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The Effect of the Board of Commissioners, Audit Committee, Company Size on Tax Avoidance with Leverage as an Intervening Variable

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ABSTRACT

The purpose of this study was to analyze the effect of the board of commissioners, audit committee, company size on tax avoidance with the intervening variable in the form of leverage. The population of this research is 48 properties and real estate listed on the IDX in 2015-2018. The sample selection is done using the purposive sampling method and produces 60 units of analysis. The method used to analyze the data is descriptive statistics and path analysis with the IBM SPSS 21 software. This study shows the results between the board of commissioners, the audit committee, leverage has a significant positive effect on tax avoidance. Company size does not affect tax avoidance. The board of commissioners and company size have no effect on leverage. The audit committee has a significant negative effect on leverage. Leverage succeeded in intervening in the influence of the audit committee but failed to intervene in the effect of the board of commissioners and company size on tax avoidance. This study concludes that companies with boards of commissioners and audit committees tend to increase the efficiency of their tax burden. The audit committee uses leverage to increase the efficiency of the tax burden. This research is able to strengthen and develop from existing research related to tax avoidance.

INTRODUCTION

One of the sources of income of a country comes from the people through tax collection. The collection of taxes will reduce the income or wealth of individuals. However, taxes are one of the sources of income for a country which will later be received back by the society, through various expenditures, both routine expenditures and expenditures for development which will ultimately be returned to the community and benefit the people entirely (Suandy, 2011). Tax is a forced contribution under the law by not getting a direct reward. The largest source of state revenue comes from taxes and is used for the public interest. Thus, from taxes to be a source of funds for the implementation of state development activities and the growth rate that needs to be optimized in order to get the expected results.

Tax avoidance is a way that taxpayers can do by reducing the amount of the tax owed without having to violate the provisions of tax regulations or other terms by looking for weaknesses in the regulations (Hutagaol, 2007). In recent years, the tax authorities have made maximum efforts to emphasize the boundaries between tax avoidance and tax evasion so that there is no misinterpretation. The purpose of tax avoidance is so that companies get optimal profits, which are expected to increase the competitiveness of companies and they can still carry out their responsibilities as taxpayers to the government. Tax avoidance itself is carried out by utilizing everything that has not been regulated in the tax law (Mangoting, 1999).

There are many cases of tax avoidance, one of the cases of tax avoidance that occurs in property and real estate companies is the case where the leak of "The Panama Papers" which means "Panama Documents". The document was a document made by a service provider from Panama, which is confidential. The Panama Document contains the list of the world's largest clients. The clients allegedly wanted their money to be free from taxes in their countries. There are 2,961 cases of "The Panama Papers" detected, either individuals or companies in Indonesia. One of the companies detected in this case is PT. Ciputra Development. Tbk. The company is a well-known company in Indonesia that is engaged in the property and real estate sector and has been listed on the Indonesia Stock Exchange, apparently, it has also

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avoided tax by hiding its wealth of up to USD 1.6 billion or equivalent to Rp. 21.6 trillion (exchange rate of Rp. 13,538) to avoid state tax (www.kompas.com, 2016).

The factors that influence tax avoidance have been studied before and still produce inconsistent results so that there is a research gap. Research conducted by Rosalia & Sapri (2017) and Maharani & Suardana (2014) show that the board of commissioners has a significant negative relationship to tax avoidance. However, in contrast to research from Hidayati & Fidiana, (2017) and Minnick & Noga (2010) show there is no effect between the board of commissioners on tax avoidance. Research conducted by Asri & Suardana (2016) finds a result where there is a significant negative effect between the audit committee on tax avoidance. However, research from Cahyono et al. (2016) as well as Hidayati & Fidiana (2017) find different results where there is no significant relationship from the audit committee to tax avoidance. Research conducted by Noor et al. (2010), Asri & Suardana (2016), and (Dewinta & Setiawan, 2016) show that firm size has a positive effect on tax avoidance. This is different from research (Barli, 2018) which states that the firm size variable does not have a significant effect on tax avoidance. Research conducted by Lanis & Richardson (2014) provides evidence between leverage and tax avoidance there is a significant positive effect. This is also proven by the existence of tests from the research of Saputra & Asyik (2017) which prove that the result of the leverage test has a significant positive direction. So with the higher level of leverage, the higher the company's effort in tax avoidance.

The objective of this study is to analyze, describe, and obtain empirical evidence of the relationship between the board of commissioners, audit committee, and firm size on tax avoidance and leverage in intervening in this relationship. The originality of this study here is the use of leverage as an intervening variable. This study has an update on the object of research, which is a study on property and real estate sector companies, which is a suggestion from the previous research conducted by (Hidayati & Fidiana, 2017). This study also uses a measurement of market capitalization as originality since most of the measurement of company size uses total assets. This study presents a research model with path analysis, where the path analysis technique is a technique to examine the indirect effect of intervening variables. The Sobel test in this study is to examine how the effect of the intervening variable can affect the variable X on Y.

Agency theory states that there will be problems between stakeholders as principals and company management as agents. Tax avoidance is one of the agency problems, which is information asymmetry between companies and the government. The government wants high state income through tax collection so that the state treasury will increase, while the company wants more optimal profits by streamlining the burden that will be issued by the company including the tax burden. This is what makes the conflict between the government (tax collectors) and companies (taxpayers) arises. The signaling theory states that companies with increasing debt are considered as companies with good prospects in the future. Debt will give a positive signal to outsiders about the company's ability to fulfill obligations in the future. The trade-off theory explains that companies can take advantage of debt financing for tax planning activities caused by potential bankruptcy. This theory considers various factors including corporate tax, bankruptcy costs, and personal tax.

The board of commissioners has the task of providing direction, guidance, and as a supervisor for the company. The board of commissioners plays an important role in corporate governance. The system adopted in Indonesia uses a two-tier system, where the directors and the board of commissioners have separate functions so that the problem of CEO duality will not occur because the directors and the board of commissioners have their own interests. Several measurements in determining the board of commissioners are the independence of the board of commissioners, educational background, the number of the company's board of commissioners, the activities of the board of commissioners, and others. This study focuses more on the measurement using the activities of the board of commissioners. This is considered by the board of commissioners to be able to solve and identify an existing problem. The activities of the board of commissioners can also increase the capacity in giving advice and monitoring management.

The activities of the board of commissioners will be proxied by using the board of commissioners' meeting. The results of the meeting conducted by the board of commissioners provide decisions that can be taken by the company in relation to the tax efficiency taken by the company. Research conducted by Xie et al. (2003) stated that the more intense the meetings held by the board of commissioners, the more information would be gotten regarding the performance of the company's management. Board of Commissioners' meeting is a medium between members of the board of commissioners for communication and coordination in carrying out their duties. Agency theory states that the higher the intensity of the board of commissioners' meetings, the easier it will be for the board of commissioners to control the CEO. In addition, the more effective monitoring activities will increase the value of the company and the lower the risk of the company. Rosalia & Sapri (2017) and Maharani & Suardana (2014) showed a significant relationship with a negative direction between the variable of the board of commissioners and the variable of tax avoidance.

H_1: The activities of the board of commissioners have a negative effect on tax avoidance

The company forms an audit committee with the committee membership appointed by the board of commissioners and the dismissal of the audit committee is done by the board of commissioners. The role of the audit committee within the company is to provide support to the board of commissioners in monitoring the preparation of corporate financial statements and provide an overview of the actions that must be taken by the company related to the practice of corporate tax avoidance (Guna & Herawaty, 2010). Agency theory shows that when the number of audit committees in the company is increasing, the company's activities will be controlled better and tax avoidance practices due to agency conflicts can be minimized. Asri & Suardana (2016) found that the audit committee and tax avoidance have a negative relationship.

H_2: Audit committee has a negative effect on tax avoidance

Company size becomes an illustration of whether the company is classified as a large company or a small company. Companies can be grouped as large or small companies by looking at one of them from the company's market capitalization. The value of market capitalization can reflect the company's wealth or profit which is currently obtained. Tax avoidance tends to be carried out by companies when they have large and stable profits because the profits earned by the companies cause the tax burden to be large. Meanwhile, small-scale companies have not been able to optimize the existing tax burden, because small companies have not yet had many experts in the field of taxation. Agency theory states that companies can use the company's resources to maximize the company's performance compensation by reducing the tax burden so that the company achieves more optimal performance (Dewinta & Setiawan, 2016). Asri & Suardana (2016) showed that there is a significant relationship between firm size and tax avoidance positively.

H_3: Firm size has a positive effect on tax avoidance

The level of debt or leverage enables a company to maximize profits derived from shareholders rather than from equity operating profits. Tax savings, which have the maximum amount, indicate that the level of debt is also reached the maximum. The higher the value of the company's leverage ratio, indicates that the funding obtained by the company from third-party debt is also getting higher. High funding originating from debt causes high-interest costs. Agency theory has the involvement of a company, where management prefers to use debt in the company's operational activities; debt will cause interest costs that can be used to reduce the company's tax costs. The level of debt describes the company's financial transactions that are more complex so that with these complex financial transactions, the company can practice tax avoidance (Dunbar et al., 2011). Companies with high profits can reduce taxes by increasing the debt ratio (Ariani & Wiagustin, 2017). Lanis & Richardson (2014) and Saputra & Asyik (2017) provided evidence that there is a positive effect between the leverage variable and the tax avoidance variable.

H_4: Leverage has a positive effect on tax avoidance

The meeting held by the board of commissioners aims to monitor every policy related to debt levels. Companies will prefer debt when they have to issue external funds because the cost of debt is cheaper than the cost of equity. Therefore, the board of commissioners must have a high commitment to the availability of time and carry out the duties of the commissioners related to the interests, goals, and objectives of the company responsibly. The more frequent board of commissioners meetings are expected to reduce the use of excessive debt levels so as to maximize firm value. Agency theory states that conflicts that arise between creditors, shareholders, and company managers may occur when the company's funding source comes from the debt taken. The conflicts that arise can be seen from various policies, both dividends and investments, and can also be seen from the company's increasing debt (Juanda, 2007). The addition of excessive debt to the company allows the company to be on the verge of bankruptcy, it is necessary to have a role for the activities of the board of commissioners to suppress excessive debt. Sunardi (2019) stated that the variable of the board of commissioners has a significant relationship with the leverage variable negatively.

H_5: The activity of the board of commissioners has a negative effect on leverage

Audit committee has duties and responsibilities in the process of monitoring financial reporting and corporate disclosures whose members are selected from the members of the board of commissioners (Dewi & Sari, 2015). The function of the audit committee within the company is that if there is a problem related to the company's internal control or financial or accounting policy issues, the audit committee can provide an overview in solving the problem (Diantari & Ulupui, 2016). Thus, the role of the audit committee can provide views regarding the company whether the company will be funded using leverage or not. Leverage itself can be used in the business capital structure so as to maximize the profits obtained. However, if the use of leverage is uncontrolled, it will result in the company being on the verge of bankruptcy, then an audit committee is needed to handle it. Agency theory states that the increasing number of members makes the company have more resources to deal with the problems the company is experiencing related to the use of leverage in the capital structure. Carolina et al. (2014) and Tjandra (2015) stated that there is a significant relationship with a negative direction between the audit committee and leverage.

H_6: The audit committee has a negative effect on leverage

Larger companies get more public attention than small companies. More public spotlight can be used by companies to get external funding. The funds are in the form of loans provided by creditors or investors who will invest their capital in the company. The larger the size of the company, the easier it will be to obtain leverage. The signaling theory states that companies by using debt are a positive signal to creditors or investors which are expected to be able to reflect better prospects in the company so that creditors or investors are willing to provide loans. Companies with large sizes can provide better guarantees in paying off debt than companies with small sizes. In addition, companies that have large sizes have easy access to the capital market, so the larger the size of the company, the higher the leverage in the company. Erkaningrum (2008) and Joni & Lina (2010) said that the firm size variable has a significant positive effect on leverage.

H_7: Firm size has a positive effect on leverage

Based on FSA Regulation No.33/POJK.04/2014, The Board of Commissioners is in charge of supervising and being responsible for management policies, the running of management, and providing advice to the Board of Directors. The form of company supervision is in the form of activities carried out by the board of commissioners, which is board of commissioners' meetings. The board of commissioners' meeting is able to provide considerations related to the level of debt so that it will be achieved how efficient the amount of tax burden obtained by the company, which will increase the earning of the company itself. Companies use leverage to increase return on investment from the capital used in the company. Agency theory explains that board of commissioners meetings can monitor and control the opportunistic behavior of executive directors and the actions of directors. Agency conflict arises due to the desire of the agent (management) to fulfill personal interests and sacrifice the interests of the principal (government). The conflict that occurs can be used by agents to practice tax avoidance. Tax avoidance can be seen from leverage, when the leverage in the company is high, the company must pay a high-interest expense due to the use of external funds in the form of leverage so that it will have an impact on reducing the amount of corporate tax that must be paid. This becomes a consideration for the company to determine a policy that will be taken by the company by looking at the benefits of debt that can reduce the amount of tax obtained and can maximize the profits obtained, but there needs to be monitoring from the board of commissioners so that the use of debt can be controlled.

H_8: Leverage intervenes in the effect of the activities of the board of commissioners on tax avoidance

Audit committee members who have accounting expertise will understand better in seeing gaps in tax regulations and detection risk can be avoided so that the audit committee can provide input or consideration for companies in doing tax avoidance (Puspita & Harto, 2014). The objective of the audit committee is to monitor the process of preparing financial statements so that management does not commit fraud. Good corporate activities are reflected in the effective function of the company's audit committee in monitoring the actions of the company's activities. Agency theory states that orders from the principal must be carried out according to management's duties as agents. The audit committee can provide considerations related to the company's finances to optimize company value. One way to optimize company value is by utilizing loans from third parties for company operations. The loan can be used by the company to reduce the amount of tax obtained. However, the level of leverage that is too high indicates that the company is on the verge of a big risk, namely the risk of the company going bankrupt as a result of fairly high-interest payments, so there needs to be monitoring from the audit committee.

H_9: Leverage intervenes in the effect of the audit committee on tax avoidance

Company size is an indicator that shows how strong the financial ability or financial power of a company is. Attracting public attention is one of the efforts made by the company (Nugraha & Meiranto, 2015). This can give creditors or investors a positive signal to provide loans or investments for the company. Companies with large sizes need more effort in funding the company. Large companies will also find it easier to get loans than small companies because creditors consider large companies as being able to pay off their debts than small companies. The trade-off theory explains that to optimize the amount of tax, the company can use debt, so it can increase company value. Large companies will use debt more in the company's operational activities so that large companies tend to be able to do tax planning by increasing leverage so that the company's tax burden can be reduced. The amount of the company's tax burden will have an impact on the amount of tax that must be paid by the company. Therefore, the larger the company in increasing leverage, the greater the company in doing tax avoidance practices.

H_{10} : Leverage intervenes in the effect of company size on tax avoidance

RESEARCH METHODS

This study was quantitative research. The population in this study was property and real estate companies listed on the IDX during the 2015-2018 period as many as 48 companies. The research sample technique used was a purposive sampling technique with criteria that have been determined by the researchers in taking the sample. Based on the predetermined criteria, 15 research samples were obtained. This study conducted an observation period of 4 years. The result of unit analysis with a total of 60 units was obtained as shown in Table 1.

The explanation of each variable studied can be explained in Table 2. The research data were collected using the documentation method in the form of annual reports that have been published by the sample companies during the research period and accessed through the official website of the Indonesia Stock Exchange and the official website of each company. The research model was analyzed using regression analysis using the Ordinary Least Square (OLS) method and path analysis using the SPSS version 21 software analysis tool. The significance level used as the basis for decision-making in this study was 5% (0.05). The formula proposed in this research model in equation 1 and 2.

$$DER = \alpha + \beta 1DK + \beta 2KA + \beta 3UP + e_1 \quad ....(1)$$

$$ETR = \alpha + \beta 1DK + \beta 2KA + \beta 3UP + \beta DER + e_2 \quad ..(2)$$

RESULTS AND DISCUSSION

Descriptive statistics describe the distribution of data in the form of minimum value, maximum value,

Table 1. Sampling Process

No	Criteria	Violating Criteria	Number
1	Property and real estate companies listed on the IDX in 2015-2018	(0)	48
2	Companies that did not report complete annual reports and financial statements in 2015-2018	(2)	46
3	Companies that suffered losses in 2015-2018Z	(31)	15
	Observation year		3
	Total analysis units		60

Source: Processed secondary data, 2019

mean (average), and standard deviation. The result of the descriptive statistical analysis of this study is presented in table 3.

The Kolmogorov-Smirnov significance value carried out on the normality test shows a value of 1.269, which has exceeded the significance requirement of 0.05 where it can be concluded that the residual data of this study are normally distributed. The tolerance value of the independent variable in the multicollinearity test shows a value of more than 0.10 and the value of Variance Inflation Factor (VIF) on each independent variable is less than 10 so that the regression model proposed in this study is free from multicollinearity problems. A good regression model is one in which there is no heteroscedasticity (Ghozali, 2013), has shown that the significance value of each independent variable exceeds 5% or 0.05, so it can be concluded that there is no symptom of heteroscedasticity. Symptoms of autocorrelation in this study use the Durbin Watson test which shows that the DW count value of 2.194 is greater than the dU value of 1.7274 and less than 4-dU 2.2726 (1.7274 <2.194 < 2.2726), so it can be concluded that there is no autocorrelation problem that occurs in this study.

To test the provision of indirect effect between research variables can be done with the Sobel test. The calculation results in the application of Sobel Test Calculator for the Significance of Mediation, the effect between the activities of the board of commissioners on tax avoidance through leverage obtained t count of -1.17854226 which is smaller than t table of 2.0044, with a two-tailed value of probability 0.23858050 > 0.05. The result indicates that the leverage variable is not significant in intervening or mediating the effect of the board of commissioners variable on the tax avoidance variable.

The calculation results in the application of the Sobel Test Calculator for the Significance of Mediation the effect between the audit committee on tax avoidance through leverage is obtained t count of -2.22314023 greater than t table of 2.00404, with a two-tailed value of probability 0.02620635 < 0.05. This result indicates that the leverage variable is significant in intervening or mediating the effect of the audit committee variable on the tax avoidance variable.

The calculation results in the application of the Sobel Test Calculator for the Significance of Mediation the effect of company size on tax avoidance through leverage is obtained t count of 1.52802673 smaller than t table of 2.0044, with a two-tailed value of probability 0.12650590 > 0.05. The result of the test indicates that the leverage variable is insignificant in intervening or mediating the effect of the company size variable on the tax avoidance variable.

This study uses a path analysis model to examine the effect of the variables to be studied. This study divides into two regression models in equation 3 and 4.

$$DER = 1.132 – 0.047DK – 1.402KA + 0.426UP + 0.894 \quad \text{.......(3)}$$

$$ETR = -0.462 + 0.045DK + 0.505KA - 0.1007UP + 0.199DER + 0.883 \quad \text{.......(4)}$$

From the regression results, it can be seen the summary of the analysis test results in Table 4. The value of adjusted R^2 from regression model 1 shows a value of 0.157 or 15.7%. It can be seen that by using the leverage variable as an intervening variable which can be explained by variations in the variables of the board of commissioners, audit committee, and company size by 15.7% and the amount of other variables outside the study that affect the leverage variable is 84.3%. Meanwhile, the value of adjusted R2 from regression model 2 shows a value of 0.163 or 16.3%. It can be seen that

Table 3. Descriptive Statistical Analysis Results

	N	Minimum	Maximum	Mean	Std. Deviation
DK	60	4.00	51.00	12.1167	9.16347
KA	60	2.00	4.00	2.9667	.25820
UP	60	25.55	31.13	28.6390	1.61237
DER	60	.07	1.71	.7888	.48051
ETR	60	.00	.27	.0418	.06366
Valid N (listwise)	60				

Source: *Output* IMB SPSS 21, 2019

Table 2. Operational Definition of Research Variables

No	Variable	Definition	Measurement
1	Tax Avoidance (ETR)	Measuring how effective tax planning is in the company (Dittmer, 2011). Companies with a higher percentage of ETR than the existing rate, then the company has not optimally maximized the existence of tax incentives, and otherwise with a low percentage of ETR shows that the company takes advantage of its tax intensive, then the percentage of tax payments from commercial profits is also getting smaller.	ETR = $\frac{\textit{Income Tax Expense}}{\text{Profit Before Tax}}$ (Barli, 2018)
2	Board of Commissioners Activities (DK)	Is members of the company who have the authority to provide advice and conduct monitoring functions to the board of directors (Peraturan Otoritas Jasa Keuangan NO. 33/ pojk.04/2014). The meeting held by the board of commissioners is a decision-making process related to the company. The more intense the meeting of the board of commissioners, it is expected the monitoring carried out by the board of commissioners will be better.	Total average attendance rate of each member in the board of commissioners meetings/Total number of members of the board of commissioners (Putri, R, K., & Muid, D., 2017)
3	Audit Committee (KA)	Is members formed to help carry out audits if needed in managing the company (Guna & Herawaty, 2010). The company has an audit committee consisting of approximately one independent commissioner and at least two other members who come from outside the public company.	Number of audit committee members in one period (Asri & Suardana, 2016)
4	Company size (UP)	Measuring companies in large, medium, or small companies (Suwito & Herawaty, 2005). The larger the size of the company, the greater the market capitalization, sales, and assets. Companies with a large market capitalization, then the companies will be better known to the public. Market capitalization is a company size that can describe the value of the company's wealth in a certain period.	*Vs = Ps x Ss* *UP = Ln Vs* (Gujarati & Porter, 2010) ***Vs***: *Market value* ***Ps***: Stock Market Price ***Ss***: Number of Shares Issued
5	*Leverage* (DER)	Used to measure the value of company assets whose ownership is financed by debt (Weston && Copland, 1997). The company's DER increases meaning that the company is financed by creditors and not its own financial sources. DER also shows the relationship between long-term loans provided by creditors and their own capital from shareholders.	DER = $\frac{\textit{Total Debt}}{\textit{Total Equities}}$ (Saputra & Asyik, 2017)

Source: Processed Secondary Data, 2019.

the variation of the tax avoidance variable, which can be explained by the variation of the variables from the board of commissioners, audit committee, company size, and leverage is 16.3% and the amount of other variables outside the study that affect the tax avoidance variable is 83.7%. Table 5 contains the result of hypothesis testing that has been carried out by the researchers.

The Effect of The Activities of The Board of Commissioners on Tax Avoidance

The testing result in this study indicates that H_1 is rejected. The result is not in line with agency theory, which states that the responsibility of the board of commissioners to monitor the actions of top management is considered the highest internal control mechanism. This illustrates that companies with more intense activities of the board of commissioners in conducting meetings can increase the monitoring of tax avoidance practices. However, this study reveals that when the activities of the board of commissioners are more intense in holding annual meetings, things happen the other way around where tax avoidance practices are increasing. This study assumes that when the number of meetings becomes more intense, the company's performance will increase and the efficiency of the tax burden will increase. Large corporate tax expenditures can reduce the earnings to be achieved by the company, so to overcome this, the company does tax burden efficiency by avoiding tax so that the company achieves maximum profit and is considered to have good performance. This study has the same result from the research of Wibawa et al. (2014) which shows that the variable of the board of commissioners with tax avoidance has a positive significant relationship.

The Effect of The Audit Committee on Tax Avoidance

The testing result shows that H_2 is rejected. The result of this study is not in line with agency theory, where monitoring on company activities will be more optimal if the presence of an audit committee is higher

Table 4. Summary of Path Analysis Test Results

Variables	Path Coefficient	Effect		Total
		Direct	Indirect	
DK on ETR (P2)	0.045	0.045	-0.047 x 0.199 = -0.009	0.036
KA on ETR (P2)	0.505	0.505	-1.402 x 0.199 = -0.279	0.226
UP on ETR (P3)	-0.107	-0.107	0.428 x 0.199 = 0.085	-0.022
DER on ETR (P4)	0.199	0.199	-	0.199
DK on DER (P5)	-0.047	-0.047	-	-0.047
KA on DER (P6)	-1.402	-1.402	-	-1.402
UP on DER (P7)	0.428	0.428	-	0.428
e1	0.26615	0.26615	-	0.26615
e2	0.12542	0.12542	-	0.12542

Source: secondary data processed year 2019

and tax avoidance action can be minimized due to management's desire. This finding proves that the increasing number of audit committees does not necessarily mean that tax avoidance practices can be minimized. This happens since the board of commissioners is responsible for establishing the structure and selecting members of the audit committee. This study assumes that there is an abuse of authority by the board of commissioners. Companies that should be able to comply with tax regulations, on the contrary, with an increasing number of audit committees, even companies more do not comply with tax regulations and prefer to practice corporate tax avoidance. The duties of the audit committee can directly carry out monitoring activities and bridge the owners regarding reporting. The result of this study supports the result of the study conducted by Wibawa et al. (2014) who found evidence that the variable of the audit committee has an effect on tax avoidance in a positive direction.

The Effect of Firm Size on Tax Avoidance

The testing result of this study indicates that H_3 is rejected. The result of this study is not in line with agency theory, which states that agents can maximize agent performance compensation by utilizing the company's resources. Where this is done by suppressing the amount of tax burden received by the company so that the company seems to have good performance by shareholders and achieves maximum company performance. Thus, companies that have large sizes and companies with small sizes cannot affect the practice of corporate tax avoidance carried out by management. This study has the same result from research of Tandean & Winnie (2016) and Cahyono et al. (2016) show that company size with tax avoidance does not have a significant effect.

The Effect of Leverage on Tax Avoidance

The testing result states that H_4 is accepted. This study is in accordance with agency theory, where management prefers to use debt as company operations because the debt will result in interest costs that can reduce the burden of corporate taxes. Interest costs arise as a

Table 5. Summary of Research Hypothesis Testing Results

	Hypothesis	β	Sig.	Conclusion
H_1	The activities of the board of commissioners have a negative effect on tax avoidance	0.045	0.013	Rejected
H_2	Audit Committee has a negative effect on tax avoidance	0.505	0.022	Rejected
H_3	Company size has a positive effect on tax avoidance	-0.107	0.368	Rejected
H_4	Leverage has a positive effect on tax avoidance	0.199	0.003	Accepted
H_5	The activity of the board of commissioners has a negative effect on leverage	-0.047	0.208	Rejected
H_6	Audit Committee has a negative effect on leverage	-1.402	0.003	Accepted
H_7	Company size has a positive effect on leverage	0.426	0.086	Rejected
H_8	Leverage intervenes in the effect of the activities of the board of commissioners on tax avoidance	0.036	0.238	Rejected
H_9	Leverage intervenes in the effect of the audit committee on tax avoidance	0,226	0,026	Accepted
H_{10}	Leverage intervenes in the effect of company size on tax avoidance	-0.022	0.126	Rejected

Source: Processed Secondary Data, 2019.

result of loans from third parties that can be used as taxable profit. A high level of leverage will certainly have an impact on the company. Companies with high leverage levels have a greater ability to avoid taxes. This can be done by utilizing interest costs arising from third-party loans so that it can be imposed to reduce the company's taxable income. This study has a result that is in line with the research of Saputra & Asyik (2017) who found evidence that the leverage variable can significantly affect tax avoidance in a positive direction.

The Effect of The Activities of The Board of Commissioners on Leverage

The testing result shows that H_5 is rejected. This study is not in line with agency theory, which states that there is a conflict of interest between managers, shareholders, and creditors when the company's source of funding comes from debt. Here, the role of the board of commissioners and creditors is only to carry out monitoring actions. The monitoring action of the board of commissioners is to hold a meeting. The meeting can provide advice regarding policies to be taken by the company's management. Board of commissioners' meetings must be balanced with the quality of the results of the meetings that have been conducted. The quality of the board of commissioners' meeting will determine whether the meeting that has been held can run effectively or not. The result of the board of commissioners meeting later can provide consideration for management to be more careful in the use of debt. The debt risk that arises will greatly affect the company in the future. Thus, it is needed the board of commissioners meeting' to discuss the risk. This study shows a result that is in line with the research from Tjandra (2015) which explains that there is no effect between the variable of the board of commissioners on leverage.

The Effect of The Audit Committee on Leverage

The result of this study indicates that H_6 is accepted. The result of this study is in line with agency theory, which explains that with the increasing number of audit committees, the more resources the company has in order to be able to deal with the problems experienced by the company. A sufficient number of audit committees will be more open and responsible in presenting the company's financial statements. The result of this study is in line with research conducted by Carolina et al. (2014) as well as Tjandra (2015) related to the audit committee on leverage where there is a negative effect between the audit committee on leverage. The result shows that with an adequate number of audit committees, a company will be good in its operational activities. The high level of leverage will affect the company's risk that is getting bigger. The risk to the company arises in the form of bankruptcy of a company. The audit committee is tasked with providing views on management decisions regarding financing from debt so that it is expected to reduce the level of leverage and the risks that arise due to the high level of leverage can be overcome.

The Effect of Firm Size on Leverage

The testing result conducted in this study indicates that H_7 is rejected. The result of this study is not in line with the signaling theory, which states that companies using debt are a positive signal to creditors or investors which is expected to reflect better prospects in the company so that creditors or investors are willing to provide loans. This condition shows that large companies receive more public attention than small companies. Large companies also easily have access to the capital market. Ease of access to the capital market will make it easier for large companies to get loans or investments from third parties. However, it is different from the proposed hypothesis, where the result of this study proves that large and small companies both require leverage as a source of company funding. This finding shows that both large and small companies have easy access to the capital market to obtain funds from external parties. Thus, in funding the company will prefer to use debt. This research is the same as research from Putri et al. (2012) which shows the result where there is no significant effect between company size and leverage.

Leverage Intervenes in The Activities of The Board of Commissioners on Tax Avoidance

The test result of the path analysis of this study states that H_8 is rejected. The result of this study is not in accordance with agency theory, which explains that the board of commissioners can supervise and control the opportunistic behavior of executives and directors. In this study, the board of commissioners who are proxied by meetings per year is not able to carry out their duties and functions properly, where the board of commissioners meeting is only a quantity and regulation that causes an unclear effect on leverage. Thus, the board of commissioners' meeting cannot determine whether the company will fully use debt as its operational funding or not. Thus, tax avoidance in the company is actually increasing because in this study it is assumed that there are parties who abuse their authority for their own interests.

Leverage Intervenes Audit Committee on Tax Avoidance

The result of the path analysis test of this study states that H_9 is accepted. This research is in line with agency theory, where the tasks ordered by the principal must be carried out by management as an agent. The principal wants the company to be well managed by the agent in accordance with the established regulations. One of them is by utilizing leverage which can be a deduction from taxable income so that the earning that will be obtained will be maximized. Maximum earning can enable companies to produce higher quality sustainability reports. Thus, leverage greatly affects tax avoidance. This shows that when the audit committee in the company increases, it can suppress the use of excessive debt costs in the company. Then, the cost of debt will appear the existence of interest costs that can be used to do tax avoidance. The result of this study shows that when the audit committee has increased the number of committees, it can be seen that the level of debt is getting lower because the role of the committee here is carried out in accordance with good GCG. When the debt level is low, it is followed by a low level of avoidance because the interest rate as a deduction from taxable income is getting decrease. Thus, the companies will be less possible to practice tax avoidance.

Leverage Intervening Company Size on Tax Aavoidance

The result of the path analysis test of this study states that H_{10} is rejected. This research is not in line with the trade-off theory, which states that the existence of loans from third parties can optimize the amount of corporate tax, so that company value can increase. Companies with larger sizes tend to have the convenience of getting funds from third parties in the form of loans. Larger companies will have greater leverage. When the leverage value in the company is high, the company must pay a large interest expense for the company. The interest expense that arises can be used to avoid tax by reducing the tax burden. The amount of the tax burden has an impact on the amount of tax that must be paid by the company. However, this study shows a result when small or large of the company size really requires external costs in the form of loans which will be used for company activities. The loan is used to carry out tax avoidance because the interest costs that arise can reduce taxable income.

CONCLUSIONS

The result of hypothesis testing shows that the board of commissioners, audit committee, and leverage can significantly influence tax avoidance in a positive direction. Tax avoidance cannot be influenced by company size. The variable in the form of leverage is not affected by the board of commissioners and company size variables. The audit committee has a negative and significant influence on leverage. Leverage successfully intervened in the indirect effect of the audit committee on tax avoidance. However, it fails to intervene in the indirect effect between the board of commissioners and company size on tax avoidance.

Suggestions in this study are expected for further research to add more other variables so that the results obtained are varied. Future researchers are expected to bring up intervening variables that have a stronger relationship between variables. Further research can increase the period and expand the population and research sample to get more accurate results. The companies pay more attention to good governance and to choosing the right people because it is very much needed for roles related to corporate governance so that bad things do not happen in running the company. The Directorate General of Taxes is felt the need to make renewal and development of attention to tax avoidance and to carry out effective supervision in accordance with the applicable basic provisions.

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