The Effect of Tax Expense, Bonus Mechanism, and Thin Capitalization on Transfer Pricing in Mining Sector Companies Listed on the Indonesia Stock Exchange

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Abstract. The purpose of this research is to find out the influence of tax expense, bonus mechanisms, and thin capitalization on transfer pricing in mining companies listed on the Indonesia Stock Exchange (IDX) during the period 2020-2024. Companies employ various strategies to maximize profits in order to increase their profitability, attract investors, and benefit shareholders. However, increased company profits are accompanied by increased tax expense. This encourages companies to take various measures to minimize their tax expense, one of which is transfer pricing. This study employs a quantitative method using multiple linear regression analysis as the analytical tool. The data were processed using EViews version 12. The research sample was determined through purposive sampling, focusing on mining sector companies listed on the IDX during the 2020-2024 period that meet the required data criteria. The data used in this research are secondary data obtained from annual financial reports published on the official IDX website. The results of hypothesis testing show that tax expense and bonus mechanism have no significant effect of transfer pricing decision, meanwhile thin capitalization has a significant and positive effect of transfer pricing decision.

Keywords: Transfer Pricing, Tax Expense, Bonus Mechanism, Thin Capitalization.

1 Introduction

The development of the globalization era has had a significant impact on various sectors, including the economy and business. Companies face challenges in the form of increases or decreases in financial performance. These conditions encourage companies to design strategies to remain competitive and sustainable by maximizing profits. However, when a company's profit increases, the tax expense that must be paid also rises. This increase in tax expense reduces the net profit received by the company. Companies therefore undertake various strategies to minimize their tax obligations, one of which is through transfer pricing practices. Transfer pricing refers to the determination of prices in transactions between parties that have a special relationship (PER-32/PJ/2011) [1]. Theoretically, transfer pricing is a legitimate practice as long as it is carried out in

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accordance with the arm's length principle. Nevertheless, transfer pricing is often associated with negative connotations, such as "abuse of transfer pricing" or transfer pricing manipulation. Transfer pricing manipulation can be defined as the practice of setting transfer prices excessively high or excessively low with the intention of reducing the amount of tax that must be paid [2].

In Indonesia, although regulations such as Minister of Finance Regulation No. 213/PMK.03/2016 on transfer pricing documentation have been implemented, such practices continue to occur and remain a major focus in tax audits. For example, in the mining sector, the coal company PT Adaro Energy Tbk was indicated in a 2019 Global Witness report to have shifted its revenue and profit to its subsidiary, Coaltrade Services International in Singapore, through transfer pricing by conducting coal sales transactions at low prices, which were later resold at higher prices. As a result, PT Adaro Energy Tbk paid approximately US$125 million less in taxes than it should have paid in Indonesia [3]. Several transfer pricing cases have also occurred globally on a larger scale. In 2022, the International Tax Review published a report highlighting some of the year's most significant transfer pricing cases, including Rio Tinto, McDonald's France, and BlackRock [4]. These cases demonstrate that multinational companies, in particular, frequently utilize transfer pricing strategies to allocate profits to countries with more favorable tax policies. The mining sector is particularly susceptible to these practices due to its distinctive 'High Tax Exposure' compared to other industries. As a capital-intensive industry with significant cross-border transactions and fluctuating commodity prices, mining companies face higher statutory tax obligations, creating a stronger financial incentive to engage in profit shifting. Consequently, this sector serves as a critical focal point for analyzing aggressive transfer pricing behavior [5].

The factors that influence a company's decision to engage in transfer pricing include tax expense, bonus mechanisms, and thin capitalization. High tax expenses encourage companies to seek ways to minimize their tax obligations. Transfer pricing becomes a commonly used strategy because it allows firms to shift profits to affiliated entities located in jurisdictions with lower tax rates. The next factor is the bonus mechanism, whereby management has an incentive to increase reported earnings in order to obtain higher bonuses. The final factor, thin capitalization, occurs when a company relies more heavily on debt financing than equity, particularly from affiliated entities. Through high interest payments to affiliates in low-tax jurisdictions, companies can reduce taxable income in high-tax countries by utilizing transfer pricing [6]. Despite the abundance of literature on transfer pricing, findings regarding tax expense, bonus mechanisms, and thin capitalization remain inconsistent. Most prior studies in the Indonesian context have relied on pooled Ordinary Least Squares (OLS) regression, which often fails to capture time-variant and firm-specific heterogeneity. This study fills this theoretical and methodological gap by employing a Panel Data Regression approach. Unlike previous works, this method offers a more robust estimation by controlling for unobserved individual effects, thereby providing clearer empirical evidence on transfer pricing determinants in the mining sector.

Based on the aforementioned phenomena, this study aims to examine the effect of tax expense, bonus mechanisms, and thin capitalization on transfer pricing in mining

sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.

2 Literature Review

2.1 Agency Theory

Agency theory introduced by Jensen and Meckling [7] explains the relationship between the principal, namely the owners or shareholders, and the agent, which refers to corporate management. In this theory, management is responsible for operating the company in the best interest of the shareholders and for providing relevant information regarding the company's performance through appropriate reporting. Shareholders expect improved performance and increased firm value, while management tends to be oriented toward obtaining compensation such as salaries and bonuses, which depend on actual or perceived performance [8]. These differing interests give rise to information asymmetry, a condition in which management has greater access to information than shareholders. Although management is expected to act professionally and transparently, this imbalance of information creates opportunities for managerial misconduct for personal gain, which in some cases may be detrimental to the company [9].

In the context of transfer pricing, agency theory is used to explain how management may utilize this mechanism to optimize tax expenses by allocating profits among corporate entities operating in different jurisdictions. However, such practices are not always carried out solely to enhance the company's tax efficiency. Management may have additional motivations, such as increasing bonuses that are calculated based on net income after tax. When managerial compensation depends on after-tax profitability, the incentive to apply aggressive transfer pricing strategies becomes stronger, even though such practices may carry the risk of sanctions from tax authorities. Meanwhile, shareholders may not fully support these decisions if the strategies create potential legal risks or reputational harm for the company [10].

2.2 Positive Accounting Theory

Connely Watts and Zimmerman [11] state that positive accounting theory can explain why accounting policies may become an issue for companies as well as for stakeholders who rely on financial statements. This theory also predicts the accounting policies that firms will choose under certain conditions. Positive accounting theory comprises three hypotheses, namely the bonus plan hypothesis, the debt covenant hypothesis, and the political cost hypothesis.

One of the hypotheses in positive accounting theory, namely the political cost hypothesis, states that firms are motivated to minimize political costs, one of which is tax expense. Multinational companies with parent and subsidiary entities across different countries encounter variations in political costs due to differences in tax regulations and policies in each jurisdiction. These differences generate variations in tax rates between parent entities and subsidiaries, which are then utilized by management to reduce the tax expense associated with generated profits. One of the ways firms exploit these tax

rate differences is through the application of transfer pricing, which enables the allocation of profits across entities to achieve tax expense efficiency.

Another hypothesis within positive accounting theory, the bonus plan hypothesis, describes the relationship between bonus mechanisms and profit, in which the presence of a bonus scheme tends to motivate managers to choose accounting procedures that shift earnings from future periods to the current period. Consequently, conflicts of interest between management and the owners of the firm may trigger transfer pricing practices aimed at maximizing the bonuses received. Malik [12] explains that managers tendency to engage in transfer pricing increases when profit-based bonuses constitute a major component of compensation, as higher reported profits enhance the manager's standing in the eyes of the firm's owners.

Transfer pricing is ideally measured through specific pricing deviations; however, obtaining such internal data is practically impossible for external researchers. Therefore, consistent with prior prominent studies in emerging markets, this research employs the ratio of related-party receivables to total receivables as a proxy. High levels of related-party receivables are widely recognized in accounting literature as a mechanism for "tunneling" or shifting resources between affiliated entities to manage tax liabilities [13].

2.3 Transfer Pricing

Article 1 paragraph (4) of Minister of Finance Regulation (PMK) Number 172 of 2023 defines transfer pricing as a pricing policy applied in transactions between companies that have a special relationship. According to Suandy [14] transfer pricing carries two different interpretations, namely neutral and pejorative. The neutral interpretation views transfer pricing as a purely business strategy without the intention of reducing tax expense. Meanwhile, the pejorative interpretation regards transfer pricing as an effort to minimize tax expense, for example by shifting profits to countries with lower tax rates.

In Indonesia, transfer pricing is generally regulated under Law Number 36 of 2008 on Income Tax. This regulation grants the Directorate General of Taxes (DJP) the authority to adjust the taxable income of taxpayers who have a special relationship with other taxpayers. Adjustments to taxable income for related-party taxpayers are made based on the arm's length principle (ALP), which ensures that transactions between related parties are conducted as if they were between independent parties, thereby preventing price distortions that could reduce state tax revenue.

2.4 Tax Expense

Tax is a mandatory contribution to the state owed by individuals or entities, which is coercive in nature under the Law, without receiving direct compensation, and is used for state purposes aimed at maximizing public welfare. The implementation of national development is one of the objectives of the state; therefore, taxpayers must participate in realizing it. However, taxpayers often perceive that their corporate profits decrease due to the presence of tax expense. Transfer pricing has become a strategy employed

by companies to reduce the tax expense payable. This practice is commonly carried out by multinational corporations by shifting their profits to countries with lower tax rates. Multinational companies operating in Indonesia that have subsidiaries or branches abroad, as well as foreign multinational companies that have subsidiaries or branches in Indonesia, generally attempt to engage in transfer pricing with the objective of maximizing their overall profit.

Agency theory in accounting studies generally focuses on the relationship between managers and the firm; however, Booth and Schulz [15] broaden this perspective by asserting that taxpayers can also be viewed as agents. This view is reinforced by Reinganum and Wilde [16], who explain that an agent–principal relationship arises between taxpayers as agents and the tax authority as the principal. In this context, taxpayers are responsible for reporting and paying taxes to the government, while the tax authority is responsible for collecting taxes in accordance with applicable regulations. Taxpayers, including corporations, have incentives to maintain high profits by minimizing tax expense, one of which is through transfer pricing practices, whereas the tax authority seeks to optimize tax revenue based on tax provisions. Therefore, the higher the tax expense borne by a company, the greater the motivation to engage in transfer pricing in order to reduce tax obligations while continuing to maximize the profits earned.

Positive accounting theory states that firms are motivated to minimize political costs, one of which is tax expense. Multinational companies with parent and subsidiary entities operating across different countries face variations in political costs due to differences in tax regulations and policies in each jurisdiction. These differences create variations in tax rates between parent entities and subsidiaries, which are subsequently utilized by management to reduce the tax expense associated with generated profits. One of the ways companies take advantage of these tax rate differences is through the application of transfer pricing, which allows the shifting of profits across entities to achieve tax expense efficiency.

This is consistent with the findings of studies showing that tax expense has a positive and significant effect on transfer pricing practices [17][18]. This implies that the greater the tax expense that must be paid, the more likely companies are to engage in transfer pricing in order to reduce the tax burden they are required to bear. Based on this explanation, the hypotheses formulated in this study are as follows:
H1: Tax expense has a positive and significant effect to transfer pricing decision.

2.5 Bonus Mechanism

A bonus mechanism is a form of compensation granted to directors or managers for achieving predetermined performance targets. Bonuses are awarded based on the company's net income or increases in net income [12]. Bonus mechanism is defined as a form of reward given to corporate directors for outstanding performance and for successfully meeting targeted objectives [17]. Performance achievement is assessed and evaluated based on the company's objective performance appraisal system.

The bonus plan hypothesis, as part of positive accounting theory, explains the relationship between bonus mechanisms and profit, in which the existence of a bonus

scheme encourages managers to select accounting procedures that shift earnings from future periods to the current period. Divergent interests between managers and company owners create incentives for managers to utilize transfer pricing to maximize the bonuses they receive. The tendency of management to engage in transfer pricing increases when compensation is based on the firm's profit level, as higher reported profits enhance the manager's standing in the eyes of the company's owners. Thus, when a company implements a profit-based bonus mechanism, it may influence managerial actions to increase profits, one of which is through transfer pricing practices [12].

This is consistent with the findings of studies showing that the bonus mechanism has a positive and significant effect on transfer pricing practices [6][17]. This indicates that performance evaluations based on overall profit achievement encourage managers and directors to make greater efforts to maximize the company's profit through the application of transfer pricing practices. In the Indonesian context, where detailed disclosure of executive compensation structures is not mandatory for all listed firms, net income growth (ITRENDLB) serves as the most reliable proxy for bonus incentives. This is based on the agency theory assumption that managerial compensation contracts are largely tied to the firm's reported annual profitability growth. Based on this explanation, the hypotheses formulated in this study are as follows:
H2: Bonus mechanism has a positive and significant effect to transfer pricing decision.

2.6 Thin Capitalization

Thin capitalization, or a thin capital structure, refers to a condition in which a company relies more heavily on debt than equity to finance its operations. The term *thin* in this context denotes an equity proportion that is significantly smaller compared to the company's total debt [19]. This strategy is often employed by companies as part of their financial management to optimize capital structure and minimize tax obligations.

The primary motivation behind the application of thin capitalization is the fiscal advantage gained from tax reductions. In the tax systems of many countries, interest expenses on loans can be deducted from a company's income before tax is calculated. This means that the larger the proportion of debt in the capital structure, the smaller the amount of tax that must be paid. However, in practice, excessive use of this strategy may create financial and regulatory risks. To mitigate these risks, governments and tax authorities have implemented limitation rules to prevent companies from exploiting this strategy in an improper manner.

Based on agency theory, thin capitalization may reflect opportunistic managerial behavior in optimizing the company's capital structure, particularly through increasing debt obtained from affiliated entities located in low-tax jurisdictions. Such decisions may indicate the presence of a conflict of interest, in which management is more oriented toward short-term tax efficiency rather than the long-term interests of shareholders who prioritize the firm's value. Companies with a high degree of thin capitalization tend to be more prone to employing transfer pricing strategies through intercompany interest payments within the same group in order to minimize the overall tax paid [20].

This is consistent with the findings of a study which reveals that thin capitalization has a positive and significant effect on transfer pricing [21]. This indicates that the

higher the level of thin capitalization, the greater the likelihood that a company will use transfer pricing strategies to reduce the taxes it must pay. Based on this explanation, the hypotheses formulated in this study are as follows:
H3: Thin capitalization has a positive and significant effect to transfer pricing decision.

3 Methodology

3.1 Population and Sample

Table 1. Research Sample Selection Process

No	Criteria	Amount
1	Mining sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period	65
2	Mining-sector companies that do not consistently publish their financial statements during the 2020–2024 period	(3)
3	Mining sector companies that do not present data related to the research variables	(15)
4	Mining sector companies that recorded losses during the 2020–2024 period	(36)
	Mining sector companies selected as the research sample	11
	Research sample for the 2020–2024 period	55

Based on the sample selection table above, the data used in this study are secondary data, in the form of tax expense, bonus mechanism, thin capitalization and transfer pricing decisions obtained through the documentation method by taking through the annual report of each company which can be accessed through the website www.idx.co.id and the company's official website. The object of this research is all mining sector companies listed on the Indonesia Stock Exchange (IDX) that publish annual reports from 2020-2024. Based on the sample criteria that have been determined in this study, a research sample of 11 companies was obtained for year. So that the total number of samples used is 55.

3.2 Variables and Measurement

Table 2. Measurement of variable

Variable	Indicators	Source
Transfer Pricing (Y)	$\text{RPT} = \frac{\text{Related Party Transaction Receivables}}{\text{Total Receivables}} \times 100$	[22]
Tax Expense (X1)	$\text{ETR} = \frac{\text{Tax Expense}}{\text{Income before Tax}}$	[23]
Bonus Mechanism (X2)	$\text{ITRENDLB} = \frac{\text{Net Income Year t}}{\text{Net Income Year (t-1)}} \times 100$	[24]

Thin Capitalization (X3)	$\text{DER} = \frac{\text{Total Liability}}{\text{Total Equity}}$	[25]

3.3 Data Analysis Method

The analysis in this study was conducted using EViews version 12 and employs Panel Data Regression Analysis, as the dataset combines cross-sectional observations of 11 mining companies with time-series data covering the period 2020–2024. Compared to simple Ordinary Least Squares (OLS), panel data regression allows for the control of unobserved firm-specific heterogeneity and time-specific effects, thereby reducing the potential for biased estimators. The empirical model and its corresponding equation are presented subsequently. To determine the most appropriate estimation approach among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), this study conducts a series of model selection tests, namely the Chow Test, the Hausman Test, and the Lagrange Multiplier (LM) Test. Furthermore, classical assumption tests, including multicollinearity and heteroscedasticity tests, are performed in accordance with the selected panel data model to ensure that the estimators satisfy the Best Linear Unbiased Estimator (BLUE) criteria.

To mitigate potential endogeneity issues, particularly simultaneity bias, this study employs lagged independent variables for the bonus mechanism and financial indicators. By using prior-year values to predict current-year transfer pricing decisions, the model ensures that the direction of causality runs from the independent variables to the dependent variable, thereby reducing the risk of reverse causality.

The following is the testing model used in this study along with its equation formula:

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it} \quad (1)$$

4 Result and Discussions

4.1 Descriptive Statistics

Table 3. Descriptive statistics

Variable	N	Minimum	Maximum	Mean	Std. Dev.
X1	55	0.245	0.877	0.49029	0.09232
X2	55	0.344	3.565	1.18213	0.54802
X3	55	0.310	1.576	0.80304	0.30484
Y	55	0.017	1.016	0.38303	0.30025

Based on the descriptive statistics, the tax expense variable (X1) has a minimum value of 0.245 and a maximum value of 0.877, with a mean value of 0.49029 and a standard deviation of 0.09232. This indicates that the tax expense ratio among the sampled companies ranges from 0.245 to 0.877, with an average value of 0.49029. The relatively

small standard deviation compared to the mean indicates that the tax expense values have relatively low dispersion, suggesting that the tax expense levels among the sampled mining companies tend to be relatively close to the average value.

The bonus mechanism variable (X2) has a minimum value of 0.344 and a maximum value of 3.565, with a mean value of 1.18213 and a standard deviation of 0.54802. This indicates that the bonus mechanism values among the sampled companies range from 0.344 to 3.565, with an average value of 1.18213. The standard deviation indicates a moderate level of dispersion, suggesting that the bonus mechanism values vary among the sampled mining companies, although the observations are not highly dispersed.

The thin capitalization variable (X3) has a minimum value of 0.310 and a maximum value of 1.576, with a mean value of 0.80304 and a standard deviation of 0.30484. This indicates that the thin capitalization values among the sampled companies range from 0.310 to 1.576, with an average value of 0.80304. The standard deviation indicates a moderate level of dispersion, suggesting that the level of thin capitalization varies among the sampled mining companies and reflects differences in the use of debt financing relative to equity.

The transfer pricing variable (Y), which serves as the dependent variable, has a minimum value of 0.017 and a maximum value of 1.016, with a mean value of 0.38303 and a standard deviation of 0.30025. This indicates that the transfer pricing values among the sampled companies range from 0.017 to 1.016, with an average value of 0.38303. The relatively large standard deviation compared to the mean indicates a considerable level of dispersion, suggesting that transfer pricing values vary substantially among the sampled mining companies.

4.2 Model Selection and Diagnostic Test

Model specification tests indicate that the fixed effect model (FEM) is the most appropriate. The Chow test favors the fixed effect model ($p = 0.0000$), and the Hausman test also supports the fixed effect model ($p = 0.0000$). Diagnostic tests show that the model satisfies the normality assumption ($p = 0.8599$), does not exhibit multicollinearity (all correlations < 0.80), and shows no heteroskedasticity based on the Glejser test ($p > 0.05$). The autocorrelation test, conducted using the transformation with an adjusted sample size of $N = 55$, reports a Durbin–Watson value of 2.3112, which lies between $Du = 1.6815$ and $4 - Du = 2.3185$. Therefore, the regression model is concluded to be free from autocorrelation

4.3 Regression Analysis

Table 4. Weighted statistics of model regression

R-Squared	Adjusted R-Squared	F-Statistic	Probability (F)
0.862	0.819	19.816	0.000

Table 4 shows the coefficient of determination (R^2) and F-test results. The Adjusted R-Squared value is 0.819, indicating that 81.9% of the variability in transfer pricing can

be explained by the variability of tax expense, bonus mechanism, and thin capitalization. The remaining 18.1% (100% – 81.9%) is explained by other variables not included in the regression model. Based on the table above, the F-statistic is 19.816 with a probability value of 0.000, which is lower than 0.05. This result demonstrates that tax expense, bonus mechanism, and thin capitalization simultaneously have a significant effect on transfer pricing. Therefore, the regression model used in this study is considered statistically feasible for hypothesis testing.

$$Y = 0.121 - 0.097X_{1it} + 0,027X_{2it} + 0,034X_{3} + \varepsilon_{it} \quad (2)$$

The constant value of 0.121 indicates that when all independent variables are equal to zero, the transfer pricing value is 0.121. The coefficient β1 of −0.097 shows that every 1% increase in tax expense is associated with a decrease in transfer pricing of 0.097. The coefficient β2 of 0.027 indicates that every 1% increase in the bonus mechanism is associated with an increase in transfer pricing of 0.027. Meanwhile, the coefficient β3 of 0.034 signifies that every 1% increase in thin capitalization is associated with an increase in transfer pricing of 0.034.

Table 5. T-test Result

Variable	Coefficient	Std. Error	t-statistic	Probability
C (Constant)	0.121	0.170	0.714	0.479
X1	-0.097	1.215	-0.450	0.654
X2	0.027	0.033	0.814	0.420
X3	0.344	0.152	2.261	0.029

The Effect of Tax Expense to Transfer Pricing Decision. The tax expense variable (X1) shows a negative and insignificant effect on transfer pricing decisions, with a coefficient of −0.097 and a p-value of 0.654. The insignificance of tax expense can be widely attributed to the specific fiscal context of the observation period (2020–2024). During the COVID-19 pandemic, the Indonesian government implemented Law No. 2 of 2020, which gradually reduced the corporate income tax rate from 25% to 22%. This statutory rate reduction, combined with various fiscal incentives provided to sustain the mining industry during the crisis, naturally lowered the effective tax burden for companies. Consequently, the urgency for management to engage in aggressive transfer pricing solely for tax minimization purposes was significantly diminished, as the regulatory environment itself provided a 'legal' route to tax efficiency. Therefore, H1 is rejected.

The Effect of Bonus Mechanism to Transfer Pricing Decision. The bonus mechanism (X2) shows a coefficient of 0.027 with a p-value of 0.420, indicating that it does not affect transfer pricing decisions. This suggests that companies do not base transfer pricing practices on managerial bonuses, as such decisions are more strongly driven by operational needs, regulatory compliance, and the desire to maintain credible financial

reporting. Bonuses are also determined by various performance indicators, so profit alone does not motivate managers to engage in transfer pricing. Transfer pricing merely to obtain bonuses is inappropriate due to potential reputational risks [26]. Other research finds firms avoid transfer pricing for bonus purposes because it conflicts with fair reporting principles [24]. Therefore, the bonus mechanism is not influential, and H2 is rejected.

The Effect of Thin Capitalization to Transfer Pricing Decision. The thin capitalization variable (X3) shows a positive significant effect on transfer pricing, indicating that higher debt financing increases the likelihood of transfer pricing practices. This occurs because interest expenses from debt reduce taxable income, creating incentives for companies to shift profits. Firms maximizing debt can lower tax burdens despite existing regulations such as Indonesia's 4:1 debt-to-equity limit [21]. Similarly, other research explains that because dividends are not tax-deductible, companies prefer debt financing, which increases interest expenses and encourages transfer pricing, especially within parent–subsidiary financing structures [27]. From the perspective of Agency Theory, this finding confirms that thin capitalization serves as a dual-purpose mechanism for opportunistic behavior. Managers do not merely use debt for financing but strategically employ intercompany loans to shift profits to lower-tax jurisdictions through excessive interest payments. This practice reflects a classic agency conflict where management prioritizes short-term tax efficiency (to protect cash flow) over the long-term financial health of the firm, potentially eroding shareholder value by increasing the company's financial distress risk [28]. Thus, thin capitalization influences transfer pricing, and H3 is accepted.

5 Conclusion

This study examines the influence of tax expense, bonus mechanism, and thin capitalization on transfer pricing among mining companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Using multiple linear regression analysis, the findings indicate that tax expense has no significant effect on transfer pricing, and the bonus mechanism also shows no significant effect, suggesting that these factors are not used as considerations in transfer pricing decisions. In contrast, thin capitalization demonstrates a significant positive effect, indicating that firms with higher levels of debt tend to engage more actively in transfer pricing practices. These results provide empirical evidence that capital structure, rather than tax pressure or managerial bonus incentives, plays a more decisive role in shaping transfer pricing behavior within Indonesian mining companies.

Future research is encouraged to broaden the scope by including additional industry sectors, extending the observation period, and incorporating other relevant variables such as firm size, profitability, foreign ownership, or corporate governance. Employing alternative analytical models or moderation/mediation approaches may also provide a more comprehensive understanding of the determinants of transfer pricing decisions.

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