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Effect of Corporate Social Responsibility, Independent Commissioner and Profitability on Tax Avoidance

(Study on Food and Beverage Companies listed on the Indonesia Stock Exchange in 2017-2020)

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Abstract: *This study aims to determine the effect of Corporate Social Responsibility, Capital Intensity, Independent Commissioner, and Profitability on Tax Avoidance. This research is a quantitative research using multiple linear regression analysis with the help of SPSS software. The population in this study are food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. The sampling technique in this research is using purposive sampling method, namely determining the sample from the existing population based on the criteria desired by the study. The research sample consists of 37 companies belonging to several criteria, namely food and beverage sub-sector companies that are consistently listed on the Indonesia Stock Exchange for the 2017-2020 period, food and beverage sub-sector companies on the Indonesia Stock Exchange which publish annual financial reports in the rupiah exchange rate consecutively. - successively during the 2017-2020 period, food and beverage sub-sector companies listed on the Indonesia Stock Exchange that have positive profits during the 2017-2020 period, food and beverage sub-sector companies listed on the Indonesia Stock Exchange and have complete variable data required during the 2017-2020 period. period 2017-2020. The results of this study indicate that the Independent Commissioner variable has an effect on Tax Avoidance, while Corporate Social Responsibility, Capital Intencity, and Profitability have no effect on Tax Avoidance.*

Keywords: Corporate Social Responsibility, Capital Intensity, Independent Commissioner, Profitability, Tax Avoidance.

I. INTRODUCTION

The definition of tax based on Law no. 28 of 2007 in Article 1 Paragraph 1 is a mandatory contribution to the state owed by an individual or entity that is coercive under the law, without receiving direct compensation and being used for the needs of the state for the greatest prosperity of the people. For the state, taxes are one of the important sources of revenue used to finance state expenditures, both for routine expenditures and development expenditures. The tax is used by the government to fund national development that takes place continuously and continuously which aims to improve the welfare of the people. In order to minimize tax expenditure, the company uses a tax avoidance strategy. Basically, tax avoidance can be done by taking advantage of regulations that still have loopholes.

One that can affect the occurrence of tax avoidance is CSR (Corporate Social Responsibility). At this time many companies are growing, but because of that social inequality and damage to the surrounding environment can occur. So as a result of these risks, there is awareness to reduce the negative impact by doing CSR.

Things that can also affect the occurrence of tax axoidance is capital intensity. Capital intensity can also be defined by how the company sacrifices to spend funds for operating activities and asset funding in order to obtain company profits. The company's fixed assets have different economic lives as seen from Indonesian taxation. Capital intensity is defined as how much the company invests in fixed assets. In taxation preferences, fixed assets have a certain useful life, which is generally faster than the useful life predicted by the company.

The existence of an independent commissioner within the company is expected to minimize fraud that may occur from tax reporting reported by the company's management. Independent commissioners can help companies allocate resources in formulating corporate tax management strategies by providing useful experience and knowledge so that they are more aggressive in tax planning

Profitability is the company's ability to generate profits from its business activities. Profitability is a measure of management's performance in managing the company's wealth as seen from the company's profit. Analysis of profitability is very important for creditors and equity investors. For creditors, profit is a source of interest and principal payments. As for equity investors, profit is one of the determining factors for changes in the value of securities.

II.   HEADINGS

In this study, we will discuss the basis applied to this study, an explanation of the dependent variable and the independent variable. According to (Sugiyono, 2015) the dependent variable is a variable that affects or is the result that is influenced by the independent variable. Meanwhile, according to (Sugiyono, 2015) independent variables are variables that have an influence or become the cause of a change or things that arise from the dependent variable or dependent variable applied in research, previous research, conceptual framework, and hypothesis development. Previous research is a pre-existing research work that is used by the author as a basis for looking for comparisons and inspiration for positioning further research. In addition, the conceptual framework is a link between the concepts of the problem to be studied, and there is a development of hypotheses in it.

Stakeholders

Stakeholders are parties, both internal and external, who have a relationship that is both influencing and being influenced directly or indirectly by the company (Rindawati and Asyik, 2015). Companies must pay attention to the interests of their stakeholders, because stakeholders are parties that influence directly or indirectly on company activities and policies taken and implemented by the company. Stakeholder theory also considers the various groups that exist in society and how the expectations of stakeholder groups have a large or small impact on the company's strategy. This theory has implications for management policies in managing stakeholder expectations. The company's stakeholders basically have different expectations about how the company is run.

Legitimacy

Legitimacy theory is a theory that focuses on the interaction between the company and its stakeholders. Companies need legitimacy or recognition from investors, creditors, consumers, government and society in order to be able to maintain their survival. This theory explains the existence of social contact between companies and the community and disclosure of social environment (Lanis and Richardson, 2013). Legitimacy is a psychological state in favor of people and groups of people who are very sensitive to the symptoms of the surrounding environment, both physical and non-physical (Hadi, 2011).

Tax avoidance

Tax avoidance is an effort to ease the tax burden by not violating the law (Mardiasmo, 2013). Tax avoidance can occur in the law or can also occur in the sound of the provisions of the law but is contrary to the spirit of the law. Some tax avoidance is obtained and some is not allowed. Avoidance of permissible taxes can be done in various ways, such as restraint and juridically. Tax avoidance by self-restraint, for example, if the cosmetic product produced by the factory is subject to value added tax and luxury goods sales tax, the tax can be avoided by not buying the cosmetics. Meanwhile, juridical tax avoidance, for example due to the construction of a house with a minimum area of 400 m2 in one place subject to VAT, is therefore made up to 200 m2 but built in two different places in order to avoid the tax (Pudyatmoko, 2009).

Corporate Social Responsibility

The definition of Corporate Social Responsibility (CSR) has not yet been fully agreed upon, because the definition of CSR and the components of CSR may vary in different regions and other countries. And for our own country Corporate Social Responsibility (CSR) has been regulated by the government in accordance with the needs and components in it.

Capital Intensity

Capital intensity is an investment activity carried out by a company related to investment in the form of fixed assets (capital intensity) and inventory (Ambarukmini& Diana, 2017). The use of tax reduction can be done by companies that choose investments in the form of assets or capital in terms of depreciation (Puspita&Febrianti, 2017). Companies that

invest in fixed assets can make depreciation costs a deductible expense and in the end can reduce the amount of taxes that must be paid by the company so that companies do tax avoidance.

Independent Commissioner

The commissioner is the highest position after the shareholders so that the board of commissioners has a fairly important role in the company. The existence of independent commissioners is expected to improve the company's management performance. According to Armstrong (2015) revealed that the presence of an independent commissioner is very necessary in a company, because it has responsibilities to shareholders and also the community in general. The independent commissioner is the right hand or trust of the shareholders if something happens that is not desired by the owner. It is hoped that there will be transparency in running the company and increasing supervision of the company's management performance.

Profitability

Profitability is a description of the company's financial performance in generating profits from asset management known as Return On Assets (ROA) (Prakosa, 2014). The higher the company's profitability can cause the company to carry out careful tax planning so as to produce optimal taxes, by taking advantage of tax avoidance loopholes. Companies that are able to generate large profits tend to want the taxes paid not to be too large.

III.   INDENTATIONS AND EQUATIONS

This study is a quantitative study, the population in this study is a manufacturing company in the Food and Beverage sub-sector which is listed on the Indonesia Stock Exchange (IDX) for the period 2017-2020. The sample collection technique uses the documentation method that has been determined by research sourced from the annual report of manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period. The data collection method in this research is by using secondary data in the form of quantitative data whose results are expressed in the form of numbers.

Tax Avoidance

Tax avoidance in this study is proxied using the Effective Tax Rate (ETR) ratio. ETR is an income statement-based outcome measure that generally measures the effectiveness of tax reduction strategies and leads to high after-tax profits. ETR explains the percentage or ratio between the company's income tax burden that must be paid to the government from the company's total income before tax. It can be formulated as follows:

$$ETR = \frac{\text{Income Tax Expense}}{\text{Income Before Tax}}$$

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is social responsibility towards the surrounding environment carried out by a company in the form of various activities such as protecting the environment around the company, building public facilities, improving the welfare of the surrounding community, providing scholarship assistance to children who are considered underprivileged, to providing assistance. funds for the welfare of the local community. The formula for calculating CSRI is as follows:

$$CSRDIj = \frac{\sum Xij}{Nj}$$

Capital Intensity

Capital intensity in this study will be proxied using the fixed asset intensity ratio. Fixed asset intensity ratio is the ratio of fixed assets to total assets of a company. Capital intensity describes the ratio between fixed assets. Capital

intensity describes the ratio between the company's fixed assets and the total assets owned by a company. The fixed asset intensity ratio is measured using the following formula:

$$\text{Fixed Asset Intensity Ratio} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

Independent Commissioner

An independent commissioner is a member of the board of commissioners who is not affiliated with the board of directors, other members of the board of commissioners and the controlling shareholder, and who avoids business relationships or other relationships that will affect his competence to act independently or only for the company's purposes. Independent commissioners can be measured by looking at the number of independent commissioners divided by the total commissioners in a company (Eksandy, 2017).

$$KI = \frac{\text{Number of Independent Commissioners}}{\text{Number of Commissioners}}$$

Profitability

Profitability is one way to measure management performance and can describe the company's profit position. The higher the ROA, the higher the ETR value, a high ETR value indicates that the company's tax avoidance is getting lower (Gaaya, Lakhal, 2017). Profitability is measured using the profitability ratio, namely ROA. With the following calculation formula:

$$ROA = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

Framework
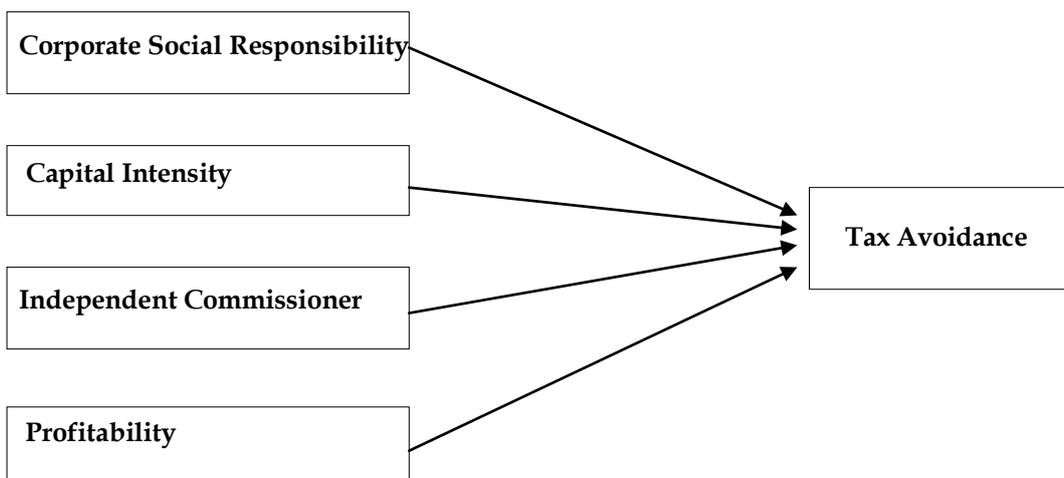
IV.   FIGURES AND TABLES

Research Results and Discussion hgf

Normality test Results

Table 1. Normality test

Description	Unstandardized Residual
Kolmogorov-Smirnov Z	**0,587**
Asymp. Sig. (2-tailed)	**0,881**

Source: Processed secondary data, 2022

Based on the value of One Sample Kolmogorov Smirnov above, the significance value of the Asymp Sig (2-tailed) shows a result of 0.881 or 88.1% which indicates that the data is normally distributed, this is because the value is greater than 0.05 or 5%.

Multicollinearity Test Results

Table 2. Multicollinearity Test Results

Variabel	Tolerance	VIF	Description
CSR	0,882	1,133	Multicollinearity does not occur
Capital Intensity	0,93	1,076	Multicollinearity does not occur
IndependentCommissioner	0,599	1,67	Multicollinearity does not occur
Profitability	0,622	1,608	Multicollinearity does not occur

Source: Processed secondary data, 2022

From the test results above, it shows that the independent variables in this study have a tolerance value of <0.1 and a VIF value of <10, meaning that the regression model used does not occur multicollinearity.

Heteroscedasticity Test Results

Table 3. Heteroscedasticity Test Results

			Unstandardized Residual	Description
Spearmanrho	Corporate Social Responsibility	Sig. (2 tailed)	0,119	Heteroscedasticity does not occur
	Capital Intensity	Sig. (2 tailed)	0,83	Heteroscedasticity does not occur
	KomisarisIndependen	Sig. (2 tailed)	0,314	Heteroscedasticity does not occur
	Profitabilitas	Sig. (2 tailed)	0,615	Heteroscedasticity does not occur

Source: Processed secondary data, 2022

Based on the test results above, it indicates that all independent variables (independent variables) have a significance value greater than 0.05 or 5%, which indicates that the regression equation is free from heteroscedasticity problems.

Autocorrelation Test Results

Table 4. Autocorrelation Test Results

	Unstandardized Residual
Durbin-Watson	1,847

Source: Processed secondary data, 2022

Based on the test results above, Durbin Watson is worth 1.847, Dl value is 1.3448, Du value is 1.7201, Dw value is 1.847. And it shows that there is no autocorrelation, because DU < DW < 4-DU = 1,720<1,847<2,279

FTest Results

Table 5. Significance Test Results (F)

Variabel	F hitung	F tabel	Sig.	Description
CSR, CI, KI, PF	3,542	2,59	0,014	Effect simultaneously

Source: Processed secondary data, 2022

Based on the results of the F test contained in the results of the multiple linear analysis table, it shows that the calculated F has a value of 3.542 > 2.59 F table with a significant value of 0.014 which means the significant value is less than 0.05 or 5%. This indicates that the independent variables, namely corporate social responsibility, capital intensity, independent commissioners, profitability have a simultaneous or joint influence on the dependent variable, namely tax avoidance.

T test results

Table 6. t-test results

Variabel Y	Variabel X	Nilai Sig. F	Nilai Sig. t	R^2
Tax Avoidance	CSR	0,014	0,304	0,184
	Capital Intensity		0,699	
	Independent Commissioner		0,003	
	Profitability		0,131	

Based on the table above, it is known that together the variables of Corporate Social Responsibility, Capital Intensity, Independent Commissioner and profitability affect tax avoidance. Then the hypothesis is accepted. This means that regression can be used to predict the dependent variable.

Individually, it can be seen that the Independent Commissioner has an effect on tax avoidance, while corporate social responsibility, capital intensity, profitability have no effect on tax avoidance.

The value of R2 obtained is 0.184. This indicates that 18.4% of tax avoidance is caused by independent variables (corporate social responsibility, capital intensity, independent commissioner, profitability) and the rest is influenced by other variables of 81.6%.

The Effect of Corporate Social Responsibility on Tax Avoidance

Shows a significance value of 0.304 > 0.05. Which means that the corporate social responsibility variable has no effect on tax avoidance, so the hypothesis is not accepted. The level of Corporate Social Responsibility in companies in Indonesia is still relatively low. Corporate social responsibility itself has no effect on tax avoidance, because management is more focused on efforts to increase company profits that will benefit them and company owners rather than tax avoidance.

Effect of Capital intensity on tax avoidance

Shows a significance value of 0.699 > 0.05. which means that the capital intensity variable has no effect on tax avoidance, so the hypothesis is accepted. Companies with high capital intensity show the ability to pay short-term obligations. A company with capital intensity will tend to increase social programs carried out by the company. The main goal of the company is to improve the company's image in the eyes of stakeholders and create confidence that the company is also concerned with social activities.

The influence of independent commissioners on tax avoidance

Shows a significance value of 0.003 < 0.05. Which means that the independent commissioner variable has an effect on tax avoidance, so the hypothesis is accepted. Companies with a high level of independent commissioners tend to receive greater expectations and pressure from stakeholders. So that companies with high commissioners tend to be more detailed when conveying information needed by stakeholders, one of which is information related to corporate tax avoidance. So, based on stakeholder theory, it can be predicted that profitability can influence tax avoidance.

The Effect of Profitability on Tax Avoidance

Shows a significance value of 0.131 > 0.05. which means that the profitability variable has no effect on tax avoidance, so the hypothesis is not accepted. Companies that have high profitability are not a guarantee that the company will carry out its social responsibility. Therefore, the size of the company or any assets owned by the company will not decrease or increase corporate social responsibility.

V. CONCLUSION

Based on the test results discussed in chapter four regarding the influence of corporate social responsibility, capital intensity, independent commissioners, and profitability on food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2017-2020. So from the 4 hypotheses proposed and tested using multiple linear regression analysis, the following conclusions can be drawn:

   a. Corporate social responsibility variable has no effect on tax avoidance. This result is evidenced by a significance value greater than 0.05, which is 0.304.
   b. The variable capital intensity has no effect on tax avoidance. This result is evidenced by a significance value greater than 0.05, which is 0.699.
   c. The independent commissioner variable has an effect on tax avoidance. This result is evidenced by a significance value less than 0.05, which is 0.003.
   d. Profitability variable has no effect on tax avoidance. This result is evidenced by a significance value greater than 0.05, which is 0.131.

Acknowledgements

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