

## ABSTRACT

Wafiroh, Novi Lailiyul. 2015. *THESIS*. Title: “Tax Effect, Tunneling Incentive, and Bonus Mechanisms on Transfer Pricing Decision of Manufacture Companies Listed in Indonesia Stock Exchange (BEI) of 2011-2013”.

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*There are two kinds of motivation in transfer pricing transaction, tax avoidance and opportunistic motivation. Tunneling that disadvantages the minority stockholders often happens since the stockholders in Indonesia tend to concentrate on a minority. Besides, the rules and laws cannot protect them. Management will try to increase the company's profit in order to get the bonus promised by the company owner. This research aims to know: 1) The effect of tax on transfer pricing decision, 2) The effect of tunneling incentive on transfer pricing decision, and 3) The effect of bonus mechanism on transfer pricing decision.*

*This research focuses on 17 manufacture companies listed in Indonesia Stock Exchange (BEI) of 2011-2013. The data used is the secondary data that is companies' financial annual report gathered through the IDX official website by using purposive sampling. The data analysis method is logistic regression using SPSS 21 program.*

*The result of analysis indicates that tax, tunneling incentive, and bonus mechanism simultaneously affect transfer pricing transaction. Partially, tax gives positive and significant effect on transfer pricing transaction. Meanwhile, tunneling incentive gives positive and significant effect on transfer pricing transaction. On the other hand, bonus mechanism does not give any significant effect on transfer pricing transaction.*