

# **The Effect of Foreign Ownership, Tax Burden And Exchange Rate On Transfer Pricing With Company Size Moderation**

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## **ABSTRACT**

This Scholarly work offers novelty by exploring the Shaping force of foreign ownership, tax burden, and exchange rates on transfer pricing practices, while incorporating company size as a moderator. The Scholarly work mission is to examine the extent to which internal and external factors shape managerial decisions regarding transfer pricing strategies in multinational companies in Indonesia. A quantitative approach using Structural Equation Modeling (SEM) techniques was chosen to uncover the direct Interrelations and Modifying Repercussions between variables. The Scholarly work population comprised all consumer goods companies listed on the Indonesia Stock Exchange (IDX), with 45 companies selected as samples through a purposive sampling approach. The results reveal that tax burden and exchange rates significantly Shaping force transfer pricing, while foreign ownership exhibits no significant Shaping force. Company size is shown to moderate the Repercussion of tax burden on transfer pricing, but is not strong enough to Shaping force other Interrelations. The implications of this Scholarly work highlight the urgency of strict oversight of companies burdened with high taxes and facing exchange rate volatility. Theoretically, these revelations broaden the horizons of agency theory to address cross-border issues and corporate governance. The novelty of this Scholarly work lies in the inclusion of firm size as a moderating variable, which opens up fresh perspectives on how scale and corporate governance can curb transfer pricing aggressiveness in the global business arena.

**Keywords :** Foreign Ownership, Tax Burden, Exchange Rate, Firm Size, Transfer Pricing

## **INTRODUCTION**

The rapid global economic boom has prompted multinational corporations to expand their reach across the globe. This phenomenon has brought with it complexities in cross-border business practices, particularly regarding transfer pricing strategies implemented between entities within multinational corporate groups. In Indonesia, transfer pricing has come under intense scrutiny from tax authorities, particularly following the uncovering of several cases of transfer pricing manipulation among manufacturing corporations. John Hutagaol, Director of International Taxation at the Directorate General of Taxes, emphasized that transfer pricing manipulation is a global problem, with corporate entities operating in various countries often exploiting loopholes in different tax systems to reduce their fiscal burden (newsnasionalkontan.co.id, 2017). They typically increase purchase prices and suppress selling prices among corporations within the same

group, then channel profits to countries with low taxes, ultimately significantly eroding state revenues.

Transfer pricing, like a chess game in the business world, is the art of determining prices for transactions of goods, services, or other resources between entities with special ties, such as corporations within a multinational group. Over time, this practice has become not only a common business strategy tool but also a tactic in tax planning to ease the fiscal burden through transfer price manipulation (Wardhana et al., 2022) . (Dewi et al., 2023) emphasize that transfer pricing is often a form of tax avoidance, a favored tax avoidance trick by multinational corporations. This phenomenon is a double-edged sword: it complicates tax authorities in securing state coffers, while also challenging them to maintain a friendly investment climate.

Foreign ownership, which serves as a sort of mysterious cover for transfer pricing, is believed to exert significant power over corporate policy. The term "foreign ownership" refers to the portion of shares held by foreign entities, whether individuals, legal entities, or even foreign governments (Suprianto & Pratiwi, 2017) . In many Asian corporations, including Indonesia, the ownership structure tends to resemble a colony of bees centered on a single queen: the controlling shareholder wields extraordinary Shaping force over the direction of the corporation (Mardianti & Ardini, 2020) . Grounded in PSAK No. 15, entities with a 20% or greater stake, whether directly or through intermediaries, are considered to be the rulers of the throne, capable of influencing strategic decisions (Indonesian Institute of Accountants, 2015). The larger the foreign shareholding, the stronger their grip on information, oversight, and even business strategy (Anam et al., 2021) . Scholarly work (Refgia, 2017) states that foreign ownership has a positive Repercussion on transfer pricing, but (Tiwa et al., 2017) and (Prabaningrum et al., 2021) say the Repercussion is zero, meaning there is no Shaping force at all, aka insignificant.

The tax burden, like a giant magnet, is a major driver for multinational corporations to play tricks with transfer pricing. Differences in tax rates between countries tempt corporations to shift profits to more favorable tax jurisdictions. (Ivanda et al., 2024) argue that multinational corporations often play a game of shifting revenues in response to tax rate disparities. The heavier the tax burden, the stronger the urge to use transfer pricing as a tax-saving shield (Wardhana et al., 2022) . This is achieved by lowering product prices and then channeling profits to subsidiaries in low-tax countries (Wardhana et al., 2024) . Scholarly work by (Cahyadi & Noviani, 2018) , (Khotimah, 2018) , and (Chalimatussa'diyah, N., Diana & Mawardi, 2020) all agree that the tax burden has a positive Shaping force on transfer pricing. However, (Mispiyanti, 2015) and (Azhari & Winingrum, 2024) even said that the tax burden had no impact.

The exchange rate, which acts as a non-tax factor, also plays a role in the transfer pricing drama of multinational corporations. Corporate cash flows are calculated in multiple currencies,

and the value of each currency is like a constant dancer, constantly changing over time. These exchange rate fluctuations make securing cash for international transactions a puzzle. For example, the amount of local currency needed to pay for imported raw materials can fluctuate even though supplier prices remain stable, simply because of volatile exchange rates (Adhika & Wulandari, 2023) . In this context, transfer pricing is utilized to maintain profitability while simultaneously avoiding exchange rate risk. (Sarifah et al., 2019) and (Prananda & Triyanto, 2020) suggest that exchange rates have a positive Repercussion on transfer pricing, suggesting that management likes to exploit exchange rate differences for transfer pricing strategies. However, (Mayzura & Apriwenni, 2023) argue that exchange rates have no real impact.

Size , considered a kind of compass, is thought to have the power to bridge or even destabilize the relationship between foreign ownership, tax burdens, and exchange rates with transfer pricing practices. Corporate size, in this context, reflects the scale of the entity Grounded in its assets (Mulyono et al., 2021) . Corporations with large assets are usually in a mature phase, with abundant cash flow and a promising long-term vision (Wulandari & Fitrianti, 2024) . These giant corporations, with all their operational complexity, are often involved in a labyrinthine realm of business activities and financial transactions, opening up ample opportunities for designing tax and transfer pricing strategies (Kusuma et al., 2022) . However, on the other hand, large corporations are also like stars constantly in the spotlight of the public and stakeholders, making management more vigilant in preparing financial reports to maintain their good name (Azhari & Winingrum, 2024) . This paradox suggests that corporate size can both strengthen and weaken factors influencing transfer pricing decisions (Kurnila et al., 2024) . Studies on transfer pricing drivers have proliferated, but the results remain a puzzle that never quite fits together. A gap in this Scholarly work area lies in the lack of studies that integrate the Shaping force of foreign ownership, tax burden, and exchange rates on transfer pricing, while considering the role of corporate size as a counterbalance. Many previous studies have only examined the direct Repercussions of these variables without considering contextual factors such as corporate scale, which can actually alter the dynamics of the relationship between the variables. Understanding how corporate size plays a moderating role is crucial to fully depicting the intricacies of transfer pricing practices in Indonesia.

Building on the phenomena and Scholarly work gaps outlined above, this Scholarly work attempts to explore the Shaping force of foreign ownership, tax burden, and exchange rates on transfer pricing practices, with corporate size as a counterweight, in manufacturing corporations listed on the Indonesia Stock Exchange. This Scholarly work is expected to contribute theoretical insights into the development of agency theory and positive accounting theory surrounding transfer pricing, while also providing practical implications for tax authorities in formulating more precise

transfer pricing oversight policies that take into account the unique characteristics of corporations. Furthermore, this Scholarly work is also expected to serve as a guide for corporate management in making strategic decisions regarding transfer pricing, which are not only focused on tax reduction but also consider compliance and long-term business continuity.

## RESEARCH METHODS

This Scholarly work adopts a quantitative approach Grounded in the philosophy of positivism to test hypotheses through empirical Scrutiny of the Interrelations between variables (Sugiyono, 2019) . This type of Scholarly work is associative causal, aiming to explore the Shaping force of foreign ownership, tax burden, and exchange rates on transfer pricing practices, with company size as a moderating variable. The Scholarly work population includes 95 consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The sample was selected using a purposive sampling technique Grounded in criteria such as completeness of financial reports, IPO status, and the absence of suspension during the Scholarly work period, resulting in 45 companies as samples. Secondary data in the form of annual financial reports were collected through documentation methods from the official IDX website ([www.idx.co.id](http://www.idx.co.id)) and other supporting sources. Data Scrutiny was carried out using Partial Least Squares-Structural Equation Modeling (PLS-SEM) using SmartPLS 3.0 software, which was chosen because it is suitable for small samples and models with moderating variables. The Scrutiny process includes evaluation of the outer model (validity and reliability), inner model (R-square and f-square), and Moderated Regression Analysis to measure the interaction Repercussion between independent and moderating variables on transfer pricing (Ghozali., 2021) .

### Operation Variable

#### 1. Foreign Ownership

Foreign ownership refers to the portion of a company's shares held by individuals or entities from other countries. The greater the foreign ownership, the greater the power of foreign parties to Shaping force strategy, including transfer pricing policies that can benefit controlling shareholders. This variable is measured by the ratio of foreign-owned shares to total outstanding shares (Prabaningrum et al., 2021) . The formula is:

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

## 2. Tax Burden

Tax burden is the amount of income tax liability recognized or paid by a company in an accounting period. This figure reflects the company's contribution to the state treasury from its profits. The greater the tax burden, the heavier the fiscal responsibility. This variable is calculated Grounded in the tax burden recorded in the income statement (Lanis, R. & Richardson, 2012) . The formula is:

$$\text{Tax Expense} = \text{Value of Income Tax Paid or Recognized by the Company}$$

## 3. Exchange Rate

The exchange rate describes how exchange rate fluctuations affect a company's financial statements. This variable is measured by the difference between exchange profit or loss and pre-tax profit (Rahayu et al., 2020) . The formula is:

$$\text{Exchange Rate} = \frac{\text{Gain or Loss on Foreign Exchange}}{\text{Profit Before Tax}}$$

## 4. Company Size

Company size reflects the scale of an entity, usually measured by total assets. Companies with substantial assets tend to be more agile in generating profits and managing risk. The measurement is performed using the natural logarithm of total assets (Wardhana et al., 2024) . The formula is:

$$\text{Firm Size (SIZE)} = \log(\text{Total Assets})$$

## 5. Transfer Pricing

Transfer pricing is the art of setting prices in transactions between related parties. In this Scholarly work, transfer pricing is measured by comparing related party receivables to the company's total receivables (Wardhana et al., 2022) . This proxy reflects the frequency of related party transactions, potentially exploited to shift profits. The formula is:

$$\text{Transfer Pricing} = \frac{\text{Related Party Receivables}}{\text{Total Receivables}}$$

## Hypothesis

Foreign ownership is expected to have aiding impact on transfer pricing practices in manufacturing companies listed on the Indonesia Stock Exchange. The greater the proportion of foreign ownership, the stronger the foreign shareholders' control over company policies, including transfer pricing strategies to shift profits and minimize tax burdens (Refgia, 2017) . Grounded in

agency theory (Jensen et al., 1976) , the separation of ownership and control encourages management to act in the interests of the principal, in this case, the foreign shareholder, who is oriented towards optimizing global profits. However, regulatory oversight and foreign investors' commitment to long-term reputation can moderate this tendency (Tiwa et al., 2017) and (Prabaningrum et al., 2021) .

H1: Foreign ownership has aiding impact on transfer pricing.

The tax burden is expected to have aiding impact on transfer pricing practices. Differences in tax rates between countries encourage companies to allocate profits to low-tax jurisdictions through transfer pricing manipulation (Wardhana et al., 2022) . Grounded in agency theory (Jensen et al., 1976) , management has an incentive to maximize shareholder welfare through tax savings, including through transfer pricing strategies (Cahyadi & Noviani, 2018) , (Khotimah, 2018) , and (Chalimatussadiyah, N., Diana & Mawardi, 2020) . Thus, the higher the tax burden borne by a company, the greater the tendency to engage in transfer pricing.

H2: Tax burden has aiding impact on transfer pricing.

Exchange rates are thought to have a positive Shaping force on transfer pricing practices (Sarifah et al., 2019) and (Prananda & Triyanto, 2020) . Exchange rate fluctuations can encourage companies to adjust transfer prices to manage financial risk and maintain profitability (Adhika & Wulandari, 2023) . Grounded in agency theory (Jensen et al., 1976) , management has a responsibility to manage external risks such as changes in exchange rates, which can affect the value of transactions between corporate entities across borders. Therefore, exchange rate volatility can encourage transfer pricing practices as a revenue stabilization strategy.

H3: Exchange rate has aiding impact on transfer pricing.

Firm size is thought to moderate the relationship between foreign ownership and transfer pricing. Larger firms with higher total assets generally have more operational complexity and extensive international networks, providing opportunities for foreign shareholders to exploit transfer pricing policies (Wardhana et al., 2024) . However, larger firms are also under greater public and regulatory scrutiny, which may reduce the likelihood of misusing such strategies (Tiwa et al., 2017) and (Prabaningrum et al., 2021) .

H4: Firm size Adjusts the relationship between the Repercussion of foreign ownership on transfer pricing.

Company size is thought to strengthen the relationship between tax burden and transfer pricing. Large companies with adequate resources tend to have the ability to design complex tax planning strategies, so the higher the tax burden, the more likely the company is to engage in transfer pricing (Wardhana et al., 2022) . However, greater scrutiny and reputational pressures can



be limiting factors for this practice (Cahyadi & Noviari, 2018) . Thus, company size has the potential to strengthen the Shaping force of tax burden on transfer pricing.

H5: Company size Adjusts the relationship between the Repercussion of tax burden on transfer pricing.

Company size is thought to moderate the relationship between exchange rates and transfer pricing. Larger companies with cross-border operations are more exposed to exchange rate fluctuations, potentially adjusting transfer prices to manage financial risk (Mulyono et al., 2021) . However, large companies are also under stricter scrutiny, which can limit flexibility in implementing such strategies (Wulandari & Fitrianti, 2024) . Therefore, company size is expected to strengthen the relationship between exchange rates and transfer pricing.

H6: Company size Adjusts the relationship between the Repercussion of exchange rate on transfer pricing.

## RESULTS AND DISCUSSION

### Results

Table 1. Descriptive Scrutiny

|                    | N   | Minimum | Maximum          | Mean             | Std. Deviation     |
|--------------------|-----|---------|------------------|------------------|--------------------|
| Foreign ownership  | 164 | 12.00   | 48.50            | 33.0457          | 8.76491            |
| Tax burden         | 164 | 2219.00 | 3059012767984.00 | 95294131632.7007 | 419039861661.01810 |
| Exchange rate      | 164 | .01     | 5.25             | .7856            | .45729             |
| Transfer pricing   | 164 | .00     | 1.00             | .1951            | .39751             |
| Company size       | 164 | 6.25    | 13.38            | 9.1049           | 2.45707            |
| Valid N (listwise) | 164 |         |                  |                  |                    |

Source: processed data, 2025

Grounded in descriptive data, this Scholarly work encompasses 164 companies with a variety of variables that resemble a colorful mosaic. Foreign ownership, with an average of 33.05 % and a standard deviation of 8.76%, illustrates that many companies are held quite tightly by foreign hands, although the variations are no less interesting. The tax burden, like an ocean with unpredictable waves, stretches from 2.219 to over 3 trillion, with an average of around 95 billion and a jolting deviation, indicating the presence of outliers or wide gaps between companies. The exchange rate, in contrast, appears to be a calm current with an average of 0.79 and a standard deviation of 0.46, indicating relative stability. Transfer pricing, measured as a dummy variable, has an average of 0.195, meaning that approximately 19.5 % of observations reveal this practice. Company size, with an average logarithmic value of 9.10 , suggests that the sample is dominated by medium- to large-sized companies. Overall, this data is like a painting with a variety of shades, reflecting the wide diversity in the realm of corporate financial practices and characters.

For the measurement model, also known as the outer model, with reflective indicators, the evaluation is conducted through the lens of convergent and discriminant validity of the indicators, as well as composite reliability for the indicator blocks (Ghozali, 2021) . The following is a summary of the revelations from SmartPLS:

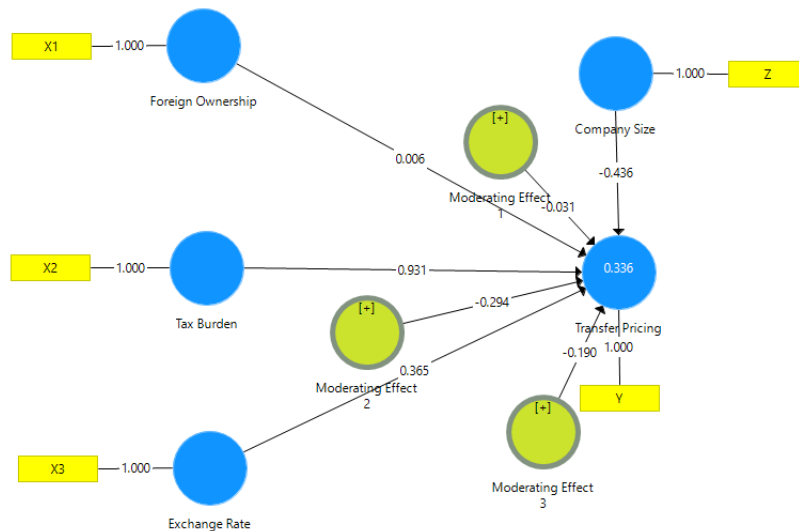


Figure 1. SmartPLS output

Source: SmartPLS Processed Data, 2025

The outer model sweep was conducted by highlighting convergent validity, aka the strength of the loading factor for each idea, as if weighing the guts of each variable. Loading factor numbers above 0.70 are like shining rock stars, but values of 0.50 to 0.60 can still be overlooked as long as the model is still in the crawling stage. From the SmartPLS output, the loading factor for each variable looks strong and none fell below 0.50 . The next step, we peeked at composite reliability, Cronbach's alpha, and AVE, as if checking the model's heartbeat. Here are the calculation revelations:

Table 2. Calculate PLS algorithm for outer model

| Variable            | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|---------------------|------------------|-------|-----------------------|----------------------------------|
| Foreign Ownership   | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Transfer Pricing    | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Tax Burden          | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Moderative Effect 1 | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Moderative Effect 2 | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Moderative Effect 3 | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Exchange Rate       | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Firm Size           | 1.000            | 1.000 | 1.000                 | 1.000                            |

Source: SmartPLS Processed Data, 2025

The revelations from the PLS algorithm for the outer model revealed that the composite reliability value in the data sheet matrix for each idea performed brilliantly, with figures above 0.90 . Furthermore, the Cronbach's alpha data was also no less, all ideas soared above 0.90 . The



third test pursued the Average Variance Extracted (AVE), if the AVE reached 0.50 , the idea was considered okay. From the data that emerged, it was clear that all ideas had AVEs above 0.50 . After the convergent validity was checked and passed smoothly, the next step was to dive into discriminant validity, to ensure that each latent variable concept was significantly different from the others. Here are the results of the calculations for discriminant validity:

Table 3. Discriminant validity

|                     | Company Size | Exchange Rate | Foreign Ownership | Moderating Effect 1 | Moderating Effect 2 | Moderating Effect 3 | Tax Burden | Transfer Pricing |
|---------------------|--------------|---------------|-------------------|---------------------|---------------------|---------------------|------------|------------------|
| Company Size        | 1.000        |               |                   |                     |                     |                     |            |                  |
| Exchange Rate       | -0.103       | 1.000         |                   |                     |                     |                     |            |                  |
| Foreign Ownership   | -0.016       | 0.001         | 1.000             |                     |                     |                     |            |                  |
| Moderating Effect 1 | -0.042       | 0.030         | -0.018            | 1.000               |                     |                     |            |                  |
| Moderating Effect 2 | 0.138        | 0.008         | 0.028             | 0.058               | 1.000               |                     |            |                  |
| Moderating Effect 3 | -0.051       | -0.381        | 0.030             | -0.033              | -0.422              | 1.000               |            |                  |
| Tax Burden          | 0.238        | -0.467        | 0.026             | 0.041               | 0.768               | 0.011               | 1.000      |                  |
| Transfer Pricing    | -0.301       | 0.044         | 0.020             | 0.017               | 0.304               | -0.115              | 0.321      | 1.000            |

Source: SmartPLS Processed Data, 2025

From the data sheet above, it's clear that several loading factor values from latent variables have a greater impact on the target idea than on other ideas when compared with other latent variables. This indicates that each latent variable has substantial discriminant validity, as the correlation between the indicator and the idea is much stronger than with other ideas. The requirement for a loading factor to be considered strong is that it must exceed 0.5 (Ghozali, 2021) . For the inner model, a test was conducted to check the R-Square value for each endogenous latent variable, which provides an indication of how robust the structural model's predictive power is. Changes in R-Square can be used to explore the extent to which exogenous latent variables support endogenous variables, and whether their Repercussions are truly significant (Ghozali, 2021) . Here are the details:

Table 4. R Square

|                         | R Square | Adjusted R Square |
|-------------------------|----------|-------------------|
| <b>Transfer Pricing</b> | 0.336    | 0.306             |

Source: SmartPLS Processed Data, 2025

From the datasheet above, the R-Square value for the Transfer Pricing variable reached 0.336, indicating that the Scholarly work model could accommodate 33.6 % of the variation in that variable. On the other hand, the Adjusted R-Square of only 0.306 indicates that, after accounting for the number of independent variables, this model was still able to explain 30.6% of the variation in Transfer Pricing. However, this figure makes the model appear less than ideal, as the remaining

76.4 % of the variation is driven by factors outside the model. With an R-Square of only 0.336, this model falls into the poor category, indicating that the independent variables in this Scholarly work have little impact on the realm of Transfer Pricing fluctuations, making its predictive accuracy weak. After testing the inner model, the next step is to peek at the value of the outer model, aka the measurement model (Abdillah, 2015) . Here are the Bootstrapping results:

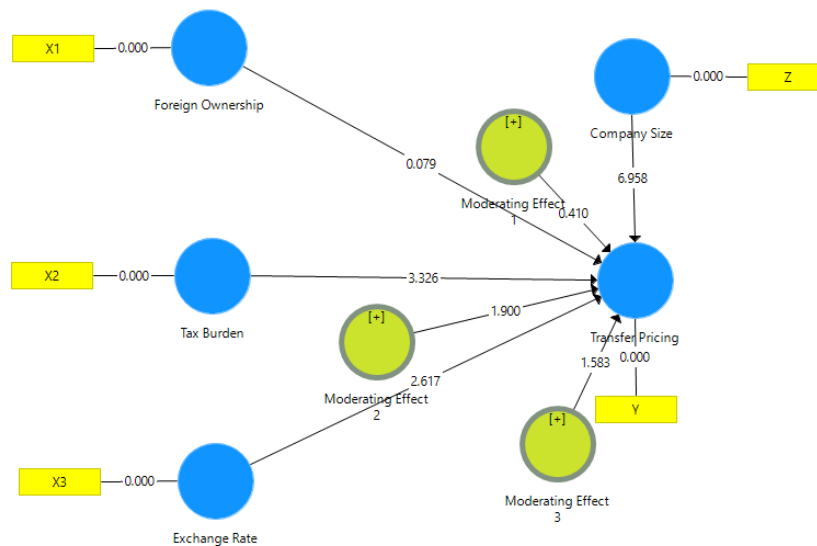


Figure 2. SmartPLS Bootstrapping Structural Model Output

Source: SmartPLS Processed Data, 2025

An outer model, or measurement model, is created to predict causal Interrelations between variables or test hypotheses by indicating a significance level. In SmartPLS, the Computed t-value value in the outer model must exceed 1.966 for a two-tailed hypothesis at a 5 percent alpha level (Jogiyanto, 2009). Here are the results of the Path Estimated parameters and significance test:

Table 5. Output Path Estimated parameters

|                                         | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|-----------------------------------------|---------------------|-----------------|----------------------------|------------------------|----------|
| Tax Burden -> Transfer Pricing          | 0.931               | 0.964           | 0.255                      | 3.643                  | 0.000    |
| Exchange Rate -> Transfer Pricing       | 0.365               | 0.345           | 0.141                      | 2.580                  | 0.010    |
| Foreign Ownership -> Transfer Pricing   | 0.006               | 0.008           | 0.070                      | 0.080                  | 0.937    |
| Moderating Effect 1 -> Transfer Pricing | -0.031              | -0.034          | 0.071                      | 0.432                  | 0.666    |
| Moderating Effect 2 -> Transfer Pricing | -0.294              | -0.318          | 0.141                      | 2.083                  | 0.038    |
| Moderating Effect 3 -> Transfer Pricing | -0.190              | -0.179          | 0.120                      | 1.579                  | 0.115    |
| Company Size -> Transfer Pricing        | -0.436              | -0.442          | 0.060                      | 7.293                  | 0.000    |

Source: SmartPLS Processed Data, 2025

## Discussion

### 1. The Repercussion of Foreign Ownership on Transfer Pricing

The Scholarly work revelations show that foreign ownership does not have a significant impact on transfer pricing, with a Computed t-value of 0.080 ( $< 1.966$ ) and a calculated probability of 0.937 ( $> 0.05$ ). This means that the presence of foreign shareholders in the company's ownership structure does not directly trigger transfer pricing practices. Theoretically (Jensen et al., 1976), agency theory predicts that foreign ownership can create agency conflicts due to differences in interests between principals (foreign shareholders) and agents (local management), but these revelations indicate that the potential for such conflicts does not encourage transfer pricing practices. This condition is likely Shaping forced by increased regulatory oversight of companies with foreign ownership and the long-term orientation of foreign investors in the realm of building reputation and legitimacy in the host country. Thus, foreign ownership cannot be considered a primary factor explaining transfer pricing behavior, so that supervisory policies need to consider other factors such as management characteristics, incentive structures, and cross-country regulatory frameworks. This revelation is in line with (Tiwa et al., 2017) and (Prabaningrum et al., 2021) which also show that foreign ownership has no impact on transfer pricing decisions.

### 2. The Repercussion of Tax Burden on Transfer Pricing

This Scholarly work found that the tax burden has a positive and significant impact on transfer pricing, with a soaring Computed t-value of 3.643 ( $> 1.966$ ) and a calculated probability of 0.000 ( $< 0.05$ ), which means that the higher the tax burden, the greater the tendency of companies to carry out transfer pricing. This is in accordance with agency theory (Jensen et al., 1976), where management as an agent has an incentive to maximize profits for the principal by reducing the tax burden. Transfer pricing is used as a tax avoidance strategy by shifting profits to low-tax jurisdictions, despite the legal risks. This revelation shows that tax planning through transfer pricing is a response to fiscal pressures faced by companies, so that tax authorities need to tighten supervision of companies with high tax burdens and evaluate tariff disparities between countries. This revelation is consistent with Scholarly work by (Cahyadi & Noviori, 2018), (Khotimah, 2018), and (Chalimatussa'diyah, N., Diana & Mawardi, 2020), which all found that tax burden has a positive Repercussion on transfer pricing. However, (Mispiyanti, 2015) and (Azhari & Winingrum, 2024) found that tax burden has no impact.

### 3. The Shaping force of Exchange Rates on Transfer Pricing

The revelations demonstrate that exchange rates have a significant impact on transfer pricing, with a soaring Computed t-value of 2.580 ( $> 1.966$ ) and a calculated probability of 0.010 ( $< 0.05$ ). This means that exchange rate fluctuations encourage companies to adjust transfer prices

between affiliated entities. Grounded in agency theory (Jensen et al., 1976), management has the responsibility to manage financial risks, including exchange rate risk. Therefore, when faced with exchange rate volatility, management uses transfer pricing as a tool to mitigate the negative impact on consolidated financial statements. By shifting profits to countries with more stable or favorable currencies, companies can maintain their economic value and financial stability. This revelation confirms that transfer pricing is not only used for tax avoidance but also as a risk management instrument. Therefore, evaluation of transfer pricing policies needs to consider the aspect of cross-border exchange rate risk. This Scholarly work aligns with (Sarifah et al., 2019) and (Prananda & Triyanto, 2020) revelations that suggest exchange rates have a positive Repercussion on transfer pricing, suggesting that management prefers to exploit exchange rate differences for transfer pricing strategies. However, (Mayzura & Apriwenni, 2023) argue that exchange rates have no significant impact.

#### 4. The Repercussion of Foreign Ownership on Transfer Pricing with Firm Size as Moderator

The revelations show that company size does not moderate the relationship between foreign ownership and transfer pricing, with a soaring Computed t-value of 0.432 ( $<1.966$ ) and a calculated probability of 0.666 ( $>0.05$ ). This means that company size neither strengthens nor weakens the Shaping force of foreign ownership on transfer pricing practices. Agency theory states that company size can Shaping force the complexity of agency and monitoring Interrelations, but in this context (Jensen et al., 1976), the Shaping force of foreign ownership is consistent across both large and small companies. This condition may be caused by the Repercussioniveness of internal monitoring mechanisms and external regulations that make management behavior relatively similar across all company scales. Overall, these revelations show that company size is not a strong moderating factor in the realm of the relationship between foreign ownership and transfer pricing, so that future Scholarly work should expand the realm of Scrutiny of foreign owner control mechanisms rather than simply company size.

#### 5. The Repercussion of Tax Burden on Transfer Pricing with Firm Size as Moderator

The Scholarly work revelations show that company size negatively and significantly Adjusts the relationship between the relationship between tax burden and transfer pricing, with a soaring Computed t-value of 2.083 ( $>1.966$ ) and a calculated probability of 0.038 ( $<0.05$ ). This means that the larger the company size, the weaker the Shaping force of tax burden on transfer pricing practices. (Jensen et al., 1976) Agency theory supports this revelation by arguing that large companies generally have better governance and are under strict public and tax authority oversight, so that management's room for maneuver to use transfer pricing strategies is limited even though the tax burden is high. This confirms that corporate governance plays an important role in the realm of limiting tax aggressiveness. Therefore, transfer pricing monitoring policies need to

consider the different internal control capacities at each company scale to be more Repercussionive in the realm of minimizing the practice of profit shifting across jurisdictions.

#### 6. The Repercussion of Exchange Rate on Transfer Pricing with Firm Size as Moderator

The Scrutiny revelations show that company size does not significantly moderate the Shaping force of exchange rates on transfer pricing, with a soaring Computed t-value of 1.579 ( $<1.966$ ) and a calculated probability of 0.115 ( $>0.05$ ). This means that both large and small companies are equally affected by exchange rate fluctuations in the realm of transfer pricing decision-making. Grounded in agency theory (Jensen et al., 1976), management is responsible for the realm of exchange rate risk management, regardless of company size, so the impact tends to be evenly distributed. This revelation reinforces the view that exchange rate risk is an external factor that has a general impact on companies across scales. Therefore, exchange rate risk management strategies in the realm of transfer pricing context are more determined by the company's global financial policies than its operational size. This demonstrates the importance of implementing standardized risk management policies in the realm of transfer pricing practices across industries and company sizes.

## CONCLUSION

This Scholarly work concludes that tax burdens and exchange rates play a significant role in driving transfer pricing practices, while foreign ownership appears to be a silent guest, with no real Shaping force. Company size is shown to negatively mitigate the relationship between tax burdens and transfer pricing, but not sufficiently to interfere with the relationship between foreign ownership or exchange rates and transfer pricing. These revelations confirm that transfer pricing is not only triggered by tax traps, but also by external shocks such as exchange rate fluctuations, which create opportunities for profit shifting between jurisdictions. Larger companies, with better governance, appear to be able to curb tax aggressiveness. Therefore, tax authorities are advised to tighten oversight of companies with high tax burdens and be more observant of exchange rate dynamics when assessing transfer pricing risks. Supervisory policies also need to be formulated adaptively, adjusting to the scale and complexity of the company. Theoretically, this Scholarly work enriches insights into agency theory across borders. Practically, these results underscore the urgency of strong governance and intelligent fiscal policy to prevent profit shifting that harms the state treasury.

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