CONSTRUCTION THE MEANING OF TRANSFER PRICING USING RICOEUR HERMENEUTICAL APPROACH

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**Abstract**  
This study seeks to find the meaning of transfer pricing of tax actors, namely Taxpayers and tax authorities, as well as tax consultants on tax disputes in Indonesia. The study was conducted using an interpretive approach and Ricoeur hermeneutical methods. Ricoeur's hermeneutics method is carried out through three stages of analysis, namely the semantic stage, the reflection stage, and the existential stage. Analysis was carried out on the text, both written and unwritten. The written text is in the form of tax regulations related to transfer pricing, while the unwritten text is a dialogue in the transfer pricing dispute trial in the tax court and the results of interviews with taxpayers and tax consultants.  
Based on the three stages of Ricoeur hermeneutical analysis, the meaning of transfer pricing was obtained from three perspectives, namely the Taxpayer's perspective that interpreted transfer pricing as an effort to maximize company profits, whereas from the tax authority perspective transfer pricing was a potential loss of state revenue. In addition, the meaning of transfer pricing was also found from the perspective of a tax consultant as a form of the company's business strategy. The meaning of transfer pricing is then constructed in a stakeholder theoretical framework.

Keywords: transfer pricing, hermeneutics, Ricoeur, company profits, state revenues, tax avoidance, and stakeholders.

**INTRODUCTION**  
Transfer pricing is part of a business and tax activity that aims to ascertain whether the prices applied in transactions of related party have been based on the arm’s length principle. Nowadays, transfer pricing is a picture of the reality of the international taxation system that has an impact on the domestic taxation system of countries in the world. The survey conducted by Ernst & Young (2012) in the period 2011-2012 to 541 respondents showed that transfer pricing became a major issue in international taxation which was risky for the company. Respondents are in various countries with the characteristics of the CFO (Chief Financial Officer) and senior tax
executives in companies that have revenues greater than USD 8 million (Ernst & Young, 2012). The survey results can be seen in the following figure.

Figure 1. Main Issues of Taxation that are the Most Risk for the Company

Moreover, the results of the study by Hamaekers (2001) show that transfer pricing generally occurs in the context of transactions (1) between an organizational unit and another organizational unit, or (2) between the head office and its branch office (permanent establishment), or (3) between branch offices and other branch offices that are still in the same company. For economic purposes, transfer pricing is defined as determining the price of goods, services, and intangible assets by an organizational unit from a company to other organizational units in the same company (intra-firm transactions), or between companies that have special relationships, the latter referred to as affiliate transactions in this paper.

From an economic point of view, so that affiliate transactions can provide maximum and optimal profits for multinational enterprises (MNEs), then each part of the MNEs group is encouraged to create a "reasonable" transfer price scheme in transactions between the MNEs. Determining the "fair" transfer price scheme in affiliate transactions will produce what is called Durst (2002) with the term "shadow prices", ie prices that are only based on production costs, do not include the element of profit in them. Thus it can be said that the essence of affiliate transactions is the determination of a reasonable transfer price (arm's length price) for tax avoidance (Mehafdi, 2000; Durst, 2002).

MNEs must try to minimize the tax burden to obtain maximum performance (profit). One way is to use the transfer price scheme in its affiliated transactions. This method in the economic perspective of MNEs is a form of tax avoidance. This condition is supported by the results of the study of Piasecki and Wolnicki (2004) which states that developing countries have a tendency to create various supporting policies that can be used as loopholes in their tax regulations, such as lowering tax rates for certain purposes or industries, tax holiday policies, incentives, and subsidies. Gap in tax regulations is one of the factors developing the motivation of companies to carry out tax avoidance through transfer pricing.
The term transfer pricing is often connoted as an abuse of transfer pricing, where the MNEs attempt to divert taxable income from one affiliate company in one country (host country) to another affiliated company in another country (home country) whose tax rates are lower for the purpose of reducing the overall tax burden on the group of companies multinational (Hamaekers, 2001). This condition is the main concern of tax authorities in various countries. Attention to MNEs by the tax authorities is carried out through a series of transfer pricing audits on various practices of transfer pricing carried out by MNEs operating in the host country.

The problem of transfer pricing does not only occur in Indonesia, but has become an international taxation problem since the last three decades, especially the practice of transfer pricing in transactions between companies under common control, which places MNEs and tax authorities in debates on tax courts in various countries (Halperin, 1991; Anctil and Dutta, 1999; Eden, 2003; Eden, Valdez, and Li, 2005; Cools, Emmanuel, and Jorissen, 2008; and Durst, 2010). It is known that a company model with a decentralized system has the characteristics of an affiliate transaction in transfer pricing, where the transaction occupies the main position in tax investigation because a large number of countries believe that tax revenues have been lost very much due to the "transfer pricing black" through incorrect accounting practices (Mehafdi, 2000). According to Zuger (2002), as part of international taxation, the problem of transfer pricing between tax authorities and taxpayers can be categorized into two main parts, namely (1) the issue of facts, and (2) the problem of differences in interpretation or application of the law. Both of these problems were found at the level of tax audits, which then led to transfer pricing disputes in the court. The core of the two problems in the end is the amount of tax paid by taxpayers to the state.

Various research results show that the problem of transfer pricing is caused by the existence of the two things mentioned above. The problem of fact and the different interpretations of tax regulations affect the following phenomena. First, the fairness phenomenon of arm's length price in intra-firm transactions for tax purposes is compared with the company's business objectives with quantitative methods (Halperin and Srinidhi, 1991; Edlin and Reichelstein, 1995; Alles and Datar, 1998; Anctil and Dutta, 1999; Kachelmeier and Towry, 2002). Second, abuse of transfer prices for the purpose of avoidance and tax evasion (Durst, 2002; Eden et al., 2005; Exbrayat et.al, 2010). Third, the existence of transfer pricing is a problem in international taxation related to globalization and Foreign Direct Investment (FDI) activities carried out by MNEs (Mehafdi, 2000; Tanzi, 2000; Asher and Rajan, 2001; Deprez, 2003; Paris, 2003).

These phenomena have a serious impact on the country where the MNEs operate, namely the dispute over the amount of tax that must be paid. The following table shows the results of a comparative study regarding the existence of disputed tax payment policies in transfer pricing disputes in several countries (Vollegbret, 2011; Somasundaram, 2011; Poshyananda and Khantasomboon, 2011; Hejazi, 2009; Gruendel and Okawara, 2010; Bonano, 2009; Butani, 2007; Pawar, 2011; and Nias, 2010).

Table 1. Comparison of Tax Payment Policies in Dispute of Transfer Pricing
Tax Payment Policy of Dispute Transfer Pricing

<table>
<thead>
<tr>
<th>Policy</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxpayers are required to pay disputed taxes.</td>
<td>China, Korea, Malaysia, Thailand, Canada, United States.</td>
</tr>
<tr>
<td>Taxpayers can provide collateral to the State.</td>
<td>Mexico, France, Brazil, Japan.</td>
</tr>
<tr>
<td>Payments for disputed taxes can be suspended before litigation in the Tax Court.</td>
<td>Netherlands, Belgium, United States, Brazil.</td>
</tr>
<tr>
<td>Payments for disputed taxes can be negotiated before litigation in the Tax Court.</td>
<td>Australia, Germany, India.</td>
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</tbody>
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Source: Processed by Author from various references

The transfer pricing dispute that occurred in Indonesia can be seen in the case of PT Adaro Indonesia (PT AI), PT Unilever Indonesia (PT UI), and PT Toyota Motor Manufacturing Indonesia (PT TMMIN). In the case of PT AI, the company is known to have committed tax evasion through transfer pricing practices. The way to do this is by buying coal at an unreasonable price to an affiliated company, Coaltrade Services International Pte. Ltd from Singapore (a group company that is the same as PT Adaro Energy, Tbk) during 2005-2006. The impact of transfer pricing practices is estimated to be Rp. 9 trillion from hidden sales, so that state losses related to taxes and royalties are estimated at Rp. 4-5 trillion (Gunadi, 2008 and Anomim, 2008, 2009).

In the case of PT UI, the company is known to carry out transfer pricing practices with the use of an unreasonable transfer pricing method for royalty payments. The price irregularities are due to differences in pricing methods between taxpayers who use the TNMM method and DG Tax who use the profit split method. Based on these conditions, PT UI was decided by the court to pay a substantial tax shortfall for the period 2006-2010 (Dharma, 2012).

The transfer pricing case also occurs in PT TMMIN. Transfer pricing dispute to TMMIN focuses on corrections made by tax auditors to the value of sales and payment of royalties in the 2008 tax year. In the case of sales value, the Directorate General of Taxes focuses on the selling price of several types of cars in 2008 which is around 4-5% below cost of production. The correction in the sales value resulted in PT TMMIN having to pay a tax tax of Rp 500 billion (Idris, 2013). Tax actors and tax consultants generally try to avoid differences in understanding and interpretation so that transfer pricing disputes do not appear at the court table. They made this effort by understanding the international tax guidelines on transfer pricing formulated by the OECD (Organization for Economic Co-operation and Development) in a book entitled OECD Transfer pricing Guidelines for Multinational Enterprises and Tax Administrations (hereinafter referred to as OECD TP Guidelines). The OECD TP Guidelines as written text are then used as a handbook for tax officials in various countries, including Indonesia, in making domestic tax regulations and policies relating to transfer pricing. For tax practitioners in various parts of the world, the OECD TP Guidelines are also used as a guide in understanding, interpreting and operationalizing transfer pricing related to taxation in a country. Dispute transfer pricing in the tax court is a reflection of the real phenomena that occur in the interaction between taxpayers and tax authorities. Understanding the phenomenon of transfer pricing can be done if we can
witness first hand the taxpayer’s interaction with the tax authority. However, the dispute hearings on transfer pricing in the tax court are difficult to access to be attended by the general public. In fact, tax court decisions regarding transfer pricing disputes are still difficult to obtain from the tax court secretariat.

Based on the results of previous studies it can be seen that transfer pricing disputes are still the arena of debate and the intersection of understanding between tax actors in various countries which causes serious taxation problems, both for taxpayers and the state. Transfer pricing research that explores the meaning of transfer pricing in transfer pricing disputes in Indonesia is still not done. Exploration of the meaning of transfer pricing is done through knowledge, understanding, and interpretation of tax actors who are economic actors in a company and country. Thus, this study will explore how tax actors and tax consultants interpret transfer pricing in Indonesia by using Ricoeur's hermeneutical approach. The use of Ricoeur's hermeneutical approach is a form of renewal in behavioral-based tax accounting research. The meaning of transfer pricing identified in this study is expected to enrich the repertoire of stakeholder studies in the realm of tax accounting.

METHODOLOGY

The research methodology contains an explanation of the types of research, paradigms, research informants, and methods of collecting and analyzing research data. In terms of the purpose of this research, it is known that this type of research is qualitative, which is indicated by the characteristics of the objectives to find meaning possessed by individuals in their interactions with aspects of taxation. Qualitative research arises because of the paradigm change in looking at an existing reality, where social reality in this research is seen as something that is holistic, dynamic, and full of meaning.

The paradigm used in this study is the interpretive paradigm. The selection of the interpretive paradigm is motivated because transfer pricing disputes are a form of social reality that actively involves human aspects as perpetrators of social actions that are always full of meaning inherent in the perpetrators. These considerations can be traced through the early traces of the interpretive paradigm put forward by Weber (1864-1920) and Wilhem Dilthey (1833-1911). Weber stated that the social sciences need a study that can give meaning to social actions that occur, or the purpose of a social action. He then introduced the concept of Verstehen and encouraged every social researcher to learn to understand the reasons and motivations in the individual as the object of his research. In this case, Weber emphasizes on the aspect of social action which is not only important to explain the causal relationship in sociological reality, but social action itself becomes the main object in an interpretive sociology study (Neuman, 2000).

In addition, this research involves understanding, interpretation, and awareness at the level of the individual who is the culprit. In this case, human actions are not mechanistic like objects in natural science. Based on these two reasons, efforts to understand a social action in phenomena or social reality through the interpretive paradigm in this study must be based on the results of 'reading' how the actor himself
understands his world, or in other words researchers must make an effort to understand the informant who was researched (understanding of understanding). The exploration of meaning is all meanings that possessed by the informants, where the informants in this study are tax actors and tax consultants. Tax actors consist of (1) tax authorities in the Directorate General of Taxes, particularly those tax authorities who are in charge of the Directorate General of Taxes (DGT) in transfer pricing disputes in tax courts, and (2) Taxpayers are business entities (PT XYZ) in multinational companies that have transfer pricing dispute in the tax court. In addition, tax consultants are also research informants because of their status as legal counsel of taxpayers who have transfer pricing disputes in the tax court.

The types and sources of this research data are in the form of (1) verbal information obtained from the dialogue on transfer pricing disputes in the tax court and the results of interview informants' interviews; (2) written text in the form of laws and domestic tax regulations related to transfer pricing, as well as the OECD TP Guidelines; and (3) the direct observation of the interaction between research informants in the transfer pricing dispute trial in the tax court.

The hermeneutics method was chosen because this research is a taxation study that is identical to the existence of tax laws and regulations as a guideline. Tax laws and regulations are a form of written text that must be interpreted by its users. This interpretation of the text is the domain of the hermeneutical approach.

Furthermore, Riahi-Belkaoui (1996) explains that accounting, including taxation in it, is also a multiparadigmatic science. The term 'paradigm' was first popularized by Kuhn (1970), which meant "the entire constellation of beliefs, values, techniques that are shared by the members of a given community". That is, different communities have the possibility to use different paradigms. Therefore, in order to establish accounting in the social sciences methodologically and epistemologically, special methods need to be created and developed that maintain rationality in a critical perspective on scientism and positivism, one of which is the hermeneutic method.

Accounting is also part of a social science that seeks to explain the economic relationship between an entity and society. Accounting is seen not as a science (Mautz, 1963; Sterling, 1979; Riahi-Belkaoui, 1996). In ancient times accounting was only seen as a pseudo-science (Riahi-Belkaoui, 1996) or as an art (Sterling, 1979). However, these views began to change when Mautz (1963) discussed in more detail the scientific dimensions of accounting. Referring to several encyclopedias about social science, Mautz (1963) concluded that accounting qualifies as a social science because 1) accounting is related to companies, which the company itself is certainly a social group, 2) accounting related to transactions and events economic events, which have social consequences and influence social relations, 3) accounting produces useful and meaningful knowledge for humans involved in activities that have a social impact.

Based on the explanation above, the subject of accounting science is human. That is because accounting science is ontologically born of humans and to humans, meaning that the science of accounting is a process carried out by humans to answer their ignorance about various things in their lives. Therefore, accounting science can be said to be a human product. The human condition is living in limited space and time, so the study of accounting science in reality is always within certain limits. These
boundaries are related to the boundaries surrounding human life as the subject of accounting science, as well as the boundaries of the study of accounting science which is the focus. Each of these boundaries always carries its consequences.

The natural sciences have developed earlier than the social sciences and have shown success with their methods which prioritize certainty, validity, objectivity, order, neutrality (value-free), and generalization. The success of the natural sciences through the method is widely applied by researchers in developing social sciences, including accounting science. Gadarmer (2010) states that the logical self-reflections that accompanied the development of the social sciences (humanities) in the 19th century were entirely dominated by the models and methods of the natural sciences. However, the neutral and objective methods of the natural sciences have failed to translate scientific principles in the human world which are social sciences. The rationalization of human life through the natural sciences (science) cannot transform all of the social lebenswelt, even breaking it in conflicting binary opposition.

This failure was mainly due to differences in the object of study between the natural sciences and the social sciences. The object of the study of the natural sciences is empirical data, while the social sciences place humans and their actions as objects of study. Dilthey was the philosopher who first proposed a dichotomy between erklären of the natural sciences and verstehen from the methods of the social sciences. Dilthey termed the study of social sciences in the form of life expressions (lebensaeusserung), such as concepts, actions, and appreciation (erlebnis) of humans, so that they cannot be approached mathematically and experimentally (Mulyono, 2012).

**Ricoeur Hermeneutical As The Road To Find The Meaning Of Tranfer Pricing**

Hermenutics is one method of social science that aims to interpret an individual's understanding of his social actions. Judging from the root word, hermeneutics comes from Greek, that is, from the verb hermeneuein (interpret) and noun hermeneia (interpretation). The three processes in hermeneutics above are contained in three basic forms of hermeneuein and hermeneia, namely (1) to express the word (to express), (2) to explain (to explain), for example explain a condition, and (3) to translate (to translate), for example in foreign language transliteration. These three meanings can be represented by the English verb form, namely to interpret. Thus, interpretation can refer to three different issues, namely oral pronunciation, plausible explanation, and transliteration from other languages (Palmer, 2005).

Periodically, the development of hermeneutics can be divided into three phases, namely the classical, mid, and modern phases. Classical hermeneutics which first appeared in the 17th century was more patterned in the interpretation of texts and art in interpreting texts. Mid-hermeneutics is ascribed to Bible interpretation activities. Furthermore, modern hermeneutics began to emerge at the beginning of the 19th century with its three main streams, namely the flow of hermeneutic theory pioneered by Schleiermacher, Wilhem Dilthey, and Emilio Betti; the second stream is the flow of hermeneutical philosophy (philosophical hermeneutic) with the characters are Martin Heidegger and Hans-Georg Gadamer; and the postmodern hermeneutic (postmodern hermeneutic) style which is shared by Paul Ricoeur (Damanhuri, 2012).
Ricoeur’s hermeneutical approach is believed to be able to achieve the objectives of this research because it has the power to the concept of discourse, dialectics, and spacing as a ‘filament’ metaphor in exploring the meaning of the informants' understanding and interpretation. This metaphor implies a very careful but wide-ranging mediation effort. This metaphor shows how conflicting views in philosophy can go hand in hand by linking them by marking the place of one view in the context of another's view. In turning on the ‘hermeneutic filament’, Ricoeur emphasized the existence of dialectics within and between conflicting views. The concept of dialectics carried by Ricoeur has made him a philosopher with non-synthesis mediation methods.

Ricoeur describes the method of thinking as (Uggla, 2010):

“a dialectic with a postponed synthesis... the very delay of all syntheses... the postponement of the solution to all dialectics. According to Ricoeur’s dialectical way of thinking, the last word in absence of both absolute knowledge and arbitrary relativism is the conflict of interpretation”.

Ricoeur's hermeneutics approach can be applied in the context of this research for several reasons: First, this approach can connect the void of understanding in the relationship of subject-objects carried out phenomenology to explain human life experiences (lebenswelt) to human understanding of their existence in the world (phenomenology of dasein) by applying the concepts of discourse, dialectics, and spacing (distortion). Therefore Ricoeur's hermeneutics approach is in accordance with the context of the research that seeks to interpret the experiences and events experienced by the informants in the transfer pricing dispute in the tax court to then explore the meanings contained therein.

Second, the development of Ricoeur’s philosophical thinking can be described as a philosophical anthropology of human action. Ricoeur turns out to maintain his attention to human meaning based on the belief that being human means having to be free, rational, creative, moral, and limited. It is the human meaning in hermeutika Ricoeur’s thinking that is the basis of assumptions in research, namely that the behavior of tax actors and tax consultants as individuals will have meaning based on the beliefs they have each. That belief was then applied in transfer pricing practices that they did, both in economic, business and taxation activities.

Third, the selection of Ricoeur’s hermeneutics approach in this study is also motivated by Ricouer’s thinking that hermeneutics is a method of understanding work in relation to textual interpretations. Ricoeur’s understanding is always influenced by history, prejudice, authority, and tradition. In the context of this research, historical and traditional aspects can be seen from the experience and knowledge previously possessed by tax actors and tax consultants which they then apply in transfer pricing practices that occur today. An understanding of the experience and knowledge possessed by each tax actor and legal consultant is a condition that cannot be separated from the traditions or habits that they have as part of the taxation they have been involved in so far. Understanding of the element of authority can be seen from the point of view of the Directorate General of Taxes who has the duty to supervise and evaluate taxpayer compliance with regulations relating to transfer pricing.
Conditions that affect this understanding indicate that all interpretations occur in language and are raised by humans in a particular historical community.

Fourth, Ricouer's thinking bridges that human understanding is always between subjectivity and objectivity, or on the relationship between subject and object. The bridge that connects both sides has long been carried out by phenomenology through the concept of lebenswelt (life experience). However, for Ricoeur, the method of life experience to understand human existence has its disadvantages of having deficiencies in the process. That is, the life experience that someone has in order to be used to understand the existence of that person requires a media or link in the form of a process of interpretation carried out through language. Therefore, Ricoeur focuses on the formation of the theory of interpretation by elaborating the concept of distortion (spacing) that he has developed earlier with the concept of text and discourse through the language of the language.

It is this elaboration of the concepts of discourse, dialectics and distortion that develops Ricoeur's thoughts on the theory of interpretation of texts that can be used in the context of this research. Distortion is the process of separating the message from the person who is speaking or the speaker, and separating speaking events from the listener or recipient of the message, or from the situation and from the initial recipient of the news. The elaboration of these concepts can show whether a person has sufficient level of understanding or not on a text.

The text in Ricoeur's thinking always experiences a process of 'adjusting' in the interpretation. That is, the interpretation will make something previously foreign become their own, so that the interpretation is unifying, equalizing, and contiguous, and likening. Therefore, interpretation gives way to the emergence of reflection because appropriation is always tied to the ability of the text to 'open' the world (Ricoeur, 2012).

In this study, written texts in the form of tax regulations and OECD TP Guidelines and unwritten texts in the form of interactions and dialogues in the trial will always have dialectics to bring up various kinds of discourse. The existence of this discourse will be conducted by research informants (distortion) so that they can objectively understand existing transfer pricing disputes. The informants will then take an appropriation action on the objective understanding they already have. The act of adjustment is in the form of subjectivity from the informants over the nature of the understanding they have. That subjectivity raises the meaning of transfer pricing from the perspective of informants.

Finally, Ricoeur analogizes human actions as an open (work) text whose meaning is in infinity because human action opens up possibilities for new references and has new relevance to them. In addition, human actions also await new interpretations that will determine its meaning later (Ricoeur, 2012). That way, all events and actions that have important meaning will always be open to practical interpretations through current practices. Human actions are also open to anyone who can 'read' the meaning of action as a dialectic of events and meanings.

Ricoeur’s thinking on the concept of text which is always open to the next interpretation process is what is suitable for use in the context of research because in this study there are differences in interpretations of the informants on written texts.
Such differences may occur due to the development and change of knowledge of each party. Interpretation of the infoman on the written text is represented in the argumentation action they took in the transfer pricing dispute trial. The act of argumentation at the trial is an unwritten form of text that can be interpreted by the researcher. Thus, this condition shows that the text always opens the world of understanding and interpretation for the actors who interact in it. Ricoeur’s hermeneutics approach is used as a tool for analyzing research data through three main stages, namely:

1. The semantic stage (method) uses data sources in the form of (1) dialogue manuscripts in the trial of dispute over PT XYZ’s transfer pricing in the Tax Court, (2) manuscripts from interviews, and (3) tax regulations related to transfer pricing. The steps to process the data sources are carried out through interpretation by the researcher, then the researcher performs appropriation or adjustments in the linkages between the three.

2. The stage of reflection (philosophy) uses data sources as a result of interpretation of researchers at the semantic stage. The results of the interpretation will then be carried out by a dialectical process, which in Ricoeur's thought is a dialectical process of events and meanings. At this stage, the main discourse is expected to emerge in the transfer pricing phenomenon. If at the semantic stage, Ricoeur focuses on the sentence as a focus on language problems, then at this stage it is more focused on the existence of a sentence that is no longer a unit of language (or system), but as a unit of speech or discourse.

Sentences are actual because they are events of conversation. The sentence is not a word that is bigger or more complex, but it is a new entity. A sentence is a whole that is not reduced to pieces of its part. A sentence has two main components, namely the ideal understanding and real reference. These two components of the sentence reflect the dialectic of events and meanings, where only at the level of a sentence can a language refer to something, so that the whole sign that is integrated can be connected with the world outside the language. Referral relations in a sentence which in human dialogue is the most important feature of discourse (Ricoeur, 1981; Kaplan, 2003; Damanhuri, 2012).

The analogy between the meaning of the examiner and the meaning of speech in a conversation can be done in the context of discourse. The examiner (someone who speaks) is an event. As an event, the examiner raises a discourse, where an attempt to interpret the speaker’s speech can be done by connecting the discourse to the speaker through the dialectical method of events and meaning.

3. The existential stage (ontology) uses data sources in the form of discourse that has been found at the reflection stage. The final goal of this stage is to discover the nature of understanding and meaning. To achieve the final goal, at this stage an effort to be conducted (distortion) is carried out. This distortion is a concept put forward by Ricoeur as a criticism of Gadamer that does not include elements of distance or alignment in human historical consciousness when justifying prejudices that arise in the process of understanding carried out by every human being.
The relationship of discourse with distortion (imprisonment) is done by Ricoeur by formulating the concept of text. Text as a form of discourse also shows one fundamental characteristic of the historicity of human experience, namely communication within and through distance. Spacing in Ricoeur's thinking has a positive and productive understanding, where the text is not a problem that must be solved, but a historical requirement for understanding (Ricoeur, 1981). The text in this stage is born discourses in the transfer pricing phenomenon in the context of this research.

According to Ricoeur, one of the goals to be addressed by various kinds of hermeneutics is the struggle against cultural distortion, that is, the interpreter must take distance so that he can make interpretations well. We can only criticize if we make distance from the object of criticism. However, the criticism that we do also brings ready-made ideas, because if an interpreter takes a distance from an event then it does not work with the previously empty hand. The interpreter brings something that Heidegger called vorhabe (what he knows and has), vorsicht (what he sees), and vorgriff (what will be his concept later). This condition all signifies that we cannot avoid the apostasy at all. Therefore, we need to justify these prejudices through the spacing process so that the essence of understanding and meaning of a phenomenon can be born. The three stages of Ricoeur hermeneutics are a framework for analyzing research data which can be explained in the following figure.

**Figure 2. Ricoeur Hermeneutics Approach As A Framework of Analyzing Data**

**RESULT AND DISCUSSION**

*The Meaning of Transfer Pricing in the Perspective of Taxpayers, Tax Authorities, and Tax Consultants Using Ricoeur Hermeneutics*
“Once you take on board the fact that more than 60% of the world trade takes place within multinational enterprises, the important of transfer pricing become clear” (OECD, April 2002).

The above statement shows the importance of understanding the practice of transfer pricing based on trade transactions carried out by multinational companies throughout the world. Trade transactions are part of the economic activities of countries around the world, both local and international trade. The parties that trade in goods and / or services can occur between independent parties, or between independent parties and affiliated companies, as well as among parties that have special relationships.

In the process of finding the meaning of transfer pricing in behavioral accounting is done by applying the three stages of Ricoeur hermeneutics. The semantic stage as the first tapa is done by focusing on the role of language in the text in the process from explanation to understanding through interpretation. This level contains the methodology used by hermeneutics in making interpretations. The discussion at this level begins with the fundamental role of language in maintaining the hermeneutic position with methodology on the one hand and ontology on the other side by interpreting the text as its central point.

Dispute of transfer pricing in Indonesia, oral and written language became the main problem in the occurrence of differences in understanding among tax actors. One example is the dialogue that occurred during an appeal hearing between Taxpayers as Appellants (PB) and Directorate General of Taxes as Defendant (TB) at the Jakarta Tax Court. Following is the excerpt from the discussion in the session related to differences in understanding in the process of selecting the transfer pricing method.

TB: Distribution of business according to WP amounting to USD 225,520,541, where there is a correction of business circulation of USD 63 million (USD 63,425,528). This is reporting from the appendix IIIA SPT of PT XYZ (showing the form of PT XYZ IIIA SPT on the slide). Here it appears that the method used by WP...WP uses the transfer pricing TNMM method with total sales of USD 225,520,541 and this is 100% to the affiliate.
The implementation steps carried out by Directorate General of Tax (DGT) in the first case of transfer pricing are (1) examining special relationships, then (2) examining WP business characteristics, then (3) determining comparative data search criteria, (4) determining profit level indicators, (5) determine the transfer pricing method, (6) determine the comparison company, and (7) apply the method.
After knowing the characteristics of the WP business, namely contract manufacturing, then the DGT sought a comparison that was comparable to the company under study, namely PT XYZ. So it is done by using OSIRIS then a screening manual is performed. Then, after obtaining comparative data we look for the profit level indicator (PLI) to be used. Because 100% of sales (PT XYZ) is carried
out to affiliates and there is no comparable internal, the PLI used is gross profit, the ratio of mark-up value is gross profit divided by HPP. Why do we use the mark-up ratio? Because the mark-up ratio is an effective ratio to measure the ability of a company from all the resources it has to compete in the market and generate profits. From the results of the ratio, the method we use is the cost-plus method. Why do we use the cost-plus method? Because it was the first time in accordance with the rules that there was this method there was a hierarchy. First CUP, then cost plus, then resale price at gross profit level. Then TNMM and profit split at the level of net income. Because CUP cannot be applied because of the unavailability of comparable internal, we use cost plus because of manufacturing companies. While the resale price is used as a distributor company.

Judge: Then the method used by TB was a cost plus. Then TB also stated that PB companies are contract manufacturing. Please explain.

TB: This only confirms what has been conveyed by our colleagues regarding the use of references, namely the OECD TP Guidelines. Whereas the disputed tax year is the 2008 tax year so that the OECD TP Guidelines that we refer to are the OECD Guidelines in 1995, which according to the OECD TP Guidelines in 1995, the selection method still uses hierarchy. This means that it must be tested on a CUP (comparable uncontrolled price), if it cannot go down to the cost plus, and if the cost plus is not accurate, then it can go to TNMM, the Assembly. Thus, based on our research, the most appropriate contract manufacturing business after the CUP method is not possible to implement is a cost plus. Because this cost plus is more direct, that is by comparing the gross profit obtained by the company on its HPP compared to the company that also functions as contract manufacturing, thank you.

Judge: Do you want clarification (PB) or want to be responded to?

PB: We argue that the analysis at the level of gross profit is not appropriate because there is limited data at the level of gross profit from the comparison and the difference in accounting treatment. The Osiris database cannot have details like this at either the COGS level or at the level of operating expenses. Therefore, the OECD also recognizes that these different functions are generally reflected at the level of operating expenses. Therefore, it can be that the company has a large range of gross margins but is generally almost the same as the level of operating profit. So it could be that the company has very high variations in the level of gross margins but can occur at the same level of operating profit. It turned out that overseas practitioners admitted from 2003 to the present, that it was difficult to get a comparison at the level of gross profit, so they encouraged in practice TNMM. There is no comparison at the gross
level which causes the method at the gross level not to be used. Why, in fact, I want to tell a bit of the reason the hierarchy method is changed to the most appropriate method based on the statement "you must know the past to understand the present". Why does the OECD (2010) change to the most appropriate method from OECD 1995? Because theoretically, the hierarchy is indeed the best but difficult to apply so that disputes arise ... because it is true not only in Indonesia, in other countries the tax auditor will try to apply hierarchically at gross level, but it turns out that the dispute the protracted issue made the OECD finally admit that it turned out that it was no longer possible for them to use the hierarchy, so they changed the statements into "where there is no reliable information on third parties, so methods that are cost plus are difficult to apply so TNMM is the most appropriate in view of availability information".

Judge: (cut PB exposure) Please don’t lecture long enough so I think the course will be outside. So now just explain what is related to the subject matter.

PB: Ok so I think in practice and theory I have already conveyed. So the closing might be that I request that from the transfer pricing method, there is an objection review stating that the TNMM can be applied.

Judge: Ok, would you like to ask a little? Is PB using this TNMM before the inspection is done or is it just after this appeal?

PB: at the time of objection ... (a brief discussion with the team) eh ... on the (income tax return) SPT yes... in the SPT it was revealed

Judge: So the answer is sure, yes, don’t change ... ask first ... don’t change. So is this TNMM used from the start when filling in the SPT or new at the time of objection? Please answer with certainty.

PB: For filling out the method in the special attachment of the 2008 corporate income tax return (SPT), the method is filled with TNMM.

Judge: Ok, this TNMM has been used since when filling out the SPT?

PB: Yes, already.

Judge: OK, now please TB if you want to give clarification.

TB: A little added to responding to a statement from PB, related that we have verbally agreed to the use of the TNMM will be conveyed at this honorable trial that we did not state that. There is no evidence and no data that states the use of the TNMM method. Thus, we affirm in this trial that the correction we made uses the gross profit method ... the cost plus method is already our correction method for PB.

Judge: For the PB, it was a response to the verbal statement mentioned that TB actually never agreed to use TNMM and TB never stated that.
Ok, but so it is even clearer, that the PB actually agrees if it is subject to underpayment?

PB: Yes, 1 million dollars does not include sanctions, the Assembly.
Judge: So PB can consider tax underpayment of USD 1,117,204.
PB: Or a correction of 3.7 million dollars
Judge: What is the basis?
PB: This is by using calculations according to TNMM or in operating profit.

In addition to differences in understanding in the application of the transfer pricing method, in the trial dialogue also known differences in understanding of comparator selection due to constraints on the availability of external comparison data using commercial databases, as well as the difference in the amount of less paid tax among the disputing informants in tax courts. The dialogue dialogue above shows that oral language is an event, namely a conversation in the court courtroom. Although the discussion is limited to space and time, the meaning contained in the sentences expressed by each party is a discourse that is always 'open' to the listeners in the courtroom. That is, the sentences in the dialogue are transhistorical, can be identified and re-identified, so that listeners can re-express them with other words or sentences, even in other languages (for example by translating from Indonesian to language another).

The illustration of the dialogue in the trial also shows that language plays an important role in conveying the message. The examiners, both Appellants, Appellants, and Judges, tried to convey the message through their statements or questions. The message to be conveyed by each party has its own meaning, where the meaning can be captured by the listener or the interlocutor through a series of sentences spoken by the speaker. If only a piece of the word is heard by the listener, it will not give full meaning or even obscure the true meaning of the message the speaker wants to convey.

The second stage of Ricoeur's hermeneutics to find the meaning of transfer pricing, namely the reflection stage. The dialectical process of events and meaning is at the heart of this stage, so that it can explore the main discourse in transfer pricing disputes in Indonesia. The focus at this stage is the existence of a sentence that is no longer a unit of language (or system), but as a unit of speech or discourse. Sentences are actual because they are events of conversation.

The discussion at the transfer transfer trial did not only occur between the Appellant and the Appellant, but there was one more neutral party, namely the Panel of Judges consisting of the Chief Judge and two Member Judges. The Panel of Judges, especially the Chief Judge, served as mediation between the disputing parties and provided direction to clarify the disputed material discussed, while the Member Judges were more attentive and noted the opinions of the parties to the dispute. Every argument that will be submitted by the Appellant and Appellant must be authorized by the Chief Judge, where the Chief Judge will provide an allocation of time for each party to express his opinion in accordance with the direction of the Judge to clarify the dispute.
The dialectic between events and meanings occurs in the discourse of the utterances of the examiner. In each discourse is a series of sentences, where each sentence is characterized by the existence of a predicate. In this case, the predicate shows a type of quality, level of something, and form of relationship (Ricoeur, 1981). The dialectic between events and meanings not only gives rise to discourse on speech (speech), but also discourse on writing (text). Based on the dialogue transcript above, the dialectic between events and meanings occurs in the discourse of the transfer pricing method.

Dialectical analogy between the meaning of the examiner and the meaning of speech can be done in the context of discourse. In the connection between the examiner and the utterance meaning, Ricoeur tried to explain through the concept of speech act which was triggered by Austin and Searle. Speeches are formed through a hierarchy of sub-actions spread over three levels, including (1) the level of locational action, which means taking action to say something; (2) the level of illocutionary action, meaning what we do in or when saying something; and (3) the level of perlokussioner action, meaning what we do by saying, or what the effect of saying something. Ricoeur's main concern is the illocutionary action because this action has the dialectical power of events and meanings (Ricoeur, 1981; Damanhuri, 2012).

The comparable parties and appellants who speak are a form of action in an effort to provide opinions or arguments from both parties to explain something. The act of talking or an act of illocutionary action as referred to by Ricoeur itself is also an event carried out by the comparator and the appellant as the examiner (the person speaking). In the context of speaking, there is a dialectic of events and meanings, while creating discourse on things that are discussed. The discourse reflected in the dialectics of events and meanings based on the dialogue mentioned above is a discourse on the transfer pricing method.

Based on the conception of the examiner's actions in the dialectics of events and meanings, Ricoeur tried to associate these conceptions in the concept of discourse, which then gave rise to the concept of interlocutionary action (allokussioner). The emergence of the concept is based on the understanding that one important aspect of discourse is that it is addressed or directed to someone who is the target of the discourse. In this case, the discourse on the transfer pricing method in the tax hearing is directed to the parties, both from the Appellate to the Appellant, and vice versa; and from the parties to the judge. The target of the transfer pricing method discourse in the trial was to convince the judge that the method applied was in accordance with the analysis of comparability and at the same time reflecting the principle of fairness.

Paired existence between the speaker (pengujar) and the listener will form language as a communication (dialogue), where the dialogue is the essence of the existence of discourse. Therefore, the meaning of the examiner and the meaning of speech in the transfer pricing method discourse has created discourse meaning as an effort to achieve the principle of reasonableness. Every effort to determine the transfer price in an affiliate transaction will have the same meaning, namely the application of the principle of fairness.

Based on the dialectics of events and meanings at the reflection stage mentioned above, the discourse in the transfer pricing dispute in the tax court is obtained
including the availability of comparative data, the method of determining transfer prices, and the amount of tax that is less paid by taxpayers. The discourses produced in the second stage, then analyzed with the concept of distortion and appropriation at the third stage of Ricoeur's hermeneutics, namely the existential stage.

The third stage (existential stage) is carried out through the dialectic between distanciation and appropriation. Distortion is an element that plays an important role from Ricoeur's hermeneutical theory. Distancy is the main road to text autonomy and at the same time a form of maintenance of meaning that gives rise to interpretations (Haryatmoko, 2000). Ricoeur emphasized the importance of understanding about distanciation because every meaning carried out by consciousness involves taking place from objects that are given meaning, taking distance from lived experiences while remaining pure and straight towards them. The importance of distanciation in Paul Ricoeur's hermeneutics is to maintain the distance of objectivity in the human sciences which is expected to be able to bring to the dialectic between alliances distorted with experience.

After taking distance, the tax players and tax consultants have interpreted the existing discourse. The results of the interpretation are then adjusted to the events and context that occurred in the transfer pricing dispute trial in the tax court. This process of self-adjustment can be seen from the arguments they convey during the trial. Ricoeur explained that in the process of interpretation there is also an act of 'adjusting' (appropriate), meaning that making something previously foreign becomes their own, so that the interpretation is unifying, equalizing, and contemplating, and likening. Therefore, interpretation gives way to the emergence of reflection because appropriation is bound to the ability of the text to 'open' the world (Ricoeur, 2012).

Thus, distanciation is an attempt to separate or take distance, while appropriation is intended as a drug that can save the past cultural heritage from the distortion alliance (Ricoeur, 1976). Appropriation aims to actualize the meaning of the text for the reader at this time. Appropriation remains a concept for the actualization of the meaning addressed to someone. Perfect hermeneutics as appropriation when the act of reading that the reader has flexibility as well as what happens when understanding an event. What is appropriated is the power to uncover the world that forms text references. Appropriation is closer to the fusion of the horizon, that is, the interpreter's world horizon combined with the speaker's world horizon (Ricoeur, 2012).

The process of distanciation and appropriation is a form of historical attachment and human consciousness, meaning that humans become part of the historical tradition through the relationship of spacing and appropriation between explanation and understanding in a particular discourse (text). Based on the results of the process of distortion and appropriation, the transfer pricing meaning is obtained from the comparable perspective and the Appellant. In this case, Defendant represents the tax authority as the tax actor, while the Appellant represents the Taxpayer as the tax agent and the tax consultant as the attorney of the Taxpayer.

The meaning of transfer pricing from the perspective of the tax authority is a potential loss in state revenues. The loss in state revenues was due to tax fraud that was carried out through a transfer pricing scheme that resulted in the amount of tax paid by taxpayers not matching or smaller than the amount of tax that should be paid.
if the affiliate transaction applies the principle of fairness. So in the perspective of the
tax authority, there is also the meaning of transfer pricing as tax fraud. In the
perspective of taxpayers, the meaning of transfer pricing is an effort to maximize
company profits by transferring potential profits from an affiliate in a country that has
a high tax rate to a country with a lower tax rate. This method is a form of tax
avoidance that is done by exploiting loopholes in the tax regulations, but does not
violate these regulations.

Furthermore these two perspectives, there is also the meaning of transfer pricing
obtained from the perspective of a tax consultant. The tax consultant in this study is
known to have a large role in the activities in the trial. Arguments related to transfer
pricing discourse are all carried out by tax consultants who function as legal counsel of
taxpayers. The meaning of transfer pricing from the perspective of a tax consultant in
the context of this research is as a taxpayer business strategy. The business strategy is
carried out by using a transfer pricing scheme carried out by the company's
management accounting department. The transfer pricing scheme is applied in affiliate
transactions, where each affiliate transaction made is made an agreement or business
agreement for the implementation of the scheme. This business agreement or
agreement is designed so as not to violate generally accepted accounting principles
and existing tax regulations. Based on the explanation above, the meaning of transfer
pricing can be seen in the following Table.

Table 2. Meanings of Transfer Pricing from the Perspective of Taxpayers, Tax
Authorities and Tax Consultants Based on the Ricoeur Hermeneutics
Approach

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Construction The Meaning of Transfer Pricing to Stakeholder Theory

Transfer pricing disputes in relation to taxation and accounting in Indonesia
cannot be separated from the meaning of transfer pricing that is owned by tax players
and tax consultants. The Directorate General of Taxation as the tax authority seeks to
seek understanding of the concept of transfer pricing through various practices of
transfer pricing checks and studies of avoidance and tax evasion schemes that are
cross-border in nature. On the other hand, Taxpayers and tax consultants also make
business strategy efforts to harmonize their transfer pricing schemes with applicable
tax rules in Indonesia without violating applicable tax regulations. The main essence of
these efforts is to maximize company profits. The construction of the meaning of
transfer pricing to stakeholders theory as result of this research as follow.

Figure 3. The Construction of The Meaning of Transfer Pricing to Stakeholder Theory
Based on the picture above, the discussion will be conducted with a discussion about tax planning. Tax planning is a financial arrangement carried out by individual taxpayers or companies for tax purposes. The purpose of most tax planning is to reduce the tax burden from taxpayers. There are several reasons for doing this, among others, first, some countries levy a much higher tax rate than others, resulting in incentives for companies to divert profits from high taxes to low tax locations. Second, arbitration of international tax burden is an activity carried out by MNEs because MNEs are operated in many countries around the world. The advantages of arbitration (taking advantage of differences) and integration (taking advantage of economies of scale and space of contribution) are two core skills of MNEs in the semi-global world. For example, there is no moral error that is intentionally issued MNEs divert operations from one country to another for the benefit of cheaper raw materials, lower labor rates, or lower taxes.

There are three forms of tax planning: avoidance, embezzlement and regulation (McBarnet, 1991, 1992; Kramer, 2001). Tax avoidance is a legitimate tax plan for the purpose of planning a corporate tax burden; tax avoidance is legal. Tax avoidance is often tolerated; for example, the company requested to move from one state to another in the country to reduce their corporate tax. However, transferring between countries, can be tolerated, can have taxes. Many of the tax preferences that are promoted in the publication of the OECD crude tax exemption (1998) have actually been tolerated in the form of tax avoidance. Governments can encourage tax avoidance, for example, by setting tax preferences that encourage certain activities such as R & D investments, or providing tax exemptions for new investments.

Tax evasion is tax planning that is not tolerated by the government (McBarnet, 1992; Kramer, 2001). "Not tolerated" means that tax saving methods are not covered by tax laws ("gaps") or that there are unfavorable provisions that can be interpreted (depending on how one defines the substance of the provisions) as a limitation of activity. In such cases, tax evasion may be illegal, but if there is no intention to cheat it may not be punished.

There are two types of tax avoidance: substance over forms and false transactions (Kramer, 2001). Substantially over form, MNE can regulate its activities specifically to save tax, for example, by making facts to take advantage of favorable tax provisions or to make facts so as to avoid clear words of unfavorable tax position So,
nothing the economic substance behind this activity. In such cases, the tax authority can see through transactions with economic substance behind it, or see through a literal interpretation of the legal provisions to assess the purpose of the tax provisions. For example, MNE can make fair transactions, buy or sell with outside parties, specifically to make prices fair. If this transaction is a small or marginal trade, the tax authority might discard this transaction and argue that it is not comparable. Many tax authorities now explicitly safeguard the right to reverse engineer transactions when the form and substance of transactions differ significantly.

With fake transactions, the creation of facts must be purely tax-motivated without substance behind it. In this situation, tax authorities tend to ignore transactions. More generally, governments may have anti-abuse rules where, if MNE tries to avoid taxes by making fictitious arrangements to save taxes, this is treated as tax misuse and there are tax penalties collected, then the transaction is recalculated by the tax authority.

Tax fraud involves tax planning where relevant facts are disguised or there are no mock facts, or where tax evasion is covered by criminal provisions in national tax law (McBarnet, 1991, 1992; Kramer, 2001). Giving false or incomplete information about the fact that is relevant to the tax to the tax authority, or not telling the tax authority about the relevant facts, is tax fraud. In short, tax fraud is tax evasion combined with lies. Basically, if a company (a) hides the relevant facts that the company is obliged to disclose or (b) distort the relevant facts, this is a tax fraud. We can imagine three types of tax planning arranged along a vertical line, where tax evasion is legal, tax evasion is not tolerated but does not have to be illegal, and tax fraud is clearly illegal. The line used is to differentiate when tax planning moves from legal to illegal, which is to determine at what point tax evasion is to find out when the lies started by taxpayers.

Based on the transfer pricing meaning obtained from the results of this study, transfer pricing is also seen as tax avoidance from the perspective of taxpayers and tax consultants contrary to the perspective of the tax authority that transfer pricing is a tax evasion that can eliminate state revenues and harm the general public. In the context of this study, the two opposing actions are forms of tax planning carried out by each party. This tax planning activity based on disputes in the tax court shows the relationship with each other when viewed from the existence of a business entity in a stakeholder perspective. Taxpayers in this case represent a business entity, namely a multinational company, which carries out a transfer pricing scheme on its affiliated transactions.

The transfer pricing scheme was initially carried out in order to adjust to changes in the business environment in order to survive by producing optimal profits. Over the past three decades, there have been three major changes to the global business environment (Friedman, 2005). First, barriers in international trade are relatively reduced. The diminishing inter-country transaction scattering clearly has a big influence on the operational activities of multinational companies, as well as incentives for companies that want to go international. With the reduction of these barriers, companies whose nature is always wanting to maximize profits are driven to expand their business, synergy, and finally begin to look at market potential in other countries as an opportunity to increase company profits.
Second, the emergence of the spirit of regionalization which was marked by the rise of cooperation in a region. The spirit of regional cooperation will be followed by capital flows between countries, increased trade transactions, and agreements that regulate economic activities involving two or more countries. Third, the information technology revolution. With the discovery of the internet which has continued to expand its network has created the intensity of electronic transactions. Thanks to the development of information technology, now an economic transaction can be carried out anytime and anywhere. This condition reflects the easy process of capital flow (funds) from one party to another.

In addition to international transactions, internationally traded products are also increasingly diverse, for example the increase in global trade in intermediate goods and intangible asset transactions. Examples of intangible asset transactions include the use of shared technology, the use of formulas, patents, trademarks, and so on. This dispute indicates the existence of a value chain strategy that involves entities in a multinational group of companies in different jurisdictions. This strategy raises the affiliate transaction scheme.

When the market is in an imperfect condition, the expansion of the company across the jurisdictions of a country will be more efficient if there are efforts to internalize costs, especially transaction costs, which cannot be fully controlled by the company. This internalization effort means an effort to obtain efficiency by replacing the company's imperfect external conditions with market internalization, where all functions are carried out between companies in the group. Internal transactions with prices set internally can create efficiency or reduce transaction costs. The creation of an internal market scheme is carried out in an effort to reduce the risk of imperfect external market failure through business organization policies or business integrations. In this condition, multinational companies will get three benefits, including ownership advantages, location advantages, and internationalization advantages, hereinafter referred to as the OLI Paradigm.

Advantages of ownership are more specific to companies that can explain the reasons for multinational companies entering the international market. Some important advantages include the mastery of technology, monopolistic excellence, and economies of scale. Location excellence is more specific to a country. One reason a particular location is chosen by a multinational company as its place of operation is to maximize its specific advantages. There are three components of location excellence, including (1) economic excellence where labor costs are low and the market is large, (2) social excellence, such as cultural and language barriers, and (3) superior political situation, such as pro-business policies.

The last advantage is internalization that seeks to answer how multinational companies will enter the international market. This internalization factor explains the existence of vertical, horizontal and conglomeration integration in the internal market scheme of multinational companies. Vertical integration has economies of scale and minimizes transaction costs because operational transactions are only carried out in a business organization. Companies in vertical integration transact with each other in accordance with their functions while taking into account the production chain set by the parent company. Transfer pricing policies are used by parent companies to
determine the price of products transferred to affiliated subsidiaries located in other countries (Darussalam, et.al, 2013)

On the other hand, there is horizontal integration involving two or more subsidiaries located in different countries to operate on the same business line and be controlled by the same parent company. The advantage of this integration is the use of administrative structures for the allocation and distribution of inter-company resources and goods (Darussalam, et, al, 2013).

Next is the conglomerate integration, this strategy is carried out by companies that have various types of different businesses or business activities that are not naturally interrelated. Each business unit is controlled by the parent company, but has relatively autonomous operations. Linkages between pure subsidiaries occur within the business framework. Subsidiaries usually do not conduct internal transactions with fellow subsidiaries, but directly to the parent company that acts as a service provider and internal funding (Darussalam, et.al, 2013).

The three advantages possessed by MNEs when creating an internal market scheme are its essence only to fulfill the interests of the owners or shareholders. The scheme is a product of the strategy management department and management accounting of MNEs that are oriented towards fulfilling management's interests to achieve targeted performance, namely in the form of maximum profits. The taxation aspects contained in the scheme have also been taken into consideration in the manufacturing process so that MNEs are not in a position as taxpayers who violate or commit tax fraud.

MNEs as a company group is a form of organization that carries out activities by using available resources to achieve the stated goals. Profit-oriented companies will try to use the resources they have as much as possible to make a profit for their survival. As a result, it will realize or not have an impact on the environment, both positive and negative, called externalities. Companies in achieving goals will always interact with their environment. Companies need investors or creditors to meet the funds needed, the government for business legality, the community as consumers. So that in carrying out its business activities, the company has a responsibility not only to shareholders, but also has responsibilities to other parties besides shareholders, such as to employees, suppliers, customers, government institutions, other institutions. This other party is called the stakeholders.

From the point of view of accounting managers and strategic management of an MNEs, having a single role for companies makes their lives easier because it will cut the potential responsibility placed on their feet (Sundaram and Inkpen, 2004). Accounting and strategic management managers state that they only have one responsibility, namely "making money for shareholders". Although this is convenient for managers, it distorts reality, both legally and morally, and fosters a worldview where managers do not see themselves as moral agents responsible for diverse interest groups. If making money for shareholders is the main task of strategic accounting and management managers and they do not have responsibility to other interest groups, it might be much easier for them to rationalize practices on behalf of increasing profits. These practices are then questioned and tend to endanger the stakeholders of non-shareholders, such as the government, workers or suppliers.
In fact, these managers still have to pay attention to other stakeholders, besides the shareholders. The concept of stakeholders has a common understanding that not only shareholders are the main concern in the accountability of company management. The definition of the stakeholder concept is reinforced by Freeman and Reed (1983) by referring to "those groups without those who support the organization would cease to exist". The core of that thought more or less leads to the existence of an organization (in this case the company) which is strongly influenced by the support of groups that have relations with the organization.

In developing stakeholder theory, Freeman (1983) introduced the concept of stakeholders in two models: (1) business policy and planning models; and (2) a model of corporate social responsibility from stakeholder management. In the first model, the focus is to develop and evaluate the approval of the company's strategic decisions with groups whose support is needed for the continuity of the company's business. It can be said that, in this model, stakeholder theory focuses on ways that companies can use to manage company relationships with their stakeholders. The meaning of transfer pricing from the perspective of taxpayers and tax consultants is in this first model. The meaning of transfer pricing from both parties can be constructed as a form of the company's business strategy through an internal market scheme to maximize profits.

In the second model, corporate planning and analysis is expanded by incorporating external influences that may be contrary to the company. These opposing groups include the regulatory body (one of which is the Directorate General of Taxes), the environment and / or communities with special interests that have concern for social problems. The meaning of transfer pricing from the perspective of the Directorate General of Taxation is in this second model. The meaning of transfer pricing as a potential loss of state revenue from the tax sector has a position that is contrary to the meaning obtained from the perspective of the Taxpayer and tax consultant. The construction of meaning in this model is that transfer pricing is a tax fraud attempt made by taxpayers, resulting in loss of state revenue. In this model, companies are considered not to have responsibility for compliance with applicable tax regulations.

The loss of state revenue from the tax sector can have a broad impact on society because the tax has a function for the development of a country. The impact of transfer pricing for the social environment of the community specifically focuses on the ethics of transfer pricing which usually starts from normative assumptions that transfer pricing in a morally internal market scheme is wrong because it harms society (Mehafdi, 2000; Christian Aid, 2009; Sikka and Willmott 2010). Mehafdi (2000). Losses for the community can be in the form of physical, economic and psychological damage to the host country where the MNEs operate. Potential negative impacts of host countries identified by Mehafdi (2000), including loss of income and customs taxes, depletion of natural resources, environmental damage, health hazards, increased debt and national poverty, psychological feelings of betrayal and loss of confidence in MNEs, and economic colonialism.

Furthermore, Mehafdi (2000) states that transfer pricing can "misuse the trust and hospitality of the host country", "rob local labor", "strengthen greed politics" and "tarnish the image of the company" (p. 374). Sikka and Willmott (2010) extend the
Mehafdi argument by examining the 'dark side' of transfer prices, which they see as vehicles used by companies to avoid taxes and facilitate capital flight. Thus, Mehafdi (2010) concluded that:

“The use of transfer pricing to avoid taxes poses challenges to professional and corporate claims of acting as socially responsible corporations. It is difficult to reconcile claims of social responsibility with everyday corporate routines and processes that divert tax payments away from society to shareholders. …..Such practices may enrich a few people but also deprive millions of people of clean water, sanitation, education, healthcare, pensions, security, transport and public goods.”

Based on the two stakeholder models mentioned above, the stakeholder typology can be divided into two based on the characteristics of primary stakeholders and secondary stakeholders (Clarkson, 1995). Primary stakeholders are parties where without sustained participation the organization cannot survive. For example shareholders, investors, workers, customers and suppliers. According to Clarkson, a company or organization can be defined as a system of primary stakeholders which is a complex series of relationships between interest groups that have different rights, goals, hopes and responsibilities.

On the other hand, there are secondary stakeholders who are interpreted as those who influence or are influenced by the company, but they are not involved in transactions with companies and are not so important for the survival of the company. For example the government (in this study is the Directorate General of Taxation), the media, various specific interest groups, consumer satisfaction agencies, and competitors. Companies do not depend on this group for their survival, but they can affect the performance of the company by disrupting the smooth running of the company's business.

Based on this typology, Freeman (1984) developed a context for the emergence of stakeholder approaches because of (1) social movements, especially consumer movements and environmental movements; (2) the broader role of government in overseeing corporate performance; (3) global markets that increase competition among participating companies and their supply chains; (4) mass media that are increasingly strict and critical of the movement of companies in the surrounding social environment; and (5) the depletion of social community trust in the role of business in the advancement of social life. The development of the stakeholder context in points (2) and (3) can explain the relevance of the meaning of transfer pricing generated in this study with stakeholder theory.

The linkage of the meaning of transfer pricing produced in this study with stakeholder theory can also be understood from the understanding of the theory put forward by Donaldson and Preston (1995), that stakeholder theory is a matter of management or managerial and recommends attitudes, structures, and practices that, when implemented together, form a stakeholder management philosophy. It was further revealed that stakeholder theory can be used in three ways, namely first is a descriptive or empirical method, in which this theory is used to describe and
sometimes explain the characteristics and specific behavior of the corporation. The nature of this approach is descriptive. Donaldson and Preston (1995) state descriptive ways as:

“The corporation is viewed as a constellation of cooperative and competitive interests possessing intrinsic value…. The theory is used to describe specific corporate characteristics such as the nature of the firm, the way managers think about managing, how corporations are managed, or how board members think about the interests of constituencies… This is also labeled empirical.”

This first method can be shown from the behavior of MNEs that carry out various strategies in order to survive amid the changing global business environment. This change in the global business environment has caused MNEs to put their feet in various countries. The existence of MNEs affiliated companies in various host countries essentially has its own challenges, namely the challenge of adaptation to environmental conditions and regulations in the country while maintaining and implementing the interests set by its controlling companies in other countries. Both of these are the challenges of harmonizing internal and external transfer pricing factors faced by MNEs.

The fact that affiliated companies (sub-units) MNEs can collude in setting transfer prices gives MNEs the ability to choose prices that jointly maximize their profits, that is, transfer prices that maximize profits are called profits. This ability is not owned by companies that do not have legal relations or independent companies. Determining transfer pricing that maximizes profits is a complex decision-making process and also a form of tax avoidance.

MNE must consider both internal motivation (costs and income of each affiliate) and external motivation (the existence of external market prices and government regulations such as taxes and tariffs) which can affect optimal transfer prices (Horst, 1971; Eden, 1998). The tax saving benefits of the transfer pricing scheme must be trade-off with the allocation of resources within the company caused by the scheme. The final transfer price that maximizes global profits after tax MNE is not likely to be seen at all even though it has used the methods proposed in the OECD TP Guidelines or the specific methods set out in national tax regulations (Eden, 1998).

Given the diversity of internal and external motivations for establishing reasonable transfer prices and how MNE in practice actually determines their transfer pricing policies it has been proven by several studies carried out in this field (Borkowski, 1992; Chan and Lo, 2004; Colbert and Spicer , 1995; Cravens, 1997; Durst, 2002; Elliot and Emmanuel, 2000; Tang, 2002; and Cools, 2003). These studies show that internal and external motivations influence transfer pricing decisions.

Second, instrumental ways, where this theory is used to "identify links or lack of connections between stakeholder management and the achievement of traditional corporate goals. For example profit and growth. The nature of this approach is prescriptive. The instrumental approach sees stakeholders as a 'tool' to achieve the
company's goals of generating profits and increasing efficiency. Stakeholders only pay attention to the extent that it supports the higher goals of a company, namely maximizing profits, sustainability and growth. Donaldson and Preston (1995) state instrumental ways as:

“*This approach establishes a framework for examining ceteris paribus connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals (profitability, growth).... An instrumental approach is essentially hypothetical*, it says, *in effect, ‘If you want to achieve (avoid) results X, Y, Z, then adopt (don’t adopt) principles and practices A, B, C.”*

This second method can be shown from the meaning of transfer pricing as a business strategy to maximize company profits. In this meaning, the basic characteristics of the company as a business entity are always focused on management's efforts to achieve sustainable business performance and growth. Management behavior in this way can be seen clearly in the effort of earnings management carried out through tax avoidance with a transfer pricing scheme in affiliate transactions.

Third, the normative way, in which this theory is used to interpret the functions of the company and identify the moral or philosophical guidelines that must be followed relating to the operations and management of the company. This approach is of course normative-prescriptive, and is therefore sometimes confused with the second approach. The normative approach sees stakeholders as goals. Donaldson and Preston (1995) state normative methods as:

“The identification of moral or philosophical guidelines for the management of Corporations... This approach is categorical; it says, in effect, ‘Do (Don’t do) this because it is the right (wrong) thing to do.”

This normative method can be related to the meaning of transfer pricing by the Tax Directorate as a potential loss of state revenues due to tax fraud committed by Taxpayers through a transfer pricing scheme that is not in accordance with the principle of fairness. Tax fraud refers to the condition in which taxpayers are considered to violate applicable tax regulations. This is contrary to the perspective of taxpayers who interpret transfer pricing as an effort to maximize corporate profits through tax avoidance efforts. The dichotomy of tax fraud and tax avoidance is a binary opposition that is always present in transfer pricing disputes in various countries, including Indonesia.

To prevent loss of state revenue due to transfer pricing, the tax authority makes detailed and strict tax regulations on this matter, including Indonesia, for example by applying sanctions, documentation requirements, and examining companies that carry out transfer pricing practices. In addition, the tax authorities of these countries give greater and deeper attention to changes in the tax rules they use in dealing with cross-
border trade carried out by MNEs with their partners and affiliates (Owens, 1998; Lodin, 2000; Mehafdi, 2000; Asher and Rajan, 2001).

The more stringent regulations made by the Directorate General of Taxation are motivated by their understanding that transfer pricing is a tax fraud attempt by companies through the application of transfer prices that do not meet the fairness principle in their affiliate transactions. As a result, companies appear to be losing money or thin profits, so paying income tax is smaller than it should be (Yani, 2010). This condition is an indication for the DGT to conduct transfer pricing checks because there are irregularities from companies that have suffered losses or thin profits which have survived and not experienced bankruptcy, and even some companies were found to have made additional investments in Indonesia.

In connection with the three ways of looking at stakeholder theory above, Freeman, et al. (2010) states that there are at least three factors that influence companies in looking at the significance of stakeholders, namely power / power, legitimacy, and urgency. Although these three things together and are interrelated in influencing the action taken by a company, but the biggest of the three is power / strength. The power / power meant here is the real power of a stakeholder to exert pressure and demands both socially, politically and legally. The Directorate General of Taxes in this study has the authority in the form of force that is compelled under the Law and tax regulations to recalculate the amount of taxable income from taxpayers who have special relationships with other taxpayers, as stated in Article 18 paragraph 3 of Law Number 36 Year 2008 regarding the following Income Taxes:

"The Director General of Taxes has the authority to determine the amount of income and reduction and determine debt as capital to calculate the amount of Taxable Income for Taxpayers who have special relationships with other Taxpayers in accordance with the fairness and prevalence of businesses that are not influenced by special relationships using the comparison method the price between an independent party, the resale price method, the cost-plus method, or other methods."

The meaning of transfer pricing from tax players and tax consultants will have an influence on their actions in the face of transfer pricing disputes that have occurred. In line with Ricouer (2012) that all forms of action are text-like things that can be read and interpreted like a written work; action implies interaction and insertion in various institutions and cooperation and competition relations. This understanding shows that action expresses more than will. Thus, just like the text released from the author, so too is the act of being divorced from the perpetrator, which then gives birth to its own consequences. That is, in carrying out actions or practices of transfer pricing, tax actors and tax consultants must continue to pay attention to the interests around them that can influence or even determine the direction of their actions.
CONCLUSION

Transfer pricing is part of a business and tax activity that aims to ascertain whether the prices applied in inter-company transactions related party transactions have been based on the principle of fair prices. At present transfer pricing is a picture of the reality of the international taxation system that has an impact on the domestic taxation system of countries in the world. The problem of transfer pricing does not only occur in Indonesia, but has become an international taxation problem since the last three decades, especially the practice of transfer pricing in transactions between companies under common control, which places MNEs and tax authorities in debates on tax courts in various countries (Halperin, 1991; Anctil and Dutta, 1999; Eden, 2003; Eden, Valdez, and Li, 2005; Cools, Emmanuel, and Jorissen, 2008; and Durst, 2010). It is known that a company model with a decentralized system has the characteristics of an affiliate transaction in transfer pricing, where the transaction occupies the main position in tax investigation because a large number of countries believe that tax revenues have been lost very much due to the “transfer pricing black” through incorrect accounting practices (Mehafdi, 2000).

The transfer pricing dispute that occurs in the tax court is a research context to find the meaning of transfer pricing from the perspective of taxpayers, tax authorities, and tax consultants. The way to find this meaning is done by using Ricoeur's hermeneutical approach through semantic, reflection, and existential stages. Ricoeur's hermeneutics approach has the power to discover the meanings of actions taken by individuals in their efforts to understand the text as a work that opens the world. The interpretation of the text is the focus in the hermeneutic method. For Ricoeur, texts that can be in the form of written text or human speech and actions (as unwritten text), are considered as something that is always open to interpretation by each individual, both as a reader and interpreter. This text openness is generated from the main concepts initiated by Ricoeur, namely dialectics, distanciation, and appropriation. These three concepts are the strength of Ricoeur's hermeneutic approach in creating interpretive theories that can be used in this study.

The results of Ricoeur's hermeneutics approach find the meaning of transfer pricing from the taxpayer's perspective as an effort to maximize company profits (profits), whereas from the tax authority's perspective it means transfer pricing as a potential loss of state revenue. Furthermore, the meaning of transfer pricing was also found from the perspective of a tax consultant as a form of the company's business strategy. The meaning of transfer pricing is then constructed in a stakeholder theoretical framework.

Understanding the meaning of transfer pricing from tax actors and tax consultants can be constructed as part of stakeholder theory. This is because the main concern of the stakeholder approach is the actions of MNEs in dealing with and overcoming obstacles that arise from differences in the interests of stakeholders. This condition is because MNEs in operational activities are required to achieve certain objectives in various different regions where they operate, specifically the focus of objectives in the acquisition of resources from that country. The consequences faced by MNEs in connection with these objectives are the pressure from stakeholders in the country, for example the Directorate General of Taxes as a representative of the
government that demands MNEs to comply with all forms of regulations in the economic and taxation fields that apply in their country. The responsibility in meeting the demands of the Directorate General of Taxes is something that is taken for granted which can be understood in the framework of the stakeholder theory.
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