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# Factors Affecting Tax Avoidance on Manufacturing Companies Listed on IDX

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***Abstrak***

*Penelitian ini bertujuan untuk menganalisis pengaruh corporate social responsibility, kompensasi rugi fiskal, profitability, leverage, kepemilikan institusional, dan ukuran perusahaan terhadap tax avoidance. Populasi dalam penelitian ini adalah 121 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2011-2015. Teknik yang digunakan dalam pengambilan sampel adalah purposive sampling, sehingga diperoleh sampel akhir sebanyak 33 perusahaan manufaktur atau sebanyak 165 unit analisis. Analisis data menggunakan analisis regresi data panel dengan Eviews 9.0. Hasil penelitian ini menunjukkan bahwa secara parsial corporate social responsibility, kompensasi rugi fiskal, dan profitability berpengaruh negatif terhadap tax avoidance, ukuran perusahaan berpengaruh positif terhadap tax avoidance, sedangkan leverage dan kepemilikan institusional tidak berpengaruh terhadap tax avoidance. Berdasarkan hasil penelitian dapat disimpulkan bahwa faktor yang mampu meningkatkan praktik tax avoidance oleh perusahaan adalah ukuran perusahaan, dimana semakin besar ukuran perusahaan akan semakin kompleks pula transaksi dalam perusahaan tersebut sehingga dapat menimbulkan berbagai celah-celah untuk menekan beban pajak.*

**Abstract**

The purpose of this research is to analyze the effect of corporate social responsibility, fiscal loss compensation, profitability, leverage, institutional ownership, and firm size on tax avoidance. The population of this research are 121 manufacturing company listed in the Indonesia Stock Exchange during 2011-2015. The technique used in sampling is purposive sampling, so that the final sample are 33 manufacturing companies or 165 unit analysis. Research data analysis using panel data regression analysis with Eviews 9.0.. The results of this research show that partially corporate social responsibility fiscal loss compensation, and profitability have negative impact on tax avoidance, firm size has positive impact on tax avoidance, while leverage, and institutional ownership does not have impact on tax avoidance. Based on the research result can be conclude that the factors that can improve the practice of tax avoidance is firm size, where the large of firm size will also increasingly complex of firm's transaction so that it may cause a variety of loopholes to minimize corporate tax expense.

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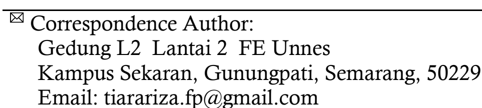

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## INTRODUCTION

Tax is the state revenue that contributes the most in supporting national development and realizing the independence of the State. This is evidenced by the realization of APBN-P in 2015 indicates that tax revenue has contributed 83% of total State revenues, (www.kemenkeu.go.id , 2016). However, efforts to optimize the potency of tax sector by the government is not easy. This is because in general the business actor identifies tax payment is a burden that lowers profit after tax, rate of return, and cash flow. This is where the conflict of interest between the government and the taxpayer occurs commonly called the conflict of interest that trigger the emergence of tax avoidance practices. Suryarini & Tarmudji (2012) reveal that tax avoidance is an effort of efficiency of tax burden by avoiding tax imposition through transaction which is not a tax object, so if the company do it so the company can get tax savings between 3% to 5%. Tax avoidance practice is conducted by companies by utilizing different rules to calculate profits according to commercial rules and tax regulations, as not all revenues and expenses recognized in SAK can also be recognized by tax laws and regulations.

Ironically, until now the number of tax avoidance cases that occur in Indonesia is still quite a lot going on, as it is done by PT. Toyota Motor Manufacturing Indonesia (PT. TMMIN). DJP points PT. TMMIN avoids the payment of taxes worth Rp 1.2 trillion with the mode of transfer pricing strategy. Export sales at PT. TMMIN has a policy by selling to Toyota Motor Asia Pacific Pte., Ltd., a Toyota business unit based in Singapore, then Toyota Motor Asia Pacific Pte., Ltd. as an intermediary to sell to export destinations. Toyota's policy by choosing Singapore as an intermediary country for its export sales is because Singapore is a country with low income tax rate of 15% to 17%. Singapore tax rate is far below Indonesia, where for the tax year for the transfer pricing case of PT TMMIN (before 2009), the income tax rate in Indonesia is 10%, 15%, and 30%. This certainly gives incentives for multinational companies, such as Toyota, to transfer its revenue from Indonesia to Singapore to ease its overall tax burden. (www.investigasi.tempo.co , 2017). In practice of tax avoidance is a unique problem, because on the one hand, tax avoidance is not desirable for the government and on the other hand tax avoidance is a legal action and does not violate the law because the methods and techniques used only by utilizing the loopholes contained in tax regulations itself , (Pohan, 2013). In this case, the Directorate General of Taxation cannot prosecute the law to the practitioners of tax avoidance, so it can be concluded that the tax laws and regulations that are still less stringent can be very supportive and give opportunities for companies in doing tax avoidance practices. This is what triggered many cases of tax avoidance practices occur in the go public company.

Research on the factors affecting tax avoidance has been conducted a lot by previous researchers and gives inconsistent results. Research conducted by Lanis & Richardson (2015), Pradipta & Supriyadi (2015), as well as Siswianti & Kiswanto (2016) in their research find that CSR variable negatively affect on tax avoidance. Different finding discovered by Yasti, Atikah, & Husnaini (2016) prove that CSR has no significant effect on tax avoidance. Based on the research conducted by Kurniasih and Sari (2013) prove that fiscal loss compensation significantly affects on tax avoidance, while research by Sari (2014), Prakosa (2014), and Waluyo, Basri, & Rusli (2015) cannot prove that fiscal loss compensation can affect on tax avoidance. Noor *et al* (2010) and Prakosa (2014) show that profitability negatively affects on tax avoidance. Different from the research result of Waluyo, Basri, & Rusli (2015) find evidence that ROA positively affects on tax avoidance, while Darmadi and Zulaikha's research (2013) provides evidence that profitability has no effect on tax avoidance.

Darmadi and Zulaikha (2013) show empirical evidence that leverage and firm size have a negative effect. While research conducted by Waluyo, Basri, & Rusli (2015) show leverage and firm

size positively affects on tax avoidance. However, in Prakosa's research (2014) leverage and firm size variables can not affect on tax avoidance. Research conducted by Dewi & Jati (2014) finds that the existence of institutional ownership can limit management in tax avoidance. Different results in the study of Waluyo, Basri, & Rusli (2015) and Zatun & Kiswanto (2015) gives result the size of institutional ownership can not affect the size of tax avoidance done by the company.

The purpose of this study is to analyze the factors that affect tax avoidance at manufacturing companies listed on the Indonesia Stock Exchange. So from some factors that influence tax avoidance the researcher only take some combination of variable from previous research. Factors studied in this research include corporate social responsibility, fiscal loss compensation, profitability, leverage, institutional ownership, and firm size. The practice of tax avoidance within a company is a series of activities based on agency theory, stakeholder theory, and legitimacy theory. The agency theory was developed by Michael C. Jensen and William H. Meckling who considered that the management of a company (agent) would act with full awareness of his own interest, not as a wise and fair party to the owner (principal), (Jensen & Meckling, 1976). In agency theory states that the relationship of cooperation in the contract between agent (management) and principal (owner of capital) raises information asymmetry that trigger the conflict of interest. Corporate management (agent) usually has more information about the financial position and operating results of the entity than the owner or shareholder (Setyaningrum & Suryarini, 2016), so that management can take opportunistic action by pressing the burden of company one of which is tax burden for high corporate earnings so that corporate performance looks good.

Stakeholder theory says that the performance of an organization is influenced by all organizational stakeholders, therefore the responsibility of management is to give benefits to all stakeholders such as investors, creditors, consumers, suppliers, governments, communities, analysts, and others , (Donaldson & Preston, 1995). The theory of legitimacy explains that the organization seeks to create harmony between social values that exist in the organizational activities with the norms that exist in the social environment, (Dowling & Pfeffer, 1975). Paying taxes is an obligation of company to the government and is also a form of CSR activities indirectly to the community. It is due to basically the tax is the income of the State used to support the national development and independence of the State with the aim to improve the welfare of the wider community, so justification for the influence of corporate social responsibility to tax avoidance is supported by the theory of legitimacy. Where a company desperately needs a positive legitimacy from stakeholders in order to sustain its long-term survival, in this case one of the company's efforts to gain a positive legitimacy from the government is shown by paying taxes in accordance with the amount that should be paid. This will cause the company to lose the positive legitimacy from its stakeholders. It is in line with the theory of stakeholders where the company must pay attention to the interests of stakeholders and establish a good relationship in the way of CSR activities provided by the company. Research conducted by Lanis & Richardson (2012) as well as Pradipta & Supriyadi (2015) prove that CSR ratio negatively affect on tax avoidance. Thus, it can be justified that companies that have a high level of social awareness will further reflect the high level of compliance in paying taxes so the potency for tax avoidance practices will be lower. Based on the description, the researcher formulates the following hypothesis:

$H_1$: Corporate social responsibility has a negative effect on tax avoidance

The compensation of fiscal losses received by the company will undoubtedly reduce the tax burden must be paid by the company or the company does not pay taxes at all if the profits earned by the company in the following year have not been able to cover the fiscal losses of the company in the previous year. Thereby, it can be interpreted that the company which is compensated fiscal losses does not need to take tax avoidance action to generate the minimum tax burden possible.

The assumption of the effect between fiscal loss compensation to tax avoidance is inversely proportional. The higher the compensation of the company's fiscal losses, the lower the tax avoidance action the company makes, and vice versa. (Anderson & Reeb, 2003). According to agency theory, the management of a company as an agent will certainly use the tax incentive in the form of compensation from fiscal losses in the previous year, because with the compensation will certainly reduce the tax burden and profit after tax in the year will be higher. Based on the research conducted by Kurniasih & Sari (2013) proves that fiscal loss compensation significantly affects on tax avoidance, so the greater the compensation earned by the company because the fiscal loss of the previous year will decrease tax avoidance efforts by the management of the company. Based on the description then formulated the second hypothesis in the study as follows :

$H_2$: Fiscal loss compensation negatively affects on tax avoidance.

Companies that detected have been done tax avoidance will lose the credibility of stakeholders, so that most companies with high profitability level will prefer to be obedient in paying taxes so that the company can maintain its long-term survival. The assumption of the effect of profitability to tax avoidance is supported by stakeholder theory, which basically the company should seek support from its stakeholders to maintain the continuity of its business. In line with the theory of legitimacy, where with the support of stakeholders will ensure that the company has received a positive legitimacy also from stakeholders. Therefore, companies with high profitability level will surely prefer not to do tax avoidance in order to maintain positive legitimacy from stakeholders, so that the company can maintain the reputation that has been built so far and improve profitability in the future so as to maintain the continuity and existence of its business to long period of time. Research of Prakosa (2014) provides empirical evidence that there is a negative effect on profitability against tax avoidance, then supported also by research conducted by Kurniasih & Sari (2013) which shows that the higher level of corporate profitability then the company will be lower in doing tax avoidance efforts. From the above description, the third hypothesis in this study is:

$H_3$: Profitability has a negative effect on tax avoidance**.**

The optimal debt level is reached when the tax savings reach the maximum amount. The agency theory has implications for a company that is, the cost of interest on the debt will reduce the tax cost of the company, so in this case the manager would prefer to use debt to fund their company in order to get benefit from the cost of interest on debt to reduce corporate tax burden. Companies with a high level of profitability will certainly try to reduce taxes by increasing the ratio of debt, so the additional debt will reduce taxes. Research of Waluyo et al., (2015) and Lanis & Richardson (2015) provide evidence that leverage has a significant positive effect on tax avoidance, in other words, the higher the leverage of the company, the higher the tax avoidance effort will be made by the company. From the brief explanation, the fourth hypothesis in this study is:

$H_4$: Leverage has a positive effect on tax avoidance.

Based on the agency theory which reveals that there is a difference of interest between principal and agent will trigger the emergence of agency problems, so to prevent the occurrence of agency problems it requires the supervision from outsiders. Outsiders who can supervise each of those who have different interests are institutional ownership. Research of Pohan (2009) states that the high ownership of institutions tends to reduce tax avoidance action. It was because when companies want to do tax planning in an effort to reduce the tax burden of percentage of shares owned by institutional investors can be used to suppress the company's taxable income with the dividend burden which is the deduction of taxable income of the company. According to Sari (2014) institutional investors can also reduce the cost of debt by reducing agency problems, so it will also decrease the opportunity for tax avoidance action done by the company. With this explanation, the fifth hypothesis in this study is:

$H_5$: Institutional ownership has a negative effect on tax avoidance.

Large companies are companies that have great sales value as well, and transactions made the company will also be more complex. And this is then the opportunity for companies to take tax avoidance action. In addition to complex transactions, large companies certainly cannot be separated from cross-country operations conducted by the company. Companies that conduct cross-border operations are more likely to take tax avoidance action. It is for we know that there are many loopholes, such as a company can transfer earnings to an existing company in another country that may have a lower tax rate so that the existing profit in the country will be less so that the burden of taxes issued will be less.

Justification of companies in doing tax avoidance action is supported by the agency Theory which states that company as an agent will act with full awareness for its personal interests, not for the benefit of others. The company will utilize the size of the company to prioritize its personal interests. Big size of the company will result in complex transactions and cross-border operations. The larger the size of a company, the greater the opportunity that the company has to act and try to do tax avoidance in order for the company get profits for its own interests, because the decrease in corporate tax burden will increase corporate profits, it is what is desired by the management of the company. Waluyo et al. (2015) also proves empirically that firm size has a significant positive effect on tax avoidance. Research by Darmadi & Zulaikha (2013) prove that the bigger the company the better the tax management, so the tax burden of the company will be smaller. After briefly explained how the effect of firm size to tax avoidance, the sixth hypothesis that is:

$H_6$: Firm Size has a positive effect on tax avoidance.

Based on the description that has been described, the framework of thinking in this study can be described in Figure 1 as follows:

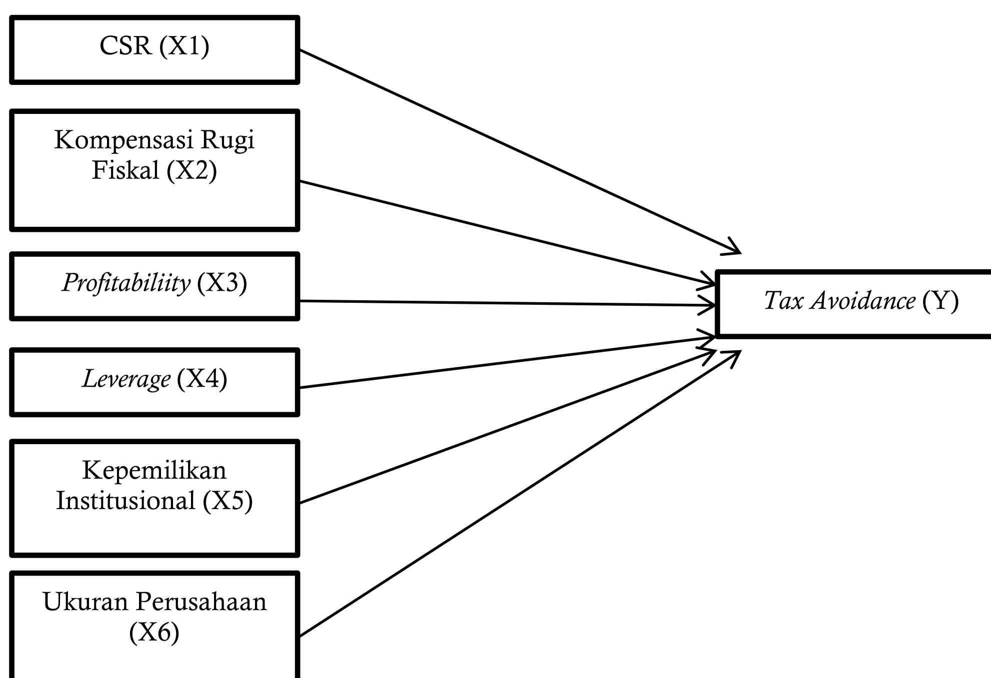


**Figure 1.** Thinking Framework

## METHODS

This research used quantitative approach with research design that was hypothesis testing (hypothesis study). The population in this study were 121 manufacturing companies listed on the Indonesia Stock Exchange in 2011-2015. Manufacturing companies were used as research objects because manufacturing companies were the largest issuers group of all companies listed on the Indonesia Stock Exchange (IDX) so that manufacturing companies had a quite high level of competence. The sample in this study was chosen by using purposive sampling method. The sampling criteria in this study was presented in Table 1 as follows

**Table 1.** Sampling Criteria

| Criteria of Sample | Beyond Criteria | Included Criteria |
|---|---|---|
| Population | | 121 |
| Manufacturing companies that were not listed on the IDX in a row during the period of 2011-2015 | (28) | 93 |
| Companies that did not issue annual report and financial report completely | (39) | 54 |
| Companies that did not confirm CSR costs | (21) | 33 |
| Number of years of observation | | 5 |
| Total of Unit of Analysis | | 165 |

Source: Secondary Data Processed in 2017

Data collection technique in this study used documentation technique. The data used in this study was secondary data in the form of financial report and annual report on manufacturing companies listed on the Indonesia Stock Exchange in 2011-2015 obtained through the gallery of Indonesia Stock Exchange on the website of the Indonesia Stock Exchange namely www.idx.co.id. Data analysis techniques in this study were descriptive statistical analysis and inferential statistical analysis of panel data regression processed using Eviews 9.0. Before conducting hypothesis test, the classical assumption test was conducted first which consisted of multicollinearity test, autocorrelation test, and heteroscedasticity test. The panel data regression model was systematically stated in terms of equations, as follows:

$$\mathbf{TA = \alpha_0 + \alpha_1 CSR_t + \alpha_2 KRFIS_t + \alpha_3 ROA_t + \alpha_4 DAR_t + \alpha_5 KI_t + \alpha_6 SIZE_t + €it}$$

Explanation:

TA = tax avoidance (Y)
CSR = corporate social responsibility ($X_1$)
KRFIS = fiscal loss compensation ($X_2$)
ROA = profitability ($X_3$)
DAR = leverage ($X_4$)
KI = institutional ownership ($X_5$)
SIZE = firm size ($X_6$)
$\alpha_0$ = intersep
t = data of time series 2011-2015
i = data of cross section 33 manufacturing companies
$€_{it}$ = error term

The variables used in this study were shown in Table 2

**Table 2**.Operational Definition of Variables

| Variables | Definition | Measurement & Source |
|---|---|---|
| Tax Avoidance | Actions undertaken by the company in order to plan taxes so that taxes paid could be as minimum as possible. (Damayanti & Susanto, 2015) | $ETR = \frac{\text{Beban Pajak}}{\text{Pendapatan Sebelum Pajak}}$ Richardson & Lanis (2007) |
| CSR | Disclosure of corporate social and environmental responsibility (Hoi, Wu, & Zhang, 2013) | $\text{Biaya CSR} = \frac{\text{Total Pengeluaran CSR}}{\text{Total Beban Perusahaan}}$ Andreas, Sucahyo, & Elisabeth (2015) |
| Fiscal Loss Compensation | Fiscal losses could reduce fiscal net income in the next year which caused the tax imposed became lower. (Kurniasih & Sari, 2013) | With dummy variable, score 1 if there was fiscal loss compensation, and score 0 if there was no compensation at the beginning of the year. Kurniasih & Sari (2013) |
| Profitability | The ratio to know the ability of company to generate profits and reflect the performance of a company. (Putri, Herawati, & Riva, 2013) | $ROA = \frac{\text{Laba Bersih setelah Pajak}}{\text{Total Aset}}$ Noor et al. (2010) |
| *Leverage* | Capital structure or funding structure owned by a company (Swingly & Sukartha, 2015) | $DAR = \frac{\text{Total Hutang}}{\text{Total Aset}}$ Swingly & Sukartha (2015) |
| Institutional Ownership | Shareholding by government institutions, financial institutions, legal institutions, foreign institutions and trust funds and other institutions. (Ngadiman & Puspitasari, 2014) | $KI = \frac{\text{Saham yang Dimiliki Institusi}}{\text{Jumlah Saham yang Diterbitkan}}$ Khurana & Moser (2009) |
| Firm Size | Big or small description of a company. Noor et al. (2010). | $Size = Ln\ (Total\ Penjualan)$ Noor et al. (2010) |

Source : Prepared previous research, 2017

## RESULTS AND DISCUSSIONS

Descriptive statistical analysis was used to give a statistical overview of the dependent variable and independent variables in this study. Here was the results of descriptive statistical tests that could be seen in table 3.

**Table 3.** The Result of Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Tax Avoidance | 165 | -0.264 | 0.770 | 0.252 | 0.126 |
| CSR | 165 | 0.000 | 0.019 | 0.002 | 0.003 |
| Profitability | 165 | -0.107 | 0.416 | 0.086 | 0.086 |
| Leverage | 165 | 0.040 | 0.837 | 0.415 | 0.169 |
| Institutional ownership | 165 | 0.277 | 0.982 | 0.701 | 0.186 |
| Firm Size | 165 | 23.20 | 32.12 | 28.69 | 1.85 |

Source : Secondary Data processed in 2017

**Table 4.** Descriptive Statistics of Fiscal Loss Compensation

| | Frequency | Percent |
|---|---|---|
| Valid 0 | 128 | 77. 6 % |
| 1 | 37 | 22.4 % |
| Total | 165 | 100.0 % |

Source: Secondary Data Processed in 2017

Based on the results of chow test and haussman test, it was selected random effect model (REM) as the best testing technique to estimate the model in this study. Based on the result of classical assumption test which has been conducted, this research showed that there was no assumption violation of multicollinearity, autocorrelation, and heteroscedasticity to the research model. The result of the classical assumption test in this study gave good results. The result of autocorrelation test with Durbin-Watson method showed the result of du <dw <4-du (1.817 <2.098 <2.183) so it could be concluded there was no autocorrelation. The result of multicollinearity test by using correlation coefficient showed that there was no correlation coefficient value between each independent variable that exceeded 0.90 so it could be concluded that multicollinearity did not occur. Heteroscedasticity test using glejser test showed the results of all independent variables had a level of significance above 0.05, it could be concluded that the regression model did not occur heteroscedasticity problem. Thus, this study was feasible to be analyzed further. The results of the panel data regression model test using the random effect model (REM) obtained from the Eviews 9.0 output were presented in table 5. as follows:

**Table 5.** The result of panel data regression model test of with random effect model (REM)

| Variables | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| Corporate Social Responsibility (CSR) | -13.72174 | 3.953976 | -3.470365 | 0.0007 |
| Fiscal Loss Compensation (KRFIS) | -0.068371 | 0.023097 | -2.960138 | 0.0035 |
| Profitability (ROA) | -0.510073 | 0.144656 | -3.526115 | 0.0006 |
| Leverage (DAR) | 0.038284 | 0.075235 | 0.508866 | 0.6116 |
| Institutional Ownership (KI) | -0.051351 | 0.073678 | -0.696968 | 0.4868 |
| Firm Size (SIZE) | 0.016479 | 0.008266 | 1.993586 | 0.0479 |

Source : Secondary Data Processed in 2017

Based on the result of regression model test of panel data used random effect model (REM) in table 3. Then generated regression equation of panel data was as follows:

**TA = - 0.1209 – 13.7217 CSR – 0.0684 KRFIS – 0.5101 ROA + 0.0383 DAR – 0.0514 KI + 0.0165 SIZE + €**

The constant value of -0.1209 had a meaning when the independent variables namely corporate social responsibility (CSR), fiscal loss compensation (KRFIS), profitability (ROA), leverage (DAR), institutional ownership (KI), and firm size (SIZE) had score 0 (zero) or constant, then the value of tax avoidance was -0.1209. Corporate social responsibility (CSR) variable has regression coefficient of -13,7217 meaning that when corporate social responsibility (CSR) increased 1 (one) unit it would decrease tax avoidance equal to 13.7217 unit.

Fiscal loss compensation variable (KRFIS) had a regression coefficient of -0.0684 meaning that when fiscal loss compensation (KRFIS) increased 1 (one) unit it would decrease tax avoidance by 0.0684 unit. Profitability variable (ROA) had a regression coefficient of – 0.5101 meaning that when profitability (ROA) increased 1 (one) unit would reduce tax avoidance by 0.5101 units. Leverage variable (DAR) had a regression coefficient of 0.0383 meaning that when leverage (DAR) increased 1 (one) unit then would increase tax avoidance equal to 0.0383 unit.

The variable of institutional ownership (KI) had a regression coefficient of -0.0514 meaning that when institutional ownership (KI) increased 1 (one) unit it would decrease tax avoidance by 0.0514 unit. Firm size variable (SIZE) has a regression coefficient of 0.0165 meaning that when firm size (SIZE) increased 1 (one) unit hence would increase tax avoidance equal to 0.0165 unit. Based on the result of regression model test of panel data used random effect model (REM) hence the result of hypothesis test presented in table 6.

**Table 6.** The Result of Hypothesis Test

| Hypothesis | Coefficient | Prob | α | Result |
|---|---|---|---|---|
| $H_1$: Corporate social responsibility negatively affected on tax avoidance | -13.72174 | 0.0007 | 0.05 | $H_1$ was Accepted |
| $H_2$: Fiscal loss compensation negatively affected on tax avoidance | -0.068371 | 0.0035 | 0.05 | $H_2$ was Accepted |
| $H_3$: Profitability had a negative effect on tax avoidance | -0.510073 | 0.0006 | 0.05 | $H_3$ was Accepted |
| $H_4$: Leverage had a positive effect on tax avoidance | 0.038284 | 0.6116 | 0.05 | $H_4$ was Rejected |
| $H_5$: Institutional ownership had a negative effect on tax avoidance | -0.051351 | 0.4868 | 0.05 | $H_5$ was Rejected |
| $H_6$: Firm size had a positive effect on tax avoidance | 0.016479 | 0.0479 | 0.05 | $H_6$ was Accepted |

Source: Secondary Data Processed in 2017

Corporate social responsibility negatively affected on tax avoidance. This indicated that the higher level of corporate CSR, then the level of tax avoidance practices done by the company would be lower. CSR was considered as a socially responsible activity whereas tax avoidance was considered as a socially irresponsible action. Companies that engaged in CSR activities which were very high then the company tended not to make tax avoidance efforts because with companies doing tax avoidance efforts it could lead to reduce the amount of tax revenue that would impact on the declining welfare of the community. It was concluded that paying taxes was a form of CSR activity to the community and the environment, although indirectly.

The result of the research which showed that corporate social responsibility negatively affected on tax avoidance was in line with the research conducted by Lanis & Richardson (2012) and Hoi *et al* (2013). This result explained that the higher the company engaged in corporate social responsibility activities, then the higher the corporate responsibility attitude which was reflected in its obedient attitude in paying the amount of the tax burden has been set. The results of this study was supported by the theory of legitimacy which stated that to maintain the long-term survival of the company then the company required a positive legitimacy from corporate stakeholder.

In relation to this research, the efforts made by the company to gain positive legitimacy from the public and the government could be shown with the company taking part in CSR activities of the company and obedient to the tax provisions by not making tax avoidance efforts. In addition, companies that did such thing was also considered in line with the theory of stakeholders, where companies that engaged CSR activities and paid tax obediently without making tax avoidance efforts then the company could be said to have paid attention and met the interests of stakeholders and had a good ethics and relationships with communities, governments, and other stakeholders.

Fiscal loss compensation would negatively affect on tax avoidance. This indicated that the greater the compensation of fiscal losses obtained by the company, the tax avoidance rate of the company was getting smaller. The compensation of the fiscal losses received by the company would undoubtedly reduce the tax burden must paid by the company or the company did not pay taxes at all if the profits earned by the company in the following year have not been able to cover the fiscal losses of the company in the previous year, thus it could be interpreted that companies that got fiscal loss compensation did not need to do tax avoidance action to generate the tax burden as minimum as possible. The result of this study was in line with the research conducted by Kurniasih & Sari (2013) proved that fiscal loss compensation significantly affected on tax avoidance. This showed that the higher the compensation of fiscal losses obtained, the lower the tax avoidance efforts made by the company.

Profitability negatively affected on tax avoidance. This showed that the greater the profitability ratio obtained by the company, the lower the tax avoidance rate of the company was marked by the higher tax burden paid. The result of this study was in line with the study of Kurniasih & Sari (2013) which showed that there was a negative influence between ROA to tax avoidance. Similarly, the result of research conducted by Noor et al (2010) provided empirical evidence that there was a negative relationship between the ability to generate corporate profits and corporate tax avoidance. The results of research supported by the theory of stakeholders, basically the company should seek support from stakeholders to maintain the continuity of its business. Therefore, companies with high profitability will tend to be reluctant to take action tax avoidance. This is one of the company's efforts to meet and seek support from the government as one of the company's stakeholders. This is also in harmony with the theory of legitimacy, where the support of stakeholders will ensure that the company has received positive legitimacy from stakeholders as well.

The result of hypothesis test showed that leverage variable had no significant effect to tax avoidance. This indicated that the company did not use debt to do tax avoidance efforts, because the management of the company did not want to take risks on these high debts to do tax avoidance efforts. The result of this study was not in accordance with the agency theory which in this theory the existence of interest costs on debt would reduce the cost of corporate taxes, so in this case the manager would prefer to use debt for funding their company in order to get benefit from the cost of interest on debt as a deduction of taxable income.

The opposite condition that occured in the field, the average use of debt by companies was still classified at a low and medium level. It could be seen in table 3. The leverage ratio of sample company there was still which showed very low ratio that was equal to 0.04. Companies that had

not too big leverage level was expected to minimize the risk of financial hardship due to overwhelming debt. The research results of Ardyansah & Zulaikha (2014) and research of Sugitha & Supadmi (2016) which showed empirical evidence that there was no significant positive effect on tax avoidance.

Based on the result of hypothesis test showed that there was no significant influence from institutional ownership to tax avoidance. The influence of the existence of institutional ownership in reducing tax avoidance efforts done by the company could not be proven in this research, so it could be concluded that the percentage of shares owned by the institutional investors would not have a significant impact on tax avoidance actions done by the management of the company. The results of this study were consistent with the research of Annisa & Kurniasih (2012), Pohan (2009), Dewi & Jati (2014) and Sari (2014) which provided similar empirical evidence that the size of institutional ownership was not able to influence the size of the tax avoidance efforts done by the company.

The result of this study did not support agency theory by Jensen & Meckling (1976) which stated that the presence of outside supervision could prevent the occurrence of agency problems. Based on the research data, institutional ownership of institutional investors of sample companies has shown that ownership of the institution approaching high ownership could be seen in table 3. However, the result proved that the function and role of the institutional investors in supervising the corporate management actions to avoid tax avoidance efforts were still less effective and efficient.

This happened because recalling that the institutional is an external party of the company so that the existence of shareholdings owned by the institutional in the company could not affect the company directly in doing tax avoidance effort, because in this case that had a role in planning and decision making management was the management, the institutional just as a pressure on the company, so that companies could provide feedback on shares owned by the institutional remained high. Thus, the concentration of ownership structure has not been able to give good control to the actions of managers on the attitude of the opportunity that encouraged the company to do tax avoidance for reducing tax burden that must be paid by the company so that the corporate profits remained large (Zatun & Kiswanto, 2015).

Firm size positively affected on tax avoidance, this showed the greater the size of a company it would increase the level of tax avoidance by the company. This indicated that many manufacturing companies had bigger resources in it, big sales value also, the more complex transaction, certainly would be utilized by the management to do tax avoidance. This was consistent with the assumption of agency theory that the management of a company (agent) would act consciously for his own interests, not for the benefit of others. This was what ultimately encouraged the management to act and try doing tax avoidance, which in the hope would reduce the tax burden so that the profits would be higher, so as to maximize the compensation of management performance and corporate performance.

However, in this case it was not in accordance with the theory of legitimacy and stakeholder theory where the management of companies who deliberately seek loopholes to reduce the tax burden for lower would not get support from stakeholders and did not get positive legitimacy from stakeholders. The results of this study provided empirical evidence that firm size had a significant positive effect on tax avoidance, and supported previous research conducted by Darmadi & Zulaikha (2013) and Waluyo et al. (2015). These three studies showed the same result that larger firms would be more aggressive towards taxes to achieve optimum tax burden savings.

## CONCLUSIONS

Based on the results of data testing and discussion, it can be concluded that variables of corporate social responsibility, fiscal loss compensation, and profitability negatively affect on tax

avoidance. Firm size has a positive effect on tax avoidance. Leverage and institutional ownership variables have no effect on tax avoidance. The simultaneous testing shows that corporate social responsibility, fiscal loss compensation, profitability, leverage, institutional ownership and firm size together influence tax avoidance. Considering the facts of research data, research results and the analysis of research results, the researcher suggests that the government should make the policy of transparency as tax supervision to anticipate tax avoidance and can boost the state revenue to be high. Corporate management is expected to disclose CSR costs. It is suggested because based on the research data indicated that almost all of the sample companies have disclosed CSR activities but CSR cost amount is not disclosed. Leverage which is proxied by DAR, then for further researchers it is advisable to use other proxies for leverage variable, such as sharing total long-term debt with total assets as in research conducted by Lanis & Richardson (2015).

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