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The Impact of Bonus Mechanisms, Profitability, and Intangible Assets on Transfer Pricing Decisions in ASEAN 5

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Abstract

This study aims to examine the effect of bonus schemes or commonly known as bonus mechanism, the concept of company's profitability described by Return on Asset (ROA) and company's intangible assets on transfer pricing decisions conducted by using multiple regression analysis. The sample of this study is consistently consist 56 companies with the observation period from 2019 to 2022 collected from consumer sector companies in the ASEAN-5 region. From this study, it can be concluded that the bonus mechanism and intangible assets positively have a significant influence with transfer pricing intensity. The bonus mechanism is able to motivate decision making related to transfer pricing and the difficulty of measuring the right measurement for intangible assets' value become a loophole in making the decision of transfer pricing, but there is no influence on profitability described by the Return on Asset (ROA) ratio because the calculation of profitability with the defined proxy only provides financial performance information on such aspect related to company's core activities and is not the most important consideration in transfer pricing decision.

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Abstraks

Studi ini bertujuan untuk menguji pengaruh dari skema pemberian bonus atau yang umum disebut mekanisme bonus, konsep profitabilitas perusahaan yang diprosikan dengan Return on Asset (ROA) serta jenis aset tidak berwujud perusahaan terhadap keputusan penetapan harga transfer atau umumnya dikenal dengan praktik transfer pricing melalui model penelitian regresi linear berganda. Adapun sampel penelitian ini sebanyak konsisten untuk 56 perusahaan dengan periode pengamatan 2019-2022 yang diperoleh dari perusahaan sektor konsumen yang berada di kawasan ASEAN. Dari penelitian ini, dapat diperoleh kesimpulan jika skema mekanisme bonus serta aset tidak berwujud memiliki pengaruh signifikan yang arahnya positif dengan intensitas transfer pricing. Mekanisme bonus mampu memotivasi pengambilan keputusan terkait dengan transfer pricing dan kesulitan pengukuran nilai yang tepat untuk aset tidak berwujud menjadi celah dalam melakukan transfer pricing, namun tidak ditemukan pengaruh atas profitabilitas yang digambarkan dengan rasio Return on Asset (ROA) dikarenakan perhitungan profitabilitas dengan proksi yang bersangkutan hanya memberikan informasi kinerja atas suatu aspek dalam operasional perusahaan dan bukan menjadi acuan utama dalam pengambilan keputusan transfer pricing.

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1. Introduction

The global economy has created an environment for trade and business competition that is no longer limited to trade between companies that occurs within one country but becomes a transac-

tion between countries (cross-border transactions). Limited economic resources and investment flows are several factors that trigger trade to spread between countries. This does not cover the fact that every trade transaction is subject to tax, and this

applies equally to every international transaction. Tariffs and tax regulations that differ from country to country are important guidelines for each transacting country. The transfer pricing mechanism is no stranger to international tax issues. This high-level issue has become very controversial and sensitive because of the stereotype that most people think that this mechanism is detrimental to one of the parties involved. On the one hand, the transfer pricing mechanism is known as a form of strategic planning regarding taxation that does not violate tax law and is in accordance with applicable tax regulations in order to minimize the tax burden, but on the other hand; this mechanism is considered to be a form of violation in the form of tax evasion if the transaction involves transfer pricing sets prices that are unreasonable or outside the arm's length principle.

International transfer pricing covers transactions with affiliated parties because they have higher flexibility than transactions with independent parties. Transactions between affiliated parties are always notable transactions due to the influence of unique relationships, such as ownership relationships with a share of at least 25% participation, as stated in Law Number 36 of 2008 Article 18 (4). The term transfer pricing is also discussed in Management Accounting, where intra-company transfer pricing occurs between departments within the same company. In contrast, for tax issues, the transfer pricing that occurs is within the inter-company scope. Provisions regarding how many commodities are the object of outbound trade, as well as policies in determining transfer prices, are very dependent on two considerations such as considering marginal production costs or considerations regarding high tariffs and tax policies so that there is a gap for discrimination in international trade transactions (Horst & Jones, 1966). However, nowadays, countries with low tax rates (tax haven countries) are targets for multinational companies to establish subsidiaries or subsidiary entities so that the tax burden incurred is lower.

This issue has attracted attention and has become a hot topic of discussion regarding how public policy addresses problems related to global taxation. It is known that the composition of corporate tax and value-added tax from trade and service transactions, both domestic and international, partially contributes to more than 20% of total tax revenue. Moreover, considering the after-effects of the difficult times of the COVID-19 pandemic, of course, this problem will become even more crucial

when the government must increase additional revenues through tax obligations paid by the public to offset the sharp increase in the amount of state debt (Muthitacharoen & Samphantharak, 2022). As a result of this action, the potential for state revenue through tax revenues will automatically decrease drastically, with the fact that more than 80% of developing countries' revenues come from taxation and more than 60% of multinational companies in Indonesia are caught in tax disputes which are indicated by manipulation of transfer pricing, which can be resolved through tax dispute resolution procedures. This transfer pricing practice usually occurs as an effort to minimize tax liabilities by exploiting loopholes or loopholes in tax regulations and provisions without violating tax regulations (tax avoidance) or vice versa, namely transactions in a series of minimizing tax liabilities by not complying with tax regulations (tax evasion).

One aspect that has the potential to motivate transfer pricing decisions in companies is the bonus mechanism. The existence of this bonus distribution mechanism will motivate the board of directors in their efforts to increase the company's profits and does not rule out the possibility that the financial reports will be manipulated in such a way as to increase the company's profit figures so that the bonuses received are also maximized. Indications of profit manipulation were found when the action of the bonus mechanism significantly influenced the transfer pricing practice because it was considered the easiest method to carry out in company operations by company directors (Fitri et al., 2019). A high level of profitability will increase a company's initiative to make transfer pricing decisions and is supported by how the tax burden will be reduced if, in reality, the company's profits increase as indicated by a high ROA figure so that transfer pricing will be set as low as possible so that the tax burden is not too significant (Roslita, 2020).

Intangible asset transactions are also considered to be a weapon for diverting profits. They are often easy targets for tax officials to detect whether each transaction supports the principle of fairness. This manifestation is the reason why transfer pricing actions that are not based on the principle of fairness are often found because they are difficult to detect so that transfers are easy to carry out either to subsidiary companies or to companies with a strong level of relationship. Apart from these reasons, a company's competitive advantage is not

only determined by affordable prices and good product quality but also by the acquisition and development of intellectual property and other intangible wealth, which also influence the company's competitive advantage to strengthen its business among similar competitors. (Barker et al., 2017). This type of asset is considered difficult to measure its fair value due to the uncertainty of its value, so companies can carry out transfer pricing actions by paying for patents, technology, licenses, trademarks, and other intangible assets for the reason of handing over royalties to related companies (Novira et al., 2020).

This research focuses on looking at and analyzing the influence of independent variables, bonus mechanisms, profitability and intangible asset transactions, how independent variables will influence transfer pricing decision-making policies as one of a series of planning and avoiding taxes both legally and illegally in order to divert profits and minimize them. Tax burden, especially on the consumer sector in the ASEAN-5 region in 2019-2022. The difference that is clearly visible from previous empirical studies and this research is that the samples studied came from the consumer sector population in the ASEAN-5 region. In contrast, in research related to transfer pricing, most of them were in secondary sectors such as manufacturing and mining. The choice of the tertiary sector is because, in its consumer market, ASEAN countries are the third most populous economic countries, and domestic consumption creates a portion of 60% of gross domestic income and is expected to continue to double due to the increasing level of needs and the level of desires that require the consumer sector. Innovate to fulfill them (ASEAN, 2023).

The ASEAN-5 countries focused on in the research also still have tax-to-GDP ratios below the average of OECD countries as well as the average of Latin American and Caribbean countries. This shows that the firm and stable increase in gross domestic product growth in developing countries is not a reference if the tax revenue received is also solid and stable. Before COVID-19 struck, these countries did not achieve tax revenues of up to 15% of total gross domestic product due to tax administration and a low tax base that did not cover the minimum level of sustainable development standards (Asian Development Bank, 2021).

This research is a replication in the sense that the author wants to see the influence of the variables mentioned on transfer pricing decisions where there is a gap based on previous studies that

examined variations in independent variables related to dependent variables, which had inconsistent results as well as varied industries and years of research. Several empirical studies carried out in previous periods have varied results and combinations of variables used.

The author is interested in seeing how this transfer pricing action does not only occur in Indonesia but also select populations in the ASEAN-5 region by also looking at how transfer pricing has an impact on the economy and taxation in the Philippines, Malaysia, Singapore, and Thailand. The selection of countries included in the middle-income level is because the tax policies of these countries attract multinational companies, so there is a large flow of foreign investment. Moreover, the income tax of a company is the most important component in the income of these countries, so the results of this research can support improvements to existing government policies (Muthitacharoen & Samphantharak, 2023). Regarding the problems above, this research aims to test and analyze the influence of bonus mechanisms, profitability, and intangible assets on transfer pricing decisions, which are expected to provide benefits and contributions to policymakers

2. Hypothesis Development

Agency Theory emphasizes the separation between the ownership function controlled by the capital owner (principal) and the management function managed by company management (agent) which are interconnected so that they tend to cause conflict within the company due to differences in goals where management acts on the owner's instructions and requests. Agency costs can also arise due to the costs of the contractual relationship between the principal and agent, including monitoring costs from the principal's side, bonding costs from the agent's side and residual losses (Jensen & Meckling, 1976). The owner of capital (principal) in this case has the power to delegate several authorities including decision making to a party who will be responsible for managing (agent) and carrying out instructions from the principal because the agent is tasked with providing services such as ensuring all operational and technical aspects of a business form. goes well. Both parties are rational parties and will maximize economic utility for their respective interests (Triuwono, 2018). As a result, a problem arises where the management will maximize the benefits they can feel and tend to ignore their main task, namely maximizing benefits for the owner. The relationship between the two parties is

formed by a set of contracts (nexus of contracts) in which situations involving the agent will also be involved so that the principal incurs costs such as monitoring costs and bonding costs including agency costs (Jensen & Meckling, 1976).

Positive Accounting Theory is a theory that explains where company managers are given the freedom to implement business processes in accordance with understanding and knowledge of accounting in order to provide freedom in decision-making in the future by choosing the alternatives offered (Watts & Zimmerman, 1990) such as being able to minimize taxes owed by a company and so on. The famous hypotheses of this positive accounting theory are the bonus Plan Hypothesis, Debt Covenant Hypothesis and Political Cost Hypothesis.

The bonus plan hypothesis emphasizes how company managers will use accounting methods to increase the amount of income so that it is directly proportional to the amount of bonuses they receive in accordance with their performance within the company. The remuneration received by upper management based on bonuses for their performance will trigger management motivation to use accounting methods that can maximize profits, and this is in line with the application of positive accounting theory (Prananda & Nur Triyanto, 2020). Apart from that, the political cost hypothesis also discusses political costs between governments and companies. Transfer pricing activities are a tactic carried out to minimize political costs, namely in this case tax obligations by exploiting loopholes or loopholes in the tax regulations of each country which have differences by establishing subsidiaries in countries known as tax havens (Humairo & Pustpita, 2020).

Bonus Mechanisms. The high bonuses received by directors will trigger an increasingly large number of transactions where the company makes many transfer pricing decisions. The nominal bonus contributes to transfer pricing decisions, not bonuses for directors. Management will have the intention to carry out deviant practices when there is a profit obtained as a reward, namely, in this case, a fantastic bonus, so the lure of bonus schemes very easily influences transfer pricing practices. According to Saifudin & Putri (2018) that the motivation of directors who work to show their performance is one of the important assessments of company owners in providing appreciation with overall profit indicators so that the bonus mechanism influences transfer pricing decisions. A simi-

lar empirical study from Putri et al. (2022) reveals that the motivation for manipulating transfer pricing will only be carried out if there are benefits to be gained for management.

This bonus distribution scheme is the most frequently found in companies because this scheme is considered easy to implement compared to having to manage profit management and is based on the portion of foreign ownership of parties affiliated with the company. The bonus plan hypothesis, from one of the hypotheses outlined by positive accounting theory, has illustrated how giving a fantastic bonus amount makes upper-level management interested in achieving it and carrying out careful calculations from an accounting perspective, including the practice of transfer pricing if it is able to maximize profits while reducing expenses. Tax. From empirical studies and studies of the grand theory attached to the bonus mechanism variable, a hypothesis can be drawn that:

H1: The bonus mechanism has a positive effect on Transfer Pricing.

Profitability. The results of research conducted by Prayudiawan and Pamungkas (2020) assess that a directly proportional relationship can be found between the variables profitability and aggressiveness of transfer pricing actions in companies. The magnitude of profitability will increase the opportunity for transfer pricing decisions to occur. This also applies because the high ROA of a company means there is a tendency for companies to reduce the corporate tax burden that must be paid as an obligation to the state so that companies with high income will choose to increase profits to related companies with low tax rates. Implementing low transfer pricing between affiliated companies due to tax regulations, which are considered to be less strict, also creates small margins so that the amount of tax can be reduced (Roslita, 2020). Initiatives from company management to use transfer pricing decisions in a company can be influenced by the high profitability factor because it will be directly proportional to the company's expenditure, in this case, an obligation to the state (Cahyadi & Noviari, 2018). The influence of the profitability variable, as explained by the Cahyadi & Noviari (2018) study, shows that an increase in profitability, which is translated into a ROA proxy, will create high initiative by the company to carry out transfer pricing actions intensively and is supported by Prayudiawan & Pamungkas (2020) if the company's

ability to produce This advantage triggers aggressive transfer price manipulation actions.

This can be explored if we look back at the conflict of interest between owners and managers in agency theory. Agency problems arise due to differences in the interests of the two parties involved. Where the owner wants good profitability for the company so that it can reflect the company's performance, have maximum profits and attract the interest of outside parties to invest, he will delegate authority and instructions to managers to carry out effective strategies that can achieve good profitability (principal-agent relationship between the company and management) but while still considering the number of tax costs incurred as a form of obligation to the state (principal-agent relationship between the government and the company). The company will do everything possible to meet the expectations of upper management and the tax authorities, including transfer pricing activities. Based on the explanation of the results of research and theoretical studies, conclusions can be drawn if:

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H2: Profitability has a positive effect on Transfer Pricing

Intangible Asset. Marques (2019) explained that intangible asset indicators are often used as a measurement of tax responsiveness to investment flows, which are considered to be lower due to the influence of international income transfer activities. The OECD has discussed BEPS Action 8 regarding the diversion of income carried out through investment flows in intangible assets and their use. Action 8 also discusses how profits from the flow of intangible assets and their use must be reported according to the value created by the asset. It emphasizes that the exploitation of this type of asset through legal ownership will not determine the allocation of profits. However, some parties still need help with how to measure the value of intangible assets. Due to the difficulty in determining its value, a study conducted by Rahman and Cheisvi-

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3. Data and Methods

This research is a quantitative type of research because the phenomena raised are apparent; the data used are numbers and ratios in the secondary data category and were obtained through the official websites of the stock exchanges of each sample country, such as the Indonesia Stock Exchange (IDX.co.id), Singapore Exchange (sgx.com),

yanny (2020) proves that this is a gap where intangible asset transactions are an opportunity that companies take advantage of to divert income to affiliated companies. The positive influence of intangible assets is also proven through research by Wahyudi & Fitriah (2021); the allocation of intangible assets from multinational companies that are distorted to affiliates that have lower tax regulations is the risk of aggressive transfer pricing actions caused by different interpretations in assessing acquisition and creation. Intangible assets. Apart from that, the difficulty in defining intangible asset transactions correctly is also one of the reasons transfer pricing is prone to occur.

According to Wahyudi and Fitriah (2021), subsequent empirical studies prove that intangible asset transactions can divert profits to reduce affiliated groups' global tax obligations. Differences in views in determining the transaction price of assets without certainty in measuring their value create an increased risk of transfer price manipulation. Rahman & Cheisvianny's (2020) research concluded the positive influence of transfer pricing transactions using non-identifiable intangible assets such as R&D expenses and royalties. This character of assets gives companies the freedom to manipulate their value and price.

The gap in defining all activities that relate to intangible assets gives companies the opportunity to carry out transfer pricing as a method of shifting profits. The difficulty in determining one market price is because the differences in intangible assets, both in terms of creation and acquisition of these assets, are also utilized by companies, especially as intangible assets are considered to be the value of a company's competitive advantage. Empirical studies examining the influence of intangible assets formulate the applicable hypotheses as follows:

H3: Intangible assets have a positive effect on Transfer Pricing.

The Securities and Exchange Commission of Thailand (sec.or.th), Bursa Malaysia (bursamalaysia.com) and the Philippines Stock Exchange (pse.com.ph), then several other variable financial data obtained from S&P Global Market Intelligence Database. This research also collects data from the official website of each sample company as well as information on inflation and GDP from the World Bank (worldbank.org). Summary of the sample selection procedure and sample characteristics is Public companies in the consumer sector are listed

on the Stock Exchange (ASEAN-5) is 752, New listing and delisting companies in the research year is 19, The company does not have relational receivables data and is not incorporated abroad is 429 , The company does not have complete data according to the research variables is 80 and total research data for 2019-2022 is 224.

Transfer pricing as the dependent variable and to measure the effect of transfer pricing decisions is using related party transactions, especially the element of related party receivables, because transfer pricing can occur in sales with related parties, and receivables will arise if there are sales on credit with related parties (Pradipta & Geraldina, 2021). The independent variables in this research are bonus mechanisms, profitability, and intangible assets. The control variables in this research are inflation, P, company age, Covid-19. Variable depend transfer pricing is policy for transactions of goods, services and other intangible assets to related parties. $RPT = \frac{\text{Related Party Receivables}}{\text{Total Receivables}}$ (Merle et al., 2019). Variabel independent: 1. Bonus Mechanisms is Bonus compensation arrangements for directors who have good performance and achieve targets set by the company $ITRENDLB = \frac{\text{net income for the year } t}{\text{net income for the year } t-1}$ (Putri et al., 2022). 2. Profitability is ratios are able to provide values about the ability of company management to generate profits in a certain period. $ROA = \frac{\text{Net income after tax}}{\text{Total Aset}}$ (Cahyadi & Novia-ri, 2018). 3. Intangible assets is Identifiable non-monetary assets that do not have a physical form but which represent privileges or positions that provide an advantage to the company in generating

revenue. $IA = \ln(\text{Intangible Assets})$ (Merle et al., 2019).

Variabel Control: 1. Inflation is A general and continuous increase in the prices of goods and services over a certain period. $(CPI \text{ (Current Year-Previous Year)}) / (CPI \text{ Previous Year}) \times 100$ (Parkin, 2016) Gross Domestic Produk is the level of economic growth of a country in cap-ita measurement units. $(Real \text{ GDP (Current Year-Previous Year)}) / (Real \text{ GDP Previous Year}) \times 100$ (Parkin, 2016). 3. Age Firm is the age of the company from the time the company was founded was based on the deed of establishment until the research was carried out. $\text{Year Age} = \text{Year of Research} - \text{Founding Year}$ (Sinam-bela & Nur'aini, 2021). 4. Covid years is Coronavirus disease causes the epidemic that is affect corona virus disease company's growth indicator is seen from the increase in sales. Years affected: 1 Years not affected: 0 (Angelina et al., 2022). 5. Sales growth is transfer pricing policy for transactions of goods, services and other in-tangible assets to related parties. $SG = \frac{\text{Sales (current year-previous year)}}{\text{Previous year sales}}$ (Sebastian & Handoyo, 2019)

Empirical Models. This research uses a data pool multiple linear regression model to measure the relationship and direction of the independent and dependent variables, which can be translated with the following model:

$$TP_{i,t} = \alpha_0 + \beta_1 ITRENDLB_{i,t} + \beta_2 ROA_{i,t} + \beta_3 IA_{i,t} + \beta_4 INF_{i,t} + \beta_5 GDP_{i,t} + \beta_6 AGE_{i,t} + \beta_7 COV_{i,t} + \beta_8 SG_{i,t} + \epsilon \dots \dots \dots (1)$$

4. Result

Statistic Descriptif

Here are the results of descriptive statistics

Table 4.1. Descriptive Statistical Results

Variabel	N	Minimum	Maximum	Mean	Standard Deviation
TP	224	0.001	0.980	0.17516	0.23054
ITRENDLB		0.10	49.37	1.43049	3.35497
ROA		-0.042	0.428	0.08749	0.07491
IA		0.98	17.88	7.58111	4.61053
INF		-0.011	0.061	0.02084	0.02070
GDP		-0.095	0.089	0.01833	0.04391

AGE	11	140	54.30357	32.21921
COV	0	1	0.5	0.50111
SG	-0.571	0.756	0.06561	0.16443

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Coefficient of Determination

Table 4.2. Coefficient of Determination Results

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.337	0.114	0.081	0.221028
Predictors: (Constant), SG, ROA, IA, ITRENDLB, COV, AGE, INF, GDP				
Dependent Variable: TP				

Coefficient of Determination Results. This test wants to find out how much the independent variable used in the research regression model is able to explain its influence on the dependent variable well through the value in column R². The results of the coefficient of determination test for this research

are as follows: From R² results, 11.4% of transfer pricing decisions can be explained by variations in the independent variables in this research model. Meanwhile, 88.6% were influenced by variable interruptions that were not included as variables in this research.

F Test

Table 4.3. F Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	1.349	8	0.169	3.451	0.001
	Residual	10.503	215	0.049		
	Total	11.852	223			
Dependent Variable: TP						
Predictors: (Constant), SG, ROA, IA, ITRENDLB, COV, AGE, INF, GDP						

F Test Results This test tells how much significance the independent variable has on the dependent variable with a significance level of 5%, which means the independent variable has a simultaneous effect on the dependent variable. The sig value, as shown by the Statistical Test, should range lower than 0.05. Following are the results of the F

statistical test: Focus on the numbers in the Sig column. In the table above, which shows significance of 0.001 at a significance level of 1%, it can be concluded that if the independent variable simultaneously influences the dependent variable, this research model is worthy of being tested in hypothesis testing.

t Test

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Table 4.4. t Test Result

Model	Unstandardized Coefficients		t-statistics	Sig. two-tailed	Sig. one-tailed
	B	Std. Error			
(Constant)	0.088	0.048	1.834	0.068	
ITRENDLB	0.014	0.004	3.146	0.002	0.001**
ROA	-0.094	0.205	-0.459	0.647	0.323
IA	0.012	0.003	3.690	0.000	0.000**
INF	-0.542	0.983	-0.552	0.582	
GDP	-0.257	0.478	-0.537	0.592	
AGE	0.000	0.000	0.390	0.697	

	COV	-0.040	0.039	-1.049	0.295	
	SG	0.134	0.106	1.264	0.208	
Dependent Variable: TP						
*: sig <0.05, **: sig <0.01, ***: sig <0.1						

t Test Results. This test states the direction and significance of each independent variable towards the dependent variable with a significance level of 1%, 5% or 10%, which means the hypothesis is accepted because it has an effect and the opposite condition applies to the hypothesis is not accepted because the independent variable has no effect. So, from the results of this research data processing test, it can be seen that:

Hypothesis Testing. H1:Table 4.4. The coefficient on the Variabel ITRENDLB, which is representative of the bonus mechanism, is worth 0.014, indicating a positive direction or in the same direction as the dependent variable. Referring to the significance value, ITRENDLB has a default two-tailed test significance of 0.002, which, because it has a direction, means it must be used as a one-tailed test significance value by dividing the previous significance value by two, which now produces a value of 0.001. The significance of this one-tailed test is at a significance level of 1%, which means that the company's bonus-giving scheme has a sig-

nificant favorable influence on indications for transfer pricing decision-making, so **H1 is accepted.**

Hypothesis Testing. H2:Table 4.4. The coefficient on the profitability variable (ROA) shows -0.094 as an indication of a negative direction, which is opposite to the initial hypothesis development. Apart from that, the influence ability, which has been divided into one-tailed tests, still needs to reach the lowest significance level of 10% because it is at 0.323. It can be concluded that profitability using ROA calculations has no effect on transfer pricing decision-making, so **H2 is rejected.**

Hypothesis Testing. H3:Table 4.4. The intangible assets (IA) variable with a coefficient of 0.012 indicates a direction that is in line with the intensity of transfer pricing activities. This is supported by the significant influence of the one-tailed test figure of 0.000 at the best significance level of 1%. Intangible assets have a significant influence on transfer pricing decisions and this proves that **H3 is accepted.**

5. Discussion

Bonus Mechanism (ITRENDLB) has a positive effect on Transfer Pricing (TP)

The results above indicate positive effect which is representative of the bonus mechanism, is worth 0.014, indicating a positive direction or in the same direction as the dependent variable. Providing appreciation in the form of bonuses based on the increase in profits targeted by the company is a popular method. It is very logical we trace its connection to profit manipulation. This is in line with the hypothesis of positive accounting theory, namely the bonus plan hypothesis. Choosing an accounting method that can maximize profit reporting will be the choice of top management. The theory that ultimately gave birth to agency theory proves that the choice of accounting method can predict the probability of the method chosen technically for a company's financial problems because

of differences in interests between interested parties. The contractual relationships discussed in agency theory support the results of this research, where information asymmetry can make management carry out profit manipulation actions for their interests but still meet the expectations of company owners.

These results align with research by Saifudin & Putri (2018), which states that the appreciation strategy for directors' performance, targeted at the total profit achieved by the company through this bonus scheme, significantly impacts transfer pricing decisions. The existence of a correlation between the attitude of the directors and a perception formed from the bonus plan, which is seen from the amount of profit, influences the increase in the occurrence of intense transfer pricing actions so that there is a desire to take these actions because there are profits to be gained.

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Profitability (ROA) has a negative effect on Transfer Pricing (TP).

The results above indicate negative effect which is representative of profitability is worth -0.094, indicating a negative direction toward dependent variabel. This practice tendency can occur without being influenced by a company's profitability, whether high or low financial performance ratio numbers do not cover the fact that every company has the same opportunity to carry out transfer pricing actions. If a company's profitability is low, the company has likely carried out the practice of diverting profits; however, if the profitability is high, it also gives rise to indications that the company will plan action to reduce the value of tax liabilities in the next period, one way is by manipulating transfer prices to related parties. It is important to remember the function of financial performance ratios, which only describes a particular condition of an aspect of the financial report, not the overall condition. The results of this research do not follow the contractual relationship in agency theory, where the principal wants high profits but wants to pay the lowest taxes, thus putting pressure on the agent who has been given the authority to manage the company to be able to carry out any strategy to meet the principal's expectations.

These results align with research by Devita and Sholikhah (2021) and Anh et al. (2018). The first researcher's research revealed that companies with high profit levels would maximize internal funding potential without setting large transfer prices. The second researcher also agreed that if profitability does not significantly influence transfer pricing practices, especially if the company struggles to make a profit but still insists on expanding its business, profitability information will be invalid when considering transfer pricing decisions. Information regarding profitability financial ratios is generally not a benchmark for decision-making, so companies must pay more attention to this information.

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Intangible Assets (IA) have a positive effect on Transfer Pricing (TP).

The results above indicate positive effect which is representative of profitability is worth -0.012, indicating a positive direction toward dependent variabel. These intangible assets open up opportunities for multinational companies to carry out transfer pricing between their affiliated companies to reduce tax liabilities as a group. Even though previous literature has inconsistencies in results, in general, every company will always ex-

perience similarities in the problem of fair measurement value of intangible assets so that certain parties consider this not as a difficulty but an ample opportunity which is seen as a gap in the small carry out profit diversion actions through determining the transfer price of intangible assets.

These results align with research by Rahman & Cheisvianny (2020) characteristics of this type of asset, which are challenging to interpret; the measurement of fair value and transaction assessment becomes a forum for income allocation so that there is a significant potential for profit shifting to be transferred in the form of this asset which provides an opportunity for multinational companies to divert profits to affiliated countries with low tax rates through related party transactions. Generally, companies spend fantastic funds on several activities for product innovation or royalties from trademarks or intellectual property, such as technology transfers, which the parent company then licenses to subsidiary companies. The large allocation of intangible assets increases interest in seeking transfer pricing activities as a transfer of income. Research with similar results has also been proven by research by Wahyudi & Fitriah (2021); research proves that the allocation of this form of asset will be deliberately distorted from multinational companies towards affiliated companies with low tax rates, which is indicated as a fact of diverting profits from affiliates domiciled with high tax rates to affiliates domiciled with low tax rates. This difference in interpretation in the assessment of intangible assets is the main supporting factor for transfer pricing decisions.

6. Conclusion and Suggestion

Conclusion

This research aims to see how much influence the independent variables Bonus Mechanism proxied by the Profit Trend Index, Profitability proxied by ROA and intangible assets in a company will influence plans for the practice of transfer pricing decision making or what is commonly known as transfer pricing as The dependent variable in the consumer sector population of ASEAN-5 countries during 2019-2022 which is listed on each country's Stock Exchange concerned with scope limitations conditions the controls used, namely Inflation, Gross Domestic Product, Company Age, COVID-19 and Increase in Sales. After conducting brief research and processing the data using the SPSS 26 statistical application, the conclusions obtained are variabel Bonus Mechanism has a positive effect on

Transfer Pricing decisions, profitability has no influence on Transfer Pricing decisions, Intangible assets have a positive effect on Transfer Pricing decisions.

24 **limitations.** The study had limitations such as 1) This research only uses a sample of companies in the consumer sector in ASEAN-5, so it is not appropriate if the results of this research are used as a basic reference in similar research that uses sectors other than the consumer sector and populations outside ASEAN-5. 2) The limitations of the variables tested in this research are only testing how the bonus scheme is given by calculating the Profit Trend Index, the concept of profitability by calculating Return on Assets, intangible assets by translating the natural logarithm of intangible assets with controls that include inflation, gross domestic product, age companies, COVID-19 and increased sales can contribute as influences in transfer pricing decisions with certain proxies as obtained based on previous literature. 3) Due to time and data limitations, the observation period only observes audited annual and financial reports for 2019-2022, so it does not cover the possibility of producing very different results if there are changes in regulations or issues that occur unexpectedly and in a short period resulting in the overall reality of the events that occurred is less well defined.

Suggestion

Departing from the limitations of the research described previously, the suggestions and recommendations regarding the continuation of research related to the same topic so that better results can be achieved by future research are as follows: 1) Using or enriching populations and samples other than the industries and countries observed in this research to obtain different points of view regarding the information and culture of transfer pricing decision practices because the business environment and tax and accounting regulations differ in each country. 2) Increase the observation period to a longer range so that more samples can be produced and the data obtained is richer and more varied. 3) Using or adding independent variables other than the bonus mechanism, profitability, and intangible assets, as well as control variables other than inflation, gross domestic product, company age, COVID-19, and increasing sales on the topic of transfer pricing decisions is increasingly diverse, and information regarding the variables with the strongest influence well collecti-

ble. 4) Using proxy measurements for research variables other than those used in this research so that there is diversity in research results.\.

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