

The effect of corporate social responsibility disclosure and corporate governance on aggressive tax action

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ARTICLE INFO

Article history:

Received 13 June 2018

Revised 2 October 2019

Accepted 10 October 2019

Available online 12 November 2019

JEL Classification:

G34; H26; M14

Key words:

Corporate Social Responsibility,
Governance, Aggressive Tax Action

DOI:

10.14414/jebav.v22i2.1295

ABSTRACT

This study aims to analyze the effect of corporate social responsibility disclosure and corporate governance on aggressive tax action. This study analyzes corporate social responsibility disclosure based on Global Reporting Initiative (GRI), corporate governance analysis using ASEAN Corporate Governance Scorecard and measurement of aggressive tax action by using abnormal book tax difference (ABTD). It was conducted using secondary data in the form of annual reports and financial statements of companies listed on the Indonesia Stock Exchange in 2012-2014. Sampling was done by purposive sampling, with nonprobability method. The sample was determined based on companies disclosing corporate social responsibility in accordance with content analysis on GRI4. The data were analyzed using regression analysis for testing the research model. It shows that the disclosure of corporate social responsibility negatively affects aggressive tax action. It also shows that corporate governance through corporate boards can reduce aggressive tax action, while the audit committee and internal audit have small effect on the tendency of aggressive tax action. This means the government can strengthen and enforce policies related to social responsibility and corporate governance to prevent tax aggressive behavior by companies.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh pengungkapan tanggung jawab sosial perusahaan dan tata kelola perusahaan pada tindakan pajak agresif. Penelitian ini menganalisis pengungkapan tanggung jawab sosial perusahaan berdasarkan Global Reporting Initiative (GRI), analisis tata kelola perusahaan dengan menggunakan ASEAN Corporate Governance Scorecard dan pengukuran tindakan pajak agresif dengan menggunakan abnormal book tax difference (ABTD). Penelitian ini menggunakan data sekunder dalam bentuk laporan tahunan dan laporan keuangan perusahaan yang terdaftar di Bursa Efek Indonesia di 2012-2014. Pengambilan sampel dilakukan dengan purposive sampling, dengan metode nonprobability. Sampel ditentukan berdasarkan perusahaan yang mengungkapkan tanggung jawab sosial perusahaan sesuai dengan analisis isi pada GRI4. Data dianalisis menggunakan analisis regresi untuk menguji model penelitian. Hasil penelitian menunjukkan, bahwa pengungkapan tanggung jawab sosial perusahaan secara negatif mempengaruhi tindakan pajak yang agresif. Hasilnya juga menunjukkan, bahwa tata kelola perusahaan melalui dewan perusahaan dapat mengurangi tindakan pajak yang agresif, sedangkan komite audit dan audit internal memiliki pengaruh yang kecil terhadap kecenderungan tindakan pajak yang agresif. Hal berarti pemerintah dapat memperkuat dan menegakkan kebijakan yang terkait dengan tanggung jawab sosial dan tata kelola perusahaan untuk mencegah perilaku agresif pajak oleh perusahaan.

1. INTRODUCTION

Regulation of the Republic of Indonesia Number 40 Year 2007, on Limited Liability Company, Article 74, states that companies in the form of limited

liability companies, especially those that carry out their business activities related to natural resources, shall carry out social and environmental responsibility (Nadapdap 2012). Enterprises that do

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not carry out their obligations relating to social and environmental responsibility shall be liable to sanctions in accordance with effective regulations. Furthermore, Regulation of the Government of the Republic of Indonesia Number 47 Year 2012, on Corporate Social and Environmental Responsibility of Limited Liability Company, Article 2, states that every company has social responsibility, and Article 7 states that companies that do not fulfill obligations related to social and environmental responsibility shall be subject to sanctions in accordance with the stipulated provision. Therefore, many companies now disclose their social and environmental information to the public although previous studies have shown that the reporting of environmental information by firms in Indonesia is still very low. The number is increasing year by year (Sarumpaet 2005).

Chen, Chen, Cheng, and Shevlin (2010) state that companies and their owners prefer to take aggressive tax action by doing earnings management. Frank, Lynch, and Rego (2009) argue that aggressive tax action is an action aimed at lowering taxable profits through tax planning either by using a classified or unclassified tax evasion action. Kamila (2014) states that aggressive tax action can be bad for companies because it requires companies to report lower profits. This can damage the company's reputation in the eyes of stakeholders such as creditors, investors, and shareholders. Aggressive tax action by the company for the sake of achieving the goal of large profits has the opposite effect because it requires the companies to report lower profits (Kamila 2014). Therefore, aggressive tax action also can be used to increase company's profitabilities by paying lower tax.

Desai and Dharmapala (2006) argue that tax avoidance and managerial behavior can be complementary if tax avoidance reduces corporate transparency which, in turn, increases the opportunity for managers to divert company resources for personal gain. They said that companies with good governance have internal control mechanisms to prevent misappropriation, and argue that there is a negative relationship between equity incentives for managers and tax evasion. Conversely, poorly governed companies consider not to apply equity incentives to encourage tax evasion because they do not have governance mechanisms as a tool to prevent managerial abuse. Therefore, companies will able to increase equity incentives if they do not conduct aggressive tax action.

Studies related to corporate social responsibility and taxation have been conducted by Lanis and Richardson (2011); Desai and Dharmapala (2006). They state that CSR negatively affects tax aggressiveness on listed companies in Australia. Angelina and Martani (2012) found that disclosure of corporate social responsibility negatively affects aggressive tax action. Hanlon and Slemrod (2009) found the market reacting negatively to news of tax avoidance measures, but more positive reactions to companies with better governance. Jiménez (2008) found an association between tax aggressiveness, tax environment (government regulations) and strong corporate governance through investor behavior. Sartori (2010) found that corporate governance has a positive influence on corporate taxation compliance rates, thus minimizing aggressive tax action. Minnick and Noga (2010) found that corporate governance negatively affects tax management. Sari and Martani (2010) found that corporate governance negatively affects aggressive tax actions. Mulyadi and Anwar (2015) found an empirical evidence that there is a significant negative impact of corporate governance to earnings management and tax management. Septiani and Martani (2014) study indicates that corporate governance assessment affects the abnormal book tax difference as a proxy of earnings management and tax management as an assessment of the board of directors and commissioners. Armstrong, Blouin, Jagolinzer, and Larcker (2015) suggest that attributes of governance are strongly linked to more extreme levels of tax evasion. Therefore, corporate social responsibility has an effect not only on earnings management, but also on tax management, tax evasion, as well as aggressive tax action.

Related to aggressive tax actions literatures, the previous studies did not examine the effect of corporate governance factors on aggressive tax actions. For that reason, this study aims to analyze the effect of corporate responsibility disclosure and corporate governance on aggressive tax action. This research analyzes the corporate social responsibility disclosure based on Global Reporting Initiative (GRI), corporate governance analysis using ASEAN Corporate Governance Scorecard, and aggressive tax action using abnormal book tax difference (ABTD) which is different from the previous researches. This research is not only to enrich the tax literature with the Indonesian context, but it is also expected to be a consideration for the investors in making investment decision, for companies in

providing corporate social responsibility information, corporate governance mechanism, and the stakeholders, stockholders and tax authorities, for aggressive tax action.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Agency Problem

Jensen and Meckling (1976) define agency relationship as a contract when one or more people (the owner or principal) engage in an agreement with another person (manager or agent) to do the owner's interests. Appropriate contracting to align the interests of agents and owners in the event of a conflict of interest is at the core of agency theory. Deegan (2002), in the perspective of legitimacy theory, states that a company will voluntarily report its activities if management considers it as what the community expects.

Lindblom (1994) suggests that, if an organization considers that its legitimacy is in question, it may adopt some aggressive strategy. A number of previous studies assessed the disclosure of annual reports and viewed the reporting of environmental and social information as a method used by organizations to respond to public pressure (Guthrie and Abeysekera 2006). Agency and legitimacy theory are closely related to the reporting of environmental disclosure, and also closely related to the use of content analysis methods as a measure of the reporting. Therefore, agency theory tries to minimize information asymmetry of environmental disclosure. By doing so, the companies will achieve legitimation from companies' stakeholders or investors. Companies seem more likely to report their environmental disclosure if they have a particular need to do so.

Corporate Social Responsibility (CSR)

The definition of Corporate Social Responsibility (CSR) according to the World Business Council for Sustainable Development (WBCSD) is a continuing commitment by businesses to act ethically and contribute to the economic development of the local community or society at large, along with improving the lives of its workers and their whole family (Kastutisari and Dewi 2014). A typical CSR report contains lots of information, such as expenditures related to environmental protection and climate change, charitable contributions, and employee benefits - all of which are not normally reported in the financial statements but have significant implications for the company's value (Dhaliwal, Li, Tsang, and Yang 2014). Some CSR

projects directly imply positive cash flow for the future of the company (Dhaliwal et al., 2011). For that reason, CSR is the businesses' commitment to act ethically. This business should contribute to the local community development. Besides that, CSR contains the company's report that shows company's values with the positive cash flow for its future.

Aggressive Tax Action

In corporate dimension, the taxes deposited by the company to the government are the cost to the firm. The existence of these costs will result in reduced cash available to the company and shareholders that of course are not favored by the company or its shareholders. Therefore, to avoid the reduction of available cash, a tax-reducing act through aggressive tax activity will tend to be favored by companies and shareholders (Chen et al. 2010).

Attempts to minimize this tax burden can result in aggressive tax reporting (Hanlon and Slemrod 2009). This opinion is supported by research conducted by Chen et al. (2010), stating that there is a preference that corporate management has to take aggressive tax action. According to Frank et al. (2009), aggressive tax action is an action aimed at lowering taxable profits through tax planning, either using a classified or unclassified tax evasion action. Desai and Dharmapala (2006) state that companies conducting aggressive tax acts suffer from the following condition: (1). The existence of a company may be subject to punishment from the tax authorities due to the discovery of frauds that may occur during the audit process, (2). The loss of corporate reputation due to audit by tax agencies, (3). The decline in stock prices due to the assumption from the shareholders that aggressive tax actions undertaken by managers is a rent extraction action that can harm shareholders. Kamila (2014) states that the main purpose of aggressive taxation is to minimize the corporate tax burden. The tax expense is derived from multiplying the taxable income with the tax rate established by the state. The taxable income is derived from company profits minus tax correction. The tax expense incurred by a company depends on the tax correction or the difference between the profit and the taxable income (book-tax difference). Therefore, the technique of aggressive taxes is to manage the book-tax difference.

Corporate Governance

Potential conflicts of interest between principal and agent as well as the government and companies, can be addressed through good corporate governance. Corporate Governance is a mechanism used to ensure that the owner of the fund, such as shareholders and lenders of the company receives a return from the activities run by the manager, or in other words, how the owner of the fund exercises control to the managers (Shleifer and Vishny 1997).

The definition of corporate governance by the Organization for Economic Cooperation and Development (OECD) is a structure consisting of shareholders, board of directors, and management, which relate to each other and are responsible for improving the company's performance in achieving its objectives. The Indonesian Institute of Corporate Governance (IICG), on its website, defines corporate governance as a set of mechanisms to guide and control a company so that its operation goes according to the expectations of its stakeholders. Some of the measurements of corporate governance are based on institutional ownership by Desai and Dharmapala (2006) in the US, non-executive directors and institutional ownership by Wahab and Holland (2012) in the UK, family versus non-family by Chen et al. (2010) in Indonesia, duality CEOs, size boards, independent directors by Khaoula and Ali (2012) in Tunisia, and the effectiveness of the board of commissioners and the effectiveness of the audit committee in monitoring the company's operations by Hermawan (2009) in Indonesia.

Based on the description above, corporate government deals with the effort of making sure that the fund is managed and controlled so that all the stakeholders are also responsible for the company's performance for achieving the objectives they defined.

Book Tax Difference

Kamila (2014) states that the main purpose of the aggressive tax is to minimize the company's tax burden. The tax expense incurred by a company depends on the tax correction or the difference between the profit and the taxable income (book-tax difference). Book-tax difference consists of two components namely permanent differences and temporary differences. The permanent difference is the substantive difference between accounting profit and fiscal profit so that this difference will occur forever. Basically this difference arises because of the policy of the tax authorities so that it becomes an incentive for taxpayers (Zain 2008). The

temporary difference is the difference in the time of revenue recognition or expense according to accounting and taxes, so in total there is no difference, but in one period there are differences.

Research conducted by Hanlon and Shevlin (2005) found that large book-tax differences (LBTB) has a negative effect on earnings relevance. Investors interpret a large book-tax difference as an indication that the company is conducting earnings management and tax evasion that negatively affects the earnings relevance. Tang and Firth (2011) study that covered the weaknesses of Hanlon and Shevlin (2005). (Tang and Firth 2011) use an estimated model called the normal book-tax difference (NBTB) which is a book-tax difference derived from differences in regulation and abnormal book-tax difference (ABTD) that derived from earnings management and tax evasion.

Hypotheses

This study examines the existence of corporate social responsibility disclosure practices and corporate governance mechanisms that will reduce the aggressive tax actions by analyzing the disclosure of corporate social responsibility and the role of corporate governance against the tendency of companies to take aggressive tax action (Angelina and Martani 2012; Desai and Dharmapala 2006; Hanlon and Slemrod 2009; Lanis and Richardson 2011; Minnick and Noga 2010; Mulyadi and Anwar 2015; Sari and Martani 2010; Septiani and Martani 2014). Corporate social responsibility (CSR) is an activity that reflects good corporate governance. This is the implementation of agency theory as corporate responsibility to investors. Companies that do a lot of social responsibility activities mean that companies implement the corporate governance, so they will be obedient to the provisions of the regulation as a form of the consequences of getting legitimacy. Associated with taxes, companies that engage in social responsibility and corporate governance activities are expected to have low aggressive tax actions.

Corporate social responsibilities is basically a form of corporate responsibilityies related to environmental protection and climate change, charitable contributions, and employee welfare and other things that are usually not reported in financial statements but have significant implications for the company's value (Dhaliwal et al. 2014). The company's openness to CSR activities will finally affect tax aggressive actions. Dhaliwal et al. (2014) mention that CSR projects directly have

implications for positive cash flow for the company's future. On the contrary, companies that do not report their CSR activities will have the opposite effect on tax aggressive actions. Thus, the first hypothesis proposed in this study is.

H₁: *The degree of social responsibility disclosure has a negative effect on the corporate's aggressive tax action*

Corporate governance mechanisms are created by shareholders to encourage effective and efficient company management (Fama and Jensen 1983). Besides that, Siagian, Siregar, and Rahadian (2013) states that the application of good corporate governance can reduce agency costs reducing the cost of capital as a result of good company management. According to Hermawan (2009), corporate operational monitoring in Indonesia causes companies not to try to take actions that will harm stakeholders or investors. In this case, the company's steps to reduce the payment of the amount of tax will be avoided through the implementation of good corporate governance. Based on such arguments, it can be stated that good corporate government can reduce the aggressive tax actions. For that reason, the second hypothesis proposed in this study is:

H₂: *Good corporate governance has a negative effect on corporate's aggressive tax actions*

It is important to control include other factors that can control aggressive tax actions and also other factors that can control other variables. For example, tax and accounting difference variables that have been studied are included. By doing so, the expected variability of aggressive tax action

observed can occur because of CSR disclosure level.

The control variables used in this study are company size, leverage, liquidity, and return on assets. Company size is used as a control variable because larger firm sizes typically perform more aggressive tax actions compared to smaller firms because they have greater economic and political power compared to the smaller firms (Lanis and Richardson 2011). Leverage has a positive relationship with corporate tax aggressiveness through tax-deductible interest payments (Angelina and Martani 2012). Liquidity is used as a control variable because the size of the company's financial condition can trigger companies to disobey tax rules that can lead to aggressive tax action. And finally, return on asset is used as a control variable to control the companies' growth.

3. RESEARCH METHOD

This research was conducted by using secondary data in the form of annual report and company financial report which are listed on Indonesia Stock Exchange (IDX) over 2013-2015. These secondary data were taken from the Pusat Data Ekonomi dan Bisnis (PDEB) FEUI (the Center of Economics and Business Data) Economics Faculty of Universitas Indonesia, the Indonesia Stock Exchange (IDX) web-site and the company website of the related companies. It took the sample using a purposive sampling technique, with non-probability method. It was due to the limited annual reports of the listed companies over 2013-2015. Then, the researcher determined the number of the sample based on companies that conducted corporate social responsibility disclosure in accordance with content analysis on GRI4.

Table 1
Sample Distribution of Companies by Industrial Sector (GRI4)

Industrial Sector	Total Companies	Percentage
Construction and Real Estate	16	30.19%
Food Processing	12	22.64%
Media	3	5.67%
Oil and Gas	2	3.77%
Electric Utilities	5	9.43%
Mining and Metals	15	28.30%
Total	53	100%

Here is the research model used in this study:

$$\text{TaxAgit} = \alpha + \alpha_1\text{CSR Dit} + \alpha_2\text{CGit} + \alpha_3\text{Sizeit} + \alpha_4\text{Levit} + \alpha_5\text{Liqit} + \alpha_6\text{ROAit} + \text{eit} \dots (1)$$

Notes:

- TaxAg : Corporate tax aggressiveness
- CSR D : CSR disclosure GRI index
- CG : Assessment of corporate governance
- Size : Natural logarithm of total assets
- Lev : long term debt divided by total assets
- Liq : number of share traded/total outstanding share
- ROA : Profit before tax divided by total assets

Dependent variable in this research is ABTD. ABTD is measured by the residual estimation of the BTM model. BTM model is a model of (Manzon and Plesko 2002). The model includes:

$$\text{BTM} = \beta_0 + \beta_1\Delta\text{INVRit} + \beta_2\Delta\text{REVRit} + \beta_3\text{NOLit} + \beta_4\text{TLUit} + \beta_5\Delta\text{EBRit} + \text{eit} \dots (2)$$

Notes:

- BTM : book-tax differences for company in Year-t
- ΔINVRit : changes in investment in both fixed assets and intangible assets in the company from year t-1 to year-t
- ΔREVRit : changes in corporate income from year t-1 to year-t
- NOLit : the accounting value of net operating losses
- TLUit : value of tax losses utilized company i in Year-t
- ΔEBRit : changes in companies' employee benefit of the year t-1 to year-t

The independent variables in this research are:
 (1) CSR D, is the level of corporate social responsibility disclosure through corporate social responsibility disclosure items based on Global Reporting Initiatives (GRI) 4 with 58 items of disclosure including: strategy and analysis (G4-1 and G4-2), organizational profile (G4-3 to G4-16),

material and identified boundary aspects (G4-17 to G4-23), stakeholder relations (G4-24 to G4-27), report profiles (G4-28 to G4-33), governance (G4-34 to G4-55) and ethics and integrity (G4-56 to G4-58). Score 1 if item is disclosed and 0 if item not disclosed. CSR score = (total CSR score / 58) x 100%; (2) CG, is the performance assessment of the Board of Commissioners and Board of Directors (BOARD), Audit Committee (AC), and Internal Audit (AI); (3) Size, is the size of the company calculated by using natural logarithm of total assets; (4) Leverage, is a financing activity that comes from debt that has an important role and usually the lender asks for a more complete disclosure to the borrowing company (Leftwich 1981) and it is considered important in the disclosure of corporate social responsibility. Leverage is calculated by: long term debt divided by total assets; (5) Liquidity, calculated by: number share traded / total outstanding share; and (6) ROA, calculated by: profit before tax divided by total assets.

Prior to testing the research model, classical assumption test, such as multicollinearity and heteroscedasticity were conducted. Multicollinearity test is aimed at determining whether there is a correlation between independent variables in the regression model (Ghozali 2012). Multicollinearity detection is conducted by calculating tolerance values and Variance Inflation Factor (VIF). The common cut off value used to indicate Multicollinearity is a tolerance value of ≤ 0.10 or equal to VIF value ≥ 10 (Ghozali 2012).

The heteroscedasticity test aims to determine whether there is a variance inequality of one residual observation to another observation in the regression model (Ghozali 2012). Heteroscedasticity test is presented through scatter plot to determine whether there is a pattern seen from the distribution of data. If the pattern on the picture does not show any indication to form a certain pattern then there is no heteroscedasticity and vice versa. The testing of research model is done by using multiple regression analysis with error rate 5% using SPSS analysis.

Table 2
Descriptive Statistics

Variables	Mean	Maximum	Minimum	Standard Deviation
TaxAgr (ABTD)	-0.106	1.013	-0.936	0.168
CSRD	0.158	0.570	0.020	0.093
Board	0.309	0.580	0.120	0.077
Audit committee	0.606	1.000	0.100	0.206
Internal Audit	0.514	0.670	0.000	0.183
Size	21.929	25.130	18.060	1.534
Lev	0.209	0.740	0.000	0.187
Liq	1.386	6.300	0.000	1.386
ROA	26.623	32.660	21.340	3.461
Samples	159	159	159	159

Description: This table presents the results of statistical descriptive tests. Dependent variable in this research is ABTD, measured by the residual estimation of the BTM model. BTM model is a model of Manzon and Plesko (2002). The independent variable is CSRD that is the level of corporate social responsibility disclosure through corporate social responsibility disclosure items based on Global Reporting Initiatives (GRI) 4. CG is the value of corporate governance based on CG Scorecard. Size is the natural logarithm of total assets. Leverage is calculated by the formula of long term debt divided by total assets. Liquidity is calculated by the formula of number share traded / total outstanding share. ROA is calculated by the formula of profit before tax divided by total assets.

4. DATA ANALYSIS AND DISCUSSION

The sample consists of the companies that disclose their corporate social responsibility according to content analysis at GRI4. Descriptive statistics of research data is shown in Table 2.

As presented on Table 2, it can be seen that the average ABTD indicated by negative value with the standard deviation for ABTD is 16.82%, which indicates that the range of ABTD values is quite large. Maximum (minimum) ABTD value is 1.012 (-0.936). The average of BOARD value is 0.309, indicating that the board and commissioners' assessments are still low. For the maximum (minimum) BOARD value is 0.580 (0.120). The Audit Committee variable shows that the audit committee's assessment average value is 0.607, with the maximum (minimum) value being 1 and 0.1 indicating a perfect value and 0 indicating that there are still companies that have not yet established an audit committee.

For internal audit variables show the average value of 0.4514, and the maximum and minimum values respectively are 0.67 and 0, it means the existence of Internal Audit is good enough but there are companies that do not have internal audit. The SIZE variable shows the company's assets with an average value of 21.927, while the maximum

(minimum) value is 25.130 (18.060). The LEV variable shows the funding source of the company with an average value of 0.209 and the maximum (minimum) value is 0.740 (0.000). The Liq variable indicates that the firm's cash capability shows the average value of 0.731 and the maximal (minimum) value is 6.300 (0.000). For ROA variable showing profit-ability of company with average value of 26.623 and maximum value (minimum) is 32.660 (21.340).

Prior to testing the research model with regression analysis, classical assumption test (multicollinearity and heteroscedasticity) was conducted. It was found that there is no relationship between the independent variables and the VIF (values were all below the value of 10). For heteroedasticity testing using the Glejser Test, it showed that the residual variant for all observations in the regression model did not contain the symptoms of heteroscedasticity. It can be seen that the significance value of all independent variables are more than 0.05. So it is concluded that there is no problem of heteroscedasticity on regression model. The regression results of re-search model can be seen on Table 3.

Table 3
Regression Results

	Expected Sign	Coefficient	Significance	VIF
CSR	-	-0.210	0.038**	1.309
Board	-	-0.421	0.025**	1.291
AC	-	-0.035	0.618	1.273
AI	-	-0.001	0.985	1.283
Size	-	-0.220	0.016**	1.170
Lev	+	0.328	0.000**	1.226
Liq	?	0.012	0.230	1.228
ROA	?	0.007	0.085	1.094
Constant	?	0.073	0.737	
Adjusted R-square			0.101	
F-test Sign (F-statistic)			0.002**	
N			159	

** Significant at level 5%

Description: This table presents the estimation of research model for testing hypotheses 1 and 2. The dependent variable in this research is ABTD. ABTD was measured by residual estimation of BTM model using Manzon and Plesko model (2002). The independent variable is CSR which is the level of corporate social responsibility disclosure through corporate social responsibility disclosure items based on Global Reporting Initiatives (GRI) 4. Firm size was calculated by the formula of natural logarithm of total assets. Leverage was calculated by the formula of long term debt divided by total assets. Liquidity was calculated by the formula of number of share traded divided by total outstanding share. ROA was calculated by the formula of profit before tax divided by total assets.

Based on Table 3, it can be explained that:

1. *Social responsibility disclosure has a negative effect on corporate's aggressive tax actions*

Regression results indicate that the disclosure of corporate social responsibility negatively affects aggressive tax action. The disclosure of corporate social responsibility will reduce the aggressive tax action because the company's funds are used for such social responsibility activities. As for leverage, as a source of corporate funding, the result of this study indicates that the source of the funding obtained by the company is used for activities that provide benefits for the company through corporate social responsibility, so that the company is considered good by the public, especially by the investors. This may reduce any aggressive tax action that may be came from such funding sources.

Based on agency theory, stakeholders are aware of the need for information in the financial statements of corporate activities that can add value to the company. This value can be attained through social responsibility that can provide benefits to principals, agents and stakeholders. Principal wants to know all the company's information including

management activities related to their investment in the company. Therefore it is necessary to evaluate the agents or managers' performance on these investments in the financial statements that also have a positive impact for stakeholders, especially for the community for social responsibilities done by the company. Based on legitimacy theory, social responsibility is done through restrictions by regulation, values, and reaction of the company to care about the environment. Activities that benefit companies, communities and governments will add values (profit) for the company, prosperity for society and the value of investment for the government. The theory of legitimacy states that companies are continually seeking ways to ensure their operations are within the limits and norms that apply in society (social contracts).

The results of this study are in line with the research conducted by Desai and Dharmapala (2006) and Lanis and Richardson (2011) showing that CSR negatively affects tax aggressiveness, while this research is not in line with Angelina and Martani (2012) that disclosure of corporate social responsibility positively affects tax aggressiveness.

2. *Good corporate governance has a negative effect on corporate's aggressive tax actions*

Regression results indicate that corporate governance through ASEAN CG scorecard measurement in the research samples negatively affects aggressive tax action, although it is only shown from the existence of board of commissioners (board).

Board variable coefficient is -0.421 with a significance of 0.025. The findings prove that corporate governance through corporate boards can reduce aggressive tax action by companies. Meanwhile, for internal audit and audit committees, they do not perform significant effect on aggressive tax action tendencies, because its task is limited to the co-administration task for the board of commissioners in monitoring the company's performance and other financial information (Hermawan 2009). In addition, they are tasked to maintain the company's compliance with relevant regulations as well as the effectiveness of the company's internal controls and activities. Likewise, for the finding that internal auditors do not affect aggressive tax action. This is due to their tasks that are limited only to company's annual audit program and other related matters in the audit program.

The agency theory states that the best way to manage the relationship between principal and agent is required. The concept of separation of ownership and control becomes very important to anticipate the existence of the difference of interest between principal and agent especially related to financial reporting that impacts the corporate tax reporting.

In the perspective of legitimacy theory, a company will report its activities if management considers that this is what the community expects. In other words, the value system used by the company for its operational activities must be in accordance with the value system in society. This will impact on how the company runs its governance for sustainability so that it will get a positive response from the community and can increase the value of the company.

The results of this study are in line with Desai and Dharmapala (2006), Hanlon and Slemrod (2009), Jiménez (2008), Sartori (2010), Minnick and Noga (2010), Sari and Martani (2010), Mulyadi and Anwar (2015), Septiani and Martani (2014), Armstrong et al. (2015) showing that the attributes of governance has a strong relationship with a more extreme level on tax evasion. In other words, corporate governance negatively affects aggressive tax action by the company. Therefore, better governance has proved to decrease aggressive tax action.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to analyze the effect of corporate social responsibility and corporate governance disclosure on aggressive tax action. The results also show that the level of corporate social responsibility disclosure has a negative effect on corporate aggressive tax action. In turn, good corporate governance has a negative effect on corporate aggressive tax action. This implies that the existence of corporate social responsibility and corporate governance as a mechanism for the company not only generate economic value for shareholders and stakeholders but also to effectively prevent the aggressive tax action of the company.

Some limitations need to be put forward so that in the future, the study can be done carefully by considering these limitations. In addition, research limitations are useful for the development of similar research in the future. The limitations in this study are as follows: (1) Aggressive tax action in this study was measured by using BTM model regression to obtain the value of ABTD from previous studies influenced by the factors that exist in the studies. Current studies use Effective Tax Rate (ETR) as proxy for aggressive tax action; (2) The measurement of corporate governance based on ASEAN CG Scorecard is limited to the information in the company's annual report, so there is a possibility that the data did not indicate the actual conditions of the companies being researched. Therefore, ASEAN CG Scorecard is more comprehensive measurement for corporate governance.

Future research is suggested to address the limitations of this study by: (1) Analyzing the ABTD by adding the other factors affecting the ABTD such as the book-tax differences of previous periods and foreign operations; and (2) Using the instrument of corporate governance in ASEAN CG scorecard, coupled with other sources in addition to the annual report of the company through other publications. These publications are related to corporate governance disclosed by the company to complement the corporate governance mechanisms information.

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