THE INFLUENCE OF GOOD CORPORATE GOVERNANCE AND COMPANY SIZE ON TAX AVOIDANCE

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Abstract-*This study aims to analyze the effects of good corporate governance and firm size on tax avoidance in the consumer good and industry sector companies listed on the Indonesia Stock Exchange (IDX). The data collection method used is purpose sampling. The population in this study are consumer good and industry sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period of 2016 to 2018 with a sample of 50 companies. This study uses multiple linear regression analysis. The data in this study were obtained from the company's financial statements available on the Indonesia Stock Exchange in the period 2016-2018. The results showed that the proxy good corporate governance is a board of commissioners variable positive effect and institutional ownership negative effect on tax avoidance.*

Keywords: *Good Corporate Governance, Firm Size, Tax Avoidance.*

I. Introduction

Background

Taxes are people's contributions to the state treasury based on law (which can be enforced) without receiving direct, demonstrable reciprocal services and which are used to pay general expenses. The response of taxpayers, especially corporate taxpayers, is not always good in terms of tax collection (Ningrum, 2017). Due to the nature of taxes that do not provide direct compensation to taxpayers. Many phenomenacorporate taxpayers make efficiency of their tax burden so that companies can maximize profits (Diantari and Ulupui, 2016). The effort of corporate taxpayers in minimizing tax payments is by way of tax avoidance. Tax avoidance is a tax avoidance strategy and technique carried out legally and safely for taxpayers because it does not conflict with taxation provisions. Tax avoidance that is usually done by companies, such as taking advantage of permitted exceptions and deductions or postponing taxes that have not been regulated in the applicable tax regulations and usually through policies taken by company leaders (Dewinta and Setiawan, 2016).

There are several factors that are thought to influence tax avoidance. Some of these factors are good corporate governance and company size. With the existence of corporate governance, it can form a clean, transparent, and professional management work pattern. This system regulates the relationship between the board of commissioners, directors, shareholders and other stakeholders. In this study, good corporate governance is measured by proxies, namely proxies for the board of commissioners, audit committee and institutional ownership.

Firm size also affects tax avoidance. Company size can be classified by, among others: total assets, net sales and market capitalization. Companies that have large total assets are said to be mature where the company's cash flow is positive and are considered to have good prospects in the long term. Due to the tight supervision by the public authorities of large companies, it tends to minimize tax aggressive actions (Tandean, 2015).

According to Dyreng, et al (2010) in Diantari and Ulupui (2016), the tax avoidance variable is calculated through ETR (*Eeffective Tax Rate*) company, namely the tax expense divided by profit before tax. Payment of tax expense and profit before income tax is included in the income statement for the current year. From these measurements, it is expected that tax avoidance actions can be identified, and it can be seen whether a company takes action to minimize taxes or not.

In a study conducted by Sari and Devi (2018) entitled "The Influence of Corporate Governance and Profitability on Tax Avoidance," concluded that the proxies of corporate governance, namely institutional ownership and independent board of commissioners, have an effect on tax avoidance. Profitability proxy, namely Return on Assets, has an effect on tax avoidance. The results of this study also show that tax avoidance is not affected by the audit committee and audit quality.

According to Tandean (2015), institutional ownership, auditor independence and company size have no effect on tax avoidance, while the audit committee has an effect on tax avoidance. While research conducted by Diantari and Ulupui (2016) states that the audit committee and independent commissioners have a negative effect on tax avoidance, institutional ownership has no effect on tax avoidance, company size as a control variable has a positive effect on tax avoidance.

There are inconsistencies in the results of previous studies, encouraging the author to further examine the factors that influence tax avoidance. This study selects manufacturing companies, especially the consumer goods industry sector, because consumer goods are a basic necessity of society, and people in Indonesia tend to have consumptive behavior so that this sector contributes a sizeable tax to the government.

Based on the background description above, the authors are interested in researching the title "The Effect of Good Corporate Governance and Company Size on Tax Avoidance in Manufacturing Companies in the Consumer Goods Industry List Listed on the IDX in 2016 - 2018".

Formulation of the problem

Based on the above background, the research questions are formulated as follows:

1. How does the board of commissioners affect tax avoidance?
2. How does the audit committee affect tax avoidance?
3. How does institutional ownership affect tax avoidance?
4. How does company size affect tax avoidance?

Research purposes

Based on the formulation of the problem that has been described, the objectives of this study are:

1. This is to find out how the board of commissioners affects tax avoidance
2. This is to find out how the audit committee affects tax avoidance.
3. To find out how the effect of institutional ownership on tax avoidance.
4. This is to find out how company size affects tax avoidance.

Benefits of Research

This research is expected to contribute to several parties, namely:

1. For researchers
   This research is expected to be able to provide a deeper understanding of accounting and taxes. This research is also expected to be able to show empirical evidence about the effect of good corporate governance and company size on tax avoidance.
2. For Readers
   This research is expected to provide an overview of the effect of good corporate governance and company size on tax avoidance. This research is also expected to be a reference material for further research.
3. For the Company
   This research is expected to show the factors that influence tax avoidance for the company, so that the company is able to make policies regarding the company's attitude towards paying taxes.

II. LITERATURE REVIEW

Review of Previous Research Results

1. Research conducted by Septiani, Titisari, and Chomsatu (2019) in consumer goods companies listed on the IDX for the period 2015-2017. The result of this study is the firm size which has a positive effect on tax avoidance. Meanwhile, institutional ownership, audit committee, leverage and independent board of commissioners variables had no effect on tax avoidance.
2. Research conducted by Diantari and Ulupui (2016) on manufacturing companies listed on the IDX in 2012-2014. The results of his research indicate that the audit committee and the proportion of independent commissioners have a negative effect on tax avoidance, the proportion of institutional ownership has no effect on tax avoidance, and company size as a control variable has a positive effect on tax avoidance.
3. Research conducted by Tandean (2015) on manufacturing companies listed on the IDX in 2010-2013. The result of this study is that the audit committee has a significant effect on tax avoidance. Meanwhile, institutional ownership, auditor independence and company size have no effect in reducing tax avoidance.

Theoretical basis

Agency Theory

According to Supriyono (2018, 63) the behavioral theory of agency (agency) is a concept that explains the relationship between the principal (contract giver) and the agent (contract recipient), the principal makes an agreement with the agent to work for their own purposes so that the agent is given the authority to make decisions.

Definition of Tax

The meaning of tax according to the Law of the Republic of Indonesia Number 16 of 2009 concerning General Provisions and Tax Procedures Article 1 paragraph 1 is a compulsory contribution to the state owed by an individual or entity that is compelling under the Law, without receiving direct compensation and used for state needs for the greatest prosperity of the people.

Tax Avoidance (*Tax Avoidance)*

Tax avoidance is a c ompany effort in avoiding tax payments made legally and safely for taxpayers because it does not violate taxation provisions, where the methods and techniques used tend to take advantage of the weaknesses contained in tax laws and regulations themselves, in order to minimize the amount of taxes owed (Darursallam and Septriadi, 2017: 643).

Tax avoidance in this study is proxied using ETR (Effective Tax Rate). The formula for calculating ETR according to Dyreng, et al (2010) in Rinaldi (2015) is as follows:

$$\text{ETR} = \frac{\text{Tax expense}}{\text{Profit before tax}}$$

Note: Tax Expense is the amount of cash paid by the company based on the income statement for the current year.

Good Corporate Governance

Good Corporate governance is corporate governance that regulates the relationship between participants in the company that determines the direction of company performance (Violita, 2016). Some examples of participants in companies such as boards of commissioners, audit committees, and institutional ownership. Therefore, in this study, good corporate governance is measured by proxies, namely proxies for the board of commissioners, audit committee and institutional ownership.

Board of Commissioners

The board of commissioners, as one of the organs in the company, is jointly assigned and responsible for supervising and providing advice to the Board of Directors and also ensuring that the company has implemented a good corporate governance system.

Audit Committee

The Indonesian Audit Committee Association (IKAI) defines the audit committee as follows:

"A committee that works professionally and independently which is formed by the board of commissioners and, as such, its task is to assist and strengthen the function of the board of commissioners (or supervisory board) in carrying out the oversight function of the financial reporting process, risk management, audit implementation, and implementation of corporate governance in companies ".

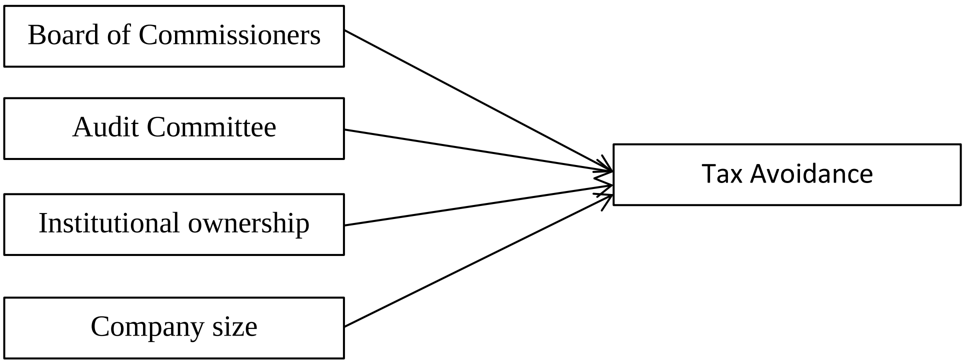
Institutional Ownership

Institutional ownership, namely ownership of shares owned by institutions such as insurance, banks, investment companies and other institutional ownership. Institutional share ownership is the percentage of shares owned by institutions and blockholder ownership, namely individual ownership or on behalf of individuals above five percent (5%) but not included in the insider or managerial ownership category (Septiani*et al*, 2019).

Company Size

Company size is a scale or value that can classify a company into large or small categories based on total assets, logs, size, and so on.

Conceptual framework



H1: The Board of Commissioners has an effect on Tax Avoidance

H2: The audit committee has an effect on Tax Avoidance.

H3: Institutional ownership affects Tax Avoidance.

H4: Company size has an effect on Tax Avoidance.

III. RESEARCH METHOD

The strategy used in this study is an associative research strategy. The method used is a quantitative method. This study uses secondary data in the form of an annual report sourced from www.idx.co.id. This research is focused on manufacturing companies in the consumer goods industry which are listed on the IDX for the 2016-2018 period.In this study, the technique used to take the sample was purposive sampling method. Sampling based on the following criteria:

1. Consumer goods manufacturing companies that are consistently listed on the IDX in 2016-2018.
2. Companies manufacturing consumer goods sectors that consistently publish annual reports on the IDX in 2016-2018.
3. Perusahaan yang laba bersih sebelum pajaknya tidak mengalami kerugian selama tahun 2016-2018.
4. Companies that present financial statements in rupiah currency.
5. Companies that have institutional ownership.

Operationalization of Variables

1. The board of commissioners can be measured using an indicator of the number of commissioners in a company.
2. The audit committee variable will be measured by calculating the number of audit committee members with competencies divided by the total number of company audit committees.
3. Institutional ownership is the proportion of share ownership owned by institutional owners and blockholders at the end of the year which is measured using a ratio.
4. Company size is generally divided into 3 categories, namely large firm, medium firm, and small firm. Firm size = Logarithm of Natural Total Assets.
5. Tax Avoidance is measured by the Effective Tax Rate (ETR). ETR is calculated using the

ratio of total income tax expense to pre-tax income. The ETR formula is as follows:

$$\text{. ETR} = \frac{\text{Tax Expenses}}{\text{Pre-Tax Income}}$$

Data Analysis Methods

The data analysis technique used to test the research hypothesis is descriptive statistics, classic assumption tests which include normality test, autocorrelation test, multicolonierity test and heteroscedasticity test. Furthermore, to test the effect of two or more independent variables on the dependent variable, multiple regression analysis using SPSS version 25 is used.

The regression equation in this study is as follows.

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon i$

Information:

$\beta 0$ = Constant

$\beta 1, \beta 2, \ldots, \beta n$ = *Regression equation coefficient*

Y = *Tax Avoidance*

1 = Independent Commissioner

$X2$ = Audit Committee

$X3$ = Institutional Ownership

$X4$ = Company Size

Ei = *Standard error*

IV. RESEARCH RESULTS AND DISCUSSION

Descriptive Statistics Test Results

The data in this study were not normally distributed due to some outlier data. Outlier data is data that is different from other data, namely data of extreme value (Ghozali, 018: 41). Outlier data in this study amounted to seven data, so the amount of data used in the study was 50 data. The results of descriptive statistical tests in this study are as follows.

Table 4.1
Descriptive Statistics Test Results
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Board of Commissioners	50	2	8	4.72	1,512
Audit Committee	50	, 33	1.00	, 4826	, 19088
Institutional Ownership	50	, 04	, 99	, 7094	, 31175
Company Size	50	23.54	31.87	28,2558	2,07056
Tax Avoidance	50	, 22	, 30	, 2542	, 01830
Valid N (listwise)	50				

Source: Results of data processing using SPSS

Table 4.1 shows that the Board of Commissioners (DK) has a range of values from 2 to 8. The lowest value is owned by PT. Chitose Internasional Tbk, the highest value is owned byPT. Darya Varia Laboratiria Tbkin 2018, amounting to 8 people. The average value is 4.72 and the standard deviation has a value of 1.512, which means that the data distribution on the DK value is good enough to be examined.

The Audit Committee (KA) has a minimum value of 0.33. This means that the audit committee which has the smallest competence in the field of accountants and finance in a sample company is 33%, namely at PT. Akasha Wira Internasional Tbk in 2016-2018. This means that PT. Akasha Wira Internasional Tbk during 2016-2018 only had one audit committee member who was competent in the accounting and finance sector. The maximum value on the audit committee is 1, namely at PT. Unilever Indonesia Tbk in 2016 - 2017. This shows that the company has the largest audit committee as much as 100%, which means that all members of the audit committee in the two companies are competent in accounting and finance. The audit committee showed an average value of 0.4826.

Institutional Ownership (KI) has a minimum value of 0.04. This shows that the smallest value of institutional ownership is 4% in PT. Kimia Farma Tbk in 2018. This means that institutional ownership such as mutual funds, pension funds, insurance and commercial banks at PT. Kimia Farma Tbk accounted for 4% of the outstanding shares. The maximum value on institutional ownership is 0.99 owned by PT. Unilever Indonesia Tbk in 2016 - 2018. This shows that institutional ownership is 99% of the shares outstanding for 3 consecutive years, which means that institutional ownership shares are quite large, meaning that they are still in accordance with their function, namely as a supervisor. The average value of KI is 0.7094 with a standard deviation of 0.31175.

Company Size (Size) which is proxied from the total asset value has the lowest value of 23.54, namely the company PT. Unilever Indonesia Tbk in 2014. The highest value is owned by PT. Gudang Garam Tbk in 2018 amounted to 31.87. The average total asset value of the company is 28.2558, while the standard deviation is 2.07056, which means that the data distribution on the total asset value is not too varied, so the data is good enough to be examined. The data distribution tends to approach the average value, the larger the size of a company, the greater the capital invested in various types of businesses, the easier it is to enter the capital market, obtain a high credit rating and so on, all of which will affect the existence of total assets.

Tax Avoidance has the lowest value at PT. Wismilak Inti Makmur Tbk in 2016 amounted to 0.22 and the highest value was owned by the company PT. Budi Starch & Sweetener Tbk in 2018 amounted to 0.30. The average TA value is 0.2542 while the standard deviation is 0.01830, which means that the distribution of data on the TA value is not too varied, so the data is good enough to be examined.

Classical Assumption Test Results

Normality Test

Table 4.2
Results of the Kolmogorov-Smirnov One-Sample Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		50
Normal Parametersa, b	Mean	, 0000000
	Std. Deviation	, 01640810

Most Extreme Differences	Absolute	, 081
	Positive	, 081
	Negative	-, 071
Statistical Test		, 081
Asymp. Sig. (2-tailed)		, 200c, d

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Results of data processing using SPSS

The results in table 4.2 show that based on the results of the Kolmogorov-Smirnov normality test, the results obtained are a significance value of 0.200 or greater than the criterion, namely 0.05. These results explain that the data used in this study have been normally distributed.

Multicollinearity Test

Table 4.3
Multicollinearity Test Results
Coefficientsa

Model	Collinearity Statist Tolerance	VIF
(Constant)		
board of Commission	, 874	1,14
Audit Committee	, 871	1,14
Institutional Ownersh	, 862	1,16
Company Size	, 836	1,19

a. Dependent Variable: Tax Avoidance

Source: Results of data processing using SPSS

. These results indicate that none of the independent variables have a tolerance value less than 0.10 and none of the independent variables have a VIF value of more than 10. The multicolonierity test results indicate that there is no multicolonierity problem.

Heteroscedasticity Test

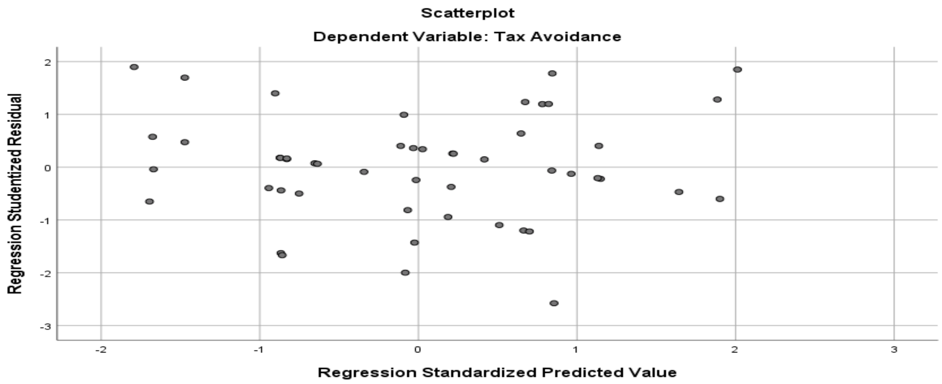


Figure 4.1 Scatterplot graph shows that the dots spread out randomly and do not form a specific pattern. These results indicate that there is no heteroscedasticity problem in the regression model equation of this study.

Autocorrelation Test

Table 4.4

Autocorrelation Test Results
Model Summary b

Mo	Std. Error of the Estimate	Durbin-Watson
1	, 01712	1,828

Source: Results of data processing using SPSS

Table 4.4 shows that the results of the Durbin Watson autocorrelation test produce a DW value of 1.828. The dL value obtained with K = 4 and N = 50 is 1.3779 and the dU value is 1.7214. The Durbin Watson value obtained lies between the dU and 4-dU values or 1.3779 <1.828 <2.2786. These results indicate that in the regression model of this study there are no autocorrelation symptoms.

Multiple Linear Regression Analysis Test
Determination Coefficient Test (R2)

Table 4.5
Result of Determination Coefficient Test (R2)
Model Summary b

Mod	R	R Square	Adjusted Square	Std. Error of the Estimate
1	, 443a	, 196	, 125	, 01712

a. Predictors: (Constant), Company Size, Board of Commissioners, Au Committee, Institutional Ownership
b. Dependent Variable: Tax Avoidance

Source: Results of data processing using SPSS

The table above shows that the magnitude of the R-square value is 0.125. This means that 12.5% of tax avoidance variables are influenced by the board of commissioners, audit committee, institutional ownership, and company size. While the remaining 87.5% is influenced by other variables outside this study.

Simultaneous Test (Test F)

Table 4.6
Simultaneous Test Results (Test F)
ANOVAa

Model		Sum of Squares	Df	Mea n Square	F	Sig.
1	Regression	, 003	4	, 001	2,751	, 039b
	Residual	, 013	45	, 000		

Total	, 016	49				

a. Dependent Variable: Tax Avoidance
b. Predictors: (Constant), Company Size, Board of Commissioners, Audit Committ Institutional Ownership
Source: Results of data processing using SPSS

Table 4.6 shows that the F-count value is 2.751 with a significance level of 0.039. This significance value is lower than α = 0.05 (0.039 <0.05), it can be concluded that the board of commissioners, audit committee, institutional ownership, and company size simultaneously have an effect on tax avoidance.

Partial Test (t test)

Table 4.7
Partial Test Result (t test)
Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	, 211	, 040		5,239	, 000
	board Commissioners	, 004	, 002	, 347	2,428	, 019
	Audit Committee	, 009	, 014	, 090	, 631	, 532
	Institutional Ownership	-, 020	, 008	-, 334	-2,319	, 025
	Company Size	, 001	, 001	, 131	, 897	, 375

a. Dependent Variable: Tax Avoidance
Source: Results of data processing using SPSS

The regression equation for this study is as follows:
TA = 0.211+ 0.004 DK + 0.009 KA - 0.20 KI + 0.001 + e

Based on the table above, the results obtained are:

1. The variable of the Board of Commissioners has a regression coefficient of 2.428 with a significance value of 0.019 or <0.05. This result means that the board of commissioners has a positive effect on tax avoidance.
2. The Audit Committee variable regression coefficient of 0.631 with a significance value of 0.532 or> 0.05. So it is assumed that the audit committee has no effect on tax avoidance.
3. The institutional ownership variable has a regression coefficient of -2.319 with a significance value of 0.025 or <0.05. So it is assumed that constitutional ownership has a negative effect on tax avoidance.
4. The firm size variable has a regression coefficient of 0.897 with a significance value of 0.375 or> 0.05. So it is assumed that company size has no effect on tax avoidance.

Discussion

The Board of Commissioners has a positive effect on tax avoidance. This means that the increasing number of commissioners will increase tax avoidance. This is because not all members of the board of commissioners in the company show their quality and capacity so that the supervisory function does not work properly which can increase the occurrence of tax avoidance. An increase in the board of commissioners will make coordination between the board of commissioners difficult due to frequent conflicts of interest.

The Audit Committee does not effect on tax avoidance. An audit committee that has accounting and financial competence does not have a significant effect on tax avoidance. This is because in carrying out the duties and responsibilities of the audit committee they are limited in terms of authority, such as not being able to access documents, and difficulty communicating with directors and employees who carry out the internal audit function (Sari, 2015). One of the duties of the audit committee is to ensure that the company follows laws and regulations, therefore the audit committee will not provide suggestions that violate the law in the form of paying taxes that are not in accordance with what they should be.

Institutional ownership has a negative effect on tax avoidance. High institutional ownership will cause low tax avoidance. The existence of institutional ownership will encourage increased management performance through a more optimal supervisory process for the company. Institutional ownership can pressure company management not to carry out aggressive tax policies. The institutional owner expects the company to contribute to development in the form of paying taxes. Institutional ownership in good corporate governance functions as an obstacle to tax avoidance decisions (Sihaloho, 2015). Institutional shareholders tend to avoid the risk of tax evasion activities that could damage the company's reputation.

Company size has no effect on tax avoidance. The size of the company does not affect tax avoidance action, because the company is obedient not to violate taxation rules. Companies do not want to be bothered with tax audits, and tax avoidance actions can damage the company's good image (Masitoh, 2018). Large companies tend to be able to use their resources to make tax planning. However, companies do not always use the power they have in making tax planning because there will be limitations and will likely be in the public spotlight. The compliance of companies in paying taxes does not depend on how big the company is, because taxes are addressed to every taxpayer, regardless of small, medium, or large companies.

V. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of this test, it can be concluded that the Board of Commissioners has a positive effect on Tax Avoidance. the first hypothesis (H1) is accepted. This means that the greater the number of the board of commissioners will increase tax avoidance because not all members of the board of commissioners show their quality and the difficulty of coordination is due to a conflict of interest. The Audit Committee has no effect on Tax Avoidance. The second hypothesis (H2) is rejected. This means that an audit committee that has accounting competence has no effect on tax avoidance because an audit committee that has accounting competence ensures that the company follows the laws and regulations, therefore the audit committee will not provide advice to the company for tax avoidance. Institutional Ownership has a negative effect on Tax Avoidance. The third hypothesis (H3) is accepted. This means that the greater the institutional ownership that is owned will result in a lower level of tax avoidance because institutional ownership will encourage management performance through supervision and shareholders will maintain the good name of the company by not allowing management to take tax avoidance actions. Company size has no effect on Tax Avoidance. The fourth hypothesis (H4) is rejected. This means that the size of the company does not influence the company to take tax avoidance because the company does not want to be bothered by tax audits and damaging the company's reputation.

Suggestion

1. Future researchers should use different proxies such as profitability, leverage, financial diversification, fiscal loss compensation, to expand previous research.
2. Investors should pay attention to tax avoidance practices in choosing investments in order to be wiser in seeing and assessing the risks of these investments.
3. Companies should not take advantage of loopholes in tax law to take tax avoidance because it is very risky for the company's good name.
4. The government should pay more attention to narrower tax regulations in order to minimize loopholes so that tax avoidance is increasingly difficult to do.

Limitations and further research development

The research conducted is limited to industrial and consumer manufacturing companies listed on the Indonesia Stock Exchange with variables of Good Corporate Governance and Company Size on Tax Avoidance so that it cannot be generalized to all companies in Indonesia. The observation period for this study was only three years from 2016-2018 so that the sample studied was very small. Future research can use other sector companies, add or update the variables used and extend the research period so that the results will be more consistent.

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