related to the financing of multinational companies. In a cross-border scenario between countries, the use of debt financing can open up the possibility for multinational companies to minimize their overall corporate income tax liability or reduce corporate income tax revenue in the country where the debtor is located. This leads to the possibility that interest income may be reported in a country with a lower corporate income tax rate than the country where the company paying the interest is located. This condition may occur in multinational companies with affiliated parties where transactions are influenced by special relationships.

In addition, multinational companies can conduct transactions for hidden capital participation disguised as debt instruments through Transfer Pricing schemes with their affiliates located in countries with high tax rates in order to reduce the company's tax burden. This corporate tax reduction strategy is implemented by adjusting the leverage arising from interest expenses, which can serve as a deductible factor in a company's profit calculation. The higher the Leverage ratio, the greater the deductible factor, resulting in a smaller tax liability. Thus, it is suspected that there is a relationship between Leverage and Transfer Pricing.

H4: Leverage has a positive influence on Transfer Pricing.

Through the establishment of subsidiaries abroad, multinational companies can take advantage of lower tax regulations, allowing them to shift profits using Transfer Pricing mechanisms (Supriyati et al., 2021). Profit shifting is one of the management decisions aimed at maximizing profits. In a study conducted by Irawan & Ulinnuha (2022) it was mentioned that management tends to use aggresive Transfer Pricing more often than The Arm's Length Principle, which is in line with agency theory regarding profit maximization efforts.

In agency theory, it is explained that there is a conflict between agents and principals. Agents in this case can be company management, while principals are company owners. In practice, principals will always strive to reduce conflicts by supervising agents. In this regard, leverage can be used to reduce agency conflicts

through the utilization of external parties as supervisors. In addition, leverage also functions as a control mechanism for the company through a third party, namely creditors (Devi & Suryarini, 2020). Thus, leverage is suspected to weaken the relationship between Multinationality and Transfer Pricing. With this phenomenon, the following hypothesis is proposed:

H5: Leverage weakens the positive relationship between Multinationality and Transfer Pricing.

The running of a company's activities in a business can be ensured to generate as much profit as possible. Through company managers, a company tends to seek various opportunities and alternatives to increase their profits. One possible alternative is through the use of facilities offered by Tax Haven Countries that provide facilities in the form of low or even zero tax rates (Irawan & Ulinnuha, 2022). With these facilities, companies have the potential option of engaging in profit shifting practices through Transfer Pricing schemes, which result in reduced taxes and increased profits. The decision to shift profits through Transfer Pricing schemes can become an issue between agents and principals. This issue arises from the asymmetry of information obtained by company management and shareholders. Shareholders need to find ways to exercise control and oversight to ensure the company's sustainability in line with its vision. In this regard, there is an external control mechanism for companies measured through Leverage (Devi & Suryarini, 2020). When external parties are involved in monitoring, this reduces the likelihood of a company engaging in unfair practices such as profit shifting through Transfer Pricing schemes supported by the presence of Tax Haven. Therefore, the hypothesis is as follows:

H6: Leverage weakens the positive relationship between Tax Haven and Transfer Pricing.

One of the characteristics of Intangible Assets is the difficulty in measuring them fairly. This fact opens up opportunities for companies to take advantage by engaging in unfair practices or even abuse (Irawan & Ulinnuha, 2022). In a study conducted by Husna & Wulandari (2022) it is stated that Intangible Assets are one of the factors contributing to unfair Transfer Pricing practices. In order to maximize company profits, managers tend to consider schemes that are deemed capable of increasing profits, one of which is through Transfer Pricing. Management decisions related to Transfer Pricing activities are not immune to internal agency conflicts. While management may strive to maximize profits, shareholders may have differing interests and perspectives. Shareholders, who have more limited information compared to company managers, require appropriate methods to exercise control and oversight over managerial activities, one of which is through leverage. In the study conducted by Devi & Suryarini (2020) it is stated that leverage functions as a mechanism for supervising managers' actions in running the company. Thus, based on this phenomenon, the seventh hypothesis of this study is:

H7: Leverage weakens the positive relationship between Intangible Assets and Transfer Pricing.

Research Framework

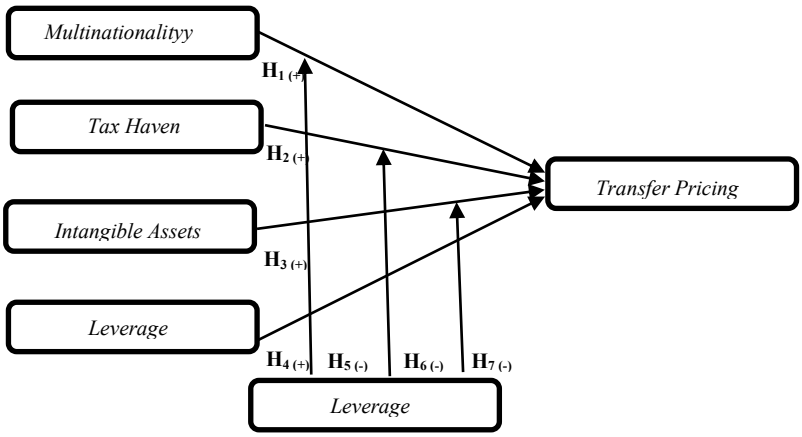


Figure 1. Research Framework

The illustration model above is a visualization of this research concept, which discusses how four types of variables, namely Multinationality, Tax Haven, Intangible Assets, and Leverage, influence Transfer Pricing practices by multinational companies in Indonesia. It also includes the role of Leverage as a moderating variable in the relationship between the three independent variables of Multinationality, Tax Haven, and Intangible Assets and the dependent variable of Transfer Pricing.

METHODOLOGY

Population and Sample

In obtaining data, this study used purposive sampling. This study used a population consisting of all individuals, objects, and events that had similarities in accordance with the limitations and criteria that had been set and in accordance with the direction of the study. This study focused on data and information with specific periods and characteristics sourced from the Indonesia Stock Exchange and the S&P Capital IQ portal during a five-year period, starting from 2019 to 2023. The criteria in question are as follows:

a. The samples selected as sample data in this study were from companies listed on the Indonesia Stock Exchange that conducted an IPO (Initial Public Offering) no later than January 1, 2019.
b. This study covered all industries or fields, except for the financial and accounting sectors due to material differences in accounting standards.
c. The study is also limited to business entities with comprehensive financial statements.
d. The study also included criteria in the sample in the form of companies that have subsidiaries abroad.

Below are the results of purposive sampling based on the above criteria:

Table 1. Sample Selection

Sample Selection Criteria	Number of Companies (Firm)	Number Firm- Year
Public companies listed on the IDX		

Excluded:		
1. Companies listed on the IDX or IPO after January 1, 2019.	951	4755
2. Companies in the financial sector.	347	1735
3. Companies that did not provide complete financial reports for the period 2019-2023.		
4. Companies that did not have subsidiaries abroad for the period 2019-2023.	94	470
	465	2325
Total sample	**45**	**225**

Source: Compiled by the Author, July 2025

In accordance with the sample selection criteria above, data from 45 companies was selected. Since this study examined financial report data for five years, the total sample data consisted of 225 firm-year data points. Data processing was performed using STATA SE 17.

Operationalization of Variables

The study aims to test Transfer Pricing as a dependent variable. Meanwhile, other variables are categorized as independent variables. Transfer Pricing is the determination of transfer prices by related parties that are influenced by special relationships. Transfer Pricing can be measured using the Transfer Pricing Index, as in Irawan & Ulinnuha (2022) which consist of:

a. The existence of interest-free loans between related entities.
b. The existence of mutual debt forgiveness between related entities.
c. The existence of loans that have decreased in value between related entities.
d. The provision of non-monetary compensation (e.g., services or illiquid assets) without commercial justification between related entities.
e. The absence of formal business documentation that can support appropriate selection and implementation or the absence of formal documents closely related to Transfer Pricing between related entities.
f. The transfer of capital assets to related entities without commercial justification.
g. The absence of justification for the reasonableness and customary nature of transactions between entities with a special relationship.

The seven Transfer Pricing criteria are scored using a binary system, where a score of 1 indicates activities suggesting Transfer Pricing without evidence of fairness, and 0 indicates no such indication. The Multinationality variable is measured by dividing the number of foreign subsidiaries by the total number of subsidiaries (Irawan & Ulinnuha, 2022). The Tax Haven variable uses a dummy, with a score of 1 if the company has at least one related party or transaction in a Tax Haven country, and 0 otherwise. Intangible Assets are measured by the ratio of intangible assets to total assets, while Leverage is measured by total debt divided by total assets. Four control variables are used: Profitability (Net Income/Total Assets), Covid-19 (dummy: 1 for 2020–2021, 0 for

2019 and 2022–2023), Company Age (study year minus establishment year), and Company Size (log of total assets).

Empirical Research Model

In this study, there are two research models with regression to see the difference in the use of the Leverage variable as a moderator. Below are the two regression models in question:

Research Model I:

$TP_{i,t} = \alpha + +ß_1MTY_{i,t} + ß_2THV_{i,t} + ß_3ITG_{i,t} + ß_4LEV_{i,t} + ß_5PRO_{i,t} + ß_6COV_{i,t} + ß_7AGE_{i,t} + ß_8SIZE_{i,t} + \varepsilon$

Research Model II:

$TP_{i,t} = \alpha + +ß_1MTY_{i,t} + ß_2THV_{i,t} + ß_3ITG_{i,t} + ß_4LEV_{i,t} + ß_5\ MTY*LEV + ß_6\ THV*LEV + ß_7\ ITG*LEV + ß_8\ PRO_{i,t} + ß_9\ COV_{i,t} + ß_{10}\ AGE_{i,t} + ß_{11}\ SIZE_{i,t} + \varepsilon$

Where:

TP : Transfer Pricing (play a role as a dependent variable)
α : Constants
ß : Regression Coefficient
MTY : Multinationality
THV : Tax Haven
ITG : Intangible Assets
LEV : Leverage
PRO : Profitability
COV : Covid- 19
AGE : Age of Company
SIZ : Size of Company
ε : Error

RESEARCH RESULT

The results of descriptive statistical data processing are as follows. Results of 1 for the maximum value and 0 for the minimum value of a variable can be confirmed as originating from dummy measurements. The results of this test can be used to quickly interpret some of the data. For example, a TP average of 0.512 indicates that almost half of the companies sampled in this study engage in aggressive Transfer Pricing.

Table 2. Statictic Descriptive

Variable	Obs	Min	Max	Mean	Std. Dev
TP	225	0.29	0.86	0.512	0.126
MTY	225	0.01	0.67	0.219	0.174
THV	225	0	1	0.844	0.363
ITG	225	0	0.54	0.050	0.088
LEV	225	0,01	1.55	0.315	0.244
PRO	225	-0.58	0.6	0.047	0.108
COV	225	0	1	0.400	0.490
AGE	225	6	112	40.2	22.19

SIZE	225	13.77	19.48	16.440	1.474

Source: Compiled by the Author, July 2025

In this study, classical assumption testing was conducted. The purpose of conducting classical assumption analysis is to show that the obtained estimations are reliable and unbiased. In addition, this analysis also aims to fulfill the criteria of the Best Linear Unbiased Estimator (BLUE).

Table 3. Normality Test Result

Variabel	Obs	*Shapiro-Wilk W*	*Shapiro- Francia W'*	*Skewness and Kurtosis*
		Prob>z	*Prob>z*	*Prob>chi²*
TP	225	0.08921	0.91983	0.1395
MTY	225	0.00000	0.00001	0.0000
THV	225	0.00003	1.00000	0.0000
ITG	225	0.00000	0.00001	0.0000
LEV	225	0.00000	0.00001	0.0000
MTYxLEV	225	0.00000	0.00001	0.0000
THVxLEV	225	0.00000	0.00001	0.0000
ITGxLEV	225	0.00000	0.00001	0.0000
PRO	225	0.00000	0.00001	0.0000
COV	225	0.92495	1.00000	0.0000
AGE	225	0.00000	0.00001	0.0000
SIZE	225	0.00000	0.00051	0.0000

Source: Compiled by the Author, July 2025

For the normality test results, referring to the Table 3, it was found that almost all research variables have probability values of less than 5%, exclude for TP. This indicates that the research data is normally distributed.

Table 4. Multicollinearity Test Result

	Model 1		Model 2	
	VIF	1/VIF	VIF	1/VIF
MTY	1.25	0.797759	3.30	0.303060
THV	1.20	0.833440	3.18	0.314659
ITG	1.49	0.669174	22.09	0.045277
LEV	1.33	0.750015	13.04	0.076692
MTYxLEV			7.21	0.138760
THVxLEV			10.55	0.094818
ITGxLEV			21.68	0.046132
PRO	1.27	0.789965	1.35	0.741753
COV	1.01	0.987398	1.01	0.986220
AGE	1.40	0.714450	1.53	0.652873
SIZE	1.62	0.617083	1.90	0.527404
Mean VIF	1.32		7.89	

Source: Compiled by the Author, July 2025

Based on the concept, the tolerance value for VIF is 10 (Vittinghoff et al.2019). If a research result shows a value less than 10, it can be concluded that there is no indication of multicollinearity issues. Meanwhile, the VIF values for Model 1 and Model 2 in Tabel 4 are below 10, thus it is concluded that there are no multicollinearity problems.

Table 5. Heteroscedasticity Test Result

Model	*chi2(1)*	*Prob > chi2*	Kesimpulan
1	0.00	0.9682	Homocedasticity
2	0.07	0.7955	Homocedasticity

To draw a conclusion from the heteroscedasticity test above, if the value of Prob > chi2 with a significance level of 5% is less than 0.05, it can be concluded that there is a heteroscedasticity problem. Conversely, if the value of Prob > chi2 exceeds 5%, it can be concluded that there is no heteroscedasticity problem.

Table 6. F Test Result

Model	Variabel Dependen	Predictors	F-test	*Prob >F*
1	TP	MTY, THV, ITG, LEV, PRO, COV, AGE, SIZE	3.00	0.0033
2	TP	MTY, THV, ITG, LEV, MTYxLEV, THVxLEV, ITGxLEV PRO, COV, AGE, SIZE	2.59	0.0041

Referring to Table 6, the first model yielded a Prob > F value of 0.0033, which indicates that the research model is fairly significant at the 5% level. This implies that the independent variable (X) in the study simultaneously affects Transfer Pricing activities. Meanwhile, in the second model, the Prob > F value is 0.0041, which also indicates significance at the 5% level. This suggests that the independent variables in the study have a simultaneous effect on Transfer Pricing activities. Therefore, hypothesis testing in this study can be conducted.

Table 7. Regression Result Model 1

TP	Coef.	St. Err	t-value	p-value	p- value (one-tailed)	Sig (one-tailed)
MTY	-.0999399	.0529389	-1.89	0.060	0.030	**
THV	-.0409565	.0249545	-1.64	0.102	0.051	*
ITG	-.0259971	.1144976	-0.23	0.821	0.410	
LEV	.0599839	.0390141	1.54	0.126	0.063	*
PRO	-.1179226	.0854892	-1.38	0.169	0.084	*
COV	.0139414	.0169615	0.82	0.412	0.206	
AGE	.0001412	.0004412	0.32	0.749	0.374	
SIZE	-.0196812	.0071449	-2.75	0.006	0.003	***
Constant	.8697941	.1150251	7.56	0.000	0.000	***

Source: Compiled by the Author, July 2025

From Table 7, Regression Result Model 1 shows that the variables Multinationality, Tax Haven, Intangible Assets, and Leverage have different

effects on Transfer Pricin g. Meanwhile, Table 8. Regression Result Model 2 shows that Leverage as a moderating variable has different effects on the three variables of Multinationality, Tax Haven, and Intangible Assets.

Table 7. Regression Result Model 2

TP	Coef.	St.Err	t-value	p-value	p-value (one-tailed	Sig (one-tailed)
MTY	-.153337	.0856156	-1.79	0.075	0.037	**
THV	-.0934584	.0404831	-2.31	0.022	0.011	**
ITG	.6195751	.4387684	1.41	0.159	0.079	*
LEV	-.0735609	.1216152	-0.60	0.546	0.273	
MTYxLEV	.1063411	.2828065	0.38	0.707	0.353	
THVxLEV	.1601025	.1065814	1.50	0.135	0.067	*
ITGxLEV	-1.818969	1.162277	-1.57	0.119	0.059	*
PRO	-.1568462	.0879412	-1.78	0.076	0.038	**
COV	.0145196	.0169173	0.86	0.392	0.196	
AGE	.0000229	.00046	0.05	0.960	0.480	
SIZE	-.0170442	.0077038	-2.21	0.028	0.014	**
Constant	.8760846	.1152141	7.60	0.000	0.000	***

Source: Compiled by the Author, July 2025

DISCUSSION

The Influence of Multinationality on Transfer Pricing

The first hypothesis in the study being conducted uses a proxy of the comparison between the number of subsidiaries abroad and the number of subsidiaries located in various jurisdictions. Referring to Table 3, MTY has a coefficient of -.0999399 with an adjusted p-value of 0.030 or less than 5% in a one-tailed test. Therefore, the Multinationality variable with that proxy is concluded to have a negative effect on Transfer Pricing activities at a significance level of 5%. Based on the test results, it can be concluded that the number of subsidiaries abroad is not one of the aspects considered by a multinational company in conducting Transfer Pricing activities. This condition indicates that under certain circumstances, the more subsidiaries a multinational company has, the lower the occurrence of Transfer Pricing activities by that company. The existence of a number of subsidiaries of a multinational company in various countries is not always in line with the alleged Transfer Pricing practices of a business entity. This is because there is a possibility that the subsidiary entity, which in this case is a multinational parent company listed in Indonesia, acts as a dormant company and the existence of its assets is not disclosed in detail in the parent company's financial report. As a result, under such circumstances, no transactions occur between the subsidiary and the parent company as described in the business entity's financial statements. The establishment of these dormant entities is intentionally done solely for the purpose of asset ownership or intellectual property rights without having to meet the requirements for unfair Transfer Pricing activities.

An empirical study with similar findings was conducted by Supriyati et al. (2021) who found that the phenomenon of Multinationality has a negative effect on the dependent variable of Transfer Pricing. However, this is not in line with the findings of similar studies conducted by Kusbandiyah et al. (2024), Pranatio & Sutrisno (2024), and Irawan & Ulinnuha (2022) each of which found that the Multinationality variable has a significant positive effect on the existing dependent variable. This occurs because as the number of multinational companies in various countries with diverse tax policies increases, the opportunity to shift profits and expenses to jurisdictions deemed to have lower tax rates becomes higher. Meanwhile, the study conducted by Putri & Syofyan (2023) found that there is no influence between Multinationality and Transfer Pricing.

The Influence of Tax Haven on Transfer Pricing

The second hypothesis in this study uses a dummy proxy that is given a score of 1 (one) if there is activity in a tax haven country and a score of zero if no activity is found. Based on Table 3, THV has a coefficient of -.0409565 with an adjusted p-value of 0.051 or less than 10% in a one-tailed test. Therefore, the THV variable with this proxy is concluded to have a negative effect on Transfer Pricing activity with a significance level of 10%. The above phenomenon can be interpreted as meaning that the more multinational companies transact with related parties located in tax haven countries, the lower the likelihood of Transfer Pricing activity by the multinational enterprises in question.

This aligns with the research conducted by Syahputri et al. (2021) which found that Tax Haven have a negative effect on Transfer Pricing variables. This phenomenon occurs due to the implementation of a big data system involving many countries worldwide. This system is known as the Automatic Exchange of Information (AEOI). This system is understood as a global financial data exchange system that applies to any country that has implemented the system, including Indonesia. Furthermore, when a country has actually implemented AEOI, there is an obligation to prepare a document known as Transfer Pricing Doc. Another obligation is the requirement to disclose transactions with related parties as stipulated in Minister of Finance Regulation No. 213/PMK.03/2016, as amended by PMK 172 of 2023 on the Application of the Principles of Fairness and Business Norms in Transactions Influenced by Related Party Relationships. Therefore, under such circumstances, multinational companies with subsidiaries or transactions with related parties in tax haven countries must prepare such documentation, which is likely to complicate their Transfer Pricing activities.

However, this finding is not the same as the results of research by Bhudiyantia & Trisni (2022), Irawan & Ulinnuha (2022) which state that there is a positive effect between Tax Haven and Transfer Pricing. This can be explained by the fact that tax haven countries offer many advantageous facilities for multinational companies, such as low tax rates, lack of transparency, limited access to information exchange with the outside world, and no requirement for substantial activities. With these numerous advantages, it is understood that multinational companies with transactions involving related parties located in

tax haven countries are more likely to engage in aggressive Transfer Pricing practices.

Meanwhile, a study by Kusbandiyah et al. (2024) revealed that the Tax Haven variable stated in THV has no effect on the dependent variable, namely Transfer Pricing stated in TP.

The Influence of Intangible Assets of Transfer Pricing

The third hypothesis tests the relationship between the use of Intangible Assets and Transfer Pricing activities. Based on Table 3, Intangible Assets or ITG have a coefficient of -.0259971 with an adjusted p-value of 0.4105 or more than 10% in a one-tailed test. Therefore, the results of the ITG variable test can be concluded to have no effect on Transfer Pricing activities with a significance level of more than 10%.

The above finding can be interpreted as meaning that the higher the value of Intangible Assets owned by a multinational enterprise, the less influence it has on the company's Transfer Pricing practices. The results of this study are consistent with those of Bhudiyantia & Trisni (2022) and Azzuhriyyah & Kurnia (2023) who found that there is no influence between Intangible Assets and Transfer Pricing activities by a multinational company. In their study, it is explained that the presence of Intangible Assets in a company is not a factor in operational activities that influence profit generation in a multinational company. On the other hand, Transfer Pricing activities are one of the alternatives used by companies to manipulate their profits in order to avoid tax burdens that are considered too high. Thus, tangible Intangible Assets are not a factor that encourages a business entity to implement corporate strategies through Transfer Pricing schemes.

The findings described above differ from those of studies Irawan & Ulinnuha (2022), Husna & Wulandari (2022), and Wahyudi & Fitriah (2021) which found that Intangible Assets have a positive effect on Transfer Pricing activities. This phenomenon occurs due to one of the characteristics of Intangible Assets, which is difficult to detect, thereby increasing the likelihood of multinational companies engaging in profit shifting activities through Transfer Pricing schemes.

The Influence of Leverage on Transfer Pricing

Based on Table 3, Leverage or LEV has a coefficient of .0599839 with an adjusted p-value of 0.063 or more than 5% in a one-tailed test. Therefore, the results of the LEV variable test can be concluded to have a positive effect on Transfer Pricing activities with a significance level of less than 10%.

Based on the above results, it can be understood that the fourth hypothesis in this study is accepted. The higher the level of leverage in a multinational company, the higher the likelihood of Transfer Pricing practices by the related business entity.

This is in line with studies conducted by Wahyudi & Fitriah (2021) and Devita & Sholikhah (2021) which found that leverage has a positive effect on Transfer Pricing. This is because leverage can play a strong role in management

decisions on the aggressiveness of Transfer Pricing, the main motive of which is to reduce tax burdens. Additionally, the transfer of debt and/or equity capital is partially motivated by tax arbitrage opportunities. Thus, companies involved in selectively localizing intragroup debt for tax purposes are more likely to be aggressive in Transfer Pricing arrangements. There is a possibility that leverage could serve as a substitute for Transfer Pricing aggressiveness in achieving group tax liability reduction. Meanwhile, different results were found in a study by Cledy & Amin (2020) which concluded that leverage has a negative effect on Transfer Pricing activities. In a number of other studies, namely by Rahayu et al. (2020) the results were inconsistent, showing that the leverage variable has no effect on Transfer Pricing.

The Effect of Multinationality on Transfer Pricing with Leverage as a Moderating Variable

Referring to Table 4, the MTY and TP variables tested with LEV moderation produced a coefficient of .1063411 with an adjusted p-value of 0.3535 or more than 10% in a one-tailed test. In testing hypothesis 1, Multinationality was found to have a negative effect on the dependent variable Transfer Pricing. Meanwhile, in testing the fifth hypothesis, Leverage has no effect on Multinationality and Transfer Pricing.

From these conditions, it can be concluded that there is no difference in the effect of Multinationality on Transfer Pricing when moderated by Leverage. Regardless of the amount of debt a company holds, it can still engage in Transfer Pricing activities involving subsidiaries located in various countries. On the other hand, a company may only involve subsidiaries for asset ownership and intellectual property purposes without the intention of engaging in improper activities through Transfer Pricing schemes.

The Effect of Tax Haven on Transfer Pricing with Leverage as a Moderating Variable

Based on the Table 4, the THV and TP variables tested with LEV moderation have a coefficient value of .1601025 with an adjusted p-value of 0.0675 or less than 10% in a one-tailed test. Referring to the test results, Tax Haven have a negative effect on Transfer Pricing. In this test, it can be concluded that Leverage weakens the negative relationship between Tax Haven and Transfer Pricing.

The above can be explained by the fact that although there is a negative relationship between Tax Haven and Transfer Pricing due to the openness of information and the obligation to publish Transfer Pricing Docs, which are then suspected of making it difficult for companies to minimize Transfer Pricing practices, companies still have the opportunity to engage in covert investment schemes through debt with their subsidiaries, thereby reducing profits without involving Tax Haven as an alternative.

The Effect of Intangible Assets on Transfer Pricing with Leverage as a Moderating Variable

Referring to Table 4, the test results on the relationship between ITG and TP variables with LEV moderation show a coefficient value of -1.818969 with an

adjusted p-value of 0.0595 or less than 10% in a one-tailed test. In the third hypothesis test, it was found that Intangible Assets do not affect Transfer Pricing. In this seventh hypothesis test, Leverage strengthens the negative relationship between Intangible Assets and Transfer Pricing. In the previous section, the relationship between the Intangible Assets variable and Transfer Pricing was negative, which can be interpreted as meaning that the more Intangible Assets are utilized, the lower the Transfer Pricing activity will be.

In the context of this hypothesis, the tendency for Intangible Assets to have a negative effect on Transfer Pricing is because this account is not considered a driving factor for a company to engage in aggressive Transfer Pricing. Meanwhile, the role of Leverage here is as a control mechanism for the company, as companies with high Leverage tend to face external oversight, prompting management to exercise caution in making Transfer Pricing decisions. Thus, since Intangible Assets are not considered a factor influencing Transfer Pricing and Leverage serves a control function, the likelihood of companies engaging in unfair practices through Transfer Pricing schemes is low.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to gather empirical evidence on the influence of the presence of subsidiaries in various countries that are suspected of affecting Transfer Pricing activities, whether transactions with subsidiaries or related parties in tax haven countries affect Transfer Pricing, whether the utilization of Intangible Assets affects Transfer Pricing, whether leverage has an effect on Transfer Pricing, whether leverage affects the relationship between the number of foreign subsidiaries and Transfer Pricing, whether leverage affects the relationship between transactions with subsidiaries or related parties in tax haven countries, and whether leverage affects the relationship between Intangible Assets and Transfer Pricing. The observed business entities in this study are all publicly listed companies in Indonesia, excluding the financial and insurance sectors, listed on the Indonesia Stock Exchange from 2019 to 2023, with a sample of 225 firm-years (45 companies). The research data required was obtained from the S&P Capital IQ commercial database, the official websites of the companies concerned, and the Indonesia Stock Exchange website. The testing conducted was multiple regression testing with a Random Effect model, run using StataSE version 17.

Referring to the testing and review in the previous chapter, this study yielded the following empirical evidence:

1. The number of overseas subsidiaries indicated by the MTY variable has a negative effect on Transfer Pricing activities. In other words, the higher the MTY, the less likely a company is to engage in Transfer Pricing activities.
2. The relationship between transactions with related parties or subsidiaries located in tax haven countries and Transfer Pricing is negative. This result can be understood as meaning that the higher the transactions with related parties or subsidiaries located in tax haven countries, the lower the tendency of multinational companies to engage in Transfer Pricing.

3. The utilization of Intangible Assets as indicated by ITG has no effect on Transfer Pricing activities. This result indicates that there is no difference in the influence of a company's ITG value on Transfer Pricing.
4. Leverage, as represented by LEV, has a positive effect on Transfer Pricing. It can be concluded that the higher a company's leverage, the higher its Transfer Pricing.
5. Leverage does not reinforce the negative effect of Multinationality on Transfer Pricing. The empirical evidence from this study indicates that there is no difference in the influence of Multinationality on Transfer Pricing when moderated by the variable of leverage. Empirical evidence from this study indicates that there is no difference in the effect of Multinationality on Transfer Pricing when moderated by the leverage variable.
6. Leverage weakens the negative relationship between Tax Haven and Transfer Pricing. Evidence from this study indicates that there is a difference in the effect of Tax Haven and Transfer Pricing at certain levels of leverage.
7. Leverage strengthens the negative relationship between Intangible Assets and Transfer Pricing. The evidence from this study found that there is a difference in the effect of Intangible Assets on Transfer Pricing at certain levels of leverage.

In a broader context, the finding that leverage expressed through LEV has a positive effect on Transfer Pricing further reinforces that Minister of Finance Regulation No. 169/PMK.010/2015 of 2015 concerning the Determination of the Ratio Between Debt and Equity of a Company for Income Tax Calculation Purposes is an appropriate regulation. To achieve the government's target of addressing the issue of hidden capital schemes through corporate debt, this finding allows the government to further assess the proportion of debt that can be deducted as a tax reduction.

ADVANCED RESEARCH

In the process of its compilation until completion, this study had several limitations that certainly had an impact on the research. Therefore, future researchers are expected to improve on these limitations. These limitations include:

1. This study used observational data on multinational companies in Indonesia.
2. The measurement of the dependent variable using proxies based on several criteria is still considered quite subjective.
3. The research sample years are 2019-2024, during which the Covid-19 pandemic occurred from 2020 to 2021

Based on this study, there are several suggestions for further research, including:

1. Future research could expand the location of multinational companies beyond those based in Indonesia.
2. Control variables are recommended to be added, including Cash Flow, Parent Company Location, and others.
3. Further research could narrow the sector of research variables.

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