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Research Article

Transfer Pricing and Tax Planning Analysis of the Effectiveness of the Gross-Up Method and Its Implications for Equity of Income Distribution

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Abstract Economic globalization has increased the complexity of cross-border transactions, particularly in transfer pricing practices, which are often used by multinational companies to shift profits to lower-tax jurisdictions. While this strategy can legally reduce tax burdens, aggressive transfer pricing often leads to income distribution inequalities and reduced government tax revenues. On the other hand, tax planning using the Gross-Up method in Article 21 Income Tax has emerged as a more transparent alternative strategy that enhances employee welfare through company-covered tax incentives. This study analyzes the effectiveness of the Gross-Up method in managing tax obligations and its impact on economic fairness compared to transfer pricing practices. Using a qualitative approach based on case studies of companies in Indonesia, the study finds that implementing the Gross-Up method can improve tax compliance and employee loyalty, whereas uncontrolled transfer pricing poses a risk of reducing government tax revenues. Therefore, stricter and more transparent tax regulations are needed to mitigate the misuse of transfer pricing and encourage the adoption of fairer tax planning strategies.

Keywords: Economic Fairness, Gross-Up, Transfer Pricing, Tax Planning,

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1. Introduction

Economic globalization brings the consequences of increasing cross-border transactions between multinational companies which has the potential to encourage transfer pricing practices. Transfer pricing itself is a method of pricing transactions between companies in a group that can be used to transfer profits from countries with high tax rates to countries with lower tax rates, so that they can minimize taxes legally and illegally (Purwitasari & Merkusiwati, 2024). However, this practice often causes problems related to economic justice, especially in income distribution because it harms countries that impose higher tax rates and cause the loss of potential state tax revenue (Limurti, 2022; Restu & Ambarita, 2024). According to the Tax Justice Network (2020) report, Indonesia itself is estimated to lose around Rp68.7 trillion every year due to aggressive transfer pricing practices carried out by multinational companies that utilize jurisdictions with lower tax rates (Purwitasari & Merkusiwati, 2024).

In the context of taxation in Indonesia, Income Tax (PPh) Article 21 is one of the important instruments that affects the company's finances. PPh Article 21 regulates tax on income earned by employees from jobs, services, or activities they receive (Sastrawan & Wahyuni, 2021). Because of its repetitive and routine nature, PPh Article 21 becomes a strategic target in corporate tax planning to reduce the tax burden legally and efficiently. One of the tax planning methods that is often applied by companies is the Gross Up method. This method allows companies to bear the burden of employee taxes so as to increase employee take-home pay and create additional incentives in increasing employee work spirit (Manrejo & Ariandyen, 2022). Although the nominal amount of tax calculated through the Gross Up method is higher than other methods, the company can finance the tax, so that the total tax burden of the company becomes lighter.

Previous research by Cakranegara et al. (2023) showed that the Gross Up method is very effective for corporate tax planning, because it provides double benefits: in addition to being able to reduce corporate tax obligations, this method is also able to increase employee work motivation through incentives in the form of tax benefits. Thus, this method indirectly also has a positive impact on employee work productivity. However, despite having positive benefits in reducing the tax burden, tax planning must still pay attention to the aspects of compliance with tax regulations. For example, transfer pricing as part of international tax planning often receives special attention because of its potential for tax evasion. Regulations such as Law No.36 of 2008 Article 18 emphasize that the practice of transfer pricing must follow the principle of reasonable transaction price (arm's length principle) to avoid tax manipulation that harms the state (Purwitasari & Merkusiwati, 2024).

From the perspective of economic justice, aggressive transfer pricing practices can worsen income distribution inequality. For example, multinational companies can take advantage of tax havens to transfer profits to countries with lower tax rates, thus reducing the tax revenue of the country of origin (Purwitasari & Merkusiwati, 2024). This condition shows the importance of government policy in supervising and regulating transfer pricing practices more strictly.

A study by Limurti (2022) emphasizes that the principle of justice must always be applied in the taxation system, especially in income tax from buying and selling transactions. Taxes should be based on profit, not the gross value of the transaction, so that the tax burden imposed reflects the taxpayer's economic ability. This is important to maintain public trust and ensure taxpayer compliance.

In terms of public policy, the implementation of taxes such as carbon taxes must also consider its impact on low-income groups. According to the study of Siregar (2024), the implementation of carbon tax in Indonesia tends to have a regressive impact, burdening low-income households more heavily than high-income groups. Therefore, additional policies such as cross-subsidies need to be implemented so as not to sacrifice the welfare of vulnerable communities.

Tax planning, especially in the context of Income Tax Article 21, needs to be carried out carefully by considering the implications of economic justice and compliance with tax regulations. The government also needs to strengthen regulation and supervision to control aggressive transfer pricing practices and optimize tax revenue in order to realize fairer revenue distribution and sustainable national economic development.

2. Library Review

Theory About Transfer Pricing

Transfer pricing is the practice of pricing in transactions between entities that have a privileged relationship, especially in the context of multinational companies. Transfer pricing can be used as a legitimate business strategy to allocate income and costs between entities in one group of companies. However, this practice is also often misused for the purpose of tax avoidance by shifting profits to jurisdictions with lower tax rates (Purwitasari & Merkusiwati, 2024).

The main principle in transfer pricing is the arm's length principle, which states that transactions between parties who have a privileged relationship must be carried out at a reasonable price, just like transactions carried out by independent parties. Regulation in Indonesia refers to the Regulation of the Director General of Taxes No. PER-43/PJ/2010 which adopts this principle to ensure fairness and fairness in transactions between affiliated companies (Restu & Ambarita, 2024).

One of the company's main motivations in implementing transfer pricing is the difference in tax rates between countries. Multinational companies often move profits from countries with high tax rates to countries with low tax rates (tax haven) to reduce their global tax burden. Several studies show that this strategy can reduce state tax revenue and worsen economic inequality (Limurti, 2022).

Transfer pricing is also closely related to the concept of tunneling incentive, which is a practice in which the majority shareholder or parent company transfers the company's resources to other affiliates for their own profit. In many cases, this practice harms minority shareholders and reduces the company's financial transparency (Restu & Ambarita, 2024).

Transfer pricing techniques that are often used include comparable uncontrolled price (CUP) method, resale price method (RPM), cost plus method, transactional net margin method (TNMM), and profit split method. Each method has advantages and limitations in determining the reasonableness of transaction prices between affiliated entities (Purwitasari & Merkusiwati, 2024).

Transfer pricing has a significant impact on tax policies in various countries. Many countries have developed strict regulations to monitor this practice to avoid excessive tax avoidance. In Indonesia, transfer pricing regulation is stated in Article 18 of Law No. 36 of 2008 concerning Income Tax, which gives authority to the Directorate General of Taxes to adjust the taxable profit of the company if it is found that there is manipulation of the transfer price (Purwitasari & Merkusiwati, 2024).

The Indonesian government has also implemented a transfer pricing documentation policy through the Regulation of the Minister of Finance No. 213/PMK.03/2016, which requires companies to compile a document that explains the method and basis of pricing in affiliate transactions. This policy aims to increase transparency and tax compliance of multinational companies operating in Indonesia (Limurti, 2022).

Overall, transfer pricing is a practice that can be legally used for tax efficiency purposes, but is often misused for tax evasion. Therefore, strict supervision and the implementation of effective regulations are very necessary to ensure that this practice does not harm a country's economy and still uphold the principle of tax justice.

Tunneling incentive is often the main trigger for transfer pricing practices in Indonesia, where companies transfer profits to subsidiaries in countries with lower tax rates (Restu & Ambarita, 2024). On the other hand, tax planning through the Gross Up method is proven to be able to produce tax savings for companies. This method allows companies to pay PPh Article 21 for employees so that it can be used as a reduction in gross income and reduce the amount of corporate income tax that must be paid (Manrejo & Ariandyen, 2022; Cakranegara et al., 2023).

Transfer pricing is regulated in Law No.36 of 2008 Article 18, which emphasizes the principle of arm's length in determining transaction prices between parties who have a special relationship. A previous study found that income tax has a positive effect on transfer pricing (Purwitasari & Merkusiwati, 2024). On the other hand, tax planning, especially through the Gross-Up method in PPh Article 21 shows high effectiveness in reducing corporate tax burden because tax costs can be financed by companies thus reducing taxable profits (Cakranegara et al., 2023; Manrejo & Ariandyen, 2022).

The implications of tax imposition on land and building purchase and sale transactions are also important in the context of justice, where the tax calculation should be based on net profit, not the gross value of land and building purchase transactions that can burden taxpayers (Limurti, 2022).

Theory About Tax Planning

Tax planning is a strategy used by companies to manage their tax obligations efficiently and legally. With proper tax planning, companies can optimize their tax structure to reduce the tax burden that must be paid without violating applicable regulations (Cakranegara et al., 2023). Tax planning is not an illegal tax avoidance act, but a legitimate process to optimize tax payments in accordance with tax policies and regulations that apply in a country. need for strict and transparent regulations to prevent abusive transfer pricing practices that harm the fiscal interests of high-tax jurisdictions (OECD, 2017)

One of the main instruments in tax planning in Indonesia is Income Tax (PPh) Article 21, which is levied on income in the form of salary, wages, honorarium, allowances, and other payments received by employees. PPh Article 21 becomes the main focus in tax planning strategy because companies often find ways to reduce their tax obligations while still providing optimal benefits to employees (Sastrawan & Wahyuni, 2021).

Methods that are often used in PPh tax planning Article 21 are Gross Up, Netto, and Gross methods. The Gross Up method is the main choice for many companies because it allows companies to pay employee taxes as part of their compensation. This strategy not only increases employee satisfaction but also helps companies reduce corporate income tax burden because the tax paid can be claimed as operational costs (Manrejo & Ariandyen, 2022).

PPh Article 21, companies also use tax planning strategies to minimize corporate income tax obligations. One of the ways is to optimize the recognition of operational costs such as CSR burden, employee training burden, and post-employment compensation burden. By recording these costs correctly, the company can reduce taxable profits so as to reduce the amount of tax that must be paid (Linuhung et al., 2024).

Tax planning also involves the utilization of tax incentives given by the government. In Indonesia, various tax incentives such as tax holidays, super deduction tax for research and development (R&D) activities, as well as incentives for certain industrial sectors can be used to reduce the corporate tax burden. Companies that understand and take advantage of this incentive can optimize their tax structure effectively (Restu & Ambarita, 2024). However, although tax planning is a legitimate practice, some companies abuse it by carrying out aggressive tax avoidance practices, such as using a transfer pricing scheme to transfer profits to countries with lower tax rates. Therefore, tax authorities in various countries, including Indonesia, are increasingly tightening the supervision of transfer pricing practices that have the potential to harm state revenue (Purwitasari & Merkusiwati, 2024).

Taxation regulations in Indonesia have anticipated the potential misuse of tax planning by implementing rules such as the Regulation of the Minister of Finance No. 213/PMK.03/2016 regarding transfer pricing documentation. This regulation requires companies to compile a transfer pricing document that explains the methods and basis of pricing in affiliate transactions to ensure transparency and tax compliance (Limurti, 2022). In addition, government policies in increasing tax transparency, such as the implementation of Automatic Exchange of Information (AEOI) and Base Erosion and Profit Shifting (BEPS) Action Plan, further limit the scope of companies in carrying out unethical tax planning practices. Through this international cooperation, tax authorities can access taxpayer financial information stored abroad, thus increasing tax compliance globally (Restu & Ambarita, 2024).

The role of accountants and tax consultants in tax planning is also very important. They help companies in analyzing tax policies, drawing up strategies that are in accordance with regulations, and ensuring that all company transactions are properly recorded to avoid the risk of tax inspections and administrative sanctions (Manrejo & Ariandyen, 2022). With the increasing complexity of tax regulations, effective tax planning becomes a necessity for every company. In addition to helping reduce the tax burden, a good tax planning strategy can also increase the company's compliance with regulations, maintain a business reputation, and ensure the sustainability of the company's operations in the long term. Therefore, companies need to implement tax planning that is in accordance with applicable taxation principles and maintain a balance between efficiency and tax compliance. Offers a comprehensive overview of tax research, including topics like tax avoidance, tax compliance, and corporate tax planning (Hanlon & Heitzman, 2010).

Gross Up Method in Tax Planning

The Gross Up Method is one of the tax planning strategies used by companies in calculating Income Tax (PPh) Article 21 of employees. This method allows companies to pay taxes that should be borne by employees, thus increasing the amount of their take-home pay without reducing the company's overall tax liability (Manrejo & Ariandyen, 2022). In this way, companies can provide tax incentives to employees, increase job satisfaction, and still comply with applicable tax regulations. In the Gross Up method, the company will calculate the amount of employee salary by including income tax as part

Of their gross income. That is, the amount of tax that must be paid by the employee is calculated as an additional salary, but the tax is then borne by the company (Sastrawan & Wahyuni, 2021). This strategy allows companies to charge the tax as an operational cost that can reduce the company's taxable profit.

The main advantage of the Gross Up method is its ability to increase employee net income without reducing the company's competitiveness. Employees will receive a higher net salary, while the company still gets tax benefits because the tax incurred can be deducted from gross income as a tax burden (Linuhung et al., 2024). Thus, this method becomes a popular choice among companies that want to retain high-quality employees. In addition to increasing employee satisfaction, the Gross Up method can also be used as a strategy to comply with strict tax regulations. For example, in an industry with competitive salary standards, the provision of Gross Up-based compensation can be an attraction for high-quality labor and reduce potential dissatisfaction regarding income tax cuts (Cakranegara et al., 2023). With this method, companies can remain competitive in attracting and maintaining the best workforce.

Some challenges in applying the Gross Up method. One of them is the increase in the tax burden that must be borne by the company. Because the tax paid is part of the employee's income, the amount of tax that must be paid by the company also increases. Therefore, companies need to do careful planning so that this policy does not have a negative impact on long-term profitability (Restu & Ambarita, 2024). In addition, tax calculation in the Gross Up method requires high accuracy. Errors in calculations can cause companies to pay more taxes than they should, or even face sanctions from tax authorities due to non-compliance with applicable tax regulations (Purwitasari & Merkusiwati, 2024). Therefore, it is important for companies to have a good recording system and cooperate with tax consultants in applying this method.

In practice, the Gross Up method is often compared to the Net and Gross methods. In the Net method, employees receive a net salary after tax withholding, while in the Gross method, taxes are charged to employees as usual without any additional compensation from the company (Manrejo & Ariandyen, 2022). From the perspective of tax efficiency, the Gross Up method offers higher flexibility in corporate tax management compared to the other two methods.

A number of studies show that the Gross Up method can increase employee loyalty and reduce the turnover rate. A study by Linuhung et al. (2024) shows that companies that apply this method have a higher level of employee satisfaction than companies that use the Net or Gross method. With a larger net salary, employees feel more valued and tend to be more loyal to the company.

Although the Gross Up method provides various benefits, its application must be carried out by considering the company's financial condition. Companies with strong cash flow are more able to implement this strategy without disrupting their financial stability. Therefore, in-depth financial analysis is very necessary before adopting this method as part of the tax planning strategy (Restu & Ambarita, 2024). In conclusion, the Gross Up method is an effective strategy in corporate tax planning, especially in improving employee welfare and tax compliance. However, the challenges associated with the additional tax burden and the need for accurate record keeping must be carefully considered. With good planning, this method can provide optimal benefits for the company and employees.

Research Method

This research uses a qualitative approach to analyze the application of transfer pricing and tax planning in various companies in Indonesia. This approach was chosen because it allows in -depth exploration of complex taxation phenomena, including transfer pricing practices, Gross Up methods in tax planning, as well as their implications for tax efficiency and economic justice (Purwitasari & Merkusiwati, 2024).

The type of research used is a case study with a qualitative descriptive approach. This case study focuses on companies listed on the Indonesia Stock Exchange (IDX) and multinational companies that apply transfer pricing strategies and Gross Up methods in employee income tax management (Restu & Ambarita, 2024). This research uses secondary data obtained from scientific journals, company financial statements, and applicable tax regulations in Indonesia. Secondary data was collected from various previous studies that discussed transfer pricing and tax planning practices, as described in studies by Cakranegara et al. (2023) and Manrejo & Ariandyen (2022).

Data is collected through the documentation method, namely by analyzing the company's financial statements, tax policies, and regulations that regulate transfer pricing practices and tax planning in Indonesia. In addition, this study also uses literature analysis from relevant academic journals to strengthen research arguments and findings (Linuhung et al., 2024).

The data obtained was analyzed using the content analysis method to identify the main patterns in the application of transfer pricing and the Gross Up method in tax planning. This technique allows researchers to understand how taxation strategies are applied and how they affect corporate tax burdens and economic justice (Sastrawan & Wahyoni, 2021).

To increase the validity and reliability of the research, the source triangulation technique is used, which is to compare the findings from various scientific articles, financial statements, and tax regulations. This technique ensures that the data used in this study has high reliability and can be accounted for (Limurti, 2022).

This research has several limitations, including limited access to internal company data that aggressively implements transfer pricing. In addition, this study only focuses on companies that operate in Indonesia, so the generalization of research results to other countries must be done carefully (Purwitasari & Merkusiwati, 2024).By using qualitative research methods, this research can provide a deeper understanding of tax strategies applied by companies. The findings from this research are expected to provide insight for policy makers and academics in designing more effective and fair tax regulations.

3. Results And Discussion

Through the analysis of documents and related literature, it was found that companies with high income tax rates tend to be more active in using transfer pricing as part of their tax management strategies (Purwitasari & Merkusiwati, 2024).

Transfer Pricing Strategy in Managing Tax Expenses

The analysis results show that multinational companies use transfer pricing to allocate income and costs between affiliates to minimize taxes that must be paid. In many cases, companies transfer profits to jurisdictions with lower tax rates, while allocating higher operational costs to entities located in countries with high taxes. This is supported by the findings of Restu & Ambarita (2024), which shows that companies that have international exposure are more likely to utilize transfer pricing than domestic companies.

The transfer pricing strategy implemented by multinational companies not only aims to optimize tax obligations but also to increase business competitiveness at the global level. In many cases, companies use the transfer pricing mechanism to transfer profits to subsidiaries located in countries with lower tax rates, thus reducing the taxes that must be paid as a whole (Purwitasari & Merkusiwati, 2024).

In addition, transfer pricing can also be used to allocate cost burdens to countries with higher tax rates. In this way, the taxable profit in the country becomes lower, so that the tax that must be paid is reduced. This technique is often found in the manufacturing, technology, and financial services industries, where transactions between affiliates are quite complex and difficult to supervise by tax authorities (Limurti, 2022).

Although tax regulations such as Article 18 of Law No. 36 of 2008 and the Regulation of the Minister of Finance No. 213/PMK.03/2016 has regulated the implementation of transfer pricing based on the arm's length principle, it is still found that companies take advantage of legal loopholes to reduce their tax burden. This indicates that although the regulations are getting stricter, the implementation and supervision still need to be strengthened (Limurti, 2022).

Tyas (2021) in his research stated that transfer pricing contributes to tax avoidance, which can reduce state tax revenue if not properly controlled. The government has implemented regulations to overcome the risk of transfer pricing, but there are still challenges in tax implementation and transparency. corporate governance characteristics, such as board oversight, significantly affect a company’s level of tax aggressiveness, including transfer pricing (Richardson, Taylor & Lanis, 2013)

The Effectiveness of Gross Up Method in Tax Planning

The Gross Up method in tax planning is proven to be one of the strategies used by companies to increase their tax efficiency. A study conducted by Manrejo & Ariandyen (2022) found that companies that apply this method are able to reduce the corporate income tax burden by recognizing taxes borne by employees as part of operational costs that can be deducted from taxable profits. The application of the Gross Up method also has a positive impact on employee welfare. With the increase in employee take-home pay, employee loyalty and productivity increase, which ultimately impacts the company's operational stability. This is in line with the results of Linuhung et al. (2024) research, which found that companies that apply the Gross Up method experience an increase in job satisfaction and higher employee retention than companies that apply other methods. However, the application of this method cannot be separated from the challenges. Companies must do very accurate calculations to ensure that the taxes borne by the company do not exceed reasonable limits. Errors in calculations can cause an increase in unwanted tax burdens or even tax sanctions from tax authorities if there is a mismatch in tax reporting (Restu & Ambarita, 2024). Therefore, companies need to use a good tax recording system and work together with tax consultants to ensure the implementation of the Gross Up method is carried out correctly.

The implementation of the Gross Up method must also consider the tax policy that applies in each country. In some jurisdictions, this policy can be categorized as a form of additional benefits for employees, so that it can be subject to additional taxes that increase the overall corporate tax burden. Therefore, companies need to do a thorough analysis before adopting this method in their tax planning strategy (Purwitasari & Merkusiwati, 2024).

In certain industries, such as the financial and technology sectors, the Gross Up method is an increasingly commonly applied strategy. Companies in this sector tend to have a highly skilled workforce that demands more competitive compensation. Therefore, this method is used as an additional form of incentive to attract and maintain high-quality labor without causing a significant negative impact on the corporate tax burden (Limurti, 2022).

Overall, the Gross Up method in tax planning can be an effective tool for companies to increase tax efficiency and employee welfare. However, the implementation of this method requires a mature strategy, accurate tax calculation analysis, and compliance with applicable tax regulations. With good management, this method can provide long-term benefits for the company and employees.

Economic Justice in Corporate Tax Strategy

In the context of economic justice, aggressive transfer pricing can have a negative impact on income distribution. Countries with higher tax rates often experience loss of income due to this tax avoidance practice. This not only has an impact on state tax revenue, but also creates economic inequality because companies that use aggressive transfer pricing tend to get greater profits than domestic companies that comply with tax regulations (Purwitasari & Merkusiwati, 2024).

In response to this problem, various international policies have been implemented to reduce the potential misuse of transfer pricing. One of them is the BEPS (Base Erosion and Profit Shifting) initiative developed by OECD and G20. This initiative aims to close the legal loophole that allows multinational companies to transfer profits to low-tax jurisdictions in a way that is not in accordance with the arm's length principle. Measures such as stricter transfer pricing documentation and information sharing between countries are expected to increase global tax transparency and compliance (Restu & Ambarita, 2024).

In addition, several countries have implemented a global minimum tax to overcome the negative impact of aggressive transfer pricing. With this policy, multinational companies are required to pay taxes at a certain minimum rate, so that the practice of transferring profits to tax havens becomes less effective. This effort is expected to create a fairer taxation system and reduce inequality in income distribution between countries (Limurti, 2022).

Meanwhile, the Gross Up method provides a more balanced approach in tax planning. Instead of avoiding taxes through aggressive schemes, this strategy helps companies allocate their taxes more efficiently without having to sacrifice compliance with tax regulations. With the Gross Up method, the tax that should be paid by the employee is borne by the company, but it is still recognized as an operational cost that can reduce the company's taxable profit (Cakranegara et al., 2023). The main advantage of the Gross Up method is transparency in tax planning. Compared to transfer pricing that can be abused to avoid taxes, this method is easier to be supervised by tax authorities because of the clear recording of transactions and in accordance with applicable tax regulations. Thus, companies can optimize their tax burden without having to risk breaking the law (Linuhung et al., 2024).

From the perspective of economic justice, the Gross Up method is also fairer for employees, because they can receive a higher net salary without having to bear additional taxes. This is different from tax avoidance strategies that only benefit companies without paying attention to the welfare of the workforce. Therefore, this method is considered a more ethical approach in tax planning (Manrejo & Ariandyen, 2022).

Overall, the approach taken by companies in tax planning must take into account the social and economic impact of the strategies they use. Aggressive transfer pricing can provide short-term benefits for the company, but risk causing legal and reputational problems in the long term. On the other hand, the Gross Up method offers a more balanced solution while maintaining tax efficiency and compliance with tax regulations (Purwitasari & Merkusiwati, 2024).

With stricter global tax regulations and increased transparency in inter-company transactions, the Gross Up method can be a safer and more ethical option for companies that want to manage their tax burdens in a legal way. Companies that implement a more balanced tax strategy will also be more valued by stakeholders and have a better relationship with tax authorities.

Implications of Regulation and Tax Policy

The findings in this study show that stricter tax regulations and more intensive supervision are necessary to control excessive transfer pricing practices. The government needs to increase transparency and accountability in tax reporting to ensure that the tax planning strategy applied by the company is in accordance with the applicable provisions (Limurti, 2022).

On the other hand, a more flexible tax incentive policy also needs to be developed to encourage companies to continue operating within the limits of legitimate regulations. Thus, companies do not feel the need to use transfer pricing strategies aggressively to reduce their tax burden, but can take advantage of tax incentives provided by the government legally (Restu & Ambarita, 2024).

Based on the results of the analysis, it can be concluded that income tax has a significant effect on transfer pricing practices, where companies are more likely to transfer profits to jurisdictions with lower taxes to reduce their tax burden. On the other hand, the application of the Gross Up method in tax planning provides a more balanced approach and improves employee welfare. Therefore, the government needs to continue to strengthen tax regulations and policies to create a fairer and more transparent tax system.

4. Conclusion

This research concludes that transfer pricing driven by high tax burden can be minimized through effective tax planning, especially the gross-up method in PPh Article 21. However, the government needs to strengthen regulations to control aggressive transfer pricing in order to create a fairer income distribution and reduce the negative impact on the national economy.

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