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Analysis Of The Effect Of Good Corporate Governance, Company Profitability And Risk On Tax Avoidance

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ABSTRACT

Taxes are one of the main sources of state revenue. The difference in interests between tax authorities and companies based on agency theory will lead to non-compliance by taxpayers or company management which has an impact on companies to do tax avoidance. Tax avoidance actions taken by companies can cause tax revenue by the state to be not optimal. This study aims to analyze the factors that influence tax avoidance. The variables used are GCG, Profitability and Company Risk to assess the extent to which these variables affect tax avoidance. Based on the purposive sampling method with the period 2017 to 2019, a total of 54 samples from 18 companies were obtained. Hypothesis testing is carried out using multiple linear regression analysis. The results showed that the indicators of corporate risk variables had a positive effect on tax avoidance; the audit committee variable has a negative effect on tax avoidance; Independent commissioner variable, institutional ownership and profitability have no effect on tax avoidance.

Keywords: GCG, Profitability, Company Risk, Tax Avoidance

INTRODUCTION

Taxes are one of the main sources of state revenue. Tax revenue, which includes tax and customs and excise revenues, also includes the backbone of the state budget. In general, taxes can be interpreted as levies imposed by the government based on statutory regulations, the results of which are used to finance general government expenditures with the aim of prospering the people.

Republic of Indonesia Law No. 28 of 2007 article 1 number 1 states that tax is a mandatory contribution to the state that is owed by an individual or a compelling entity based on law, without receiving direct compensation and being used for state needs for the greatest prosperity of the people.

In the practice of implementing tax revenue, one of the parties that makes a big contribution is the company. However, the government's goal of maximizing tax revenue is contrary to the company's goals as taxpayers. The difference in interests between the tax authorities and companies based on agency

theory will lead to non-compliance by taxpayers or company management which has an impact on companies to do tax avoidance.

Tax avoidance actions taken by companies can cause tax revenue by the state to be not optimal. This will have an impact on the people because the proceeds from taxes are used to finance general government expenditures with the aim of making the people prosperous. The existence of tax avoidance actions is also one of the causes of the decline in the realization of tax revenue from the predetermined target.

Based on the Performance Report of the Directorate General of Taxes 2019, the tax revenue target in the 2019 State Budget is IDR 1,577.56 trillion, tax revenue up to December 2019 has reached 1,332.06 trillion, which is 84.44% of the target. The percentage of tax revenue achievement in 2019 decreased compared to the achievement of the same period in 2018, which was 92.23%.

Table 1.Target and Realization of Tax Revenues

Year	Tax Revenue Target (Rp)	Actual Tax Revenue (Rp)	Percentage (%) of Tax Revenue
2017	1,283.57 T	1,151.03 T	89.67%
2018	1,424.00 T	1,315.51 T	92.23%
2019	1,577.56 T	1,332.06 T	84.44%

Source: Directorate General of Taxes Performance Report 2019

Based on these data, it shows that the tax revenue realization decreased from year to year. One of the causes of this decline is the tax avoidance actions taken by companies to minimize the tax costs paid. Several factors were can affect *tax avoidance*. The first factor is the role of corporate governance (CG) as a structure and system mechanism in encouraging management compliance with tax payments which is deemed necessary. The second factor is Company Risk, which is measured using Leverage, which describes the proportion of the company's total debt to total assets owned by the company with the aim of knowing the funding decisions made by the company. The third factor is profitability which consists of several ratios, one of which is return on assets (ROA). ROA measures the company's ability to generate profits by using the total assets (wealth) owned by the company after adjusting for the costs to finance these assets. Companies that have a lot of profits are assumed to not take tax avoidance.

Various studies have been conducted to see the effect of GCG on tax avoidance. Research conducted by Diantari and Ulupui (2016) states that institutional ownership has no effect, the audit committee and the proportion of independent commissioners have a negative effect, while company size has a positive effect on tax avoidance.

Different results in research conducted by Cahyono, Andini, and Raharjo (2016) state that the Audit Committee and Institutional Ownership have an effect on Tax Avoidance, the Proportion of the Independent Board of Commissioners (PDKI), Leverage (DER), and Profitability have no effect on Tax Avoidance. The results of research by Nurfadilah, Mulyati and Purnamasari (2016) state that leverage has no effect on tax avoidance, while audit quality has a significant effect on tax avoidance.

Different results were also stated in the research of Marfirah and Syam (2016).namely institutional ownership, board of commissioners, audit quality, and audit committee have a positive effect on tax avoidance, leverage has a negative effect on tax avoidance.. Whereas in the research conducted by Praditasari and Setiawan (2017), the results of the analysis show that institutional ownership, audit committee, and company size have a negative effect on tax avoidance and leverage and profitability have a positive effect on tax avoidance. The results of the analysis also show that independent commissioners have no effect on tax avoidance. Research Syuhada, Yumnaini, and Meirawati (2019) The results show that good corporate governance, represented by institutional ownership, the independent board of

commissioners, and the audit committee, has no significant effect on tax avoidance. Meanwhile, profitability was found to have a negative effect on tax avoidance.

Based on the results of this study, this study wants to continue the research conducted by Syuhada, Yusnaini, and Meirawati (2019) regarding the effect of GCG (audit committee, proportion of independent board of commissioners, and proportion of institutional ownership) and profitability to tax avoidance with differences adding to the company's risk variables. . Company risk measured using leverage illustrates the proportion of the company's total debt to total assets owned by the company with the aim of knowing whether the funding decisions made by the company affect tax avoidance.

Leverage ratio describes the source of operating funds used by the company. Leverage ratio is the ratio to determine the company's ability to pay its obligations if the company is liquidated. The leverage ratio also shows the risks a company faces. The greater the risk faced by the company, the greater the uncertainty to generate profits in the future. This will allow tax avoidance to occur in the company.

This study took samples from manufacturing companies listed on the IDX. Manufacturing companies were sampled, especially in the automotive and components sub-sector. The Indonesian automotive industry has become an important pillar in the country's manufacturing sector as many world-renowned auto companies have (re) opened car manufacturing plants or increased their production capacity in Indonesia, Southeast Asia's largest economy.

Moreover, Indonesia experienced a remarkable transition as it changed from being a place for producing cars for export (especially for the Southeast Asia region) to a large (domestic) car sales market due to an increase in gross domestic product (GDP) per capita. The automotive industry is one of the mainstay sectors in spurring national economic growth, especially through its export achievements. This goal is based on the Making Indonesia 4.0 road map, that the automotive industry is part of the five manufacturing sectors that have priority development, so that they are able to produce products that are globally competitive in readiness to enter the industrial era 4.0. (Ministry of Industry, 2019).

LITERATURE REVIEW

Agency Theory

Agency theory is the basis used to understand corporate governance. Agency theory concerns the contractual relationship between members in the company. Jensen and Meckling (1976) explain that agency relationships occur when one or more people (principal) employ other people (agents) to provide a service and then delegate decision-making authority. Michelson et al (1995) define agency as a relationship based on an agreement between two parties, in which management (agent) agrees to act on behalf of the other party, namely the owner (principal). The owner will delegate responsibility to management, and management agrees to act on orders or authorization given by the owner.

Agency theory indicates that there are differences in interests between internal and external parties which can lead to misuse of financial statements. One of the causes of agency problems is the presence of asymmetric information, namely adverse selection and moral hazard. Adverse selection is a condition in which the principal cannot know whether a decision made by the agent is really based on the information he has obtained, or it occurs as a negligence in his duties. Moral hazard is a problem that arises if the agent does not carry out the things agreed upon in the work contract.

The relationship between agency theory and this study is that there is a difference in interests between the tax authorities and the company which will lead to non-compliance by taxpayers or company management which has an impact on the company to do tax avoidance. In the practice of implementing tax revenue, one of the parties that makes a big contribution is the company. However, the government's goal of maximizing tax revenue is contrary to the company's goals as taxpayers.

Signaling Theory

According to Hartono (2014), information published as an announcement will provide a signal for investors in making investment decisions. When the information is announced, market players will first interpret and analyze the information as a good signal (good news) or a bad signal (bad news).

If the announcement of this information is considered a good signal, investors will be interested in trading shares, thus the market will react as reflected by changes in the volume of stock trading (Suwardjono, 2010). One type of information released by a company that can be a signal for parties outside the company is an annual report. Information disclosed in annual reports can be in the form of accounting information, namely information relating to financial reports or information that is not related to financial statements.

Audit Committee and Tax Avoidance

According to the National Committee on Corporate Governance Policies regarding the Audit Committee are: A committee that has one or more members of the Board of Commissioners and can recruit outsiders with various skills, experiences and other qualities needed to achieve the objectives of the Audit Committee.

The results of research conducted by Diantari and Ulupui (2016), Cahyono, Andini and Raharjo (2016) state that the audit committee has a negative effect on tax avoidance, this indicates that the greater the number of audit committees, the better the quality of corporate governance, thereby minimizing tax avoidance. at the company. This explains that the higher the presence of an audit committee in the company will improve corporate governance within the company, thereby reducing the possibility of tax avoidance practices being carried out.

H_{1(a)}: The Audit Committee has a negative effect on Tax Avoidance

Independent Commissioners and Tax Avoidance

The elucidation of article 120 paragraph (2) of the Company Law states that: Independent Commissioners are members of the board of commissioners who are not affiliated with the board of directors, members of the board of commissioners and controlling shareholders, and are free from business or other relationships that may affect their ability to act independently or act solely. -eye for the benefit of the company. Independent Commissioners have the main responsibility to encourage the implementation of the principles of Good Corporate Governance in the company by empowering the Board of Commissioners to be able to carry out supervisory duties and provide advice to the Directors effectively and provide added value to the company. Supervision by independent commissioners will minimize tax avoidance in the company.

Research conducted by stating that independent commissioners have an effect on tax avoidance, Diantari and Ulupui (2016) state that independent commissioners have a negative effect on tax avoidance. This is because the independent board of commissioners from outside the company demands that management work more effectively in managing the company by the directors and managers.

H_{1(b)}: Independent Commissioner has a negative effect on Tax Avoidance

Institutional Ownership on Tax Avoidance

Jensen and Meckling (1976) state that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. Institutional ownership is the ownership of the number of company shares by the company founding institution, not by institutional shareholders.

With the high level of institutional ownership, the greater the level of supervision to managers and can reduce conflicts of interest between management so that agency problems are reduced and reduce the opportunities for tax avoidance.

Research conducted by Cahyono, Andini and Raharjo (2016) and research by Marfirah and Syam (2016) stated that institutional ownership has a negative effect on tax avoidance.

H_{1(c)}: Institutional Ownership has a negative effect on Tax Avoidance

Profitability (ROA) and Tax Avoidance

Profitability is the net result of a number of company policies and decisions. The profitability ratio aims to measure the effectiveness of management which is reflected in the returns on investment returns through sales activities (Djarwanto, 2004: 148). A high profit rate will result in large taxes, which raises the possibility of tax avoidance in the company. The profitability ratio used in this study is ROA. Research conducted by Saputra, Rifa, and Rahmawati (2016) found that return on assets has a positive effect on tax avoidance.

H₂: Profitability (ROA) has a positive effect on Tax Avoidance

Company Risk and Tax Avoidance

Company risk is a condition where the possibilities that cause the performance of a company to be lower than what a company expects are due to certain uncertain conditions in the future (Dewi and Sari, 2016).

Leverage ratio describes the source of operating funds used by the company. The leverage ratio also shows the risks a company faces. The leverage ratio used in this study is DER, which is a ratio that compares the company's debt to total equity (Syahyunan, 2004: 3).

Research conducted by Nurfadilah, Mulyati, and Purnamasari stated that leverage (DER) has a positive effect on tax avoidance. The greater the risk faced by the company, the greater the uncertainty to generate profits in the future. This will allow tax avoidance to occur in the company

H₃: Company risk (DER) has a positive effect on Tax Avoidance

RESEARCH METHODS

The data used in this study are quantitative data. Quantitative data is a type of data that can be measured or calculated directly, in the form of information or explanation expressed in numbers or in the form of numbers (Sugiyono, Statistics for Education, (Bandung: Alfabeta, 2010: 15). In this case the quantitative data used is : number of audit committee, number of independent commissioners, number of shares owned, number of shares outstanding, ratio of ROA and DER.

Sample and Population

The method used in selecting samples is purposive sampling method, namely the selection of company samples during the study period based on certain criteria in order to obtain a representative sample according to the specified criteria.

The criteria for selecting the sample are:

1. Automotive and component sub-sector manufacturing companies listed on the IDX for the 2017-2019 period.
2. Companies that did not experience delisting during the 2017-2019 period.
3. Companies that use the rupiah currency.
4. Companies that publish financial reports consecutively during the research period, namely 2017-2019.
5. Companies that issue financial statements on December 31.
6. Companies with complete data or presenting information related to the variables to be studied.

Sources of data in this study use secondary data. Secondary data is data that refers to information collected from existing sources. Secondary data sources are company records or documentation, government publications, industry analysis by media, websites, and so on (Sekaran, 2011). Secondary data is a data source that does not directly provide data to data collectors (Sugiono, 2008: 402). Secondary data obtained from the link www.idx.co.id.

Research Variable and Variable Measurement

Tax Avoidance

In this study, tax avoidance is the dependent variable. The dependent variable is the variable that is affected or that is the result, because of the independent variable (Sugiyono, 2011). In this study the dependent variable is tax avoidance. Tax avoidance is a process of controlling actions in order to avoid the consequences of unwanted tax imposition, by regulating actions that avoid the application of taxation through controlling facts in such a way that it avoids the imposition of larger taxes or is not taxable at all (Zain, 2007 : 49).

According to Dyreng et al. (2010) this variable is calculated using the cash effective tax rate (CETR), namely:

$$\text{CETR} = \frac{\text{tax}}{\text{profit before tax}}$$

Audit Committee

The Audit Committee is a group of people selected by a larger group to do certain jobs or to perform special tasks or a number of members of the Board of Commissioners of a client company who are responsible for assisting auditors in maintaining their independence from management (Tugiman, 1995).

In a study conducted by Diantari and Ulupui (2016) the audit committee was measured using a ratio, namely:

$$\text{Audit Committee} = \frac{\text{The number of audit committees outside the independent commissioners}}{\text{Number of audit committees in the company}}$$

Independent Commissioner

An independent commissioner is defined as a person who is not affiliated in any way with the controlling shareholder, has no affiliation with the board of directors or the board of commissioners and does not serve as a director in a company related to the company that owns (Article 120 paragraph (2) Company Law). According to the regulations issued by the IDX in research conducted by Diantari and Ulupui (2016) Independent Commissioners are measured by the following ratio:

$$\text{Independent Commissioners} = \frac{\text{Number of Independent Commissioners}}{\text{The total number of the Board of Commissioners}}$$

Institutional Ownership

Jensen and Meckling (1976) state that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. Institutional ownership is ownership of company shares owned by institutions or institutions such as insurance companies, banks, investment companies and other institutional ownership. Institutional ownership in research conducted by Diantari and Ulupui (2016) is calculated using ratios, namely:

$$\text{Institutional Ownership} = \frac{\text{Institutional share ownership}}{\text{Total shares outstanding}}$$

Profitability

Profitability is the ability of a company to get profit (profit) in a certain period. The profitability ratio aims to measure the effectiveness of management, which is reflected in the returns and returns on investment through sales activities (Djarwanto, 2004: 148). The profitability ratio in this study is ROA. ROA measures the overall effectiveness in generating profit through available assets, the power to generate a return on invested capital. Calculating ROA using the formula for net income after tax divided by total assets (Riyanto, 2010: 305).

$$\text{ROA} = \frac{\text{Net profit}}{\text{Total Assets}}$$

Company Risk

Company risk in this study is measured using the leverage ratio (DER). Leverage is one of the financial ratios that describes the relationship between company debt to capital and company assets (Syamsuddin, 2007: 54). Leverage ratio describes the source of operating funds used by the company. The leverage ratio also shows the risk faced by the company. The leverage ratio used in this study is DER. According to Syahyunan (2004: 83) Debt to equity ratio (DER) is a ratio that compares a company's debt to total equity.

$$\text{DER} = \frac{\text{Company's total liabilities}}{\text{Shareholder equity}}$$

RESULT AND DISCUSSION

Multicollinearity Test

To detect the presence or absence of multicollinearity in the regression model according to Ghozali, it can be done by looking at the VIF (Variance Inflation Factor) value of tolerance ≤ 0.10 or the VIF value ≥ 10 (Ghozali, 2018: 108).

Table 2. Multicollinearity test

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
KA	0.850	1,177	There is no multicol
KI	0.841	1,190	There is no multicol
INST	0.941	1,063	There is no multicol
ROA	0.629	1,590	There is no multicol
DER	0.731	1,639	There is no multicol

Source: Secondary data processed, 2020

Autocorrelation Test

The autocorrelation test aims to test whether in the regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). (Ghozali, 2018: 111). The autocorrelation test used in this study is the Durbin Watson test.

Table 3. Autocorrelation test

Model	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.097	0.021527	1,650

Source: Secondary data processed, 2020

Based on the table at 5% significance with a sample size of 54 and the number of independent variables 5 ($k = 5$), the Durbin Watson table gives dL values 1.3669 and dU 1.7684 (durbin watson table). The Tax Avoidance variable shows the Durbin Watson value of 1.650. $DW < dU$ then there is positive autocorrelation and $(4-DW): 2.35 > dU$ so there is no negative autocorrelation. So it can be concluded: in the regression analysis there is positive autocorrelation and there is no negative autocorrelation.

Heteroscedasticity test

The heteroscedasticity test aims to test whether the regression model has an inequality of variance from the residuals of one observation to another. Heteroscedasticity test uses the Glejser test, namely testing using absolute residuals positioned as the dependent variable. If $\beta > 0.05$, there is no heteroscedasticity problem.

Table 4. Heteroscedasticity test

Model	t	Sig.
(Constant)	3,235	0.002
KA	-1,823	0.075
KI	-0,829	0.411
INST	0.563	0.576
ROA	-2,100	0.041
DER	-0,695	0.490

Source: Secondary data processed, 2020

Based on the table shows that the variables of the Audit Committee, Independent Commissioner, Institutional Ownership, Company Risk and Profitability do not affect the dependent variable Tax Avoidance (TA). This can be seen from the probability of significance of all independent variables above 5%, so that this regression equation does not occur heteroscedasticity.

Normality test

Normality test is a test that is carried out with the aim of assessing the distribution of data in a group of data or variables, whether the data distribution is normally distributed or not.

Table 5. Normality test

Kolmogorov-Smirnov			
KA	0.483	54	0.000
KI	0.320	54	0,000
INST	0.146	54	0.006
ROA	0.112	54	0.087
DER	0.230	54	0,000
CETR	0.227	54	0,000

Source: Secondary Data Processed, 2020

Based on the table, it shows that the variables of the Audit Committee, Independent Commissioner, Institutional Ownership, Company Risk, and Tax Avoidance (TA) have an abnormal data distribution. This can be seen from the Sig. < 0.05 , so only the profitability variable has a normal distribution according to the Kolmogorov-Smirnov normality test. The empirical experience of some statisticians is that the number of data is more than 30 numbers ($n > 30$), it can be assumed that it is normally distributed, said to be a large sample.

Multiple Linear Regression Analysis

Regression analysis is used to see how much influence the independent variable has on the dependent variable.

Table 6. Multiple linear regression analysis

Model	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
(Constant)	0.961	0.297	3,235	0.002
KA	0.164	0.090	1,823	0.075
KI	0.038	0.045	-0,829	0.411
INST	0.081	0.144	0.563	0.576
ROA	1,806	0.860	-2,100	0.041
DER	0.031	0.045	-0,695	0.490

Source: Secondary Data Processed, 2020

Based on the table, it can be explained that the effect of each independent variable on the dependent variable is as follows:

Effect of the Audit Committee (KA) on Tax Avoidance

Based on the output, it is known that the sig t-count value is 0.002. When compared with a significance level of 5%, it is $0.002 < 0.05$. So that H_0 is rejected, meaning that H_{1a} is accepted, it can be concluded that the Audit Committee variable has a significant negative effect on tax avoidance.

Effect of Independent Commissioner (KI) on Tax Avoidance

Based on the output, it is known that the sig t-count value is 0.075. When compared with a significance level of 5%, it is $0.075 > 0.05$. So that H_0 is accepted, meaning H_{1b} is rejected, it can be concluded that the Audit Committee variable has no effect on tax avoidance.

The Effect of Institutional Ownership (INST) on Tax Avoidance

Based on the output, it is known that the sig t-count value is 0.411. When compared with a significance level of 5% then $0.411 > 0.05$. So that H_0 is accepted meaning H_{1c} is rejected, it can be concluded that the Institutional Ownership variable has no effect on tax avoidance.

Effect of Profitability (ROA) on Tax Avoidance

Based on the output, it is known that the sig t-count value is 0.576. When compared with a significance level of 5%, then $0.576 > 0.05$. So that H_0 is accepted meaning H_2 is rejected, it can be concluded that the Profitability variable has no effect on tax avoidance.

Effect of Company Risk (DER) on Tax Avoidance

Based on the output, it is known that the sig t-count value is 0.041. When compared with a significance level of 5%, it is $0.041 < 0.05$. So that H_0 is rejected H_3 is accepted, it can be concluded that the corporate risk variable has a positive and significant effect on tax avoidance.

Determination Coefficient Test (R^2)

Table 7. Determination coefficient test (R^2)

Model	Adjusted R Square	Std. Error of the Estimate
1	0.038	0.29447

Source: Secondary Data Processed, 2020

Based on the table, the coefficient of determination shows that the value of Adjusted R^2 is equal to 0.128. These results indicate that the percentage of influence of the Audit Committee, Independent Commissioner, Institutional Ownership, Company Risk and Profitability on Tax Avoidance is 12.8%, the remaining 87.2% is influenced by other variables outside the research model.

Discussion

Based on the results of data analysis and discussion, conclusions can be drawn that the results showed that the Audit Committee had a negative and significant effect on Tax Avoidance. This explains that the higher the presence of an audit committee in the company can increase supervision within the company, so that it can minimize tax avoidance actions by the company. Agency theory identifies the audit committee as a party that helps minimize tax avoidance in companies. The existence of an audit committee in a company that is tasked with assisting auditors and conducting internal controls can minimize tax avoidance in the company. The results of this study agree with the research conducted by Diantari and Ulupui (2016), Cahyono et al (2016), Mulyati et al (2016), and Marfirahdan Syam (2016).

The results showed that the Independent Commissioner had no effect on tax avoidance. This explains that the Independent Commissioner with his ability to act independently or act solely for the benefit of the company has not been able to minimize tax avoidance in the company.

Agency theory identifies independent commissioners as parties who help minimize tax avoidance in companies. Independent Commissioner who has the main responsibility to encourage the implementation of the principles of good corporate governance (Good Corporate Governance) in the company through empowering the Board of Commissioners to be able to carry out supervisory duties and provide advice to the Directors effectively and provide added value to the company. Supervision by independent commissioners will minimize tax avoidance in the company. In this study, this assumption does not apply because the results of the study indicate that independent commissioners have no effect on tax avoidance. The results of this study support previous research conducted by Cahyono et al (2016) and Ayu et al (2015) which stated that independent commissioners have no effect on tax avoidance, but show inconsistency with research conducted by Diantari and Ulupui (2016).

The results showed that Institutional Ownership has no effect on Tax Avoidance. The existence of supervision of institutional ownership should be able to minimize tax avoidance, but in this study this assumption does not apply. Jensen and Meckling (1976) state that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. Institutional ownership is the ownership of the number of company shares by the company founding institution, not by institutional shareholders. With the high level of institutional ownership, the greater the level of supervision to managers and can reduce conflicts of interest between management so that agency problems are reduced and reduce the opportunities for tax avoidance. In this study, this assumption is not valid. The results of the study state that Institutional Ownership (INST) has no effect on tax avoidance. The results of this study are in accordance with research conducted by Diantari (2016) and Dewi (2015). However, these results are different from the results in the research of Cahyono (2016) and Marfirah (2016).

The results showed that profitability had no effect on tax avoidance. The profitability ratio aims to measure management effectiveness which is reflected in the return on investment through sales activities

(Djarwanto, 2004: 148). A high profit rate will result in large taxes, which raises the possibility of tax avoidance in the company. However, this study explains that companies with high profits will not necessarily take tax avoidance. According to the theory of information signals published as an announcement will provide a signal for the investors in making investment decisions. When the information is announced, market participants will first interpret and analyze the information as a good signal (good news) or a bad signal (bad news). This indicates a management decision based on the information received. This financial report also becomes a signal for the tax authorities to predict the tax paid by the company, so as to minimize tax avoidance. This study agrees with previous research conducted by Cahyono et al. (2016) which states that profitability has no effect on tax avoidance, but this is different from the results of Saputradkk (2015) research which states that ROA has a significant effect on tax avoidance. The profitability variable (ROA) in automatic sub manufacturing companies has no effect on tax avoidance.

The results showed that corporate risk has no effect on tax avoidance. A high company risk has a bad impact on company performance because a higher level of debt means that the interest expense will be greater, which means reducing profits. This does not lead to a potential tax reduction because the company pays interest on debt as a deduction for profit making the tax paid lower. In the Signaling Theory, the announcement of this information is considered a good signal, so investors will be interested in trading stocks, thus the market will react, which is reflected in changes in stock trading volume (Suwardjono, 2010). One type of information released by a company that can be a signal for parties outside the company is an annual report. Information disclosed in the annual report can be in the form of accounting information, namely information related to financial reports or information that is not related to financial statements. This financial report also becomes a signal for the tax authorities to predict the tax paid by the company, so as to minimize tax avoidance.

The results of this study agree with previous research conducted by Cahyono et al (2016) and Mulyati et al. (2016) which states that Leverage (DER) has no effect on tax avoidance, while Marfirah and Syam (2016) and Dewi and Maria (2016) state that corporate risk / leverage has a negative effect on tax avoidance.

CONCLUSION

This study aims to determine the effect of the audit committee, independent commissioners, institutional ownership, profitability and company risk on tax avoidance. The object of this research is the automotive sub-sector manufacturing companies and components listed on the Indonesia Stock Exchange (BEI) 2017-2019. Samples were taken using purposive sampling method obtained by 18 companies.

This study analyzes the impact of independent variables on tax avoidance using Multiple Linear Regression analysis tools. Based on the results of testing and analysis, it is known that the variable Good Corporate Governance, namely the Audit Committee, has a negative and significant effect on Tax Avoidance, the Independent Commissioner (KI) has no effect on Tax Avoidance, and Institutional Ownership (INST) has no effect on Tax Avoidance. The profitability variable, namely Return on Asset (ROA), also has no effect on Tax Avoidance. Then the Company Risk, namely Debt to Equity Ratio (DER) has a positive effect on Tax Avoidance.

In this study there are several limitations that may affect the research results, namely: 1.) the variables used in the study are only a small part of the independent variables. This is indicated by the resulting R square of 12.8%, meaning that there are 87.2% of other independent variables that can influence tax avoidance; 2.) the samples used to test the hypothesis is a small sample, which is limited to the automotive sub-sector manufacturing companies and components listed on the Indonesia Stock Exchange, which only amounts to 18 companies; 3.) this study limits observations to 3 years, from 2017-2019, so the validity still needs to be tested for the coming years; 4.) this research is only limited to the use of external factors

on the variable Good Corporate Governance; 5.) Normality test shows that the variables of the Audit Committee, Independent Commissioner, Institutional Ownership, Company Risk, and Tax Avoidance (TA) have an abnormal data distribution. This can be seen from the Sig. <0.05, so only the profitability variable has a normal distribution according to the Kolmogorov-Smirnov normality test. The empirical experience of some statisticians is that data with more than 30 digits ($n > 30$) can be assumed to be normally distributed, said to be a large sample.

Based on the limitations in this study, the suggestions for further studies are as follows: 1.) for further research it is expected to use more companies, so that they can be used as a basis for generalizations; 2.) this study limits observations to 3 years, from 2017-2019, so the validity still needs to be tested for the coming years; 3.) for further research, it is expected to include internal factors that are included in the elements of Good Corporate Governance of the company.

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