THE INFLUENCE OF CORPORATE GOVERNANCE ON TAX AVOIDANCE IN MANUFACTURING COMPANY LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2014-2017

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ABSTRACT

In corporate financial reporting, naturally the company aspires to obtain the maximum profit by reducing company expense, including tax. The purpose of this study is to prove empirically the effects of institutional ownership, independent commissioners, audit committees, and audit quality on tax avoidance in manufacturing companies listed on the Indonesia stock exchange during 2014-2017. The measurement of tax avoidance in this research by using proxy Cash Effective Tax Rate (CashETR) by dividing the cash tax paid with pre-tax income. The data used in this research are secondary data obtained from the IDX website (www.idx.co.id). The selection of samples in this study is using the purposive sampling method. 220 samples were obtained from 55 companies multiplied by 4 years of observation. The analysis technique in this research is using multiple linear regressions with the help of SPSS for Windows ver. 21.00. After the testing and analysis have been taken, the results show that institutional ownership, audit committee, and audit quality influence corporate tax avoidance behavior. Nevertheless, independent commissioners do not affect corporate tax avoidance behavior.

Keywords: Corporate Governance, Tax Avoidance.

ABSTRAK


Kata Kunci: Tata Kelola Perusahaan, Penghindaran Pajak.
INTRODUCTION

In Law No.28 year 2007 article 1 point 1 concerning General Provisions and Procedures define taxes are compulsory contribution to a country that is indebted by an individual or an entities under the applicable law, by not being directly reciprocated and used for the purposes of the state to the greatest possible prosperity of the people. Indonesia adheres to a self-assessment system in the tax collection system. Taxpayers are given full discretion in calculating, paying, and self-reporting their tax obligations. The self-assessment system is regulated in Article 12 of the Law on General Taxation Provision. The application of this tax law seems to provide an opportunity for taxpayer, in this case the company to reduce the amount of tax that must be paid by reducing the cost of the company, including the tax expenses.

Income tax according to article 1 of the Income Tax Act is the tax imposed on tax subject income received in the tax year. The tax subjects are individuals or entities who will be taxed if they receive or earn income, referred to as Taxpayers. Tax is considered as a burden and a liability to an entity that will reduce net income, so companies always have the desire of paying tax as little as possible (Kurniasih and Sari, 2013). The historical records proved that the obligations to implement tax payment has occurred since the ancient times (Greece, Egypt, Rome, and the Kingdom of Spain), in which there have been an attempt to refuse taxes and caused prolonged conflicts (Maron and Sukoharsono, 2016). One of the purposes of entities is to earn high profit. However, tax expenses are a burden that may lead to an aggressive tax actions (Sari and Martani, 2011). Aggressive tax is an explicit tax rate reduction that represents a series of tax planning and tax management strategies for tax avoidance (Hanlon and Heitzman, 2010). Moreover, Chen, Chen, Cheng, and Shevlin (2010) in their research also stated that tax expenses lead a company to an attempt of tax avoidance.

As to improve the national economy, the Indonesian Government obtains the largest state income from a tax that is regulated in The 1945 Constitution. Tax revenue is the largest source of income in the Indonesian State Budget (APBN). Since the state expenditure continues to increase every year, it has an impact on the tax target, which continues to increase as well. According to The Indonesian Finance Ministry (KEMENKEU), in 2014 the tax revenue target was Rp 1,246 trillion, while in 2015 was increased to Rp 1,469,3 trillion along with in 2016 increased to 1,539,2 trillion. However, apparently in its practice the realization of tax revenue in 2014, 2015, and 2016 was only Rp 1,146,9 trillion. Rp 1,204,4 trillion, and 1,094,2 trillion respectively. During 2014 to 2016, the percentage decline in tax revenue from 92% to 71.1%. Thus the gap in tax revenue that occurs is caused by the low compliance of tax deposits, and still many unrecorded transactions (underground economy), and the tendency of tax avoidance.

Tax avoidance practices carried out by management of a company in an effort to minimize corporate tax obligations (Khurana and Moser, 2009). Sandmo (2005) explains that companies can execute two different ways to reduce the amount of tax owed through a scheme that complying to the applicable tax regulations (Tax Avoidance) or reducing the tax owed by taking actions that are not in accordance with applicable tax regulations (Tax Evasion). Moreover, Slamet (2007) in his research argues that tax avoidance generally still involves actions that are still within the legal limits yet not based on bona fide and adequate consideration. Budiman (2012) also append that tax avoidance is an effort to reduce taxes while observing and complying with existing regulations. In other words, tax avoidance practices are carried out by utilizing permitted exceptions and deductions and may raises the risk for the bad reputation of the company as well as fines. However, tax avoidance is considered a complicated issue by virtue of its validity is still in a grey area, whether it is allowed or not (Maharani and Suardana, 2014). This is because tax avoidance is intended to reduce taxes explicitly and reflect all transactions that have an influence on the entity’s explicit tax debt (Puspita, 2014). Hanlon and Heitzman (2010) also stated that tax avoidance is a tool for compensating taxes, reducing taxes paid and increasing the prosperity of shareholders. That way the company will get more profits for the upcoming operating process as retained earnings or distributed to shareholders in the form of dividends.

Management uses financial report as an accountability report that summarizes management performance throughout the year. In its implementation, the issue that often comes up is conflict of interest. To resolve this issue, Corporate Governance plays a key role as to oversee tax avoidance measure (Low, 2006). Friese, Link, and Mayer (2006) proclaim
that the structure of corporate governance affects the way companies fulfill their tax obligations. Then again, tax planning depends on the dynamics of corporate governance in a company. Furthermore, Mulyani, Wijayanti, and Masitoh (2018) define Corporate Governance as a determinant of company purpose in accordance with the character of the company's leader. The character of a leader influences decisions made, including tax avoidance. Tax avoidance measure by companies does not occur by a fortuity, yet it has been regulated in a predetermined strategy (Hanafi and Harto, 2014).

Good corporate governance can help create an environment that is conducive to efficient and sustainable growth in all sector of the company (Siswanti, Salim, Sukoharsono, and Aisjah, 2017). According to Friese, Link, and Mayer (2006) the structure of corporate governance affects the way companies fulfill their tax obligations. Then again, tax planning depends on the dynamics of corporate governance in a company. Mulyani, Wijayanti, and Masitoh (2018) defined Corporate Governance as a determinant of company's purpose according to with the characteristics of its leader. The characteristics of a leader influence his decisions, including tax avoidance. Tax avoidance is also represents the behavior of taxpayers’ resistance to their tax obligations that should be implemented based on the provisions of the taxation law (Mangoting, Sukoharsono, and Nurkholis, 2017). Tax avoidance measure by companies does not occur by a fortuity, yet it has been arranged in a predetermined strategy (Hanafi and Harto, 2014).

One example of tax avoidance is the case of PT. Coca Cola Indonesia, allegedly causing tax decrease of 49.24 billion IDR (Money.kompas.com accessed on 6 March 2019). According to the investigation of Directorate General of Tax (DJP), the Ministry of Finance found that there were significant cost overruns from 2002 to 2006. The high cost of expenses by PT. CCI gave rise to the alleviation of taxable income. Thus, the tax liability of PT. CCI automatically decreases. The expenses constitute the outcome of Coca-Cola advertisement from the period of 2002 - 2006 with the total amount of 566.84 billion IDR which induced a decrease in its taxable income. According to DJP, the total taxable income of PT. CCI for that period was 603.48 billion IDR, whereas the calculation of PT. CCI was only 492.59 billion IDR. With the differences, the DJP calculated the income tax (PPh) deficit of PT. CCI of 49.24 billion IDR. To DJP, the high cost of expenses was considered suspicious and led to tax avoidance practices.

One of the aspects that is believed to affect a company’s tax avoidance is corporate governance. The empirical result of Mulyani et al. (2018) proves that corporate governance proxied by institutional ownership, audit committees, and audit quality has a positive and significant effect on tax avoidance, while independent commissioners have a negative effect on tax avoidance. Nevertheless, Winata (2014) mentioned that the outcome of institutional ownership has no significant effect on tax avoidance. A similar result was also found by Annisa and Kurniasih (2012), who proved that independent commissioners have a negative and significant influence on tax avoidance. The finding was supported by Sandy and Lukviarman (2015), who stated that independent commissioners have a negative and significant effect on tax avoidance. Other studies have different results that audit committee that has no significant result on tax avoidance (Ratih and Harto, 2014). However, Maharani and Guardana (2014) that proved that audit committee has a negative and significant influence on tax avoidance. The result of Mulyani et al. (2018), who found that audit quality proxies have positive and significant affect on tax avoidance, is supported by Annisa and Kurniasih (2012). Nevertheless, Winata (2014) found a different result that audit quality does not have any significant effect on tax avoidance.

Based on the phenomenon and the inconsistency of the research results aforementioned before, the author conducted a study related to corporate governance and tax avoidance. The author reenter this topic based on the previous result compassed by Mulyani, Wijayanti, and Masitoh (2018). This study is using the same proxy as the previous; there are institutional ownership, independent commissioners, audit committee, and audit quality in the measurement as an independent variable. Moreover, this research using proxy cash effective tax rate (CETR) in the tax avoidance measurement as a dependent variable. The author narrowed the sample studied by selecting companies in the manufacturing industry, which were the largest industry group on the Indonesia Stock Exchange to avoid the effects of variations. However this research using company samples
within a period of 4 years as a differentiator with previous research.

**Research Question**
1. Does institutional ownership influence corporate tax avoidance?
2. Does independent commissioner influence corporate tax avoidance?
3. Does the audit committee influence corporate tax avoidance?
4. Does audit quality influence corporate tax avoidance?

**Research Objective**
1. To test and to analyze the influence of institutional ownership on corporate tax avoidance on manufacturing companies listed in the Indonesia Stock Exchange in the period of 2014-2017.
2. To test and to analyze the influence of independent commissioner on corporate tax avoidance on manufacturing companies listed in the Indonesia Stock Exchange in the period of 2014-2017.
3. To test and to analyze the influence of audit committee on corporate tax avoidance on manufacturing companies listed in the Indonesia Stock Exchange in the period of 2014-2017.
4. To test and to analyze the influence of audit quality on corporate tax avoidance on manufacturing companies listed in the Indonesia Stock Exchange in the period of 2014-2017.

**Scope of Research**
This research uses companies listed in the Indonesia Stock Exchange as the research object. The analysis was conducted on the 4-year data, from 2014 to 2017. This study uses all manufacturing companies included in the Jakarta Stock Industrial Classifications (JASICA) consisting of three main sectors, namely Basic Industry and Chemicals, Consumer Goods Industry, and Miscellaneous Industry.

**LITERATURE REVIEW**

**Institutional Ownership (OWN)**
Institutional ownership is the ownership of the majority shares are owned by institution or organization (insurance companies, banks, investment companies, asset management, and ownership of other institutions). The result of research conducted by Khurana and Moser (2009) is the size of the concentration of institutional ownership will affect corporate tax avoidance where if the concentration of institutional short-term shareholders increases, the tax avoidance will be increased. However, the greater concentration of long-term shareholder, it will further reduce tax avoidance practices. In this study Institutional Ownership is measured using percentage (Sandy and Lukviarman, 2015). Institutional Ownership can be measured using the ratio as follows:

\[ I_{st} \times C = \frac{\text{Sh}_a}{N} \times \text{b} \text{ the} I_{st} \]

**Independent Commissioner (COM)**
An independent commissioner is defined as an unaffiliated person in all matters with controlling shareholders, has no affiliation with the board of directors or board of commissioner and does not officiate as a director of a company related to the owner’s company according to the regulation issued by Indonesia Stock Exchange. The number of shares held by shareholders that do not have a controlling role provided that the number of independent commissioner is at least thirty percent (30%) of all commissioners. In addition, independent commissioner must understand the laws and regulations regarding the capital market and are proposed by non-controlling shareholders in the General Meeting of Shareholders (Pohan, 2008).

An independent commissioner board is a commissioner from outside the company and does not have relationship with the company either directly or indirectly (Prakosa, 2014). In this study, the existence of an Independent Commissioner variable that supports company performance and increase effectiveness of monitoring activities is measured by using the percentage of the board of commissioners in a company (Siallagan and Machfoedz, 2006). The proportion of the Independent Commissioner can be measured using the ratio as follows:

\[ I_{st} \times C = \frac{N \times a \times b \times C}{N \times a} \times 100\% \]

**Audit Committee (AuCOM)**
The Audit Committee is a committee that is responsible for supervises the company’s external audit and is the main form of communication between the auditors and the company (Mulyani,
Wijayanti, and Masitoh, 2018). The purpose of Audit Committee was brought to the existence is to be a supervisor of the process of financial report preparation and internal supervision that is chaired by independent commissioner. According to Bank Indonesia Regulation No. 8/14/PBI/2006 concerning the implementation of good corporate governance, the number of audit committee members is at least 3 people. The presence of audit committee is expected to provide views on issues relating to financial policy, accounting, and internal control (Mayangsari, 2003).

Pohan (2008) explains that the board of commissioners must establish an audit committee consisting at least three members. The audit committee members are appointed, dismissed, and responsible to the board of commissioner. Since the audit committee has a few numbers of members, it is expected to be more efficient yet also has weaknesses. The lack of varying experience of members require each member to have an adequate understanding of financial report preparation and the principles of internal supervision. The most important qualifications of each member of audit committee lie in its member’s common sense, intelligence, and an independent view (Annisa and Kurniasih, 2012). In this study, the calculation of audit committee is the total number of audit committee in a company (Hanum, 2013).

Audit Quality (QUAL)

DeAngelo (1981) defines audit quality as a condition where the auditor has a joint probability to be able to find violations in the client’s accounting system and report them in the audited financial statements. Since the shareholders of a company will make decision based on the audited financial statements, therefore the auditors should be able to reduce inconsistency of information between management and shareholders. A good audit quality is when the auditors are able to find any misstatement or errors within the accounting system that is not in accordance with Financial Report Standards (SAK) and be bold to disclose them. Audit quality should be in compliance with the Public Accountant Professional Standards (SPAP) as an institution that sheltered professional auditors.

The errors that has been reported in the financial statements can be interpreted that all matters related including taxation have been free from errors or misstatement that are indeed demanded by the public authorities (Sartori, 2010). The assumption of the implication of tax aggressive action, induced shareholders to prevent an aggressive tax action that will risk the company in a aggressive position in terms of tax with the audited financial statements.

Audit quality can be measured based on the size of the Public Accounting Firm (KAP) who audited the company. Companies whose financial statement audited by The Big Four accounting firm tend to be more independent as it able to withstand the pressure of managers to report violations (Kurniasih and Sari, 2013). Therefore the companies audited by The Big Four will be given a value of 1, and other public accounting firm will be given a value of 0 (Alviyani, 2016). The audit quality indicators are determined based on the Public Accounting Firm as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Public Accounting Firm</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PricewaterhouseCooper (PwC)</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Deloitte Touche Tohmatsu</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Ernst &amp; Young (E&amp;Y)</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>KPMG</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>0</td>
</tr>
</tbody>
</table>

Tax Avoidance (TA)

Tax avoidance practice is an attempt of taxpayers to reduce or exclude the tax debt owed to the company without violating the tax laws and regulations (Lim, 2011). Tax avoidance practice is a legal action only if it is carried out in accordance with the tax law (Aryani and Astuti, 2016). However, this action is not entirely legal since there are still those who consider that tax avoidance is illegal (Slamet, 2007).

This study uses Cash Effective Tax Rate (CashETR) measurement as a proxy for tax avoidance (Chen, Chen, Cheng, and Shevlin, 2010). The purpose of using CashETR in this study is to accommodate the amount of cash tax currently paid by the company. CashETR is an effective tax rate based on the amount of cash tax paid by the company in the current year and divided by the company pre-tax income in the current year (Hanlon and Heitzman, 2010). Cash tax paid is the amount of cash that the company paid for tax liability in the current year based on company’s cash flow statement. Whereas the pre-tax income is the income of a company before tax expense in the current year based on company’s income statements. The greater the CashETR indicates the lower the level of corporate tax evasion.

\[
C \cdot hE = \frac{C \cdot h'Y}{P} \cdot \frac{P}{F} \cdot \frac{F}{i.t} \cdot \frac{i}{i.t}
\]
avoidance (Mulyani, Wijayanti, and Masitoh, 2018).

Information:
CashETR : Cash Effective Tax Rate

RESEARCH METHOD
This research uses quantitative methods in hypotheses testing on research variables that aim to explain the effect that occurs between two or more variables. Further, this study is conducted to discover the influence of independent variables on dependent variable. Quantitative method uses in conducting research based on positivism philosophy, scientific, and discovery (Sugiyono, 2016). This method uses statistic to analyze the research data which results are presented in numbers.

The population on this research is the manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2017. The company population taken is the company that classified as manufacturing industries according to the classification of the Jakarta Stock Industrial Classifications (JASICA), they are Basic Industry and Chemicals, Consumer Goods Industry, and Miscellaneous Industry.

Hypothesis
H1: Institutional ownership has negative effects on tax avoidance.
H2: Independent commissioners has negative effect on tax avoidance.
H3: Audit committee has negative effect on tax avoidance.
H4: Audit quality has negative effect on tax avoidance.

Figure 1: Conceptual Framework

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variables</th>
<th>B</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA</td>
<td>(Const)</td>
<td>-3.316</td>
<td>-3.680</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>OWN</td>
<td>-0.180</td>
<td>-0.178</td>
<td>-2.965</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>COM</td>
<td>1.194</td>
<td>0.316</td>
<td>5.413</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>AuCOM</td>
<td>-0.456</td>
<td>-0.261</td>
<td>-4.262</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>QUAL</td>
<td>-0.187</td>
<td>-0.125</td>
<td>-2.046</td>
<td>0.042</td>
</tr>
</tbody>
</table>

Source: Data Processed (2019)

Table 3. Determination Coefficients

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.524</td>
<td>0.275</td>
<td>0.261</td>
</tr>
</tbody>
</table>

Source: Data Processed (2019)

Table 4. F Test

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>31.936</td>
<td>4</td>
<td>7.984</td>
<td>20.384</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>84.212</td>
<td>215</td>
<td>0.392</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>116.148</td>
<td>219</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Processed (2019)

The Influence of Institutional Ownership on Tax Avoidance
Based on the result of the analysis using multiple regression methods, it obtained the regression coefficient of Institutional Ownership variable (OWN) of -0.180 and the significance value of 0.003 that is smaller than the alpha used (0.003 < 0.05). Therefore, the Institutional Ownership variable has a negative significant influence on Tax Avoidance. The first hypothesis testing (H1) with Institutional Ownership variable (OWN) significance value of 0.003 means that the first hypothesis (H1) is accepted. Furthermore the regression coefficient of -0.180 means that Institutional Ownership and Tax Avoidance have a negative relationship. Thus, it can be concluded that if the Institutional Ownership increase, therefore the Tax Avoidance which proxy by Cash Effective Tax Rate would be decrease. This shows that the variation of tax avoidance is determined by the Institutional Ownership variable. In other words, the percentage of shared owned by the institution compared to the number of shares issued or outstanding shares will have a significant influence on tax avoidance behavior.

Institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders (Jensen and Meckling, 1976). Shafer and Simmons (2006), also found that institutional ownership plays an important role in monitoring, disciplining, and influencing managers in tax management. The
existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by the manager. By reason of institutional investors are involved in strategic retrievals, so it is not easy to believe in earnings manipulation.

The greater ownership by institution, means that the greater the power of voice and the encouragement to optimize the value of the company. Institutional ownership has the advantage of having professionalism in analyzing information thus it can verify the reliability of information and has a strong motivation to enforce tighter supervision of activities that occur within the company. The result of this research is in accordance with the result of research conducted by Alviyani (2016) stating that institutional ownership has a negative significant influence on tax avoidance.

The Influence of Independent Commissioner on Tax Avoidance

Based on the result of the analysis using multiple regression methods, it obtained the regression coefficient of Independent Commissioner variable (COM) of 1.194 and the significance value of 0.000 that is smaller than the alpha used (0.000 < 0.05). Therefore, the Independent Commissioner variable has a positive significant influence on Tax Avoidance. The second hypothesis testing (H2) with Independent Commissioner variable (COM) significance value of 0.000 means that the second hypothesis (H2) is accepted. However, the regression coefficient of 1.194 means that Independent Commissioner and Tax Avoidance have a positive relationship. Thus, it can be concluded that if the Independent Commissioner increase, therefore the Tax Avoidance which proxy by Cash Effective Tax Rate would be increase as well. This shows that the variation of tax avoidance is determined by the Independent Commissioner variable. In other words, the percentage of independent commissioner compared to the total member of board of commissioners will have a significant influence on tax avoidance behavior.

This finding contradicts the general justification that the greater percentage of independent commissioner to be able to perform supervision and control in a company by managers and directors to further reduce tax avoidance behavior. However, in its practice not all members of independent board of commissioners able to demonstrate their independence so that their presence in not effective in enforcing tax avoidance behavior. Likewise, the ability of independent commissioner to monitor the process of disclosure and provision of information will be limited if the affiliated parties in the company dominate and control the independent board of commissioner is deemed less responsive in paying attention to whether or not the corporate tax avoidance occurs so that they disregard their obligation to the state. The result of this research is in accordance with the result of research conducted by Pohan (2008) and Timothy (2010) stating that institutional ownership has a positive significant influence on tax avoidance.

The Influence of Audit Committee on Tax Avoidance

Based on the result of the analysis using multiple regression methods, it obtained the regression coefficient of Audit Committee variable (AuCOM) of -0.456 and the significance value of 0.000 that is smaller than the alpha used (0.000 < 0.05). Therefore, the Audit Committee variable has a negative significant influence on Tax Avoidance. The third hypothesis testing (H3) with Audit Committee variable (AuCOM) significance value of 0.000 means that the third hypothesis (H3) is accepted. Furthermore the regression coefficient of -0.456 means that Audit Committee and Tax Avoidance have a negative relationship. Thus, it can be concluded that if the Audit Committee increases, therefore the Tax Avoidance which proxy by Cash Effective Tax Rate would be decrease. This shows that the variation of tax avoidance is determined by the Audit Committee variable. In other words, the number of audit committee member will have a significant influence on tax avoidance behavior.

The more the number of audit committees in the company, the control of financial policy will be even tighter that it will reduce the tendency of management to tax avoidance behavior. Audit committee is one of something that holds up structure that can directly provide oversight and bridge the manager’s reporting to the shareholders. In accordance with Indonesia Stock Exchange (IDX) provision, companies should have an audit committee member at least 3 people. The credibility of a company that the audit committee member is a few or less audit committee member than 3 people will affect the integrity and credibility of a company. The result of this research is in accordance with the result of research conducted by Winata (2014), and Sandy
and Lukviarman (2015) stating that audit committee has a negative significant influence on tax avoidance.

The Influence of Audit Quality on Tax Avoidance

Based on the result of the analysis using multiple regression methods, it obtained the regression coefficient of Audit Quality variable (QUAL) of -0.187 and the significance value of 0.042 that is smaller than the alpha used (0.042 < 0.05). Therefore, the Audit Quality variable has a negative significant influence on Tax Avoidance. The fourth hypothesis testing (H4) with Audit Quality variable (QUAL) significance value of 0.042 means that the fourth hypothesis (H4) is accepted. Furthermore the regression coefficient of -0.187 means that Audit Quality and Tax Avoidance have a negative relationship. Thus, it can be concluded that if the Audit Quality increase, therefore the Tax Avoidance which proxy by Cash Effective Tax Rate would be decrease. This shows that the variation of tax avoidance is determined by the Audit Quality variable. In other words, the object of this research that is manufacturing company has a satisfying audit quality that will influence tax avoidance behavior significantly.

Annisa and Kurniasih (2012) state that the financial statement audited by auditors from The Big Four public accounting firm (Pricewaterhouse Cooper - PwC, Deloitte Touche Tohmatsu, Ernst and Young - E&Y, and KPMG) are considered more qualified as they are able to limit earnings management practices compared to non-big four auditors. The big four auditors are deliberated able to maintain their independence in reality throughout the audit, independence in professionalism, and able to maintain public trust as users of financial statements. Companies who are audited by the big four public accounting firm also have a lower level of fraud in tax management compared to companies audited by non-big four public accounting firm. The result of this research is in accordance with the result of research conducted by Fadhilah (2014), Sandy and Lukviarman (2015), Mulyani, Wijayanti, and Masitoh (2018) stating that audit quality has a negative significant influence on tax avoidance.

CONCLUSION & RECOMMENDATION

Conclusions
1. Institutional Ownership shows a significant negative influence on Tax Avoidance. Thus, the first hypothesis that states institutional ownership negatively affects tax avoidance has been proven. Meaning that the higher of Institutional Ownership, the corporate Tax Avoidance proxy by Cash Effective Tax Rate will be lower.
2. Independent Commissioner shows a significant positive influence on Tax Avoidance. Thus, the second hypothesis that states independent commissioner affects tax avoidance has been proven significantly yet the correlation between them is positive. Meaning that the higher of Independent Commissioner, the corporate Tax Avoidance proxy by Cash Effective Tax Rate will be higher as well.
3. Audit Committee shows a significant negative influence. Thus, the third hypothesis that states audit committee negatively affects tax avoidance has been proven. Meaning that the higher of Audit Committee, the corporate Tax Avoidance proxy by Cash Effective Tax Rate will be lower.
4. Audit Quality shows a significant negative influence on Tax Avoidance. Thus, the fourth hypothesis that states audit quality negatively affects tax avoidance has been proven. Meaning that the higher of Audit Quality, the corporate Tax Avoidance proxy by Cash Effective Tax Rate will be lower.

Recommendation
1. Subsequent research can be conducted by using business industry other than manufacture, for example banking and finance or services industry.
2. Further research should be using other proxy for corporate governance measure, for example using the Corporate Governance Perception Index (CGPI) provided by Indonesian Institute for Corporate Governance (IICG) and other measurement for Tax Avoidance for example the Current Effective Tax Rate, which reflect all the taxes owed by the company.
3. Future research can be conducted by adding the research period, for example 1 decade or 10 years of research to obtain the maximum results.

Limitation
1. Corporate governance should be applied to all companies, however this research only captures the influence of corporate governance within the manufacturing companies to avoid the variations in business industries. Therefore the
result cannot be generalized to all business industries.

2. According to Hanlon & Heitzman (2010), there are twelve techniques to measure tax avoidance and taxation in the United States (US) has many types of applicable tax expenses, for example Current Federal Tax Expenses, and Foreign Tax Expenses, while Indonesia only grants tax expenses. Therefore, this study only uses Cash Effective Tax Rate to measure tax avoidance as this suitable with tax regulations in Indonesia.

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