

## **The Effect of Corporate Social Responsibility Disclosures to Tax Avoidance** *(In a Company Listed on the Indonesian Stock Exchange 2015-2016)*

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**Abstract:** This research aimed to obtain empirical evidence of the influence of Corporate Social Responsibility (CSR) to tax avoidance. In this research are independent variables used to disclosure of CSR economic dimension, CSR environmental dimension and CSR social dimension. While the dependent variable, in this research is the tax avoidance. The samples that used in this research is companies listed on the Indonesia Stock Exchange (BEI), based on purpose sampling method was obtained 44 companies. Observation period was 2015-2016. Corporate tax avoidance is proxy by ETR. The indicators disclosure of CSR is using Global Reporting Initiative (GRI) guideline. The data in this research was processed using SPSS in multiple regression method. The result of this research shows that CSR economic dimension and CSR social dimension does not have significant influence to tax avoidance. While CSR environmental dimension have significant influence to tax avoidance.

**Keyword:** CSR economic dimension; CSR environmental dimension; CSR social dimension; ETR and tax avoidance.

### **1. INTRODUCTION**

CSR (Corporate Social Responsibility) is a concept or action undertaken by the company as a sense of corporate responsibility to the social and the environment around which the company is operating. By doing activities that can improve the welfare of the surrounding community and preserve the environment, providing scholarships for children can not afford didaerah the funds for the maintenance of public facilities, donations to build village / community facilities, especially for the communities located in the vicinity of the company is located. CSR begins since an era where the awareness of long-term corporate sustainability is more important than just the profitability of a company.

Given that profitability is the main goal of every company, then the

company will do the strategy in various ways to facilitate the goal, one of them by tax avoidance. Tax avoidance is a tax avoidance effort done legally and safely for the taxpayer because it is done in ways that do not violate and does not conflict with the provisions of taxation, where the methods and techniques used tend to take advantage of the weaknesses contained in the provisions of taxation (Pohan 2016 ). Tax avoidance can be done by exploiting loopholes in tax laws so as not to violate applicable law and can make the issue a discussion issue to the present time to make protracted without common ground.

CSR can be used as one of the factors in the measurement of corporate disclosure. In addition, the size of the company is also indicated to affect the tax avoidance of companies. The measurement of CSR disclosure is done

through the annual report requires information guideline. The information on CSR report that currently dominates is Sustainability Reporting Guidelines (SRG), issued by Global Reporting Initiative (GRI). Global Reporting Initiative is a nonprofit organization that promotes economic sustainability.

The relationship of CSR disclosure with tax avoidance lies in the main purpose of the company to maximize profit without eliminating the social and environmental responsibility, so that the bigger companies do CSR disclosure to the community as a form of responsibility and awareness then the greater the profit earned by the company and certainly can increase prosperity for the community itself. The company realizes that the existence of social contracts with the community is needed in the company's survival. Tax avoidance is one of the most socially irresponsible actions by a company, because one of the company's responsibilities is to start by contributing to society through government tax (Landolf 2006). With the way companies minimize taxes by doing tax avoidance then the deposit to the state of course will also be reduced not as much as the appropriate cost. Given that the taxes levied by the government are used in financing the construction of state infrastructure.

In Indonesia, the component of tax revenues accounted for an average of 70% of total APBN revenues in recent years, due to very large proportions, of course the actions of companies paying taxes are lower than they would have damaged the government and society. The quality of infrastructure development that society receives will be worse because of cheaper financing.

Based on the above background, this research tries to reveal whether there is influence of Corporate Social

Responsibility disclosure to Tax Avoidance on companies listed in Indonesia Stock Exchange 2015 - 2016.

## **2. RESEARCH METHODS**

The data source of this research is secondary in the form of sustainability report of corporate finance report contained in BEI year 2015-2016. Respondents in this research is a company listing on BEI year 2015-2016.

## **3. METHODS OF DATA ANALYSIS**

### **3.1 Descriptive Statistical Tests**

Descriptive statistics are part of the statistics that learn how data collection and presentation of data so easy to understand. Descriptive statistics only deal with the matter of deciphering or providing information about a data or state or phenomenon.

### **3.2 Classic Assumption Test**

#### **3.2.1 Normality Test**

Normality test aims to test whether in the regression model has a normal distribution

#### **3.2.2 Multicollinearity Test**

The multicollinearity test is a situation that indicates a strong correlation or relationship between two independent variables or more in a multiple regression model.

#### **3.2.3 Heterocedasticity test**

Heterokedasticity test is used to know whether or not there is deviation of classical assumption of heterokedastisitas that is existence of variant inequality of residual for all observation in regression model. Heterokedasticity test in this study using Spearman's rho correlation is to correlate independent variable with unstandardized residual value.

### 3.2.4 Autocorrelation Test

Autocorrelation test is a statistical analysis conducted to determine whether there is a correlation of variables that exist in the prediction model with time changes. The autocorrelation test in this study uses Durbin Watson test which will produce Durbin Watson (DW) value which will be compared with two Durbin Watson tables, namely Durbin Upper (DU) and Durbin Lower (DL). It says there is no autocorrelation if  $DW > DU$  and  $(4 - DW) > DU$  or bias are denoted as well  $(4 - DW) > DU < DW$ .

### 3.3 Multiple Linear Regression Test

#### 3.3.1 Regression Model

Multiple linear regression model is applied to the proposed model by using SPSS software to measure how much influence Corporate Disclosure Social Responsibility with CSR (economic), CSR (environmental), and CSR (social) proxies with tax avoidance measured by the following formula:

$$Y = \beta_0 + D_1X_1 + D_2X_2 + D_3X_3 + e$$

Information:

Y = Tax Avoidance

X1 = CSR (Economy)

X2 = CSR (Environment)

X3 = CSR (Social)

e = error term

$\beta_0$  = Constants

D1, D2, D3, = Dummy

#### 3.3.2 Model Feasibility Test (F Test)

F test is used to see the effect of independent variables simultaneously to the dependent variable. F test is done by comparing F arithmetic with F table. (Sugiyono 2012: 286) if F

arithmetic > F table at a significance level of 5% then the hypothesis is accepted and vice versa.

#### 3.3.3 Hypothesis Test (t test)

The t test aims to determine whether there is a significant influence of independent variables, namely CSR (economy), CSR (environment) and CSR (social) to tax avoidance.

#### 3.3.4 Determination Coefficient Test ( $R^2$ )

The coefficient of determination is called the determinant coefficient because the variance that occurs in the dependent variable can be explained by the variance that occurs in the independent variable.

## 4. RESULTS AND DISCUSSION

### 4.1 Descriptive Statistics

This study uses secondary data in the form of audited financial statements and corporate sustainability reports obtained from [www.idx.co.id](http://www.idx.co.id). The population of all companies listed on the IDX period 2015 - 2016, which is obtained as many as 539 companies, companies that do not publish sustainability report 494 and does not have variables associated with the research of 23 companies, then a sample of 44 companies.

**Table 1**  
**Descriptive Statistics**

Variable	N	Min	Max	Mean	Std. Dev
CSRec	44	0,11	1,00	0,4816	0,25296
CSRenv	44	0,00	0,97	0,3016	0,22124
CSRsoc	44	0,08	0,94	0,3366	0,21536
Tax	44	0,02	0,63	0,2511	0,12752
Valid N	44				

Source: of Results Data, 2018

Based on Table 1, the results of analysis using descriptive statistics

against CSR (economy) shows a minimum value of 0.11 maximum value of 1 with an average of 0.4816 and a standard deviation of 0.25296. CSR (environment) shows a minimum value of 0 maximum value of 0.97 with an average of 0.3016 and a standard deviation of 0.22124. CSR (social) shows a minimum value of 0.08 maximum value of 0.94 with an average of 0.3366 and a standard deviation of 0.21536.

## 4.2 Test The Classical Assumptions

### 4.2.1 Test of Normality

### 4.2.2 Multicollinearity Test

Based on Figure 1 shows that the data spreads around the diagonal line and follows the direction of the diagonal line, then the data is said to be normally distributed.

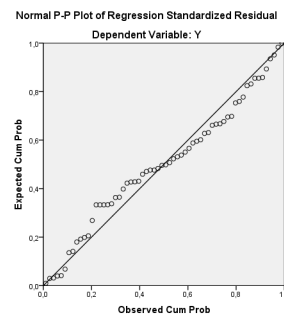


Figure 1: Graph P Plots Appendix 1

**Table 2**  
**Multicollinearity Test Results**

Variable Independet	Tolerance	Standard	VIF	Standard	Description
CSR ec	0,432	>0,1	2,316	<10	No Problem Multicollinearity
CSR env	0,407	>0,1	2,456	<10	No Problem Multicollinearity
CSR soc	0,377	>0,1	2,655	<10	No Problem Multicollinearity

Source: of Results Data, 2018

Based on Table 2 above shows that all independent variables (X) have Variance Inflation Factor (VIF) value <10, and tolerance value > 0.1. Based on the basic analysis used, the data is free from multicollinearity.

### 4.2.3 Heterocedasticity Test

**Table 3**  
**Heteroscedasticity Test Results**

Variable Independen t	P-value	Sig	Description
CSR ec	0,75 9	>0,0 5	No Problem Heteroscedasticit

			y
CSR env	0,78 5	>0,0 5	No Problem Heteroscedasticit
CSR soc	0,99 0	>0,0 5	No Problem Heteroscedasticit

Source: of Results Data, 2018

Based on table 3 above shows that all independent variables (X) have P-Value value more than 0.05. Therefore, it can be concluded that in this study the regression model is free of heteroscedasticity.

#### 4.2.4 Autocorrelation Test

**Table 4**  
**Autocorrelation Test Results**

Darbin Watson		DW count value	4-dU	Requirement	Description
dL			dU		
1,3265	1,7200	2,183	2,28	$dU < dW < 4 - dU$	No Problem Autocorrelation

Source: of Results Data, 2018

Based on Table 4 shows the results of the linear regression test that shows the value of  $DW = 2.185$ , it is found that the DW value (2.185) lies between dU (1,7200) and  $4 - dU$  (2,28) or  $1,7200 < 2,185 < 2.28$  means there is no autocorrelation in the study.

#### 4.3 Multiple Linear Regression Test

##### 4.3.1 Regression Model

**Table 5**  
**Multiple Linear Regression Equation Model**

Model	B
Constant	0,255
CSR economic	-0,162
CSR environmental	0,357
CSR social	-0,100

To interpret the results of the analysis, it can be explained:

- Constant value is 0,255 meaning if CSR (economy), CSR (environment) and CSR (social), makatax avoid positive value 0,246
- The value of regression coefficient of variable CSR (economy) is negative, that is - 0.162; it means that every CSR (economy) increases by 1% will be followed by tax avoidance decline of 0.162 with the assumption that the coefficient value of other independent

- variables is considered to be fixed or equal to zero.
- Regression coefficient value of CSR (environmental) variable is positive, that is 0,357; meaning that every CSR (environment) increases by 1% will be followed by tax avoidance increase of 0.357 with the assumption that the coefficient value of other independent variables is considered to be fixed or equal to zero.
- The value of regression coefficient of CSR (social) variable is negative, that is - 0,100; meaning that every CSR (social) increases by 1%, then the value of variable tax avoidance will be followed by a decrease of 0.100 with the assumption that the coefficient value of other independent variables is considered fixed or equal to zero.

##### 4.3.2 Model Feasibility Test (F test)

**Table 6**  
**Test Result F**

F count	F table	Sig	Standard	Description
2,646	2,61	0,044	<0,05	effect of simultaneous

Source: of Results Data, 2018

Based on the result of F count > F table (2,646 > 2,61) and significance < 0,05 (0,044 < 0,05), H0 is rejected (Ha accepted). Thus simultaneously independent variable CSR in economic, environmental and social indicator affect the tax avoidance. So it can be concluded that the model is feasible to use.

The t test is used to find out whether partially CSR in economic, environmental and social indicators significantly influence or not to tax avoidance. t table can be seen in the statistical table on the significance of  $0.05 / 2 = 0.025$  with degrees of freedom  $df = nk - 1$  or  $44 - 4 - 1 = 39$ . Results obtained for t table amounted to 2.02269

#### 4.3.3 Hypothesis Testing (t test)

**Table 4.7**  
**Test Result t**

hypothesis	t arithmetic	t table	Sig.	standard	description
CSR ec	-1,459	>2,02269	0,152	<0,05	ditolak
CSR env	2,734	>2,02269	0,009	<0,05	diterima
CSR soc	-0,719	>2,02269	0,476	<0,05	ditolak

Source: of Results Data, 2018

Below is the translation of t test results according to the table:

- a. The effect of CSR (economy) on Tax Avoidance.

Based on the result of the value  $-t \text{ table} \leq t \text{ arithmetic} \leq t \text{ table}$  ( $-2.02269 \leq -1,459 \leq 2.02269$ ) and significance > 0.05 ( $0.152 > 0.05$ ), then H0 accepted (Ha rejected). So it can be inferred CSR (economy) does not significantly influence tax avoidance.

- b. The effect of CSR (environment) on Tax Avoidance.

Based on the result of t value > t table ( $2,734 > 2.02269$ ) and significance < 0,05 ( $0,009 < 0,05$ ), then H0 is rejected (Ha accepted). So it can be concluded that CSR

(environment) influence Tax Avoidance.

- c. The effect of CSR (social) on Tax Avoidance.

Based on the result of -t table value  $\leq t \text{ arithmetic} \leq t \text{ table}$  ( $-2.02269 \leq -0.719 \leq 2.02269$ ) and significance > 0.05 ( $0.476 > 0.05$ ), then H0 accepted (Ha rejected). So it can be concluded CSR (social) does not significantly influence tax avoidance.

#### 4.3.4 Determination Coefficient Test (R<sup>2</sup>)

The determination coefficient test is used to predict how big the contribution of influence of independent variable of CSR (economy), CSR (environment) and CSR (social) to tax avoidance with condition of result of F test in

regression analysis of significant value.

**Table 4.18**  
**Table R Square**

Model	Adjusted R Square
1	0,103

Source: of Results Data, 2018

Based on Table 4:11, known value of determination (R square) of 0.103. This indicates that the variation on the tax avoidance practices of firms listed in the Indonesia Stock Exchange in 2015 - 2016 of 10.3% can be explained by CSR (economic), CSR (environmental) and CSR (social), while 89.3 % explained other variables.

## 5. DISCUSSION

### 5.1 Influence of the Board of Directors on Financial Performance.

a. The effect of CSR (economy) on the avoidance of companies listed on the Indonesia Stock Exchange period 2015 - 2016. The results of this study shows the value-t table  $\leq$  t arithmetic  $\leq$  t table ( $-2.02269 \leq -1,459 \leq 2.02269$ ) and significance  $> 0.05$  ( $0.152 > 0.05$ ), then H0 is accepted (Ha is rejected). So it can be concluded that CSR (economy) does not significantly affect tax avoidance. Companies do CSR economically or not, then no effect on tax avoidance expenses incurred. This is in line with previous research. The higher the CSR score (the economy) the lower the rate of tax avoidance. The most significant issues that arise in the effort to apply the principles

of corporate economic (CSR) to corporate taxation include actions that can reduce corporate tax liability through tax avoidance and tax planning (Lanis & Richardson, 2011)

- b. The effect of CSR (social) on tax avoidance firms listed in Indonesia Stock Exchange period 2015 - 2016. The result of value -t table  $\leq$  t arithmetic  $\leq$  t table ( $-2.02269 \leq -0,100 \leq 2.02269$ ) and significance  $> 0,05$  ( $0.476 > 0.05$ ), then H0 is accepted (Ha is rejected). So it can be concluded that CSR (social) does not significantly affect tax avoidance. Companies do CSR (social) or not, then no effect on tax avoidance expenses issued. This is in line with previous studies that show the higher the level of CSR (social), the lower the rate of tax avoidance. Thus, companies involved in CSR activities related to human resources, human rights at work and community involvement are not to engage in tax evasion (Liliana & Adiwibowo, 2017)
- c. The influence of CSR (environment) on tax avoidance firms listed in Indonesia Stock Exchange period 2015 - 2016. The result of t count  $>$  t table ( $2,734 > 2.02269$ ) and significance  $< 0,05$  ( $0,009 < 0,05$ ), then H0 rejected (Ha accepted). So it can be concluded that CSR (environment) has a significant effect on tax avoidance. Companies doing CSR (environmental) influence tax avoidance, because the more companies do CSR (environment) increasingly help

companies increase profits, so it helps reduce tax avoidance. Burden this is in line with previous research, that the higher the company performs CSR (environmental) actions, the higher the tax avoidance. The company discloses a wider CSR (environment) will report a lower ETR. If the company has done CSR (environment) but still aggressive against taxes, then the activity of CSR (environment) is considered spercuma. But it is important to know that it can not distinguish which company motive is actually voluntarily doing CSR (environmental) activity or company motive perform CSR (environment) because of certain goals (Pradnyadari & Rohman, 2015).

## 6. CONCLUSION

This study aims to find out how much influence Corporate Social Responsibility economic, environmental and social corporations to tax avoidance companies listed on the Indonesia Stock Exchange period 2015 - 2016. Population in this study are all companies listed on the Indonesia Stock Exchange 2015 - 2016 which amounted to 539 the company. Sampling by using purposive sampling method. Data analysis method used is multiple linear regression. The result shows that only CSR (environmental) variable influencing tax avoidance. This is in line with research conducted by Pranyadari & Rohman (2015). The CSR (economic) variable has no effect on tax avoidance, this is in line with research conducted by Lanis & Richardson (2011) and CSR (social) variable has no effect on tax avoidance, this is in line with research

conducted by Liliana & Adiwibowo (2017).

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