Corporate Social Responsibility Regulation and Tax Aggressiveness (SOEs Case)

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Abstract
Corporate Social Responsibility (CSR) is a form of attention from companies that are voluntarily carried out to maintain the integration between the environment and their operational activities. Tax aggressiveness is an attempt to minimize income tax expense. This study uses control variables namely company size, leverage, capital intensity, and return on assets. This study aims to examine the effect of corporate social responsibility on tax aggressiveness. The sample used is a State-Owned Enterprise (SOE) listed on the Indonesia Stock Exchange for the 2012–2017 period. Researchers use multiple linear analysis or ordinary least square using the SPSS 23 program to analyze the data of this study. The results showed that the disclosure of corporate social responsibility had no effect on tax aggressiveness.

Keywords: Corporate Social Responsibility (CSR), tax aggressiveness, State-Owned Enterprise (SOE)

1. Introduction
Efforts to create an independent country in order to be able to compete competitively must start from extracting domestic sources of funds such as tax revenues (Lanis and Richardson (2012)). Indonesian tax revenues in 2017 amounted to 85.6% of the total state income and on average became the largest contributor with a contribution of 77.6% (www.kemenkeu.go.id). But the amount of tax revenue has decreased compared to the previous year, this is because the level of taxpayer compliance is still low at 60% -70% and is still dominated by personal taxpayers or employees not corporate or taxpayers (www.pajak.go.id).

The company is one of the subjects of income tax, namely the subject of corporate tax. Taxes paid by companies are based on company profits. This is a dilemma for management and company owners, because taxes directly reduce the company's income. The phenomenon of tax aggressiveness has become a common thing in various countries because the management of the company designed various ways to reduce the tax burden. According to Nusantari (2015), tax aggressiveness is a specific activity, which...
includes transactions, where the main purpose is to reduce corporate tax liabilities. Whereas according to Lanis and Richardson (2013), tax aggressiveness as a tax planning company through tax avoidance or tax sheltering activities, so that tax aggressiveness is an action designed by the company to minimize the tax burden in order to obtain profits.

Effective tax rates (ETR) is a formula to assess the level of corporate tax aggressiveness. Basically ETR is a decimal tax rate that must be paid by the company (Lanis and Richardson, 2013). Company managers and other interested parties often use ETR as a reference for making policies that contain an effective taxation system. By looking at effective tariffs, companies are considered capable of measuring their tax management well. Tax aggressiveness has negative implications for the community because tax contributions as funding for education, health, and national defense are certainly very important for their lives (Lanis and Richardson, 2013). Meanwhile, according to Setiawati (2016), companies in carrying out their operational activities to obtain profits are only hindered by two burdens, namely the tax burden and the burden of social and environmental responsibility or called Corporate Social Responsibility (CSR). Both of these burdens are basically useful for people's welfare. However, companies choose policies that avoid these two burdens, one of which is through tax aggressiveness. To cover these actions, companies carry out social responsibility or broader CSR disclosures to change perceptions and gain legitimacy from the public. According to Lanis and Richardson (2013) if companies that have been proven to do tax aggressiveness can act in accordance with legitimacy theory by way of disclosing CSR information.

Corporate social responsibility (CSR) is a comprehensive component of the company's operations that voluntarily contributes to the maintenance of the environment, harmonizes the ethics of society and the company, and social investment. CSR is the company's commitment to play an active role in sustainable economic development in order to improve the quality of the environment that has benefits for the company and society. This matter is regulated in the Limited Liability Company Law No. 40 of 2007. The sample used in this study is a State-Owned Enterprise registered on the Indonesia Stock Exchange (IDX) in 2012-2017. Based on Law No. 36 of 2008, BUMN is included in the category of corporate tax subject. As we know, BUMNs are state-owned companies and government partners in realizing programs that can support national development. In addition to the role of SOEs as a controlling function of the national economy, SOEs also have other roles, namely corporate social and environmental responsibility (CSR). This was also emphasized in the law regulations made by the government, among others, Law No.40 of 2007 concerning Limited Liability Companies, Law No. 15 (b) and
No.25 of 2007 concerning Investment, Regulation of the Minister of BUMN No. PER-09/MBU/07/2015 concerning Small Business and Community Development, as well as OJK Regulation No.51/POJK.03/2017 concerning the Implementation of Sustainable Finance.

This study uses control variables. The control variable is a variable that is controlled and made constant so that the influence of independent variables on the dependent variable is not influenced by outside factors that are not examined (Sugiyono, 2010). The control variable used in this study is the control variable taken from previous research, because the requirements to be used as a control variable are to be tested many times and have constant results. The control variable used is size, leverage, capital intensity, and return on assets. Orbit regression test was used in previous research to analyze the effect of CSR on tax aggressiveness, while in this study using the multiple linear regression test or Ordinary Least Square (OLS).

2. Theory

2.1. Legitimate theory

Legitimacy theory is a theory which states that legitimacy is a company management system that is oriented toward alignments with individuals, community groups, and government (Gray et al., 1995). Legitimacy theory is a theory that exists within the framework of political economy, because it is influenced by companies that tend to operate under the pretext of being environmentally based and accompanied by disclosure of environmental information to gain legitimacy from the community. Deegan (2002) states that legitimacy theory has been used in accounting studies to develop theories of disclosure of social and environmental responsibility.

2.2. Stakeholder theory

Every organization must build good relations with the environment in which it is in the process of achieving its goals (Freeman, 2005). This is in accordance with stakeholder theory which states that there is a relationship between the organization and its stakeholders (Lawrence, 2014). Stakeholders in question are individuals or groups that have an active role in the company including shareholders (Jensen, 2001) and the government. Support from each stakeholder will determine the sustainability of the company and that support will always be sought by management (Barnett, 2005). Disclosure of
environmental and social responsibilities of the company, is considered capable of being a means of obtaining great support from stakeholders.

2.3. Agency theory

In managing the company, there is a separation between the principal and the agent. Agency theory explains the relationship between the two (Jensen and Meckling, 1976). Based on this theory, the agent is bound by a contract with the principal to manage the company and achieve the company’s main goal of maximizing the profits to be obtained, so that in some instances managers do various ways to achieve that goal either in good ways or in ways that harm Sri (2010).

2.3.1. Corporate social responsibility

Corporate Social Responsibility is a form of attention from companies that are voluntarily carried out to maintain integration between the environment and their operational activities (Elkington, 2006). According to David (2009), the company’s business activities in obtaining profits according to the wishes of the owner of the company, should be followed by cooperative actions of the company to comply with existing rules in the community as a manifestation of their social responsibility. Elkington (2001) states that the form of corporate social responsibility should be oriented according to the triple bottom line concept that prioritizes three things, namely profit, people, and the planet. To measure the independent variables in this study, a check list technique was used with the aim of matching items revealed with total disclosure items (Lanis and Richardson, 2013). Disclosure of CSR is measured using the fourth generation Global Reporting Initiative (GRI) or GRI-G4 indicator with 91 items of disclosure which includes 9 items in the economic category, 34 items in the environmental category, and 48 items in the social category. Then the formula for measuring CSR disclosure is:

$$CSR_{ij} = \frac{\sum x_{ij}}{n_{ij}}$$

2.3.2. CSR disclosure index

The Global Reporting Initiative (GRI) concept is a concept that is often used as a reference for compiling reports on Corporate Social Responsibility (CSR). In the study of Sahla and Aliyah (2016), explaining about the Global Reporting Initiative (GRI) is reporting and standard disclosure that has indicators of corporate social responsibility to be able to
create or provide reporting benefits to corporate stakeholders. This guideline is used for organizations, size, sector or location. In addition, it can provide international references for all people or parties involved in the disclosure or approach to corporate governance as well as environmental, social, economic and organizational performance and impacts.

The concept of sustainability report is the result of the concept of sustainability development, where the sustainability report basically also uses the triple bottom line concept, all of which must be measured in a social, economic and environmental perspective. That is what GRI’s ideas are useful for compiling CSR reports.

2.4. Tax aggressiveness

According to Lanis and Richardson (2013), tax aggressiveness as a form of corporate tax planning through tax avoidance or tax sheltering activities, so that tax aggressiveness is an action designed by the company to minimize the tax burden in order to obtain profits. This study uses a measure of tax aggressiveness using the Effective Tax Rate (ETR) because this measure is often used as a proxy for tax aggressiveness in various tax research in Indonesia and in accordance with tax regulations in Indonesia. ETR is an effective tax rate based on applicable financial accounting reporting that is measured by comparing Tax Expense with Pretax Income. So that it can be formulated as follows:

\[
ETR = \frac{\text{Tax Expense } i, t}{\text{Pretax Income } i, t}
\]

Hypotheses

H1: Corporate Social Responsibility has a negative effect on tax aggressiveness

3. Methods

This research is a quantitative research where data collection uses research instruments, data analysis is quantitative statistical, with the aim of testing the predetermined hypothesis. The type of data used in this study is quantitative data obtained from annual reports of state-owned companies listed on the Indonesia Stock Exchange in 2012-2017. Another data source used in this study is the sustainability report that has been published by state-owned companies in 2012-2017 which are accessed from each of the official websites of state-owned companies.
The population of this study is state-owned enterprises listed on the Indonesia Stock Exchange. The sampling technique in the study uses non-probability sampling with the following sampling criteria:

| No. | Criteria                                                                 | Score |
|-----|--------------------------------------------------------------------------|-------|
| 1.  | State-owned Enterprises listed on the Indonesia Stock Exchange in 2012–2017 (www.bumn.go.id) | 20    |
| 2.  | SOEs that suffered losses during the study period                        | (4)   |
| 3.  | State-owned Enterprises subject to final tax                              | (6)   |
|     | Total companies                                                          | 10    |
|     | Total sample (10 firms x 6 years)                                        | 60    |

Hypothesis testing is done using multiple regression techniques. In order for the regression model to be built to produce an BLUE estimator, it must meet the criteria in the classic assumption test (Ghozali, 2016: 19). There are 4 stages of the classic assumption test that must be fulfilled properly based on the data collected, namely the normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test.

Hypothesis testing is done by conducting a simultaneous significance test or *F*-test, which is a test carried out with the aim to see whether all independent variables simultaneously influence dependent variable (Ghozali (2016: 25). Then test individual parameters or *t*-tests to find out individual independent variables affect the dependent variable.

### 4. Results and Discussions

The Kolmogorov–Smirnov test results in table 1 show the value of Asymp. Sig. (2-tailed) of 0.200. These results indicate that the multiple linear regression models compiled in this study have normally distributed data. This is indicated by the value of Asymp. Sig. (2-tailed) > 0.05. Based on Table 2, the Durbin–Watson test results show a value of 2.152. These results are then adjusted to the criteria stating that to pass the autocorrelation test the Durbin–Watson value must be between Du and 4-Du or DU < DW < 4-DU. Based on the Durbin–Watson table, the Du value is 1.7689, the DI value is 1.3592, the 4-Du value is 2.2311, and the 4-DI value is 2.6408. Then the multiple linear regression model in this study was declared problem-free autocorrelation because the DW value was between the DU and 4-DU values or 1.7689 < 2.152 < 2.2311. Based on all tolerance values or the Variance Inflation Factor (VIF) value in table 4, it can be concluded that the research data did not experience symptoms of multicollinearity. This is indicated by the tolerance value of all independent variables > 0.10 and VIF values < 10.
Based on Table 5, it is known that the $F$-test value is equal to 8.818 with a significance level of 0.000. The value of $F$-table shows the value of 2.41, so the result is $11.394 > 2.41$ is stated to meet the criteria $F$-count $> F$-table. Besides the significance value (Sig.) Count $< 0.05$ so it can be concluded that simultaneously all the independent variables affect the dependent variable. Based on the results of the $t$-test in Table 6, it can be seen that the independent variable namely CSR does not affect the dependent variable, tax aggressiveness. While the control variable size, leverage, and capital intensity affect the aggressiveness of taxes, except the variable return on assets does not affect the tax aggressiveness.

Based on the results of the partial test it can be seen that the independent variable, namely Corporate Social Responsibility (CSR) does not significantly influence the dependent variable, namely tax aggressiveness. This indicates that companies with high CSR disclosure do not necessarily carry out tax aggressiveness. These results are in line with the research of Jessica and Agus (2014) which stated that the company’s CSR activities did not affect the way the company made a strategy in paying taxes. In the research of Lanis and Richardson (2013), it was found that CSR disclosure had a significant effect on tax aggressiveness. The study resulted in the finding that the higher CSR activities carried out by the company, the lower the level of corporate tax aggressiveness.

The difference in the results of this study can be because the disclosure index of CSR used is different. In the research Lanis and Richardson (2013) used the CSR index that applies in Australia which has been adjusted to the characteristics of the company. Furthermore, the differences in research results are also caused by the CSR disclosed by each company in Indonesia which is still not detailed and general in nature. The second difference is that in some developed countries CSR is more voluntary by referring to ISO 26000 on Guidance on Social Responsibility. Even though it is not an obligation, companies are more morally and socially bound to implement CSR.

Initially the implementation of CSR in Indonesia was only voluntary. But since it was regulated by the government and included in Law No. 40 of 2007 concerning Limited Liability Companies and Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibilities of Limited Liability Companies, the implementation of CSR is required for all companies in Indonesia. So that the implementation of CSR in Indonesia has no variation and full disclosure, because every year CSR disclosures tend to be no different. Nevertheless there are differences in regulations in the disclosure of significant CSR between state-owned companies and non-BUMN companies. Disclosure of CSR in state-owned companies is regulated by regulations including Law No. 40 of 2007 concerning Limited Liability Companies, Law No. 15 (b) and No. 25 of
2007 concerning Investment, SOE Minister Regulation No. PER-09/MBU/07/2015 concerning Small Business and Community Development, as well as OJK Regulation No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance. So there is no opportunity for state-owned companies to use CSR disclosure as a step to minimize the amount of their tax burden.

5. Conclusions and Implications

Based on the results and discussion, it can be concluded that Corporate Social Responsibility (CSR) does not affect the tax aggressiveness of state-owned enterprises. These results are not in accordance with the research hypothesis that has been prepared previously. Therefore, it is necessary to re-examine it to ascertain whether by changing the research sample of non-state-owned companies, the results will be different. Important implications of this study indicate that regulatory factors play an important role because in state-owned companies, strict regulations regarding CSR are considered an obligation that must be done every year.

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Appendix

**Table 2: Normality test.**

| N   | Unstandardized Residual |
|-----|-------------------------|
| 53  |                         |
| Normal Parameters<sup>a,b</sup> | Mean            |
|     | 0.0000000               |
|     | Std. Deviation          |
|     | 0.02070040              |
| Most Extreme Differences | Absolute        |
|     | 0.066                    |
|     | Positive                 |
|     | 0.066                    |
|     | Negative                 |
|     | –0.046                   |
| Test Statistic |                             |
|     | 0.066                    |
| Asymp. Sig. (2-tailed) | 0.200<sup>c,d</sup> |

**Table 3: Autocorrelation test.**

| Model | R     | R Square<sup>a</sup> | Adjusted R Square | Std. Error of the Estimate | Durbin–Watson |
|-------|-------|-----------------------|-------------------|---------------------------|---------------|
| 1     | 0.966<sup>a</sup> | 0.933 | 0.925 | 0.02745 | 2.152 |

**Table 4: Heteroskedasticity Test.**

| Model | t      | Sig.  |
|-------|--------|-------|
| 1     | (Constant) |       | 1.514 | 0.137 |
|       | CSR    | –0.409 | 0.684 |
|       | SIZE   | –1.162 | 0.251 |
|       | LEV    | 0.825  | 0.413 |
|       | CINT   | –0.031 | 0.975 |
|       | ROA    | 0.274  | 0.786 |
### Table 5: Multicollinearity Test.

| Model  | Collinearity Statistics |
|--------|-------------------------|
|        | Tolerance | VIF  |
| 1 (Constant) | 0.724 | 1.381 |
| CSR     | 0.257 | 3.890 |
| SIZE    | 0.114 | 8.766 |
| LEV     | 0.321 | 3.120 |
| CINT    | 0.299 | 3.346 |

### Table 6: F-test.

| Model | Sum of Squares | df | Mean Square | F    | Sig. |
|-------|----------------|----|-------------|------|------|
| 1     | Regression     | 0.027 | 5 | 0.005 | 11.394 | 0.000¹ |
|       | Residual       | 0.022 | 47 | 0.000 |      |      |
|       | Total          | 0.049 | 52 |      |      |      |

### Table 7: t-test.

| Model | Unstandardized Coefficients | Standardized Coefficients | t     | Sig. |
|-------|-----------------------------|---------------------------|-------|------|
|       | B                           | Std. Error                | Beta  |      |
| 1     | (Constant)                  | 0.752                     | 0.080 | 9.386 | 0.000 |
| CSR   | -0.034                      | 0.020                     | -0.191| -1.655| 0.105 |
| SIZE  | -0.020                      | 0.003                     | -1.284| -6.640| 0.000 |
| LEV   | 0.176                       | 0.034                     | 1.492 | 5.139 | 0.000 |
| CINT  | 0.102                       | 0.020                     | 0.898 | 5.183 | 0.000 |
| ROA   | -0.017                      | 0.069                     | -0.043| -0.241| 0.811 |