Good Corporate Governance and Company Risk as Determinants of Tax Avoidance Pt. Centra Lautan Pewarna With Availability of Financial Statements

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Abstract
Tax Avoidance as a legal act or allowed by taxpayers by taking advantage of the legal weaknesses of the Law to reduce the tax burden of the company. Fokus this study utilizes the availability of company financial statements, this research is based on the emergence of tax avoidance problems at PT Centra Lautan Pewarna the purpose of the study is to study good corporate governance and company risk as determinants of tax avoidance PT. Centra Lautan Pewarna with the availability of financial statements. The author's research method uses a qualitative type, with a library research approach and analyzing content, the primary data material used comes from the company’s financial statements for five years, the author adds primary data based on the availability of empirical data, the results of this study show that: 1) PT Centra Lautan Pewarna in an effort to comply with the payment of corporate Taxes as stipulated in Undang-Undang Nomor 28 of 2009 concerning Pajak Daerah and Retribution Daerah is very good. 2) Implementation of provisions on tax avoidance by PT Centra Lautan Pewarna as an effort to save taxes by minimizing taxable obligations, in accordance with the empirical said by Budiman &Setiyono (2012) using the cash effective tax rate (CETR) properly, and 3) Good support from Good corporate governance and company risk as determinants of tax avoidance in accordance with Fadhiah's theory (2014) has been implemented and proven well.

Key words: good corporate governance, corporate risk, financial statements and tax avoidance

Introduction
The importance of public awareness both individually as a person who is subject to obligations and as a company that has a burden of obligations that must be paid and fulfilled in carrying out its tax obligations is the key to a country’s success in managing taxation. When there is a burden that cannot be cashed, but taxes have a solution to the existence of state rules on Taxes. Tax Avoidance is a way to avoid legally paying taxes made by taxpayers by reducing the amount of tax owed without violating tax regulations or in other terms looking for regulatory weaknesses.

Tax Avoidance is a legal or permissible action by taxpayers by taking advantage of the legal weaknesses of the Act to reduce the tax burden on companies. Generally, the tax burden can be seen from the company’s financial statements, before paying corporate taxes.
According to Hanafi (2003: 69), financial statements are information that can be used for decision making, ranging from investors or potential investors to the management of the company itself. The financial statements will provide information regarding profitability, risks, timing of cash flows, to all of which will affect the expectations of interested parties. With financial statements, it can be described as the upcoming tax burden. Meanwhile, the company can carry out financial audits as in the common interest and decision making in a risk taker manner.

Corporate Governance is a study that studies the relationship between directors, managers, employees, shareholders, customers, creditors and suppliers to companies and the relationship between them (Hendra: 2012). With the implementation of Good Corporate Governance (GCG), the company will stand out more in the eyes of the public regarding company operations and compliance with taxes as well as conformity of company rules both in financial statements and tax arrangements.

According to Coles (2004: 16), "Corporate risk is a reflection of the policies taken by company leaders so that it can provide an indication of the character of Risk Taker or Risk Averse." According to Djohanputro (2012: 17), "Company risk can be calculated by dividing Earnings Before Income Tax by total assets. With the reading of the company’s risks that will be experienced, one of them can be seen the company’s risk in the financial statements in which there is a tax burden.

Based on the assumptions of the framework, the author aims to test the hypothesis of GCG and company risk as exogenous variables that affect Tax Avoidance as an endogenous variable through financial statement variables as mediation.

The measurement of GCG and financial risk is carried out by calculating the formula quantitatively in terms of financial statement data in the form of a company’s balance sheet from 2016–2021, where the author obtained data directly from PT Centra Lautan Pewarna. As for the Tax Avoidance variable, it is measured by looking at the calculation formula of the quantitative balance sheet during the 2016–2021 period. For financial statements in the form of balance sheets, it can be seen from the 2017–2021 balance sheet from PT Centra Lautan Pewarna

The importance of taxes (Fadhiah, 2014) is said by even taxes to be very important in order to sustain the state revenue budget. This means that a developed and developing country if the country’s income is very large, with the amount of tax revenue by the state means that the country can become a large country, on the contrary, if a country does not have income and even the country is classified as poor, then the country cannot regulate the contribution of business entities let alone to pay taxes.

Empirically proven by the results of his research which shows that tax (Rizky & Puspitasari, 2020) revenues in the Indonesian state in 2018 amounted to 1,315.93 trillion rupiah or around 92.41% of the 2018 state budget target set where this amount of tax revenue will be used to build Indonesia from the health, education, infrastructure and other sectors.

Acquisition of business entity levy in the form of taxes, as regulated in Undang-Undang Nomor 28 of 2009 concerning Pajak Daerah and Retribution Daerah, that tax is a mandatory contribution to the area owed by an individual or entity based on peraturan Law. (Marihot, 2010) Thus, the authors compile secondary data on corporate tax (Business entities) kedalamm the following table:

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<tr>
<th>Table 1. State Tax Revenue (enterprise) In Figures</th>
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<td>Sources of revenue – finance</td>
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The author based on data Achievement of the target in 2012–2016 is only around 83.3% – 96.5%. (Arinda & Dwimulyani, 2018:124). This proves that the income of the tax sector in Indonesia has not been able to reach an optimal stage. Among these ranges there is a Gap, can it function a tax levy from business entities to the state in a balanced manner? With the imbalance that occurs weakens state revenues in the future, because taxes are the main source of revenue in the state budget. This means that tax revenue by the state plays an important role for the prosperity of the people and even taxes are very useful for financing the administration of government and are used for state purposes for the greatest prosperity of the people. (Rizky & Puspitasari, 2020) (Mardiasmo, 2010)

However, contrary to Arry’s opinion (2017), generally business entities or companies still consider taxes to be a company burden that will reduce net profit. According to klikpajak.id related to calculating corporate income tax turnover of 48m–50m, reviewed from Article 4 Paragraph 1 of Law Number 26 of 2008 concerning Income Tax, companies based on their turnover are divided into three broad categories. The first category is with an annual turnover of up to Rp. 4,800,000,000. The second category is companies with an annual turnover of between Rp.
4,800,000,000 to Rp. 50,000,000,000. And the last one is a company with an annual turnover of more than IDR 50,000,000,000.

The author reviewed the literature study in which there were several research gaps that needed to be studied and became an update in this study, namely:

a. The research conducted by Nurhasanah (2020) with the variables of company risk-free and variables bound by tax avoidance there are similarities and similarities in the types of manufacturing companies, but the differences are found in the ratio of measurement of primary data of research variables while different research locations
b. Research conducted by Arinda and Dwimulyani (2018) with variable variables bound to tax avoidance and GCG mediation variables there are similarities and similarities in the types of manufacturing companies from panel data, but the differences are in the ratio of measurement of primary data mediation variables of this study while the different research locations and primary data years are also different
c. The research conducted by Kurniasih (2012) with good corporate free variables and tax avoidance-bound variables there are similarities, but differences exist in the population and ratio of measurement of primary data research variables while the location of different studies and this study uses mediation variables
d. Research conducted by Rusydi (2013) with factors that affect the variables bound to tax avoidance there are similarities in the variable tax avoidance, but the differences are found in the analysis model of this study using lsimrel student 8.8 different from regression

The limitations of the empirical research literature mentioned above, encourage the authors to conduct research using the mediation of available financial statements, meaning that the availability of financial statements can support the determinant of PT CLP's tax avoidance.

The author uses mediation variables based on the Theory of Planned Behavior explaining that the intention of behaving can give rise to behaviors that will be carried out by individuals where the higher the intention of a person to try to take the initiative to do something, the greater the likelihood of such behavior. Based on Moderated Regression Analysis, it was used to test the intercation of the influence of variable moderation in the study. (Ajzen, 1991) (Krisna, 2019) Based on the tax avoidance problem mentioned above, the author focuses on studies with good corporate governance and company risk as determinants tax avoidance PT. Centra Lautan Pewarna with the availability of financial statements.

Method

The author’s research method uses a qualitative type, with a library research approach and analyzing content, the primary data material used comes from the company’s financial statements for five years, the author adds that primary data based on informants who are directly related to GCG problems with Tax Avoidance have not been carried out due to limited research time and empirically available data in the problems studied.

Results and Discussion

Tax Avoidance

Although there is a tax burden table 1.2, this regulation on taxes causes company management to be more inclined to minimize the tax burden, meaning that the burden on taxes does not mean that there is no implementation of tax payments or avoidance of tax payments by companies, but rather to minimize the value of tax payment burdens. Empirically, it is proven by the results of research conducted by (Arry, 2017)(Krisna, 2019) Tax avoidance, it will be very likely to be carried out if there is a motivation possessed by managers to avoid paying tax debts actually through the application of tax policies in terms of bookkeeping financial statements so that they can make the value of the tax burden as minimal as possible in financial reporting.

According to stating that the practice of tax avoidance is a way used by companies to avoid taxes legally by minimizing the taxes owed without violating tax laws and regulations. Tax avoidance is a way to avoid legal tax payments made by taxpayers by reducing the amount of tax owed without violating tax regulations or in other terms looking for regulatory weaknesses. (Hanafi & Harto, 2014) (Krisna, 2019).

According to(Lim, 2011) the results of his research, it defines tax avoidance as tax savings that arise by utilizing tax provisions that are carried out legally to minimize tax liability. In line with the results of the research by(Budiman & Setiyono, 2012) Measuring tax avoidance inhis research using a cash effective tax rate (CETR). Cash effective tax rate is cash issued for tax costs divided by profit before tax. This means that the measurement uses the CETR method used because it can better describe the existence of tax avoidance activities. (Budiman & Setiyono, 2012)

It is said by that there are many factors that are the main reasons for the occurrence of tax avoidance, in line with the results of a study entitled The Effect of Good Corporate Governance on Tax Avoidance which shows that the audit committee has a significant effect on tax avoidance and audit quality has a significant effect on tax avoidance in
companies listed on the Indonesia Stock Exchange in 2009–2011. Furthermore, empirically proven by that company risk has a significant effect on tax avoidance, in line with the results of research that proves that company risk affects tax avoidance. However, in contrast to the results of research which showed that the proportion of institutional ownership did not affect tax avoidance and the proportion of the Independent Board of Commissioners did not affect tax avoidance in companies listed on the Indonesia Stock Exchange in 2009–2011, some of the results of the study above prove that there are factors that affect the company's tax avoidance, including (Krisna, 2019)(Fadhiah, 2014)(Abdillah & Nurhasanah, 2020)(Damayanti & Tridahus, 2015)(Fadhiah, 2014) the factor of good corporate governance, and company risk factors and financial statements and financial performance factors. (Fadhiah, 2014)

Financial statements

According to the application of tax policy in terms of bookkeeping financial statements so that it can make the value of tax burdens to a minimum in financial reporting. Based on the results of the study above, the author was dissatisfied with the gap findings of the research results, so the author felt interested in proving by adding mediation variables between factors that affect the(Krisna, 2019) company's tax avoidance as a factor that can increase or weaken between free variables and bound variables. (Teak & Kristiana, 2014)

The author uses mediation variables based on the Theory of Planned Behavior explaining that the intention of behaving can give rise to behaviors that will be carried out by individuals where the higher the intention of a person to try to take the initiative to do something, the greater the likelihood of such behavior. Based on Moderated Regression Analysis, it was used to test the intercation of the influence of variable moderation in the study. (Ajzen, 1991) (Krisna, 2019)

The company's risk from the available Financial Statement information has not been observed for five years, therefore, the author makes the availability of financial statements very important for determining tax avoidance in the future for the company. The author based on empirical history in the 1990s, concern about the disclosure of corporate risks had already begun, namely when the American Institute of Certified Public Accountants (AICPA) in its report placed emphasis on risk disclosure. AICPA provides an overview that there is a change in the needs of users of financial statements, so companies are expected to add information contained in the financial statements by providing future-oriented information, including information about uncertainty and risk mitigation (Linsley & Shrives, 2006). A literature study of the importance of the availability of financial statements is.

Several research studies that uncover risk reporting practices conducted by Lajili & Zéghal (2005) using the annual report of companies in Canada prove that only 82.46% of companies in Canada provide information about risk disclosure in their financial statements, where the most widely conveyed risk is financial risk dominated by foreign exchange rate risk.

Another study conducted by Linsley & Shrives (2006) found evidence that the number of sentences used to reveal the risks of British companies was as many as 6,168 sentences. In accordance with research conducted by Lajili & Zéghal (2005), Linsley & Shrives (2006) also found that the risks most commonly disclosed by companies are financial risks, after which strategic risks and integrity risks.

The availability of financial statements must be strong, because if it is not strong, it will have a weak impact on the management of Company Risk. The author suggests if management reveals a complete picture of the risks, along with other financial disclosures, shareholders will better understand the events involving the company. However, more often the annual report of the company cannot satisfy the wishes of investors, especially regarding the risk information it contains. Perhaps the management did not perform this responsibility with full integrity and goodwill, or because of the sensitivity of the risk information disclosed or because they wanted to avoid questions that may exist about future efficiency and legal complications (Konishi & Ali, 2007)

On the contrary, ICAEW (1997) suggests that risk disclosure will have an impact on increasing shareholder confidence, so that the cost of capital can be reduced. Based on this logic, ICAEW provides consideration so that companies do not have to provide disclosure of sensitive risk information in their annual reports.

Good Corporate Governance

According to the quality of the audit is any possibility that can occur when the auditor audits the client's financial statements and finds violations or errors that occurred, and reports them in the audited financial statements. High audit quality will be provided by auditors who have high quality and ability to maintain their reputation. If the company has a high audit quality, the company will increasingly avoid committing tax fraud, so that tax avoidance will be lower. On the other hand, if the company has a low audit quality, the company will increasingly commit tax fraud, so that tax avoidance will be higher. (Teak & Kristiana, 2014) (Abdillah & Nurhasanah, 2020)

The audit committee is a committee established by and responsible to the Board of Commissioners in assisting in carrying out the duties and functions of the Board of Commissioners. The effective function of the audit committee allows better control of the company and financial statements and supports good corporate governance. The higher the number of audit committees in the company, the better the quality of good corporate governance within the
company, so that it will reduce the possibility of tax avoidance practices being carried out. (Andriyani, 2008) (Abdillah & Nurhasanah, 2020)

Corporate Governance is a mechanism that regulates and controls a company through relationships between shareholders, management (managers) of the company, creditors, the government, employees and other internal and external stakeholders so as to increase the value of the company.

The implementation of good and correct Corporate Governance (GCG) will maintain a balance between the achievement of economic goals and community goals and keep the company away from poor management that results in the company being affected by problems (Dwitridinda in Hendra: 2012).

That companies with greater institutional ownership are more likely to issue, foresee and estimate something more specific, accurate and optimistic (Khurana: 2009). Thus, the existence of an Audit Committee and Independent Commissioners in a company is expected to improve the integrity of financial statements (Mayangsaari, 2003). Therefore, GCG in a company is a form of financial statements that are likely to find future expenses, forecasts and estimates in the company with the existence of an audit committee and independent commissioners can improve the integrity of appropriate financial statements.

Empirically proven by Muhammad Rizky & Windhy Puspitasari, 2020 shows that there is an influence of GCG indicators on tax avoidance bound variables.

Enterprise risks

According to Coles (2004; 16), company risk is a reflection of the policies taken by company leaders so that it can provide an indication of the character of risk taker or risk averse. A company leader may have a risk taker or risk averse character which is reflected in the size of the company’s risk. The higher the risk of a company, the executive tends to be a risk taker. Conversely, the lower the risk of a company, the executives tend to be risk averse. (Budiman, Setiyono, & Judi, 2012) (Abdillah & Nurhasanah, 2020)

According to interpreting corporate risk (corporate risk) is the volatility of the company’s earnings, which can be measured by a standard deviation formula. Corporate risk is a deviation or standard deviation from earnings, whether the deviation is less than planned (downside risk) or maybe more than planned (upside potential), the greater the deviation of the company’s earnings indicates the greater the risk of the company. The high and low risk of this company indicates the character of the executive whether it includes a risk taker or averse risk. (Teodora, 2010) Corporate risk is a reflection of the policies taken by the company’s leadership. The policies taken by the company’s leadership can indicate whether the leader has a risk taker or risk averse character. Research shows that company leaders in carrying out their obligations as company executives have two characteristics, namely as risk takers and risk averse. Both characters describe how small or large a company led by top management is. Company leaders or executives who have a risk taker nature are executives who dare to make business or management decisions. Meanwhile, executives who have a risk averse nature are executives who dare not make their business decisions. (Rizky & Puspitasari, 2020) (Mayarisa, 2017)

The process of responding to company risks as an effort to determine the company’s tax is said by Lajili & Zéghal (2005) to present a risk management framework consisting of the following processes:

a. Identification, measurement and assessment of the types or types of risks that may befall the company.
b. The selection of appropriate strategic means or actions to control the risks that can befall the company can be in the form of decisions to avoid, reduce or even transfer risks to other parties.
c. Supervision and monitoring of all activities that have been planned in resolving risks that may arise.

The activities carried out by the company cannot be separated from risks. And knowledge of these risks is very important for the company to when solving the risks arising, so that the achievement of the company’s goals is not disturbed. Understanding the risks also makes it easier for companies to predict the possibilities encountered in the future and prepare appropriate strategies. Because each company will face different risks, management according to the conditions of the company is the main key to face risks.

Risk disclosure not only provides an overview of the risks faced by the company, but also allows investors or other parties to be interested in analyzing risk handling methods. This helps investors get the right assessment and helps shareholders reduce monitoring costs.

Conclusion

a. PT Centra Lautan Pewarna in an effort to comply with paying company taxes as regulated in Undang-Undang Nomor 28 of 2009 concerning Pajak Daerah and Retribution Daerah very well.
b. Implementation of the provisions on tax avoidance by PT Centra Lautan Pewarna as an effort to save taxes by minimizing taxable obligations, in accordance with the empirical said by Budiman & Setiyono (2012) using cash effective tax rate (CETR) is good.
c. Good support from Good corporate governance and company risk as determinants of tax avoidance in accordance with Fadhiah's theory (2014) has been implemented and proven well.

**Suggestion**

a. Companies to maintain the application of Tax Avoidance in the future are important to know the determinants beyond the results of this study such as macroeconomics
b. To increase Tax Avoidance in order to make efforts to provide more reliable financial statements in the YoY period of at least 2 years and a maximum of 5 years
c. For researchers in the future, they can make references and study materials to conduct research in the future by paying more attention to the problem of Tax avoidance by comparing several countries in Asia

**References**


