

The Implications Of CSR And GCG On Tax Avoidance

R. Rosiyana Dewi and Itjang D Gunawan

Fakultas Ekonomi dan Bisnis Universitas Trisakti

yosieis@yahoo.com

Abstract: The disclosure of a company's social responsibility (CSR) showed how much the company has a motive for its environmental welfare; a company that has high responsibility prevents violations that have a negative impact on their environment, including tax evasion. This study aims to examine the effect of CSR disclosure on tax avoidance and test the GCG component, audit committee and independent commissioners in moderating the effect of CSR on tax avoidance. The study population was manufacturing companies listed on the Indonesia Stock Exchange in 2012-2015. Samples were obtained using a purposive sampling method with 108 samples. This research is quantitative research. The research test uses multiple regressions, such as goodness of fit test and hypothesis test. This study provides evidence that there is a positive influence between CSR on tax avoidance, besides that the audit committee as a moderating variable weakens the positive influence of CSR on tax avoidance, but independent commissioners are not proven as moderating variables between the effects of CSR towards tax avoidance.

Keywords: CSR, tax avoidance, audit committee, independent commissioners.

INTRODUCTION

In the current condition of environmental damage the company is faced with the challenge of being able to maintain its sustainability, therefore in carrying out its business ventures, the company does not only aim to gain profit, but the company must pay attention to the interests of stakeholders and be responsible for the impacts caused by the company's operations. The steps taken by the company have become their obligations in an effort to develop economic, social and environmental goals by focusing on profit, people, and the planet (Triple Bottom Line). Apart from the company's responsibility, Corporate Social Responsibility (CSR) is shown as an activity that can create relations with the public (public relations), through the implementation of CSR that the company can provide benefits in the form of good reputation, therefore increasing the profitability of a company caused by the trust of consumers and investors (Kamaludin, 2010). CSR can provide many benefits not only to the company but also to the community.

(Stephenson, 2015) stated that the topic of tax avoidance, as a CSR problem, is specifically important to discuss in the long-term survival of the company and the function of the government's ability. This paper discusses tax avoidance associated with social responsibility, furthermore, there has been a lot of literature discussing this matter, with some conclusions that tax avoidance is a component of CSR, tax avoidance regards as an ethical aspect and implementation of government policies related with taxation.

Concern for the environment has become an obligation for companies registered in Indonesia. The company's obligation to carry out environmental responsibility has been regulated by the government through RI Law No. 40 of 2007 concerning Limited Liability Companies in Chapter V Article 74 concerning the obligation to carry out social and environmental responsibilities for each company in its business activities in the field and/or relating to natural resources. Moreover, there is Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibilities of Limited Liability Companies. All CSR (Corporate Social Responsibility) activities enable to report in the annual report or in separate reports, namely sustainability report. CSR disclosures are grouped into 3 themes: economic, environmental and social.

One manifestation of the company's responsibility for its environment is reflected in the company's compliance with the responsibility for paying taxes and contributing to building the nation through contributions they deposit to the government. Taxes are compulsory community contributions aimed at continuous and sustainable nation-building by aiming to improve people's welfare that is fair, prosperous and equitable. But occasionally, the company considers that the payment of taxes is a burden that must be borne by the company alone, therefore it cannot be denied that some companies carry out tax avoidance. (Lanis and Richardson, 2012) stated that the act of corporate tax aggressiveness can be considered as a socially irresponsible activity, a company that has a low rating in Corporate Social Responsibility (CSR) is considered a socially irresponsible company furthermore, it can carry out a tax strategy more aggressive than socially conscious companies. Companies that are aware of the importance of taxes for the prosperity of the people will carry out activities in the form of CSR.

CSR activities are related to legitimacy theory and stakeholder theory. Based on legitimacy theory, companies are managed by prioritizing the interests of the community by paying attention to the expectations of the community (Rob *et al.*, 1995). A company must be able to ensure that all activities carried out by management are within the scope and norms found in the community or environment where a company is located, and management can ensure that activities are responded positively by outsiders as legal, legitimacy will be threatened if the company ignores conformity (Deegan *et al.*, 2002). Companies that are aware of their responsibilities to the environment, can achieve their vision will always be oriented to the public interest; the company realizes that stakeholder support greatly influences the existence of a company in question. (Chariri and Ghazali, 2012) stated about stakeholder theory that a company is not a business group that only conducts its operations to obtain their respective goals but must be able to create benefits for stakeholders.

Tax is the obligation of all business entities to the country which is indicated by the company's efforts to avoid it. The country of Indonesia gets the main income derived from taxes paid by taxpayers, but the condition of the realization of tax revenues is always lower than the planned tax revenue. Based on statistical bureau data, information is obtained that the Indonesian tax ratio of the last 5 (five) years of 2014-2017 has always decreased. One of the three forms of resistance to tax is tax avoidance, which is an effort to ease the tax burden by not violating the law. Based on information from Bapenas in 2005, there were 750 foreign investment companies (PMA) suspected of tax evasion by reporting losses within 5 consecutive years and not paying taxes (Merdeka, 2005). Other

data also shows that in 2012 there were 4,000 PMA companies which generally engaged in manufacturing and processing raw materials having reported zero tax value, the company was known to have suffered losses for 7 consecutive years (Kompasiana, 2013). The low level of tax compliance in Indonesia was also conveyed by Observation and Research of Taxation (Ortax), in 2011 only amounted to 32.72% of 1,590,154 registered taxpayers who reported Annual Income Tax Returns.

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Corporate governance is formed in an effort to minimize conflicts between principals and agents. In stakeholder theory, as revealed by (Jensen and Meckling, 1976) companies that have obtained delegation decision-making from agents, must provide performance to provide the best service as a return on what has been obtained from stakeholders. To avoid conflicts between principals and agents, internal control is needed through a good governance structure. The purpose of corporate governance is the creation of a good, effective and efficient company management, and minimize the opportunity to commit fraud from company management, one of which is the large proportion of independent commissioners in the board of commissioners' structure so as to minimize (Raharjo and Daljono, 2014). Another oversight is the company audit committee whose role is to support the board of commissioners in monitoring management in compiling the company's financial statements can also affect the practice of tax avoidance by companies through suppressing tax costs (Fadhilah, 2014).

This study reexamined the research that had been conducted by several previous researchers who showed different results, including (Amidu *et al.*, 2016), (Wahyudi, 2015), (Stephensen, 2014), (Watson, 2015), (Lanis and Grant Richardson, 2011), (William *et al.*, 2008), which has proven that there is a negative influence between CSR disclosure and aggressive taxation, and research by (Hoi *et al.*, 2010) which proves there are positive influences. CSR activities are activities that filter tax aggressively, in addition to that the company's commitment to social investment and corporate strategy and CSR included in ethics and business obligations are important elements of CSR activities that can negatively impact aggressive taxation. In this study, the author is willing to reexamine the effect of CSR on tax avoidance, as the novelty of this research is to add GCG components

as a moderating variable to determine whether GCG has a function as part of internal control can strengthen the influence of CSR on aggressive tax.

Based on the background above, the objectives of this study are: (1) To provide evidence that CSR disclosure has an influence on tax avoidance. (2) To provide evidence that the GCG component as an internal control (audit committee and independent commissioner) can moderate the influence of CSR on tax avoidance.

This research has contributed to various parties, both theoretical contributions, and practical contributions. Practical contribution especially for investors and the government in assessing corporate CSR actions, especially for issuers listed on the Indonesia Stock Exchange, and can assess the importance of the role of GCG as the company's internal controller.

THEORETICAL REVIEW

Legitimacy Theory, Stakeholder Theory, Agency Theory, Social Contract Theory. Legitimacy theory is a mechanism that prioritizes the interests of the community or can be indicated to focus more on the community (Gray *et al.*, 1995). This theory prioritizes companies which must be able to ensure that management that can carry out activities within the scope and norms found in the community or environment where a company is located, and management can ensure that its activities are responded positively by outsiders as legal (Deegan *et al.*, 2002).

Stakeholder theory suggested that a company is not a business group that only conducts its operations to obtain its own goals but must be able to create benefits for stakeholders, stakeholder support greatly influences the existence of a company concerned (Chariri and Ghozali 2012). The implementation of CSR is an effort by the company to be able to benefit its stakeholders. Legitimacy theory is a mechanism that prioritizes the interests of the community or can be stated to focus more on the community (Gray *et al.*, 1995). This theory prioritizes companies must be able to ensure that management that can carry out activities within the scope and norms found in the community or environment where a company is located, and management can ensure that its activities are responded positively by outsiders as legal (Deegan *et al.*, 2002).

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In agency theory, there is a determination of the most efficient contract to base the relationship between the principal and the agent, so the principal designs a contract in order to accommodate the interests of the parties involved in the agency contract (Jensen and Meckling, 1976).

Social contract theory is developed in an effort to explain the relationship between companies and their social environment, where companies have the obligation to provide benefits to the surrounding community through good interaction by trying to fulfill and comply with the rules and norms that apply in society based on mutually beneficial

agreements (Stone Peter, 2014) This social contract theory is an attempt to achieve corporate legitimacy.

Corporate Social Responsibility (CSR). Social responsibility (CSR) was first developed by (Ellington, 1997) as quoted by (Alhadi, 2015) by introducing The Triple Bottom Line, which revealed that a company that desires to be sustainable does not only pay attention to profit but also must be able to provide contribution to society (people) and the environment (planet), in this study, economic, social, and environmental lines each refer to profits, humans, and planets. This is also known as three P (3P). Currently, the triple bottom line (TBL) has developed into 5P: people, planet, prosperity, partnership, and partners.

The World Business Council for Sustainability Development (WBCSD, 2015) defined Corporate Social Responsibility (CSR) as a sustained effort by business groups to implement ethical behavior and carry out contributions to economic development and create the welfare of people's lives. Corporate Social Responsibility (CSR) is also related to ethical issues and moral behavior of managers in decision making such as environmental control, health and work protection, and management of human resources, associations with suppliers and consumers, and interaction with the community. Therefore, companies that have a responsibility to run social activities not only increase stakeholder satisfaction but also can enhance the company's reputation.

The benefits obtained by the company when implementing CSR include improving the company's reputation, reducing the company's business risk, winning in competition, and increasing company innovation.

Tax and Tax Avoidance. Taxes defined in Law Number 16 of 2009 concerning General Provisions and Procedures for Taxation in Article 1 paragraph 1 are mandatory contributions to the state-owned by individuals or entities that are compulsory based on the Law, by not getting compensation directly and used for the needs of the state for the greatest prosperity of the people.

Taxpayers sought to reduce the amount of tax burden in tax planning is divided into 3 parts (Pohan 2013): (1) Tax avoidance, this action is a tax engineering action that is still in the tax provisions. (2) Tax evasion or tax smuggling (tax evasion), this action is a taxpayer's effort to avoid taxes that are illegally owned by hiding from the real situation. Unlike tax avoidance, this action is not in terms of taxation and is prohibited. (3) Tax saving is the act of taxpayers by refusing their tax obligations in various ways such as the detention of product purchases or deliberate reduction of working hours so that the earnings report showed the amount of income becomes small and then the taxpayer can avoid tax imposition income that should be imposed on the taxpayers.

Formulation of the Hypothesis

CSR and Tax Avoidance. The company as a business that has a legitimacy function seeks to maximize returns to shareholders who carry out corporate social responsibility activities and avoid tax avoidance actions. There are also those who claim that social

responsibility activities are also shown as part of tax avoidance in order to minimize the amount of tax they will pay to the government, as stated by (Wahyudi, 2015) that a company carries out these social responsibility activities with the aim of minimizing the tax payable. The company takes action as if it is socially responsible, but it is likely that the company will compensate it for tax evasion.

Various responses to the relationship between CSR and tax avoidance. CSR behavior is a responsible action, whereas tax avoidance is an irresponsible action. Irresponsible companies will manage their CSR reputation by reducing irresponsibility (Godfrey, 2005); in other words, if the company considers that CSR activities are part of a risk management strategy, hence this social responsibility activity has a negative effect on practice aggressive tax avoidance. The tax aggressiveness of a company should be considered socially irresponsible and is a non-legitimate activity. Some research results showed that there are negative and significant associations between CSR disclosure and aggressive taxation indeed, the more social the company is, the less likely it is for companies to carry out tax aggressiveness (Wahyudi 2015). (Stephensen, 2014), in his research entitled Corporate Social Responsibility and Tax Avoidance: A Literature Review and Directions for Future Research mentioned that CSR actions are an ethical part of a company having a negative influence on tax avoidance actions.

(Simmons, 2008), stated that CSR is an action that leads to positive corporate ethics capable of reducing the arrogant influence of a company's Machiavellian nature on an aggressive tax. (Lanis and Richardson, 2012) in their study provided evidence that CSR has a negative effect on aggressive taxation. A business entity that has ethics will be responsible to its social and environment, this is reflected in CSR activities through the payment of taxes to the government, and therefore CSR can have a negative impact on aggressive tax. (Amidu *et al.*, 2016) with a population of companies in Ghana addressed the non-significant negative effect of CSR on tax avoidance. Although not significant coefficient is negative, it showed that CSR activities are an illustration of corporate ethics towards the social through low tax avoidance. (Watson, 2015) concluded that CSR activities are related and can reduce the practice of corporate tax avoidance. The result of the study that examined the effect of CSR and tax avoidance gave a different result, such as the research conducted by (Hoi *et al.*, 2013) who conducted research in the US from 2003 to 2009 found that companies that carry out irresponsible CSR activities were more aggressive in carrying out tax avoidance. (Lanis and Richardson, 2012) who conducted research in Australia with years of observation from 2001 to 2006 showed that there was a positive relationship between aggressiveness and CSR disclosure, thus confirming legitimacy theory in the context of corporate tax aggressiveness.

In this study, with a population of companies listed on the Indonesia Stock Exchange, as a developing country, it is suspected that CSR activities are still considered as activities that are not yet required to be reported, it is concluded that:

H1. CSR has a positive effect on tax avoidance

Internal Control As A Moderating Variable Between CSR And Tax Avoidance. Based on the results of studies that examine the effect of CSR on tax avoidance, with

different evidence, it is assumed that there is a moderating variable between CSR and tax avoidance. Research conducted by (Dryeng *et al.*, 2010) identified the executive's influence on the company's effective tax rate, indicating that executives play an important role in determining the level of tax avoidance that companies do. Based on this statement, it is necessary for the party to supervise the company's tax rate. (Armstrong *et al.*, 2015) provided evidence that there is a positive relationship between board independence and potential finance to a low level of tax avoidance, but a negative relationship to a high level of tax avoidance relations. These results indicate that these governance attributes have stronger relationships with more extreme levels of tax avoidance, which tend to be symptomatic of the advantages and disadvantages of investment by managers. Research on (Onasis and Robin, 2016) stated that the role of the audit committee in carrying out activities to supervise the preparation of the company's financial statements takes place effectively. In contrast to research conducted by (Abbot *et al.*, 2010) mentioned that the audit committee lacks good supervision and allows the company to commit fraud, the audit committee is not subject to sanctions due to incorrect or misleading reporting.

An independent commissioner is a commissioner who is not a member of management, a majority shareholder, an official or directly or indirectly related to a majority shareholder of a company. With the existence of an independent commissioner, it is expected that a balance in the company can occur between the management of the company and its stakeholders (Hanum, 2013). The independent commissioner can be a counterweight in decision making by the board of commissioners, in the context of protecting minority shareholders and other parties. (Raharjo and Daljono, 2014) stated that the proportion of independent commissioners in the structure of the board of commissioners can determine the quality of supervision whilst to minimize the opportunity to commit fraud from company management. (Purbopangestu and Subomo, 2014) stated that independent commissioners can reduce fraudulent actions committed by company management in carrying out their social activities so that they can have a positive impact on company value because the rights held by shareholders can be protected.

The audit committee has a strategic role, especially in assisting the board of commissioners when overseeing the performance of the company, the audit committee is part of corporate governance (Asri and Suardana, 2016). The audit committee is an impartial party and the intermediary between the external auditor and the company can supervise the board of commissioners. (Onasis and Robin, 2016) found evidence that the role of the audit committee in carrying out activities to supervise the preparation of the company's financial statements takes place effectively. (Savitrah, 2014) explained that companies that have more audit committees can more easily create transparency in management accountability in the form of company financial statements.

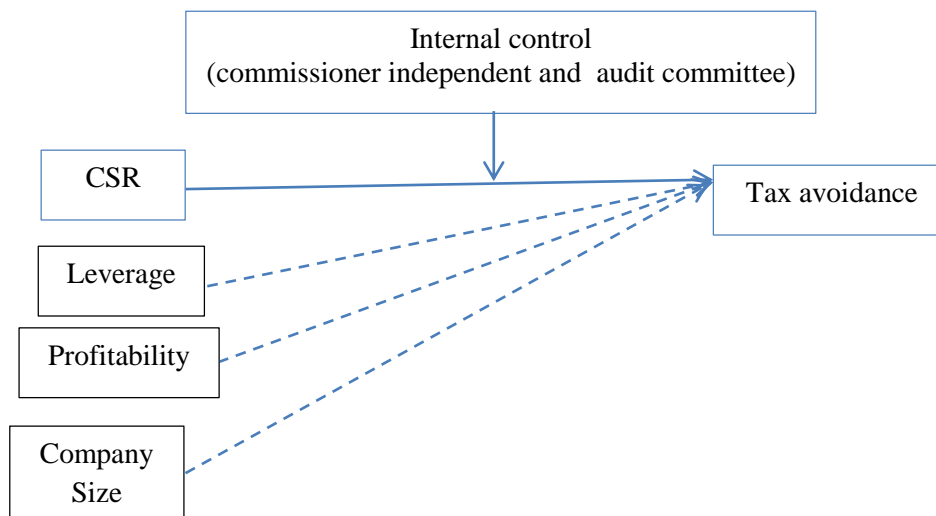
Research conducted by (Kerr *et al.*, 2016) showed that companies with higher governance as internal controls will be involved in fewer tax avoidances.

H2a. independent commissioners moderate the effect of CSR on tax avoidance

H2b. audit committee moderates the effect of CSR on tax avoidance

Framework. This study examines the effect of CSR on tax avoidance conducted in manufacturing companies listed on the Indonesia Stock Exchange from 2012 to 2015. The differences in the previous results of studies suggested that the influence of CSR on tax avoidance can be moderated by other variables; in this study, the authors suspect that internal control is the moderating variable. Besides that, there are other variables which are thought to also be able to influence tax avoidance, namely profitability, leverage, and firm size which are then as control variables.

Figure 1. Framework



METHODOLOGY

Research design. This study uses a causal method as a research method. The causal method is chosen, because using this method can show systematically the influence of the independent variables, such as CSR on the dependent variable tax avoidance using control variables, they are leverage, profitability, and company size. In addition, the influence of the moderating variable is proxied internal control with an independent commissioner and audit committee. In this study, the samples used are manufacturing companies listed on the Indonesia Stock Exchange (IDX) that publish financial reports, as well as annual reports for the period of 2013-2015.

Variable Measurement

Independent Variable. The independent variable of this study is CSR. The dependent variable in this study is Social Responsibility Disclosure. This variable is measured using the corporate social responsibility disclosure index according to the GRI 4 (Global Report Initiative) which consists of 91 disclosure items which include: aspects of economic performance, aspects of environmental performance, and aspects of social performance.

The formula for the value of CSR disclosure is the total disclosure in the company's annual report/amount that must be disclosed.

Dependent Variable. The dependent variable used in this study is tax avoidance, which is measured by the ETR (effective tax rate) of the company. The ETR ratio is a proxy used in research to determine tax evasion. In Indonesia, the amount of corporate income tax is 25%, so if the ETR value is below 25%, it is indicated that the company is conducting tax avoidance. ETR with the formula percentage of income tax divided by profit before tax shows the percentage of the total income tax burden paid by the company to total income before tax (Pranata, 2014).

The moderate variable used in this study is proxy internal control with:

Audit Committee. The audit committee is a sub-committee formed by the board of commissioners who is in charge and responsible for overseeing and observing the performance of the company's management as well as carrying out financial statement checks aimed at presenting financial statements in a reasonable, reliable, relevant and quality manner. Based on Circular from the Directors of PT Jakarta Stock Exchange No SE-008 / BEJ / 12-2001 dated 7 December 2001 and the Guidelines for Establishing an Audit Committee according to OJK (Financial Services Authority, 2015) regarding audit committee membership, stated that the number of audit committee members was at least 3 (three) people, including the chairman of the committee audit. The variables in this study were measured using the number of members of the company's audit committee.

Independent Commissioner. The independent commissioner is a free commissioner, not part of the board of commissioners who are not part of the management members, other members of the board of commissioners and controlling shareholders, and do not have a business relationship or other relationship that can affect their expertise to act independently and in the interests of the company (Committee National Governance Policy, 2006). The proxy of this variable is used to determine the function of independent commissioners in minimizing fraud committed by company management so that the good name of the company will be responded to by both investors and other stakeholders.

In this study, independent commissioners used the percentage of independent commissioners to the total number of commissioners in the company.

Control variable

Leverage. Leverage is part of a measure of financial performance that is used by companies to see the ability of funding sources both short-term funding sources and long-term funding sources to fund their operational activities. The leverage ratio is used to measure the extent to which a company is able to pay off its debt by using its assets. In this study leverage control variables use formulas $(\text{total liabilities} / \text{total assets}) \times 100\%$.

(1) Profitability. Profitability is also part of measuring company performance to see the company's ability to generate profits based on the amount of wealth the company has. Measurement of profitability can be measured using Return On Asset by comparing net income with total assets. (2) Company Size. A company is said to be large or not can be seen from the number of workers, the number of assets, or the number of sales. A company that has a large number of assets is assumed to have produced large profits and is

old and able to carry out its operations properly. The size of the company in this study measured the logarithm of total assets owned by the company.

Method of collecting data. This study uses secondary data to obtain research data. Secondary data is data obtained not directly from the source but through another body or party. The data used in this study were obtained from various sources, such as research journals and books that discussed the variables in this study. The references are also obtained from published information sources such as the Indonesia Stock Exchange (IDX), Indonesian Capital Market Directory (ICMD), and the sites of each company.

This type of research is quantitative research sourced from secondary data and includes pooling data because it uses data from annual reports of manufacturing companies in the 3-year observation period, from 2013 to 2015. The secondary data was obtained from the site <http://www.idx.co.id>

The population used in this study is manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The selection of samples with the purposive sampling method; is as follows: (1) The company is included in the category of manufacturing industries that have been listed on the Indonesia Stock Exchange from 2013 to 31 December 2015. (2) Publish both audited annual reports and financial reports as of December 31 during the observation period from 2013 to 31 December 2015, with Rupiah currency, no negative profits, and have complete financial statements in accordance with the data needed in research variables, as well as companies that carry out CSR disclosures in 2013 to 2015.

Data analysis method. The analytical method used in this study is the multiple regression method through testing descriptive statistics, normality tests, and classical assumption tests, hypothesis test through the coefficient of determination test, statistical F-test and statistical t-test. The data in this study are panel data, thus, the processing uses statistical e-views tools. Using e-views data is tested first by finding out the classification of the model with the Chow test and Housman test, from the three existing models: random, common, and Fix methods. If the data is categorized as cost and fix data, then the classic test is not needed, but if the data is categorized as random data, it must be tested using SPSS and through the classic test. (1) **Descriptive Statistics Test.** The descriptive statistical test is a summary of information relating to the characteristics and conditions of data such as mean, minimum, maximum, and standard deviation. (2) **Hypothesis Test.** The hypothesis test is done by using multiple linear regression models, the hypotheses test by testing the coefficient of determination or goodness of fit (R²), the test of simultaneously (statistical F-test) and partial test (statistical t-test).

In this study, the hypothesis test uses the Moderating Regression Analysis (MRA) to determine the effect of the variables tested. The equation models used to test hypotheses are as follows:

$$TA = \alpha_0 + \beta_1.CSR + \beta_2.Prof + \beta_3.Lev + \beta_4.Size + \beta_5.CSR*KOM + \beta_6.CSR*AUD + e$$

Information:

TA = Tax Avoidance
 CSR = Corporate Social Responsibility
 KOM = Independent Commissioner
 AUD = Audit Committee
 Lev = leverage
 Prof = Profitability
 Size = Company Size
 e = Errors

DISCUSSION

Research Samples. The population of this research is manufacturing companies listed on the Indonesia Stock Exchange in 2013 to 2015 meanwhile the total population is 140 companies. Of the 140 listed companies that have criteria according to the selection of samples based on the purposive method aside as many as 36 companies and the year of observation is 3 years so the number of samples is 108.

Descriptive statistics

Table 1. Descriptive statistics

	ETR	CSR	LEV	ROA	SIZE	KOM	AUD
Mean	0.277354	0.318681	0.771750	0.116678	28.30387	0.392561	3.175926
Median	0.252080	0.329670	0.551270	0.089290	28.10293	0.333333	3.000000
Maximum	0.886428	0.681319	7.439847	0.669091	32.15098	0.750000	5.000000
Minimum	0.012611	0.054945	0.076958	0.000450	25.61948	0.250000	2.000000
Std. Dev.	0.138348	0.173940	0.953980	0.095556	1.685097	0.098689	0.543933
Observations	108	108	108	108	108	108	108
Cross sections	36	36	36	36	36	36	36

Source: (Processing data, 2017)

Based on information obtained from the descriptive statistics table above, it showed that manufacturing companies listed on the Indonesia Stock Exchange (with a sample of 36 companies) are indicated to still be tax avoidance with the ETR formula, even the highest value reaching 0.886428 is almost close to 100 %. The average level of CSR disclosure in sample companies is still below 50%, but there are already companies that have good CSR responsibilities with a value of more than 50%. The average condition of leverage and ROA performance can be categorized as having a poor performance with an average level of leverage of 0.77 almost close to 1 meaning that the proportion between debt versus equity is almost the same, and the average ROA is only 0.11. The sampling company is categorized as a fairly large company. In guaranteeing the company's internal control, the company determines the number of audit committees and the number of

independent commissioners, but there are still companies that only have 2 (two) audit committees, whereas based on government regulations the number of audits is at least 3 (three) people.

Model Selection Test

Table 2. Result of Estimation Selection of the Common Effect vs. Individual Effect Model

Method	Probability Chi-square	Decision	Explanation
Chow Test	0.0020	Ho rejected	Individual effect

Source: (Process of data Eviews 8.0, 2017)

By using the Chow Test where the null hypothesis (H0) is the common effect model, the probability value of Chi-square is 0.0000 < 0.05. Thus the null hypothesis (H0) is rejected, meanwhile, the better model used is estimation with individual effects, then the next test is to compare fixed effects with random effects where testing uses the Hausmann test.

Table 3. Result of Estimation of Model Selection of Fixed Effect vs. Random Effect

Method	Probability Chi-square	Decision	Explanation
Hausman Test	0.0000	Ho rejected	Random effect

Source: (Process of data Eviews 8.0, 2017)

By using the Hausmann test, where the null hypothesis (H0) is a random effect model, the probability of Chi-square value is 0.0007 < 0.05. Thus the null hypothesis (H0) fails to be rejected, then the model that is better used is estimation with Fixed effect method.

Hypothesis test. In table 4 below provides information about the test of goodness of fit or coefficient of determination (adj R2), F statistical test, and test coefficient.

Table 4. Result of the Estimated Fixed Effect Method Dependent variable ETR

Independent Variable	Coefficient	Prob	Result
C	3.033608	0.0000	
CSR?	0.255770	0.0095	Ha1 accepted
LEV?	-0.084822	0.0000	
SIZE?	-0.096074	0.0000	
ROA?	0.084299	0.4062	
CSRKOM?	0.032271	0.7088	Ha2a rejected
CSRAUD?	-0.066977	0.0036	Ha2b accepted

R-squared	0.816986
Adjusted R-squared	0.703296
F-stat	7.186066
Prob F-stat	0.000000

Source: (Process of data Eviews 8.0, 2017)

Test of Goodness of Fit (coefficient of determination). The test of the coefficient of determination is done by looking at the value of R^2 . The coefficient of determination (R square) showed how much the independent variable explains the dependent variable. The R square value is zero to one. Based on the result of processing with the Fixed effect method obtained from the adjusted R-square value of 0.703296 or 70.32%, this showed that the ability of all independent variables in explaining the variation of the dependent variable by 70.32% while the remaining 29.68% is explained by other independent variables not included into the model.

Concurrent Test (F-test). The F-stat value that describes the model accuracy test is 7.186066, with the F-stat probability of 0.000000 <0.05 (alpha 5%), then the alternative hypothesis is accepted and concluded at the 95% confidence level, there are independent variables that have a significant effect on the dependent variable.

Individual Test (Stat t-test). Individual test or T-stat test and probability are used to test whether the different partial regression coefficients are related to the dependent variable estimation results using Fix effect method.

H1: There is a positive effect of CSR on Tax Avoidance

In table 3 the result of the coefficient showed the magnitude of the effect of CSR on tax avoidance is 0.255770. That is, if CSR rises by 1%, then Tax avoidance increases by 0.131477%, assuming *ceteris paribus*. The result of the statistical test showed that the sig. CSR value is 0.00095 or <0.05 (alpha 5%), so it is concluded that **hypothesis 1 is accepted**, there is a positive effect of CSR on Tax Avoidance.

This study provides the same evidence as to the research of (Hoi et al., 2013) and (Lanis and Richarson, 2012). Companies that carry out irresponsible CSR activities will be more aggressive in carrying out tax avoidance. CSR activities carried out by the company in the context of tax avoidance measures. Costs incurred will minimize the amount of company revenue whilst it can reduce the tax paid which can automatically reduce the amount of tax they pay to the government (Wahyudi 2015). This research is not in line with the results of researches conducted by (Amidu, 2016); (Wahyudi, 2015); (Stephensen, 2014); (Watson, 2015); (Laris and Richarson, 2011); (Simmons, 2008).

The result of this study provides the same evidence as to previous studies. CSR has a positive effect on tax avoidance; this condition is a condition that is reflected in companies listed on the Indonesia Stock Exchange, especially manufacturing industries. The low awareness of taxpayers in Indonesia illustrates that CSR activities in Indonesia can actually increase tax avoidance by corporate taxpayers. CSR activities in Indonesia are proven only as of the fulfillment of the legitimacy of the company to its stakeholders but

are not based on ethical and responsible behavior. CSR activities are recognized as a burden and reduce tax revenues, so companies can avoid tax by compensating company management for possible CSR with the aim of minimizing the tax payable. Related to legitimacy theory, stakeholder theory, agency theory, and social contract theory, this study proves that CSR activities are not always an effort to prioritize the interests of the community. The company carries out CSR to provide benefits to the community through good interaction to fulfill and comply with applicable rules and norms, but only in an effort to obtain short-term profits without regard to long-term goals to increase trust through corporate stakeholder grief.

H2. Internal Control (Audit Committee and Independent Commissioners) Moderating the Effects of CSR on Tax Avoidance

In table 3 above there are coefficients indicating the magnitude of the effect of CSR on tax avoidance moderated by independent commissioners is 0.032271. It means, if CSR moderated by **independent commissioners** increases 1%, then tax avoidance will increase by 3.227%, assuming *ceteris paribus*. The results of the statistical test showed that the value of CSR sig which is moderated by independent commissioners is $0.7088 > 0.05$ (alpha 5%).

In the next two hypotheses tests, the coefficient shows the effect of CSR on tax avoidance moderated by the **audit committee** is -0.066977 which means, if CSR moderated by the audit committee falls by 1%, then tax avoidance will decrease by 6.6977%, assuming *ceteris paribus*. The result of statistical tests showed that the significant value of CSR moderated by the audit committee by $0.0036 < 0.05$ (alpha 5%). Based on these 2 (two) results, it can be concluded that **hypothesis 2a is rejected and hypothesis 2b is acceptable**. This means that the effect of CSR on tax avoidance is only moderated by the audit committee, with negative coefficient results, it is evident that the audit committee weakens the effect of CSR on tax avoidance.

The result of this study in hypothesis 2b illustrates that the internal control function of the **audit committee** is significantly much needed as a party that carries out supervision within the company. (Dryeng *et al.*, 2010) stated that it is necessary for the party to supervise the corporate tax rate. (Onasis and Robin, 2016) and Asri and Suardana 2016) also stated that the audit committee has a role in supervising the company. A large number of audit committees can increase the transparency of management accountability, (Savitrah, 2014). This study does not support the study of (Abbot *et al.*, 2010) that audit committees are less able to supervise companies

In hypothesis 2b, this study is not in line with the statements of (Armstrong *et al.*, 2015) and (Raharjo and Daljono, 2014) and (Purbopangestu and Subomo, 2014) where according to them independent commissioners can influence tax avoidance. This study showed that independent commissioners cannot maintain the balance of interests between company management and its stakeholders, independent commissioners are not able to minimize the opportunity to commit fraud from company management.

This study does not fully support the opinion of (Kerr *et al.*, 2016), in this study it is evident that not all components of governance are capable as internal controls that can reduce tax avoidance.

The audit committee can carry out its functions well to safeguard the interests of stakeholders and maintain a balance between the management of the company and its stakeholders. Internal control proxied by the audit committee in this study proved to have been able to improve the quality of financial statements, reduce the chance of irregularities in the management of the company, improve the effectiveness of internal audit functions and create transparency in management accountability in the form of corporate financial statements. The company has a social contract with its stakeholders in an effort to achieve the company's legitimacy; this contract will be more effective through the audit committee as a party that can monitor the company's relationship between the principal and the agent.

Discussion of the result of the control variable. In this study also provides additional results, that 2 (two) control variables consisting of leverage proxied by DER, and firm size that is proxied by the logarithm of total assets, have a significant effect on tax avoidance. If the leverage ratio rises, tax avoidance will decrease, meaning that if the company's ability to pay its short-term debt is low (high DER shows the company's ability to pay its debt is low), tax avoidance measures will be low. Companies whose ability to pay their debts will strive to reduce the cost of debt while still reporting high profits so as not to do tax avoidance.

The bigger the size of the company, the lower he will do tax avoidance. Large companies have better tax awareness compared to small companies.

CONCLUSION

Based on the result of data processing in this study with a sample of 108, it can be concluded that there is a positive influence between disclosure of CSR on tax avoidance (H1 accepted) and internal control (audit committee) as a moderating variable that has weakened the positive influence of CSR on tax avoidance (H2b be accepted). These results illustrate the condition of poor social responsibility in sample companies, but the function of the audit committee has been running as it should, where their supervisory function has been able to maintain the balance of rights between management and stakeholders. In this study also provides other evidence that leverage and firm size have a significant negative effect on tax avoidance.

Suggestion. The CSR measurement in this study uses the GRI 4 size expressed in the report of the company, hence the suggestions for further research observed reports also include sustainability reports and for measurement can use other measures such as CSR costs, CSR quality such as ISO 26000, or measurement of environmental disclosure which is currently being discussed a lot. There are still many internal control components outside of independent commissioners and audit committees, such as the quality of the auditor's reputation, audit opinion, audit replacement.

Implications. This research is expected to provide benefits for the parties involved in taking the company. For companies, this research can describe the conditions for implementing CSR activities as well as the functions of internal control. For investors, this research can provide clear information about corporate social responsibility activities in

Indonesian manufacturing companies disclosed by the company through a report on corporate social responsibility, based on the result of this study that social responsibility actions carried out on sample companies have another goal of tax avoidance. For the government, this research can be used as an analysis of tax compliance conditions for taxpayers in Indonesia. Investors and the government can also know and give policy on the importance of the audit committee in carrying out the company's internal controls.

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