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# Tax Factors, Audit Quality, and Multinationality in Transfer Pricing Practices of Multinational Firms

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**Abstract**

**Background:** Transfer pricing practices are widely used by multinational companies as a mechanism for tax management and profit allocation among related entities. Several factors, including tax burden, audit quality, and multinationality, are believed to influence transfer pricing decisions; however, empirical findings remain inconclusive, particularly in the context of multinational firms in Indonesia.
**Objective:** This study aims to examine the effect of tax, audit quality, and multinationality on transfer pricing practices in multinational companies listed on the Indonesia Stock Exchange (IDX).
**Methods:** This study employs a quantitative approach using panel data regression analysis. The sample consists of 19 multinational companies listed on the IDX during the 2018–2022 period, selected through purposive sampling. Secondary data were obtained from published corporate financial statements. Data analysis was conducted using EViews 10 Student Version Lite, and the most appropriate estimation model was determined prior to hypothesis testing.
**Results:** The results indicate that the Fixed Effect Model (FEM) is the best model for this study. Partially, tax and audit quality have a significant effect on transfer pricing practices, while multinationality does not show a significant partial effect. Simultaneously, tax, audit quality, and multinationality jointly have a significant effect on transfer pricing.
**Conclusion:** This study concludes that tax and audit quality are important determinants of transfer pricing practices among multinational companies in Indonesia. Although multinationality does not individually affect transfer pricing, the combined influence of all variables highlights the need for comprehensive monitoring of transfer pricing practices by companies and regulators.

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## INTRODUCTION

The increasingly open development of the global economy has motivated many national companies to develop into multinational companies whose operational activities are not only centered on one country but also in various countries. Today's economic developments have a great influence on business models and the attitudes of entrepreneurs (Dillon, 2015; Mizushima, 2021; Ramaano, 2022; Romer & Khurana, 2021). Investment activities are increasingly actively carried out by investors, especially foreign investors, resulting in international transactions. Therefore, an activity called transfer pricing is carried out as part of the determination of the

selling price (Ahmad, 2024; D'Angelo et al., 2023; Ye et al., 2023).

Transfer pricing is a company's policy in determining the transfer price of a transaction, be it goods, services, intangible assets, or financial transactions carried out by the company. There are two groups of transactions in transfer pricing, namely intra-company transfer pricing and inter-company transfer pricing (Agata et al., 2021; Chrysilla & Sandra, 2023; Damayani et al., 2025; Setiawan & Rizkya, 2020). Intra- company transfer pricing is transfer pricing between departments within a company. Meanwhile, inter-company transfer pricing is transfer pricing between two companies that have a special relationship. The transaction itself can be carried out in one country (domestic transfer pricing) or with different countries (international transfer pricing) (Farida, 2021). The purpose of transfer pricing is to transmit financial data between departments or divisions of a company when they use each other's goods and services (Ilmi & Prastiwi, 2019).

Countries that set relatively high tax rates, government revenues will be lower, because transfer pricing practitioners tend to shift profits to countries that set lower tax rates. It is clear that there is a negative impact on government revenue due to this transfer pricing activity. However, it is not uncommon for the government to lose when appealing to the Tax Court (Amidu et al., 2019). The lack of knowledge of human resources regarding transfer pricing and the lack of knowledge of tax auditors regarding indications of transfer pricing within the Directorate General of Taxes has led to very limited audits of multinational companies that are indicated to carry out transfer pricing practices. So that multinational companies can take advantage of the existing loopholes to carry out transfer pricing actions.t Transfer pricing occurs in multinational companies in the United Kingdom. The multinational company in the United Kingdom that conducts transfer pricing is Starbucks in 2011. Starbucks has not paid taxes and claimed to be losing money since 2008, even though it has managed to achieve a record sales of 112 million pounds or around 1.7 trillion rupiah. During its operation in the United Kingdom, Starbucks only paid 6 million pounds in taxes.

Most of Starbuck's profits have been transferred from the United Kingdom to a branch company in the Netherlands in the form of royalties. Starbucks claims to have experienced a decline in revenue from the Netherlands, but the European Union is considering transfer pricing, where multinational corporate tax calculations include additional costs to reduce corporate taxes (Sari & Djohar, 2022). The taxes calculated by Starbucks violate the rules, because in its calculations strabuck adds the cost of the company to reduce the tax burden by making illegal intensive payments.

Minister of Finance, Mrs. Sri Mulyani Indrawati, said that the realization of tax revenue throughout the quarter I/2021 reach Rp228,1 trillion or 18,6% against the State Budget target of IDR 1,229.6 trillion. The contraction in revenue is the impact of the continued economic weakness due to the pandemic Covid-19 (DDTC News, 2021). Tax revenue in 2021 decreased by 48.6% compared to tax revenue in 2020, due to the Covid-19 pandemic. According to Mrs. Sri Mulyani, the contraction in tax revenue was due to transactions that were not repeated compared to last year. In addition, many taxpayers take advantage of various tax incentives, such as accelerated restitution.

Global tax avoidance activities are often carried out by multinational companies to erode the tax revenue base and shift corporate profits. This activity is carried out through a transfer pricing system to countries that implement low tax rates. One of the reasons why the realization of state tax collection is not in accordance with the goals set by the government, because transactions in the lower economy or Underground economy with a transfer pricing system are applied and become a trend for multinational companies whose main purpose is to reduce or minimize the tax burden.

Transfer pricing can cause many problems related to import duties, taxes, unfair trade competition, and internal management issues. The Tax Law stipulates that transfer pricing is a transaction between parties who have a special relationship (affiliation). This is regulated in Law Article 18 paragraph (4) No. 36 of 2008 concerning income tax, namely: a special relationship between Corporate Taxpayers that may arise, due to the ownership or control of the equity of an entity's shares by another entity of 25% (twenty-five percent) or more, or between several entities whose shares are 25% (twenty-five percent) or more owned by one entity.

Transactions between parties with a special relationship result in the transfer of income, the basis for imposition of tax, or to "manipulate the amount of taxpayer fees. Previous research results said that taxes can influence companies' decisions to carry out transfer pricing practices (Waworuntu & Hadisaputra, 2016). Meanwhile, the results of other research partially Tax do not have a significant influence on transfer pricing decisions (Nuryatun & Mulyani, 2021).

Transfer pricing is carried out to avoid a higher tax burden, besides that it can also be influenced by non-tax reasons such as audit quality (Gunawan, 2022). Audit Quality is a characteristic or description of audit activities and results in accordance with audit standards and quality management standards. Audit quality is related to how well a job is completed rather than with predetermined criteria (Falbo & Firmansyah, 2018). The higher the quality of a company's audit, the less likely the company will be to practice or manipulate transfer prices for tax purposes. The results of previous research show that audit quality has a significant influence on transfer pricing. Meanwhile, the results of other studies say that audit quality does not have a significant influence on transfer pricing (Siandini & Kurnia, 2023).

Companies that operate on a multinational scale, of course, will definitely carry out transactions involving transfer pricing. This is because there are transactions between companies in various countries that have different tax rates. The transfer pricing system commonly used by many multinational companies involves shifting their wealth from countries with high tax rates to countries with relatively low tax rates. The results of previous research show that multinationality has a significant influence on the company's decision to carry out transfer pricing activities. Meanwhile, the results of other research are that Multinationality does not have a significant influence on transfer pricing decisions (Ambarita et al., 2023).

Based on the background and previous studies that have not been consistent. So the formulation of this research problem is: 1) how does tax affect transfer pricing? 2) How does audit quality affect transfer pricing? 3) How does multinationality affect transfer pricing? 4) How do taxes, audit quality, and multinationality affect transfer pricing? The purpose of this study is to determine the influence of tax, audit quality, and multinationality on transfer pricing, as well as to evaluate the combined impact of these three factors on transfer pricing.

Theoretically, this research is expected to add insight in the field of taxation, especially regarding the influence of taxes and audit quality on transfer pricing, and become a reference for further research. Practically, this research aims to provide benefits for academics by providing accurate information for the development of economics related to transfer pricing, for companies by providing insight into the disclosure of transfer pricing and its impact on tax performance and attitudes, and for investors by helping to evaluate social responsibility and company performance assessments, which have an impact on the company's image.

## METHOD

This type of research is quantitative research that uses secondary data and is associative. Secondary data is taken from the financial statements of the Multinational Corporation (MNC) listed on the IDX in 2018-2022. The place of the study shows the place where the data was taken for this study, clearly presenting the data sources used in this study. The research time shows that the time used for this research is vulnerable from the proposal seminar, the implementation of the research, the preparation of the thesis to the final implementation, namely the session.

The variables in this study are 4 (four) variables, consisting of 3 (three) independent variables, 1 (one) dependent variable. As for each variable. namely independent variables consisting of Tax, Audit Quality, and Multinationality. The dependent variable is Transfer Pricing.

**Table 1.** Operational Research Variables

| No. | Variable | Indicator / Measurement | Scale |
|---|---|---|---|
| 1 | Transfer Pricing (Y) | Transfer Pricing = Receivables to Related Parties / Total Receivables | Ratio |
| 2 | Taxes (X1) | Current Effective Tax Rate (ETR) = Current Tax Burden / Profit Before Tax | Ratio |
| 3 | Audit Quality (X2) | Dummy variable: Financial statements audited by Big Four audit firms = 1; non-Big Four = 0 | Nominal |
| 4 | Multinationality (X3) | Multinationality = Number of Subsidiaries and Affiliates Abroad / Total Subsidiaries and Affiliates | Ratio |

The population of this study is MNC companies listed on the Indonesia Stock Exchange (IDX) in the period 2018-2022. The following is a list of 24 Multinational Corporation (MNC) companies, which are listed on the Indonesia Stock Exchange (IDX). using certain procedures so that it is expected to be representative of the population. Sampling technique in this study uses purposive sampling, which is a sampling technique with certain considerations, purposive sampling is used for quantitative research. or studies that do not generalize. Data is obtained from www.idx.co.id in the form of annual reports, financial statements and other necessary data. The sampling technique used is non-probability sampling. namely purposive sampling.

The number of samples is 19 companies, because the panel data is data in the form of cross section data in the form of a large number of companies, namely 19 data and time series data (time series) in the form of an observation year period from 2018 to 2022, which is 5 years, so the number of data that will be further processed in this study is 95 data obtained from the multiplication of 19 companies with 5 years of observation.

This data collection utilizes information on the www.idx.co.id and the company's official website that is analyzed. The data analysis technique used is multiple linear regression analysis. Multiple linear regression analysis models are used to explain the relationship and how much influence independent variables have on dependent variables.

## RESULTS AND DISCUSSION

### Results

*Hypothesis Test Results*

In this study, the general form of hypothesis testing for the calculation of statistical test values is carried out through three stages using research model analysis with linear regression, including: (1) partial testing or commonly known as the t test, (2) simultaneous testing or commonly known as the F test, and (3) determination coefficient (KD) testing or commonly known as the test R2.

*Results of Partial Hypothesis Testing (t-Test)*

The results of the initial test in hypothesis testing in this study are hypothesis tests individually between independent variables and bound variables or commonly known as t (partial) tests. The partial test (T-Test) aims to show how far an independent variable individually influences in explaining dependent variables. Testing this hypothesis using a Fixed Effect Model (FEM), can be seen as follows:

**Table 2.** Results of Partial Hypothesis Testing (t-Test)

| Item | Description | Value |
|---|---|---|
| **Regression Results** | | |
| X1 | Coefficient (Std. Error); t-Statistic; Prob. | -0.041153 (0.096408); -4.426865; 0.0000 |
| X2 | Coefficient (Std. Error); t-Statistic; Prob. | 0.078139 (0.065622); 2.190736; 0.0376 |
| X3 | Coefficient (Std. Error); t-Statistic; Prob. | 0.110741 (0.130619); 0.847821; 0.3993 |
| Constant (C) | Coefficient (Std. Error); t-Statistic; Prob. | 0.253060 (0.070746); 3.577012; 0.0006 |
| Model Statistics | | |
| R-squared | | 0.946823 |
| Adjusted R-squared | | 0.931526 |
| Mean dependent variable | | 0.202263 |
| S.D. dependent variable | | 0.273556 |
| S.E. of regression | | 0.071583 |
| Sum squared residuals | | 0.374061 |
| Log likelihood | | 128.2185 |
| Akaike information criterion | | -2.236179 |
| Schwarz criterion | | -1.644755 |
| Hannan–Quinn criterion | | -1.997199 |
| F-statistic | | 61.89422 |
| Prob (F-statistic) | | 0.000000 |
| Durbin–Watson statistic | | 0.939668 |

Source: Data processed by the author, 2024.

Determination t table obtained from the Percentage Point Table of Distribution t (attached) from the total data (df) of 95 data, and the percentage value (Pr) of 0.05 or 0.025, then the value of 1.98525 is obtained from the table t.

Based on the table of Results of Partial Hypothesis Testing (t-Test), a *t-statistic* value or called $t_{count}$ Tax variable (X1) of -4.426865 means value $t_{count}$ greater than $t_{table}$ $t_{count} > t_{table}$ or $-t_{count} > t_{table}$ then the value of -4.426865 greater than 1.98525 (- 4.426865 > 1.98525), and the value of prob.sig 0.0000 is smaller than the error standard that has been set by the author, namely 0.05 (0.0000 < 0.05). This indicates that the results of the t-test (partial) hypothetically have a significant effect because H0 is rejected and H1 is accepted, the conclusion to answer the first hypothesis, that partially the Tax variable (X1) has a significant influence on the bound variable *Transfer Pricing* (Y).

The *t-statistic* value is obtained or called $t_{count}$ variable Audit Quality (X2) 2.190736 means a value of $t_{count}$ greater than $t_{table}$ ($t_{Count} > t_{table}$ or-$t_{count} > t_{table}$ ) then the value of 2.190736 greater than 1.98525 (2.190736 > 1.98525), and prob value.sig 0.0376 smaller than 0.05 (0.0376 < 0.05). This indicates that the results of the t-test (partial) hypothetically have a significant effect because H0 is rejected and H2 is accepted, the conclusion to answer the second hypothesis, that partially the Audit Quality variable (X2) has a significant influence on the bound variable *Transfer Pricing* (Y).

Get a score *t-statistic* or called $t_{count}$ Multinationality variable (X3) as 0.847821 means value $t_{count}$ smaller than $t_{table}$ ($t_{count} < t_{table}$) then the value of 0.847821 smaller than 1.98525 (0.847821 < 1.98525), and prob value.sig 0.3993 lebih besar dari 0.05 (0.3993 > 0.05). This indicates that the results of the t-test (partial) hypothetically have no significant effect because H0 is accepted and H3 is rejected, the conclusion to answer the third hypothesis, that partially the Multinationality variable (X3) does not have a significant influence on the bound variable *Transfer Pricing* (Y).

*Results of Simultaneous Hypothesis Testing*

The second test result in the hypothesis testing of this study is the F test (simultaneous) or hypothesis test together between the independent variable and the bound variable. Based on the selection of the best regression estimation model carried out in this study, *Fixed Effect Model* (FEM), The selected estimation model can be analyzed as an estimation model in determining the results of simultaneous hypothesis testing (F test) which can be seen as follows:

**Table 3.** Results of Simultaneous Hypothesis Testing (Test F)

| Category | Variable / Statistic | Value |
|---|---|---|
| Regression Results | X1 (Coefficient; Std. Error; t-Statistic; Prob.) | -0.041153; 0.096408; -4.426865; 0.0000 |
| | X2 (Coefficient; Std. Error; t-Statistic; Prob.) | 0.078139; 0.065622; 2.190736; 0.0376 |
| | X3 (Coefficient; Std. Error; t-Statistic; Prob.) | 0.110741; 0.130619; 0.847821; 0.3993 |
| | Constant (C) (Coefficient; Std. Error; t-Statistic; Prob.) | 0.253060; 0.070746; 3.577012; 0.0006 |
| Model Specification | Effects | Cross-section fixed effects (dummy variables) |
| Model Fit Statistics | R-squared | 0.946823 |
| | Adjusted R-squared | 0.931526 |
| | Mean dependent variable | 0.202263 |
| | S.D. dependent variable | 0.273556 |
| | S.E. of regression | 0.071583 |
| | Sum squared residuals | 0.374061 |
| | Log likelihood | 128.2185 |
| | Akaike information criterion | -2.236179 |
| | Schwarz criterion | -1.644755 |
| | Hannan–Quinn criterion | -1.997199 |
| | F-statistic | 61.89422 |
| | Prob (F-statistic) | 0.000000 |
| | Durbin–Watson statistic | 0.939668 |

Source: Data processed by the author, 2024

Determination $F_{table}$ obtained from the Distribution Percentage Point Table F Probabilitas 0.05 (attached) of the total data (df Denominator (N2)) as many as 95 data, and the value of the numerator df (N1) from the number of free variables of 3 (three), then a value of 2.70 is obtained from the F table. The results of the test results simultaneously (test F) or jointly obtained from the value of F-statistic or called $F_{Count}$ on the whole independent variable consisting of, Tax (X1), Audit Quality (X2), dan Multinasionalitas (X3), 61.89422 with a value of $F_{table}$ as 2.70 and probability values sig. sebesar 0.000000 dwith the level of significance that has been set by the author, namely

the standard error of 5% or 0.05.

Based on this, it means that the value of $F_{Count}$ greater than $F_{table}$ or $-F_{Count}$ greater than $F_{table}$ ($F_{count} > F_{table}$ or $-F_{Count} > F_{table}$) then the value of 61.89422 is greater than 2.70 (61.89422 > 2.70), and the probability value of sig. is less than the standard significance level of error 0.05 then the value of 0.000000 is less than 0.05 (0.000000 < 0.0.5). This symbolizes that the results of the F test (simultaneous) or together hypothetically have a significant influence because H0 is rejected and H4 is accepted, it can be concluded simultaneously that all independent variables of Tax (X1), Audit Quality (X2), and Multinationality (X3) have a significant influence on the variables dependen *Transfer Pricing* (Y).

*Results of Determination Coefficient Hypothesis Testing (R2)*

The third test result in hypothesis testing in this study is the Coefficient of Determination test ($R^2$). If R2 is larger, then the percentage of the independent variable (X) is higher, so it can be said that the change in the bound variable (Y) is mostly due to the independent variables (X). However, if R2 is smaller, then the percentage of the free variable (X) is lower, so it can be said that the change in the bound variable (Y) is partly caused by the independent variable (X). Testing this hypothesis using *Fixed Effect Model* (FEM).

**Table 4.** Results of Determination Coefficient Hypothesis Testing (R2)

| Category | Variable / Statistic | Value |
|---|---|---|
| Regression Results | X1 (Coefficient; Std. Error; t-Statistic; Prob.) | -0.041153; 0.096408; -4.426865; 0.0000 |
| | X2 (Coefficient; Std. Error; t-Statistic; Prob.) | 0.078139; 0.065622; 2.190736; 0.0376 |
| | X3 (Coefficient; Std. Error; t-Statistic; Prob.) | 0.110741; 0.130619; 0.847821; 0.3993 |
| | Constant (C) (Coefficient; Std. Error; t-Statistic; Prob.) | 0.253060; 0.070746; 3.577012; 0.0006 |
| Effects Specification | Model | Cross-section fixed effects (dummy variables) |
| Model Fit Statistics | R-squared | 0.946823 |
| | Adjusted R-squared | 0.931526 |
| | Mean dependent variable | 0.202263 |
| | S.D. dependent variable | 0.273556 |
| | S.E. of regression | 0.071583 |
| | Sum squared residuals | 0.374061 |
| | Log likelihood | 128.2185 |
| | Akaike information criterion | -2.236179 |
| | Schwarz criterion | -1.644755 |
| | Hannan–Quinn criterion | -1.997199 |
| | F-statistic | 61.89422 |
| | Prob (F-statistic) | 0.000000 |
| | Durbin–Watson statistic | 0.939668 |

Source: Data processed by the author, 2024.

The value of the determination coefficient is between zero and one. A small R2 value means that the ability of the free variable to explain the variation of the variable is very limited, meaning that if the R2 value is close to the value of 1 (one), the level of relationship between the independent variable and the bound variable is close to perfect. The larger the percentage of *R*-

*squared* and *Adjusted R-squared* values towards a value of 100%, the greater the influence of the overall independent variable on the bound variable used in this study.

The results of the Determination Coefficient (R2) test were obtained that the *R- squared* value was 0.946823 and the value of *Adjusted R-squared* as 0.931526 from the relationship between the independent variable and the bound variable in this study. This symbolizes a very strong relationship between the overall tax-free variables (X1), Audit Quality (X2), and Multinationality (X3) with the transfer pricing (Y) bound variable. This very strong relationship is represented by the results of the calculation *R-squared* through the formula KD = $R^2$ x 100% = $0.946823^2$ × 100% = 89,64 % and the results of the calculation Adjusted R-squared through the formula KD = $R^2$ × 100% = $0.931526^2$ × 100% = 86,77%. This means that the contribution of value 89,64% and 86,77%. variable bound Transfer Pricing (Y) can be explained the effect by the tax-exempt variable (X1), Audit Quality (X2), and Multinationality (X3), the remaining 10.36 % and 13.23 % were determined by other variables that could not be explained or that were not used in this study.

**Discussion**

The discussion carried out in this study consists of interpretation from the point of view of the results of hypothesis testing, theories that support the research hypothesis and the relationship of the research with the results of previous research.

*Discussion of the Results of Estimating the Influence of Taxes on Transfer Pricing*

The first hypothesis is that taxes have a significant effect on *Transfer Pricing.* The results of the research from the estimation of the influence of Taxes on *Transfer Pricing* can be seen from the results of the t test (partial) that hypothetically has a significant effect due to the value of $t_{Count}$ greater than $t_{table}$ -4.426865 greater than 1.98525 (- 4.426865 > 1.98525), and probability values sig. 0.0000 less than the standard significance level error 0.05 (0.0000< 0.05). In accordance with the results of the study Radhi Abdul.H.R. (2019) which explains that it partially shows that taxes have a significant effect on *Transfer Pricing*. This indicates that the influence of taxes has an effect on the increase in *Transfer Pricing*."

The company as an agent can regulate all information related to tax administration, so that the information provided by the company to the fiscal office can be different from the actual situation. The government/fiscal officer as (principal) only receives information related to tax administration from the company concerned. Therefore, taxes can be an indicator of the cause of its occurrence *tranfer pricing.*

*Discussion of the Results of Estimating the Influence of Audit Quality on Transfer Pricing*

The second hypothesis result is that Audit Quality has an effect on *Transfer Pricing.* The results of the research from the estimation of the influence of Audit Quality on *Transfer Pricing* can be seen from the results of the t test (partial) that hypothetically has a significant effect due to the value of $t_{Count}$ 2.190736 greater than $t_{table}$ 1.98525 (2.190736 > 1.98525), and probability values sig. 0.0376 less than the standard level of significance error 0.05 0.05 (0.0376 < 0.05). In accordance with the results of the study Sohibul Hadi. N.F. (2019) which explains that it partially shows that Audit Quality has a significant effect on *Transfer Pricing*.

*This indicates that the influence of Audit Quality has resulted in an increase in Transfer Pricing.*

Audit Quality has a significant effect on *transfer pricing,* meaning that audit quality can affect the occurrence of transfer pricing in a multinational company. Companies that are not audited with the Big Four KAP can affect the company in carrying out *transfer pricing*. The quality of a company's audit is influenced by the auditor who audits the company. Therefore, audit quality

is an indicator of the cause of occurrence *Transfer Pricing.*

*Discussion of the Results of the Estimation of the Influence of Multinationality on Transfer Pricing*

The third hypothesis is that Multinationality does not have a significant effect on *Transfer Pricing.* The results of the research from the estimation of the influence of Multinationality on *Transfer Pricing* can be seen from the results of the t-test (partial) that hypothetically does not have a significant effect due to the value of $t_{Count}$ 0.847821 smaller than ttable 1.98525 (0.847821 < 1.98525), and prob value.sig 0.3993 greater than the standard level of significance error 0.05 (0.3993 > 0.05). In accordance with the results of the study Hadisaputra. (2016) which explains that it partially shows that Multinationality has no significant effect on *Transfer Pricing*. This indicates that the influence of Multinationality has resulted in an increase in *Transfer Pricing*.

Companies that have special relationships with other subsidiaries occur not only with multinational companies. *Transfer Pricing* mostly occurs in companies that have special relationships, multinational status does not affect a company in doing *transfer pricing*. Transfer pricing can also happen to companies that have special relationships within the country. Therefore, mulinationality cannot be an indicator of the cause of the occurrence of *Transfer Pricing.*

*Discussion of the Results of Estimating the Influence of Tax, Audit Quality, and Multinationality Together (Simultaneously) on Transfer Pricing*

The results research from the estimation of the Influence of Tax, Audit Quality, and Multinationality Together (Simultaneously) on *Transfer Pricing* can be seen from the test results F (simultaneous) it was found that hypothetically had a significant effect because the value of $F_{Count}$ 61.89422 greater than $F_{table}$ 2.70 (61.89422 > 2.70), and the probability value of sig. less than the standard significance level error 0.05 then the value of 0.000000 smaller than 0.05 (0.000000 < 0.0.5). These results are in accordance with the results of the study Mieko Demak Timothea dan Kurnia (2023) which explains that together (simultaneously) shows that the three independent variables in this study, including Taxes, Audit Quality and Multinationality have a significant influence on *Transfer Pricing*.

Simultaneously, Taxes, Audit Quality, and Multinationality affect *Transfer Pricing*. Overall, the principal and the agent have different interests and needs, due to the difference in information received by external parties, including the fiscal (government) and auditors with the information that actually occurred. This encourages companies to do *transfer pricing*.

## CONCLUSION

Based on the results of the study, it can be concluded that Tax and Audit Quality have a significant influence on Transfer Pricing, can be seen from the value t Calculate greater than t table and probability of significance smaller than 0.05, while multinationality does not show significant influence because of the value of t The count is less than the t table and the probability of significance is greater than 0.05. Overall, the combination of Tax, Audit Quality, and Multinationality had a significant influence on Transfer Pricing, with a much larger F value than the F table and a much smaller probability of significance than 0.05.

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## AUTHOR CONTRIBUTION STATEMENT

Dinar Ambarita was responsible for conceptualization, research design, data analysis, and drafting the manuscript. Riska Mariyatul Gibtiyyah contributed to data collection, literature review, and interpretation of research findings. Ibrohim participated in methodology development, statistical analysis validation, and critical revision of the manuscript. All authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of the work

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