Effect of Corporate Social Responsibility and Company Transparency on Tax Avoidance with Profitability as Moderating Variables (In Manufacturing Companies That Are Listing on The Idx 2015 - 2017 Period)

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**Abstract**

This study aims to analyze the effect of Corporate Social Responsibility (CSR) and company transparency on Tax Avoidance with Profitability as a moderating variable using secondary data, which is obtained from the company's annual report through the official website of the Indonesia Stock Exchange, www.idx.co.id. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017 as many as 142 companies with a sample of research using a purposive sampling technique as many as 65 companies, so that the number of observations obtained as many as 195 data. This study was examined using an analysis of Economic Views (EViews) version 10 with the results of the study stating that CSR variables have a positive effect and corporate transparency has a negative effect on tax avoidance, then profitability weakens the relationship between CSR and tax avoidance and strengthens the relationship between company transparency and tax avoidance. This study has not been able to prove the hypothesis that corporate transparency has a positive effect on tax avoidance.

**Keywords:** Tax Avoidance, Corporate Social Responsibility, Corporate Transparency, Profitability.
Watson [7] found that the higher the quality of the company’s CSR, the higher the tax avoidance undertaken company, in conditions of low profitability.

The purpose of this research is to find empirical evidence that the influence of Corporate Social Responsibility (CSR) and corporate transparency against Tax Avoidance with Profitability as a Moderating on Basic manufacture Industry annual reports company through Indonesia stock exchange. This research is expected to deepen the knowledge on how the implementation of theories and concepts about Corporate Social Responsibility (CSR), Corporate Transparency and Tax Avoidance with Profitability. For companies, the results of this research are expected to improve the accuracy of the predictions of tax avoidance that will come.

Literature review, framework and hypotheses

Literature Review

Grand theory underlying the research is the theory of stakeholders that is defined as a group or individual who can affect or is affected by a specific goal achievement related to four (4) the concept of sub-fields: (1) the normative theory of business; (2) corporate governance and organizational theory; (3) corporate social responsibility (CSR) and (4) performance, and strategic management [8]. Then the existence of corporate transparency and profitability is also considered one of the voluntary information regarding the effectiveness of the company towards society and its environment [9]. Thus, the theory of stakeholders associated with the concept of corporate social responsibility (CSR), corporate transparency, profitability and tax avoidance because not only limited to maximise profit and shareholder interests, but pay attention to the Community interests, supplier, customer, and others as part of the operations of the company itself.

In addition the theory of legitimacy also has a close connection, because these two theories have the relationship between the two companies with the community. The theory assumed that the legitimacy of the actions of the entities is desirable, proper, or suitable with some system of social norms, values, and beliefs are socially constructed [10]. Dowling and Preffer [11] explained that there are two aspects in order to support the legitimacy of the company, namely: (1) the activities of the Organization must match (congruence) and value systems in society; (2) the reporting company's activity also should reflect social values. The theory is a theory of legitimacy underlying a CSR [12] because when the company is running its operations, the company tied to a social contract with the community relating to the environment that will affect the local community. If a firm is aware of the existence of his life, it will pay attention to the corporate image that is associated with the viewpoint of the community in fulfilling her responsibilities. This indicates that in the exercise of the social contract, the company shall comply with the values and norms that apply Wich Mean’s responsibility can be done walking with the tune. A company is said to be managed with a strategy of CSR reporting by using CSR as a corporate strategy to inform the social activity of the company. When the company pays taxes, and those taxes are used as one to achieve general well-being as well as the CSR obligation then the company in paying taxes, including one of the cornerstone companies in paying attention to what is expected by the the community in aligning the values of social norms [13].

Tax Avoidance (TA) According Keller [14] Tax Avoidance (TA) is one of the taxpayers to minimize tax in a way that is contrary to the rules and law, whereas according to Sophar Lumbatoruan [15] states that tax avoidance is a legal avoidance to do because it complies with existing regulations. Suandy [16] tax avoidance is one part of the purpose of tax planning that manipulates tax burdens to be lower by utilizing existing regulations but is different from the goals of lawmakers and is essentially economically trying to maximize income after tax (after tax return) because tax is an element of available profit reduction. So it can be concluded that tax avoidance is one of the tax plans that are still in the provisions of the Taxation Law

Corporate Social Responsibility (CSR) According to Carroll [17], the initial concept of CSR consists of four elements, namely: (1) Economic responsibility, where the company is responsible for selling goods and services desired by the community by gaining profit; (2) Legal responsibility, where the community expects the company to fulfill economic responsibility within the scope of the applicable laws and regulations in the place where the company operates; (3) Ethical responsibility, where the community expects the company to conduct behavior and activities that are categorized as ethical; (4) Voluntary responsibility, where companies participate in social activities, which are not required by law, rules, or not related to ethical / non-ethical actions.

Corporate Transparency (TP) According to Wang [18] corporate transparency as the availability of specific company information to people outside the company who have a central role in efficiently allocating economic resources. One important element of the corporate governance framework as an information base for the decisions of shareholders, stakeholders, and investors is the transparency of the company [19].

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Hypothesis
Based on the above framework, the hypothesis in this study is as follows:
H1: CSR has a positive effect on tax avoidance.
H2: Company Transparency has a negative effect on Tax Avoidance.
H3: Profitability Strengthens or Weakens the Relationship between CSR and Tax Avoidance.
H4: Profitability Strengthens or Weakens the Relationship between Corporate Transparency and Tax Avoidance.

RESEARCH DESIGN AND METHODS
Types of Research
This research is a causal research that aims to test the hypothesis about the influence between variables, namely testing the CSR variable (X1) and company transparency (X2) on tax avoidance (Y1) with profitability as a moderating variable (M1) with descriptive research methods. This research is a quantitative approach.

Population and Sample
The population in this research is a manufacturing company that is listed on the Indonesia Stock Exchange in 2015-2017. This research uses sampling techniques by means of cluster purposive sampling. In the selected sampling 65 manufacturing companies. The analytical method used is Multivariate Analysis of Variance. In this research, the data used is panel data (pooled data), which is data that has a combination of time series and space (cross-sectional).

Statistical Design
The time series is a cross-section of a combined data panel with regressive analysis by using econometric views (Eviews) application. According to Gujarati in Zulkifli [20]: (1). The square is applied to the data in the form of a pool. (2). Fixed effect (3). Random effect. The selection of panel data models are as follows: (1). The chow test is to find out whether or not the model is used. If the value is less than 0.05, the fixed effect will be followed by the Hausman test. On the other hand, if the sig value is greater than 0.05, the pooled least square model is better. (2). The Hausman test is the model used is a fixed effect or random effect. If the sig value is lower than 0.05, the fixed effect model is better. Conversely, if the sig value is greater than 0.05, then the random effect model is better.

RESULTS AND DISCUSSION
The data panel regression method used in this research is based on three models, namely pooled least square, fixed effect, and random effect. The best model in this research to be analyzed further, prior to knowing the results, will undergo paired tests for each model with the chow and Hausman test.

Table 4: Chow test results

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>54.719817</td>
<td>(64,126)</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Source: data processed by researchers, 2019

Table 4 shows the probability value of F test (0.0000) is lower than 0.05, then the fixed effect model is better than common effect model. Therefore, it is necessary to continue to the Hausman test.

Table 5: Hausman Test result

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>13.459207</td>
<td>4</td>
<td>0.0092</td>
</tr>
</tbody>
</table>

Source: data processed by researchers, 2019

Table 5 show the probability of a value for a random cross section of 0.0092 less than 0.05, Wich Means the chosen model can be determined is FE [21].
Corporate Social Responsibility (CSR) has a coefficient of 0.151 with a positive value. This shows that every increase of 1 (one) CSR will increase tax avoidance by 0.151. The results of the t statistical test on CSR variables have a significance level of 0.000; the value is smaller than the significance value of t table 5% (0.05) which means that CSR has a positive effect on tax avoidance. Wich Means the first hypothesis (Ha1) is accepted. The last few decade’s companies that have done CSR are increasing because of the regulations on Limited Liability Companies that explain that CSR is a mandatory disclosure report in accordance with article 74 of Law No. 40 of 2007 concerning Limited Liability Companies. In addition, CSR has also been affirmed as an obligation through Constitutional Decision Number 53 / PUU-VI / 2008 to improve ethical behavior, fairness, and corporate responsibility that are not only limited to corporations, but to stakeholders and the public. Wich Means the company has the opportunity to do tax avoidance for the goals of stakeholders [21].

Corporate Transparency (TP) has a coefficient of -0.143 with a negative value. This shows that every increase of 1 (one) TP will reduce tax avoidance by 0.143. The results of the t statistical test on TP variables have a significance level of 0.00081; the value is smaller than the significance value of t table 5% (0.05) which means that TP has a negative effect on tax avoidance. Wich Means the second hypothesis (Ha2) is accepted. Based on the results of statistical tests show that the effect of corporate transparency (TP) has a negative effect on tax avoidance (TA). This is because every company is responsible for providing information in the form of an Annual Report as mandatory disclosure in accordance with the Otoritas Jasa Keuangan (OJK) regulation number 29 / POJK.04 / 2016 for investors in making investment decisions. Transparent companies facilitate monitoring of all stakeholders to monitor the information submitted, give confidence to investors to invest, and increase the competitiveness of public companies with companies in regional and international areas. Thus, the more transparent the company will reduce the opportunistic behavior of managers who can prevent tax avoidance.

Profitability as moderating has a coefficient of -0.433 with a negative value. This shows that every increase of 1 (one) profitability will reduce the relationship of CSR to tax avoidance by -0.433. The results of the t statistical test on the PF variable have a significance level of 0.1991, the value is greater than the significance value of t table 5% (0.05) which means that the PF does not affect the relationship of CSR to tax avoidance. Wich Means the third hypothesis (Ha3) is rejected. Some GRI G.4 CSR index indicators are directly beneficial to the company. One example is that companies carry out CSR policies on products by increasing employee productivity, producing high-quality selling goods, and must have market share strength Wich Means the CSR policy helps companies commit to the level of output Wich Means the company has a good reputation for its customers. Wich Means when the condition of company profitability increases or decreases, there is no relation to influence CSR on tax avoidance, because the company maintains the reputation of CSR in accordance with regulation number 74 UU No 40 of 1983 concerning taxes income as a deduction from gross income and Government Regulation number 93 of 2010 as a deduction from gross income.

Profitability as moderating has a coefficient of 0.488 with a positive value. This shows that every increase of 1 (one) PF will increase the relationship of CSR to tax avoidance by 0.488. The results of the t statistical test on the PF variable have a significance level of 0.0000; the value is smaller than the significance value of t table 5% (0.05) which means that the PF strengthens the relationship between TP and FP against tax avoidance. Which means the fourth hypothesis (Ha4) is accepted.

### Tabel-6: Hypothesis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.395671</td>
<td>0.058598</td>
<td>6.752315</td>
<td>0.0000</td>
</tr>
<tr>
<td>CSR</td>
<td>0.150619</td>
<td>0.033092</td>
<td>4.551467</td>
<td>0.0000</td>
</tr>
<tr>
<td>TP</td>
<td>-0.142818</td>
<td>0.053115</td>
<td>-2.688874</td>
<td>0.0081</td>
</tr>
<tr>
<td>CSR*PF</td>
<td>-0.432795</td>
<td>0.335244</td>
<td>-1.290987</td>
<td>0.1991</td>
</tr>
<tr>
<td>TP*PF</td>
<td>0.488313</td>
<td>0.159710</td>
<td>3.057496</td>
<td>0.0027</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.970364</td>
<td></td>
<td></td>
<td>0.811314</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.954370</td>
<td></td>
<td></td>
<td>1.698280</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.199514</td>
<td></td>
<td></td>
<td>5.015518</td>
</tr>
<tr>
<td>F-statistic</td>
<td>60.66993</td>
<td></td>
<td></td>
<td>2.530114</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: data processed by researchers, 2019
CONCLUSIONS

This research concludes that based on the results of the study, it can be concluded that this research is able to prove the First Hypothesis of CSR has a positive effect on tax avoidance and can prove the second Hypothesis of company Transparency influences tax avoidance. In this study, it has not been able to prove the third hypothesis because profitability does not moderate the relationship of CSR to tax avoidance. While for the fourth hypothesis it can be proven that Profitability strengthens the relationship of CSR to tax avoidance.

REFERENCE