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“The Review and Outlook of The Economy after Covid 19 Pandemic”*

**INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY,  
TAX LOSS COMPENSATION AND SALES GROWTH ON  
TAX AVOIDANCE**

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**ABSTRACT**

*This study aims to test and obtain empirical evidence of the effect of corporate social responsibility, tax loss compensation and sales growth on tax avoidance. Sampling using purposive sampling method obtained a sample of 19 companies with 95 data. The population in this study are manufacturing companies in the consumer goods industry sector in IDX for the 2016–2020 financial year. The regression method of this study is multiple liner regression. The regression results show that there is not significant relationship between corporate social responsibility, tax loss compensation and corporate tax avoidance. This means that the size of CSR disclosure and the existence of a tax loss compensation facility in the company have no effect on the level of tax avoidance in manufacturing companies in the consumer goods industry sector. And the regression results show that there is significant relationship between sales growth and corporate tax avoidance. This means that the size of the sales growth in the company have effect on the level of tax avoidance in manufacturing companies in the consumer goods industry sector.*

*Keywords: Corporate Social Responsibility, Tax Loss Compansation, Sales Growth, Tax Avoidance*

**1. INTRODUCTION**

In the report of the Ministry of Finance in the last 5 years informs that the realization of the tax revenues of the Indonesian State has not reached the set target. In 2020, the achievement achieved reached only 85.6% of the tax revenue target that was set. Based on this information, the question arises as to whether the collection of tax that takes place in Indonesia has not been maximized or whether there are still tax avoidance practices carried out by companies in Indonesia by expanding their activities and transferring some of their assets to new companies, or by also transferring profits to subsidiaries outside Indonesia with lower tax rates.

In 2015, the Directorate General of Taxation (DJP) informed that PT. There is evidence that Indofood Sukses Makmur Tbk practices tax avoidance by doing business expansion by creating a new company and transferring some of its assets to PT. Indofood CBP Sukses Makmur Tbk. Another phenomenon of tax avoidance practices has occurred, according to a 2019 Global Witness report indicating that PT. Adaro Energy Tbk said it was leaking its corporate profits to its Singapore-based subsidiaries, which have a lower tax rate than Indonesia [www.globalwitness.org](http://www.globalwitness.org).

On the basis of the phenomena mentioned, we can conclude that there are still tax avoidance practices in the Indonesian country. This is in line with (Luh & Puspita, 2017) statement that companies take advantage of loopholes in tax laws and regulations so that it can affect state revenues from the tax sector.

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In this study, tax avoidance is supported by several factors such as the use of corporate social responsibility (CSR) activities conducted by companies to minimize their tax burden. According to Wiguna & Jati (2017), CSR is a factor that can be used by companies because the taxes imposed on the costs incurred by the company on CSR activities are very low. Other factors Companies can take advantage of the tax compensation facilities provided by Indonesian tax legislation by allowing companies not to pay taxes in the next 5 years. Businesses that suffered losses in the previous period can minimize their tax burden in the following period for the next 5 years.

Strong sales growth may also indicate that there will be tax avoidance practices conducted by the company. With the strong growth of a company's sales, the profits obtained are also significant as well as the tax costs incurred by the company is also important, which allows the company to do everything to minimize the tax burden incurred in order to obtain maximum profit. As per what Nafis, et al (2016) said companies with high sales growth rates tend to want to get the maximum possible profit, so the company will do different ways to minimize its profits.

As with the above phenomenon and several factors supporting corporate tax evasion practices in Indonesia. On this basis, the researchers are interested in conducting research entitled Influence of Corporate Social Responsibility, Compensation for Tax Losses and Growth in Sales Against Tax Avoidance.

## **2. LITERATURE REVIEW**

### **Agency Theory**

Agency theory is a theory that studies the problems that occur between the main relationships that delegate work to the agent. According to Laily (2017), there will be a conflict between the principal and the agent, interests and practices aimed at fraud, such as tax avoidance practices conducted by agents. Tax evasion is an effort to reduce the legal tax burden on companies by making optimal use of provisions in the field of taxation (Apriani & Praptoyo, 2018).

In the principal's view, the tax avoidance action is considered to make the company's reputation worse in the eyes of the public. Therefore, to convince the principal, the agent must think in various ways such as drafting and planning an appropriate action using the loopholes contained in tax laws and regulations (Luh & Puspita, 2017).

### **Corporate Social Responsibility and Tax Avoidance**

According to Wiguna & Jati, (2017), the use of corporate social responsibility activities can be made because the taxes imposed on the costs incurred by the company on CSR activities are very low, so the higher the CSR activities carried out, the more it will encourage companies to avoid taxes.

In previous research conducted by Maraya & Yendrawati (2016), Wiguna & Jati (2017) and Hidayati & Fidiana (2017), CSR has an effect on tax evasion, as companies always try to create continuity between company values and social norms in the business environment with the aim of gaining trust and minimizing losses.

From the above explanation, we can conclude that the company does many CSR activities to take advantage of the benefits in terms of good reputation in the eyes of the public and can minimize the tax burden on companies. Based on the above description and previous research, the hypothesis of this study can be formulated as follows:

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**H1: Corporate social responsibility affects tax avoidance**

**Compensation for Tax Losses and Tax Avoidance**

Compensation for tax losses is a facility that can be used by a company as one of the management strategies to minimize tax costs, this can happen because for 5 years the company will get relief in the payment of its taxes if in the year it suffers a loss. Therefore, when the company suffers a loss, it will get a tax loss compensation facility the following year, so it can be said that the higher the use of tax loss compensation facilities in a company, the higher the level of tax avoidance.

According to previous research conducted by Munawaroh & Sari (2019) found that tax loss compensation has an influence on tax evasion, as companies can take advantage of tax loss compensation facilities to reduce the tax burden in subsequent years. The conclusion that can be drawn from the above explanation is that when the company has suffered a loss in the previous year, it will avoid the tax burden for the next 5 years. Based on the above description and previous research, the hypothesis of this study can be formulated as follows:

**H2: Compensation for tax losses affects tax avoidance**

**Sales Growth and Tax Avoidance**

Sales growth has an important role for the company in managing a company's capital, when the company has strong growth, then with these large profits, the company tends to make a way to minimize the taxes that must be paid by committing acts of tax avoidance practices (Nafis, et al. 2016). In this way, when the company has a sharp increase in sales growth, the higher the level of tax avoidance carried out by a company.

In a previous study conducted by Nafis, et al. (2016) stated that sales growth has an influence on tax avoidance. Indeed, when the company has a mining growth in sales, the company will therefore tend to do tax avoidance that aims to minimize the taxes that must be paid by the company. Thus, from the above explanation, it can be concluded that companies that have a high sales growth rate will take maximum profit by minimizing the tax burden that must be issued. Based on the above description and previous research, the hypothesis of this study can be formulated as follows :

**H3: Sales growth affects tax avoidance**

**3. DATA AND RESEARCH TECHNIQUE ANALISYS**

The method of this study method is quantitatif using secondary data derived from the Indonesian Stock Exchange (IDX). The population of this study is a company engaged in the manufacturing of the consumer goods industry sector registered with the IDX which publishes financial statements and publishes its annual report for the period 2016-2020, so this test is performed using Eviews with the following sample number and criteria:

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*Table 3.1 : Criteria of sample*

Information	Acumulated	Amount
Manufacturing companies in the consumer goods sector listed on idx 2016-2020	61	61
Companies with full publication	(34)	27
Outliers in data	(8)	19
Number of samples (19 x 5 year)		95

**Variable Operational**

In this study, two variables are involved, namely dependent variables and independent variables. Therefore, the operational definition of each variable is as follows:

**Dependent Variable**

The dependent variable of this research is tax avoidance, tax avoidance is an attempt by the company to minimize the tax burden that the company must pay by not violating applicable laws. Measuring tax avoidance in this study using the current effective tax rate (CETR) (Apriani & Praptoyo, 2018), (Munawaroh & Sari, 2019) which is calculated as follows:

CETR	Cash paid for taxes
	Profit before tax

**Independent Variable**

Independent variables can be interpreted as variables that affect or become the cause of the change in a dependent variable. In this study, there are 3 independent variables, namely:

**Corporate Social Responsibility**

Corporate social responsibility can be seen as a concern led by the company in the social and environmental impact in the operational field, as well as to be able to maximize benefits and minimize its losses (Wiguna & Jati, 2017). In this study, CSR measures CSR by examining the or lack of disclosure of gri elements contained in the company's annual report, with a value of 1 given if there is disclosure and a value of 0 is given if there is no disclosure (Wiguna & Jati, 2017). The number of items used as a disclosure standard is 113 items based on the GRI standard (Prasetyo & Widiastara, 2019). Here's how to calculate CSR:

CSRDI	Number of disclosures
	Total Disclosure Elements

**Compensation for Tax Losses**

Compensation for tax losses is the tax loss suffered by the company when the company suffers a loss and can be compensated, which is only allowed for the next five consecutive years. The compensation of tax losses in this study was measured using dummy variables,

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which means that it will receive a value of 1 if there is a tax loss compensation, and a value of 0 if there is no tax loss compensation against the company studied (Munawaroh & Sari, 2019).

**Sales Growth**

By knowing the growth of sales, the company can predict how much profit will be obtained (Hidayat, 2018). In this study, the ratios used to measure sales growth were as follows:

Sales Growth	Year of sales t – Year of sales t-1
	Year of sales t-1

Information:

1. The year of sale t is the sale of the year studied
2. Sales in year t-1 are sales in the previous year

**Data Analysis Techniques**

**Descriptive Analysis Techniques**

Descriptive statistics are statistics used to analyze data by describing or describing data that has been collected as is without intending to draw conclusions that apply to generalizations and generalizations (Sugiyono, 2017).

**Classical Hypothesis Test**

Conventional hypothesis tests were performed to ensure that the samples studied were free from alterations in normality, heterocedasticity, multicollinearity and autocorrelation. The study used normality tests, heteroplasticity tests, multicollinearity tests, and autocorrelation tests.

**Determination coefficient test**

According to Ghozali, (2016:97), the coefficient of determination (R<sup>2</sup>) is used to measure the extent to which the model is able to explain variations in dependent variables. From these results, one can see to what extent the dependent variables can be explained by independent variables, while the rest is explained by other causes outside the model.

**Hypothesis Test**

According to Ghozali, (2016:98), the hypothesis to be tested and proven in this study concerns the influence or absence of influence of free variables that must be tested for truth in a study. The hypothesis test design is used to determine the correlation of the two variables studied. The steps in this hypothesis test design begin with the determination of zero hypotheses (H<sub>0</sub>) and alternative hypotheses (H<sub>a</sub>), the selection of statistical tests, the calculation of statistical values and the determination of significant levels.

**4. RESULT AND DISCUSSION**

**Results of descriptive statistical analysis**

Descriptive statistics are statistics used to analyze data by describing or describing data that has been collected as is without intending to draw conclusions that apply to generalizations and generalizations (Sugiyono, 2017). The following results of the desktpive analysis in accordance with this study sample are as follows:

*Table 4.1 : Results of descriptive statistical analysis*

Sample: 2016 2020				
	Y	X1	X2	X3
Mean	0.292368	0.501723	0.147368	0.057117
Median	0.252585	0.513274	0.000000	0.066468
Maximum	0.885443	0.646018	1.000000	0.418877
Minimum	0.034824	0.424779	0.000000	-0.465160
Std. Dev.	0.147565	0.049290	0.356353	0.113077
Observations	95	95	95	95

*Source : Self Proceed*

**Results of the classical hypothesis test**

*Table 4.2 : Results of the classical hypothesis test*

No	Test	Results	Conclusions
1	Normality test	Significance level 0.2329 and greater than $\alpha = 0.05$	Normal distributed data
2	Multicollinearity test	The value of the correlation coefficient between the independent variables is less than 0.8	Data does not occur multicollinearity issues
3	Heteroskeasticity test	Based on the Glejser test, it is known that the value of Prob Obs*R-Squared is 0.2626, which means greater than 0.05 ( $0.2626 > 0.05$ )	Data do not occur heteroskeasticity problem
4	Autocorrelation test	Durbin Watson values ( $d$ )= 1.9799, Upper Durbin ( $dU$ ) = 1.7546, $4-dU = 2.2454$ . The results showed that the Durbin-Watson value ( $d$ ) is between the $dU$ and $4-dU$ values, $dU < d < 4 - dU$ ( $1.7546 < 1.9799 < 2.2454$ ).	Data does not occur autocorrelation problems

*Source : Self Proceed*

**Hypothesis Test Results**  
**F Results – Statistic Test**

*Tabel 4.3: F Results – Statistic Test*

F-statistic	8.216359	Durbin-Watson stat	1.209676
Prob(F-statistic)	0.000067		

*Source : Self Proceed*

Based on Table 4.3 of the multiple linear regression test results, it is known that the probability value (statistic F) of 0.000067 is less than 0.05 ( $0.000067 < 0.05$ ). It can

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therefore be concluded that the design of this study is accepted as being the subject of a link or influence of independent variables on dependants.

**T-test Results – Statistic Test**

*Tabel 4.4: T-test Results – Statistic Test*

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
<i>C</i>	0.376610	0.233338	1.614011	0.1100
<i>CSR</i>	-0.104045	0.464061	-0.224205	0.8231
<i>LPIT</i>	-0.021165	0.064617	-0.327553	0.7440
<i>SG</i>	-0.506346	0.104252	-4.856968	0.0000

*Source : Self Proceed*

Based on a table of 4.4 t tabel (-0.224205 < 1.985523) Prob. corporate social responsibility value of 0.8231, the results show that the corporate social responsibility variable is greater than 5% = 0.05 (0.8231 > 0.05). Thus, the independent variable corporate social responsibility has no effect on tax evasion. This happens because there are still very few CSR disclosures made by each company, from the data collected by the average company has only reached 42.4% of the 113 items that should be disclosed. These results are consistent with Wijayanti et al., (2019) that there is no appropriate influence between CSR and tax avoidance, given the importance of tax policy in social life, it seems reasonable not to include tax avoidance practices in a company's social responsibility element.

Compenation for tax losses get the Prob value. At 0.8231, the results showed that the variable minus prepaid income taxes is greater than 5% = 0.05 (0.7440 > 0.05). Thus, independent variables minus prepaid income taxes have no effect on tax avoidance. Data on tax loss compensation collected from 2016 to 2020 reveals that the tax loss compensation mechanism provided by the government does not appear to be overused by the company to minimize its tax burden, as the average use of tax loss compensation facilities is only 14.7%. This result is consistent with Pajriyansyah (2016) who stated that due to the absence or absence of compensation for tax losses, it is not entirely true to mean that the company gets relief for not paying taxes at all, but the company will still pay a tax debt if, the following year, the net profit is sufficient and the tax compensation has been fully used.

Sales growth gets Prob value. At 0.0000, the results showed that the sales growth variable was less than 5% = 0.05 (0.0000 > 0.05). Thus, the independent sales growth variable affects the tax avoidance variable. This confirms that the higher a company's sales growth rate, the higher the company's tendency to take practical tax avoidance measures. This result is consistent with research Nafis, et al. (2016) who stated that when sales growth increases, the company will get a significant profit, so the company will tend to evade taxes to minimize taxes payable.

### Results of the Coefficient of Determination Tests

*Tabel 4.5: Results of the Coefficient of Determination Tests*

R-squared	0.122895	Mean dependent var	0.292368
Adjusted R-squared	0.093980	S.D. dependent var	0.147565

Source : Self Proceed

From Table 4.5, the squared R is known to be 0.093980 (9%). This figure shows that the proportion of the influence of corporate social responsibility variables, tax loss compensation and sales growth on tax avoidance variables is 9%, while the remaining 91% (100% - 9%) are influenced by other variables not included in the study.

### 5. CONCLUSION

Based on the results of the data analysis and discussions that have been made, the conclusions of the research can be drawn to answer the formulation of the problem, as follows:

1. Corporate social responsibility has no influence on tax avoidance.
2. Compensation for tax losses shall have no effect on tax avoidance.
3. Sales growth has an influence on tax avoidance.

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