

***The Effect of Debt Covenant and Exchange Rate on Transfer Pricing Aggressiveness with Tax Minimization as Moderating Variable***

By Fajarini Siti Aisah

**Abstract**

*This study aims to empirically prove the effect of debt covenant and exchange rate on transfer pricing aggressiveness, and to prove the moderating role of tax minimization on the effect of debt covenant and exchange rate on transfer pricing aggressiveness. This research proxies debt covenant through EBITDA to Interest Coverage Ratio, exchange rate with the ratio of foreign exchange gains/losses to profit before tax, and tax minimization with accounting ETR. The sample determination in this study used purposive sampling method, which resulted in 45 companies from the manufacturing sector in the 2020-2022 period. This study applies the Generalized Least Squares (GLS) method and the analysis results show that: (1) debt covenant has no significant effect on transfer pricing aggressiveness; (2) exchange rate has no significant effect on transfer pricing aggressiveness; (3) tax minimization is not able to moderate the effect of debt covenant on transfer pricing aggressiveness; (4) tax minimization is not able to moderate the effect of exchange rate on transfer pricing aggressiveness.*

**Keywords:** *transfer pricing aggressiveness, debt covenant, exchange rate, tax minimization*

**Pengaruh *Debt Covenant* Dan *Exchange Rate* Terhadap Agresivitas *Transfer Pricing* Dengan *Tax Minimization* Sebagai Variabel Moderasi**

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**Abstrak**

Penelitian ini bertujuan untuk membuktikan secara empiris pengaruh dari *debt covenant* dan *exchange rate* terhadap agresivitas *transfer pricing*, serta membuktikan peran moderasi *tax minimization* terhadap pada pengaruh *debt covenant* dan *exchange rate* terhadap agresivitas *transfer pricing*. Penelitian ini memproksikan *debt covenant* melalui EBITDA to *Interest Covarage Ratio*, *exchange rate* dengan perbandingan keuntungan/kerugian selisih kurs terhadap laba sebelum pajak, dan *tax minimization* dengan *accounting ETR*. Penentuan sampel pada penelitian ini menggunakan metode *purposive sampling*, yang menghasilkan 45 perusahaan dari sektor manufaktur pada periode 2020-2022. Penelitian ini menerapkan metode *Generalized Least Squares* (GLS) dan hasil analisis menunjukkan bahwa: (1) *debt covenant* tidak berpengaruh signifikan terhadap agresivitas *transfer pricing*; (2) *exchange rate* tidak berpengaruh signifikan terhadap agresivitas *transfer pricing*; (3) *tax minimization* tidak mampu memoderasi pengaruh *debt covenant* terhadap agresivitas *transfer pricing*; (4) *tax minimization* tidak mampu memoderasi pengaruh *exchange rate* terhadap agresivitas *transfer pricing*.

**Kata kunci:** agresivitas *transfer pricing*, *debt covenant*, *exchange rate*, *tax minimization*