

The Influence of Good Corporate Governance, Capital Intensity Ratio, and Profitability to Effective Tax Rate (Empirical Study on Manufacturing Companies Basic Industry Sectors and Chemicals Listed In Indonesia Stock Exchange Year 2011-2015)

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Abstract: This study aims to examine empirically the influence of good corporate governance (independent commissioner, audit committee, board of directors, & audit quality), capital intensity ratio, and profitability to effective tax rate. The population of this research was manufacturing companies basic industry sectors and chemicals listed on the Indonesia Stock Exchange in the period 2011-2015. Sampling was done by using purposive sampling method. There were 8 companies that fulfilled the criteria of sampling. This study used multiple linear regression analysis. The results of this study showed that the variable of independent commissioner and board of directors significant influence to the effective tax rate. meanwhile variable audit committee, audit quality, and capital intensity ratio, and profitability did not significant influence to the effective tax rate. Based on the determination coefficient test (R^2) obtained the coefficient of determination with adjusted R^2 of 0,300. These result show that 30,0% of variables effective tax rate can be explained by the independent commissioner, audit committee, board of directors, audit quality, capital intensity ratio, and profitability. While, the rest of 70,0% is explained by other factors outside the model in this research.

Keywords: effective tax rate, independent commissioner, audit committee, board of directors, audit quality, capital intensity ratio, and profitability

1. INTRODUCTION

Indonesia as a developing country which is one of the countries that are members of Group of Southeast Asian countries (Association of South East Asian Nation) with a population of about 262 million is a very large amount and is a potential object in taxes. Indonesia has rich natural resources and is located in strategic geographical conditions, not surprisingly a lot of foreign companies who are in Indonesia. The high number of company growth in Indonesia such as manufacturing companies led to the wheels of the economy moving quickly and improve the welfare of society around the company.

Significant industrial growth led to the Government of Indonesia in 2008 tax reforms that result in a revision of law

No. 36 The year 2008. The result of the revision is the justification incentives to taxpayers agency i.e. decrease in tax rates. Taxes in the company get the attention of a pretty significant because it directly related to the amount of profit generated.

The company's effective tax rate (effective tax rate) is often used as a reference by decision-makers and the parties concerned to make policy within the company and contain the conclusions on corporate taxation system. Appropriate research Karayan and Swenson (2007), one way to gauge how well a company manages his taxes is to look at effective rates. The existence value of the effective tax rate (ETR) is one of the calculated values for the ideal form of tax rates are calculated in a

company, therefore, the existence of an effective tax rate (ETR) later became a special attention on various the research because it summarizes the cumulative effect of the various tax incentives and the company tax rate change (Liansheng, et al., 2007).

The development of good corporate governance on the company lately shows a very good trend in which almost all company have to apply them. Good corporate governance in a company aims to maximize corporate value by enhancing the principle of openness, accountability, and responsibility, ensures the management of the company is carried out in a professional manner, transparent and efficient, manifest independence in making decisions in accordance with the roles and responsibilities of each of the leadership, ensuring every employee in the company plays the appropriate authority and responsibility has been established and embodies the practice of a business that is in line with the principles of good corporate governance consistently.

The difference with previous studies is the addition of a new variable. capital intensity ratio, profitability. Gap research in research capital intensity ratio with the effective tax rate is research Lestari et, al (2015) stating that capital intensity ratio effect on the effective tax rate. While the research conducted Ardyansah & Zulaikha (2014) stating that capital intensity ratio does not affect the effective tax rate. Gap research in the study of profitability with the effective tax rate is a research Ardyansah & Zulaikha (2014) stating that there is no influence of profitability (ROA) against the effective tax rate. While the research is done Amelia (2015) which stated that the profitability (ROA) effect on the effective tax rate. The dependent variable in this study is the effective tax rate and the independent variable in this study are

independent Commissioners, audit committee, Board of Directors, quality auditing, capital intensity ratio, and profitability (ROA).

The development of the tax system and the more intense government regulation regarding the existing tax system in Indonesia, as well as based on the above description it can be known how important good corporate governance, capital intensity ratio, and profitability in a company in support of an effective tax rate (effective tax rate). Thus the title of this research is the influence of good corporate governance, capital intensity ratio, and profitability to effective tax rate (basic industrial sectors and companies that are registered in BEI).

2. RESEARCH METHODS

This research uses a type of quantitative research. Instrument in this study is the annual financial report of the company manufacturing industrial sector the chemical and basic listings on the Indonesia stock exchange, during the period of 2011-2015 who are documented in www.idx.co.id.

3. METHODS OF DATA ANALYSIS

3.1 Descriptive Statistical Tests

Descriptive analysis is used in order to give you an idea or a description of the data being viewed from the mean, standard deviation, minimum, and maximum, Skewness (Ghozali, 2006).

3.2 Test The Classical Assumptions

Classical assumptions the regression model testing is required prior to testing the hypothesis. This test consists of a test of normality, test multicollinearity, autocorrelation test, and test heteroskedasticity.

3.3 Regression Analysis

Regression analysis aims to measure the strength of a relationship between two or more variables and indicates the direction of the relationship between the dependent variable or independent. This research method using multiple regression analysis. This study aimed to test whether the independent Commissioners, audit committee, Board of Directors, quality auditing, capital intensity ratio, and profitability to an effective tax rate.

Model testing in this study expressed in the equation below:

$$ETR = \alpha + \beta_1KI + \beta_2KoA + \beta_3DD + \beta_4KuA + \beta_5CIR + \beta_6Profit + e$$

Description:

ETR : Effective tax rate

A : Constants

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$: coefficient regression

KI : independent Commissioner

KOA : audit committee

DD : Board of Directors

Kua : Quality audit

CIR : Capital intensity ratio

Profit : Profitability

E : Error

3.3.1 t-test

Statistical tests t basically shows how far the influence of one independent variable individually in the dependent variable explained variation (Ghozali, 2006).

3.3.2 F Test

Test statistic F basically indicates whether all of the independent variables in a regression model has the influence of the dependent variables against together (Ghozali, 2006).

3.3.3 The Coefficient of Determination

The coefficient of determination (R^2) shows how a percentage variation of the independent variables used in the regression model was able to explain the variation in the dependent variable (Ghozali, 2006).

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Descriptive analysis is used in order to give you an idea or a description of the data being viewed from the mean, std dev, min, max, and Skewness.

Table 1 Descriptive Statistics

Variable	N	Mean	Min	Max	Std. Dev	Skewness
KI	40	.36729	.2500	.5000	.0690510	.996
KoA	40	3.0500	.0000	4.0000	.5970011	-3.056
DD	40	4.1250	2.0000	6.0000	1.017475	-.108
KuA	40	.12500	.0000	1.0000	.3349321	2.357
CIR	40	.24540	.0449	.5870	.1443402	.398
ROA	40	.09779	.0044	.3406	.0776888	1.331
ETR	40	.33420	.0251	2.0406	.334023	3.756

Source: of Results Data, 2017

4.2 Test The Classical Assumptions

4.2.1 Test of Normality

Normality testing is conducted to find out the data used Gaussian or not. Analysis of the test tools used in performing the test (parametric or non-parametric) is called a test of One Sample Kolmogorov Smirnov Test.

Table 2 One Sample KS-Test

Variable	Kolmogorov-Smirnov Test	Sign	Probabilitas	Description
Asymp Sig 2-Tailed	.964	310	0,05	normal

Source: of Results Data, 2017

Kolmogorov-Smirnov statistic value for RES_1 variable is $KS = 0.964$ with $sign = 0.310$. Significance level α if used = 5% or 0.05, it turns out that the value of the variable sign for RES_1 i.e. 0.310 is greater than α (0.05), then it can be inferred that the variable RES_1 has the normally distributed data.

4.2.2 Test Multicollinearity

Multicollinearity test is a test that is conducted with the aim to find out the model regression there is a correlation between independent variables (Ghozali, 2006).

Table 3 Multicollinearity Test

Variable Independent	Tolerance	VIF	Description
KI	0.969	1.032	No Problem Multicollinearity
KoA	0.583	1.714	No Problem Multicollinearity
DD	0.696	1.437	No Problem Multicollinearity
KuA	0.364	2.749	No Problem Multicollinearity
CIR	0.511	1.955	No Problem Multicollinearity
ROA	0.717	1.395	No Problem Multicollinearity

Source: of Results Data, 2017

The multicollinearity test results can be seen that the variable tolerance value, the independent Commissioner of 0969, the variable of the audit committee of the Board of Directors, variable 0583 of 0696, variable quality of audit of 0364, of the variable capital intensity ratio of 0511, and variable profitability of 0717. As for the value of the variable independent Commissioner of VIF 1,032, variables of the audit committee of the Board of Directors, variable 1.714 of 1,437, variable quality of audit of 2,749, variable capital intensity ratio amounted to 1,955, and variables the profitability amounted to 1,395. The value of the tolerance for all variables and values of $0.10 > VIF$ all variables < 10 may conclude that the results of this test indicate the data analyzed fulfill the classical assumption of multicollinearity.

4.2.3 TEST Autocorrelation

The purpose of testing the assumptions of classical autocorrelation is to know in a linear regression model was exists whether or not the correlation between the error of observation data on the bully from one observation to another observation.

Table 4 Autocorrelation Test

Durbin-Watson	dL	dU	4-dL	4-dU	Description
2.073	1.175	1.854	2.825	2.146	No Problem Autocorrelation

Source: of Results Data, 2017

The value of the DW was 2,073. For the value of dU and dL can be seen from the DW table at 0.05 significance with n (number of data) = 40 and k (the number of

independent variables) = 6 dL value obtained is 1,175 and dU is 1,854. The value of the area is on the DW $Du < 4-DW < dU$, so regression models can be summed up free from the problem of autocorrelation and proper use. In this study, the value of the DW should be among 1,854 (dU) and 2,146 (4-dU), so as not to experience any problem autocorrelation. The results of the analysis showed the value of a variable to the DW effective tax rate has been between 1,854 (dU) and 2,146 (4-dU), so it can be inferred the regression model is free from the problem of autocorrelation

4.2.4 Test Heteroskedasticity

A classic assumption test heteroskedasticity to test models of regression testing this research using a scatterplot graph.

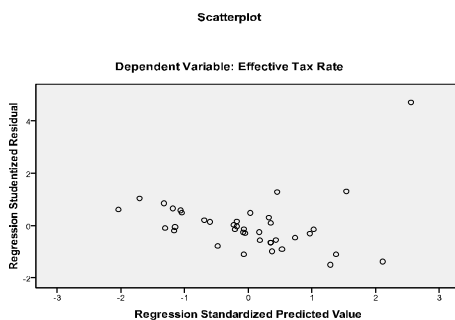


Figure 1

Heteroskedasticity Test Results

scatterplot graph the dependent variable from above the effective tax rate (ETR). The scatterplot graphs can be seen that data point spread over and under or around the number 0, the points are not gathered just above or below it, the dissemination of the data points do not form a wavy pattern is stretched and then narrowing and widening again. It can be inferred that heteroskedasticity

does not occur in the regression model.

4.3 The Regression Test

The research of using multiple regression analysis. Multiple regression analysis was used to examine the magnitude of the influence of the independent variable that is independent Commissioners, audit committee, Board of Directors, quality auditing, capital intensity ratio, and the profitability of the dependent variables against one that is effective tax rate.

Table 5 Multiple Linear Regression Test

Model	Unstandardized	
	Coefficients B	Description
Constant	-0.307	Good corporate governance, capital intensity ratio, and profitability was zero, effective tax rate (ETR) is of -0.307
KI	1.934	Any increase in the KI 1, will increase the ETR of 1.934
KoA	-0.089	Any decrease in the KoA 1, will lower the ETR of -0.089
DD	0.116	Any increase in the DD 1, will increase the ETR of 0.116
KuA	0.260	Any increase in the KuA 1, will increase the ETR of 0.260
CIR	-0.780	Any decrease in the CIR 1, will lower the ETR of -0.780
ROA	-1.180	Any decrease in the ROA 1, will lower the ETR of -1.180

Source: of Results Data, 2017

4.4 Test the Hypothesis

4.4.1 t-Test

t-test basically shows how far the influence of one independent variable individually in the

dependent variable explained (Ghozali, 2006).

Table 6 The t-test results

Model	t _{hitung}	t _{table}	Sig.	Std	Description
KI	2.938	2.034	0.006	0.05	Accepted
KoA	-0.908	2.034	0.370	0.05	Rejected
DD	2.195	2.034	0.035	0.05	Accepted
KuA	1.175	2.034	0.248	0.05	Rejected
CIR	-1.800	2.034	0.081	0.05	Rejected
ROA	-1.735	2.034	0.092	0.05	Rejected

Source: of Results Data, 2017

Based on the testing that has been done, the results of this research show that:

- a. Independent Commissioner to the effective tax rate. It is seen from the level of independent Commissioners of the value t calculate $>$ t table ($2,938 > 2,034$) and the value of significance $<$ 0.05 ($0.006 < 0.05$), meaning that H0 is rejected whereas H1 accepted.
- b. The audit committee shall have no effect on the effective tax rate. It is seen from the level of the audit committee of the value t calculate $<$ t table ($0,908 < 2,034$) and value the significance of $>$ 0.05 ($0.370 > 0.05$), meaning that H0 is accepted while the H2 was rejected.
- c. The Board of Directors to an effective tax rate. It is seen from the level of the Board of Directors of the value t calculate $>$ t table ($2,195 >$

- d. The quality audit has no effect on the effective tax rate. It is seen from the quality of the audit of the value t calculate $<$ t table ($1,175 < 2,034$) and value the significance of $>$ 0.05 ($0.248 > 0.05$), meaning that H0 is accepted while the H4 was rejected.
- e. Capital intensity ratio has no effect on the effective tax rate. It is seen from the capital intensity ratio of value t calculate $<$ t table ($1,800 < 2,034$) and value the significance of $>$ 0.05 ($0.081 > 0.05$), meaning that H0 is accepted while the H5 was rejected.
- f. Profitability (ROA) has on effect on the effective tax rate. It is seen from the profitability (ROA) of value t calculate $<$ t table ($-1,735 < 2,034$) and the value of significance $>$ 0.05 ($0.092 > 0.05$), meaning H0 is accepted in while H6 was rejected.

4.4.2 Test The Accuracy Of The Model (F Test)

This test aims to find out the magnitude of the effect of the independent variable (the independent Commissioners, audit committee, Board of Directors, quality auditing, capital intensity ratio, and profitability) together or simultaneous positive effect the dependent variables against the effective tax rate (ETR).

Table 7 F-Test Results

Desc ription	F _{hi} t	F _{table}	Sig _h it	Sig.	Result
F Test	3. 79	2,3 9	0,0 06	0,0 5	effect of simultaneous

Source: of Results Data, 2017

The test results show that the value of $F > \text{count table}$ ($3.792 > 2.39$) and significance < 0.05 ($0.006 < 0.05$) so that it can be concluded that H_0 is rejected while the H_a is received. This means that the independent commissioners, audit committee, board of directors, quality auditing, capital intensity ratio, and profitability to an effective tax rate.

4.4.3 The Coefficient of Determination

Determination of coefficient of the test is useful for testing how far the ability of research model in the inside of the dependent variable explained (Ghozali, 2006).

Table 7 The Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.639	0.408	0.300	0.2793730

Source: of Results Data, 2017

Results from the table above, it can be seen the magnitude of the value Adjusted R Square is 0300 or of 30.0%. This means 30.0% of the effective tax rate, can be explained by the independent variables of the independent Commissioners, audit committee, Board of Directors, quality audit, capital intensity ratio, and profitability (ROA). While the rest of 70.0% ($100\% - 30.0\%$) explained by variables other than the independent variable or explanatory

variables outside the model researcher.

5. DISCUSSION

5.1 The influence of the independent commissioner against the effective tax rate

Based on the testing that has been done, the results of this research show that the independent Commissioner to the effective tax rate. The research is in line with research conducted by Ardyansah & Zulaikha (2014) stating that the independent Commissioner affect the effective tax rate. Inconsistent with research conducted by Hidayati & Fidiana (2016), research Situmorang (2015), Amelia (2015) research, and research Hanum & Zulaikha (2013) stating that the independent Commissioner has no effect against the effective tax rate.

The more the number of independent Commissioners then the greater the influence to do oversight of performance management and can encourage the management to comply with the regulations in force and reducing risks such as the low investor confidence.

5.2 The audit committee against the influence of effective tax rate

Based on the testing that has been done, the results of this study indicate that the audit committee has no effect on the effective tax rate. The research is in line with research conducted by Hidayati & Fidiana (2016), Fahriani & Priyadi (2015) and Hanum & Zulikha (2013) stating that the audit committee does not affect the effective tax rate. Not in line with the research of Ain and Subardjo (2014) stating that the audit committee is influential toward the effective tax rate.

The number of members of the audit committee of the company are not necessarily able to implement tasks and

authority in the company, so that it does not guarantee the amount of the audit committee of the company's management can do and implement effective tax rate or tax management in the company correctly, it can be seen from the lack of cooperation between the audit committee with one another, so that will have an impact on the performance of the audit committee. That is because the audit committee can only supervise the performance of management and provide recommendations to management and the Board of Commissioners against the control that has been running. But the decision remains the management itself.

5.3 The board of directors against the influence of effective tax rate

Based on the testing that has been done, the results of this research show that the Board of Directors to an effective tax rate. The research is in line with research conducted by Fahriani & Priyadi (2015) which States that the Board of directors affects the effective tax rate. Inconsistent with research Situmorang (2015) which States that the Board of Directors has no effect on the effective tax rate.

Every company has a different Board of Directors member number, depending on the seriousness of the big companies. The greater the number of the Board of Directors indicating the Division of duties and authorities of the better so that the management of the company the better. One form of management is the application of the efficiency of the tax in accordance with either the rules of taxation. The existence of a number of members of the Board of Directors is very influential in the running of the management of the company and implement tax-efficiency in companies. The Board of Directors has roles and responsibilities in regulating and supervising the development of the

company's management and the application of the efficiency of the tax so that the company can continue to grow.

5.4 Influence of the quality of the audit against the effective tax rate

Based on the testing that has been done, the results of this study showed that the quality of audit has no effect on the effective tax rate. This research line with Hidayati and Fidiana (2016) in her research that provides a summary of the audit that the quality has no effect on the effective tax rate. Not in line with the research of Ain and Subardjo (2014) stating that the quality of the audit to an effective tax rate.

Quality audit is one of the important considerations for investors to assess the reasonableness of a company's financial reports. A company that audited by the KAP of the big four would indeed be more likely to be trusted by the KAP because has a good reputation, high integrity, but if the company can give you the advantage and welfare of the better against the KAP that has a good reputation, the KAP could have been cheating to maximize the welfare of the KAP. But the entire KAP of the expected audit in accordance with the guidelines and regulations in regards to audit the financial statements of the company.

5.5 The influence of capital intensity ratio against the effective tax rate

Based on the testing that has been done, the results of this research show that capital intensity ratio has no effect on the effective tax rate. The research is in line with research conducted by Amelia (2015) and research Ambarukmi & Diana (2016) and Zulaikha & Ardyansah (2014) stating that capital intensity ratio does not affect the effective tax rate. Inconsistent with research Bachtiar (2015) and research Lestari et, al (2015) stating that capital

intensity ratio effect on the effective tax rate.

The intensity of fixed assets (CIR) at the manufacturing company did not affect the magnitude of effective tax rate generated by the company and there are indications that at manufacturing companies there are many fixed assets are discharged its economic lifespan. When a company buys an asset with an age over one year, the assets of the shrinking company all the time. Companies no longer need to do fiscal correction against fixed assets in the calculation of the tax treatment of the indebted to the tax year because companies make a policy against depreciation fixed assets in accordance with taxation apply.

5.6 Influence of profitability against the effective tax rate

Based on the testing that has been done, the results of this study demonstrate that profitability (ROA) effect on the effective tax rate. The research is in line with research conducted by Lestari et, al (2015), and research Ardyansah & Zulaikha (2014) stating that profitability (ROA) does not effect the effective tax rate. Not in line with the research Ambarukmi & Diana (2016) and Amelia (2015) which stated that the profitability (ROA) effect on the effective tax rate. that companies that have a high profit level thus has a low tax burden. This can be affected by the revenue that should not be taken as an object of taxes but included as tax objects, an example is income dividends to the extent of 25% or more ownership and other operating income.

6. CONCLUSION

This research aims to know the influence of good corporate governance, capital intensity ratio, and profitability towards effective tax rate. The population

of this research uses the manufacturing companies listed in BEI 2011-2015 year period. Sampling purposive sampling method was taken as many as 12 manufacturing company basic and chemical industry sectors period in 2011 – 2015. This research uses the independent variable of good corporate governance as measured by independent Commissioners, audit committee, Board of Directors, and quality auditing, capital intensity ratio as well as profitability. While the variable dependency is the effective tax rate.

The test results of good corporate governance, capital intensity ratio, and profitability towards effective tax rate shows that the independent Commissioner and Board of Directors significantly to the effective tax rate. While the audit committee, audit quality, and capital intensity ratio, and profitability do not affect significantly to the effective tax rate.

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