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THE EFFECT OF TAXES, FOREIGN OWNERSHIP, AND DEBT COVENANT ON TRANSFER PRICING WITH FIRM SIZE AS MODERATION

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ABSTRACT

The purpose of this research is to verify and investigate the moderating effect of firm size on the effects of taxes, foreign ownership, and debt covenants on transfer pricing. Financial reports and annual reports of companies that were listed on the Indonesia Stock Exchange (IDX) for 2020-2021 are used as secondary data sources in this research with a quantitative approach. Based on the purposive sampling technique, 71 companies were obtained that met the criteria, bringing the total sample to 142 data. Multiple regression analysis uses the Ordinary Least Square (OLS) approach with the help of the EViews 12 application. The research's findings demonstrate that foreign ownership and debt covenants have an effect on transfer pricing, but taxes have no effect on transfer pricing. Then firm size cannot moderate taxes and debt covenants on transfer pricing, but can moderate the influence of foreign ownership on transfer pricing. Simultaneously, tax, foreign ownership, debt covenants, firm size as a moderating variable, and interaction variables influence transfer pricing with the coefficient of determination in this study only being 17.55%, which means there are still 82.45% of other variables that can influence transfer pricing.

Keywords: *Transfer Pricing, Tax, Foreign Ownership, Debt Covenant, Firm Size*

ABSTRAK

Tujuan dari penelitian ini adalah untuk memverifikasi dan menyelidiki pengaruh moderasi ukuran perusahaan terhadap pengaruh pajak, kepemilikan asing, dan perjanjian utang terhadap *transfer pricing.* Laporan keuangan dan laporan tahunan perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2020-2021 digunakan sebagai sumber data sekunder dalam penelitian ini dengan pendekatan kuantitatif. Berdasarkan teknik *purposive sampling* diperoleh 71 perusahaan yang memenuhi kriteria sehingga total sampel sebanyak 142 data. Analisis regresi berganda menggunakan pendekatan *Ordinary Least Square* (OLS) dengan bantuan aplikasi EViews 12. Hasil penelitian ini menunjukkan bahwa kepemilikan asing dan *debt covenant* berpengaruh terhadap *transfer pricing*, namun pajak tidak berpengaruh terhadap *transfer pricing*. Kemudian ukuran perusahaan tidak dapat memoderasi pajak dan *debt covenant* terhadap *transfer pricing*, namun dapat memoderasi pengaruh kepemilikan asing terhadap *transfer pricing*. Secara simultan variabel pajak, kepemilikan asing, *debt covenant*, ukuran perusahaan sebagai variabel moderasi, dan variabel interaksi mempengaruhi *transfer pricing* dengan koefisien determinasi dalam penelitian ini hanya sebesar 17.55% yang berarti masih terdapat 82.45% variabel lain yang dapat mempengaruhi *transfer pricing*.

Kata Kunci: *Transfer pricing,* Pajak, Kepemilikan Asing, *Debt Covenant,* Ukuran Perusahaan

INTRODUCTION

Economic and business growth triggers companies to expand throughout the world by establishing subsidiaries in other jurisdictions to increase company profits. But it also presents challenges for multinational companies such as monitoring selling prices and expenses. Another problem is the company's desire to achieve its goals as fully as possible which has an impact on measuring company performance. To overcome this, the transfer pricing strategy is

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one of the strategies used by the company. Transfer pricing is the determination of transfer prices for goods and services as well as other financial transactions between companies that have a special relationship. The Directorate General of Taxes issues regulations to regulate that transactions carried out with special relationships must be based on fairness and business practices, such as having to use the same nominal price as parties without special relationship. Because transfer pricing can be used as a way to change prices to avoid paying taxes to the state, high or low prices can have an impact on state revenues.

The COVID-19 pandemic of 2020 had an impact on state tax receipts. The Tax Justice Network claims that Indonesia alone lost IDR 68.7 trillion in taxes in 2020 and IDR 31.8 trillion in taxes in 2021. Under the same conditions, there were 16,634 cases of tax disputes between companies and tax regulators. To maintain business stability and sustainability, an Advance Pricing Agreement (APA) was created to resolve transfer pricing disputes. If transfer pricing is done following tax laws, it may be seen as legitimate tax planning. However, if it is not done by regulations, it can be considered unlawful tax evasion (Maulida & Wahyudin, 2021).

Foreign ownership can also influence transfer pricing decisions. According to Law No. 25 of 2007 Article 1 Paragraph 6 Foreign Investment (PMA) is an individual, business entity, or foreign institution that invests capital within the territory of the Republic of Indonesia's unitary state. Therefore, if the proportion of foreign capital in a company is greater, foreign parties can have a significant impact on determining favourable policies, such as setting transfer prices. Research by Prasetio and Mashuri (2022) and Nazir and Sanjiwi (2023) found that transfer pricing is proven to be influenced by foreign ownership. However, this runs counter to studies done by Marfuah et al. (2021) and Hasibuan and Purba (2021) found that transfer pricing is unaffected by foreign ownership.

Apart from these two factors, debt covenants also play a role in determining transfer pricing policies. Debt covenants are agreements or debt conditions made by creditors to prohibit borrowers from doing something that could endanger the loan's value and loan recovery (Nurafipah & Ferdiansyah, 2023). Such requirements may include certain restrictions related to our activities, such as financial ratios that must be maintained. Therefore, it is likely that managers will adjust transfer pricing to ensure that we comply with the requirements set by our creditors. A study by Aryati and Delfiana (2021) found that transfer pricing was positively affected by debt covenant, while Azzuhriyyah and Kurnia (2023) found that in fact, transfer pricing was negatively affected by debt covenant.

Larger companies typically engage in more frequent cross-border transactions that require transfer pricing adjustments. Large companies also have a greater ability to create more effective transfer pricing strategies. So in several studies on transfer pricing, firm size is used as a moderator of the relationship determining other variables of transfer pricing. Based on this background description, researchers will re-examine the effect of taxes, foreign ownership, and debt covenants on transfer pricing with moderation of firm size.

LITERATUR REVIEW

Agency Theory

Jensen and Meckling (1976) defined an agency relationship as a legal arrangement wherein one or more principals hire an agent to carry out specific activities on their behalf and grant the agent the power to make choices. However, agency conflicts often occur between principals and management as agents, managers often tend to pursue personal goals. This conflict can be caused by an imbalance of information (asymmetric information) where managers have more information related to the company, thus encouraging managers to behave defiantly. The connection between agency theory and transfer pricing is seen when one party can control another party in the operational decision-making process.

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Accounting Positive Theory

Accounting positive theory attempts to explain the process of using abilities, understanding, accounting knowledge, and accounting policies that are most appropriate to face certain conditions in the future (Harahap & Siregar, 2022). In other words, the goal of accounting positive theory is to forecast and describe the consequences obtained by managers as a result of using certain accounting policies. The relationship between positive accounting theory and transfer pricing in this research can be seen in the debt covenant hypothesis, where when a company gets closer to the debt limit, there is a high probability that the company will violate the contract. Therefore, managers will choose accounting policies that can help them, for example, transfer pricing practices.

Transfer Pricing

Establishing transfer prices for products, services, intangible assets, and other financial transactions is known as transfer pricing (Darmawati & Muslichah, 2022). According to PMK No. 7 of 2015, determining prices in transactions involving parties with a unique relationship is known as transfer pricing. However, special relationships are considered to be the basis for company behaviour in carrying out unfair transactions. As a profit-oriented company, the company naturally sets a biased price for every transaction with groups that have a special relationship.

Tax

According to Law No. 28 of 2007, tax is a mandatory contribution made by individuals or bodies to the state that is required by law without getting compensation directly and is used for the interests of the state with the aim of people's welfare (Prasetio & Mashuri, 2022). The amount of tax depends on how big the income is. Therefore, companies in minimizing taxes can use transfer pricing practices

Foreign Ownership

Share ownership shows how much of the entity controls the company. Foreign ownership is sharing ownership owned by foreign parties, whether individuals or organizations. According to PSAK No. 15, it is stated that an entity that has shares equal to or more than 20% can have a large influence in controlling other entities.

Debt Covenant

Agreements known as debt covenants are designed to shield creditors from any managerial decisions that could lower the loan value. (Supriyati et al., 2021). Debt covenants support the prediction that managers will try to increase company assets and profits to lessen the burden of renegotiating debt agreements when the company decides to terminate the contract.

Firm Size

Firm size is a measure that groups companies into large or small firms by total assets, total sales, and stock market value (Wahyudi & Fitriah, 2019). A large firm size indicates the company's production capacity is getting bigger and is expected to be able to increase profitability even more.

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RESEARCH METHODS

Population and Sample

Companies that were listed on the Indonesia Stock Exchange (IDX) for 2020-2021 make up the research's population. The purposive sampling method is that sampling is carried out based on criteria determined by elements of the target population which are adjusted to the research objectives or problems (Pambudi & Suparman, 2021). The criteria used to select the sample are as follows (1) companies registered on the IDX for the 2020-2021 period, (2) companies whose annual reports and financial reports can be accessed on the BEI website and the company's official website for the 2020-2021 period, (3) companies controlled by foreign parties ≥ 20% during the 2020-2021 period, (4) companies that did not incur losses in the 2020–2021 period, (5) companies with receivables from related parties during the 2020-2021 period, (6) companies that use currency Rupiah currency in the 2020-2021 financial report. From these sampling criteria, 71 companies were obtained with two years of observation so the observation data was 142 data.

Analysis Methods

This research uses a quantitative approach with secondary data collected through literature studies such as previous research journals and scientific books as well as documentation such as annual reports and financial reports for 2020-2021. The analysis applied is multiple regression analysis with the Ordinary Least Squares (OLS) approach. The OLS approach will produce minimal error, so it can provide good regression coefficient estimates or is BLUE (Best Linear Unbiased Estimator). To evaluate the hypothesis, coefficient of determination, a simultaneous, partial test was conducted after a descriptive statistical test.

Operational Definition

In this research, the dependent variable is transfer pricing. The other three independent variables are tax, foreign ownership, and debt covenant. Firm size serves as a moderating variable.

1. *Transfer Pricing* (Y)
   Transfer pricing variables can be measured using related party receivables. Receivables from related parties can be interpreted as bill balances resulting from transactions executed by groups who have a special connection. This measurement is carried out by Agata et al. (2021) with the following formula:

$$RPT = \frac{Receivables\ from\ Related\ Party\ Transactions\ (RPT)}{Total\ Accounts\ Receivable} \text{ x } 100\%$$

2. Tax (X1)
   Examining a company's Effective Tax Rate (ETR) value is one technique to determine how well it handles taxes. Effective Tax Rate (ETR) can be measured by income tax burden divided by income before tax. The formula used to calculate ETR is as follows:

$$ETR = \frac{Income\ Tax\ Expenses}{Income\ Before\ Tax}$$

3. Foreign Ownership (X2)
   Foreign ownership is measured by majority share ownership by a foreign company amounting to 20% or more of the total shares outstanding. The formula for measuring foreign ownership in this research refers to Amelia and Asalam (2022) as follows:

$$Foreign\ Ownership = \frac{Total\ Foreign\ Ownership}{Total\ Shares\ Outstanding}$$

4. Debt Covenant (X3)
   Debt covenant in this research is proxied by the leverage ratio, namely Debt to Equity Ratio (DER) by dividing total liabilities by total equity. The higher the DER, the more likely the company is to rely on debt to fund its operational activities. The formula used to calculate DER is as in Syah and Poerwati (2023) research:

$$DER = \frac{Total\ Liabilities}{Total\ Equity}\ x\ 100\%$$

5. Firm Size (Z)
   The total assets that a firm possesses reveal the size of the company. The higher the assets, it can be said that the company is relatively large. Therefore, this research will measure the size of a company through the total assets it owns. The formula used to measure it is by research by Maulida and Wahyudin (2021):

$$Firm\ Size = Ln\ (Total\ Assets)$$

RESEARCH RESULTS

Descriptive Statistical Analysis

A summary of the maximum, minimum, mean, and standard deviation values can be obtained by descriptive statistical analysis. The following displays the outcomes of the descriptive statistical analysis:

Table 1 Descriptive Statistical Analysis

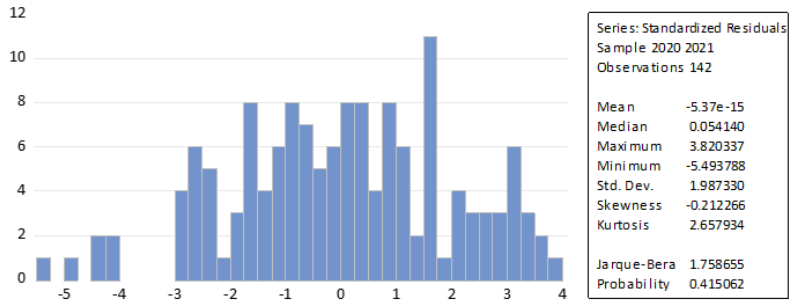
	RPT	TAX	KA	DEBT	SIZE
Mean	0.1377	0.2395	0.5529	1.8520	23.382
Median	0.0258	0.2268	0.5502	1.0725	23.117
Maximum	0.9462	0.6656	0.9897	7.5207	28.177
Minimum	0.0000	0.0017	0.2052	0.0081	18.767
Std. Dev.	0.2321	0.1193	0.2622	1.8446	2.0222
Observations	142	142	142	142	142

Source: Data processed with EViews 12 (2024)

Since the mean value of the transfer price variable (RPT) is less than the standard deviation in accordance with the distribution of data shown in Table 1 above, it could be argued the data is not distributed equally or the data variance is rather high. Meanwhile, the variables tax (TAX), foreign ownership (KA), debt covenant (DEBT), and firm size (SIZE) have a mean that is higher than the standard deviation, so it may be stated that the data distribution is even or the data deviation is very low.

Classic Assumption Test

Normality Test



Gambar 1 Normality Test

Source: Data processed with EViews 12 (2024)

This normality test can be seen by looking at the Jarque-Bera significance. The Jarque-Bera value of 1.7587 with a significant value of 0.4150, indicates that the significance value is greater than 0.05 so that the data is normally distributed.

Heteroskedasticity Test

Tabel 2 Heteroskedasticity Test

F-Statistic	1.547111	Prob.F(32,109)	0.0507
Obs*R-squared	44.35166	Prob. Chi-Square(32)	0.0719
Scaled explained SS	32.74009	Prob. Chi-Square(32)	0.4305

Source: Data processed with EViews 12 (2024)

The White test was used to perform the heteroscedasticity test. From Table 2 above, it can be seen that there are no signs of heteroscedasticity because Prob.Chi-Square value of Obs*R-squared is 0.0719, which is greater than 0.05 (0.0719 < 0.05).

Multicollinearity Test

Tabel 3 Multicollinearity Test

	RPT	TAX	KA	DEBT	SIZE
RPT	1.000000				
TAX	0.006037	1.000000			
KA	-0.188318	0.328240	1.000000		
DEBT	-0.337202	0.261478	0.146778	1.000000	
SIZE	-0.175029	-0.039570	-0.010386	0.589582	1.000000

Source: Data processed with EViews 12 (2024)

Based on Table 3, the correlation value between two variables is no more than 0,08 so there is no multicollinearity problem or a high correlation value.

Linearity Test

Table 4 Linearity Test

	Value	Df	Probability
t-statistic	0.363231	133	0.7170
F-statistic	0.131937	(1,133)	0.7170
Likelihood ratio	0.140795	1	0.7075

Source: Data processed with EViews 12 (2024)

The linearity test in this study used the Ramsey Test, the significance value of the F-statistic is 0.7170 < 0.05, which means a linear model.

Analyse Multiple Regression With the Ordinary Least Square Approach

According to Ghozali and Ratmono (2017) regression analysis is research on a dependent variable that depends on one or more independent variables to estimate and/or

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forecast the dependent variable's average value based on the independent variables' known values. Multiple linear analysis in this research uses the Ordinary Least Squares (OLS) approach. The following are the results of the regression equation used in this research:

Table 5 Multiple Regression Analysis with the OLS Approach

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.70444	6.213634	-1.883671	0.0618
TAX	-6.580631	21.28429	-0.309178	0.7577
KA	19.81211	7.841095	2.526702	0.0127
DEBT	-3.013376	1.108049	-2.719533	0.0074
SIZE	0.412667	0.267473	1.542834	0.1252
TAX_SIZE	0.434652	0.911914	0.476637	0.6344
KA_SIZE	-0.911339	0.333258	-2.734637	0.0071
DEBT_SIZE	0.019997	0.013540	1.476945	0.1420
R-squared	0.216388	Mean dependent var		-3.740896
Adjusted R-squared	0.175453	S.D. dependent var		2.245015
S.E. of regression	2.038577	Akaike info criterion		4.317070
Sum squared resid	556.8765	Schwarz criterion		4.483595
Log likelihood	-298.5119	Hannan-Quinn criter.		4.384739
F-statistic	5.286136	Durbin-Watson stat		0.141390
Prob(F-statistic)	0.000024			

Source: Data processed with EViews 12 (2024)

Based on the table above, a regression equation using the OLS approach is produced as follows:

RPT = -11,70 – 6,58*TAX + 19,81*KA – 3,01*DEBT + 0,41*SIZE + 0,43*TAX_SIZE – 0,91*KA_SIZE + 0,02*DEBT_SIZE

Coefficient of Determination Test

The Adjusted R-squared value is used in the coefficient of determination test (R2) to determine how well the independent variable can describe the dependent variable. The power of the independent variable to explain the dependent variable increases with the Adjusted R-squared value which ranges from 0 to 1. Higher Adjusted R-squared values indicate that the independent variable has a greater capacity to describe the dependent variable. The findings of the coefficient of determination test are shown below:

Table 6 Coefficient of Determination Test Results (R2)

R-squared	0.216388
Adjusted R-squared	0.175453

Source: Data processed with EViews 12 (2024)

Based on the table above, the coefficient of determination shown by the Adjusted R-squared value is 0.1755 or 17.55%. It means, the firm size variable as a moderator of the influence of taxes, foreign ownership and debt covenants on transfer pricing is only able to explain 17.55%, the remaining 82.45% is dictated by variables not covered by this study model.

Simultaneous Test (F-Test)

This test attempts to simultaneously evaluate the impact of the independent variable on the dependent variable. The outcomes of the simultaneous testing in this research are as follows:

Table 7 Simultaneous Test Results

F-statistic	5.286136
Prob(F-statistic)	0.000024

Source: Data processed with EViews 12 (2024)

It can be seen based on Table 7 above that the F-statistic value is 5.29 and the probability value is 0.00 < 0.05. meaning that taxes, foreign ownership, and debt covenants are the dependent variables in this research, as well as the interaction variable firm size which functions as a moderator simultaneously affecting transfer pricing.

Partial Test (t-Test)

Knowing the impact of each independent variable on the dependent variable is the aim of this test. The significance level limit for this partial test is at α = 5% (0.05). The partial test findings of this research are as follows:

Table 8 Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.70444	6.213634	-1.883671	0.0618
TAX	-6.580631	21.28429	-0.309178	0.7577
KA	19.81211	7.841095	2.526702	0.0127
DEBT	-3.013376	1.108049	-2.719533	0.0074
SIZE	0.412667	0.267473	1.542834	0.1252
TAX_SIZE	0.434652	0.911914	0.476637	0.6344
KA_SIZE	-0.911339	0.333258	-2.734637	0.0071
DEBT_SIZE	0.019997	0.013540	1.476945	0.1420

Source: Data processed with EViews 12 (2024)

1. **The Effect of Taxes on Transfer Pricing**

   Based on Table 8 above, the tax variable (TAX) has a t-statistic of -0.31 > t-table -1.98, a probability value of 0.75 > 0.05, and a beta coefficient value of -6.58 so it can be concluded that tax is not has a probability effect on transfer pricing. Companies can utilize effective tax management to lower their overall tax burden, so the size of the tax is not the primary motivator for them to use transfer pricing. Companies can carry out good tax management by maximizing the value of tax credits that are allowed by the provisions of the law. Based on agency theory, to maximize personal welfare, managers can pursue performance-based bonuses rather than tax reduction strategies through transfer pricing practices which have to deal with tax authorities and give rise to potential tax disputes. The research's findings are in line with earlier previous research by Louw (2020), Novira et al. (2020), Mineri and Paramitha (2021) which proves that taxes do not affect transfer pricing. However, this research disagrees with Prananda and Triyanto (2020) also Adhika and Wulandari (2023) that transfer pricing is positively affected by taxes. Meanwhile, Darma (2020) and Amelia and Asalam (2022) prove in their research that taxes have a negative effect on transfer pricing.

2. **The Effect of Foreign Ownership on Transfer Pricing**

   Based on Table 8 above, it can be seen that the foreign ownership variable (KA) has a t-statistic of 2.53 > t-table 1.98, a probability value of 0.01 < 0.05, and a beta coefficient value of 19.81 so it can be concluded foreign ownership has a significant influence on transfer pricing. The greater the foreign party invests in a company, the greater the company will carry out transfer pricing practices. By agency theory, foreign parties who have significant direct influence as principals can influence managers who are agents in making company policies, including price determination applied in transfer pricing. The findings

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of this research align with previous research by Yanti and Pratiwi (2021), and Nazir and Sanjiwi (2023) state that foreign ownership affects transfer pricing. However, Marfuah et al. (2021) and Rifan and Ali (2023) prove that transfer pricing is unaffected by foreign ownership.

3. The Effect of Debt Covenant on Transfer Pricing

Based on Table 8 above, the foreign ownership (KA) variable has a t-statistic of -2.72 < t-table -1.98, a probability value of 0.00 < 0.05, and a beta coefficient value of -3.01. So it can be concluded that debt covenants have a significant influence on transfer pricing. Based on these results, the higher the debt covenant as measured by the debt to equity ratio (DER) will reduce the transfer pricing practices carried out by the company. The high value of the debt will also result in high-interest charges. In the debt covenant hypothesis, it means that there is a high probability that a company will violate the contract in line with the high value of the debt it has because it is indicated that it has failed to pay debts and is unable to meet financial ratio limits. In addition, high debt indicates that the company is increasingly involving creditors in financing operational activities. This can limit the room for company managers to move because they receive supervision from creditors. This research is consistent with Ningtyas and Mutmainah (2022) also Nurafipah and Ferdiansyah (2023) that transfer pricing is negatively affected by debt covenant. However, this is not in line with Yanti and Pratiwi (2021) and Rahma and Wahjudi (2021) who show that debt covenants have a positive effect on transfer pricing.

4. The Moderating Role of Firm Size in The Effect of Taxes on Transfer Pricing

Based on Table 8 above, the interaction variable tax with firm size has a t-statistic of 0.48 < t-table 1.98, a probability value of 0.63 > 0.05, and a beta coefficient value of 0.43 so the firm size cannot moderate the effect of taxes on transfer pricing. The Organization for Economic Co-operation and Development (OECD) has made regulations regarding business fairness and customs that apply to large and small companies to ensure company compliance in paying taxes based on actual activities. Even though large companies have complex transactions, large companies are often monitored more closely by the tax authorities and paid attention to by various parties, especially companies that have gone public. Meanwhile, small companies have limited resources to carry out transfer pricing practices even though they may receive less supervision. This is what makes firm size unable to moderate the connection between tax and transfer pricing, where these results are by the findings of Syah and Poerwati (2023) and Yudhistira et al. (2023). However, this finding is not by Rizqi and Rusydi (2023) who provide results that firm size can moderate taxes on transfer pricing.

5. The Moderating Role of Firm Size in The Effect of Foreign Ownership on Transfer Pricing

Based on Table 8 above, the interaction variable between foreign ownership and firm size has a t-statistic of -2.73 < t-table -1.98, a probability value of 0.00 < 0.05, and a coefficient value of -0.91, that effect of foreign ownership on transfer pricing can be moderated by firm size. The moderating role of firm size in this research is to weaken the relationship between foreign ownership and transfer pricing. Large companies usually have more parties involved such as foreign shareholders, domestic shareholders, creditors, and company managers. As a result, interests and priorities can vary widely. Therefore, this can limit the space for foreign shareholders to carry out transfer pricing practices because

foreign shareholders may have to discuss with various parties to reach an agreement that is acceptable to all parties. This research provides the same results as research conducted by Ariyani and Yasa (2023) and Yudhistira et al. (2023) but this is different from Sintiana and Purnomo (2023) who provided results that firm size cannot moderate the effect of foreign ownership on transfer pricing.

6. **The Moderating Role of Firm Size in The Effect of Debt Covenants on Transfer Pricing**

Based on Table 8 above, the interaction variable between foreign ownership and firm size has a t-statistic of 1.48 < t-table 1.98, a probability value of 0.14 > 0.05, and a regression coefficient value of 0.02 that the effect of debt covenants on transfer pricing cannot be moderated by firm size. High debt covenants will cause high interest payments. For large companies, liquidity risk management can be carried out without changing transfer pricing policies by preparing emergency fund reserves to help with delays in interest payments. With the existence of a debt contract, creditors will also increase supervision of companies so that companies will find it difficult to carry out transfer pricing practices because they have to comply with creditor debt requirements. This is what causes firm size to be unable to moderate between debt covenants and transfer pricing, which agrees with the research findings of Maulida and Wahyudin (2021) and Syah and Poerwati (2023) However, in contrast to Pandia and Gultom (2022) also Sintiana and Purnomo (2023) who found that firm size can moderate debt covenants on transfer pricing.

Conclusion

This research attempts to offer empirical data about the moderating effect of firm size in the connections between tax, foreign ownership, and debt covenants with transfer pricing in companies listed on the IDX 2020-2021. The hypothesis test indicates that foreign ownership and debt covenant influence transfer pricing, while taxes do not affect transfer pricing. The effect of taxes and debt covenants on transfer pricing cannot be moderated by firm size, but firm size can moderate between foreign ownership and transfer pricing. Simultaneously, the dependent variable and interaction variables in this research influence transfer pricing.

Recommendation

Based on the research results, researchers realize that this research still has many limitations. Therefore, the researcher provides several suggestions for improving further research, namely:

1. The independent variable studied only contributed 17.55% to the dependent variable. Therefore, it is anticipated that later studies will be able to add other factors outside this research that might influence transfer pricing, such as bonus mechanisms, profitability, intangible assets, good corporate governance, and so on.
2. This research is only limited to two years, namely 2020-2021, it would be better for future researchers to extend the time to provide better results.
3. This research is limited to a proxy for measuring the foreign ownership variable which only uses the total number of foreign shares. Future researchers may be able to use foreign institutional ownership or foreign company ownership.

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