



## The Influence of Corporate Social Responsibility, Corporate Characteristic, Family Ownership, Profitabilitas and Corporate Governance on Tax Avoidance

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### ABSTRACT

The study aims to determine the effect of corporate social responsibility, corporate characteristic, family ownership, profitabilitas and corporate governance at mining companies listed on BEI. The population of this study is mining companies listed on BEI 2009-2019. Study's sample were selected by purposive sampling as many as 18 companies. Number of observation used of this study as many as 190 observations. This study to analyze data with help of Partial Least Square (PLS) metode. The result of this study showed that did not effect between corporate social responsibility, corporate characteristic and corporate governance to tax avoidance. But family ownership take negative effect to tax avoidance and profitabilitas take positive effect to tax avoidance.

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## 1. Introduction

Tax avoidance is an action to take advantage of the tax gap of a country in the form of utilization of weaknesses found in tax laws and regulations (loophles) in an effort to minimize the tax expense. The rise of tax avoidance cases carried out by companies operating in Indonesia has caused a great loss to the country. Quoted from the Indonesian Mining Association in a news article written by Dwiarto, in 2017 found a case that happened to the company Bakrie Group. There are three coal mining companies under the auspices of Bakrie Group business umbrella are indicated to carry out tax evasion actions worth approximately Rp 2,176 Trillion. Another case of a mining company PT Berau Coal, which is a subsidiary of PT Berau Coal Energy Tbk. The company is entangled in tax cases for the fiscal year 2012-2013 worth a total of US \$ 48.86 million or about Rp 515.5 Billion, at a rate of Rp 11,000 (Jakarta Consulting.co.id). Thus, this phenomenon is the background of this research problem. Therefore, the Indonesian government and the International Monetary Fund (IMF) introduced the concept of corporate governance such as institutional ownership and independent commissioners. With Corporate Governance, it is hoped that the company will also implement good corporate social responsibility. In taking tax avoidance, companies can also be influenced by several factors such as executive character, family ownership and profitability. Therefore it is important to know how the influence of corporate social responsibility, executive character, family ownership, profitability and corporate governance on tax avoidance.

## 2. Theoretical Review

### 2.1 Agency Theory

Agency theory is a theory that describes the contractual relationship between the principal who is the business owner and the agent as the management of a business thus resulting in the separation of ownership. This theory explains that the practice takes place in the field, the principal who is the company owner gives the company management trust to the management as an agent. Agency theory will influence agents to increase corporate profits. As the profits are increased, the amount of income tax will also increase in accordance with the increase in corporate profits, so there is a tendency for management to perform actions or transactions that can reduce tax payments or known as tax avoidance.



## 2.2 Attribution Theory

Attribution theory according to Robbins (1996) explains the causes of a person's behavior. Every individual basically tries to understand the behavior of others by gathering information until they find a plausible explanation of why others behave in a particular way. In other words trying to find a reason why someone acts in a certain way or trying to determine whether the behavior is caused internally or externally. Attribution theory shows the company's reason for taking tax avoidance actions. Companies that take advantage of environmental conditions where tax laws are still weak so it becomes a loophole for companies to take tax avoidance action. In addition to referring to the attribution theory that states the existence of internal and external factors that affect individual behavior, then the characteristics of the executive can be classified as an internal factor of the company in making decisions to perform tax avoidance actions.

## 2.3 Legitimacy Theory

The theory of legitimacy is based on the phenomenon of social contact between an organization and society, which requires an organizational goal that should be congruent with the values that exist in a society. The theory of legitimacy relates to social performance and financial performance, if there is an inconsistency between the company's value system and the public value system (or often referred to as the legitimacy gap), then the company may lose its legitimacy, which in turn will threaten the company's survival. Therefore, if a company still commits unprofitable actions such as tax avoidance which is clearly detrimental to the government, then it can destroy the good reputation that has been formed by the company.

## 2.4 Tax Avoidance

Hanlon and Heitzman (2010) define tax avoidance as the ultimate level of the spectrum of tax planning behavior. Tax avoidance as an aggressive tax planning practice of companies with the aim of minimizing the amount of tax to be paid. Tax avoidance is done by companies because companies want to minimize tax burden through tax planning activities that aim to maximize the value of the company (Yoehana, 2013).

## 2.5 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a form of corporate responsibility for its social environment. CSR is a business commitment to act ethically, contribute to economic development, improve the quality of life of workers, local communication and the wider community (Holme and Watts, 2006). Corporate Social Responsibility (CSR) is one of the important factors in the survival of a company (Lanis and Richardson, 2012).

## 2.6 Corporate Characters

Low (2006) states that, in carrying out his duties as the leader of an executive company has two characters namely as a risk taker and risk averse. Executives with a risk taker character do not hesitate to make debt financing (Lewellen, 2003), this is done to make the company grow faster. Executives who have a risk averse character are executives who tend to dislike risk so they are less confident in making business decisions. A risk averse executive if given a chance then he will choose a lower risk (Low, 2006).

## 2.7 Family Ownership

Morck and Yeung (2004) define family companies as encompassing companies run on the basis of lineage or inheritance of those who have previously run them or by families who openly pass on their companies to future generations. In his research, Arifin (2003) revealed that companies controlled by families, states, or financial institutions of reduction will be better than companies controlled by public companies or companies without primary control.

## 2.8 Profitability

According to Sudarmadji and Sularto (2007) profitability is an indicator of the performance of management in managing the company's wealth, which is shown by the profit generated. Profit is used as an indicator by stakeholders to assess the extent to which management performance manages the company.

## 2.9 Corporate Governance

Organization for Economic Cooperation and Development (OECD) states that corporate governance is a relationship structure that has a relationship with responsibilities among related parties consisting of shareholders, members of the board of directors and commissioners including managers formed to encourage competitive performance. necessary in achieving the main goals of a company.

## 3. Research Methods

### 3.1 Population

The population in this study is the mining sector companies listed on the Indonesia Stock Exchange (BEI) 2009-2019 with a total of 47 companies. The sampling technique used in this study was purposive sampling, which is a sampling method based on the specified terms and criteria in order to obtain the desired data so as to produce a sample size of 198 observations.



### 3.2 Data Collecting Method

The type of data used is secondary data. In this study, secondary data used are annual financial reports published for 11 years, from 2009-2019 which were obtained from the Indonesia Stock Exchange through the website [www.idx.co.id](http://www.idx.co.id).

### 3.3 Data analysis method

This data analysis method is used to facilitate researchers in processing and analyzing data. This data analysis method uses statistical tools with the help of SmartPLS (Partial Least Square). This SmartPLS will explain in detail the data analysis method.

## 4. Research Results and Discussion

### 4.1 Test Hypothesis

Hypothesis testing is done through the bootstrapping menu using ( $\alpha = 5\%$ ). The following are the results of bootstrapping on the Smartpls software :

**Tabel 4**  
Test Hypothesis

Variabel X	→	Variabel Y	Arah Teori	Nilai	t-statistik	t-tabel	Hasil
CORPORATE SOCIAL RESPONSIBILITY	→	TAX AVOIDANCE	(-)	-0.073	0.726	1.97	ditolak
KARAKTER EKSEKUTIF	→	TAX AVOIDANCE	(+)	-0.087	1.026	1.97	ditolak
KEPEMILIKAN KELUARGA	→	TAX AVOIDANCE	(-)	-0.218	3.527	1.97	diterima
PROFITABILITAS	→	TAX AVOIDANCE	(+)	0.138	2.159	1.97	diterima
CORPORATE GOVERNANCE	→	TAX AVOIDANCE	(-)	0.161	1.985	1.97	ditolak

Sumber : Diolah Peneliti

### 4.2 The Effect of Corporate Social Responsibility on Tax Avoidance

The results of the analysis using smartPLS show that implementing corporate social responsibility cannot influence companies not to take tax avoidance actions. Although the average company does good actions in the eyes of the community by implementing corporate social responsibility, it does not guarantee that the company will not take tax avoidance. Logically, the implementation of the disclosure of corporate social responsibility requires a lot of money and to maximize profits, the company will use all means including tax avoidance. This is in line with the opinion of Winarsih and Prasetyono (2014), Rini et al., (2015), Dewi and Cynthia (2018) and Makhfudloh et al., (2018), which state that corporate social responsibility has no effect on tax avoidance. because the company will have a double obligation in budgeting funds for corporate social responsibility activities and paying taxes.

### 4.3 The Effect of Corporate Character on Tax Avoidance

The results of the analysis using smartPLS show that the executive character who is a risk taker cannot influence the company to take tax avoidance actions. When viewed from the point of view of its activities, tax avoidance requires a variety of considerations, both potential costs and benefits. Meanwhile, tax avoidance is an action that is quite risky because it has the potential to incur large fines if proven to do. Based on this study, the character of company executives in Indonesia is still risk averse, where they prefer to avoid all forms of opportunities that have the potential to cause risks such as tax avoidance. These results support research conducted by Kartana and Wulandari (2018) and contradict research conducted by Dyreng et al. (2008), Budiman (2012), Carolina et al. (2014), Hanafi and Harto (2014) concluded that executive character has a significant effect on tax avoidance.

### 4.4 The effect of family ownership on tax avoidance

The results of the analysis using smartPLS show that family ownership has an effect on tax avoidance. According to Chen et al. (2010), the ownership structure can reduce corporate actions from tax avoidance, this is the tendency for family firms to avoid the risk of damaging the family's reputation. taxation is related to the formation of reputation risk which is one of the risks that need to be considered in the company. This is because the existence of taxes has an impact on company finances and indirectly on the reputation of the company. Resolving issues with a company's reputation is more difficult to solve and takes a long time to get things back. This is quite avoided by family companies because it will have an impact on the sustainability of the company.

### 4.5 The effect of profitability on tax avoidance

The results of the analysis using smartPLS show that profitability has an effect on tax avoidance, so it can be concluded that the fourth hypothesis is accepted. Profitability has an effect on tax avoidance because companies that have high Return Of Assets (ROA). High ROA shows that the company is able to generate high profits, high profits will cause the tax burden to be paid will also be high. Therefore the company will

do tax avoidance so that the company's burden is not high. Research conducted by Darmawan and Sukartha (2014) states that profitability has an effect on tax avoidance, which means that when profits get bigger, the amount of income tax will increase according to the increase in company profits. This research is in line with that conducted by Gupta and Newberry (1997) which states that the profitability proxied by ROA has increased due to the increase in tax avoidance; Kurniasih and Sari (2013), Dewi and Noviari (2017) state that if the ROA increases, tax avoidance will be more incessant; Andhari and Sukartha (2017) and Rani et al., (2018) which show that profitability has a positive effect on tax avoidance.

#### 4.6 The Effect of Corporate Governance on Tax Avoidance

The results of the analysis using SmartPLS show that corporate governance has an effect on tax avoidance but there is a negative relationship between corporate governance and tax avoidance, so it can be concluded that the fifth hypothesis is rejected. Corporate governance in this study can only be tested by proxy for institutional ownership because the proxy for independent commissioners does not meet the outer loading value of 0.413 (below 0.5), so that corporate governance is only proxied by institutional ownership. Research by Khurana and Moser (2009) states that the size of the concentration of institutional ownership will affect the policy of action to minimize the tax burden by companies. The company's efforts in ensuring sustainable investment, the company's tax burden must be minimized through tax avoidance measures encouraged by institutional owners. The results of this study contradict the research of Jensen and Meckling (1976), and Annisa (2011) which concluded that institutional ownership has a negative effect on tax avoidance.

### 5. Conclusions

This study aims to examine and obtain empirical evidence on the broad influence of disclosure of corporate social responsibility, executive character, family ownership, profitability and corporate governance on tax avoidance. Based on the research results obtained through statistical testing and the discussion described in the previous chapter, it can be concluded that Family Ownership and Profitability have an effect on Tax Avoidance while Corporate Social Responsibility, Executive Character and Corporate Governance have no effect on Tax Avoidance.

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