Corporate Social Responsibility Disclosure And Good Corporate Governance On Tax Avoidance

Pandhu Widyanza

Faculty of Economics
University Airlangga, Surabaya
Email: pandhuwidyanza@gmail.com

DOI: 10.29322/IJSRP.10.08.2020.p10479
http://dx.doi.org/10.29322/IJSRP.10.08.2020.p10479

Abstract: Undang-undang No. 36/2008 regarding Income Tax showed that the greater the profits from the company, the greater the tax to be paid by the company. Social and environmental responsibility in the Limited Liability Company Act No. 40 of 2007 is defined as the company's commitment to participate in the sustainable economic development to improve the quality of life and environmental benefits the company, the local community and society in general. The difference is a tax administered by the central government and the local governments which are then distributed to the general public, while the cost of implementing CSR is managed by a company and then distributed to the general public. This research was conducted on the manufacturing sector in Indonesia with the 2017-2018 study period. The results show that the disclosure of CSR affect negatively to the aggressiveness of tax, while good corporate governance doesn't affect the aggressiveness of tax.

Keywords : CSR, *corporate governance*, tax aggressiveness.

INTRODUCTION

Tax is a mandatory contribution from the people, as stated in Law Number 28 of 2007 concerning general provisions and taxation procedures of article 1 paragraph 1 which reads "tax is a mandatory contribution to the State owed by individuals or compelling bodies under the Act Invite

Indonesia is one of the countries whose income relies heavily on the tax sector. Therefore, the issue of tax revenue must be used as a strategic discourse, to increase national development through increased state revenue in the tax sector. Because, from year to year, the progress of the tax sector is relatively low.

Law Number 36 Year 2008 regarding Income Tax shows that the greater the profit the company gets, the more tax the company will pay. Increased tax aggressiveness by companies is nothing but a burden on corporate profits, on the other hand causes state revenues to increase. Efforts made by companies in streamlining their tax burden are also called tax management. The objectives of tax management can be achieved by tax aggressiveness, implementing tax obligations, and controlling taxes. Therefore, tax shelter, tax aggressiveness, and tax avoidance are some of the elements that can be done in tax management efforts. Although it has been stipulated in the tax law and has special sanctions, there are still many companies that commit tax violations.

Today, an issue which is quite lively to be discussed is social responsibility or corporate social responsibility (CSR). This CSR concept causes companies not only to have obligations relating to tax aggressiveness for national development and general welfare, companies themselves are required to have responsibility for their social and environmental conditions. It seems that in Indonesia today awareness of the importance of protecting the environment and social relations has begun to develop.

Sembiring (2005) states that companies have broader responsibilities, companies no longer only provide financial reports to owners of capital and seek profits for shareholders. This is due to an increase in public awareness of the problems that arise such as social problems, pollution, resources, waste, product quality, product safety level and labor status of the company cycle. Therefore, one of the information that is now quite attractive to stakeholders is information related to the company's relationship and its environment.

Social and environmental responsibility in Limited Liability Company Law No. 40 of 2007 Article 1 Number 3 is defined as the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the Company itself, the local community and society in general. From this definition it can be stated that taxes and CSR are both aimed at general welfare. But the difference is that taxes are managed by the central and regional governments which are then distributed to the general public while the cost of implementing CSR is managed by the company and then distributed to the general public (Kurniati and Mita, 2012). In addition, taxes and CSR implementation costs are expenses that must be incurred by the company. Most companies consider tax as an unfavourable burden for the company because it is not in accordance with the company's goals, which is to make the maximum possible profit to attract investors.

Research that has been conducted on the relationship between CSR disclosure and tax include Lanis and Richardson's research. Lanis and Richardson (2011) conducted an empirical analysis to find out whether CSR activities had an impact on corporate tax aggressiveness. Research conducted to measure CSR activities is the CSR index that applies in Australia. Although

This publication is licensed under Creative Commons Attribution CC BY.

ISSN 2250-3153
there is some debate about using the CSR disclosure index as a measure of a company's CSR activities, Clarkson et.'s latest research. al., (2008) found a positive relationship between corporate environmental activities and the level of environmental and social disclosure. In addition, there are also studies that find results that are inversely proportional to Lanis and Richardson. Davis et al., (2013) who conducted research on companies in the United States that were registered with Compustat in 2002-2010 found that there was a negative relationship between CSR and Effective Tax Rate. In other words, CSR is positively related to tax aggressiveness. Thus, high social activities do not necessarily guarantee companies to pay high taxes as well.

Another issue that is no less important that can reduce corporate tax aggressiveness is Good Corporate Governance. This GCG began to receive special attention after the 1997-1998 financial crisis in Indonesia. The condition of GCG in Indonesia now is not much different from what happened before. In 2010, Governance Metrics International issued a rating of good corporate governance, and Indonesia ranked 37 out of 39 countries surveyed. This shows that until now the condition of GCG still needs improvement, moreover the GCG chosen by the company can influence the company's taxation policy. An effective corporate taxation policy can support a company's performance to generate profits in accordance with the interests of shareholders. Therefore the topic of GCG still needs to be the main focus of research in addition to the issue of social and environmental responsibility.

The National Committee on Governance Policy states that corporate organs, which consist of General Meeting of Shareholders (GMS), the Board of Commissioners and Directors, have an important role in the effective implementation of Good Corporate Governance. An important element of the General Meeting of Shareholders is the shares owned by the blockholders because the shares owned are relatively large, so that they can exert considerable influence in the company's decision making. The Board of Commissioners is the organ of the company that supervises and provides advice to the Directors to ensure that the company is managed with the company's aims and objectives. To increase the quality of supervision, an independent board of commissioners is needed, this is supported by the Decree of the Directors of PT. Indonesian Securities Exchange No. Kep-305 / BEJ / 07-2004, Rule Number IA concerning Listing of Shares and Other Equity Securities other than Shares Issued by the Company Noted, which states that the number of Independent Commissioners is at least 30% of all members of the Board of Commissioners.

THEORETICAL REVIEW (BOLD, CAPITAL 14 pt)

Tax Aggressiveness

Minimizing tax obligations can be done in various ways, both those that still meet tax requirements and those that violate tax regulations. The terms often used are tax evasion and tax avoidance. Sophar Lumbantoruan in his book tax accounting (1996: 489) explained the definition related to these two terms. Tax evasion is tax avoidance by violating the provisions of tax regulations. Tax avoidance (tax avoidance) is tax avoidance by complying with existing regulations.

Tax aggressiveness is a vulnerable action by large companies throughout the world. Hlaing (2012) defines tax aggressiveness as a tax aggressiveness activity of all companies involved in efforts to reduce the effective tax rate. Tax aggressiveness is an act of reducing taxes that are of public concern because these actions are socially irresponsible actions that harm society and the government.

Corporate tax can be linked to public attention if the payment of this tax has implications for the wider community as opposed to company operating costs. Avi-Yonan (2008) revealed that the aim of minimizing the amount of tax paid by companies is to be understood and will show some ethics, community or other stakeholders in the company. Jimenez (2008) states that recent empirical evidence shows that tax aggressiveness is more pervasive in weak good corporate governance. In addition, Slemrod (2004) in Balakrishnan et. al. (2011) argues that tax aggressiveness is a more specific activity, which includes transactions whose main purpose is to reduce corporate tax obligations. Balakrishnan et. al. (2011) stated that tax-aggressive companies are characterized by lower transparency.

Hanlon and Heitzman (2010) define the aggressiveness of corporate income tax (often referred to as tax avoidance) as the most recent level of the spectrum of a series of tax aggressiveness behaviors. Aggressive transactions and decision making might potentially be a problem of tax avoidance or tax evasion.

Corporate Social Responsibility

Marnelly (2012) states that there are two types of CSR concepts, namely in a broad and narrow sense. CSR in a broad sense is closely related to the goal of achieving sustainable economic activity. Sustainability of economic activities is not only related to social responsibility but also concerns corporate accountability to the community and the nation and the international world. CSR in the narrow sense can be understood from several regulations and expert opinions.

Some regulations that define CSR include the 2007 Limited Liability Company Law article 1 number 3 which states that social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the Company itself, the community local, as well as the community in general and the Investment Act 2007 article 15 letter b which states that corporate social responsibility is the responsibility inherent in every investment company to continue to create a harmonious, balanced, and in accordance with the environment, values, norms, and local culture.

Good Corporate Governance

A good corporate governance will be able to work optimally if the principles of Good Corporate Governance are applied in every aspect of the business and in all levels of the company. KNKG states that there are five principles of Good Corporate

This publication is licensed under Creative Commons Attribution CC BY.

Governance, namely transparency, accountability, responsibility, independence and fairness and equality. KNKG further explains the basic principles of each principle. As transparency states that every company is required to disclose material and relevant information about related matters that can influence the decision making of shareholders, creditors and other stakeholders. The principle of accountability has the principle that transparent and reasonable company performance can be achieved with performance that is managed properly, measured and in accordance with the interests of the company while taking into account the interests of shareholders and other stakeholders. The principle of responsibility explains that each company must comply with every statutory regulation and carry out responsibilities to the community and the environment. The principle of independence requires companies to be managed independently so that each organ of the company does not dominate each other and cannot be intervened by other parties. The last principle, fairness and equality, signals the company to always pay attention to the interests of shareholders and other stakeholders with fairness and equality

Effects of CSR Disclosures on Tax Aggressiveness

Stakeholder theory states that the company in carrying out its operations, must consider all parties affected by the company's operational activities. In this case, the company does not only prioritize the interests of shareholders, but also concerns the interests of the community, government, consumers, suppliers, analysts, and so on. One form of company attention to stakeholders is to obey and pay taxes accordingly.

Lanis and Richardson (2011) state that if companies are considered to avoid taxes, it is generally not considered paying their "fair shares" in the form of corporate income tax to the government which is used to help underwrite financing of public goods. In addition, Lanis and Richardson (2011) also argue that in paying taxes, companies should have some ethical considerations for the community and other stakeholders. Therefore, tax aggressiveness by companies can be considered socially irresponsible.

The environment and society simply influence the performance of a company. One form of communication between the community and the company is through corporate social responsibility or CSR in accordance with the theory of legitimacy. This form of social responsibility aims to attract the attention of the community so that the company has a good and acceptable impression in the community. Legitimacy requires companies to disclose CSR and make a profit. A company can be said to have successfully carried out legitimacy if it is able to meet the expectations of society through the implementation of corporate social responsibility.

One form of company obligation is paying taxes. By paying taxes, companies participate in contributing to national development in order to prosper the lives of the people. This is similar to the opinion of Harari, et. al. (2012) in Yoehana (2013) states that from a community perspective, taxes can be seen as dividends paid by companies to the community as a reward for using available resources. If the company avoids the proper tax payment, the company may be subject to witnesses or punishment.

Tax aggressiveness or better known as minimizing tax vulnerability is carried out by large companies throughout the world. Therefore, to generate public trust, it is important for companies to carry out their social responsibilities through disclosure of annual reports. Avi-Yohan (2008) in Lanis and Richardson (2012) states that corporate tax can only be associated with CSR if the tax payments made by the company do have implications for the wider community. But in general, companies feel burdened with the many responsibilities that exist, so that minimizing taxes has become one of the options to ease responsibility. Based on the description above it is clear that companies that carry out tax aggressiveness will minimize corporate tax payments for profit, the hypothesis of this study is:

H1: CSR disclosure has a negative effect on tax aggressiveness

The Effect of Good Corporate Governance Management on Tax Aggressiveness

Seeing the condition of good corporate governance in Indonesia, it can be said that good corporate governance in Indonesia is still lacking when compared to other countries. Therefore, shareholders still have doubts about the performance of management in maximizing profits and in making tax aggressiveness decisions. According to Shleifer and Vishny (1986); Jensen (1993) in Lanis and Richardson (2011) the existence of blockholders adds supervisory incentives to management. This is because blockholders have a significant influence when compared to minority shareholders.

This better supervision causes the tax aggressiveness of the company to be more effective and so does the amount of tax paid. The National Committee on Governance Policy (KNKG) stated that shareholders must realize that in exercising their rights and responsibilities they must also pay attention to the survival of the company. Therefore, good corporate governance will oversee management activities, one of the manifestations is a reduction in tax aggressiveness, because with better tax aggressiveness, the value of the company will indirectly increase and will attract other investors to provide funds to the company. This can help maintain the viability of the company. Based on the description above, the hypothesis of this research is:

H2: Good corporate governance has a positive effect on tax aggressiveness

METHODOLOGY

The research in this thesis uses a quantitative approach by testing hypotheses. The operational definitions of the variables in this study are:

1. Tax Aggressiveness

This publication is licensed under Creative Commons Attribution CC BY.

Tax aggressiveness is one of the ways undertaken by companies to minimize the tax burden to be paid in a legal or illegal way. Effective Tax Rate (ETR) is the main proxy in this study. ETR represents the percentage of total load

To know the existence of tax aggressiveness can be seen from the low ETR value (Lanis and Richardson, 2013). A low ETR indicates lower income tax burden than pretax income. Income tax paid by the company from all total income before tax. ETR was measured using the Lanis and Richardson (2012) proxy model because the most widely used. ETR is count by income tax expense divided by income before tax.

2. Corporate Social Responsibility

CSR in this study will be measured using a check list that refers to the disclosure indicators used by Sembiring (2005) because it is more in line with the state of the company in Indonesia. This is because the CSR disclosure situation in Indonesia is still general in nature and has not yet been deeply applied. This indicator consists of seven categories, namely the environment, energy, health and safety of the workforce, other labor, products, community involvement, and the public. The number of items expected by manufacturing companies is 78 items consisting of environmental categories (13 items), energy categories (7 items), labor health and safety categories (8 items), other categories of labor (29 items), product categories (10 items), community involvement categories (9 items), and general categories (2 items).

This measurement is done by matching the items on the check list with the items disclosed by the company. If an item is disclosed then a value of 1 is given, if the item is not disclosed then a value of 0 is given in the check list. After that, the index disclosure results will be calculated with the CSRI.

3. Management Compensation

Compensation is the total wage given to employees for services provided to the company. This study uses Irawan and Farahmita's (2012) method of calculation, which is the natural logarithm proxy following the total value of compensation received by key management for one year. Management compensation data is contained in the disclosure of Notes to the Company's Financial Statements.

4. Independent Commissioner

An independent board of commissioners is one that has no affiliation with the directors or board of commissioners and does not serve as a director of a company related to the owner's company according to regulations issued by the IDX. In this study, the variable independent commissioners will be measured by the percentage of the number of independent boards of commissioners divided by the total number of company boards.

5. Ownership of Directors

Ownership of directors is share compensation granted through directors' share ownership (Irawan and Farahmita, 2012). Measurement of share ownership of directors in this study uses the percentage of share ownership owned by the board of directors until the end of the year.

6. Blockholder Ownership

Blockholder ownership is the ownership of companies owned by other institutions outside the company, such as banks, insurance companies, investment companies, pension funds, investment trusts, mutual funds, and other investment groups. The blockholder ownership variable is measured by using the proportion of shares owned by outside parties other than the management of the company and the parent entity or subsidiary of more than 5% at the end of the year measured in percentage of the number of shares outstanding.

Population and Sample

According to Sugiyono (2006: 215), population is a generalization area that consists of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. In this study the population used is companies incorporated in the manufacturing sector that are consistently listed on the Indonesia Stock Exchange (IDX) during the study period, namely the 2017 and 2018 periods. The selection of the four-year period aims to obtain the latest data and is expected to obtain good results in explaining the factors that affect tax aggressiveness. The researcher considers that the choice of manufacturing companies is due to the large number of companies in a population and the relatively more companies having an impact on the environment compared to service or trading companies. Problems in manufacturing companies are also more complex in tax matters, so it is expected to be better able to describe the state of companies in Indonesia. According to the IDX, the sectors classified as manufacturing companies are companies engaged in the basic and chemical industries, various industries, and consumer goods industries.

THE RESULTS OF STATISTICAL TESTS

Factor Analysis

To measure good corporate governance, this study uses management compensation, independent commissioners, managerial ownership and blockholder ownership. These four indicators are used to form a composite variable, namely good corporate governance. From appendix 2 it can be seen that the value of Keisyer-Meyer Olskin (KMO) has shown results of 0.538 which means greater than 0.5. Likewise, the value of Bartlett's Test of Sphericity shows a significance value of 0,000, which means less than 0.05. The following is the SPSS processed table:

This publication is licensed under Creative Commons Attribution CC BY.

Table 1
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0,538
Bartlett's Test of Sphericity	Approx. Chi-Square	50,725
	Df	6
	Sig.	0,000

Source: Processed by SPSS, 2020.

On the basis of the Keisyer-Meyer Olskin (KMO) value of Bartlett's Test of Sphericity, thus indicators of management compensation, independent commissioners, managerial ownership and blockholder ownership can be attributes that form variables of good corporate governance mechanisms.

Classical Assumption Testing

Regression testing conducted on the regression equation will be tested on classical assumptions consisting of normality test, muticolinierity test, heterokedasticity test and autocorrelation test. Following are the test results from the SPSS:

a. Normality test

The normality test results can be seen in table below:

Table 2
Normality Test

Model	*Asymp. Sig (2-tailed)*
1	0,161

Source: Processed Results of SPSS, 2020.

From the classic assumption test table it can be seen that the significance level of one sample Kolmogorov-Smirnov shows the number 0.161, which means it is greater than 0.05 so it can be concluded that the data is normally distributed. This is supported by the following table, the points approach the diagonal line, which means the data has been normally distributed.

Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent) (Ghozali, 2016: 105-106). Multicollinearity can be seen from the value of tolerance and its opponents as well as the variance inflation factor (VIF). Both of these measurements indicate which of each independent variable is explained by other independent variables. From the multicollinearity test table it can be seen that the VIF value for variables is less than 10 for variables in the regression model 1. It was concluded that the regression model 1 does not have multicollinearity between the independent variables in the regression model, because the VIF value <10 and tolerance value> 0.1 are meaning that there is no multicollinearity. Multicollinearity test results can be seen in the following table.

Table 3
Variance Inflation Factor (VIF) Test Results

Variabel	Tolerance	VIF	Kesimpulan
CSR	0,971	1,030	Bebas Multikolonieritas
GCG	0,971	1,030	Bebas Multikolonieritas

Source: Processed Results of SPSS, 2020.

Heterokedastisitas test

From the heteroscedasticity graph produced from SPSS, it can be seen that the plot graph between the predicted value is ZPRED and the residual value is SRESID. There is no specific pattern, and the pattern of dots spread on the scatterplot graph so that it can be concluded that heterocedasticity does not occur.

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the error of the intruder in the t period and the error of the intruder in the t-1 period (before). The regression model in this study produced the Durbin Watson value was 2.008 with the Durbin Watson table value was 1.7432 (k = 2, n = 128) and the 4-du value was 2.2568. Then it can be concluded that the value of 2.008 is in the interval 1.7432 <2.008 <2.2568, which means the regression equation of this study is free from autocorrelation.

DISCUSSION (BOLD, CAPITAL 14 pt)

The Effect of Corporate Social Responsibility Disclosure on Tax Aggressiveness

Based on the results of the regression model, the CSR disclosure variable has a negative coefficient of -0.244 with a significant level of 0.003, so the results of testing the first hypothesis can be seen that the disclosure of social responsibility reflected by the disclosure index of Corporate Social Responsibility (CSR) has a negative influence on tax aggressiveness . In other words, this explains that the CSR disclosure index has a negative effect on corporate tax aggressiveness, because companies pay a small amount of tax too. Companies that are committed to implementing CSR must participate in sustainable economic development, because CSR is a corporate social activity aimed at the benefit of internal and external parties of the company.

This publication is licensed under Creative Commons Attribution CC BY.

The results of this study are in line with the results of research conducted by Lanis and Richardson (2011) which states that the CSR disclosure index has a negative and significant effect on tax aggressiveness. Lannis and Richardson (2011) indicate that companies that carry out CSR with a strong mandate, will be more inclined to not be aggressive in taxation actions because this can affect the views of society as a whole. The results of this study are also consistent with the results of the study of Davis et.al, (2013) which states that the CSR disclosure index has a negative effect on corporate tax payments. So companies that have good CSR disclosure do not always pay taxes with "fair value". Davis et.al, (2013) said that from the results of the study, it can be concluded that the average manager and other stakeholders do not see tax payments as an important part of corporate social action towards the community. Davis et.al, adding that with the available evidence, this also shows that the reduction in paying taxes does not mean not being socially responsible.

The results of this study indicate that in Indonesia, the companies and decision makers in it do not view tax payments as an aspect that has a large impact on their social activities as Davis et.al (2013) said. In addition, the application of CSR in Indonesia which only became a "trend" in 2007 after the issuance of Limited Liability Company Law No.40 Article 74 Paragraph 1. Nurkhin (2007) also added that the implementation of CSR in Indonesia was still general and voluntary in nature) so this shows that the Indonesian people still lack knowledge about CSR, so that active tax aggressiveness from the company will not be seen as an irresponsible social responsibility, and will not damage the company's good name. This has caused decision makers in manufacturing companies in Indonesia to continue to take tax aggressiveness in quite a lot of frequency.

The Effect of Good Corporate Governance on Tax Aggressiveness

Based on the results of the regression model, the management compensation variable has a positive coefficient of 0.005 with a significant level of 0.625 to the ETR, so from the results of the second hypothesis testing it can be seen that good corporate governance does not significantly affect the aggressiveness of corporate taxes. The results of this test can draw the conclusion that the second hypothesis (H2) is rejected.

To measure good corporate governance, this study uses management compensation, independent commissioners, managerial ownership and blockholder ownership. These four indicators are used to form a composite variable, namely good corporate governance. Inadequate governance policies undertaken by companies, as well as a lack of government attention to the implementation of good corporate governance is one measure of the weakness of corporate governance in Indonesia. The results of good corporate governance research are based on weak governance in Indonesia, this can be supported from several previous studies, namely:

Management compensation which is a remuneration provided by the company to management in financial or non-financial forms, aimed at aligning objectives and increasing motivation has proven to be inappropriate for tax aggressiveness. Irawan and Farahmita (2016) who examined the relationship of director compensation to tax aggressiveness. There is a slight difference in the use of variables, the results of aggressiveness compensation in this study are not significant, while the director's compensation variable in Irawan and Farahmita (2016) has a significant effect on tax aggressiveness. This insignificant result shows that most companies in Indonesia who hope that giving compensation to management can increase the effectiveness of tax management is wrong. Because, giving compensation to the company's key management whether in large amounts or in small amounts is not an effective way to increase the effectiveness of tax aggressiveness. Other mechanisms are considered more appropriate to manage corporate tax management.

Independent commissioners are one of the important corporate governance mechanisms in a company because they are expected to be a counterweight and at the same time become supervisors in a public company. From the definition and role of the independent commissioners above, it can be said that the results of the regression in this study indicate that the function of independent commissioners does not run optimally in Indonesia. The number of independent directors can increase supervision and can reduce the activity of tax aggressiveness is not in accordance with company policies and regulations . This insignificant result indicates that most independent commissioners at companies in Indonesia do not work optimally. This is supported by the insignificant results on this independent commissioner variable which is the same as the results obtained by two previous studies namely, Lanis and Richardson (2011) and Annisa and Kurniasih (2016) which states that the problem of independence and capability of commissioners is something that is very basic, but in practice in Indonesia, the appointment of commissioners is usually based on awards, family relationships, or other close relations, so this shows that in Indonesia the role of independent commissioners in terms of supervision does not work as it should.

Managerial ownership is a form of compensation to company management in the form of share ownership. From this definition, share ownership which is one form of compensation, can be said to have the same purpose as granting compensation. However, the results of this study indicate that shareholding by directors has not been successfully applied in Indonesia to align the goals of directors and shareholders. The results of statistical data related to insignificant ownership of directors indicate that the greater proportion of company shares owned by directors or the smaller proportion of shares owned by directors in a company does not significantly affect the effectiveness of a company's tax aggressiveness. Directors who act as decision makers should tend to do tax aggressiveness when they share in the ownership of the company. This is because effective tax aggressiveness will indirectly increase the value of the company and the value of the company's shares. In the end it will benefit the director too. Several previous studies have proven that management ownership of shares will reduce the amount of corporate tax payments. The results of this study indicate that giving the proportion of share ownership to the director is no longer a solution to increase tax aggressiveness. There are several factors that cause the ownership of directors to no longer be a significant variable in influencing tax aggressiveness activities. Changes in tax rates in 2010 could be one of these factors. A decrease in the company's tax rate to 25% causes the payment of corporate taxes to be smaller, this causes most directors and management of the company to reduce tax aggressiveness activities. So, big or small proportion of shares owned by directors no longer have a significant influence on the tax aggressiveness of the company.

This publication is licensed under Creative Commons Attribution CC BY.

Blockholder ownership as an ownership of outsiders with a percentage of ownership above 5% actually helps to add incentive to supervision of the company, however, similar results are obtained as other corporate governance mechanisms in this study. Blockholders have not yet demonstrated their role as boosting quality of supervision in companies in Indonesia. This result is the same as the results obtained by Lanis and Richardson (2011) who also found that ownership of blockholders does not significantly affect tax aggressiveness, because ownership of blockholders ownership by majority shareholders in influencing tax aggressiveness when compared with other corporate governance mechanisms. This relationship is due to the National Governance Policy Committee (KNKG) states that shareholders must realize that in carrying out their rights and responsibilities must also consider the survival of the company. Blockholders who have greater influence compared to minority shareholders will be one of the most powerful influences in maintaining the survival of the company. Therefore, blockholders who have greater influence than minority shareholders will try to oversee management activities, one of them with better tax aggressiveness.

CONCLUSION (BOLD, CAPITAL 14 pt)

Disclosure of social responsibility reflected by the index of Corporate Social Responsibility (CSR) disclosure has a negative effect on corporate tax aggressiveness, so the hypothesis is accepted. Companies that carry out CSR with a strong mandate, will be more likely not to be aggressive in taxation actions because this can affect the views of society as a whole. The implementation of CSR in Indonesia which only became a "trend" in 2007 after the issuance of Limited Liability Company Law No.40 Article 74 Paragraph 1. Nurkhin (2007) also added that the implementation of CSR in Indonesia was still general and voluntary in nature so that This shows that the Indonesian people still lack knowledge about CSR, so that active tax aggressiveness from the company will not be seen as an irresponsible social responsibility and will not damage the company's good name. This has caused decision makers in manufacturing companies in Indonesia to continue to take tax aggressiveness in quite a lot of frequency.

Good corporate governance does not affect the tax aggressiveness, so the hypothesis is rejected. Weak corporate governance in Indonesia as measured in this study uses management compensation, independent commissioners, managerial ownership and blockholder ownership due to the lack of good governance policies implemented by the company, as well as the lack of government attention to the implementation of good corporate governance.

For further research, it is better to use more expanded samples besides the manufacturing sector listed on the Indonesia Stock Exchange, so that the results of the study are able to describe the situation in Indonesia. For further research, it can use CSR indicators in addition to the Sembiring indicator and also a proxy other than ETR to measure tax aggressiveness, in order to produce relevant results. For the Government, it is hoped that the government can become input for the renewal of regulations in the field of taxation by considering all aspects of the company's activities, one of which relates to social responsibility activities or corporate social responsibility. For companies, it is hoped that companies in Indonesia will continue to pay attention to the impacts resulting from the tax management efforts undertaken. Companies must be able to produce more than the cost of tax management. In addition, it is expected that the increase in effectiveness and efficiency of tax aggressiveness carried out does not harm the community and the government as a whole, and still pay attention to the principle of sustainability.

REFERENCES

Aditama, F. & Anna P. (2013). Pengaruh Perencanaan Pajak Terhadap Manajemen Laba Pada Perusahaan Nonmanufaktur Yang Terdaftar di BEI. Universitas Atma Jaya Yogyakarta.

Alper, D. & A. Anbar. (2011). “Bank Specific and Macroeconomic Determinants of Comercial Bank Profitability: Empirical Evidence from Turkey”. Journal Business and Economics. 2 (2). Pp: 139-152.

Annisa, N. A & Lulus K. (2012). Pengaruh Corporate Governance Terhadap Tax Avoidance. Jurnal Akuntansi & Auditing. 8: 5-189.

Anonim. (2006b). Pedoman Umum *Good Corporate Governance* Indonesia. *Komite Nasional Kebijakan Governance*.

Ang, R. (1997). *Buku Pintar Pasar Modal Indonesia.* Jakarta: Mediasoft Indonesia.

Ardyansah, D. & Zulaikha. (2014). Pengaruh Size, Leverage, Profitability, Capital Intensity Ratio Dan Komisaris Independen Terhadap Efective Tax Rate (ETR) (Studi Empiris Pada Perusahaan Manufaktur yang Tercatat di BEI Periode 2010-2012). Universitas Diponegoro Semarang.

Bastian, I. (2006). *Akuntansi Pendidikan.* Jakarta: Erlangga.

Brigham, E.F., & J.F. Houston. (2006). *Dasar-Dasar Manajemen Keuangan* (Edisi ke-10), Alih Bahasa Ali Akbar Yulianto (Jilid 1) Jakarta: Salemba Empat.

This publication is licensed under Creative Commons Attribution CC BY.

Budi, C. (2014). *Buka Rahasia Bank Untuk Pajak.* [online]. Tersedia: www.investor.co.id/home/buka-rahasia-bank-untuk-pajak/79026 [30 Mei 2014]

Chai, H, dan Liu, Q. (2010). Competition and Corporate Tax Avoidance: Evidence from Chinese Industrial Firms.www.ssrn.com.

Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). Are Family Firms More Tax Aggressive Than Non-fam-ily Firms? Journal of Financial Economics, 95: 41-61.

Clarkson, P. M., Li, Y., Richardson, G. D., & Vasvari, F. P. 2008. Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. *Accounting, Organizations and Society*, *33*(4), 303-327.

Darmawan, I G. H. dan I Made Sukartha. (2014). Pengaruh Penerapan *Corporate Governance, Leverage, Return on Assets,* dan Ukuran Perusahaan Pada Penghindaran Pajak. E-Jurnal Akuntansi Universitas Udayana. ISSN: 2302-8556. 143-161.

Darmadi, Nur Hakim dan Zulaikha. (2013). "Analisis Faktor yang Mempengaruhi Manajemen Pajak dengan Indikator Tarif Pajak Efektif." Diponegoro Journal Of Accounting, Vol. 2, No. 4. Tahun 2013. Hal 1-12.

DeAngelo, L.E. (1981). Auditor Size and Audit Quality. Journal of Accounting & Economics, Vol 3: 183-199.

Desai, M. A. dan D. Dharmapala. (2007). Corporate Tax Avoidance and Firm Value. Journal of Financial Economics. Desai, M.A. and D. Dharmapala. 2006. Corporate Tax Avoidance and High-Powered Incentives. Journal of Financial Economics, 79: 145-179..

Freedman, J. (2003). Tax and corporate responsibility. *Tax Journal*, *695*(2), 1-4.

Ghozali, I. (2011). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 19*. Semarang: Badan Penerbit Universitas Diponegoro.

------------. (2013). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 21 Update PLS Regresi*. Semarang: Badan Penerbit Universitas Diponegoro.

Guna, W.I., & A. Herawaty. (2010). Pengaruh Mekanisme Good Corporate Governance, Independensi Auditor, Kualitas Audit Dan Faktor Lainnya Terhadap Manajemen Laba. STIE Trisakti.

Halim, A. (2007). *Akuntansi Keuangan Daerah* (Edisi ke-3). Jakarta: Salemba Empat.

Handayani, RR.S., & A.D. Rachadi. (2009). "Pengaruh Ukuran Perusahaan Terhadap Manajemen Laba". Jurnal Bisnis dan Akuntansi, 11 (1). April-2009: 33-56.

Healy, P.M., & J.M. Wahlen. (1999). "A Review of the Earnings Management Literature and its Implications for Standard Setting". Accounting Horizon, 13 (4). Dec-1999: 365-383

Irawan, H. P. dan Aria F. (2012). Pengaruh Kompensasi Manajemen dan Corporate Governance terhadap Manajemen Pajak Perusahaan. Simposium Nasional Akuntansi XV. 20-22 September, Banjarmasin.

Jensen, M.C. dan William H. Meckling. (1976). Theory of The Firm: Managerial Behavior, Agency Cost and Ownership Structure. Journal of Financial Economics,Vol. 3: 305-360.

Jogiyanto. (2007). *Teori Portofolio dan Analisis Investasi.* Yogyakarta: BPFE.

Kaihatu, T. S. (2006). *Good Corporate Governance* dan Penerapannya di Indonesia. Jurnal Manajemen dan Kewirausahaan Vol. 8 No. 1 Ed Maret.

Kasmir. (2004). *Manajemen Perbankan*. Jakarta: Rajawali Pers.

Kurniasih, T., & M.R. Sari. (2013). "Pengaruh Return On Assets, Leverage, Corporate Governance, Ukuran Perusahaan Dan Kompensasi Rugi Fiskal Pada Tax Avoidance". Buletin Studi Ekonomi, 18 (01). 02-2013: 58-66.

This publication is licensed under Creative Commons Attribution CC BY.

ISSN 2250-3153
Kurniati, E. Rahadi B dan Danial M. (2010). *Implementing Environmental Management Accounting (EMA) in Improving Eco-Efficiency on Corporate Activities: Case Study on Sugarcane*. Journal of Applied Sciences in Environmental Sanitation. Vol 5, No. 4. Hal. 403-410

Kustiani, E. (2009). Pengaruh Operating Leverage Terhadap Profitabilitas Pada Perusahaan Daerah Air Minum (PDAM) Kota Bandung. Universitas Komputer Indonesia Bandung.

Richardson, G., Taylor, G., & Lanis, R. (2013). The impact of board of director oversight characteristics on corporate tax aggressiveness: An empirical analysis. *Journal of Accounting and Public Policy, 32*(3), 68-88.

Luayyi, S. (2010). "Teori Keagenan Dan Manajemen Laba Dari Sudut Pandang Etika Manajer". Jurnal Akuntansi EL-MUHASABA, 01 (02). 07-2010: 199-216.

Lanis, R. & Richardson, G. (2012). "Corporate Social Responsibility and Tax Aggressiveness : An Empirical Analysis". Hourna of Accounting and Public Policy, 03 (1). 86-108.

Luhgiatno. (2008). Analisis Pengaruh Kualitas Audit terhadap Manajemen Laba (Studi pada Perusahaan yang Melakukan IPO di Indonesia). http://eprints.undip.ac.id

Lumbantoruan, S. (1996). *Akuntansi Pajak.* Jakarta: Grasindo.

Meilinda, M., & N. Cahyonowati. (2013). "Pengaruh Corporate Governance Terhadap Manajemen Pajak". Diponegoro Journal of Accounting, 02 (03). 2013.

Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management?. *Journal of Corporate Finance*, *16*(5), 703-718.

Mulyono, Djoko. (2010). Hukum Pajak, Konsep, Aplikasi, dan Penuntun Praktis, Yogyakarta: Penerbit Andi Offset.

Ompusunggu, A.P. (2011). *Cara Legal Siasati Pajak.* Jakarta : Puspa Swara.

Pearce II, J.A., & R.B.Jr. Robinson. (2008). *Manajemen Strategis-Formulasi, Implementasi, dan Pengendalian* (Edisi ke-10). Jakarta: Salemba Empat.

Philips, J.M.P. & S.O. Rego. (2003). "Earnings Management : New Evidence Based on Deferred Tax Expense". The Accounting Review. 78 (2). 2003: 491-521.

Prasetyantoko, A. (2008). *Bencana Finansial, Stabilitas Sebagai Barang Publik.* Jakarta: Kompas Media Nusantara.

Resmi, S. (2008). *Perpajakan Teori dan Kasus* (Edisi ke-4). Jakarta: Salemba Empat.

Retno, R. D., & Priantinah, D. (2012). Pengaruh Good Corporate Governance dan Pengungkapan Corporate Social Responsibility Terhadap Nilai PErusahaan (Studi Empiris Pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2007-2010). *Jurnal Nominal, 1 No. 1*.

Riyanto, B. (2008). *Dasar-Dasar Pembelanjaan Negara.* Yogyakarta: BPFE.

Rumuy, R. & R. Effendi. (2013). "Penerapan Perencanaan Pajak Penghasilan Badan Sebagai Upaya Efisiensi Pembayaran Pajak PT Sinar Sasongko". STIE MDP.

Rustiarini, N. W. (2010). Pengaruh *Corporate Governance* Pada Hubungan *Corporate Social Responsibility* dan Nilai Perusahaan. *Simposium Nasional Akuntansi 13 Purwokerto*.

Noor, R. Md., dan Sabli, M. (2012). Tax Planning and *Corporate governance*. International Conference on Business and Economic Research (3rd ICBER) Proceeding. Bandung.

This publication is licensed under Creative Commons Attribution CC BY.

Said, R.M. & M.H. Tumin. (2011). "Performance and Financial Ratios of Commercial Banks in Malaysia and China". International Review of Business Research Papers. 7 (2). pp: 157-169.

Sari, K.S., dan Martani, Dwi. (2010). Ownership Characteristic, Corporate Governance, and Tax Aggressiveness. The 3rd Accounting and The 2nd Colloquium.

Sartono, A. 2008. *Manajemen Keuangan.* Yogyakarta: BPFE.

Sartori, Nicola. (2010). Effect of Strategic Tax Behaviors on Corporate Governance.www.ssrn.com

Sawir, A. (2004). *Kebijakan Pendanaan dan Restrukturisasi Perusahaan.* Jakarta: PT Gramedia Pustaka Utama.

Schipper, K. (1989). "Earnings Management". Accounting Horizon, 3 (4). Pp. 91-102. Tersedia: http://fisher.osu.edu/~young.53/Schipper Earn Mgmt. [24 April 2014]

Scott, W.R. (2012). *Financial Accounting Theory* (Edisi ke-6), USA: Prentice Hall.

Setiawati, L. & A. Na'im. (2001). "Bank Health Evaluation by Bank Indonesia and Earnings Management in Banking Industry". Gajahmada International Journal of Bussiness, 2 (2). 159-176.

Sembiring, E. R. (2005). Karakteristik Perusahaan dan Pengungkapan Tanggung Jawab Sosial: Studi Empiris pada Perusahaan yang Tercatat di Bursa Efek Jakarta. *Simposium Nasional Akuntansi 8*. Solo.

Sjahrial, D. (2009). *Manajemen Keuangan.* Jakarta: Mitra Wacana Media.

Suandy, E. (2011). *Hukum Pajak* (Edisi ke-5). Jakarta: Salemba Empat.

------------. 2011. *Perencanaan Pajak* (Edisi ke-5). Jakarta: Salemba Empat.

Sudarmadji, A.M. & L. Sularto. (2007). "Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, dan Tipe Kepemilikan Perusahaan Terhadap Luas Voluntary Disclosure Laporan Keuangan Tahunan". Proceeding PESAT, 2. 21-22 Agustus 2007.

Sugiyono. (2006). Statistika Untuk Penelitian. Cetakan Ketujuh. Bandung: CV. Alfabeta.

Sulistyanto, S. (2008). *Manajemen Laba teori dan model empiris.* Jakarta: Grasindo.

Sumomba, C.R. (2010). Pengaruh Beban Pajak Tangguhan dan Perencanaan Pajak terhadap Praktik Manajemen Laba pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. Universitas Atma Jaya Yogyakarta.

Supramono & T.W. Damayanti. (2010). *Perpajakan Indonesia – Mekanisme dan Perhitungan*. Yogyakarta: ANDI.

Suwito, E., & A. Herawaty. (2005). "Analisis Pengaruh Karakteristik Perusahaan Terhadap Tindakan Perataan Laba Yang Dilakukan Oleh Perusahaan Yang Terdaftar Di Bursa Efek Jakarta". Simposium Akuntansi VIII. Solo, 15-16 September.

Suyanto, K.D., & Supramono, (2012). "Likuiditas, Leverage, Komisaris Independen, Dan Manajemen Laba Terhadap Agresivitas Pajak Perusahaan". Jurnal keuangan dan Perbankan, 16 (02). 05-2012: 167-177.

Syakhroza, Akhmad. (2005). Corporate Governance : Sejarah dan Perkembangan, Teori, Model, dam Sistem Governance serta Aplikasinya pada Perusahaan BUMN. Lembaga Penerbit FEUI. Jakarta.

Tanoto, T., & G. Soepriyanto. (2013). Analisis Dampak Reformasi Perpajakan PPh Badan Dan Faktor-Faktor Yang Berpengaruh Terhadap Tarif Pajak Efektif Pada Perusahaan Go Public Di Indonesia. Universitas Binus.

This publication is licensed under Creative Commons Attribution CC BY.

Timothy, Y.C.K. (2010). *Effects of Corporate Governance on Tax Aggressiveness. An Honours Degree Project Submitted to the School of Business in Partial Fulfilment of the Graduation Requirement for the Degree of Bachelor of Business Administration (Honours)*. Hong Kong Baptist University.

Undang-Undang Nomor 10 Tahun 1998 Tentang Tentang Perubahan Atas Uu No. 7 Tahun 1992 Tentang Perbankan.

Undang-Undang Nomor 28 Tahun 2007 Tentang Ketentuan Umum Dan Tata Cara Perpajakan.

Undang-Undang Nomor 36 Tahun 2008 Tentang Pajak Penghasilan.

Undang-Undang tentang Perseroan Terbatas, UU No. 40 tahun 2007

Waluyo. 2010. *Perpajakan Indonesia* (Edisi ke-9). Jakarta: Salemba Empat.

Waluyo. 2011. *Perpajakan Indonesia* (Edisi ke-10). Jakarta: Salemba Empat.

Wijaya, M., & D. Martani. (2011). "Praktek Manajemen Laba Perusahaan Dalam Menanggapi Penurunan Tarif Pajak Sesuai UU No. 36 Tahun 2008". *Simposium Nasional Akuntansi*. Aceh, 2011.

Wild, J.J. (2004). *Financial Statement Analysis* (Edisi ke-8). Boston: Mc.Graw-Hill.

Zain, M. (2008). *Manajemen Perpajakan* (Edisi ke-3, cetakan ke-2). Jakarta: Salemba Empat.

Zakarsyi, d. H. M. W. (2008). *Good Corporate Governance Pada Badan Usaha Manufaktur, Perbankan, dan Jasa Keuangan Lainnya*. Bandung: Alfabeta.

Zemzem, Ahmed dan Khaoula Ftouhi. (2013). *The Effects of Board of Directors' Characteristics on Tax Aggressiveness*. Research Journal of Finance and Accounting. 4: 140-147.

This publication is licensed under Creative Commons Attribution CC BY.