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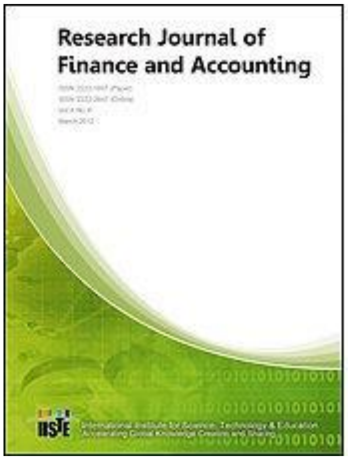

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The Effect of Corporate Social Responsibility Disclosure, Family Ownership, and Good Corporate Governance in Tax Avoidance

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Abstract
Tax avoidance is a management effort to reduce the amount of tax burden. There are several parameters which effective to evaluate tax avoidance behaviour of a company, consist of corporate social responsibility program (CSR), company ownership status and good corporate governance (GCG). The purpose of this paper is to evaluate tax avoidance behaviour, focused in three parameters (CSR, ownership, GCG) of 268 public listed manufacture company in Indonesia Stock Exchange period 2012-2016. General method of research is evaluating three parameters individually than integrated and compare with tax avoidance points to make a correlation. ETR is used to measure the value of tax avoidance, CSR is measured by GRI (91 items of disclosure), family ownership is measured by dummy, and GCG is measured by IPCG (103 items of disclosure). All of data is evaluate statistically using multiple linear regression analysis.Conclusion of the research resulted three significant findings. Corporate social responsbility and good corporate governance parameteres indicated significant negative in affect tax avoidance behaviour while family ownership status doesn't have any influence on tax avoidance behaviour.
Keywords: corporate social responsibility, family ownership, good corporate governance, tax avoidance.
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1. Introduction

Lanis and Richardson (2012) provide a definition of tax avoidance as a way for company to reduce tax burden that should be paid. Frank et al., (2009) interpreted a tax avoidance as an action taken by company to manipulate taxes and designed through tax planning by using legal method (tax avoidance) and illegal method (tax evasion). Although the are no violation of law and internaly company regulation, especially for end user of financial statement report, the tax avoidance is not acceptable. Tax avoidance was irresponsible actions of company to community (Lanis dan Richardson, 2012), this action has potentially degraded company image in community.

Corporate Social Responsibility (CSR) is strategic way for company to branding positive image in the community. This action can be explained by legitimacy theory which assumes that management developed company strategies to meet people's desires (Chan et al. 2004). In addition to, corporate social responsibility (CSR) implementation by company was potential to reduce tax avoidance (Ratmono & Sagala, 2015).

Some studies have found that company ownership characteristics can influence tax avoidance behaviour. According to Claessens (2000) study in Indonesia, most of company ownership structure is in pyramide shape structure. Rusydi and Martani (2014) stated that there is difference of company behavior in respond to tax avoidance behavior in Indonesia which could be divided become family base ownership and non-family ownership. Company ownership by family is effective reducing tax avoidance behavior, this resulted also confirm previous research result by Chen et al., (2010). Maintain company image and reputation which is has strong relation with family reputation in community is belived become the reason of this anomaly.

Good corporate governance (GCG) is a professional role in running a company based on professional ethics and standard operational procedure in its business activities. Indonesia National Committee of Governance Policy (KNKG, 2006) has been released a recommendation for all company in Indonesia to ensure and applied good corporate governance in all sectors and department of company. There are five points of good corporate governance recommendations consist of transparency, accountability, responsibility, independent, fairness and harmony. All of those points should become company concern to reached sustainability and harmony with all stakeholders. One of significant point which has very strong relation with tax avoidance behavior is financial and tax transparency. Good corporate governance will be lead company management to avoid tax avoidance behavior to keep company on the positive track.

Anomaly occurrence results (research gap) compare to previous researchers become research background for author to conduct a re-examination of tax avoidance.

Previous tax avoidance behaviour research result only come up with positive and negative implication of three parameters (CSR, GCG, Ownership) to tax avoidance behavior. Preliminary result of this research indicated only two parameters has significant implication to tax avoidance behavior, consist of corporate social responsbility and good corporate governcane, while ownership status doesn't influence the tax avoidance behaviour.

According to Ferdinand (2016) difference result anomaly could happen if the formulation of a proposition is inadvertent, both from operational formulation, samples, data collection methods and data analysis. This situation could directly influence similar research variables and become subject to review and re-evaluation.

This research was expected to be fixing previous research result by modified research samples for better understanding of tax avoidance behaviour. Research samples is homogen (in term of bussiness background) by choosing manufacture companies which assumed has better good corporate governance (statistically by IDX, 2016) compare to other bussiness background company in Indonesia Stock Exchange. The family ownership variable in this study traces direct ownership (imediate concept), as one of the factors that influence tax avoidance. Research samples also grouped become metal, chemical and plastic packaging manufactures companies which listed in Indonesa Stock Exchange period 2012-2016 which assumed represent lates condition.

2. Literature Review

2.1 Agency Theory

Generally, agent and principal relation are explained by agency theory. Principal is represented by owner (project user) and agent is represented by employer. As the owner, the principal has rights to give mandate to other parties (agent) to running project or activities under the principilas licensed name. Jensen and Smith, 1984 stated that principal was allowed to give a mandate to agent as decision maker, represented principal. This statement has negatively possibility in the future if the agent was incompetent, default, manipulated financial/tax report and detrimental to company.

Mangkoesoebroto (2001) stated the definition of tax as a compulsory levy, and the government has prerogative right to force it because regulated and allowed by constitution. Eventhough the tax is compelling, contravention is undirectly felt by tax payers. Ray et al. (2003) in Sutedi (2013) stated that tax is an obligation that must be implemented, not a punishment for violating the law. More spesificly, tax could also represent of legal transfer of private sector based on their responsibility to government which allowed and regulated by constitution.

Agency theory assigned government as the principal and tax payer (citizen) as agent. Relationship between agency theory with tax in negative side could be simplified as follows. Government encourage tax payer (citizen) to fulfill their responsibility in tax for nation development use, while tax payer tries to avoid tax, legal and or illegal ways for personal/group purposes.

2.2 Stakeholder Theory

Fundamental of stakeholder theory is stated that all benefits should be shared to stake holder. It was concluded that company existency is dependent on stake holder supports (Chariri and Ghozali,2007). This theory assigned government position as fundamental part of stake holder which has rights to encourage agent (citizen/tax payer) to share their benefits, represents by tax and corporate social responsbility (CSR) programs (for corporate based tax payer), allowed and regulated by constitution. Stakeholder theory is possible to be apply by government to evaluate and controlled corporate or personal tax payer to full fill their responsibility in tax and CSR, consistent with stake holder vision and mission.

2.3 Legitimacy Theory

Legitimacy theory explains that the central point of the organization's legitimacy is the idea of a social engagement. A company can operate and exploited resources when the community considers that the organization is legitimate (Holder-Webb et al., In Chan et al., 2004).

According to Suchman (1995), assumptions of actions that can be apply by company to conform social norms, public trust, and appropriatenes is fundamental things of legitimacy theory.

According to Tilt (1994) in Hanifa (2005), legitimacy theory was focus in social engagement between corporate/company with social community or citizen. Corporate has general and private relationship with citizen during operating their activity which in line with government and company regulation. There are three powerfull and strategic tools to meet various citizen background needs which related to company activity (direct and indirect) and in other hand will effectively legitimate the company, consist of CSR, tax reporting and good corporate governance (GCG). Those tools will proove corporate commitment in order to reach public trust and legitimacy.

2.4 Tax Avoidance

Tax reducing could be legally conduct only during tax planning period (unreal material). Reducing tax after tax

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planing period will be categorized as avoidance tax action. Although this avoidance action is legal and unviolation regulations, public perception to this action is negative and unceptable. Tax avoidance have a chance to significant decrese national revenues. In tax perception, tax avoidance has a chance to reduce efectivity and eficiency our national tax system and creating injustice action among tax payer. Fundamental principal of tax is justice which contradictive with tax avoidance action.

Tax avoidance usually systematically planned by big corporation during early transaction which involving complex and massive transaction (volume and value). This action is hard to follow by small corporation which usually have simple's transaction (volume and values). This contradiction has a chance to developing injustice in our tax system and reducing public interest to fullfill their tax obligation.

2.5 Corporate Social Responsibility (CSR)

According to Santoso (2016), corporate social responsibility (CSR) is social responsibility of corporate to community. This concept has rapidly change and develop. Indonesia government has been released Undang Undang No.25, 2007 related to investment and Undang Undang No 40, 2007 related to limited company (Perseroan Terbatas, PT) which regulated general workflow and responsibility to apply CSR program.

CSR program implementation is representing corporate commitments in order to comply government rules, enhance and increasing competitiveness, meet up public expectation, corporate legitimate action and attract investor (Basalamah and Jeremias,2005). Company motivation applying sustainable reporting framework is to communicate achievement and management performances to stake holder (Finch, 2005). Good CSR implementation is proven to increase corporate reputation which could maintain business relation between stakeholder and represented in corporate benefits achievement (Harjoto and Jo, 2007).

2.6 Family Ownership

Shareholder composition is fundamental aspect within corporate/company organization structure. This composition could be group of families, single family, government, institution and foreigner ownerships. This research is focus on family ownership (immediate ownership) which interpreted and assumed as direct ownership to public company. Track record of ownership has been research by evaluate share composition which stated and registered in company legal document. Other ownership system which not included during this research is ultimate ownership system (more detail). According to Claessend et al.,2000, decision maker in controlling corporate/company operation was the biggest ultimate owner. It could be group of family, personal, government or institution.

Some studies have found that company ownership characteristics (ownership characteristics) can influence tax avoidance behaviour. According to Claessens (2000) study in Indonesia, most of company ownership structure is in pyramide shape structure. Rusydi and Martani (2014) stated that there is difference of company behavior in respond to tax avoidance behavior in Indonesia which could be divided become family base ownership and non-family ownership. Company ownership by family is effective reducing tax avoidance behavior, this resulted also confirm previous research result by Chen et al., (2010). Enhance and preserve company image which is has strong relation with family image in community is belived become the reason of this anomaly.

2.7 Good Corporate Governance

Monks and Minow, 2001 stated that relation within the company which significantly controlling company performance and policy is explained in corporate management system and called as corporate governance. This system is interating of structure, process, culture and system which creating perfect company operation and comply the government laws and rules (Keasey, 1999 in Sunarto,2003). Regarding to this statement, good corporate/company will publish real data and information to public and stake holder quickly, complete, accurate and trusted (Arifin,2003).

Good corporate governance (GCG) is a professional role in running a company based on professional ethics and standard operational procedure in its business activities. Indonesia Institue for Corporate Governance (ICGG) has been released a recommendation for all company in Indonesia to ensure and applied good corporate governance in all sectors and department of company. There are seven terms to achieve good corporate company status which consist of (1) company commitment; (2) general meeting of share holders; (3) board of commissioners; (4) structure of directors; (5) relationships with stakeholders; (6) transparency and accountability; and (7) responses to IICG research.

3. Research Hypothesis

H1	:	CSR disclosure has a negative effect on tax avoidance.
H2	:	Family ownership has a negative effect on tax avoidance.
H3	:	GCG has a negative effect on tax avoidance.

4. Research Methods

Data samples of this research is coming from public listed manufacturing company which registered in Indonesia Stock Exchange (IDX) periods 2012 – 2016. Starting point in 2012 is to ensure company financial performance and achievements within last five years.

Sampling technique during this research is using purposive sampling which involved 268 company as samples. Some criteria which are used as filter during this research are (1) company/sample should published annual report within last 5 years (2012-2016); (2) never loss within last five years; (3) always using Rupiah as payment base within last 5 years.

Tax avoidance was evaluated and measured using effective tax rate (ETR). CSR implementation was evaluated by comparing to GRI indicator (91 implementation items). Family base ownership evaluation is using dummy method, by tracing direct ownership of public company. Good corporate governance evaluation is using IPCG indicator which consist of 103 disclosure items. The regression model is tested by classic assumption method to oserve feasibility of regression model which will be used. Multiple linear regression analysis techniques will be used to test the data collected in this study.

5. Result Discussion

Early data tabulation which is filtered using three basic parameters was shows in following table 1.

Tabel 1. Research Sample

No	Research Sample Target	2012	2013	2014	2015	2016
1	Population	102	106	111	113	115
2	Company which unpublished financial report	(14)	(10)	(6)	(10)	(18)
3	Company which suffered financial loss	(20)	(16)	(20)	(23)	(28)
4	Company which used non-Rupiah (Rp)	(21)	(23)	(20)	(25)	(24)
Number of research sample		47	57	64	55	45
Total research samples after filtered						**268 companies**

Source: Primary data, 2019

Statistical evaluation of each tax avoidance parameters is using multiple regression analyses and shows in the following table 2.

Tabel 2. Multiple Regression Analysis

	Unstandardized coefficients B	Significance	Result
(Constant)	0,247	0,000	Significant
CSR	-0,016	0,043	H_1 accepted
KK	0,002	0,081	H_2 rejected
GCG	-0,123	0,041	H_3 accepted
Sig. F	0,030		
Adjusted R Square	0,505		

Source: Primary data, 2019

Unstandardized coefficient corporate social responsibility (CSR) beta values could be observed in table 2 which shows a negative value (- 0.016) indicate significance value 0.043 (small than $\alpha = 0.05$). This statistical result indicating negative effect of CSR in tax avoidance behavior.

Ownership characteristic evaluation on tax avoidance behavior indicated positive value on unstandardized coefficients (0.02) with significant value of 0.081 (greater than $\alpha = 0.05$). This statistical result indicating that ownership characteristic is uneffect on tax avoidance behavior.

Good corporate governance evaluation on tax avoidance behavior, obtained a negative result of unstandardized coefficients (- 0.123) with a significance value of 0.041 (smaller than $\alpha = 0.05$). This statistical result indicating that good coorporate governence has a negative influence on tax avoidance behavior of corporate/company.

The regression model used in this study has been declared fit (fit) through the F test tester, which obtained a significance value of 0.030 smaller than $\alpha = 0.05$, followed by the adjusted R square value of 0.505. This means that the effect of CSR disclosure, family ownership, and good corporate governance can explain tax avoidance by 50.5 percent. The remaining 49.5 percent is explained by other variables not included as a research model.

On Table 2 displays also shows acceptable result, represented by H1 and H3 which confirm research hypothetic of CSR disclosure and family ownership effects on tax avoidance behavior.

Significant result of this research is also justified applicable of legitimate and stakeholder theory in order to evaluate parameter of tax avoidance evaluation for public listed company. Most of samples which are classified as ideal company (try to avoid tax avoidance behavior) showing good financial reporting and publishing, good corporate governance, accountable and transparent on CSR implementation and obey on their tax responsibility. In other hand, negative corporate will show negative results on applicable legitimate and stakeholder theories, which end up with probability trend to avoidance the tax.

This research showing that characteristic on corporate ownership doesn't influence tax avoidance behavior. This conclusion was controverted with previous similar research published by Chen et al., 2010, Rusyidi & Martani (2014), Sari & Martani (2010) and Praptidewi (2016) which end up with negative and positive influence of ownership characteristic on tax avoidance behavior. Our research results also justified published research of Hidayati (2013) which stated that there is no correlation between tax aggressivity in order to influence tax avoidance behavior. Family base company has trend to avoid tax avoidance due to possibility of violation the law and punishment from tax department during tax audit. Other consideration which may influence family base corporate to keep on "good track"is preserve good company reputation in community.

This research applied audit report investigation concept in order to evaluate track record of ownership composition. There is propensity of share holder to enhance company profits by maximizing all sector including reducing tax obligation (tax avoidance). The share holder will push board of management to comply share holder program in order to avoid tax. This trend is clearly observed by evaluating GCG indicator and publication of annual financial report. Pramudito & Sari (2015 and Maharani & Suardana (2014) stated similar trend which justified applicating of good corporate governance was effective to reducing tax avoidance behavior.

Understanding tax behavior could be also by applied agency theory during evaluation. This theory assign company as agent and government as the principal. Basic assumption of this theory is stated that there is behavior trend of person and stake holder (agents) for concern and focus in their personal/group interest only and avoid principal interest. This assumption was possible to trigger tax avoidance action in the future. Management control and applicating good corporate governance was belived as effective solution to prevent opportunistic action which could be violence company and stake holder regulation.

5. Conclusion and Recommendation

There are three significant findings of conclusion of research.

1. Good corporate social responsibility program implementation to community was effective in reducing tax avoidance behavior. CSR program is public accesible which also stated and published in accesible annual financial report.
2. There is no strong correlation of family-based ownership to influence tax avoidance behavior in company. This result was indicated by statistical data result and confirmed by several similar research. This result probably triggered by general opinion of family-based owner to violance public rules including tax avoidance behavior. Other possibility is due to undeep evaluation of ownership strata (immediate ownership).
3. Application of good corporate governance was effective in reducing tax avoidance behavior. This action proven to create secure condition for investment and in line with government program to obey tax regulation.

Recommendation of this research was addresed to government, investor (company) and researcher which explined as follows:

1. Future research should be test and another parameter in order to evaluate tax avoidance behavior
2. For family ownership status evalution, different variable of investigation are needed to compare previous result. Recommended variable for evaluation is appliying ultimate ownership concept.
3. Endorsing government to enhance audit and controlling function to tax payer, clearing and fixing regulation which related to tax avoidance and endorsing tax payer to avoid tax avoidance behavior.
4. Encourage company to create tax planning by appliying prudential principal and in line with regulation and laws.

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