Accounting Analysis Journal 7(3) (2018) 159-167

Accounting Analysis Journal

https://journal.unnes.ac.id/sju/index.php/aaj

The Effect Of Corporate Governance and the Quality of CSR to Tax Avoidation

Nining Apriliyana*[1] and Trisni Suryarini[2]

[1,2]Accounting Department, Faculty of Economics, Semarang State University

ARTICLE INFO

Article History:
Received January 15, 2018
Accepted March 1, 2018
Available November 30, 2018

Keywords:
Tax avoidance;
Corporate governance;
Corporate social responsibility quality

ABSTRACT

The purpose of this research was to analyse the effect of Corporate Governance and Corporate Social Responsibility Quality on tax avoidance. The population used in this research was 150 manufacturing company listed in the Indonesia Stock Exchange during 2013-2015. The technique used for get sampling is purposive sampling, with the resulting in a final sample of 29 manufacturing companies. The analytical tools used to test the hypothesis are descriptive statistical analysis and multiple regression analysis were processed with IBM SPSS 21. The result of this research of institutional ownership and CSR quality have no effect on companies tax avoidance. Nevertheless, an executive compensation has a positive effect on companies tax avoidance. The background in accounting or financial expertise of audit committee negatively affects tax avoidance in the manufacturing company during 2013-2015. The conclusions of this study is that executive compensation and background accounting or financial expertise of audit committee can significantly influence in tax avoidance decisions. Meanwhile, institutional ownership and CSR quality have no significant effect in tax avoidance decisions on manufacturing companies listed on Indonesia Stock Exchange during 2013-2015.

INTRODUCTION

One of the biggest incomes in Indonesia comes from tax. Darmawan & Sukartha (2014) declare tax is a mandatory contribution to the state that is owed by an individual or entity as a taxpayer by not receiving direct reciprocal, coercive, and collections based on the law. The revenue derived from tax is used by the government to create public welfare. Therefore, taxes become a sector that the government considers so that state revenues from taxes can be optimal. The government seeks to improve the optimization of tax revenues, while the government's efforts conflict with companies as taxpayers because taxes can reduce profits so that the company wants minimal tax payments (Setyaningrum & Suryarini, 2016).

The facts that occur in the field indicate that until now the state revenues from taxes have not been maximized. The Minister of Finance, Sri Mulyani acknowledged that the trend of tax revenues in Indonesia has decreased. The realization of current tax revenues is below the State budget target (Buhori, 2016). The following are data on tax revenues during 2013 to 2015:

Table 1 shows that for three consecutive years, the realization of the state budget has not been able to reach the target of the state budget although in nominal terms each year has increased. In 2013, the realization of tax revenues reached 93.81% of the budgeted target. In 2014, the realization of tax revenues decreased by 1.77% to 92.04%. While in 2015, the realization of tax revenues declined by 8.75% to 83.29%. The number of realization that has decreased indicates that tax revenues have not been optimal, thus giving rise to allegations that taxpayers carry out tax avoidance.

Based on the phenomenon which has described above, it shows that there are indications of tax avoidance by individual taxpayers and corporate taxpayers. However, the research focuses on corporate taxpayers. According to Mulyani, et al.(2017) companies in Indonesia indicated committing tax avoidance can be seen from the existence of a tax amnesty program policy that came into effect on 1st July 2016 until 31st March 2017. Tax avoidance by companies shows that corporate governance mechanisms do not work effectively and not socially responsible (Wahyudi, 2015). The companies

* *E-mail: nining.apriliyana@gmail.com*
Address: L2 Building 2nd floor, Campus Sekaran, Gunungpati, Semarang, Indonesia, 50229

DOI 10.15294/aaj.v7i3.20052 p-ISSN 2252-6765 e-ISSN 2502-6216

Table 1. Realization of the State Budget (Tax Revenue)

Year	State Budget	Realization of the State Budget	Percentage
2013	Rp 1,148,364,681,288	Rp 1,077,309,220,752	93.81%
2014	Rp 1,246,106,955,602	Rp 1,146,863,551,832	92.04%
2015	Rp 1,488,255,488,129	Rp 1,240,372,331,294	83.29%

Data Source: Ministry of Finance

indicated that they have not implemented the principles of corporate governance properly.

Corporate governance is a process and structure used by corporate organs to realize shareholder value in the long term while considering the interests of stakeholders, based on legislation, and ethical values (Sutedi, 2011). Larastomo, et al.(2016) stated that the implementation of weak corporate governance in companies has more gaps to do deviations, while the implementation of good corporate governance is able to become a boundary for personal interests so as not to break the interests of the company. If the company has well structured corporate governance, it will be directly proportional to corporate compliance in fulfilling its tax obligations (Sartori, 2008).

The relationship between tax and corporate governance has been reviewed by several researchers with different research results, one of them are Santoso & Muid (2014), Fahreza (2014), and Putri (2017) stated that compensation for commissioners and board of directors has a positive effect on tax avoidance. Research of Puspita & Harto (2014), and Azizah & Kusmuriyanto (2016) showing different results, namely tax compensation does not affect on tax avoidance. Research Merslythalia and Lasmana(2016), Tjondro, et al. (2016), and Alviyani (2016) showing that institutional ownership has a negative effect. Institutional ownership can minimize tax avoidance. Research of Fadhilah (2014) as well as Diantari & Ulupui (2016) shows the proportion of institutional ownership does not affect tax avoidance.

Robinson, et al. (2012) found that the background in the accounting or financial expertise of the audit committee negatively affects on tax avoidance. While Puspita & Harto (2014) found that the competence of the audit committee has no effect on tax avoidance. Research of Pradipta & Supriyadi (2015), and Tjondro, et al. (2016) shows that the quality of CSR has a negative effect on tax avoidance. While research of Wahyudi (2015), and Wijayanti, et al. (2017) showing different results namely CSR does not affect tax avoidance.

The results of these studies are still varied so that it shows the existence of research gaps in similar studies. Therefore, research on corporate governance, the quality of corporate social responsibility, and tax avoidance are interesting to be re-examined again. Thus, this study aims to analyze and find empirical evidence of the influence of corporate governance and the quality of corporate social responsibility on tax avoidance. Corporate governance used in this study is executive compensation, institutional ownership, and the background of the audit committee's financial or accounting expertise

The theories underlying this research are agency theory and legitimacy theory. Internal agency theory Jensen & Meckling (1976) stated that the agency relationship arises when there is a contract between the owner of the company (principal) that authorizes the manager (agent) to manage the company where the owner and manager both have the desire to maximize the welfare of themselves. The company is a place for contractual relationships that occur between management, owners, creditors, and the government. The legitimacy theory focuses on the interaction between the company and the community. This theory refers to a kind of social contract where the company is responsible for the demands of the community.

Executive compensation is an award in the form of material or non-material given to executives to be motivated in achieving corporate goals (Dewi & Sari, 2015). The effect of executive compensation on tax avoidance is based on agency theory, which states that principals delegate authority to agents to manage companies so that principals obtain prosperity and profit. While agents expect high returns from the principal for their work. The Principal wants the agent to act in accordance with the interests of the shareholders. As a result, principals use compensation to align interests between principals and agents so that agents manage the company in accordance with the objectives of the shareholders (Amri, 2017).

Decision making regarding tax avoidance is in the hands of management. This decision is expected to bring benefits to the maker (Hanafi & Harto, 2014). Therefore, executives as the operational leader of the company will be willing to make a tax avoidance policy if he also benefits from the policies he does (Mayangsari, 2015). Giving compensation to executives based on Law of the Republic of Indonesia Number 36 Year 2008 included in the deductibles cost, so that it can be used by management to reduce corporate tax burden. Research of Santoso & Muid (2014), and Mayangsari (2015) prove that executive compensation has a negative effect on tax avoidance. Thus, the first hypothesis in this study is:

H_1 : Executive compensation has a positive effect on tax avoidance

Institutional ownership is ownership of shares owned by insurance companies, banks, mutual funds, and other financial institutions (Tarjo, 2008). Institutional investors have an important role in corporate financing (Dridi & Boubaker, 2016). The presence of institutional investors is expected to be a good control of corporate performance and activities (Kiswanto, et al. 2015). Based on the agency theory, institutional ownership can minimize agency conflict. Institutional ownership will encourage more optimal supervision of management performance (Sumanto, et al. 2014).

The presence of institutional investors can limit the opportunist behaviour of a manager to prioritize his personal interests. This is due to institutional investors have the ability to analyze financial statements better and are supported by large resources, so that they can get more information (Wardana, 2014). The higher the number of shares held by the institution, the lower the level of tax avoidance carried out by the company. Research of Merslythalia & Lasmana (2016), and Alviyani (2016) showing that institutional ownership has a negative effect, institutional ownership can minimize tax avoidance. Thus, the second hypothesis in this study is:

H_2 : Institutional ownership has a negative effect on tax avoidance

Audit committee is one of the corporate organs that assist the board of commissioners in terms of supervision over the implementation of corporate governance. The audit committee also has the responsibility to ensure that the reports presented have been in accordance with applicable accounting standards and carry out the monitoring over the implementation of internal and external audits. Hence, one of the members of the audit committee must have the background in accounting or financial expertise. The member of audit committee with accounting or financial expertise better understand loopholes in tax regulations and how to avoid detection risks (Puspita & Harto, 2014).

Agency theory states that audit committee has a supervisory role on company activities so that it can minimize tax avoidance. The expertise possessed by the audit committee in the field of finance or accounting can detect management actions that seek to commit tax avoidance. The more the number of audit committee members who have accounting or financial expertise in the audit committee of a company, the lower the tax avoidance. Research of Armstrong, et al. (2015), and Robinson, et al.(2012) indicates that the background of the accounting or financial expertise possessed by the audit committee has a negative effect on tax avoidance. Thus, the third hypothesis in this study is:

H_3: The background of the accounting or financial expertise possessed by audit committee negatively affects on tax avoidance

Kuriah & Asyik (2016) define corporate social responsibility as a process of communicating the social and environmental impacts of an organizational economic activities towards specific groups of interests and to society as a whole. The assessment of CSR quality is based on the acquisition of CSR awards. This is due to through the assessment of the awards obtained, it is better able to show that the company is serious in carrying out CSR programs. Companies with good CSR quality will receive CSR awards from both national and international levels.

Based on the legitimacy theory, one of the efforts that can be done to gain a positive legitimacy from the community is to take ethical and socially responsible actions. One of the evidences that the company seeks to realize hopes and gain a good reputation from the community is by paying tax with full awareness (Siswianti & Kiswanto, 2016). Companies with good CSR quality will implement CSR programs voluntarily and according to the needs of the environment around the company, so that the relationship between the company and the surrounding environment remains harmonious. Therefore, a company with good quality will think twice about tax avoidance because it can destroy its reputation that has been built through CSR activities. The results of the research of Pradipta & Supriyadi (2015), Lanis & Richardson (2014), and Tjondro, et al.(2016) show that the quality of CSR has a negative effect on tax avoidance. Thus, the fourth hypothesis in this study is:

H_4: The quality of corporate social responsibility has a negative effect on tax avoidance

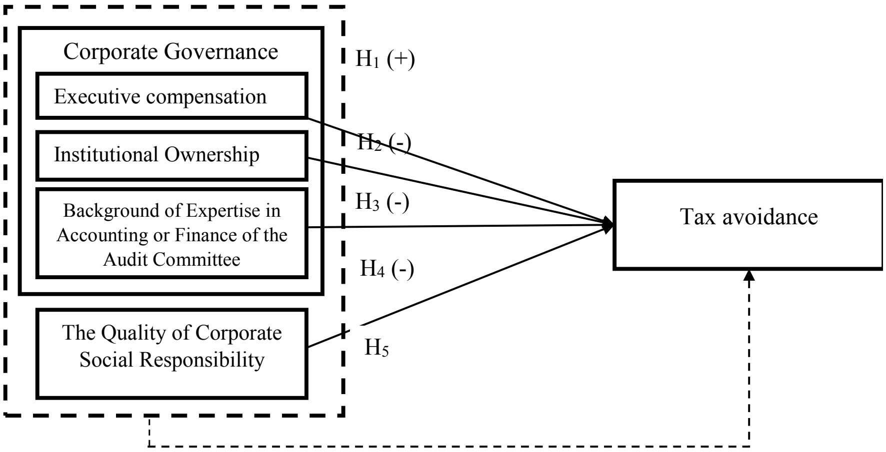
Agency theory states that a contractual relationship occurs between managers (agents) and shareholders (principals). Principals authorize agents to do things in accordance with the interests of principals so that the principal is only obliged to provide facilities and capital, while the agent is obliged to manage the company. The boundary between the principal and the agent causes agency problems. This is due to the agent has more access to information about the condition of the company than the principal

Corporate management actions in terms of tax avoidance are related to agency problems. The agency problem can be overcome by implementing corporate governance. Corporate governance in this research is presented through the provision of executive compensation, supervision of institutional investors and audit committees who have accounting or financial expertise. The provision of executive compensation can motivate management to make tax avoidance decisions, while the presence of institutional investors and audit committees who have accounting or financial expertise can supervise and control management in making decisions. So that tax avoidance actions can be minimized.

Tax avoidance can also be influenced by the quality of CSR owned by the company. The implementation of CSR is a socially responsible action while tax avoidance is an activity that is not socially responsible (Wahyudi, 2015). The legitimacy theory views that companies try to get positive legitimacy from the community so that the sustainability of their business is maintained. This can be implemented with CSR activities and tax payments. Companies with good CSR activities will get awards and show that the company does CSR voluntarily. Thus, the fifth hypothesis of this study is:

H_5: Executive compensation, institutional ownership, the background of the audit committee's accounting or financial expertise, and the quality of corporate social responsibility together have a significant effect on tax avoidance

Based on the description described, it can be described in the following framework:



Framework 1. Theoretical Framework

RESEARCH METHOD

This research was a quantitative study with a population of all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2013-2015 as many as 150 companies. Samples were selected using purposive sampling with the following criteria is presented in Table 2. The explanation of the operational definitions of each variable used in this study is presented in Table 3.

Table 2. Sampling Criteria

Criteria	Not Meeting the Criteria	Meeting the Criteria
Manufacturing companies listed on the IDX		150
1. Companies that publish complete annual reports during 2013-2015	(27)	123
2. Companies that have not suffered losses during the study period	(58)	65
3. Companies with annual report that contains information (data) needed in research	(27)	38
Total observations at the annual report during the 2013-2015 period		114
The amount of data outliers that are removed from the sample		(27)
Total data analysis unit		87

Source: Secondary data processed, 2017

Table 3. Operational Definition of the Variables

Variables	Operational Definition	Measurement
Executive compensation (X_1)	Executive compensation is an award in the form of material or non-material given to executives to be motivated in achieving corporate goals (Dewi & Sari, 2015).	Natural logarithm of total executive compensation (Zulma, 2016).
Institutional Ownership (X_2)	Institutional ownership is the ownership of shares by the institution of all outstanding shares (Zatun & Kiswanto, 2015).	The comparison between the number of institutional shares and the number of shares outstanding (Dewi & Jati, 2014).
Background of Expertise in Accounting or Finance of the Audit Committee (X_3)	Audit committee is an additional committee whose job is to assist the board of commissioners in carrying out supervision and internal control of the company so that information asymmetry does not occur so as to produce a qualified information and create effective and efficient corporate performance (Zatun & Kiswanto, 2015).	The comparison between the number of audit committees who have an accounting or financial background with the total audit committee (Robinson, et al. 2012).
The Quality of Corporate Social Responsibility (X_4)	Corporate social responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that benefits both the company itself, the local community, and society in general (Siswianti & Kiswanto, 2016).	If receiving a CSR award, it is valued at 1 and if not, it is valued at 0 (Tjondro, et al. 2016).
Tax avoidance (Y)	Tax avoidance is any effort made to reduce the tax burden (Puspita & Harto, 2014).	Comparison between tax expense and pre-tax profit (Gaaya, et al. 2017).

Source: Secondary data processed, 2017

To simplify the interpretation of the results, the ETR value in this study was multiplied by negative one (-1) denoted by Y so that the higher the value of Y, the higher the value of tax avoidance made by the company (Francis, et al. 2013).

The data collection method used is with the documentation of annual report and audited financial statements of manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2015. Data analysis methods used descriptive statistical analysis and multiple linear regression analysis using SPSS version 21. Multiple linear regression analysis is used to obtain an overview of how much influence the independent variables have on the dependent variable. Before hypothesis testing is carried out, the classical assumption test is done first, namely the normality test, multicollinearity test, autocorrelation test, and heteroscedaticity test. Multiple linear regression models are systematically expressed in the form of equations as follows:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Explanation:

Y = Tax Avoidance
α = Constant
X_1 = Executive Compensation
$\beta_{1,2,3,4}$ = Regression coefficient
X_2 = Institutional Ownership
e = Error
X_3 = Background of the Audit Committee
X_4 = The Quality of CSR

RESULTS AND DISCUSSIONS

Descriptive statistics aim to provide the explanation of the minimum value, maximum value, mean value, and standard deviation. The results of the descriptive statistical analysis will be described in Table 4 and Table 5.

Table 4 shows that the number of analysis units (N) as many as 87, obtained an average value of tax avoidance of -0.2799, meaning that the average tax burden borne by manufacturing companies is 27.99% from pre-tax profit. The executive compensation variable shows an average value of 23.0194. The average value of institutional ownership is 0.1915, meaning that the average manufacturing company is owned by institutional investors at 19.15% from the outstanding shares.

Table 4. The Result of Descriptive Test

Variables	N	Min.	Max.	Mean	Std. Deviation
ETR	87	-0.5456	-0.0028	-0.2799	0.09656
Executive compensation	87	17.6129	25.9175	23.0194	1.49501
Institutional Ownership	87	0.0037	0.5654	0.1915	0.14793
Audit Committee	87	0.25	1.00	0.7516	0.25943
Valid N (listwise)	87				

Source: *Output* SPSS secondary data processed, 2017

Table 5. Descriptive Test Results for the Quality of CSR

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	77	88.5	88.5	88.5
	1	10	11.5	11.5	100.0
	Total	87	100.0	100.0	

Source; *Output* SPSS secondary data processed, 2017

The average value of the audit committee of 0.7516 or 75.16% indicates that the average manufacturing company has met the internal rules of the Decision of the Chairman of the Capital Market Supervisory Agency Number: KEP-643/BL/2012 which requires that one member of the audit committee has a background in accounting or financial expertise. The results of descriptive statistics in table 5 show the unit of analysis that received a CSR award during the study year as many as 10 units of analysis or 11.5%. The average manufacturing company listed on the Indonesia Stock Exchange has a low quality CSR.

The classical assumption test results consisting of normality, linearity, multicollinearity, autocorrelation, and heteroscedasticity tests will be described in Table 6.

Based on the results of the regression test, the regression equation has been carried out as follows:

$$Y = -0.509 + 0.014X_1 - 0.121X_2 - 0.097X_3 + 0.009X_4$$

Table 6. Classical Assumption Test Results

Classical Assumption Test	Result	Requirement	Explanation
Normality	0.062	Sig > 0.05	Normal distributed
Multicollinearity	Tolerance> 0.1 and VIF < 10	Tolerance Value> 0.10 and VIF < 10	Free from multicollinearity
Autocorrelation	0,915	Sig > 0.05	Autocorrelation free
Heteroscedasticity	18.53<112.40	C count< C tablr	Heteroscedasticity free

Source : *Output* SPSS secondary data processed, 2017

The constant value of 0.509 can be interpreted that if all the independent variables including executive compensation (X1), institutional ownership (X2), the background of the audit committee's accounting or financial expertise (X3), and the quality of CSR (X4) have a value of 0 or constant, then tax avoidance variable is 0.509. The executive compensation variable (X1) has a regression coefficient of 0.014 and indicates a positive sign, can be interpreted that if the executive compensation level has a 1% increase will increase tax avoidance by 0.014. Institutional ownership variable (X2) has a regression coefficient of 0.121 and shows a negative sign. Then, it can be interpreted that if the level of institutional ownership experiences a 1% increase will reduce tax avoidance by 0.121.

The variable background of the audit committee's accounting or financial expertise (X3) has a regression coefficient of 0.097 and shows a negative sign. Then, it can be interpreted that if the level of accounting or financial background of the audit committee experiences a 1% increase will reduce tax avoidance by 0.097. The CSR quality variable (X4) has a regression coefficient of 0.009 and shows a positive sign. Then, it can be interpreted that if the quality of CSR experiences a 1% increase, it will increase tax avoidance by 0.009.

Adjusted R square value of 0.15. This means that 15% of the tax avoidance variable is influenced by variables of executive compensation, institutional ownership, background of audit committee's accounting or financial expertise, and quality of CSR while the remaining 85% is influenced by other variables not examined in this study. Error of the Estimate standard is 0.0890197. The smaller the standard Error of the Estimate value will make the regression model more precise in predicting the independent variable. The summary of hypothesis test can be seen in Table 7.

Table 7. Regression Test Results

No.	Hypothesis	B	A	Sig.	Result
1	H_1 : Executive compensation has a positive effect on tax avoidance	0.014	0.05	0.033	Accepted
2	H_2 : Institutional ownership has a negative effect on tax avoidance	-0.121	0.05	0.073	Rejected
3	H_3 : The background of the audit committee's financial or accounting expertise has a negative effect on tax avoidance	-0.097	0.05	0.013	Accepted
4	H_4 : The quality of CSR has a negative effect on tax avoidance	0.009	0.05	0.759	Rejected
5	H_6 : Executive compensation, institutional ownership, the background of the audit committee's accounting or financial expertise, and the quality of CSR simultaneously affect on tax avoidance		0.05	0.002	Accepted

Source: *Output* SPSS 21, 2017

The Effects of Executive Compensation on Tax Avoidance

The result of the research shows that executive compensation has a positive effect on tax avoidance, in line with research conducted //that are equal to 45 or 51.72% analysis units have high executive compensation at intervals of 22.62 to 24.28. While the distribution of tax avoidance frequency shows that the largest frequency, namely 41 units of analysis are in the high category with an interval of 0.2557 to 0.1591. Thu, it can be identified that companies with high executive compensation are indicated to do tax avoidance.

The result of this study supports agency theory which states that principals delegate authority to agents to manage companies so that principals obtain prosperity and profit. Meanwhile, agents expect to get compensation for the results of their work. One of the efforts to realize the expectations of the principal is that the agent suppresses corporate costs including the tax burden. Therefore, it can be understood that giving high compensation to executives will motivate managers to commit tax avoidance.

The Effects of Institutional Ownership on Tax Avoidance

Institutional ownership does not affect on tax avoidance. This shows that the size of the shares owned by the institution is not able to influence the company in committing tax avoidance. This is due to the number of shares held by institutions in the manufacturing companies studied shows that 33 or 37.93% of the analysis units have low institutional ownership at intervals of 0.0037 to 0.1160. As a result, institutional investors have less contribution in controlling and monitoring decision making at the company.

The results of this study are in line with Diantari & Ulupui (2016), Fadhilah (2014), as well as Dewi & Jati (2014) which states that institutional ownership does not affect tax avoidance. According to Diantari & Ulupui, (2016) it is not necessarily institutional investors are able to provide good control to the management's actions on their opportunistic to commit tax avoidance. This is due to institutional investors may entrust the supervision and management of the company to the board of commissioners, because it is their job so that there is or not institutional investors, tax avoidance still occurs.

The result of this study does not support agency theory, Jensen & Meckling (1976) who stated that institutional ownership will control agency problems by putting pressure on managers to work better. Besides, institutional investors also encourage more optimal supervision of management performance. But in reality, institutional investors have not functioned optimally as controls on management. Based on the findings of researchers at manufacturing companies, institutional investors lack the power to regulate policies on companies. Because the majority of shareholders are controlled by parent companies and managerial ownership.

The Effect of the Audit Committee's Accounting or Financial Expertise Background on Tax Avoidance

Audit committee is one of the organs of the company that has the duty of assisting independent commissioners in matters of supervision and internal control. Based on K Decision of the Chairman of the Capital Market Supervisory Agency Number: KEP-643/BL/2012 about competence and professionalism oblige public companies of audit committees. An audit committee chaired by an independent commissioner, the members can consist of commissioners and / or professional people from outside the company with one member having a background of accounting or financial ability. The members of audit committee with accounting or financial expertise better understand loopholes in tax regulations and how to avoid detection risks (Puspita & Harto, 2014).

This research is in line with research of Armstrong, et al.(2015) and Robinson, et al.(2012) which state that the background of the accounting or financial expertise of the audit committee has a negative effect on tax avoidance. Audit committees with accounting or financial backgrounds will reduce management opportunities to prevent management from tax avoidance. This is because the audit committee with the background in accounting or financial expertise better understands accounting and taxation so that he/she can detect management trying to minimize taxes. This shows that companies that have an audit committee with the background in accounting or financial expertise will be more responsible and open in presenting financial statements because the audit committee will monitor management activities within the company..

The result of this study is in line with agency theory which states that the supervisory function possessed by the audit committee is able to suppress the opportunist actions done managers in committing tax avoidance. The existence of an audit committee that has the background in accounting or financial expertise can detect tax avoidance action. So that, the expertise background possessed by the audit committee can protect the interests of shareholders from opportunistic actions taken by management (Dwiharyadi, 2017).

The Effect of Corporate Social Responsibility Quality on Tax Avoidance

The quality of CSR does not affect on tax avoidance in a negative direction. This means that good or bad CSR quality of a company does not guarantee that the company does not commit tax avoidance. This is because the company does not want to lose its reputation. Therefore, the company implements CSR programs only to fulfil obligations. As a result, CSR programs are not on target and are not in accordance with the needs of the community and the surrounding environment

The results of this study are in line with Lionita & Kusbandiyah (2017), Wijayanti, et al.(2017), and Wahyudi (2015) (Tjondro, et al. 2016) who found that corporate social responsibility has no effect on tax avoidance. The researcher suspects the insignificance of corporate social responsibility for tax avoidance due to the measurements of CSR using dummy variable, namely the recipients of CSR awards. This is due to CSR award recipients have had a sustainable CSR program, so that the implementation of CSR programs every year is not influenced by the amount of tax paid in that year (Tjondro, et al. 2016). Therefore, future research should use the cost approach is the cost of CSR issued by the company so to better reflect the company's efforts to minimize the tax burden.

Legitimacy theory states that companies try to get positive legitimacy from the public to maintain the life sustainability of the company through the implementation of CSR programs, one of which is by paying taxes according to the provisions. So that companies that try to minimize the tax burden are considered as companies that are not socially responsible (Siswianti & Kiswanto, 2016). But in reality, this theory cannot prove that good quality of corporate social responsibility does not guarantee that the company does not carry out tax avoidance.

The Effects of Executive Compensation, Institutional Ownership, Background of Accounting Skills, and Quality of Corporate Social Responsibility on Tax Avoidance

Based on the results of hypothesis testing, it can be concluded that executive compensation, institutional ownership, the background of the audit committee's financial or accounting expertise, and the quality of corporate social responsibility simultaneously influence on tax avoidance, so the fifth hypothesis of this study is accepted. This study comprehensively proves that through high compensation rates, the proportion of weak institutional ownership, the number of audit committees with high accounting or financial backgrounds, and poor quality of CSR, have contributed influence in encouraging manufacturing companies to commit tax avoidance.

The result of this study through executive compensation succeeded in supporting agency theory which states that agents as parties who are authorized to manage the company tend to take action to prioritize their personal interests. While the role of the audit committee with a background in accounting or financial expertise as a supervisor can narrow down the opportunities for management to minimize the tax burden. There is result of research that is not line with agency theory namely institutional ownership in corporate governance implementation. Institutional ownership as a supervisory tool in corporate governance mechanisms has not been able to function optimally to prevent companies from tax avoidance.

CONCLUSIONS AND SUGGESTIONS

Based on the results of testing data and discussion, it can be concluded that executive compensation and the background of the accounting or financial expertise of the audit committee affect on tax avoidance. Meanwhile, institutional ownership and quality of CSR have no effect on tax avoidance. Simultaneous testing shows that executive compensation, institutional ownership, accounting or financial expertise, and the quality of CSR together influence on tax avoidance.

The result of this study indicates that good or bad CSR is not able to influence management actions to minimize the tax burden. Therefore, further research can consider measuring CSR using the cost approach. In addition, the next researcher can consider the size of the board in the company which can also affect the amount of compensation issued by the company.

REFERENCES

Alviyani, K. (2016). Pengaruh Corporate Governance, Karakter Eksekutif, Ukuran Perusahaan, dan Leverage Terhadap Penghindaran Pajak (Tax Avoidance). *JOM FEKON*, *3*(1), 2540–2554.

Amri, M. (2017). Pengaruh Kompensasi Manajemen Terhadap Penghindaran Pajak dengan Moderasi Diversifikasi Gender Direksi dan Preferensi Risiko Eksekutif Perusahaan di Indonesia. *Jurnal Akuntansi Riset*, *6*(1), 1–13.

Armstrong, C. S., Blouin, J. L., Jagolinzer, A. D., & Larcker, D. F. (2015). Corporate Governance , Incentives , and Tax Avoidance. *Journal of Accounting and Economics*, *60*, 1–17.

Azizah, N., & Kusmuriyanto. (2016). The Effect of Related Party Transaction, Leverage, Commissioners and Directors Compensation on Tax Aggressiveness. *Accounting Analysis Journal*, *5*(4), 307–316.

Buhori, I. (2016). Sri Mulyani Blak-blakan Soal Penerimaan Pajak RI Terus Merosot. Retrieved February 14, 2017, from http://m.merdeka.com/uang/sri-mulyani-blak-blakan-soal-penerimaan-pajak-RI-terus-merosot.html

Darmawan, I. G. H., & Sukartha, I. M. (2014). Pengaruh Penerapan Corporate Governance, Leverga, Return on Assets, dan Ukuran Perusahaan Pada Penghindaran Pajak. *E-Jurnal Akuntansi Universitas Udayana*, *9*(1), 143–161.

Dewi, G. A. P., & Sari, M. M. R. (2015). Pengaruh Insentif Eksekutif, Corporate Risk, dan Corporate Governance Pada Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana*, *13*(3), 50–67.

Dewi, N. N. K., & Jati, I. K. (2014). Pengaruh Karakter Eksekutif, Karakteristik Perusahaan, dan Dimensi Tata Kelola Perusahaan yang Baik Pada Tax Avoidance di Bursa Efek Indonesia. *E-Jurnal Akuntansi Universitas Udayana*, *6*(2), 249–260.

Diantari, P. R., & Ulupui, I. A. (2016). Pengaruh Komite Audit, Proporsi Komisaris Independen, dan Proporsi Kepemilikan Institusional Terhadap Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana*, *16*(1), 702–732.

Dridi, W., & Boubaker, A. (2016). Corporate Governance and Book-Tax Differences : Tunisian Evidence. *International Journal of Economic and Finance*, *8*(1), 171–186.

Dwiharyadi, A. (2017). Pengaruh Keahlian akuntansi dan Keuangan Komite audit dan dewan komisaris terhadap manajemen pajak. *Jurnal Akuntansi Dan Keuangan Indonesia*, *14*(1), 75–93.

Fadhilah, R. (2014). Pengaruh Good Corporate Governance Terhadap Tax Avoidance (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di BEI 2009-2011). *Jurnal Akuntansi*, *2*(1), 1–22.

Fahreza. (2014). Pengaruh Kompensasi Manajemen dan Reputasi Auditor Terhadap Manajemen Pajak di Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia. *Jurnal TEKUN*, *5*(1), 69–86.

Francis, B. B., Sun, X., & Wu, Q. (2013). Managerial Ability and Tax Avoidance. *Working Paper SSRN*.

Gaaya, S., Lakhal, N., & Lakhal, F. (2017). Does Family Ownership Reduce Corporate Tax Avoidance ? The Moderating Effect of Audit Quality. *Managerial Auditing Journal*, *32*(7), 731–744.

Hanafi, U., & Harto, P. (2014). Analisis Pengaruh Kompensasi Eksekutif, Kepemilikan Saham Eksekutif, dan Preferensi Risiko Eksekutif. *Diponegoro Journal of Accounting*, *3*(2), 1–11.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm : Managerial Behavior, Agency Costs and Ownership Structure Theory of the Firm : Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360.

Kementerian Keuangan. *Laporan Keuangan Bagian Anggaran*. Retrieved from www.kemenkeu.go.id

Keputusan Ketua Badan Pengawas Pasar Modal Nomor: KEP-643/BL/2012 *Tentang Pedoman Pelaksanaan Kerja Komite Audit*.

Kiswanto, Arief, S., & Agustina, L. (2015). The Effect of Good Corporate Governance (GCG) Mechanism on Tax Payable : Enterprise Risk Management as an Intervening Variable. *International Conference on Accounting*.

Kuriah, H. L., & Asyik, N. F. (2016). Pengaruh Karakteristik Perusahaan dan Corporate Social Responsibility Terhadap Agresivitas Pajak. *Jurnal Ilmu Dan Riset Akuntansi*, *5*(3), 1–19.

Lanis, R., & Richardson, G. (2014). Is Corporate Social Responsibility Performance Associated with Tax Avoidance ? *Journal of Business Ethics*, *127*(2).

Larastomo, J., Perdana, H. D., Triatmoko, H., & Sudaryono, E. A. (2016). Pengaruh Tata Kelola Perusahaan dan Penghindaran Pajak Terhadap Manajemen Laba Pada Perusahaan Manufaktur di Indonesia. *Esensi: Jurnal Bisnis Dan Manajemen*, *6*(1), 63–74.

Lionita, A., & Kusbandiyah, A. (2017). Pengaruh Corporate Social Reponsibility, Profitabilitas, Leverage, dan Komisaris Independen Terhadap Praktik Penghindaran Pajak Pada Perusahaan yang Terdaftar di BEI. *KOMPARTEMEN*, *15*(1), 1–11.

Mayangsari, C. (2015). Pengaruh Kompensasi Eksekutif, Kepemilikan Saham Eksekutif, Preferensi Risiko Eksekutif dan Leverage Terhadap Penghindaran Pajak (Tax Avoidance). *FEKON*, *2*, 1–15.

Merslythalia, D. R., & Lasmana, M. S. (2016). Pengaruh Kompetensi Eksekutif, ukuran Perusahaan, Komisaris Independen, dna Kepemilikan Institusional Terhadap Tax Avoidance. *Jurnal Ilmiah Akuntansi Akuntansi Dan Bisnis*, *11*(2), 117–124.

Mulyani, S., Kusmuriyanto, & Suryarini, T. (2017). Analisis Determinan Tax Avoidance Pada Perusahaan Manufaktur di Indonesia. *Jurnal RAK (Riset Akuntansi Keuangan)*, *2*(3), 53–66.

Pradipta, D. H., & Supriyadi. (2015). Pengaruh Corporate Social Responsibility (CSR), Profitabilitas , Leverage , dan Komisaris Independen Terhadap Praktik Penghindaran Pajak. *Simposium Nasional Akuntansi XVIII*.

Puspita, S. R., & Harto, P. (2014). Pengaruh Tata Kelola Perusahaan Tehadap Penghindaran Pajak. *Diponegoro Journal of Accounting*, *3*, 1–13.

Putri, M. C. A. (2017). Pengaruh Kompensasi Manajemen, Corporate Governance, Reputasi Auditor Terhadap Manajemen Pajak. *JOM FEKON*, *4*(1), 294–308.

Robinson, J. R., Xue, Y., & Zhang, M. H. (2012). Tax Planning and Financial Expertise in the Audit Committee. *Working Paper SSRN*, University of Texas at Austin.

Santoso, T. B., & Muid, D. (2014). Pengaruh Corporate Governance Terhadap Penghindaran Pajak Perusahaan. *Diponegoro Journal of Accounting*, *3*(4), 1–12.

Sartori, N. (2008). Effects of Strategic Tax Behaviors on Corporate Governance. *Working Paper SSRN*.

Setyaningrum, C. D., & Suryarini, T. (2016). Analysis of Corporate Income Tax Reduction a Study Case on Manufacturing Companies in Indonesia in The Year 2008-2014. *Jurnal Dinamika Akuntansi*, *8*(1), 14–22.

Siswianti, & Kiswanto. (2016). Analisis Determinan Tax Aggressiveness Pada Perusahaan Multinasional. *Accounting Analysis Journal*, *5*(1), 1–10.

Sumanto, B., Asrori, & Kiswanto. (2014). Pengaruh Kepemilikan Institusional dan Ukuran Dewan Komisaris Terhadap Manajemen Laba. *Accounting Analysis Journal*, *3*(1), 44–52.

Sutedi, A. (2011). *Penerapan Good Corporate Governance*. Jakarta: Sinar Grafika.

Tarjo. (2008). Pengaruh Konsentrasi Kepemilikan Institusional dan Leverage Terhadap Manajemen Laba, Nilai Perusahaan, Cost of Equity Capital. *Simposium Nasional Akuntansi XI*.

Tjondro, E., Widuri, R., & Katopo, J. M. (2016). Kualitas Corporate Social Responsibility dan Penghindaran Pajak dengan Kinerja Laba Sebagai Moderator. *Jurnal Akuntansi Dan Keuangan*, *18*(2), 105–118.

Undang-Undang Republik Indonesia Nomor 36 Tahun 2008 *Tentang Pajak Penghasilan*.

Wahyudi, D. (2015). Analisis Empiris Pengaruh Aktivitas Corporate Social Responsibility (CSR) Terhadap Penghindaran Pajak di Indonesia. *Jurnal Lingkar Widyaiswara*, *Edisi 2*(4), 5–17.

Wardana, D. P. (2014). Pengaruh Book Tax Differences dan Struktur Kepemilikan Terhadap Relevansi Laba. *Finance and Banking Journal*, *16*(2), 193–206.

Wijayanti, A., Wijayanti, A., & Chomsatu, Y. (2017). Pengaruh Karakteristik Perusahaan, GCG, dan CSR Terhadap Penghindaran Pajak. *Jornal of Economic and Economics Education*, *5*(2), 113–127.

Zatun, U. T., & Kiswanto. (2015). Pengaruh Corporate Governance, Karakteristik Perusahaan Terhadap Efesiensi Pembayaran Pajak Melalui Managerial Risk. *Accounting Analysis Journal*, *4*(2), 1–10.

Zulma, G. W. M. (2016). Pengaruh Kompensasi Manajemen terhadap Penghindaran Pajak Perusahaan dengan Moderasi Kepemilikan Keluarga di Indonesia. *Simposium Nasional Akuntansi XIX*.