



Do Corporate Social Responsibility and Corporate Governance Affect Tax Aggressiveness? Evidence from Indonesia

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Abstract

For businesses in Indonesia, corporate social responsibility (CSR) is still seen as an additional burden that will incriminate the company. Based on the observations of two companies that received awards for the CSR programs, it seems that the company always received a Tax Underpayment Assessment Letter (SKPB) from the Directorate General of Taxes for the period 2014–2017. This suggests that the burden of CSR incurred by the company exceeds the limits set out in the provisions of Minister of Finance Regulation Number (2011). The indications that arise for these conditions are the efforts made by the company to practice tax avoidance by posting CSR expenses above the applicable provisions with the aim of reducing corporate's income taxes. But the aggressive tax planning measures should be minimized by implementation of good corporate governance (GCG). This study aims to examine the effect of CSR and corporate governance (CG) on corporate tax aggressiveness and the effect of CSR on tax aggressiveness which is moderated by corporate governance. The objects of the research are the financial statements of public companies listed on the Indonesia Stock Exchange (IDX) with the observation period of 2014–2017. The data are analysed using multiple linear regression. The test results show that CSR has a positive effect on tax aggressiveness, however corporate governance does not affect tax aggressiveness. Furthermore, corporate governance has no effect in moderating the effect of CSR on tax aggressiveness.

Keywords:

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Corporate governance
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1. Research Background

Since the enactment of the Act No. 40 of 2007 on Limited Liability Company, public companies in Indonesia tend to comply with the rules concerning CSR implementation. Based on the data gathered, almost all companies listed on the Indonesia Stock Exchange in 2014–2017 carried out CSR programs which were reported in the annual reports. Even among them there were companies that obtained CSR awards from CSR institutions or associations, both nationally and internationally, such as ASII and PTBA. ASII has been receiver of several awards, such as the 2015 Best Corporate Social Initiative and the 2014 ANTARA CSR Award. While PTBA recently also received the 2018 Padmamitra Award through a poverty alleviation program.

But interestingly, from the data we gathered, the two companies always received a Tax Underpayment Assessment Letter (SKPKB) in 2014–2017. SKPKB is a legal product issued by the Directorate General of Taxes as a result of a tax audit. SKPKB is issued in the event that the company has been examined and proven

to report the tax incorrectly so that there is still a tax shortage that the company must pay. The total nominal SKPKB received by ASII and PTBA from 2014 to 2017 were Rp666 billion and Rp146 billion respectively.

To get a better confidence regarding this indication, we conducted a deeper look by pairing load CSR activities CSR award-winning company (in this case as the sample is ASII) with Minister of Finance Regulation (PMK) Number 76 / PMK.03 (2011). Based on the data that we obtained, in 2014 ASII issued funds for CSR activities amounting to Rp529 billion (Astra International, 2019). While ASII's fiscal net income in 2013 was Rp5,405 billion. When referring to PMK 76/PMK.03/2011, the burden of CSR activities that could be deducted from gross income in 2014 should have been a maximum of Rp270 billion ($5\% \times Rp5,405$ billion). Thus, that the burden of ASII CSR activities in 2014 of Rp529 billion would be positively corrected by IDR259 billion (IDR529 billion - IDR270 billion). This observation further clarifies these indications that CSR is used as a means to practice tax avoidance by companies.

However, the decision to carry out aggressive tax planning does not rule out the possibility that it originates solely from management decisions. This is explained by Slemrod (2004) who states that the existence of agency problems can trigger management to carry out tax aggressiveness for management's personal interests. Thus, tax avoidance practices can be caused by agency problems that occur between the owner of the company as principal and management as agent. However, the agency problem, including the opportunistic behaviour of managers for tax avoidance, is supposed to be suppressed by the implementation of good corporate governance. Schön (2008) proves that good corporate governance should be used as a tool to combat tax avoidance. Moreover, the Financial Services Authority (OJK) has issued Regulation Number 21/POJK.04/2015 concerning the Implementation of the Guidelines for Public Company Governance which requires them to implement GCG and disclose it in the annual reports. Thus, a public company should have a good corporate governance mechanism in order to suppress the managers' opportunistic behaviour.

2. Literature of Hypothesis Review and Development

Lanis and Richardson (2012) suggest that CSR is one of the keys to achieving success and sustainability so that the company should have CSR programs. By implementing CSR, the company will gain legitimacy in the surrounding environment and can also enhance its reputation as a company that pays attention to its social responsibility.

The legitimacy theory also applies to the practice of tax avoidance. In a social view, companies that deliberately avoid taxation to reduce their taxes will be seen as illegitimate social contracts (Avi-Yonah, 2008). Lanis and Richardson (2012) show that tax avoidance is considered an act that has no social responsibility because it can adversely affect the economy of the local community. Therefore, by taking a passive attitude towards taxes, the company will gain legitimacy in the community and can choose the sustainability of its business activities in the community. In other words, CSR and taxes are complementary (Mao, 2019).

Minor and Morgan (2011) state that companies that have a high reputation tend to avoid serious problems related to political, regulatory, and social violations. Minor and Morgan (2011) add that CSR can function like insurance that can help companies in reducing sanctions when they are involved in a negative case. The practice of tax avoidance by utilizing CSR can also be explained using a perspective of risk management strategies (Mao, 2019). In this perspective, companies tend to comply with CSR activities. CSR programs are used by the company as a tool to cover up the tax avoidance practices it does (Mao, 2019). In other words, the relationship between CSR and taxes is substitute or CSR has a positive influence on the level of tax aggressiveness. Whereas Roman and Grant (2014) conducted research related to the effect of CSR and corporate tax aggressiveness. Both found that CSR performance is inversely proportional to tax avoidance efforts. Based on the description above, the first hypothesis proposed from this study is:

H₁ : CSR has a positive effect on tax aggressiveness.

The implementation of good corporate governance is seen as able to reduce agency problems and improve company performance (Sheikh & Rees, 1995). The implementation of good corporate governance encourages management to manage the company more efficiently and implement policies that are suitable for the company's interests.

The results of research conducted by Desai and Dharmapala (2006) show that tax planning policies are influenced by the implementation of corporate governance. The research conducted by Irawan and Farahmita (2013) found similar results; namely there is a significant negative relationship between corporate governance and tax aggressiveness. Another study conducted by Sari (2010) found that corporate governance had a negative effect that was not significant for tax aggressiveness. Based on the description above, the second hypothesis proposed from this study is:

H₂ : Corporate governance has an effect on tax aggressiveness.

CSR activities carried out by companies have an important role in the sustainability of the company (Lanis & Richardson, 2012). CSR can be reflected in CSR reporting which involves disclosing information about economic, social and environmental activities, as well as corporate governance performance (Hung, Shi, & Wang, 2013). To maintain the continuity of the company in the long-term, especially with regard to social and

environmental issues, it is necessary to converge between CSR and corporate governance for better management (Uwuigbe, Egbide, & Ayokunle, 2011). Thus, the company is also expected to be responsible for the stakeholders, although the current view still assumes that the company's main responsibility is creating value for the shareholders (Margolis, Elfenbein, & Walsh, 2007). According to Handajani, Subroto, and Saraswati (2014) the convergence between corporate governance and CSR does not only reduce agency costs, it will also create stakeholder value so that it has a positive impact on the company's sustainability in the long-term. Handajani et al. (2014) added, if corporate governance is still oriented to the short-term, namely to address agency problems without accommodating stakeholder interests and long-term sustainability issues corporate governance will not lead to corporate's CSR improvement. Handajani et al. (2014) found that corporate governance has a significant positive effect on CSR disclosures. They concluded that there was an increase in the convergence between corporate governance and CSR. Based on the description above the third hypothesis proposed from this study is:

H_3 : Corporate governance moderates the relationship of CSR to tax aggressiveness.

3. Research Methods

The object of the research is secondary data obtained from the financial statements and annual reports of these companies. The data will be selected using certain criteria to meet the needs of the research variables. That is why a purposive sampling technique will be used to obtain the research samples as can be seen in Table 1. The criteria excluded in the selection of samples are as follows:

1. The company did not produce the financial statements nor complete the annual reports for the period 2014-2017.
2. The company presented the financial statements other than in Rupiah.
3. The company was listed and/or delisted for the period 2014-2017.
4. The company did not disclose SKPKB in financial reports and/or the annual reports.

The type of data used is secondary data which are a collection of data collected by individuals or entities for other purposes, not by researchers who conduct the research (Sekaran, 2003). The data under study are the financial statements and annual reports from the companies under study. The data are obtained from the IDX official website (www.idx.co.id), the official website of the company under study, and other relevant sources.

Table-1. The results of samples selection using purposive sampling.

No.	Criteria	Total
1	Number of companies registered in a row during the 2014 to 2017 period	583
2	Number of companies that did not have complete data for the period 2014-2017	(46)
3	Number of companies that did not use Rupiah in their financial statements	(83)
4	Number of companies that did not disclose underpayment tax assessment letters in successive financial statements during the period 2014 to 2017	(403)
5	Number of companies that meet the criteria	51
6	Number of years of observation	4
7	Number of research samples	204

Source: Processed data.

3.1. The Definition of Operational Variables

This study uses three types of variables, namely the independent variable, the dependent variable, and control variables. The dependent variable is a variable that is affected by an independent variable (Sugiyono, 2016).

3.1.1. Dependent Variables

The dependent variable in this study is tax aggressiveness (TAG). Tax aggressiveness in this study is defined as manipulation activities that aim to reduce taxable income through tax planning, either done legally or in breach of the regulations. This definition is in line with Frank, Lynch, and Rego (2009) and Chen, Chen, Cheng, and Shevlin (2010).

This study uses the underpayment tax assessment (SKPKB) received to identify tax aggressiveness. In this case, the SKPKB used is the SKPKB which has obtained final legal provisions, both before and after passing the process of objections and appeals (Geraldina, 2013). In this study, the level of tax aggressiveness is proxies using the principal amount of tax plus sanctions contained in the SKPKB which are scaled by total sales (Geraldina, 2013).

3.1.2. Independent Variables

The independent variables in this study are corporate social responsibility (CSR) as well as corporate governance (CG). Both variables can be explained as follows:

3.1.2.1. Corporate Social Responsibility (CSR)

CSR variables are proxies using CSR disclosures contained in the company's annual report. To determine the levels of CSR disclosures, we use the CSR disclosures index based on the GRI 2016 Sustainability Reporting Standards made by the [Global Reporting Initiative \(2016\)](#). In these standards, there are three categories of CSR disclosures, namely economic, environmental, and social categories. Furthermore, the three categories give detail into 77 items of CSR disclosures that are used as indicators of CSR disclosures. In this study, CSR is measured by using the number of CSR disclosures divided by the total CSR disclosure items whose value ranges between 0–1. If the closer the value to 1, means the CSR implemented by the company is better. The calculation formula for this variable is as follows:

If the closer the value to 1, means the CSR implemented by the company is better

$$CSR = \frac{\text{Total CSR Disclosure}}{\text{Total CSR Disclosure Item}}$$

3.1.2.2. Corporate Governance

The Corporate Governance (CG) variable is measured by calculating indices based on the 2015 G20/OECD Corporate Governance Principles. These guidelines consist of five main measurement dimensions, namely the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the roles of the board of directors. The five dimensions are then derived into several disclosure items that will be used to calculate corporate governance indexes ([Cheung et al., 2014](#)). CG measurements in this study use a number of disclosed corporate governance items divided by total corporate governance disclosure items. The measurement results range from 0–1. If the score near to 1, the better corporate governance implementation. The calculation formula for this variable is as follows:

$$CG = \frac{\text{Total CG Disclosure}}{\text{Total CG Disclosure Item}}$$

3.1.3. Control Variables

The control variables in this study are profitability (ROA), company size (SIZE), and leverage (LEV). Profitability, according to [Gupta and Newberry \(1997\)](#) has an effect on tax aggressiveness. The profitability variable in this study is proxied using ROA (profit before tax divided by total assets). Furthermore, the company size variable is used to control the effects of economies of scale. According to the Political Cost Theory proposed by Watts and Zimmerman, managers from large companies are more motivated to report smaller profits in their financial statements to avoid large tax obligations ([Godfrey, Hodgson, Tarca, Hamilton, & Holmes, 2010](#)). The size of the company in this study is measured by natural logarithms (ln) of total assets ([Lanis & Richardson, 2012](#)). Furthermore, the leverage variable is used to control the effect of debt on corporate tax reduction efforts. Leverage is the proportion of long-term debt to total assets. Leverage has a positive effect on tax aggressiveness because the interest expense borne by the company can reduce corporate tax ([Lanis & Richardson, 2012](#)).

3.1.4. Research Model

We build a research model based on previous researches. This model is used in previous studies that examined the effect of CSR and corporate governance on tax aggressiveness ([Irawan & Farahmita, 2013](#); [Pradipta & Supriyadi, 2015](#); [Roman & Grant, 2014](#); [Sari, 2010](#); [Tjondro, Widuri, & Katopo, 2016](#)). Some control variables used, namely profitability, company size, and leverage, are based on previous researches which found that these variables influence tax aggressiveness ([Pradipta & Supriyadi, 2015](#); [Roman & Grant, 2014](#); [Sari, 2010](#)). The research model that will be used is as follows:

$$TAG_{it} = \alpha_0 + \beta_1 CSR_{it} + \beta_2 CG_{it} + \beta_3 CSR_{it} * CG_{it} + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \varepsilon_{it}$$

Note:

TAG = Tax Aggressiveness

CSR = CSR disclosure index

CG = CG implementation index

ROA = Profitability, measured using return on assets (profit before tax divided by total assets)

SIZE = Company Size (natural logarithm of total assets)

LEV = Leverage (total long-term debt divided by total assets)

α = Constant (intercept)

β = Regression coefficient (slope)

ε = Error

I = Company i

T = Year t

In this study, the significance level used is 5%. We will be using STATA 14 software for statistical testing because it is most suitable for the conditions of the data collected.

4. Results

4.1. Descriptive Statistics Analysis

The descriptive method provides a general overview of the condition of the data used in the study without intending to make conclusions from these data. The results of the descriptive statistics in this study are shown in Table 2.

Table-2. The descriptive statistics of the research variables.

Variable	N	Mean	Median	Min	Max	Std. Dev
TAG	204	0.00454	0,00136	0.00000	0.05213	0.00831
CSR	204	0.25719	0.24675	0.12987	0.54545	0.07211
CG	204	0.79382	0.79592	0.57143	0.97959	0.07862
ROA	204	0.06766	0.05434	-0,54744	0.48337	0.10449
SIZE	204	29,8343	29,7312	26,1882	33,3201	1,57826
LEV	204	0.51969	0.48379	0.12197	1,92278	0.25720

A more detailed descriptive analysis of the CG variables is shown in Table 3 where it is known that there are two aspects which are still relatively low, namely equitable treatment for Shareholders (CG_B) and The Role of Stakeholders (CG_C). Both of these aspects have a mean value of 0.60348 and 0.66667, respectively. These show that during the observation period, the companies under study have an average implementation of the equitable treatment for shareholders (CG_B) and the role of stakeholders (CG_C) aspects that have not been good.

Table-3. The descriptive statistics of CG variable components.

Variable	N	Mean	Min	Max	Std. Dev
CG_A	204	0.82046	0,00136	0.12500	0.16228
CG_B	204	0.60348	0.24675	0.33333	0.14960
CG_C	204	0.66667	0.79592	0.50000	0.18347
CG_D	204	0.94321	0.05434	0.75000	0.05108
CG_E	204	0.78462	0.93750	0.56250	0.08689

4.2. Regression Model

There are three possible model approaches that can be used to perform panel data regression, namely the common effect model (OLS), the fixed-effect model, and the random effect model (Gujarati & Porter, 2009). Of the three approaches, a regression model approach will be chosen that best fits the data through analysis of data processing. We obtain consistent results that the more appropriate regression model is the fixed effect model.

4.3. Classic Assumption Test

The normality test is done to find out whether the residual variables are normally distributed (Ghozali, 2016). The normality test conducted in this study uses the normal probability plot graph analysis. Graph analysis in a normality test with a normal probability plot is considered more reliable because it compares the cumulative distribution of the normal distribution.

The multicollinearity test aims to find out whether in the regression model there is a fairly high correlation between the independent variables (Ghozali, 2016). Multicollinearity testing is done by looking at the value of variance influence factor (VIF). VIF values can show the effect of each independent variable on other independent variables. If the VIF value is more than 10 ($VIF > 10$), it can be said that there is a multicollinearity problem between independent variables (Ghozali & Ratmono, 2013). The results of testing VIF values on all independent variables have been below 10 ($VIF < 10$). Thus, it can be concluded that the regression model is free of multicollinearity problems.

Heteroscedasticity test aims to test whether the regression model has a difference in variance at each residual (Ghozali, 2016). Heteroscedasticity might cause the estimator to not be BLUE (Best Linear Unbiased Estimator) and efficient so that the t value of statistics and F count are not represented (Ghozali & Ratmono, 2013). Heteroscedasticity test refers to the value of $[\text{Prob} > \text{Chi}^2]$ and alpha value. N values $[\text{Prob} > \text{Chi}^2]$ generated amount to 0.0000 or less than the value of alpha (0.05) so that H_0 is rejected and H_1 is accepted. Thus, there is a heteroscedasticity problem in panel data. However, referring to the research of Hoehle (2007) the problem of heteroscedasticity can be overcome by using heteroscedasticity-consistent standard errors or "White" standard errors.

Autocorrelation test is testing that aims to find out whether in the regression model there is a correlation between residual errors in period t with interfering errors in period t-1 (Ghozali, 2016). The problem of autocorrelation occurs when there is a correlation between disturbing errors in period t with interfering errors in period t-1. The autocorrelation test in this study is carried out using the Woolridge Test for Autocorrelation in Panel Data method in the STATA 14 software.

If the generated value of [Prob> F] is greater than alpha (0.05), then H₀ is accepted, which means there is no problem of autocorrelation in the panel data. Conversely, if the [Prob> F] produced is smaller than alpha (0.05), then H₀ is rejected and H₁ is accepted, which means there is a problem of autocorrelation in the panel data. The generated value of [Prob> F] is equal to 0.4989 or greater than the value of alpha (0.05), so that H₀ is accepted or there is not a problem of autocorrelation in the panel data.

4.4. Regression Results

Hypothesis testing is done to prove the hypotheses that have been developed based on the relevant theories and previous studies on the topic of research. The feasibility test of the regression model (goodness of fit) will be carried out first before testing the research hypothesis. The feasibility test of a regression model will be comprised of a test coefficient of determination (R²), the simultaneous significance test (statistical test F), and the individual parameter significance test (t statistical test).

Table-4. The statistical results of t test.

TAG	Coef.	(Std. Err. Adjusted for 51 clusters in id)					
		Robust Std. Err.	z	P>	z	(95% Conf. Interval)	
cent_CSR	.070896	.012981	5.46	0,000		.045453	.0963383
cent_CG	-.00229	.004695	-0.49	0.625		-.0114962	.0069076
cent_CSRxCG	-.04868	.212151	-0.23	0.818		-.4644929	.3671246
ROA	-.01406	.006679	-2.11	0.035		-.027153	-.0009721
SIZE	-.00156	.000382	-4.08	0,000		-.0023075	-.0008099
LEV	-.00139	.002561	-0.54	0.588		-.0064062	.0036309
_cons	.052648	.012102	4.35	0,000		.0289287	.763666

Source: The results of data processing using STATA 14.

Based on the results of the statistical t test in Table 4, it can be seen that the variables cent_CSR, ROA, and SIZE have values of [P> | z |] smaller than the alpha value (0.05). This means that H₀ on the three variables is rejected or it means the three variables individually are a significant explanatory on the dependent variable. The cent_CSR variable has a positive coefficient. Meanwhile, the variables ROA and SIZE have negative coefficients. The variables that have [P> | z |] greater than alpha (0.05) are cent_CG, cent_CSRxCG, and LEV. Thus, H₀ for these three variables are accepted or it means these three variables on an individual basis are not the significant explanations on the dependent variable.

4.4.1. Hypothesis Testing Results

This study proposes three working hypotheses. The decision to accept or reject the working hypothesis is based on the value of [P> | z |] from the results of the statistical t test. The results of hypothesis testing are as follows:

- i. CSR affects tax aggressiveness.
The first working hypothesis (H₁) predicts that corporate social responsibility has an effect on tax aggressiveness. The significance of the cent_CSR variable against TAG is determined by the value [P> | z |] of the variable cent_CSR in the t test. If the value of [P> | z |] is greater than the alpha value (0.05), then the hypothesis H₁ will be rejected. And vice versa, if the value of [P> | z |] is smaller than the alpha value (0.05), then the hypothesis H₁ will be accepted. CSR has a significant influence on corporate tax aggressiveness. In addition, the regression coefficients have a positive direction which indicates that CSR has a positive effect on corporate tax aggressiveness.
- ii. Corporate governance has an effect on tax aggressiveness.
The second working hypothesis (H₂) predicts that corporate governance has an effect on tax aggressiveness. The significance of the variable cent_CG to TAG is determined by the value [P> | z |] of the variable cent_CG in the t test. Based on the results of the t test in Figure 1, it is known that the value of [P> | z |] of the independent variable cent_CG is 0.625 or it exceeds the alpha value (0.05). In other words, corporate governance does not have a significant effect on corporate tax aggressiveness. In addition, the coefficient of regression results has a negative direction which indicates that corporate governance has a negative effect on corporate tax aggressiveness. On this basis, the results of this test direct the decision to reject H₂ because the value of [P> | z |] is greater than the alpha value (0.05).
- iii. Corporate governance moderates the relationship of CSR to tax aggressiveness.

The third working hypothesis (H_3) predicts that corporate governance will moderate (strengthen or weaken) the relationship of CSR to tax aggressiveness. This hypothesis suggests that the level of corporate governance implementation that is carried out by the company can affect the relationship of CSR to corporate tax aggressiveness. The decision to accept H_3 is based on the value of $[P > |z|]$ smaller than the alpha value (0.05). Based on the results of the t test in Figure 1, it is known that the value of $[P > |z|]$ of the independent variable cent_CSRxCG is 0.818 or it exceeds the alpha value (0.05). In other words, corporate governance does not moderate the relationship of CSR to corporate tax aggressiveness. On this basis, the results of this test direct the decision to reject H_3 .

4.4.2. Discussion

i. The Impacts of Corporate Social Responsibility (CSR) on Tax Aggressiveness

Based on the results of the regression test, this research shows that CSR variables have a significant effect on the dependent variable. Thus, the working hypothesis H_1 in this study is accepted. In addition, the CSR variable coefficient is positive, which means that the higher the level of CSR performance carried out by the company, the higher the level of corporate tax aggressiveness. The results of this study are consistent with the research conducted by [Maraya and Yendrawati \(2016\)](#) and [Mao \(2019\)](#). [Maraya and Yendrawati \(2016\)](#) show that the companies seem to have double obligations to budget the funds for both CSR and taxation activities. Thus, the companies would tend to be more aggressive in tax planning. Whereas [Mao \(2019\)](#) found that the companies involved in CSR programs have a higher level of tax aggressiveness compared to the companies that are not involved in CSR. [Mao \(2019\)](#) argues that companies involved in CSR activities have the motive to hide the practice of tax avoidance because the companies' involvement in CSR can reduce the risk of tax audits by the tax authority.

ii. The impacts of Corporate Governance (CG) on Tax Aggressiveness

Based on the results of the regression test, we find that the CG variable has a negative relationship, but the effect is not significant on the dependent variable. The results of this study are not in accordance with the working hypothesis H_2 . The results of this study implicitly indicate that the implementation of corporate governance in public companies in Indonesia is still not effective in reducing agency problems, one of which is manager's opportunistic behaviour in the form of aggressive tax planning. The results of this study are also not in line with the previous studies which stated that corporate governance has an effect on tax aggressiveness. The research conducted by [Irawan and Farahmita \(2013\)](#) found that the practice of corporate governance can encourage managers to be more careful in conducting tax planning so that the better the implementation of corporate governance, the least aggressive tax planning is done. However, the results of this study are in line with the research conducted by [Sari \(2010\)](#) which found that corporate governance did not affect tax aggressiveness. Furthermore, [Sari \(2010\)](#) explained that public companies tend to be limited in fulfilling IDX regulations without actually implementing good corporate governance in managing their business activities. The results of this study can be explained by several things. Firstly, good corporate governance has not been fully implemented by all public companies in Indonesia. The obligation to implement good corporate governance in Indonesia began to be encouraged since the issuance of the [Financial Services Authority Regulation \(2015\)](#) concerning the Implementation of Public Company Governance Guidelines. The regulation has been in effect since the financial year 2016. However, from the data that we obtained, not all companies did implement this rule in 2016 and 2017. Secondly, there are several aspects of corporate governance that are still low in implementation. Based on the data in this study, the sample companies in this research get an average score in the aspect of equitable treatment of shareholders (Section B - OECD Corporate Governance) and the role of stakeholders (Section C - OECD Corporate Governance), which are only 0.6034 and 0.6667 respectively. The low implementation of corporate governance in the aspect of equitable treatment of shareholders indicates that each shareholder gets unequal treatment within the company. This may cause the minority shareholders will not not have sufficient influence in determining the direction of company policy. Meanwhile the low implementation of the role of stakeholders indicates that the company does not really care about the role and interests of stakeholders such as related to the welfare and security of its employees, the role of key stakeholders, information disclosures, and public communications. These practices may result in the supervising function by stakeholders does not go well so that the management, even the controlling shareholders, can hide the policies that may be negative.

iii. The Impacts of Corporate Governance (CG) on the Relationship between Corporate Social Responsibility (CSR) and Tax Aggressiveness

The latest views regarding corporate governance have begun to accommodate sustainability issues and not only focus on agency issues that are focusing on the interests of shareholders and management. On the issue of sustainability, the interests of stakeholder are what determine the company's sustainability in the long-run. This new view extends corporate governance perspectives

from the traditional point of view of agency problems to more complex ones over issues of ethics, accountability, transparency, and disclosures (Gill, 2008). The implementation of good corporate governance will be able to maintain a balance between achieving economic goals and social goals in the context of the company's sustainability in the future.

The results of this study found that the CSRxCG variable as an interaction between CSR and corporate governance variables has a negative and not significant direction in moderating the relationship of CSR to the dependent variable. In other words, corporate governance variable does not affect the relationship between CSR and corporate tax aggressiveness. The results of this study are consistent with the research conducted by Rashid (2018) who found that there was no relationship between corporate governance and CSR performance in 101 publicly listed companies in Bangladesh. Rashid (2018) argues that companies consider CSR impacts can be felt by stakeholders from the CSR performance carried out so that the companies do not consider it necessary to disclose them in the annual reports as part of the corporate governance mechanism.

5. Conclusion

This study aims to prove the impacts of both corporate social responsibility and corporate governance on corporate tax aggressiveness. The study is conducted using a fixed-effect model approach on the companies listed on the Indonesia Stock Exchange from 2014 to 2017. This research is conducted on 51 companies selected as samples using purposive sampling method. Based on the results of statistical tests, there are several things that can be concluded:

1. Corporate social responsibility (CSR) has a positive and significant effect on corporate tax aggressiveness. This study shows that the higher the CSR performance, the higher the tax aggressiveness. This can happen because companies consider CSR to be an additional burden that must be dealt with the company so that the company will tend to be more aggressive in tax planning.
2. Corporate governance has no effect on corporate tax aggressiveness. In other words, the levels of corporate governance implementation do not affect the practice of tax avoidance. This study also finds that public companies in Indonesia have not fully implemented good corporate governance even though there are rules that require public companies to implement GCG and disclose it in the company's annual reports. In addition, this study also finds that the companies that are indicated of tax avoidance practices have an average implementation of corporate governance which is both low in the aspect of equitable treatment of shareholders and the role of stakeholders based on the OECD Corporate Governance Implementation Guidelines.
3. Corporate governance has no effect in moderating the relationship of CSR to corporate tax aggressiveness. There is a possibility that the company does not view CSR disclosures as part of the corporate governance mechanism. Thus, no matter how good the implementation of corporate governance is, it will not affect the company's CSR performance. In other words, corporate governance will not affect the relationship between CSR and corporate tax aggressiveness.

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