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Transfer Pricing in the Spotlight: An Analysis of the Role of Taxes, Profitability, Tunneling Incentives, and Independent Commissioners

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Abstract: Transfer pricingis a financial strategy that companies can use to optimize tax structures and operational efficiency. However, this practice also has the potential to pose tax compliance risks and poor governance. This phenomenon is increasingly relevant in the mining sector, which has a complex business structure and transactions. This study aims to analyze the influence of taxes, profitability, tunneling incentives, and independent commissioners on companies' transfer pricing decisions. This study uses a quantitative method with a panel data regression analysis model, random effects model (REM). The research sample consisted of mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2020-2023, selected through purposive sampling. The results show that all four independent variables simultaneously influence transfer pricing. Partially, the results indicate that profitability and independent commissioners have a significant negative effect on transfer pricing, while taxes and tunneling incentives have no effect. This research is expected to enrich the literature on transfer pricing, especially in the Indonesian context.

Keywords: Transfer Pricing, Tax, Profitability, Tunneling Incentive, Independent Commissioner.

INTRODUCTION

In the era of globalization and rapid technological development, cross-border business activities are increasingly becoming an integral part of companies' economic activities. Digitization and global market integration are driving companies to adopt more complex business strategies to increase competitiveness and operational efficiency (Harto et al., 2023). One strategy widely used by multinational companies is optimizing financial structures and supply chains to reduce costs and maximize profits. In this context, transfer pricing has become a key aspect of multinational companies' financial management. Transfer pricing is not only a business strategy but also a major concern for regulators in various countries due to its potential to impact tax revenues and create loopholes for tax avoidance and profit manipulation.

*Transfer pricing*Transfer pricing is a strategy implemented by companies to set transaction prices for various types of transactions, such as goods, services, intangible assets, or financial transactions carried out by a corporate entity (Shodiq et al., 2017). When viewed from the perspective of the parties involved, transfer pricing transaction methods can be grouped into two types. First, intra-company transfer pricing, which is a transfer pricing transaction method that occurs between parts or divisions within a company. Second, inter-company transfer pricing, which is a transfer pricing transaction method that occurs between two companies that have a special relationship. A multinational company can implement transfer pricing in various schemes that often trigger disputes, some of which are unfair payments for the use of intangible assets, unreasonable payment of interest expenses, unreasonable payment of service fees for services rendered by business groups, and unreasonable payments for purchase or sales prices (Turwanto et al., 2022).

The prevalence of transfer pricing practices in Indonesia can be illustrated by several cases, most of which were won by taxpayers. Research conducted by Simamora & Hermawan (2018) on transfer pricing disputes between 2013 and 2018 found that 56.41% of tax court decisions favored taxpayers by overturning corrections made by the Directorate General of Taxes (DGT), while the remainder favored the DGT. Furthermore, taxpayers won 80% of Supreme Court decisions, while the remaining 40% favored the DGT.

The impact of transfer pricing cases has the potential to cause significant losses to state revenues. An article published by Tax Justice News titled "The State of Tax Justice 2020: Tax Justice in the Time of COVID-19" states that the potential loss of Indonesian tax revenue averages around IDR 68.7 trillion per year as a result of transfer pricing practices (Santoso, 2020). Furthermore, according to Yustinus Prastowo, Executive Director of the Center for Indonesian Taxation, transfer pricing by multinational companies can potentially result in a loss of state tax revenue of around IDR 100 trillion per year. These problematic findings are the reason why transfer pricing is an issue that requires increased government attention. Data on tax revenue contributions and GDP contributions by sector can be seen in Table 1.

Table 1. Contribution of Tax Revenue and GDP by Sector (2021)

Sector	Tax Revenue (%)	GDP (%)
Manufacturing Industry	29	19.9
Trading	19.7	10.7
Financial Services and Insurance	16.2	4.6
Real Estate	6.5	13.6
Transportation & Warehousing	4.7	4.4
Mining	4.3	6.6
Others	19.6	40.3

Based on the data in Table 1, it can be seen that the mining sector's contribution to tax revenue is still relatively small compared to other sectors. In comparison, the mining sector's contribution to tax revenue is indeed very low compared to the financial sector, which has a relatively similar GDP contribution. This is also evidenced by the mining sector's low tax buoyancy of only 0.48%, lower than the financial sector, which has a tax buoyancy above 1%. Therefore, efforts to optimize tax revenue from the mining sector are urgently needed, one of which is by suppressing transfer pricing practices.

Government oversight of transfer pricing practices is crucial, particularly in sectors prone to such practices. One sector prone to transfer pricing practices is the mining sector (Novriansyah, 2019). One prominent transfer pricing case in this sector is the case of PT Adaro Energy Tbk. PT Adaro Energy Tbk was suspected of engaging in transfer pricing practices from 2009 to 2017, with allegations resurfacing in 2019. PT Adaro Energy Tbk was suspected of transferring some of its profits to its Singaporean subsidiary, Coaltrade Services

International Pte Ltd. to reduce taxes paid in Indonesia. As a result, PT Adaro is estimated to have underpaid USD 125 million in taxes (Tuswandi, 2022). This case underscores the need for strict oversight of the mining sector, given its significant contribution to GDP and state tax revenues.

The first step the government can take to oversee transfer pricing practices is to identify the factors influencing them. Transfer pricing practices undertaken by companies are undoubtedly influenced by various factors and motives. These factors can be both tax and non-tax. Most previous studies have shown that taxes influence companies' decisions to engage in transfer pricing practices. This is because transfer pricing is often implemented with the aim of minimizing the company's tax obligations, as taxes are considered a burden that can reduce the company's profits (Mineri & Paramitha (2021), Rahayu et al. (2020), and Lestari et al. (2021)).

Profitability is another factor that can influence a company's transfer pricing practices. Profitability indicates a company's ability to manage its resources. Increased corporate revenue can lead to increased tax liabilities, which can encourage companies to seek ways to reduce their tax obligations through transfer pricing practices (Nuzul & Amin (2023), Rizal & Heriyah (2024), and Senapan & Senapan (2021)).

*Tunneling incentive*can also influence companies to engage in transfer pricing practices. Tunneling incentives arise as a result of agency conflicts between majority and minority shareholders, where the majority has greater control over corporate decisions (Refgia, 2017). In this context, transfer pricing is often used as a tool to shift corporate profits to other entities still under the control of the majority shareholder, thereby reducing the share of profits that should be received by minority shareholders (Mineri & Paramitha (2021) and Mintorogo & Djaddang (2020)).

Therefore, this study intends to test whether factors such as taxes, profitability, tunneling incentives influence transfer pricing practices, with the focus of analysis in the context of mining companies in Indonesia.

The novelty of this research lies in analyzing the influence of independent commissioners on transfer pricing, a topic rarely explored by previous researchers. The independent commissioner variable is relevant in influencing a company's transfer pricing decisions because agency theory emphasizes the need for oversight of managerial decisions. This aims to ensure managers act in line with shareholder interests (Dewi & Oktaviani, 2021a). In this context, oversight mechanisms can be implemented through the board of commissioners, whose task is to ensure that decisions made by managers align with company goals and shareholder interests.

The object of this research is mining sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. Mining companies on the IDX were chosen because the IDX is the primary stock exchange, encompassing most of the largest and most influential companies in Indonesia.

Based on the research gap and the phenomena described in the background, the problem addressed in this study is the factors influencing transfer pricing decisions of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. The research questions to be explored are whether tax policies, profitability, tunneling incentives, and the presence of independent commissioners influence transfer pricing practices in these companies.

This study aims to analyze how factors such as taxes, profitability, tunneling incentives, and the presence of independent commissioners influence transfer pricing practices in mining companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. Specifically, this study seeks to analyze the impact of tax policies on transfer pricing practices, the influence of profitability on transfer pricing practices, the effect of tunneling

incentives on transfer pricing practices, and the role of independent commissioners in influencing transfer pricing practices within these companies.

This research is expected to provide both theoretical and practical benefits. Theoretically, this study is expected to contribute to the academic literature on transfer pricing, particularly by analyzing the influence of factors such as taxes, profitability, tunneling incentives, and independent commissioners on transfer pricing practices. It aims to enhance the understanding of transfer pricing and provide a basis for future research in this area. Practically, this research will offer valuable insights for the government and tax authorities, helping them to understand the patterns and factors influencing transfer pricing practices. These insights will inform policy formulation and improve transfer pricing oversight, specifically in relation to the factors examined in this study.

METHODS

This research is a quantitative study utilizing panel data regression analysis. Panel data regression is a method used to analyze the effect of independent variables on dependent variables using panel data, which is a combination of time series and cross-sectional data. This allows for observations on the same unit over multiple time periods (Caraka, 2019). The data for this study consists of secondary data in the form of financial reports, which can be accessed through the official IDX website and the websites of the relevant companies. The sample includes mining sector companies listed on the IDX from 2020 to 2023. A purposive sampling method was used in selecting the sample, based on three criteria: (1) companies with positive pre-tax profits, (2) companies with complete data required during the research period, and (3) companies that recorded the value of related receivables during the research period.

Table 2. Results of Research Sample Selection

Sample Selection Criteria	Amount
Research Population	
• Mining sector companies	83
• Research Year	4
Total Population (company year)	**332**
Elimination Criteria	
• Companies with negative pre-tax profits	(152)
• Companies with incomplete data in the 4-year research period	(80)
• Companies that did not record related party receivables during the 4-year research period	(32)
Total elimination (company year)	**(264)**
Number of observation samples (company year)	**68**

The data analysis method used in this study is panel data regression, which allows for the examination of the effects of independent variables on the dependent variable using a combination of time series and cross-sectional data. This method is appropriate for handling data that includes multiple observations of the same entities over several time periods, enabling a more comprehensive analysis of the dynamics between variables. The regression model will estimate the relationship between transfer pricing (dependent variable) and factors such as tax (measured by the effective tax rate), profitability (measured by return on assets), tunneling incentives (measured by share ownership of controlling shareholders), and the proportion of independent commissioners (measured by the ratio of independent commissioners to total board members). The model will be tested using panel data regression techniques, and the results will be analyzed to determine the impact of these factors on transfer pricing practices in mining companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The analysis will provide insights into the significance of each factor and

how they influence transfer pricing decisions within the context of the mining sector.

RESULTS AND DISCUSSION

Result

Table 3. Descriptive Statistics Results

Variables	Mean	Median	Minimum	Maximum	Std. Dev
TP	0.1803	0.0702	0.0001	0.9442	0.2481
ROA	0.1707	0.1080	0.0080	0.7220	0.1758
ETR	0.2000	0.2138	0.0203	0.4784	0.0993
TUN	0.6759	0.6742	0.4162	0.9700	0.1478
KI	0.4142	0.3750	0.3333	0.7500	0.1093
N			68		

In descriptive statistical analysis, the measure of central tendency can be seen through several indicators. Some of these indicators are the mean, which is obtained by dividing the total number of data by the number of observations. Furthermore, there is the median, which is the middle value of a data set after systematically sorting it, which provides an overview of the data distribution. On the other hand, the measure of data distribution can be analyzed through several parameters, such as the minimum and maximum values, which indicate the range of data from the lowest to the highest values. Furthermore, the standard deviation is used to measure the degree of variation or deviation of the data from the mean. The larger the standard deviation, the greater theThere is also variation in the dataset, which indicates a higher level of data heterogeneity. The results of the descriptive statistical analysis in this study can be seen in Table 3.

The results of the descriptive statistical analysis show that transfer pricing (TP) has an average of 0.1803 with a fairly large variation, indicating significant differences in TP practices between companies. Profitability (ROA) has an average of 0.1707 with a fairly wide range, from 0.0080 to 0.7220, indicating the presence of companies with very low and very high profitability. Effective Tax Rate (ETR) has an average of 0.2000 with a small standard deviation, indicating a relatively similar tax burden between companies. Tunneling incentive (TUN) has an average of 0.6759, indicating the dominance of majority shareholders in most sample companies. Independent Commissioners (IC) has an average of 0.4142 with a not too large variation, indicating fairly uniform corporate governance. Overall, there is a large variation in TP and ROA, while ETR and IC are more stable among companies in the sample.

The classical assumption test is a technique in statistical analysis that aims to ensure that data meets certain requirements before further analysis. This test is used to detect the presence of residual normality, multicollinearity, autocorrelation, and heteroscedasticity in a regression model (Purnomo, 2016). If these assumptions are met, the regression model can be used more reliably to produce accurate conclusions. The results of the normality test can be seen in Table 4.

Table 4. Classical Assumption Test

Test	Method	Mark	Conclusion
Normality (n)	Central limit theorem	68 > (n = 30)	Fulfil
Multicollinearity (mean vif)	Variance inflation vector (VIF)	1.06	Fulfil
Heteroscedasticity (prob>chi)	Breusch-pagan	0.0567	Fulfil
Autocorrelation (prob>f)	Worldridge	0.0172	Does not meet the

Based on the results of the classical assumption test as seen in Table 3, the regression

model has met the assumptions of normality, multicollinearity, and heteroscedasticity. The normality test shows that the data is normally distributed because the number of samples is more than 30. The multicollinearity test with a VIF value of 1.06 (<10) indicates that there is no strong linear relationship between the independent variables, so there is no multicollinearity. In addition, the results of the heteroscedasticity test with a prob>chi value of 0.0567 (> 0.05) indicate that the error variance is constant and there is no heteroscedasticity in the model. However, the autocorrelation test shows a problem with a p-value of 0.0172 (< 0.05), which means that the residuals have correlation between periods. To overcome this problem, estimation is carried out using panel corrected standard errors (PCSEs) in the regression test, so that the model can be free from autocorrelation problems.

Regression Results Analysis

The panel data regression model used in this study was selected based on a series of model specification tests, and the results of the tests conducted by the author indicate that the random effects model (REM) is the most appropriate model. Based on the regression analysis conducted using STATA in this study, the p-value obtained from the test results is a two-tailed test. However, in this study, the hypothesis formulated by the author is a one-tailed hypothesis, which tests the relationship between the independent and dependent variables in a certain direction, either positive or negative. Therefore, to be in accordance with the approach used, the p-value obtained from the regression results in STATA needs to be divided by two before further interpretation. The regression results can be seen in Table 5.

Table 5. Regression Results Using Random Effect Model

TP= 0.2467 – 0.3153 ROA – 0.0423 ETR + 0.1351 TUN – 0.2305 KI

Variables	Allegations	Coefficient	P-value (one tailed)
ROA	+	- 0.3153	0.0005*
ETR	+	-0.0423	0.428
TUN	+	0.1351	0.182
KI	-	-0.2305	0.028*
Cons		0.2467	0.005
R-Square		0.0581	
F-statistic		0.0141	
N		68	
Prob>chi2		0.0141	

*significant at α = 5%

According to Sugiyono (2023), the coefficient of determination (R2) is a tool to measure the extent to which a model is able to explain variations in the dependent variable. Based on the regression results as can be seen in Table 5, the R-square value in the regression model is 0.0581, which indicates that the independent variables in this model, profitability (ROA), tax (ETR), tunneling incentive (TUN), and independent commissioners (KI), are only able to explain 5.81% of the variation in the dependent variable, transfer pricing (TP), while the remaining 94.19% is explained by other variables outside the model. This indicates that there are other factors outside the model that are more dominant in influencing the company's transfer pricing practices.

Ghozali (2018) explains that the F-test is used to evaluate whether all independent variables included in a regression model simultaneously influence the dependent variable. Based on the F-test results, as can be seen in Table 5, the F-statistic value is 0.0141 < α (0.05), so H0 is rejected. Thus, it can be concluded that all independent variables ROA, ETR, TUN, and KI simultaneously influence the dependent variable transfer pricing (TP).

Ghozali (2018) stated that the partial test, also known as the t-test, is a statistical

analysis method used to assess the extent to which each independent variable individually or partially influences the dependent variable in a regression model. This test helps determine whether an independent variable has a significant relationship with the dependent variable. Based on the regression results as can be seen in Table 5, the tax variable (ETR) has a coefficient of -0.0423 with a p-value of 0.428, greater than the significance level of 0.05 set in this study, so H01 is failed to be rejected. Thus, it can be concluded that "tax has no effect on transfer pricing."

Furthermore, the profitability variable (ROA) has a coefficient of -0.3153 with a p-value of 0.0005, smaller than the 0.05 significance level set in this study. However, the direction of the regression coefficient differs from the research hypothesis, so H02 is not rejected. Therefore, it can be concluded that "profitability has a significant negative effect on transfer pricing."

Furthermore, the tunneling incentive (TUN) variable has a coefficient of 0.1351 with a p-value of 0.182, which is greater than the 0.05 significance level set in this study. Therefore, H03 is not rejected. Therefore, it can be concluded that "tunneling incentives have no effect on transfer pricing."

Finally, the independent commissioner (IC) variable has a coefficient of -0.2305 with a p-value of 0.028, smaller than the 0.05 significance level set in this study, and has a negative coefficient, so H04 is rejected. Thus, it can be concluded that "independent commissioners have a significant negative effect on transfer pricing."

Discussion

The Effect of Taxes on Transfer Pricing

Based on the results of the second hypothesis test in this study, as can be seen in Table 5, the tax variable (ETR) has a coefficient of -0.0423 with a p-value of 0.428, which is greater than the significance level of 0.05 set in this study. Therefore, H01 is rejected. Thus, it can be concluded that "tax has no effect on transfer pricing." The test results obtained indicate that high or low taxes paid by a company do not affect the company's decision to conduct transfer pricing. The findings of this study are in line with research conducted by Agustina (2019), which stated that tax does not affect transfer pricing in energy sector companies listed on the IDX. Liza (2020) also stated that tax does not affect transfer pricing in manufacturing sector companies listed on the IDX. The same research findings were also revealed by Maulani et al. (2021), who revealed that tax does not affect transfer pricing in LQ-45 companies listed on the IDX.

Based on the findings of this study and a review of relevant theories, it can be concluded that taxes are not the primary factor influencing companies' transfer pricing decisions. Transfer pricing decisions, in the context of mining companies listed on the Indonesia Stock Exchange (IDX), are more influenced by other factors, such as business strategy, operational efficiency, and company policies to optimize their financial structure. Therefore, although taxes are an obligation that companies must fulfill as part of their social responsibility, they are not the primary determinant of their transfer pricing practices.

The Effect of Profitability on Transfer Pricing

Based on the results of the first hypothesis testing in this study, as seen in Table 5, the profitability variable (ROA) has a coefficient of -0.3153 with a p-value of 0.0005, smaller than the 0.05 significance level set in this study. However, the direction of the regression coefficient differs from the research hypothesis, so H02 is rejected. Thus, it can be concluded that "profitability has a significant negative effect on transfer pricing."

The test results show that companies with lower profitability, characterized by decreasing net income, are more likely to engage in transfer pricing practices. This may occur

because a decline in net income may indicate an increased likelihood of mining companies shifting revenue, one of which is through transfer pricing practices. This is potentially due to companies' efforts to compensate for the decline in profitability by minimizing their tax burden through transfer pricing. Conversely, the higher a company's profitability, the greater its net income.

This finding also confirms and is in line with previous research conducted by (Mineri & Paramitha (2021), Stevanni & Herijawati (2024), and Pondrial et al., (2020). In their research, (Mineri & Paramitha (2021) explained that companies that earn greater profits tend to have greater internal funding sources, so the opportunity to finance their operations with their own capital also increases, without having to do transfer pricing.

The Effect of Tunneling Incentives on Transfer Pricing

Based on the results of the hypothesis testing, as can be seen in Table 5, the tunneling incentive (TUN) variable has a coefficient of 0.1351 with a p-value of 0.182, which is greater than the 0.05 significance level set in this study. Therefore, H03 is not rejected. Therefore, it can be concluded that "tunneling incentives have no effect on transfer pricing."

The test results indicate that the level of tunneling incentives in a company has no effect on its transfer pricing decisions. This study's findings align with research by Suryarini et al. (2020), which found that tunneling incentives had no effect on transfer pricing decisions in manufacturing companies listed on the IDX between 2012 and 2017.

*Tunneling incentive*has no effect on the company's transfer pricing decisions. This indicates that management's transfer pricing policies are not based on pressure from controlling shareholders seeking personal gain. Instead, transfer pricing decisions are likely part of a rational business strategy aimed at reducing operational costs and increasing company profitability, rather than for the personal gain of controlling shareholders (Riyadi & Kresnawati, 2021). Thus, transfer pricing policies will be more oriented toward the interests of all stakeholders, not just specific parties.

The Influence of Independent Commissioners on Transfer Pricing

Based on the results of the fourth hypothesis testing in this study as can be seen in table 5, the independent commissioner (KI) variable has a coefficient of -0.2305 with a p-value of 0.028 smaller than the 0.05 significance level set in this study, and has a negative coefficient, so H04 is rejected. Thus, it can be concluded that "independent commissioners have a significant negative effect on transfer pricing". The test results obtained indicate that the greater the proportion of independent commissioners to the total number of commissioners in a company, the lower the possibility of mining sector companies in conducting transfer pricing.

This research aligns with the concept expressed in agency theory, which emphasizes the need for oversight of managerial decisions. This aims to ensure that managers act in line with the interests of shareholders (Dewi & Oktaviani, 2021). Agency theory posits a potential conflict of interest between managers as agents and shareholders as principals, necessitating robust governance mechanisms to mitigate potential abuse of authority. The presence of independent commissioners serves as a control tool that can limit opportunistic management behavior, including transfer pricing practices that can be used for specific interests.

Companies with a high proportion of independent commissioners also tend to disclose detailed financial and non-financial information related to transactions with related parties and reduce price manipulation (Apriyanti et al., 2020). In this context, independent commissioners play a role in overseeing and ensuring that transfer pricing policies are not used as a tool to manipulate profits or evade taxes, but are implemented in accordance with principles of fairness and applicable regulations (Dewi & Oktaviani, 2021). Therefore, the

presence of an independent board of commissioners can assist companies in implementing transfer pricing policies that comply with applicable regulations, thereby reducing the risk of abuse of practices that are not in line with the long-term interests of shareholders and the company.

CONCLUSION

*Transfer pricing*Transfer pricing is a practice frequently used by companies to optimize their financial structure. However, it also poses challenges in terms of tax compliance and corporate governance. Mining companies are the focus of this research because several transfer pricing cases are frequently associated with this sector. With increasing attention to tax regulations and good governance, it is important to understand the factors that influence companies' transfer pricing decisions. Based on these issues, this study analyzes the influence of tax (ETR), profitability (ROA), tunneling incentives (TUN), and independent commissioners (KI) on transfer pricing practices in mining companies listed on the IDX in 2020-2023.

Using quantitative research methods and regression analysis techniques, this study found that independent variables simultaneously influence transfer pricing. However, partially, only profitability and independent commissioners significantly influence transfer pricing, while taxes and tunneling incentives do not. The following findings are obtained:

Tax (ETR) has no effect on transfer pricing, indicating that the high or low tax a company pays does not determine its transfer pricing decisions. This finding aligns with stakeholder theory, which states that companies have responsibilities to various parties, including the government and society, so taxes are viewed more as a social obligation than a primary factor in transfer pricing decisions.

Profitability (ROA) has a significant negative effect on transfer pricing. The lower a company's profitability, the more likely it is to engage in transfer pricing to optimize its financial structure. Conversely, companies with high profitability are more likely to avoid this practice due to their substantial internal funding sources. This finding aligns with previous research showing that companies with low profits are more motivated to reduce their tax burden through transfer pricing.

Third, tunneling incentives (TUN) have no effect on transfer pricing, indicating that pressure from controlling shareholders does not influence a company's transfer pricing policy. Transfer pricing decisions are more influenced by business strategy and operational efficiency than by the controlling shareholder's expropriation efforts.

Independent commissioners (ICs) have a significant negative influence on transfer pricing. The higher the proportion of independent commissioners in a company, the less likely the company is to engage in transfer pricing. This finding supports agency theory, which emphasizes the importance of oversight mechanisms in reducing the potential for abuse of authority by management. Independent commissioners play a role in ensuring that transfer pricing policies are implemented in accordance with good corporate governance principles and applicable regulations.

The results of this study provide insights for the government, particularly the Directorate General of Taxes (DGT), in designing more effective policies to monitor and control transfer pricing practices in Indonesia. Several policy implications that can be implemented include strengthening regulations, increasing transparency, and optimizing oversight mechanisms. There are at least three policy implications suggested in this study:

First, strengthening transfer pricing regulations is necessary to ensure that companies do not abuse this mechanism to unfairly reduce their tax burden. The government can revise existing regulations, such as clarifying transfer pricing documentation requirements to better align with international standards, and implementing advance pricing agreements as a

precautionary measure against transfer pricing cases.

Second, the research results show that independent commissioners have a significant negative impact on companies' transfer pricing practices. Therefore, the government can revise regulations by increasing the requirement for the number of independent commissioners on a company's board.

Third, the government needs to encourage better corporate governance by providing incentives for companies that implement transparency and tax compliance principles. This approach will not only improve corporate compliance but also foster a culture of better governance in the business environment.

A limitation of this study is that it focused only on mining companies listed on the Indonesia Stock Exchange (IDX), so the results cannot necessarily be generalized to other industrial sectors with different business characteristics. Furthermore, the limited research period means the results do not reflect the dynamics of long-term transfer pricing changes.

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