

## THE INFLUENCE OF THE EXECUTIVE CHARACTERISTICS AND AUDIT COMMITTEE ON TAX AVOIDANCE

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### ABSTRACT

*The Influence of The Executive Characteristics and Audit Committee on Tax Avoidance. This research aims to examine the effect of executive characteristics on tax avoidance, to examine the effect of audit committees on tax avoidance and to examine the characteristics of executives and audit committees on tax avoidance. Manufacturing companies listed on the Indonesia Stock Exchange from 2013 to 2017 were used as samples in this research. The data is processed using multiple regression tests using quantitative methods, where the researchers collect the data about the facts and the nature of the object that being studied systematically by combining the relationships between the variables involved in it and measured in quantity or amount. The results showed that the characteristics of the executive and audit committee had an impact on tax avoidance that is equal to 44.8%. While the remaining 55.2% there were other factors that affect tax avoidance. This research shows that the higher the number of executives who have characteristics of risk takers, then it will increase tax avoidance that is done by the management and vice versa. On the other hand, this study found that the higher the number of audit committees, the lower the tax avoidance carried out by management and vice versa. This research give highlight about tax avoidance practices by management and factors may be affected to tax avoidance.*

*Keywords: The executive characteristic, audit committee, tax avoidance*

### I. INTRODUCTION

Tax avoidance already exist for long time and still receive a lot of attention and remain “hot topics”. Tax avoidance is a reduction of legally performed by utilizing the provisions in the field of taxation optimally like, exemptions and deductions are allowed as well as take advantage of things that are not regulated and weaknesses contained in the applicable tax regulations (Suandy, 2014:21).

Early academic studies concerning the executive’s role in tax avoidance were mainly focusing on the incentives and consequences (Dyrenge et al., 2010). Two scheme tax avoidance that can applicable in a country is acceptable tax avoidance and unacceptable tax avoidance (Darussalam et al., 2010:198). Based our knowledge that there have not been a lot of researches about the characteristics of executives and audit committee in tax avoidance. For an academic and even a fiscal point of view it might also be useful to have some insights in the most important variables that explain tax avoidance. For an executives themselves have some insight that a considerable amount might be variation in a company’s tax expense. The reason can be explain that amount of tax avoidance bring a companies fiscal benefits. The benefit linked to tax expense of company and reputational effects. Reduction of tax expense of company might be influencing the amount of incentive executive they can receive.

Tax expense they can be done by tax avoidance changed the decision of executive made. In the other hand, Desai and Dharmapala (2004) claim that tax avoidance is less advantegous for executives in companies that are strongly governed because of reduced rent extratction possibilities. This studies has focused on the characteristics of executives and audit committee in tax avoidance.

Low (2006) claim that a leader have 2 characteristics, risk taker and risk averse. The higher of risk taker of an executive, the higher tax avoidance level that can be done (Budiman and Setiyono, 2012). Langenmayr and Lester (2018) examines the risk-taking effects of both tax rates and tax loss rules, which permit firms to use losses to reduce prior or future tax payments. They study show two main findings: first, risk-taking is positively related to the lenght of tax loss periods because the loss rules shift some risk to the government; and second, the tax rate has a positive effect on risk-taking for firms that expect to use losses, and a weak negative effect for those that cannot. Thus, the sign of the tax effect on risky investment hinges on firm-specific expectations of future loss recovery.

Waluyo (2017) examines the effect of good corporate governance on tax avoidance: empirical study of the Indonesian banking company. These studies confirms that audit committees, audit quality and the size of company positively affected tax evasion. Hsu, Moore and Neubaum (2018) examines whether financial expert audit committee members tailor their approach to overseeing the corporate tax planning process according to the firm’s business strategy. They find that such directors encourage defender-type firms (characterized partially by high risk aversion) to engage in more tax avoidance activities and prospector-type firms (characterized partially by innovation and risk seeking) to scale back on tax avoidance, relative to the opposing strategy type. They also find that both accounting experts and non-accounting financial experts on the audit committee contribute to our results to some extent, although the effects of non-accounting financial experts present more consistently. The result suggest that financial expert on the audit committee tend to play more of an advising role for defenders and more of monitoring role for prospectors. The structure of company ownership (family and non-family firms) determines the effectiveness of the role of the audit committee in reducing the trade-off between tax avoidance and cost of debt (Tjondro and Olivia, 2018). Furthermore, they studies find that the role of the audit committee is stronger in non-family firms than in family firms.

## II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1. Executive Characteristics on Tax Avoidance

According to Adisusilo (2013:77), citing the opinion of F.W. Foerster states that character is something that qualifies a person, character becomes identity, characterizes, becomes a fixed trait, which overcomes the ever-changing contingent experience.

According to Anthony and Govindarajan (2012:112), that organizations are led by a hierarchy of managers, with the chief executive officer (CEO) at the top, where these leaders have diverse qualities and styles in decision making. A leader can be a person who is not afraid of risk, or someone who is afraid of risk.

From some of the opinions above, it is said that the executive in making decisions in the company is influenced by the character of each of the executives. In carrying out its duties in making decisions, the executive has two characters, namely as a risk taker and risk averse.

Low (2006) claim that leader have 2 characteristics, risk taker and risk averse. The higher of risk taker of an executive, the higher tax avoidance level that can be done (Budiman and Setiyono, 2012). Langenmayr and Lester (2018), examines the risk-taking effects of both tax rates and tax loss rules, which permit firms to use losses to reduce prior or future tax payments. They study show two main findings: first, risk-taking is positively related to the length of tax loss periods because the loss rules shift some risk to the government; and second, the tax rate has a positive effect on risk-taking for firms that expect to use losses, and a weak negative effect for those that cannot. Thus, the sign of the tax effect on risky investment hinges on firm-specific expectations of future loss recovery.

Executives who have a risk taker character are executives who are more courageous in making business decisions. This type has a strong urge to have a position, welfare, higher authority, and greater income by being willing to accept the consequences of higher risks. In addition, the nature of risk taker management has the desire to bring high cash flow to meet the objectives of the company owner, namely to get cash flow from the company's operations (LaPorta, Rafael and DeSilanes, 1999). High cash flow will be obtained from tax avoidance activities by increasing tax saving (Mcguire, Wang and Wilson, 2011).

In contrast to risk takers, executives who are risk averse will prefer to avoid all kinds of opportunities that have the potential to create risks and prefer to hold most of the assets they have in a relatively safe investment to avoid funding from debt, uncertainty in the number of returns and so on. When managers with risk averse characters are given the opportunity to choose investments, these characters will tend to choose investments far below the risks that the company can tolerate (MacCrimmon and Wehrung, 1990).

### 2.2. Audit Committee on Tax Avoidance

Tunggal (2012:49), audit committee is a committee formed by the board of commissioners in order to help carry out their duties and functions.

Effendi (2009:25), the audit committee is a committee that works professionally and independently which is formed by the board of commissioners. Therefore, his job is to help and strengthen the function of the board of commissioners (supervisory board) in carrying out the oversight function of the financial reporting process, risk management, audit implementation and implementation of corporate governance in the company.

Based on some of the above meanings, it can be concluded, if the audit committee is a group of people who work professionally and independently who are formed by the Board of Commissioners to help conduct internal supervision of the company on the financial reporting process, risk management and conducting audits.

The audit committee has the duty to give an opinion to the board of commissioners on reports or matters submitted by the board of directors to board of commissioners, identify matters that require commissioners and carry out tasks related to the duties of the board of commissioners.

Hsu, Moore and Neubaum (2018), examines whether financial expert audit committee members tailor their approach to overseeing the corporate tax planning process according to the firm's business strategy. They find that such directors encourage defender-type firms (characterized partially by high risk aversion) to engage in more tax avoidance activities and prospector-type firms (characterized partially by innovation and risk seeking) to scale back on tax avoidance, relative to the opposing strategy type. They also find that both accounting experts and non-accounting financial experts on the audit committee contribute to our results to some extent, although the effects of non-accounting financial experts present more consistently. The result suggest that financial expert on the audit committee tend to play more of an advising role for defenders and more of monitoring role for prospectors. The structure of company ownership (family and non-family firms) determines the effectiveness of the role of the audit committee in reducing the trade-off between tax avoidance and cost of debt (Tjondro and Olivia, 2018).

### 2.3. Hypothesis Development

Sugiyono (2012:93), the hypothesis is a temporary answer to the research problem formulation, where the research formula has been stated in the form of a statement sentence. Can be said to be temporary because the answers given are only based on relevant theories, not based on empirical facts obtained through data collection. So the hypothesis is also stated as a theoretical answer to the formulation of the research problem, not yet an empirical answer.

Research hypotheses can be interpreted as temporary answers to research problems, until proven through collected data and must be empirically tested. This description leads to the following hypotheses:

H<sub>1</sub>: There is an influence between the characteristics of corporate executives on tax avoidance.

H<sub>2</sub>: There is an influence between the company's audit committee on tax avoidance.

### III. METHODOLOGY

To test our hypotheses, we conducted a multiple linear regression. We use manufacture companies as our population and sample technique that can we use is purposive judgement sampling. Sampling criteria in this study are:

- 1) Manufacture companies listed in Indonesian Stock Exchange in 2013-2017.
- 2) Companies that are listed consistently in Indonesian Stock Exchange in 2013-2017.
- 3) Companies that disclosed the financial reporting ended December 2013-2017.
- 4) Companies that have profit in 2013-2017.

Based on purposive judgement sampling above, there are 50 sample that can we use in this study. Thus, we conducted a multiple linear regression to test our hypotheses.

The data testing method in this study uses:

#### 1. Normality Test

Data normality test can be done using Kolmogorov Smirnov One Sample, with the provisions that if the significant value is above 0.05, then the data is normally distributed. Meanwhile, if the results of One Sample Kolmogorov Smirnov show a significant value below 0.05 then the data is not normally distributed.

#### 2. Multicollinearity Test

Independent variables must be free from all symptoms of multicollinearity. Detection of multicollinearity can be done by looking at the value of VIF (Variable Inflation Factor) and Tolerance. Regression models can be declared free from multicollinearity if the VIF value <10, and tolerance > 0.1 (10%). The basic reference can be concluded as follows:

- a. If the tolerance value > 10% and VIF value <10, it can be concluded that there is no multicollinearity between independent variables in the regression model.
- b. If the tolerance value <10% and VIF value > 10, it can be concluded that there is multicollinearity between independent variables in the regression model.
- c.

#### 3. Autocorrelation Test

This test is to find out whether there is a strong relationship between the first and second data, the second data with the third and so on. The way to detect the presence or absence of autocorrelation in this study is to use the Durbin-Watson statistical value calculation. Test criteria: compare the D-W value with the d value from the Durbin-Watson table:

- a. If  $D-W < dL$  or  $D-W > 4 - dL$ , the conclusion is that the data contained autocorrelation.
- b. If  $dU < D-W < 4 - dU$ , the conclusion in the data is that there is no autocorrelation.
- c. It cannot be concluded if  $dL \leq D-W \leq dU$  or  $4 - dU \leq D-W \leq 4 - dL$ .

#### 4. Heteroscedasticity Test

This test aims to test whether in a regression model a variant of residual discomfort occurs from one observation to another observation. To detect the heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatterplot graph between SRESID and ZPRED where the Y axis and the X axis that have been predicted, the X axis is residual ( $Y_p$  predicted - True) that has been standardized. The basis of the analysis is as follows:

- a. If there are certain patterns, such as the dots that form a regular pattern (wavy, widened and then narrowed), then it indicates that heteroscedasticity has occurred.
- b. If there are no clear patterns and points that spread above and below the zero on the Y axis, then heteroscedasticity does not occur.

### IV. RESULTS

#### 4.1. Descriptive Analysis of Executive Characteristics

According to Paligrova (2010), to measure corporate risk can use a standard deviation equation from EBITDA (Earning Before Income Tax, Depreciation and Amortization) divided by the total assets of the company. The high level of corporate risk will show the character's executive bias, risk taking or risk averse. The greater the corporate risk of a company shows the greater the deviation from profit. The magnitude of the deviation can indicate that the company's executives are risk takers.

$$\text{Corporate risk} = \frac{\text{EBITDA}}{\text{Total Aset}}$$

Corporate Risk = Risk from Corporation

EITDA = *earning before income tax, depreciation and amortization*

Total Aset = Total company asset

The greater the standard deviation of EBITDA / total assets shows the greater the deviation from profit. The magnitude of the deviation can indicate that the company's executives are risk takers. To see the results of the description of corporate risk

statistics on manufacturing companies which listed on the Indonesian securities exchange period 2013-2017 can be seen in Table 1 below:

**Table 1: Statistic description Corporate Risk Manufacture Companya Which Listed on Indonesia securities exchange period 2013-2017**

Nama	N	Descriptive Statistics			
		Minimum	Maximum	Mean	Std. Deviation
LG10_KE	250	0.058341863	0.873737374	0.138346237	,72463

In table 1 above, it can be seen that the highest corporate risk is 87.3737%, which is the lowest at 0.010944%. The high corporate risk of a company shows the executive characteristics of the company that have a risk taker or are happy to take risks. . The higher the value of the Corporate risk of a company, the more it shows if the executives of the company have characteristics that are risk takers, and the lower the value of Corporate risk that is owned by a company then shows if the Executive Characteristics of the company are more risk averse or Executive do not like decision making that has a high level of risk. The trend assessed from the value of corporate risk shows a large deviation from profit, with the higher deviation from profits calculated through corporate risk, the characteristics of the Executive will be more risk takers and will do various ways so that the burden borne by the company becomes smaller, one of them is by doing Tax Avoidance to reduce tax burden and increase tax saving.

#### 4.2. Descriptive Analysis of Audit Comitee

According to Tunggal (2012:49), the notion of an audit committee is a committee formed by the board of commissioners in order to help carry out their duties and functions. In his research, Pohan (2008) explained that the board of commissioners must establish an audit committee consisting of at least three members, appointed and dismissed and responsible to the board of commissioners. With the increasing number of audit committee members in the company, the tax avoidance policy will be lower, but if the company has a small number of audit committee members, then the tax avoidance policy will be higher.

$$\text{Audit Comitee} = \frac{\text{Number of Comitee audit}}{\text{The Total Number of the board of Commissioners}}$$

**Table 2: Description of Statistics Number of Audit Committees in Manufacturing Companies Registered at the Indonesia Stock Exchange for the 2013-2017 Period**

Nama	N	Minimum	Maximum	Mean	Std. Deviation
SQRT_JKA	250	0.222222	1	31,2261	139,81538

Table 2 above, shows that the highest amount is 100% and the lowest is 22.22%. The value of the Audit Committee that significantly indicates the influence of the audit committee on tax avoidance can be explained that the existence of the Audit Committee whose function is to improve the integrity and credibility of financial reporting to run well (Eksandy, 2017).

The audit committee is also described as a monitoring mechanism that can improve the audit function for the company's external reporting. Since the recommendation of Good Corporate Governance on the IDX in 2000, audit committees (audit committees) have become a common element in the form of corporate governance arrangements of public companies (Pohan, 2008). It can be seen that the number of Audit Committees owned by each manufacturing company studied by researchers has amounted to 3 (three) in accordance with government regulations. The resulting ratio figures provide information if the manufacturing company that is the sample researcher has followed government regulations that stipulate that at least one company has 3 Audit Committee members who will be responsible to the board of commissioners.

#### 4.3. Tax Avoidance Descriptive Analysis

As for the indicator of Tax Avoidance according to Rist and Pizzica (2014:54) areby calculating through the ETR (Effective Tax Rate) of the company. The formula for calculating ETR is as follows:

$$\text{ETR} = \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

**Table 3: Description of ETR Statistics on Manufacturing Companies Registered at the Indonesia Stock Exchange for the 2013-2017 Period**

	N	Minimum	Maximum	Mean	Std. Deviation
SQRT_TA	250	(-5.549171)	0.9830508	0.267604	,20926
Valid N (listwise)	250				

In table 3 above, it can be seen that the highest ETR level is 98.30% and the lowest is -554.9171%. The higher the level of ETR in the company, the lower the tax avoidance that the company does. The existence of a minus ETR is because the company

utilizes deferred tax which ultimately adds to the profits of the company. The results of the ETR calculation above can explain the phenomenon that occurs, which is a significant tax gap, where in 2014 only from the taxpayer of the real estate sector, the DGT estimated the potential tax gap from 2009 to 2013 to reach 204.79 trillion rupiah, from total Tax Avoidance of the real estate sector should amount to 302.83 trillion rupiah. Indonesia's tax ratio according to Economist at the University of Indonesia, Basri (2017) believes that the tax ratio over the past 5 years has declined. Based on the records, the tax ratio in 2012 was 11.4%, 2013 was 11.3%, 2014 was 10.9%, 2015 was 10.8%, 2016 was 10.4%, and 2017 was estimated at 10.1%.

According to Prasetyo (2014), the cause of the low tax ratio is the low Tax Avoidance (Praptidewi and Sukartha, 2016). The low tax gap and tax ratio in Indonesia are influenced by the high practice of tax avoidance. The high level of ETR indicates that a company will do less Tax Avoidance. It can be seen from the low tax ratio owned by Indonesia due to the Tax Avoidance action seen from Table 4.6 that the average ETR of manufacturing companies which are classified as effected by researchers is quite low, which is around 26.7%. So it can be concluded if the average manufacturing company is still doing Tax Avoidance.

#### 4.4. Classic Assumption Test

Testing this assumption consists of three tests, namely the normality test, multicollinearity test, heteroskedastias test and autocorrelation test.

##### 4.4.1. Normality Test

According to Ghozali (2013:160), to detect normality can be done by the Kolmogorov-Smirnov test. The trick is to first determine the testing hypothesis, namely:

H0: Data is normally distributed

Ha: Data is not normally distributed

Where:

If the sig > alpha value is specified then H0 is accepted.

If the value of sig = <with the alpha specified then H0 is rejected.

The normality test in this study was conducted using SPSS 16. The results of the normality test seen in table 4 are as follows:

Unstandardized Residual		
N		250
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,20140183
Most Extreme Differences	Absolute	,250
	Positive	,250
	Negative	-,169
Test Statistic		,250
Asymp. Sig. (2-tailed)		,081 <sup>c</sup>

In table 4, shows that Asymp. Sig. (2-tailed) of 0.081. Thus, this value is greater than the significance level used, which is 0.05. Based on the normality test criteria, it can be concluded that H0 is accepted which means the data are normally distributed. According to Ghozali (2013: 58) explains that the normality test aims to test whether in the regression model, the residual confounding variable has a normal distribution. As is known that the t test and F test assume that the residual value follows a normal distribution. If this assumption is violated, the statistical test is considered invalid.

##### 4.4.2. Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between independent variables (Ghozali, 2013:105). Multicolony can be seen from tolerance values and the opposite is the variance inflation factor (VIF). Both of these measures indicate which independent variables are explained by other independent variables. The basis for making decisions is:

- If the value of Tolerance is > 0.10 or the same as the value of VIF < 10, there is no multicollinearity.
- If the Tolerance value is 10 0.10 or equal to the VIF value  $\geq 10$ , then there is multicollinearity.

The multicollinearity test in this study was carried out using SPSS 16. Based on the VIF values obtained as shown in table 5 below, there was no strong correlation between the independent variables. This can be seen from the amount of tolerance ( $\alpha$ ) and Variance Inflation Factor (VIF) if using  $\alpha / \text{tolerance} = 10\%$  or 0.10 then  $VIF = 10$ . From the VIF output the count of the two variables is 1.016 smaller than 10 and all tolerance independent variables have a value of 0.984 = 98.4% greater than 10%, it can be concluded from the two independent variables tested not found a strong correlation, so that the assumption of multicollinearity of data is met.

**Table 5: Multicollinearity Test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	,483	,022		21,924	,000		
LG10_KE	-,074	,018	-,255	-4,138	,000	,984	1,016
SQRT_JKA	-,001	,000	-,130	-2,099	,037	,984	1,016

This multicollinearity test is used to find out whether there is a strong relationship between independent variables (X1 and X2). If there is a strong relationship between independent variables then this will affect the regression test and will cause a high error rate, which is shown by a very high coefficient of determination. The results of the multicollinearity test on this independent variable show that there is no strong correlation or relationship between the characteristics of the executive and the audit committee, this is indicated by the multicollinearity test indicators that produce tolerance values and VIF for each variable 98.4% and 1.016.

**4.4.3. Autocorrelation Test**

According to Ghazali (2013:110), the autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding errors in period t and the disturbing errors in the t-1 period (before). If there is a correlation, then there is an autocorrelation problem. Autocorrelation arises because sequential observations over time are related to each other. The test method used to determine the presence or absence of autocorrelation is the Durbin Watson Test (Ghozali, 2013:110) which is used for first-order autocorrelation and requires an intercept in the regression model and there is no lag variable between independent variable. The hypotheses to be tested are:

- H0: Data has no autocorrelation (r = 0)
- Ha: Data is autocorrelated (r ≠ 0)

The autocorrelation test in this study was carried out using SPSS 16. In table 6 the results of the autocorrelation test in this study show.

**Table 6 : Autocorrelation Test**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,672 <sup>a</sup>	,452	,448	,20222	2,043

In table 6, shows that the d value in the Durbin Watson column for the first equation is 2.043. Based on the autocorrelation test criteria, these results meet the criteria of  $du < d < 4 - du$ , where the two tables are 1,8008 so  $1,8008 < 2,043 < 4 - 1,8008$ . The conclusion that can be taken is that H0 is accepted, which means there is no autocorrelation.

**4.4.4. Heteroscedasticity Test**

Heteroscedasticity test aims to test whether in the regression model variance from residual inequality occurs one observation to another observation. If the residual variance from one observation to another observation remains, then it is called Homoskedastisitas and if different it is called Heteroskedastisitas. A good regression model is the Homoskedastisitas or Heteroskedastisitas does not occur (Ghozali, 2013: 139). the Heteroskedastisitas test can be done by the Glejser Test which registers the absolute residual value of the independent variable with the regression equation:

$$U_t = \alpha + \beta X_t + v_t$$

Where :

1. If the probability of significance is above the level of trust ( $\alpha$ ) > 5% then there is no heterosecurity.
2. If the probability of significance is above the confidence level ( $\alpha$ ) ≤ 5% then there are heterosecurity.

The Heteroscedasticity test was carried out with SPSS 16. In table 7. seen the results of heteroscedasticity test as follows:

**Table 7: Heteroscedasticity Test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,059	,018		3,247	,001
LG10_KE	,049	,015	,210	,346	,223
SQRT_JKA	-4,979E-5	,000	-,041	-,652	,515

Table 7, shows that the significance values for the Executive Characteristics and Audit Committee growth variables are 0.223 and 0.515, respectively, which indicates that the significance is above 0.05. It can be concluded that H0 is accepted, which means there is no heterocedasticity in the data.

#### 4.5. Hypothesis Test

We use t test to test our hypotheses and the result as follows:

##### 1) Executive Characteristics on Tax Avoidance

H<sub>0</sub> : β<sub>1</sub>= 0 The Executive Characteristics have no significantly effect on tax avoidance.

H<sub>1</sub> : β<sub>1</sub>= 0 The Executive Characteristics have significantly effect on tax avoidance.

Criteria : Reject H<sub>0</sub> ifsig < 0,05

With SPSS software, we findhypotheses test result for X<sub>1</sub> as follows:

**Table 8: Test Result for Executive Characteristics on Tax Avoidance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,483	,022		21,924	,000
LG10_KE	-,074	,018	-,255	-4,138	,000

Table 8, show result statistic t test for executive characteristics variable is 0,000. That value means α for this hypotheses is 5%, thus H<sub>0</sub> is accepted. That means executive characteristics have significantly effect on tax avoidance.

##### 2) Audit Committee on Tax Avoidance

H<sub>0</sub> : β<sub>2</sub>= 0 Audit Committee have no significantly effect on tax avoidance.

H<sub>1</sub> : β<sub>2</sub>= 0 Audit Committee have no significantly effect on tax avoidance.

Criteria : Reject H<sub>0</sub> ifsig < 0,05

With SPSS software, we find hypotheses test result for X<sub>2</sub> as follows:

**Table 9: Test Result for Audit Committee on Tax Avoidance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,483	,022		21,924	,000
SQRT_JKA	-,001	,000	-,130	-2,099	,037

Table 9, show result statistic t test for executive characteristics variable is 0,000. That value means α for this hypotheses is 5%, thus H<sub>0</sub> is accepted. That means audit committee have significantly effect on tax avoidance.

#### 4.6. The Executive Characteristics on Tax Avoidance

To test the first hypothesis, which consider the executive characteristics on tax avoidance, we partition the sample selection according to risk taker corporation and risk averse corporation. Based on t test results show that the first hypothesis have significant value 0.000 (α<0.05). This value indicate that H<sub>1</sub>is accepted, which means the executive characteristics have significant effect on tax avoidance. The other results of t test indicate that the executive characteristics have negatively effect on tax avoidance. That means the greater risk-taking from firms the lower tax avoidance that can been done from managers and vice versa.

This results extend the literature that examines the relation between taxation and entrepreneurial risk-taking (Asea and Turnovsky, 1998; Poterba and Samwick, 2003; Cullen and Gordon, 2007; Djankov, Ganser, McLiesh, Ramalho, and Shleifer, 2010) and show that the negatively relation between entrepreneurial risk-taking and tax avoidance. This result affirm Singly and Sukartha (2015), studies that the executive characteristics have significant effect on tax avoidance.

#### 4.7. The Audit Committee on Tax Avoidance

To test the effect of the audit committee on tax avoidance, we regress the audit committee size and tax avoidance and find results consistent with our hypothesis. Based on t test results show 0.37 indicate that H<sub>2</sub> is accepted, which means the audit committee has significant negatively effect on tax avoidance. This results show the higher audit committee size from firms can increase tax avoidance in that firms. This results also robust analyses from Dewi and Jati (2014), Winata (2014) and Pohan (2008).

Finally, this paper makes several contributions to the academic literature. First, we add to the literature that studies the determinants of tax avoidance. This paper robust prior paper study the effect of executive characteristics (entrepreneurial risk-taking) on tax avoidance including Asea and Turnovsky (1998); Poterba and Samwick (2003); Cullen and Gordon (2007);

Djankov, Ganser, McLiesh, Ramalho, and Shleifer (2010). We also robust several analysis from Dewi and Jati (2014), Winata (2014) and Pohan (2008) which stated that the higher audit committee size from firms can increase tax avoidance in that firms.

## V. CONCLUSION

This paper studies how executive characteristics and audit committee influencing tax avoidance. Using sample from all companies in manufacturing sector listed in Indonesian Stock Exchange in 2013-2017, we find that executive characteristics have negatively related to the tax avoidance. We infer from these results that lower executive characteristics will increase tax avoidance for firms that has risk averse in their executive. We also find that audit committee has negatively effect to tax avoidance. This results show that the higher size of audit committee will increase tax avoidance.

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