Jurnal Ilmiah Ekonomi dan Bisnis
Vol. 23. No.2, September 2026: 147-158
EISSN : 2442 – 9813
ISSN : 1829 – 9822

THE EFFECT OF EFFECTIVE TAX RATE, MULTINATIONALITY, AND INTANGIBLE ASSETS ON TRANSFER PRICING

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accepted: 27/8/2026; revised: 28/9/2026; published: 30/9/2026

Abstract: Transfer pricing practices among multinational enterprises remain a persistent concern for tax authorities, yet empirical studies on its determinants report inconsistent findings. Using a quantitative approach and a purposive sampling technique, this study examines how effective tax rate, multinationality, and intangible assets shape transfer pricing among six firms listed on the Indonesia Stock Exchange (IDX) within the Consumer Non-Cyclicals industry from 2019 to 2024, generating 36 firm-year observations evaluated with a fixed effects panel regression in EViews 12. Results indicate that effective tax rate, multinationality, and intangible assets simultaneously influence transfer pricing, although only effective tax rate (β = -0.071, p = 0.037) and intangible assets (β = -0.392, p = 0.001) show a significant partial effect, while multinationality (β = 0.109, p = 0.226) shows none. These findings show that multinationality does not independently drive transfer pricing decisions in this sample, offering a possible explanation for the mixed results reported in prior studies. As a practical implication, tax authorities are advised to strengthen the monitoring of intangible asset valuations and corporate tax strategies to minimize potential transfer pricing abuse.

Keywords: Effective Tax Rate, Multinationality, Intangible Assets, Transfer Pricing.

INTRODUCTION

Taxes are frequently viewed as costs that reduce an entity's net profit. This perception drives companies to undertake various tax management efforts to minimize their tax liabilities (Herlina & Murniati, 2023), one of which is profit shifting through transfer pricing schemes. Multinational enterprises are particularly scrutinized in this practice because their flexible organizational structures allow them to exploit oversight gaps left by tax authorities. To mitigate such practices, governments have implemented regulations to enforce the Arm's Length Principle in transfer pricing. Specifically in Indonesia, this is regulated under the Minister of Finance Regulation PMK-172/2023 concerning the Application of the Arm's Length Principle in Transactions Influenced by Special Relationships.

Despite these regulations, the urgency of this research stems from significant national revenue losses caused by profit shifting. Indonesia suffered tax losses amounting to USD 2.9 billion due to offshore profit shifting totaling USD 13.5 billion (Tax Justice Network, 2024). This loss represents an increase from previous years, indicating that profit shifting remains a serious challenge. A real-world example involves PT Bentoel Internasional Investama Tbk, which allegedly abused the Double Taxation Avoidance Agreement (DTAA) between Indonesia and the United Kingdom through royalty payments and IT service fees, resulting in estimated tax losses of USD 2.7 million annually (Nadhira & Asalam, 2024). This situation demonstrates

Jurnal Ilmiah Ekonomi dan Bisnis
Vol. 23. No.2, September 2026: 147-158
EISSN : 2442 – 9813
ISSN : 1829 – 9822

that existing regulations are still insufficient to prevent profit shifting practices completely.

Transfer pricing practices are fundamentally influenced by several interrelated factors. First, the effective tax rate serves as the primary motivation driving entities to lower their tax burdens. Second, multinational status is leveraged as an opportunity to conduct intra-group transactions that are difficult for tax authorities to monitor. Third, intangible assets are utilized as mechanisms due to the challenge of identifying comparable data for objective valuation under the Arm's Length Principle. Previous empirical studies on this topic yield inconsistent results. Several studies demonstrate that variations in the effective tax rate affect transfer pricing decisions (Abbas & Eksandy, 2020; Hertanto et al., 2023; Yumna et al., 2021), whereas another empirical study shows no significant effect (Makhmudah & Djohar, 2023). Similarly, a significant effect of multinationality is observed in prior empirical work (Irawan & Ulinnuha, 2022; Rifqiyati et al., 2021), contrasting with other findings reporting no effect (Nadhira & Asalam, 2024; Wulandari et al., 2021). Furthermore, multiple studies show that intangible assets shape transfer pricing practices (Adhika & Wulandari, 2023; Riyan & Afridayani, 2023; Wijaya & Soetardjo, 2024), whereas another empirical study indicates no significant effect (Bhudiyantia & Suryarini, 2022). As highlighted in systematic international reviews, such empirical inconsistencies underscore that firm-level transfer pricing behavior in emerging economies remains highly context-dependent (Kalra & Afzal, 2023).

These conflicting findings point to a gap in the literature, as most prior studies examine effective tax rate, multinationality, and intangible assets in isolation or in different combinations, leaving their joint and individual effects on transfer pricing largely untested within a single model. To help close this gap, this study examines how these three factors influence transfer pricing within the consumer non-cyclicals sector listed on the Indonesia Stock Exchange from 2019 to 2024. This sector provides a relevant empirical context, as its core business operations rely heavily on proprietary brand equity, trademarks, and intra-group supply chain transactions, which present distinct valuation challenges under the Arm's Length Principle. By evaluating these determinants simultaneously within a single framework, this study offers empirical evidence to the ongoing debate on multinationality's mixed results, demonstrating that multinational status does not serve as an independent driver of transfer pricing behavior in this sample, while also providing tax authorities with a practical basis for strengthening related-party audits.

LITERATURE REVIEW

Agency Theory

Agency framework examines how conflicting objectives and information imbalances between principals and agents shape organizational behavior (Masyhuri, 2024). Information asymmetry within agency relationships triggers moral hazard, which is a condition where agents potentially take actions that cannot be fully monitored by the principal, thereby opening space for opportunistic behavior. The dynamics of agency relationships can be understood through three core assumptions (Eisenhardt, 1989). First, human assumptions, which emphasize that humans have bounded rationality and thus tend to be risk-averse to protect their self-interests.

Second, organizational assumptions, which state that members within an organization have their respective motivations or goals to achieve. Third, information assumptions, where information is viewed as an essential asset in decision making regarding policies. This theory provides a logical framework showing that transfer pricing practices are outcomes arising from the opportunistic behavior of agents due to information asymmetry conditions. Factors such as effective tax rates, multinationality, and intangible assets can theoretically influence the extent of opportunities and incentives realized in decision making related to transfer pricing practices.

Positive Accounting Theory

According to positive accounting theory, the accounting policies thatmanagement actually chooses in practice can be explained and predicted through one central premise, namely that management tends to act in ways that maximize its own interests when making decisions. Three hypotheses commonly used to explain this managerial behavior (Watts & Zimmerman, 1990). First, the bonus plan hypothesis, which explains that decision making is aimed at receiving incentives or bonuses from the principal as a reward for achieved performance. Second, the debt covenant hypothesis posits that managerial choices are structured to prevent breaches of credit stipulations. Third, the political cost hypothesis, which explains that policy selection is aimed at avoiding scrutiny and the risk of additional regulations from the government or public on generated profits. This theory provides a logical framework showing that transfer pricing is a practice used to achieve specific objectives due to underlying motivations. Through the bonus plan hypothesis, management is considered to optimize profits to obtain incentives. Meanwhile, through the political cost hypothesis, management is driven to minimize tax expenses as a form of political cost through profit shifting practices.

In synthesis, Agency Theory and Positive Accounting Theory provide a complementary framework for understanding transfer pricing. Agency Theory explains how information asymmetry between tax authorities and management creates opportunities for moral hazard. Meanwhile, Positive Accounting Theory clarifies the specific managerial incentives, such as tax minimization under the political cost hypothesis and performance optimization under the bonus plan hypothesis, that drive agents to exploit these opportunities.

Hypothesis Development

The role of management, having full authority in determining corporate accounting policies, is a crucial reason for the occurrence of transfer pricing practices. Based on agency theory, management operates in two directions of agency relationships: (1) with shareholders in managing operational performance, and (2) with tax authorities in maintaining tax compliance. Information asymmetry in both agency relationships opens opportunities for moral hazard, representing a condition where principals find it difficult to monitor managerial decisions, which ultimately triggers decision making solely for managerial self-interest. This aligns with the perspective of positive accounting theory, particularly through the bonus plan hypothesis and political cost hypothesis, which indicate that management has incentives to maintain earnings targets while suppressing tax burdens to avoid stricter scrutiny from tax authorities.

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The three variables in this study play distinct roles in supporting these practices. Effective tax rate acts as the initial incentive driving management to utilize transfer pricing schemes to move corporate profits in an effort to cope with high tax burdens. Multinationality serves as an opportunity because broad cross-jurisdictional networks make inter-entity transactions harder to monitor. Intangible assets act as a mechanism in determining transfer prices due to the flexibility resulting from the difficulty of objectively verifying their value based on the arm's length principle. A company with a high tax rate but without a multinational network or intangible assets will have a smaller opportunity to execute profit shifting practices effectively. Based on this line of reasoning, the hypothesis is formulated as follows:
H1: Effective tax rate, multinationality, and intangible assets are suspected to affect transfer pricing.

Based on agency theory, the agency relationship between tax authorities as the principal and the company as the agent generates pressure through high effective tax rates, thereby driving management to maketransfer pricing decisions. This condition is reinforced by information asymmetry, which makes it difficult for tax authorities to monitor managerial actions in shifting profits from high-tax jurisdictions. In practice, this mechanism typically manifests through the adjustment of intercompany transaction prices, such as inflating the cost of goods purchased from related parties or reducing the price of goods sold to them, thereby lowering the taxable profit reported in the high-tax jurisdiction. The political cost hypothesis becomes relevant because a high effective tax rate represents a substantial political cost burden, while the bonus plan hypothesis further explains that pressure on net profit drives management to preserve profit performance to achieve their incentive targets. Empirical evidence confirms that the magnitude of effective tax rates is directly linked to transfer pricing policies (Abbas & Eksandy, 2020; Hertanto et al., 2023; Yumna et al., 2021). These findings further strengthen the suspicion that tax burdens trigger profit shifting practices. Meanwhile, another empirical study reported the opposite result (Makhmudah & Djohar, 2023), indicating that this literature gap still needs to be re-examined. Referring to the arguments above, the proposed hypothesis formulation is:
H2: Effective tax rate is suspected to affect transfer pricing.

Multinational companies with complex cross-border operations provide opportunities for management to exploit information asymmetry gaps in agency relationships, as more involved entities and jurisdictions make it harder for tax authorities to monitor all inter-entity transactions. This opportunity is typically realized through the structuring of intercompany service fees, royalty payments, or loan arrangements across subsidiaries located in different tax jurisdictions, where the sheer number of cross-border transactions makes comprehensive oversight by a single tax authority increasingly impractical. The political cost hypothesis remains relevant in this regard, as broader access to differing tax policies across countries provides management with opportunities to leverage affiliation structures to minimize tax burdens. The bonus plan hypothesis further reinforces this argument, as the motivation

to maintain earnings performance by arranging profit distribution among entities remains linked to achieving managerial incentive targets. Multinational involvement is proven to drive transfer pricing, as shown in prior empirical literature (Irawan & Ulinnuha, 2022; Rifqiyati et al., 2021). This clarifies the view that the higher and more complex the business network owned by a company, the wider the opportunity to shift profits. Meanwhile, other findings report non-significant results (Nadhira & Asalam, 2024; Wulandari et al., 2021), making re-testing still relevant. Referring to the arguments above, the proposed hypothesis formulation is:
H3: Multinationality is suspected to affect transfer pricing.

Intangible assets possess characteristics that are difficult to measure and objectively verify, thereby increasing the information gap between the agent and the principal. This condition provides space for management as agents to utilize valuation flexibility in formulating transfer pricing schemes that are difficult for outside parties to identify. Concretely, this flexibility is often exercised through the setting of licensing fees or royalty rates for the use of patents, trademarks, or proprietary technology between related entities, where the lack of comparable market transactions makes it exceedingly difficult for tax authorities to determine whether the pricing genuinely reflects the intangible asset's economic value. The bonus plan hypothesis explains that management uses this flexibility to preserve earnings performance for incentive targets, while the political cost hypothesis becomes relevant because difficulty in asset valuation opens opportunities to shift cross-border profits to minimize tax burdens while avoiding tax oversight. The influence of intangible assets on transfer pricing schemes is confirmed by several empirical studies (Adhika & Wulandari, 2023; Riyan & Afridayani, 2023; Wijaya & Soetardjo, 2024). Their findings emphasize that asset characteristics that are difficult to verify are frequently exploited as profit shifting mechanisms. Meanwhile, another study found a non-significant result (Bhudiyantia & Suryarini, 2022), making re-testing still relevant. Referring to the arguments above, the proposed hypothesis formulation is:
H4: Intangible assets are suspected to affect transfer pricing.

The research model can be seen in the following figure:

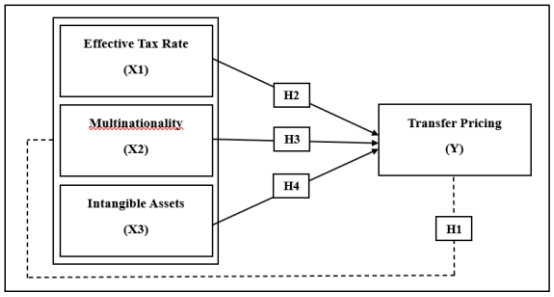


Figure 1. Research Model
Source: Processed by Author, 2026.

RESEARCH METHODS

Employing a quantitative empirical approach, this study utilizes secondary observations retrieved from the annual financial statements of consumer non-cyclicals enterprises listed on the Indonesia Stock Exchange (IDX) spanning the 2019-2024 period. Target companies were selected through a purposive sampling method based on specific eligibility criteria detailed as follows:

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EISSN : 2442 – 9813
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Table 1. Sample Selection Criteria

No	Criteria	Criteria Violation	Total
1.	Consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange (IDX)	-	132
2.	Consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) no later than January 1, 2019	(63)	69
3.	Companies publishing complete annual reports and financial statements during the 2019-2024 period containing required information	(17)	52
4.	Companies having at least one foreign subsidiary or affiliated entity overseas	(35)	17
5.	Companies recording net profits consistently during the 2019-2024 period	(11)	6
Companies Meeting Sample Criteria			6
Observation Years 2019-2024			6 years
Total Overall Sample			36

Source: Processed by Author, 2026.

Two techniques were used to collect the data for this study, documentation and library research. The documentation technique was executed by searching, retrieving, and recording the required financial figures from published audited financial statements and annual reports of the sample companies. Meanwhile, library research was conducted by reviewing academic literature, previous research journals, tax regulations, and official documents to establish a comprehensive theoretical framework regarding transfer pricing, effective tax rate, multinationality, and intangible assets.

The transfer pricing variable is operationalized through the Related Party Transactions indicator (Uminingtyas, 2023), where related party receivables are expressed as a proportion of the company's total receivables:

$$\text{RPT} = \frac{\text{Related Party Receivables}}{\text{Total Receivables}} \text{ x } 100\%$$

The effective tax rate metric is operationalized by expressing the company's total income tax expense relative to its pre-tax profit (Yumna et al., 2021), with the following calculation:

$$\text{ETR} = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$$

The multinationality variable is calculated from the comparison between foreign subsidiary units overseas and the total subsidiary entities owned (Rifqiyati et al., 2021), which is formulated as follows:

$$\text{MULT} = \frac{\text{Total Foreign Subsidiaries}}{\text{Total Subsidiaries}}$$

The intangible asset variable is proxied through the comparison of non-physical asset carrying values relative to aggregate firm assets (Adhika & Wulandari, 2023), with the following mathematical formulation:

$$IA = \frac{\text{Total Intangible Assets}}{\text{Total Assets}}$$

Quantitative data processing in this research relies on panel data regression processed through EViews 12 software. To determine the most appropriate estimation model, a series of testing procedures was carried out sequentially including the Chow, Hausman, and Lagrange Multiplier specification tests. Once the optimal model is identified, classical assumption tests are conducted, encompassing normality, multicollinearity, heteroskedasticity, and autocorrelation tests, to ensure model robustness. Analysis then proceeds to hypothesis evaluation through the coefficient of determination, overall model significance (F-test), and individual parameter testing (t-test). The empirical regression model used to analyze these relationships is formulated as follows:

$$TP_{it} = \alpha + \beta_1 ETR_{it} + \beta_2 MULT_{it} + \beta_3 IA_{it} + \varepsilon_{it}$$

Description:

TP	: Transfer Pricing
α	: Constant
$\beta_1, \beta_2, \beta_3$	: Regression coefficients
ETR	: Effective Tax Rate
MULT	: Multinationality
IA	: Intangible Assets
ε	: Residual (standard error)
i, t	: Company entities and time period

RESULTS AND DISCUSSION

A total of six IDX-listed consumer non-cyclicals enterprises covering the 2019-2024 timeframe were included in this study, together contributing 36 observations. The Chow test (cross-section F = 516.34; p = 0.000) together with the Hausman test (chi-square = 16.48; p = 0.0009) both pointed to the Fixed Effect Model as the estimation approach best suited to this study. Descriptive statistics for the four research variables, using the abbreviations TP (transfer pricing), ETR (effective tax rate), MULT (multinationality), and IA (intangible assets), are presented in Table 2.

Table 2. Descriptive Statistics

Statistic	TP	ETR	MULT	IA
Mean	0,3033	0,2700	0,2548	0,1327
Median	0,1418	0,2411	0,2638	0,0073
Maximum	0,9907	0,9218	0,6333	0,5393
Minimum	0,0047	0,1852	0,1000	0,0003
Std. Dev.	0,3508	0,1193	0,1177	0,1783
Kurtosis	2,4766	26,273	4,3332	2,5754
Obs.	36	36	36	36

Source: Output EViews 12, 2026.

As presented in Table 2, transfer pricing recorded an average of 0.303, with a range spanning from 0.005 to 0.991, reflecting substantial variation across the sample firms. For effective tax rate, the average stood at 0.270, paired with a standard deviation of 0.119. However, its kurtosis value reaches 26.27, indicating the presence of extreme data points. Meanwhile, multinationality and intangible assets record mean values of 0.255 and 0.133, respectively, with varied data distributions across observation years.

Testing for normality using the Jarque-Bera method resulted in 0.382 (p = 0.826 > 0.05), confirming normally distributed residuals. Multicollinearity checks showed pairwise correlations between -0.154 and 0.398, well under the 0.85 threshold, indicating no collinearity problems. The Glejser test indicated no heteroskedasticity across all independent variables (ETR = 0.665; MULT = 0.090; IA = 0.246).

Initial estimation of the Fixed Effect Model produced a Durbin-Watson statistic

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of 0.915918, approaching the lower boundary and signaling potential autocorrelation. To address this issue, the model was refined using the Panel EGLS approach with Cross-section Weights. This estimation adjusted the final Durbin-Watson statistic to 1.443066. Based on the Durbin-Watson decision rule (dL = 1.2953, dU = 1.6539 at n = 36, k = 3), this value falls within the inconclusive zone, meaning the presence of autocorrelation cannot be definitively confirmed or ruled out using this test alone. Nevertheless, the improvement from 0.915918 to 1.443066 following the EGLS adjustment suggests a meaningful reduction in autocorrelation compared to the initial estimation. The final Panel EGLS estimation outputs are summarized in Table 3.

Table 3. Panel EGLS (Fixed Effect Model) Results

Variable	Coefficient	t-Statistic	Prob.
C	0.3469	14.7875	0.0000
ETR	-0.0713	-2.1953	0.0369
MULT	0.1090	1.2402	0.2256
IA	-0.3921	-3.9502	0.0005
Model Summary			
R-squared	0.9979	Durbin-Watson	1.4431
Adj. R-squared	0.9972		
F-Statistic	1587.173		
Prob(F-Statistic)	0.0000		

Source: Output Eviews 12, 2026.

The resulting panel data regression equation is as follows:

$$TP = 0.347 - 0.071X_1 + 0.109X_2 - 0.392X_3 + \varepsilon$$

The F-test produces an F-statistic of 1,587.173 with a significance value of 0.000, demonstrating that effective tax rate, multinationality, and intangible assets jointly affect transfer pricing, thereby supporting H1. This assertion is further strengthened by an Adjusted R^2 value of 0.9972, which implies that 99.72% of the total change in transfer pricing stems from the three predictor variables, while the remaining 0.28% is attributable to external forces. This high explanatory power confirms that the overall regression model is statistically well-specified, reflecting the collective explanatory capability of the predictors in line with agency theory and positive accounting theory framework.

The partial t-test for effective tax rate yields a t-statistic of 2.195 with a significance value of 0.0369, thereby supporting H2 in terms of statistical significance. Economically, the coefficient of -0.0713 indicates that for every one-unit increase in effective tax rate, the transfer pricing proxy decreases by 0.0713 units, a direction that, while statistically significant, runs counter to the study's initial theoretical expectation of a positive relationship. Rather than driving aggressive profit shifting, a higher tax burden in this sample may heighten regulatory scrutiny from tax authorities, prompting risk-averse firms to restrain intercompany transaction volumes. Furthermore, multinational enterprises may employ alternative transfer pricing strategies not captured by related-party receivables, such as intra-group loans and cost allocations (Sebele-Mpofu et al., 2021). This interpretation was not directly tested in the present study and would benefit from confirmation using a broader set of transfer pricing proxies. This result is consistent with prior studies (Abbas & Eksandy, 2020; Hertanto et al., 2023; Yumna et al., 2021), but differs from another study reporting a non-significant effect (Makhmudah & Djohar, 2023).

The partial t-test for multinationality

shows a t-statistic of 1.240 with a significance value of 0.2256, thereby rejecting H3. Multinationality alone does not exert a statistically significant individual effect on transfer pricing. One possible explanation, though not directly tested here, is that the multinational companies in this sample have relatively high public exposure, which may increase the likelihood that they comply with the arm's length principle to avoid sanctions or increased scrutiny from tax authorities. A plausible explanation also relates to the nature of demand in the consumer non-cyclicals sector, as firms in this industry sell products with relatively stable, recession-resistant demand, they may face less commercial pressure to restructure operations across borders compared to firms in more cyclical or export-oriented industries. This sector-specific dynamic was not directly measured in this study and remains a direction for future research. This result is in line with previous empirical findings (Nadhira & Asalam, 2024; Wulandari et al., 2021), but differs from other studies reporting a significant effect (Irawan & Ulinnuha, 2022; Rifqiyati et al., 2021).

The partial t-test for intangible assets returns a t-statistic of 3.950 with a significance value of 0.0005 lending support to H4. Intangible assets are inherently difficult to measure and verify objectively, widening the information asymmetry gap between management and the principal and providing management with an opportunity to exploit valuation flexibility in structuring transfer pricing arrangements. The coefficient of -0.3921, the largest in magnitude among the three variables, indicates that intangible assets exert the strongest influence on transfer pricing in this sample, though again in a negative direction contrary to initial expectations. Given that intangible assets in this sector are often tied to brand recognition and other domestically oriented commercial value, it is plausible that firms with substantial intangible asset holdings consolidate related-party transactions within domestic operations rather than distributing them across jurisdictions. This mechanism was not directly examined in the present study and warrants further investigation using proxies that more precisely capture cross-border intangible asset transfers, such as royalty payment ratios. This result is consistent with prior research (Adhika & Wulandari, 2023; Riyan & Afridayani, 2023; Wijaya & Soetardjo, 2024), but differs from another study reporting a non-significant effect (Bhudiyantia & Suryarini, 2022).

From a theoretical perspective, this study enriches the transfer pricing literature by highlighting the nuanced role of firm characteristics in emerging markets. While Agency Theory and Positive Accounting Theory traditionally posit that higher tax burdens and intangible asset holdings incentivize profit shifting, the empirical findings reveal a negative relationship. This suggests that in this sample, high tax burdens and valuable domestic intangibles may prompt risk-averse behavior and domestic transaction consolidation rather than aggressive cross-border profit shifting.

From a practical and sector-specific perspective, the findings offer valuable insights for tax authorities and policymakers regulating the consumer non-cyclicals industry. Since multinationality alone does not drive transfer pricing manipulation in this sector, tax audits should not rely solely on firm scope or size as primary risk indicators. Instead, regulatory enforcement should focus on verifying the valuation mechanisms of intangible assets and monitoring specific intercompany transaction channels beyond related-party

receivables, such as intra-group loans and management fees.

CONCLUSION AND SUGGESTION

This study examines the effects of effective tax rate, multinationality, and intangible assets on transfer pricing practices among consumer non-cyclicals firms listed on the Indonesia Stock Exchange. The empirical results demonstrate that while the combined model exhibits high explanatory power, the individual variables operate through distinct mechanisms. Effective tax rate and intangible assets exert statistically significant negative effects on transfer pricing, whereas multinationality shows no significant partial effect, suggesting its influence only emerges when combined with sufficient motivation and means.

These findings enrich the transfer pricing literature within emerging market contexts by refining the application of Agency Theory and Positive Accounting Theory. Contrary to traditional theoretical assumptions that higher tax burdens and intangible assets inherently drive aggressive profit shifting, the empirical findings demonstrate a negative relationship, suggesting that firms in this sample may respond to tax and valuation pressures through risk-averse, domestically consolidated strategies rather than cross-border profit reallocation.

From a practical perspective, the findings offer actionable insights for tax administration in the consumer non-cyclicals sector. Tax authorities should reconsider relying on firm size or multinational scope as primary indicators of transfer pricing risk, as multinationality alone does not drive profit shifting in this sample. Instead, regulatory enforcement should focus on monitoring valuation mechanisms for intangible assets and auditing alternative intercompany transaction channels, such as intra-group loans and management fees, rather than focusing exclusively on related-party receivables.

Finally, this study has limitations that outline specific directions for future research. Because the transfer pricing proxy was restricted to related-party receivables, future studies should employ broader metrics, including intra-group financing and royalty payment ratios, to capture alternative profit-shifting channels. Future research should also extend the analysis to other sectors to examine whether the risk-averse pattern observed here is sector-specific, and could explicitly incorporate regulatory visibility or tax audit intensity as moderating variables to empirically test the risk-averse mechanism suggested by this study.

THE USE OF AI OR AI-ASSISTED TECHNOLOGIES

During the preparation of this work, the author(s) used Claude (Anthropic) in order to improve the clarity and grammatical accuracy of the manuscript and to assist in structuring revisions based on reviewer feedback. After using this tool, the author(s) reviewed and edited the content as needed and take full responsibility for the content of the publication.

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