

## ***ABSTRACT***

*This study aims to provide an overview of Tunneling Incentive and profitability on transfer pricing in manufacturing companies in the consumer non-cyclicals sector of the food and beverage subsector for the period 2018-2022. As well as knowing the effect of tunneling incentive and profitability on transfer pricing.*

*The research method used is quantitative method with descriptive analysis approach and associative analysis. The population of this study amounted to 84 companies using non probability sampling with purposive sampling technique with a sample size of 23 companies that met the criteria. The research was conducted using the library research method. The analysis techniques used in this research are classical assumption test, partial t test, simple logistic analysis, correlation analysis, and determination coefficient.*

*The result of this research shows that tunneling incentive has positive effect on transfer pricing. Profitability shows a positive effect on transfer pricing. With the contribution of tunneling incentive 49.8% and profitability 57.6%.*

*Keywords: Tunneling incentive, profitability, transfer pricing.*