The Effect of State Ownership Structure, Investment Decision, and Fiscal Tax Loss Compensation Toward Tax Avoidance on Manufacturing Companies Listed on IDX in 2015

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ABSTRACT

This study is entitled "the effect of state ownership structure, investment decision, and fiscal tax loss compensation toward tax avoidance on manufacturing companies listed on IDX. Its dependent variable is tax avoidance, while its independent variables are share structure owned by the company (X1), investment decision (X2), and fiscal tax loss compensation (X3). The method of this study is multiple regression and classical statistical tests. The result of this study is that the government share ownership structure (X1) is accepted (significant), which means that H1 is accepted where state ownership structure positively affects ETR. If ETR increases, the possibility of tax avoidance is lower. Moreover, investment decision (X2) is insignificant, which means that investment on fixed assets does not affect tax avoidance. It is not in line with the hypothesis proposed, so H2 is not accepted. In addition, loss compensation (X3) is insignificant, meaning that fiscal tax loss compensation does not affect corporate tax avoidance.

Keywords: Share ownership structure, investment decision, fiscal loss compensation, and corporate tax avoidance.

1. INTRODUCTION

The practice of tax avoidance that is still in the grey area becomes an interesting strategy choice taken by management. There are various motifs in the practice tax avoidance one of them is in order to increase profitability through the reduction of corporate tax cost. However, not all companies are brave to take tax avoidance strategy. Some of the reasons are the risk of sanctions or significant costs, the one related to corporate image which always conducts ethical business, or always upholds good corporate governance, as well as assuming that tax avoidance is similar to tax evasion.

Tax avoidance is also affected by asset investment that is also an investement decision done by company. Asset mix owned by company also enables to affect tax avoidance action. Investment decision done by the company can affect the presence or the absence of tax avoidance done by company because tax regulations give different treatment for each capital structure policy and asset mix owned by company 2012).

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In the tax laws, if the company is having loss, the loss can be compensated in the following tax periode for 5 years and corporate profit can be used to reduce the amount of corporate loss compensation. As the result, the company that has fiscal loss tax compensation will obtain remission of tax expense for the next taxation period. Therefore, it can be concluded that this study aims to investigate whether state owned companies in Indonesia do not have the tendency to have tax avoidance and whether the factors of investment decision and fiscal loss compensation affect tax avoidance.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The presence of ownership function separation between company's owner and management will create a conflict in the company. This conflict usually appears when both parties have different interests to fulfill each of interest. Shareholders will focus on the increase of their share value, while managers focus on the interest fulfillment of their performance. Thus, it is needed in minimizing the risk with the third party that is external party.

Tax Avoidance

Tax revenue is one of important APBN (The Indonesian Budget) resources, therefore, the honesty of taxpayers in conducting their taxation liabilities is highly needed especially in the the self-assesment system that is embraced by the taxation in Indonesia. Obedient and disobedient attitude is one of taxpayer characteristics that must be considered. Tax obedience is defined as a condition of taxpayers fulfilling all taxation liabilities and implementing their taxation rights.

Tax avoidance is 'tax affair' that is still in the frame of taxation regulation. Tax avoidance can happen in regulations that are written in the law and in the spirit of the law or can happen in the provision of law, but contrary to the spirit of the law. The committee of fiscal affairs from OECD named three types of tax avoidance, which are:

1. The existence of artificial element where various arrangements are in it, but actually they are not, and this is done because of the absence of tax factor.
2. This scheme often uses loopholes from the law or applies legal regulations for various objectives, although it is not the one meant by the law regilator.
3. Confidentiality is also as the form of the scheme where consultants generally show an instrument or a way to conduct tax avoidance with a taxpayer requirement which is to keep it as confidential as possible.

There are some ways that are usually done by company in tax planning according to Pohan (2013) by considering some tricks as the following:

1. Maximizing costs that can be reduced
2. Mergering between companies that continuously incurs losses and profitable companies
3. Postponing income
4. Accelerating expense costs
5. Efficiency strategy to press corporate tax expense
6. Avoiding other's expenses not to be our expenses

Consequence of Tax Avoidance

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Before deciding to conduct an aggressive tax action, a decision maker (manager) will consider the advantage and disadvantage from the action that will be done. There are three advantages of aggressive tax action:

1. The advantage in the form of tax saving that will be paid by company to the country is the amount of cash that will be enjoyed by the owner/shareholder in the company will be bigger.
2. The advantage for the manager (both direct and indirect) who obtains compensation from the owner/shareholder of the company on the aggressive tax action that is done.
3. The advantage for the manager is having opportunity to conduct rent extraction (Chen et al. 2010).

Meanwhile, the disadvantages of aggressive tax action among others are:

1. The possibility that company receives sanction/penalty and/or fine from tax authorities, so it will cause unpredictable cost and will affect cash flow of shareholders' welfare (Hanlon and Heitzman, 2010)
2. The damage of corporate reputation as the result of audit from tax authorities.
3. The decline in share price is because other shareholders know the aggressive tax action that is run by the manager is done in order to obtain rent extraction (Desai and Dharmapala, 2006 in Hidayanti, 2013).

State Ownership Structure

According to the Law Number 19 Year 2003 about State-Owned Enterprises, there is a definition that classifies some companies as SOEs, which areas the folowing

1. State Owned Enterprises, that next is named as SOE, is a business entity that all or most of its capital is owned by the country through direct participation that is from the separated state assets.
2. Liability Company is an SOE in the form of limited liability company that its capital is divided into shares that all or at least 51% (fifty one percent) of the shares are owned by Republic of Indonesia with the main goal to achieve profit.

Based on the definition above, a conclusion omitcan be drawn that the company has at least 51% of its shares owned by the state is an SOE or state owned company.

In its establishment, SOE has purposes and objectivesas contained in the Law Number 19 Year 2004, as the following:

1. To give contribution to the national economic development in general and state income in particular.
2. To obtain profit.
3. To conduct general expediency in the form of highly qualified and adequate goods and/or service provision for the fulfillment of living needs for many people.
4. To be the pioneer of business activities which have not been conducted by private sector and cooperation.
5. To take an active part in giving assistance and support to weak economic business, cooperation, and community.

Investment Decision

Many ways can be done by company to invest in one of them is that company invests on fixed assets. The structure of fixed assets is a component that affects important

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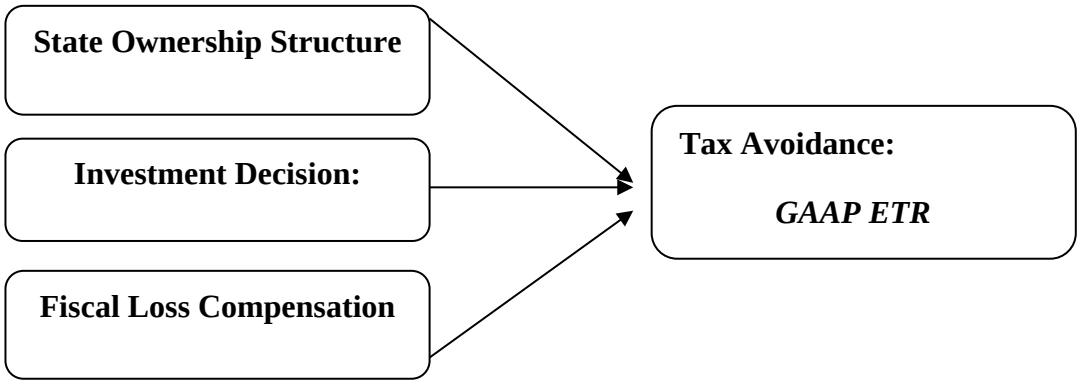
decision in funding and investment of company because it has the useful life in the future. In accordance with the taxation regulation, depreciation on expenses for obtaining tangible assets and other costs has useful life for more than one year that its depreciation can be expensed in calculating the taxable income.

Fiscal Loss Compensation

In the taxation, it has been regulated in the Law Number 36 year 2008 about income tax Article 6, Section 2, which is:

"If gross income after reduction as mentioned in Article (1) loss is obtained, this loss is compensated by the income starting in the next tax year consecutively to 5 (five) years". Loss compensation can be used by not only as tax income reduction, but also in reduction of tax installment payment in the current year that its condition is regulated in Article 25 Section 6 of applicable Law on Income Tax.

Framework



Hypothesis

The Effect of State Ownership Structure on Tax Avoidance

Company owned by the state is the company that has 51% or more of its shares held by government. The tendency to conduct tax avoidance action is usually done in order to reduce income tax cost by using gaps in the taxation law and regulations. The executive in state enterprise has the opportunity in positive publicity and job promotion from the government when paying the tax more and in accordance with the condition. With this incentive, it can be predicted that the opportunity of tax avoidance by the state owned company is smaller compared to private company. This study aims to see the effect of state ownership on tax avoidance (ETR), in the companies in Indonesia, so the first hypothesis in this study that can be drawn is:

H1: State ownership positively affects ETR

The Effect of Investment Decision on Tax Avoidance

Investment decision done by the company can affect the existence or the absence of tax avoidance done by the company because taxation regulation gives different treatment

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to each policy of capital structure and asset mix owned by the company (Gupta and Newberry, 1997 in Theresa, 2012).

The taxation policy certainly allows taxpayer in terms of company to determine the asset depreciation with shorter period compared to the asset economic useful life. The more investment on the fixed assets, the more asset depreciation, so the company investing on fixed assets has the tendency to have low effective tax rate. If the effective tax ratio is decreasing (ETR), the possibility of tax avoidance will be increasing. Thus, the second hypothesis that can be drawn is:

H2: Investment on fixed assets negatively affects ETR

The Effect of Fiscal Loss Compensation on Tax Avoidance

The company that is having loss will obtain remission in the form of compensation for consecutive five years. Therefore, the assumption that company will be spared from tax expense as much as the obtained loss compensation is omitted. The company whose loss in the previous period is able to minimize the tax expense in the following periods because the payable income is small. It is in line with the objective of tax avoidance to minimizing the payable tax expense. It means that it will reduce corporate effective tax rate, so that the fourth hypothesis that can be drawn is:

H3: Fiscal Loss Compensation negatively affects ETR

3. RESEARCH METHOD

Definition of Operational Variable

This study is a quantitative study by using analysis technique of inferential statistic data. Inferential analysis is used for sample study, where the researcher is willing to make generalization from the study used. Inferential Statistic has more complete technique compared to descriptive analysis technique, for example the correlation technique.

Dependent Variable (Y)

In this study, the dependent variable is tax avoidance that is measured based on GAAP ETR (General Accepted Accounting Principal). GAAP ETR is the most common instrument whichis used to measure how much the company can conduct tax avoidance as part of tax management. GAAP ETR is calculated with the formula used by Hanlon and Heitzman (2010). The ratio is by using a year tax expense as the numerator and income before a year tax as the denominator for estimating effective tax rate value.

GAAP ETR is the effective tax rate based on the total tax expense of the current year divided by the total earnings before tax.

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Table.The Formula of Dependent and Independent Variables

Variable	Variabel Formulation
Dependent	$\textbf{GAAP ETR} = \frac{\textbf{tax expense of the current year}}{\textbf{Earnings before tax of the current year}}$
Independent	
State Ownership Structure (X^1)	This variable is measured by variable dummy: Company with majority share proportion owned by the government will be given score 1 and is categorized as State Owned Enterprise (SOE), it can be seen from the proportion of government share, if it is ≥ 51%, and non-government company (private) will be given score 0, if the proportion of share owned by the state is <51%
Fixed Asset Investment (X^2)	$\textbf{RPAT} = \frac{\textbf{AT} - \textbf{AT}(\textbf{t}-\textbf{1})}{\textbf{AT}(\textbf{t}-\textbf{1})}$ Information: RPAT : Ratio of Fixed Asset Changing AT : Fixed Asset of the current year
Fiscal Loss Compensation (X^3)	Variable of fiscal loss compensation is measured by variable dummy. Company that has fiscal loss compensation that can be compensated will be categorized with score 1 and the one that does not have fiscal loss compensation will be categorized with score 0.

Population and Sample

After conducting indentification toward sampling criteria from all manufacturing companies listed on IDX on period 2012 – 2014, there are 40 companies that fulfill the sample criteria.

Multiple Regression Analysis

Instrument model of this analysis is formulated as the following:

$$\mathbf{Y=a+b_1 X_1 +b_2 X_2 + b_3 X_3 + e}$$

Which are:

Y = Tax Avoidance
a = Constants
b_1, b_2, b_3 = Coefficient of each independent variable
X_1 = Company with state ownership structure (dummy)
X_2 = Fixed assets investment
X_3 = Fiscal Loss Compensation (dummy)
e = Error

4. ANALYSIS AND DISCUSSION

Descriptive Statistics

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Tax avoidance measured by GAAP ETR on the sample companies has the average value of 0.267 or 26.7 %. Result show that the higher value of ETR, the smaller possibility of the company to conduct tax avoidance. The ratio of current tax general rate for go public companies in Indonesia is 20%, so, in general, sample companies can be said not indicated conducting tax avoidance. Variable GOV that is state ownership has average value of 0.21. It means that as many as 21% of companies in this sample are state owned companies. The minimum value is 0 for companies that are not state owned and maximum value is 1 for state owned companies.

Variable of RPAT that is the change of corporate fixed assets has average value of 0.2216 meaning that the change of fixed asset investment of sample companies from one period to the next period is as much as 22%. Variable of RFIS that is the fiscal loss compensation owned by the company has the average value of 0.27 meaning that as many as 27% sample companies have fiscal loss compensation. The minimum value is 0 for the companies that do not have fiscal loss compensation and the maximum value is 1 for the companies that have fiscal loss compensation.

Classic Assumption Test

Normality Test

Data are normally distributed. It can be seen on the spots spread following the diagonal line. Therefore, it can be said that the distribution of the data is normal or it has fulfilled the classic. Afterwards, normality test is done by using Kolmogorov-smirnov test (k-s).

Kolmogorov-Smirnov Normality Test

The value of Kolmogorov-Smirnov is 0.921 and is significant at 0.365, meaning that the data are normally distributed. It is because its significance is above 0.05. The data can be distributed normally because elimination toward outlier data is previously done by a data transformation and searching the outlier data.

Multicollinearity Test

It can be seen that the value of each independent variable is not more than 0.80, so it can be concluded that multicollinearity does not occur.

The result from the calculation of tolerance value shows that there is no independent variable that has less than 0.10, meaning that there is no correlation between independent variables.

Heteroscedasticity Test

Based on the scatterplot graph, it can be seen that there is no clear pattern, and the spots are spread above and below zero, so it can be concluded that there is no heteroscedasticity.

Autocorrelation Test

Independent Variable: ETR

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Based on the table above, the value of DW is 2.258, this value will be compared to table value by using significance value of 5%, the number of samples is 110 and the number of independent variables is 3 (k=3), so, on durbinwatson, the value of DW is 2.364, it is bigger than the value of du 1.736 and also $-4 \leq DW \leq 4$. Therefore, it can be concluded that autocorrelation between residuals does not occur.

Multiple Linear Regression

This study uses analysis method of multiple linear regressions to see how the up-down condition of dependent variable. Multiple regression analysis will be done when the number of independent variables is minimum of 2 variables (Sugiyonoand Susanto, 2015). Table below is the analysis of multiple linear regression from the result of spss output.

Multiple Linear Regression

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	0.266	0.010
	X1(GOV)	0.082	0.016
	X2(RPAT)	-0.037	0.027
	X3(RFIS)	-0.029	0.014

Dependent Variable: ETR
Source: Result of spss 17 data process
Based on the table above, the equation that can be obtained is as the following:

ETR = 0.266 + 0.082GOV − 0.037RPAT − 0.029RFIS

1. The constant of 0.266states that if independent variable is considered constant, the average of ETR is 26.6%.
2. Regression coefficient of GOV of 0.082states that each 1 unit of GOV added will increase ETR as much as 8.2%.
3. Regression coefficient of RPAT of -0.037states that each 1 unit of CAPINT added will minimize ETR as much as 3.7%.
4. Regression coefficient of RFIS of -0.029 states that each 1 unit of RFIS added will reduce ETR as much as 2.9%.

Model Significance Test (F Test)
Table. F Test (Anova)

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	**0.152**	**3**	**0.051**	**11.923**	**0.000[a]**
	Residual	**0.449**	**106**	**0.004**		
	Total	**0.601**	**109**			

Dependent Variable: TAXAVO

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From the table result above, it can be seen that the value of F count is 11.923 and is significant at 0.000 or smaller than 0.05. The value of F count is more than F table of 4.5, and significance probability is smaller than 0.05. Therefore, it states that all independent variables simultaneously and significantly affect dependent variables.

Individual Parameter Significance Test (t test)

T test basically shows how much effect of one independent variable individually in explaining dependent variable. If the significance level is below 0.05, it can be said that there is effect from each independent variable on dependent variable. The table below is the table showing the result of t test.

Result of Parameter Significance

Model		T	Sig.
1	(Constant)	27.032	0.000
	GOV	5.077	0.000
	RPAT	-1.354	0.179
	RFIS	-2.039	0.044

Source: result of data process

Discussion

Based on the test result and statistic analysis that have been done, the decision can be taken on the acceptance or rejection toward proposed hypotheses.

The Effect of State Ownership Structure on Tax Avoidance

State ownership structure is the first independent variable in this study. This variable is measured by variable dummy to evaluate the existence or the absence of state ownership in the sample company. On Table 4, 8, independent variable of GOV (state ownership) has coefficient of 0.082 with a positive direction. Coefficient value of 0.082 means that one unit of variable GOVwill increase ETR as much as 8.3%. In detail, it can be said that if a company is state owned, ETR as an instrument of tax avoidance will increase as much as 8.2%. It is in line with the hypothesis that has been proposed so that it can be said that H1 is accepted, meaning that state ownership structure positively affects ETR. If ETR increases, the possibility of tax avoidance decreases.

The conclusion is also drawn from the significance value below 0.05. Therefore, it can be said that Variable GOV negatively affects tax avoidance. The result is possibly because the tax and SOE are important for state revenue. In the terms of tax payament, each company certainly has the tendency to avoid or minimize tax expense that is done by management and executive in the company. However, according to Zhang (2012), career prospects from executive or employee in state owned company depend on government. Although SOE is as taxpayer that has tendency to conduct tax avoidance, the government, in this matter is the owner of SOE company as well as the tax

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authorities, certainly will conduct synergy action to maximize both state income sources. It indicates that supervision function toward tax in state owned company is certainly more stringent. This result is also in line with the study done by Zhang (2012) that state-ownership company negatively affects tax avoidance action in China.
To be more convincing to the conclusion of study on the absence of the effect of company with state ownership structure toward tax avoidance, it will be compared to effective tax rate of SOE company in study sample with current tax rate on go public company which is 20% (25% is reduced by the facility of 5% rate reduction) based on tax income law of agency.

The Effect of Investment on Fixed Assets toward Tax Avoidance

Variable of RPAT is the variable describing the investment of fixed assets on the company. Based on the result of t test (table), it can be seen that the significance of variable RPAT is much bigger than 0.05 (0.179 > 0.05). It indicates that investment on corporate fixed assets does not affect tax avoidance. Regression coefficient of RPAT is -0.037. It means that each 1 capital intensity increase will reduce ETR as much as 3.7%. If ETR declines, the possibility of corporate tax avoidance will rise. However, the significance value is far above 0.05 so that the decision can be drawn is the investment on fixed assets does not affect tax avoidance. It is in line with the hypothesis that has been proposed, so **H2 is not accepted**.

When the company conducts investment on fixed assets, the thing that must be seen is from the side of its financing, both in cash, loan, and leasing. Seen from the literature and taxation management side, the most profitable is by leasing through option rights. Why?

The following is the analysis on the reasons (Pohan, 2013):

1. Because leasing period is shorter that fiscal depreciation or economic age, leasing period is determined at least 2 years, while the least fiscal depreciation period is in group I which is 4 years. Therefore, according to fiscal regulation, taxation treatment from leasing installment can be recorded each month as the cost that can be charged in fiscal loss profit report so that it will reduce corporate profit and automatically the tax expense will be lower in the first year and the second year. It means that from the businessman point of view, the shorter capital return period of fixed asset purchasing/provision, the more profitable or more efficient the way corporate expenditures.
2. The evidence mathematically can be done that shows present value from the fund that can be received will be more profitable from the fund received in the next 4 years.
3. Compared to the direct purchasing that can be charged is only as much as its depreciation with the depreciation period that can be 4 -8 years, so its capital return period will be longer. This purchasing way is absolutely not profitable or not efficient for company.
4. From the side of cash flow saving:
    a. With leasing method, company does not need to spend large fund at once as if purchasing in cash, it only needs installment fund for each month that can be taken from obtained profit.

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b. Good protection of cash flow position is one of goals to conduct tax planning well in order to save excessive cash flow use that can cause the company to have financial disturbance or difficulty that leads to the stagnation of corporate operational activity.

If company purchases assets in leasing and fulfills requirements determined as the capital lease, fiscally, all payments, which are basic installment and interest, are considered as the expenses of annual expenditures, while depreciation is not considered as fiscal expense. After lesse uses option rights to purchase, lessee conducts depreciation based on the depreciation as much as residual value. In the invisible fiscal balance sheet, there will be leasing assets after the option rights are executed (Pohan, 2013). Therefore, it can be said that taxation management with this method is considered able to save or minimize tax expense, and also from the accountancy side, it saves cash flow more.

In this study, companies used as the sample conduct fixed asset provision by not using leasing with option rights. Therefore, it strengthens the finding result of hypothesis 2 in this study, where investment on fixed assets does not significantly affect tax avoidance.

The Effect of Fiscal Loss Compensation on Tax Avoidance

Variable of fiscal loss compensation in this study is measured by variable dummy to see the existence or the absence of fiscal loss that can be compensated on sample companies in the current year. Based on Table 4.10, it can be seen that this variable has significance below 0.05, which is 0.044, but the value of t count is smaller than t table which is -2.039 < 1.659. It means that fiscal loss compensation does not affect corporate tax avoidance.

Regression coefficient of fiscal loss compensation is -0.029. It means that if there is fiscal loss compensation in the company, it will reduce ETR as much as 2.9%. This result is in accordance with the hypothesis built which is fiscal loss compensation negatively affects ETR, but because the hypothesis testing is rejected, **H3 is not accepted**.

The company that has loss will receive remission in the form of compensation for consecutive five years. Therefore, the assumption is that the company will be spared from tax expense as much as the loss compensation received. The company that has loss in the previous period can minimize the tax expense in the following periods because the profit number becomes small.

However, tax avoidance is the setting of an account as done by corporate management to minimize or eliminate tax expense that is still legal. Meanwhile, fiscal loss compensation is the facility given by government to companies that have loss based on taxation regulations to be compensated as the reduction of corporate taxable income in the following years. It means that fiscal loss compensation is not something regulated by company in conducting tax planning, but the facility that can be used by agency taxpayer. Therefore, it eventually can be related to tax avoidance.

To be more convincing to the study conclusion on the absence of the effect on the company that has fiscal loss compensation toward tax avoidance, corporate effective tax rate, then corporate effective tax rate in the study sample will be compared to the tax

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rate that is applied on go public companies which is 20% (25% is reduced by facility of 5% rate depreciation) based on the agency income tax law. The following is the table that illustrates the company with fiscal loss compensation as well as its effective tax rate. The companies that have effective tax rate below 20% (rate on Article 17 paragraph 2b) such as PT Astra Otopartstbk, PT IntanWijayaInternasionaltbk, and PT Saratoga Investama Sedaya, tbk. for 3 consecutive years have the lowest effective tax rate because there is fiscal loss compensation that is quite big compared to their fiscal earnings.

Nevertheless, other companies that have fiscal loss compensation still have effective tax rate above 20%. Therefore, in general, sample companies that have fiscal loss compensation are not detected conducting tax avoidance.
In the table, it is seen that the average of effective tax rate of companies that have fiscal loss compensation is 22.8%. This amount is still above the tax rate applied on go public companies which is 20%, so, generally, although there is fiscal loss compensation, the tax avoidance is not detected.

The following is the summary of hypothesis acceptance/rejection that is illustrated in the table.

Hypothesis Conclusion

No.	**Hypothesis**	**Conclusion**
1.	Hypothesis 1 (GOV toward ETR)	**Accepted**
2.	Hypothesis 2 (RPAT toward ETR)	**Not accepted**
3.	Hypothes 3 (RFIS toward ETR)	**Not accepted**

5. CONCLUSION AND SUGGESTION

After the analysis and the result of discussion in the previous section, in this section, study conclusion, study limitation, and suggestion for the next study are dicussed.

Conclusion

This study aims to investigate the effects of state ownership structure, investment decision, and fiscal loss compensation affecting tax avoidance on manufacturing industry companies listed on Indonesia Stock Exchange in 2012 – 2014. Sample used is as many as 40 companies that have fulfilled the sample criteria determined previously.

Based on the result of data testing, it can be concluded that:

1. State ownership structure has significantly positive effect on ETR. Thus, it can be said that the state owned company negatively affects tax avoidance, meaning that if a company owned by the state, the possibility to conduct tax avoidance will become smaller, it is because the government as the owner of SOE as well as tax authorities can harmonize both goals in order to simultaneously maximize the state income.
2. The investment of corporate fixed assets does not have effect on tax avoidance. This result might occur because it is strengthened by obtaining the best fixed

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assets to minimize tax expense according to tax management side which is by using leasing through option rights, so the expense that can be reduced in calculating taxable income is basic installment and interest, not its depreciation expense, only when the option rights are applied, then the depreciation expense can be approved as much as residual value. The company that is the sample on this study does not use leasing as the method in its fixed asset provision. Therefore, the tax avoidance is not detected.

3. Fiscal loss compensation does not affect ETR. Therefore, it can be said that fiscal loss compensation does not affect tax avoidance. Fiscal loss compensation is a facility given by governmtn to company that has loss based on the taxation regulation, to be compensated as the reduction of corporate taxable income in the following years. It means that fiscal compensation is not something that is regulated by the company in conducting tax planning, but the facility that can be used by institution taxpayer. Thus, eventually, it can be related to tax avoidance.

Research Limitation

This study has several limitations, which are:

1. The sample used is only 40 companies because many criteria that must be selected in order to be in accordance with the needs of research data, where sample companies must have positive profit in order to be in accordance with the formula to calculate ETR. Sample companies must use rupiah unit while many companies use dollar unit in their financial report. SOE companies listed on Indonesia Stock Exchange are still few compared to the ones that are non-SOE.
2. The level of tax avoidance is only seen from annual financial report reported by manufacturing industry companies.
3. The variation of dependent variables that able to be explained by independent variables in this study is around 23%.

Suggestion

There are suggestions that can be provided by the researcher for the next study which are as the following:

1. For the next study, it can use primary data with qualitative approach so that it can give an illustration specifically on the action of tax avoidance.
2. The next study can include different variables to see the effect on the level of corporate tax avoidance, such as business type selection, company using leasing with option rights, the method selection of fixed asset depreciation, and others. The next study also can change the study sample for companies that have gross distribution between 4.8 to 50 billions because the rate charged is different so that it can give different illustration on tax avoidance. Moreover, the next study might be able to include information other than the one listed from the financial report in order to be able to obtain illustration of tax avoidance from different side.

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