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The Effect of Corporate Governance, Corporate Social Responsibility, and Financial Performance on Tax Avoidance

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ABSTRACT

This study aims to examine the effect of corporate governance, corporate social responsibility, and financial performance on tax avoidance. The study used taxavoidance as the dependent variable measured by Cash Effective Tax Rate (CETR), and commissioners, audit committee, corporate social responsibility (CSR), debt ratio, and ROA and the indepenent variables. This study also uses firm size as the control variable. Population consist of manufacturing companies listed on the Indonesia Stock Exchange (IDX) and the Malaysia Stock Exchange (MYX) period 2012-2016. Sampling was conducted using purposive sampling method. The analysis technique used is multiple linear regression analysis. The results of this study show that in the sample of Indonesian manufacturing companies, the variables of independent commissioner, audit committee, and ROA have an effect on tax avoidance, while in the sample of Malaysian manufacturing companies, only the variables of debt ratio and ROA that have an effect on tax avoidance.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh tata kelola perusahaan, tanggung jawab sosial perusahaan, dan kinerja keuangan terhadap penghindaran pajak. Penelitian ini menggunakan penghindanran pajak sebagai Variabel bergantun yang diukur dengan Cash Effective Tax Rate (CETR), dan menggunakan komisaris independen, komite audit, tanggung jawab sosial perusahaan (CSR), rasio utang, dan ROA sebagai variable bebasnya. Penelitian ini juga menggunakan ukuran perusahaan sebagai variabel kontrol. Populasi dalam penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) dan Bursa Malaysia (MYX) periode 2012-2016. Pengambilan sampel dilakukan dengan menggunakan metode purposive sampling. Teknik analisis yang digunakan adalah analisis regresi linier berganda. Hasil penelitian ini menunjukkan bahwa pada sampel perusahaan manufaktur Indonesia, variabel komisaris independen, komite audit, dan ROA berpengaruh terhadap penghindaran pajak, sedangkan pada sampel perusahaan manufaktur Malaysia, hanya variabel rasio utang dan ROA yang berpengaruh terhadap penghindaran pajak.

1. INTRODUCTION

Based on data from the Ministry of Finance published in www.pajak.go.id on January 29, 2016, the amount of state revenue from the tax sector targeted as a source of funding for the 2016 state budget was IDR 1,360 trillion. The government, through the Directorate General of Taxes (DGT), should be able to optimize the tax revenue to encourage economic growth. The government's efforts to optimize tax revenues are not easy because taxpayers tend to avoid paying taxes. To reduce the amount of tax that must be paid, companies usually carry out tax avoidance, which is a way to reduce the tax costs that must be paid while adhering to the applicable tax regulations or carry out tax evasion, which is a way to reduce the tax costs that must be paid by violating the applicable tax regulations.

The tax avoidance carried out by the company is based on the existence of corporate income tax that must be paid. The government, as a tax collector, always hopes that the amount of tax received can be achieved optimally

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because the tax revenues will be used as a source of state funding. However, companies, as taxpayers, always want a small amount of tax to be paid, because companies consider that paying taxes will burden the companies. For companies, tax is a burden that will reduce net income, and therefore, the companies always want the minimum tax payment. The phenomenon of tax avoidance in Indonesia and in various parts of the world is increasing over time. In 2015, a case of tax evasion was revealed. According to data from Global Financial Integrity posted on www.finansial.bisnis.com dated October 19, 2015, throughout the past decade a total of US $ 6.6 in the flow of funds generated from tax evasion in Indonesia was sent abroad. As a result, Indonesia suffered losses of IDR 240 trillion. The Minister of Finance, Bambang Brodjonegoro stated that there were companies that reported export prices below market prices and this was thought to be a transfer pricing practice.

Based on news from CNN Indonesia contained in www.cnnindonesia.com dated April 12, 2016, there was a case called the panama papers, in which confidential information suddenly leaked and became known to the public. More than 214,000 data of shell companies registered in 21 countries with tax havens were revealed in the biggest document leak in history. Based on the Indonesian CNN report, this action is considered legal tax avoidance. However, even though it is considered legal, this action is seen as unethical because it is contrary to the purpose of making tax laws, where taxes should be paid in the country where income is obtained.

Cases in the field of taxation that occur in Indonesia are inseparable from the taxation system adopted, that is, self assessment system. With this system, taxpayers are given the authority to determine the amount of tax payable themselves. So, in the self assessment system, the taxpayers are given the trust to calculate, pay or deposit, and report the amount of tax owed by themselves. The implementation of the self assessment system in the Taxation Law in Indonesia seems to provide an opportunity for taxpayers to reduce or minimize the amount of tax paid because taxpayers calculate and report their own taxes. Therefore, there is possibility that the data and the amount of tax payable reported are not in accordance with the actual situation. The decision to carry out tax avoidance is commonly taken by the company's leaders. However, in the companies that have implemented Good Corporate Governance (GCG), there are parties who oversee and assist the company management in terms of decision making. Companies listed on the Indonesia Stock Exchange (IDX) must have implemented Good Corporate Governance.

One of the characteristics of good corporate governance that must be owned by a company is the existence independent commissioner. The independent commissioner functions to carry out supervision and assist in managing the company well and making the company's financial statements more objective. With the existence of independent commissioners in the company, it is expected to minimize the fraud that might occur in tax reporting carried out by the company. Based on previous studies conducted by Cahyono, et al (2016) and Lionita and Kusbandiyah (2017), the existence of independent commissioners has no influence on tax avoidance. However, the research conducted by Eksandy (2017) and Prakosa (2014) shows that the existence of independent commissioners has an effect on tax avoidance.

The role of an audit committee in a company is to support the commissioner in overseeing management in compiling the company's financial statements and influencing corporate tax avoidance. The audit committee can also function to control managers to increase profits so that tax avoidance will tend to occur by reducing tax costs. Based on the research conducted by Cahyono, et al (2016) and Prakosa (2014), the existence of an audit committee has an influence on tax avoidance. However, the research conducted by Eksandy (2017) and Winarsih, et al (2014) shows that the existence of an audit committee has no influence on corporate tax avoidance.

Companies are required to be able to be responsible for all their activities to stakeholders. Corporate Social Responsibility (CSR) is a form of the company's commitment to act ethically, contribute to economic development, and improve the quality of life of workers and society. Based on the results of research conducted by Lanis & Richardson (2015), Landry, et al (2013), and Lanis & Richardson (2012), CSR has an influence on tax avoidance. However, the results of research conducted by Lionita & Kusbandiyah (2017), Wahyudi (2015), and Winarsih, et al (2014) show that CSR has no influence on tax avoidance.

Leverage is a ratio to measure the use of corporate debt to finance investments. Leverage raises the interest costs which are a deduction of the company's income tax burden. The research conducted by Lionita & Kusbandiyah (2017) and Cahyono, et al (2016) shows that leverage has no effect on corporate tax avoidance, whereas the research conducted by Siregar & Widyawati (2016) and Prakosa (2014) shows that leverage influences corporate tax avoidance. Tax avoidance practices can also be influenced by the company's financial performance.

Financial performance can be seen through several financial ratios, such as profitability ratio and leverage ratio. One ratio to measure a company's profitability can be shown through Return on Assets (ROA). ROA is a ratio that describes the company's ability to earn profits through the efficient use of its assets. The research conducted by Lionita & Kusbandiyah (2017) and Prakosa (2014) shows that ROA influences tax avoidance, while the research conducted by Cahyono, et al (2016) and Siregar & Widyawati (2016) shows that ROA has no effect on tax avoidance.

This study uses firm size as a control variable. Firm size (size) is a scale or value that can classify a company into large or small categories based on total assets, log size, and so on. It can be said that the greater the total assets, the greater the size of the company. The larger the size of the company, the more transactions will be carried out. The complexity of transactions carried out by companies will create a gap for companies to carry out tax avoidance by transacting with companies with tax heaven so that companies do not have to pay taxes.

This study tries to examine tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) and Malaysia Stock Exchange (MYX: 1818). Based on news from the Ministry of Industry of the Republic of Indonesia published in www.kemenperin.go.id dated October 9, 2017, the manufacturing sector industry in Indonesia still shows positive performance. This can be seen from the efforts of business expansion due to the increasing demand, both in the domestic and export markets. The increase in the manufacturing industry makes corporate transactions increasingly complex and associated with foreign countries. This can be used by companies to carry out tax avoidance by utilizing loopholes in dealing with foreign countries.

Malaysia is used as a comparison of tax avoidance practices in this study because Malaysia and Indonesia have the same tariff imposed to corporate income tax, which is a single tariff of 25%. Based on the CETR value of the two countries, it can be seen that there are still many companies that pay taxes below the tax rate. In Indonesia there are 121 out of 350 data or 34.57 percent which have a CETR value lower than the applicable tax rate. These results indicate that there are still many companies that pay taxes smaller than the 25 percent tax rate. Very high results are seen in Malaysia, in which there are 227 out of 370 data or 61.35 percent which have a CETR value lower than the applicable tax rate. These results indicate that there are still many companies that pay taxes smaller than the 25 percent tax rate, or reaching more than 50 percent.

Based on the news published in www.tribunnews.com on November 20, 2017, a report jointly prepared by Ernesto Crivelly and investigators from the IMF in 2016, based on a survey, was then re-analyzed by the United Nation University (UNU) using the database of the International Center for Policy and Research (ICPR) and the International Center for Taxation and Development (ICTD) revealed data of 30 countries' corporate tax avoidance. Of the 30 countries, Indonesia was ranked 11th with an estimated value of 6.48 billion US dollars in corporate tax not paid by companies in Indonesia to the government. Malaysia was ranked 5th with a value of 23.3 billion US dollars in corporate tax not paid by the company to the government.

The differences in the results of previous research and the existing phenomena encourage the researcher to conduct this study with the title "**The Effect of Corporate Governance, Corporate Social Responsibility, and Financial Performance on Tax Avoidance**," with the aim to re-examine the consistency of the results of previous studies.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory is the basis for understanding the corporate governance concept. This theory concerns contractual relationships between members in the company. Agency relations can occur if one person or more (principal) employs another person (agent) to provide services and then delegate decision-making authority (Jensen and Meckling, 1976). A principal is an investor or shareholder, while an agent is company management.

Agency theory assumes that humans have selfish character. Shareholders will always focus on increasing the value of their shares, while managers focus on fulfilling their personal interests by maximizing the fulfillment of their economic and psychological needs. The existence of different interests between the two parties raises the agency theory. The difference in interest in this study occurs with the interests of corporate profits between tax collectors (tax authorities) and taxpayers (company management).

The tax authorities hope that there will be as much income as possible from tax collection, while the company management has the view that the company must generate significant profits with a low tax burden. These two different perspectives lead to conflicts between the tax authorities as tax collectors and the management of the company as taxpayers. In addition, in this study, agency conflicts occur in companies where shareholders want high company profits because they want large dividends, but from the company side, of course with this large profit will make the tax to be paid is large. Therefore, the company will make a way to carry out tax avoidance measures so that corporate taxes are low.

The relationship between agency theory and this research is that there is a difference of interest in the corporate profits between tax collectors (tax authorities) and taxpayers (company management), where tax authorities expect the maximum income from tax collection, while management has the view that the company must generate significant profit with a low tax burden. To overcome this problem, the company can implement good corporate governance to oversee the company's activities. In addition, agency conflicts can cause company activities in terms of finances to be disrupted, which eventually will decrease the company's financial performance. The implementation of good corporate governance, such as the existence of independent commissioners and audit committees, will reduce the occurrence of agency conflicts in the company.

Legitimacy Theory

Legitimacy theory is a theory that focuses on the interaction between companies and stakeholders. Every company needs legitimacy or recognition from investors, creditors, consumers, government and society to be able to maintain its survival. The legitimacy from the society can be obtained if the company carries out social responsibility. The company considers that the company's survival is highly dependent on the company's relationship with society and the environment. Based on the legitimacy theory, the company is required to be able to carry out its activities in accordance with the values of justice and the norms that apply in society.

The relationship between legitimacy theory and this research is that to gain legitimacy or recognition from stakeholders, the company can carry out social responsibility. By carrying out social responsibility, the community will know that the company not only focuses on the company itself, but also has concern to take responsibility for the community. When a company carries out social responsibility, the company will incur significant costs related to CSR. These costs can be one of the company's loopholes to avoid tax because costs related to CSR activities are deductible expense that can reduce company profits and the tax paid is small.

Stakeholder Theory

In general, stakeholder theory shows that the company is not only responsible for the welfare of the company, but must also have a social responsibility by considering the interests of all parties affected by the company's strategic actions or policies. The success of a company depends on its ability to balance the various interests of stakeholders (Lako, 2011: 7).

The relationship between stakeholder theory and this research is related to CSR activities carried out by the company. CSR is the company's social responsibility to stakeholders. Companies that carry out CSR are the companies that are responsible not only for the welfare of the companies, but also for the welfare of society by considering the interests of all parties affected by their activities.

The Effect of Independent Commissioner on Tax Avoidance

The independent commissioner has a function to carry out supervision, assist in managing the company well, and make the company's financial statements more objective. The existence of independent commissioners in the company is expected to minimize the chances of fraud that might occur in tax reporting carried out by the company. If the governance mechanism carried out by independent commissioner goes well, it will minimize the occurrence of tax avoidance by the company. Research conducted by Eksandy (2017) and Prakosa (2014) shows that independent commissioners influence tax avoidance.

Hypothesis 1a: Independent commissioner has an effect on tax avoidance in Indonesia.

Hypothesis 1b: Independent commissioner has an effect on tax avoidance in Malaysia

The Effect of Audit Committee on Tax Avoidance

In a company, the role of an audit committee is to support the commissioner in overseeing management in compiling the company's financial statements and influencing corporate tax avoidance. The audit committee can also function to control managers to increase profits so that tax avoidance will tend to occur by reducing tax costs. Audit committee members, with accounting or financial expertise, will better understand the loopholes in tax regulations and ways that can avoid detection risks, so that they can provide useful advice to carry out tax avoidance. The existence of an audit committee in a company has an influence on tax avoidance. The greater the audit committee in the company, the better the quality of good corporate governance, so that it will minimize the possibility of tax avoidance activities carried out by the company.

Based on the research conducted by Cahyono, et al (2016) and Prakosa (2014), audit committee has an influence on tax avoidance.

Hypothesis 2a: *Audit Committee has an effect on tax avoidance in Indonesia.*

Hypothesis 2b: *Audit Committee has an effect on tax avoidance in Malaysia.*

The Effect of Corporate Social Responsibility (CSR) on Tax Avoidance

Companies are required to be able to be responsible for all their activities to stakeholders. Corporate Social Responsibility (CSR) is a form of the company's commitment to act ethically, contribute to economic development, and improve the quality of life of workers and society. Companies that carry out CSR will certainly incur costs in terms of CSR activities. With the costs incurred, it will reduce company profits. If the company's profit is reduced, it will result in a small tax burden owed in that period. In order to be able to maintain or optimize company profits, several efforts to minimize tax burden are carried out by the company through the practice of tax avoidance. Based on research conducted by Roman & Richardson (2015), Landry, et al (2013), and Lanis & Richardson (2012), CSR has an influence on tax avoidance

Hypothesis 3a: *CSR has an effect on tax avoidance in Indonesia.*

Hypothesis 3b: *CSR has an effect on tax avoidance in Malaysia***.**

The Effect of Debt Ratio on Tax Avoidance

Leverage is a ratio to measure the use of corporate debt to finance company assets. High level of leverage illustrates that the company is more dependent on debt to finance its assets. Debt owned by the company raises the interest costs. The greater the debt held by the company, the greater the interest expense paid by the company. The interest expense can be a deduction from the company's income tax burden. The high interest expense will reduce the company's profit, so the amount of tax burden that must be paid by the company is also getting smaller. With the right corporate capital structure decisions, the company can obtain tax benefits by reducing interest expense, so that the company's tax avoidance efforts can be reduced. The results of research conducted by Siregar & Widyawati (2016) and Prakosa (2014) show that leverage has an effect tax avoidance.

Hypothesis 4a: Debt Ratio has an effect on tax avoidance in Indonesia.

Hypothesis 4b: Debt Ratio has an effect on tax avoidance in Malaysia.

The Effect of Return on Asset (ROA) on Tax Avoidance

Profitability, shown through Return on Assets (ROA), is a ratio that describes the company's ability to earn profits through efficient use of its assets. The higher the company's profits, the higher the amount of tax to be paid. With this high profit, a company of course does not want to pay a high amount of tax, so that tax avoidance will tend to be done by the company. The research conducted by Lionita & Kusbandiyah (2017) and Prakosa (2014) shows that ROA influences tax avoidance.

Hypothesis 5a: ROA has an effect on tax avoidance in Indonesia.

Hypothesis 5b: ROA has an effect on tax avoidance in Malaysia.

The Effect of Firm Size on Tax Avoidance

Firm size (size) is a scale or value that can classify a company into large or small categories based on its total assets, log size, and so on. The greater the total assets, the greater the size of the company. The larger the size of the company, the more transactions will be carried out. The complexity of transactions carried out by companies will create a gap for companies to carry out tax avoidance by transacting with companies having tax heaven so that the companies do not have to pay taxes.

Hypothesis 6a: Firm size has an effect on tax avoidance in Indonesia

Hypothesis 6b: Firm size has an effect on tax avoidance in Malaysia

The framework underlying this research can be summarised in Figure 1.

3. RESEARCH METHOD

Sample Classification

The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) and Malaysia Stock Exchange (MYX) period 2012-2016. The sample is selected from the population using purposive sampling technique. The criteria of the sample are as follows: (1) manufacturing companies listed on the Indonesia Stock Exchange (IDX) and Malaysia Stock Exchange MYX) period 2012-2016; (2) publishing annual financial reports for 5 years in a row in the period 2012-2016; (3) using rupiah currency unit for Indonesian manufacturing companies and ringgit currency unit for Malaysian manufacturing companies; (4) having a profit with a positive value; (5) having complete information in accordance with the variables used. In Indonesian manufacturing companies there are 350 data samples, while in Malaysian manufacturing companies there are 370 data samples.

Research Data

The study sued secondary data taken from the existing sources. They are the7 manufacturing companies' annual reports and financial statements period 2012-2016. Data were taken through the Indonesia Stock Exchange website http://www.idx.com and the Malaysia Stock Exchange website, http://www.bursamalaysia.com.

Research Variable

The variables used in this study are dependent variable, independent variable, and control variable. The dependent variable in this study is tax avoidance. The independent variables used in this study are independent commissioners, audit committee, corporate social responsibility (CSR), debt ratio, and ROA. The control variable used in this study is firm size (size).

Operational Definition of Variable

Tax Avoidance, according to Suandy (2011: 18), is an engineering of "tax affairs" which is still within the framework of taxation provisions. Generally taxpayers try to pay taxes as small as possible, because paying taxes means reducing the economic ability of taxpayers. Tax avoidance, in the positive sense, can be interpreted as a planning action in the fulfillment of complete, correct, and timely tax obligations so as to avoid waste of resources. Tax avoidance, in the negative

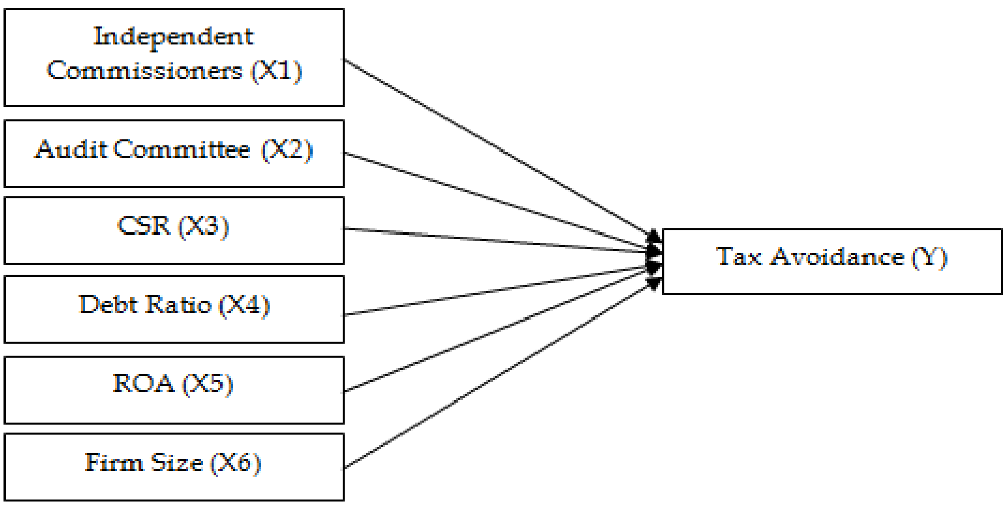

Figure 1
Framework

sense, describes actions to reduce tax liabilities by utilizing loopholes or shortcomings in the tax regulations. Tax avoidance in this study is proxied by **Cash Effective Tax Rate (CETR)**. The cash paid for taxes is derived from the amount of cash paid for taxes in the cash flow statement. CETR can be calculated in the following ways:

$$CETR = \frac{\text{Cash Tax Paid}}{\text{Pre – Tax Income}}$$

Independent Commissioner (IC)

The existence of independent commissioners has been adopted in the Company Law, Article 120 paragraph (1) and paragraph (2). Article 120 paragraph (2) states that "Independent Commissioners in good corporate governance guidelines are commissioners from outside". An independent commissioner is a member of the board of commissioners who is not affiliated with the board of directors, other members of the board of commissioners, and controlling shareholders, and is free from business relations or other relationships that can affect the ability to act in the interests of the company. An independent commissioner is a commissioner who is not a member of management, a majority shareholder, an official or in other ways that is directly or indirectly related to the majority shareholder of a company.

The proportion of independent commissioner (IC) is calculated using the following equation:

$$(IC) = \frac{\text{The number of IC}}{\text{Total members of the Board of Commissioners}} X\ 100$$

Audit Committee (AC)

The existence of an audit committee within the company serves to assist the board of commissioners in overseeing the company's management in preparing the company's financial statements. In principle, the main task of the audit committee is to assist the board of commissioners in carrying out the supervisory function of the company's performance. The audit committee serves to provide views on issues related to financial policy and internal control. The variable of audit committee in this study is measured by the following formula:

$$AC = \frac{\text{Total members of Audit committee outside the company}}{\text{Total members of Audit committee}} X\ 100$$

Corporate Social Responsibility *(CSR)*

CSR, according to Carroll (2003) in Pradipta & Supriyadi (2015), is "*the social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time*." Measurement of the variable of CSR is done by using a check list that refers to the Global Reporting Initiative (GRI). The number of items expected by the company is 91 items. This measurement is done by matching items at the check list with items disclosed in the company's annual report. If item I is disclosed, the value is 1, and if item I is not disclosed, the value is 0 at the check list. The formula for calculating CSRI is as follows:

$$CSRIj = \frac{\Sigma Xij}{Nj}$$

Note:

CSRIj :Corporate Social Responsibility Disclosure Index of company j.

ΣXij : Value 1 if item i is disclosed; value 0 if item i is not disclosed.

Nj : Number of items for company j, nj = 91.

Debt Ratio (DR)

According to Kasmir (2012), leverage is a ratio used to measure the extent to which a company's assets are financed by company debt or to measure how much the company's debt affects the management of company assets. The results of this ratio illustrate the proportion of company assets financed by company debt. The formula for calculating leverage is as follows.

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Return on Assets (ROA)

According to Kasmir (2012: 196), Return on Assets (ROA) is a profitability ratio that describes the ability of management to obtain profits (profits). The higher the ROA, the higher the company's profits obtained with the management of company assets. ROA is calculated as follows:

$$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$$

Firm Size

Company size as a scale or value that can classify a company into large or small categories based on its total assets, log size, and so on. The greater the total assets, the greater

the size of the company is. The larger the size of the company, the more transactions will be carried out. Company size can be calculated as follows:
Size = Ln(total asset)

Analysis Tool

The data analysis technique used in this study is multiple linear regression analysis.

4. DATA ANALYSIS AND DISCUSSION

Descriptive Analysis

In this study descriptive analysis explains and describes the data seen from the minimum value, maximum value, mean value, and standard deviation.

Based on the data in Table 1, the minimum value of the variable of tax avoidance in the Indonesian sample is 0.0006, owned by PT. Akasha Wira International Tbk in 2012, and the maximum value is 31.7840 owned by PT. Voksel Electric Tbk in 2015. In the Malaysian sample, the minimum value of this variable is 0.0001 owned by Kia Lim Berhad in 2014, and the maximum value is 1.7527 owned by Press Metal Berhad in 2013.

The minimum value of the variable of independent commissioner in the Indonesian sample is 0.2 or 20% owned by PT. Voksel Electric Tbk in 2012 and 2013, and the maximum value is 0.8 or 80% owned by PT. Unilever Indonesia Tbk in 2012 - 2016. In the Malaysian sample, the minimum value of the variable of independent commissioner is 0.2 or 20% owned by Thong Guan Industries Berhad in 2012, and the maximum value is 0.8 or 80% owned by Timberwell Berhad in 2013.

The minimum value of the variable of audit committee in the Indonesian sample is 0.3333 or 33.33% owned by PT HM Sampoerna Tbk in 2012 -- 2016, PT Indofood CBP Sukses Makmur Tbk in 2013 - 2016, PT Indofood Sukses Makmur Tbk in 2016, PT Steel Pipe Industry of Indonesia Tbk in 2015 - 2016, PT Holcim Indonesia Tbk in 2012 - 2015, PT Indo Acidatama Tbk in 2013 - 2016, and PT Tempo Scan Pacific Tbk in 2013 – 2016, and the maximum value of this variable is 1 or 100% owned by PT. Sepatu Bata Tbk in 2012. This shows that all audit committees within the company are not members of independent commissioners within the company.

In the Malaysian sample, the minimum value of the variable of audit committee is 0.1667 or 16.67% owned by the Shell Refining Company Berhad in 2015, and the maximum value is 0.6667 or 66.67% owned by Advanced Packaging Technology (M) Bhd in 2012 - 2016 and Thong Guan Industries Berhad in 2012.

The minimum value of the variable of CSR in Indonesian manufacturing companies is 0.0110, and the maximum value is 0.1538 owned by PT. Asahimas Flat Glass Tbk in 2016. The minimum value of the variable of CSR in Malaysian manufacturing companies is 0.0110, ant the maximum value is 0.1099 owned by Petronas Gas Berhad in 2015 - 2016.

The minimum value of the variable of debt ratio in the Indonesian sample is 0.0372 or 3.72% owned by PT. Jaya Pari Steel Tbk in 2013, and the maximum value is 2.8636 or 286.35% owned by PT. Primarindo Asia Infrastructure Tbk in 2014. In the Malaysian sample, the minimum value of the variable of debt ratio is 0.0037 or 0.37% owned by AE Multi Holdings Berhad in 2016, and the maximum value is 0.7766 or 77.66% owned by Malaysia Smelting Corporation Berhad in 2013.

The minimum value of the variable of ROA in the Indonesian sample is 0.0002 or 0.02% owned by PT. Voksel Electric Tbk in 2015, and the maximum value is 0.9830 or 98.30% owned by PT. JAPFA Comfeed Indonesia Tbk in 2012. In the Malaysian sample, the minimum value of the variable of ROA is 0.0012 or 0.12% owned by Evergreen Fibreboard Berhad in 2014, and the maximum value is 0.4796 or 47.96% owned by CN Asia Corporation Bhd in 2016.

Table 1
Summary of Descriptive Analysis

No	Descriptive	Sample	CETR	IC	AC	CSR	DR	ROA	SIZE
1	Mean	Indonesia	0.6337	0.4000	0.6398	0.0417	0.0436	0.0909	0.1352
		Malaysia	0.2605	0.4432	0.3234	0.0307	0.3312	0.5881	0.0840
2	Min.	Indonesia	0.0006	0.2000	0.3333	0.0110	0.3723	0.0002	-0.4279
		Malaysia	0.0001	0.2000	0.1667	0.0110	0.0037	0.0012	-0.1623
3	Max	Indonesia	31.784	0.8000	1.0000	0.1538	2.8636	0.9830	0.7568
		Malaysia	1.7527	0.8000	0.6667	0.1099	0.7766	0.4796	2.2218
4	Std. Deviation	Indonesia	1.9928	0.1044	0.0951	0.02872	0.2424	0.1030	0.1536
		Malaysia	0.2388	0.1087	0.0618	0.0179	0.1706	0.4813	0.2031

Source: Process Data

The minimum value of the variable of firm size in the Indonesian sample is -0.4279 or -42.79% owned by PT Alakasa Industrindo Tbk in 2012, and the maximum value is 0.7568 or 75.68% owned by PT. Yanaprima Hastapersada Tbk in 2013. In the Malaysian sample, the minimum value of the variable of firm size is -0.1623 or -16.23% owned by Boustead Heavy Industries Corporation Bhd in 2013, and the maximum value is 2.2218 or 222.18% owned by Sarawak Cable Berhad in 2014.

Results of Analysis and Discussion

The Effect of Independent Commissioners (IC) on Tax Avoidance

The first hypothesis is conducted to test the effect of independent commissioners on tax avoidance. The value of t in the Indonesian sample shows is -2.142 with a significance value of 0.033. The significance value is smaller than 0.05, indicating that independent commissioner has a significant negative effect on tax avoidance. So H1a is accepted. These results prove that the higher the independent commissioners in the company, the lower the value of CETR. This shows that companies pay taxes smaller, indicating that there is tax avoidance.

Conversely, the fewer the independent commissioners in the company, the higher the value of CETRis, which shows that the company pays tax more. Thus, indicating that there is no tax avoidance. The results of the study in the Indonesian sample state that independent commissioner has an effect on tax avoidance, which means that the presence of independent commissioners in a company has the power to carry out supervision and decision making in the company, including related to tax activities. These results are in accordance with agency theory where agency conflict occurs in companies, in which shareholders want high company profits because they want large dividends, but for the company, this large profit will make the tax that must be paid becomes large. With this situation, the company will find a way to carry out tax avoidance measures so that corporate taxes are low. The existence of independent commissioners as an indicator of good corporate governance has not been able to bring a good impact because it reduces the CETR value of the company.

The results of this study support the results of research conducted by Eksandy (2017) and Prakosa (2014) that the variable of independent commissioners has an effect on tax avoidance. According to Prakosa (2014), an increase in the number of independent commissioners can prevent tax evasion. Independent commissioners can supervise company management in formulating strategies including tax-related strategies. According to Eksandy (2017), the existence of independent commissioners in overseeing management performance can reduce agency problems, such as management's opportunistic attitude towards bonuses by reducing tax paid. Greater supervision will make management careful in making decisions in running the company so that tax avoidance can be minimized.

Based on testing in the Malaysian sample, the value of t is 0.862 with a significance value of 0.390. The significance value is greater than 0.05, indicating that the variable of independent commissioners has no effect on tax avoidance, so H1b is rejected. These results prove that the existence of independent commissioners in the company does not have any influence on the company's operational activities, including in terms of tax administration. The

Table 2
Results of Multiple Linear Regression Analysis

No	Test		Indonesia		Malaysia	
1	R^2 test		0.072		0.076	
2	F test		F = 4.544	Sig. = 0.000	F = 5.704	Sig. = 0.000
3	T test		(B)	Sig.	(B)	Sig.
		IC	-0.129	0.033	0.054	0.390
		AC	-0.167	0.005	0.078	0.467
		CSR	-0.068	0.709	0.489	0.194
		DR	0.023	0.335	-0.090	0.039
		ROA	-0.015	0.046	-0.869	0.000
		Size	-0.099	0.007	0.019	0.577

Source: Process Data

results of this study support the research conducted by Cahyono, et al (2016) and Lionita & Kusbandiyah (2017) that the existence of independent commissioners has no influence on tax avoidance. According to Lionita & Kusbandiyah (2017), one of the main functions of independent commissioners is to supervise directors, but this function is not implemented properly. This is because there is a possibility that the independent commissioners who are supposed to supervise the directors actually contribute to determining the company's policies for tax avoidance in the hope that they will receive compensation because the company's net income is higher.

The Effect of Audit Committee (AC) on Tax Avoidance

The second hypothesis is conducted to test the influence of the audit committee on tax avoidance. Based on the testing in the Indonesian sample, the value of t is -2,853 with a significance value of 0.005. The significance value is smaller than 0.05, indicating that the audit committee has a significant negative effect on tax avoidance, so H2a is accepted. These results prove that the more the members of the audit committee in the company, the lower the CETR value, indicating that the company pays taxes smaller and can be indicated the there is tax avoidance. Conversely, the fewer the members of the audit committee in the company, the higher the CETR value, indicating that the company pays tax more and can be indicated that there is no tax avoidance. The results of this study prove that audit committee has a negative influence on tax avoidance. The smaller the audit committee, the higher the CETR value, indicating the ability of the company to pay high taxes and it can be said that tax avoidance does not occur. The results of this study support the research conducted by Cahyono, et al (2016) and Prakosa (2014) that the existence of an audit committee has an influence on tax avoidance.

The second hypothesis is conducted to test the influence of the audit committee on tax avoidance in the Malaysian sample. The t value is 0.728 with a significance value of 0.467. The significance value is greater than 0.05, indicating that the audit committee does not affect tax avoidance, so H2b is rejected. These results prove that the existence of an audit committee in a company has no influence whether the company carries out tax avoidance actions or not. The results of this study support the research conducted by Eksandy (2017) and Winarsih, et al (2014) that the existence of an audit committee has no influence on tax avoidance.

The Effect of Corporate Social Responsibility on Tax Avoidance

The third hypothesis is conducted to examine the effect of corporate social responsibility on tax avoidance. The Indonesian sample shows that the t value is -0.374 with a significance value of 0.709. The significance value is greater than 0.05, indicating that corporate social responsibility does not affect tax avoidance, so H3a is rejected. The same results occur in a sample of Malaysian manufacturing companies, in which the t value is 1.301 with a significance value of 0.194. The significance value is greater than 0.05, indicating that corporate social responsibility does not affect tax avoidance, so H3b is rejected. The results of this study prove that the disclosure of CSR carried out by the company has no effect on tax avoidance.

There was an increase in the disclosure of CSR from year to year in the period 2012 to 2016. The increase in CSR disclosure is because companies are aware of having social responsibility, not with the aim of tax avoidance, even though by carrying out CSR activities the company incurs considerable costs. This is in accordance with the legitimacy theory which states that companies need legitimacy or recognition from investors, creditors, consumers, government and society to be able to maintain their survival. Legitimacy from the community can be obtained if the company carries out social responsibility. The results of this study support the research conducted by Lionita & Kusbandiyah (2017), Wahyudi (2015), and Winarsih, et al (2014) that CSR has no effect on tax avoidance. According to Lionita & Kusbandiyah (2017), high or low CSR disclosure made by companies in annual reports has no effect on the practice of tax avoidance.

The Effect of Debt Ratio (DR) on Tax Avoidance

The fourth hypothesis is conducted to test the effect of the debt ratio on tax avoidance. Based on the results of testing on samples of Indonesian manufacturing companies, it shows that the t value is 0.966 with a significance value of 0.335. The significance value is greater than 0.05, indicating that the debt ratio does not affect tax avoidance, so H4a is rejected. These results indicate that the high or low value of the debt ratio owned by the company has no influence on tax avoidance actions carried out by the company. The results of this study support the research conducted by Lionita & Kusbandiyah (2017) and Cahyono, et al (2016) that leverage (debt ratio) has no effect on corporate tax avoidance.

The test results on samples of Malaysian manufacturing companies show that the t value is -2.070 with a significance value of 0.039. The significance value is smaller than 0.05, indicating that the debt ratio has a significant negative effect on tax avoidance, so H4b is accepted. These results indicate that the higher the debt ratio, the lower the CETR value. This means that the company pays small amounts of tax and indicates that the company is conducting tax avoidance. Conversely, when the value of the debt ratio decreases, the value of CETR will increase, meaning that the company pays large amounts of tax and indicates that the company does not carry out tax avoidance.

The movement of the average debt ratio from 2015 to 2016 increased, but the CETR value actually declined. The results of this study support the results of research conducted by Siregar & Widyawati (2016) and Prakosa (2014) that leverage (debt ratio) has an effect on corporate tax avoidance. According to Siregar & Widyawati (2016), manufacturing companies that utilize debt to avoid tax due to the high have debt will receive tax incentives in the form of loan interest discounts. So companies that have a high tax burden can make tax savings by increasing debt.

The Effect of Return on Asset (ROA) on Tax Avoidance

The fifth hypothesis is conducted to examine the effect of ROA on tax avoidance. The test results on samples of Indonesian manufacturing companies show that the t value is -2.006 with a significance value of 0.046. The significance value is smaller than 0.05, indicating that ROA has a significant negative effect on tax avoidance. The same results occur in a sample of Malaysian manufacturing companies that the t value is -5.639 with a significance value of 0.000. The significance value is smaller than 0.05, indicating that ROA has a significant negative effect on tax avoidance, so H5a and H5b are accepted. These results indicate that if the ROA value of the company is higher, the CETR value will be lower which means that the company's ability to pay taxes in cash is very low.

This indicates that the company is carrying out tax avoidance. Conversely, if the value of ROA owned by the company is low, the CETR value will be higher, which means that the company's ability to pay taxes in cash is high. This indicates that the company is not carrying out tax avoidance. The results of this study support the research conducted by Lionita & Kusbandiyah (2017) and Prakosa (2014) that ROA has an effect on tax avoidance. According to Prakosa (2014), companies with high profitability will make mature tax plan so that it produces optimal tax, therefore, the tendency to do tax avoidance will decrease.

The Effect of Size on Tax Avoidance

The test results on samples of Indonesian manufacturing companies show that the t value is -2.702 with a significance value of 0.007. The significance value is smaller than 0.05, indicating that the size as the control variable has a significant negative effect on tax avoidance. These results indicate that if the size of the company is getting bigger, the CETR value will be lower which means that the company's ability to pay taxes in cash is very low. This indicates that the company is carrying out tax avoidance. Conversely, if the size of the company gets smaller, the CETR value will be higher which means that the company's ability to pay taxes in cash is higher. This indicates that there is no indication that the company is carrying out tax avoidance. The larger the size of the company, the more transactions will be made so that it will create a loophole for the company to avoid taxation by transacting with companies that have tax heaven so that companies do not have to pay taxes.

The test results on samples of Malaysian manufacturing companies show that the t value is 0.558 with a significance value of 0.577. The significance value is greater than 0.05, indicating that size as a control variable does not affect tax avoidance. This shows that the large or small size of the company does not have an influence whether the company does tax avoidance or not.

5. CONCLUSION, IMPLICATION, LIMITATION, AND SUGGESTION

Based on the test results, it can be concluded that in the sample of Indonesian manufacturing companies, the variables of independent commissioners, audit committees, and ROA have an effect on tax avoidance, while in the sample of Malaysian manufacturing companies, only the variables of debt ratio and ROA that have an influence on tax avoidance. This study still has some limitations, among others: (1) data residuals are not normally distributed, so it must eliminate a large number of outlier data so that the results obtained are less optimal; (2) there are two variables that experience heteroscedasticity in the sample of Indonesian manufacturing companies: ROA and size. In the sample of Malaysian manufacturing companies, the variable of ROA also experiences heteroscedasticity; (3) autocorrelation occurs in samples of both Indonesian and Malaysian manufacturing companies; (4) in measuring the variable of CSR, the researcher uses judgment to assess each item of CSR reported in the company.

Based on the limitations in this study, it is suggested that further research: (1) add a model to proximate the measurement of tax avoidance, such as *book tax difference* and *residual book tax difference*; (2) add other variables that can detect tax avoidance actions, such as audit quality, institutional ownership, and family ownership; (3) extend to the research period; and (4) examine more deeply about CSR disclosure items.

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