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IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY AND GOOD CORPORATE GOVERNANCE CAN REDUCE THE AMOUNT OF TAX AVOIDANCE

(Empirical study on manufacturing companies listed on the Indonesia Stock Exchange)

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ABSTRACT

This study was to analyze corporate social responsibility (CSR) and the application of good corporate governance (GCG) could reduce action tax avoidance action (T.Avoid) on manufacturing companies. The sample used a public company listed on the Indonesia Stock Exchange. This study design using quantitative methods, and testing hypotheses by using Partial Least Square method with Smart PLS. The result is a significant direct effect of CSR and GCG against T.Avoid with values t-Statistics (61.558and 20.616) is greater than t-table (1.985).While the indirect effect, the results are significant CSR and GCG against T.Avoid through profitability as an intervening variable with a value of t-Statistics (23.094) is greater than t-table (1.985). Implications government needs to give attention to CSR and corporate governance practices that can reduce T.Avoid. T.Avoid even did not rule can be omitted, so that revenues can be maximized sector through taxation to fund the development of the State.

Keywords: corporate social responsibility (CSR), corporate governance *(GCG),* characteristics of the *company,* profitability, tax avoidance (T.Avoid)

Background Research

Most identified the taxpayer is still paying taxes as a burden imposed for the financial tax is a transfer of resources from the business sector or the business world to the public sector or the government which resulted in reduced purchasing power of the taxpayer (Santoso, et al, 2013). According to Prof. Edwin RA Seligman (1921) Tax is a compulsory contribution from the person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred.

Management companies generally do not want a reduction in purchasing power by minimizing the cost to optimize profits. including tax payments. Tax planning aims to minimize taxes but still appropriate in the rules applicable taxes. The behavior of tax avoidance performed by the entity is, on the one hand, advantageous for the company, but besides that, it costs the country because it causes state revenues to be reduced (Jessica and Toly, 2014). However, efforts to optimize reception of this sector is not without obstacles. One of the obstacles in order to optimize their tax revenue is tax avoidance, even some companies that do tax avoidance.

Related to this in Indonesia in 2005 there were 750 foreign investment companies suspected of tax evasion by reporting the loss within 5 years in a row and do not pay taxes (Bappenas, 2005). While in the United States there is at least a quarter of the company has made the tax evasion by paying less tax of 20% whereas the average - average tax paid by the company which approaches 30% (Dyreng at al., 2008). For example Margaret Hodge, Chair of the Public Accounts Committee - United Kingdom (2013) in his discussion with the Starbucks (Starbucks's chief financial officer Troy Alstead), Amazon (Amazon's director of public policy, Andrew Cecil) and Google (Google 's vice president sales & operations, Matt Brittin). She said we're not accusing you of being illegal, we're accusing you of being immoral, which means Margaret Hodge called for Starbucks, Amazon, and Google to pay taxes on the United Kingdom due to earnings from the country the United Kingdom. The Context of enterprises in tax avoidance deliberately done in order to minimize the level of tax payments to be done and improve the cash flow of the company. According to Guire et al., (2011), that the benefits of the tax avoidance are to increase the tax saving potentially reducing tax payments that will increase cash flow.

The company implements CSR activities to earn a big profit in the future with the aim of not eliminating social responsibility and the implementation of GCG affecting the company in implementing tax obligations. On the other hand, companies doing tax avoidance, tax planning to minimize the taxes to be paid so that it makes a bad image for the company. Ownership structure, management performance monitoring, and managerial oversight to be optimized to reduce conflict management. Institutional investors can reduce the agency problem that also can reduce opportunities for tax evasion (Fadhila, 2014).

Based on the above are expected to know the extent to which CSR and GCG could reduce tax avoidance action on manufacturing companies, with research Implementation of Corporate Social Responsibility and good corporate governance can reduce the amount of Tax Avoidance through Profitability as an intervening variable

Problem Formulation

This study investigated the effects of the application of the model of good corporate governance by the company of Earnings Response Coefficient associated with the potential, weaknesses, opportunities, and advantages of the implementation of the tax amnesty program in Indonesia. Furthermore, encapsulated in the following question:

a. Is CSR and GCG implementation_direct effect on tax avoidance?
b. Is direct affects the profitability of tax avoidance?
c. Do CSR and GCG implementation of a direct effect on profitability?
d. Does CSR and GCG implementation indirect effect on tax avoidance through profitability as intervening variables?

Benefits Research

The usefulness of operational research is expected to be useful, both for practitioners, regulators, and academics in the field of taxation, namely:

a. For Academics who are concerned in the field of taxation
   is expected that the results of this study, academics are concerned taxation can obtain a picture of cause and effect of the action tax avoidance.
b. For Regulator.
   The results of this study are expected to provide a reference for the regulator, regarding the implementation of GCG will have an impact on state revenue from the taxation sector.
c. For Investor
   As for investors to be more cautious in investing in companies that do not do CSR and GCG implementation as it will have an impact on management measures do tax avoidance and impact on the sustainability of the company.

Literature Review and Hypothesis Development

Contingency Theory

According to Mikes (2014) states that the contingency theory is a theory that explains something that happens because of the relationship of each factor. These factors can be called antecedent and consequent. Contingency theory is the replacement for the response that is formulated to influence the relationship between antecedent and consequent, in other words, can be described as follows:

A = Antecedents (CSR and GCG)

B = Condition (profitability)

C = Consequent (Tax Avoidance)

The relationship between A and C increased with B, a management strategy requires information that must exist for exceptional conditions and limit the alternatives prepared. Contingency theory as a potentially powerful tool to increase the added value of companies with the ultimate goal of achieving sustainability of the company (Mulya, Ali Sandy, 2017). His relationship is often much simpler and easier to understand and more elegant than the other theory. Simplicity and scope make contingency theory have a greater potential, the potential development of simple decision rules have a major impact on the actions the company in tax avoidance.

Under the tax law, tax compliance is a condition in which the taxpayer fulfills all tax obligations and implement the taxation rights (Mulya, Ali Sandy, 2017). Tax compliance is the fulfillment of tax obligations undertaken by the taxpayer in order to contribute to the development of (Mulya, Ali Sandy, 2017). Tax compliance becomes an important aspect considering Indonesia adopting tax systems of self-assessment in the process which implicitly gives credence to the taxpayer to calculate, pay and reporting obligations.

Obligations and rights that proxy taxation with tax law is divided into two (2) which includes a formal tax law and tax law material. Formal compliance and more details of this material identified back to the Minister of Finance No. 544 / KMK.04 / 2000. To the end, it can be concluded understanding of taxpayer compliance is the taxpayer who obeys and fulfill and carry out tax obligations in accordance with the provisions of tax legislation (Mulya, Ali Sandy, 2017).

Legitimacy Theory

Theory of legitimacy by Deegan (2002) that there is a social contract between an organization and the communities in which the company operates so that companies are trying to gain legitimacy by way of CSR reporting to gain support from the community. Hidayati and Pure (2009) states legitimacy as:

"*...a system-oriented perspective, the entity is assumed to influence by, and in turn have to influence upon, the society in which it operates. Corporate disclosure is considered to represent one important means by which management can influence external perceptions about the organization*".

Based on these definitions that the legitimacy of the system provides for up influencing society. Disclosure of the company as a management tool in influencing the image corporate. CSR companies need to report correctly on society and the environment, instead of doing CSR fictitious in order to reduce corporate taxes.

Tax Avoidance

Tax avoidance is an attempt to reduce the tax burden by avoiding the tax by pointing to the transaction is not subject to tax (Pohan,2016).Tax aggressiveness action proxied by tax avoidance, by reducing the taxable amount acquired company. Hlaing (2012), define the aggressiveness of the tax as a tax planning activities of all companies involved in the effort to reduce the effective tax rate. tax planning is the process of controlling the action in order to avoid the consequences of taxation which is not desired.

Jiménez (2008) study found that recent empirical evidence shows that aggressive tax more pervasive in weak corporate governance. There is various proxy measurements tax aggressiveness, among others, effective tax rates (ETR), book-tax differences (BTD), permanent discretionary (DTAX), unrecognized tax benefits, tax shelter activity, and the marginal tax rate. Tax avoidance is associated with a reduction in tax payments legally by doing CSR and GCG implementation.

Corporate Social Responsibility(CSR)

Changes in the level of public awareness regarding the development of business in Indonesia, creating a new awareness of the importance of implementing CSR. CSR implies that every the company has a moral duty, to be honest, obey the law, uphold the integrity and incorruptibility (Mulya, Ali Sandy, 2012). CSR is one of the activities to be carried out by a company that wants the business activities carried out can run smoothly and sustainably (Hanik and Nur, 2016) and in accordance with the government issued Regulation no. 47 of 2012 on Social and Environmental

Responsibility of Limited Liability Company. Article 4 paragraph (1) of the PP. "Social and environmental responsibility is exercised by the Board of Directors based on the Company's annual work plan after Obtaining approval from the Board of Commissioners or the General Meeting of Shareholders (GMS) in accordance with the Company's articles of the association unless otherwise Provided in the laws and regulations ". The foundation underlying social responsibility is how companies pay attention to the environment, to the impacts that will occur as a result of operational activities of the company. CSR is the process of communicating the social and environmental impacts of economic activities of the organization to specific groups concerned and on society overall, so that CSR can be interpreted as the company's continuous commitment to behave ethically and contribute to sustainable economic development, while improving the quality of life for employees and their families, local communities, and the wider community.

The concept of the implementation of the CSR requires companies to be more active in social role and expected the concept of CSR is not only voluntary and not part of the promotion of the company to increase profits but it is compulsory and the awareness of their operational impact on the internal and external environment of the company, that with careful planning and implementation of corporate social activities, such as the company's annual agenda will be the practice of CSR and the company's long-term investment plans on the environment.

CSR is associated with the occurrence of tax avoidance, companies utilize their annual CSR as a tax deduction, so that if companies do CSR, indirectly helped the country to progress the people of Indonesia. The Government in the Directorate General of Taxation to allow the company to charge a CSR expenditure as a tax expense recognized by the company.

Good Corporate Governance (GCG)

GCG as a series of policies that affect the direction, management, and control of a company. GCG also includes the relationships among the stakeholders involved and destination management companies. GCG is a subject that has a lot of orders. One of the main aspects including governance of an entity or a company is a matter of accountability, responsibility, particularly from the application of guidelines and mechanisms to provide assurance of good behavior and provide protection for the interests of shareholders.

In Indonesia, the concept of corporate governance is much discussed since the Asian crisis that occurred in mid-1997 (Mulya, Ali Sandy,2017). Many argue that the crisis was caused because of weak corporate governance that applies to companies in Indonesia. For the Indonesian government began to pay attention in the practice of *corporate governance* (Annisa and Kurniasih, 2012). GCG is related to the good faith of the companies that execute them or to the business climate in a country. In 1999 the committee has been formed to provide guidelines for the sustainability of corporate governance at the company called GCG. Implementation of GCG encourages healthy competition and a conducive business climate (Rahmawati,2016)**.**

Economic benefits the company in the implementation of GCG is the sustainability of the company and the level of investor confidence in the company's management. FCGI (2001) states that there are some benefits to be gained by implementing GCG, among others:

a. Improving the performance of the company through the creation process better decision making, increase its operational efficiency and further improve service to *its stakeholders*.
b. Facilitate obtaining financing funds are cheaper and less rigid (because of the trust factor) that will increase *corporate value*.
c. Restore the confidence of investors to invest in Indonesia.
d. The shareholders will be satisfied with the performance of the company as well as will increase *shareholders value* and dividends.

Profitability

According to Gitman (2003), profitability is a factor that should receive attention is important because to be able to hold his life, a firm must be in a favorable state*(profitable)*.Without profits, it will be very difficult for companies to attract capital from outside.

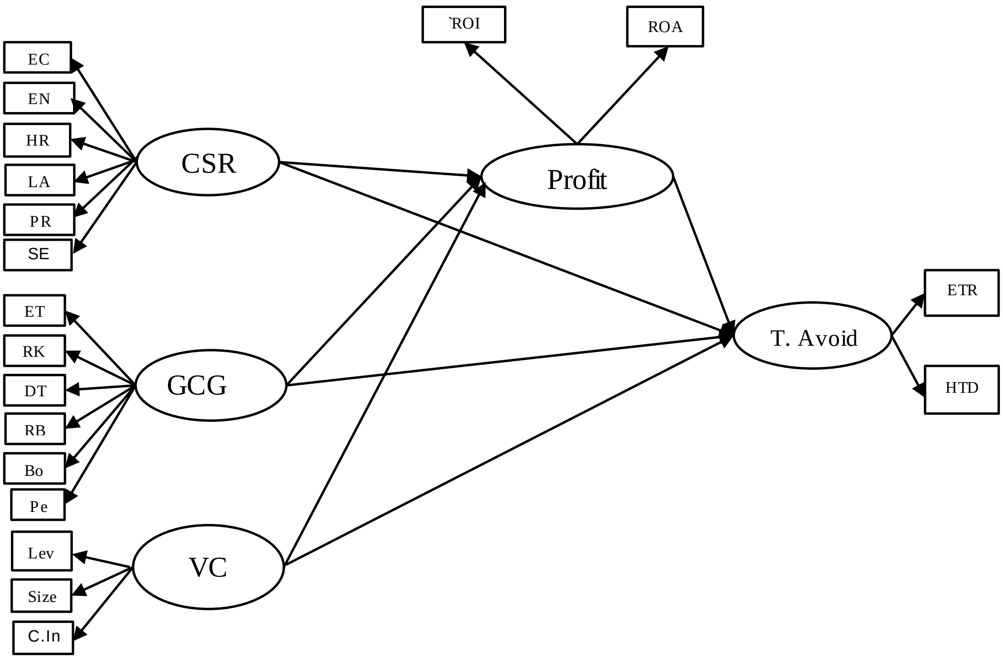
According to Bringham and Daves (2003: 112) profitability is: "A group of ratios that show the combined effects of liquidity, asset management, and debt on operating results": In general, there are four game types of analysis were used to assess the level of profitability that is comprised of: (i) Net Profit Margin (NPM) (ii) Gross Profit Margin (GPM) (iii) Return On Assets (ROA) (iv) Return On Equity (ROE). The creditors, the owner of the company, and above all of the company's management will strive to increase profits because it is based completely know the importance of profit to the survival and future of the company.

Previous research

Previous research is very useful for the author to conduct research on the application of corporate social responsibility and good corporate governance can reduce the amount of Tax Avoidance through Profitability as an intervening variable to support this research, the author presents some results of previous studies. Although there are several previous studies which have different variables but is expected to strengthen the research.

The results of previous studies by Rahmawati, et al (2016) CSR and governance commissioners corporate governance which is proxied by the significant positive effect on tax avoidance, while Hanik L. K & Nur FA (2016) reported CSR, a significant and the negative effect on the aggressiveness tax. As with the research Empress (2014) who found that the variables that affect negatively the proportion of board of directors, audit quality, audit committee which is proxied by corporate governance and ROA proxied by profitability, while the risks companies positive effect on tax avoidance by the company manufacturing Indonesia Stock Exchange registered in the observation period 2014-2016.

Framework



Description:

CSR	: Corporate Social Responsibility
GCG	: Good Corporate Governance
Profit	: Profitability
T. Avoid	: Tax Avoidance
VC	: Variable control

Development Research Hypothesis

Corporate Social Responsibility on Tax Avoidance

CSR is one way to evade taxes by many cost studies done in Indonesia. Research costs incurred are included in CSR and let her taxes as a cost. The higher the level of CSR disclosure made by the company, the company is expected to increasingly aggressive against the tax. This is because if the company is running a CSR act aggressively against the tax, it will make the company lose a reputation in the eyes of the stakeholders and would eliminate the positive effects associated with CSR activities that have been carried out.

Based on the above exposure, the researchers propose the following research hypothesis:

$H_{1:}$ Corporate social responsibility positive effect on tax avoidance.

Good Corporate Governance on Tax Avoidance

Maharani (2014) states that the reduced influence of corporate governance, the greater the chance of tax avoidance, due to pressure from stakeholders to perform these actions, with the aim of suppressing the load or payment of corporate taxes. GCG structure also affects the way a company in executing tax obligations.

The company carries out tax avoidance to minimize the taxes to be paid so that it makes a bad image for the company, it can be formulated hypothesis as follows:

$H_{2:}$ Good corporate governance has a positive effect on tax avoidance.

Corporate Social Responsibility on profitability

Corporate social disclosure is realized through the performance of economic, environmental and social. The better performance of the company in improving the environment (economic performance, environmental and social), then the value of the company is increasing as a result of investors who invest their shares in the company.

That is because investors are more interested to invest capital in environmentally friendly companies. Dahli research results and Siregar (2008) also indicate that the ethical behavior of companies in the form of social responsibility towards the surroundings has a positive impact, which in the long term will be reflected in the company's profit (profit) and improved financial performance.

H3: Corporate Social Responsobility positive effect on profitability.

Good Corporate Governance on profitability

Corporate governance is a system capable of providing protection and guarantees rights to stakeholders, including the shareholders, lenders, employees, executives, government, customers and other stakeholders (Naim, 2000)

Many researchers find a positive relationship between GCG the company's performance as measured by return on assets (ROA) and Tobin's Q. the research conducted by Firth and Rui (2002) showed that companies that implement GCG increased the performance of the company are significant. If the company has a high ROA will strengthen the influence of the relationship between corporate governance on firm value, and vice versa, if the company has a low ROA will weaken the influence of the relationship between corporate governance on firm value. Based on this, the research hypothesis is that GCG effect on profitability.

Pursuant to the literature and research results indicated that the components in the GCG give an effect on the management of the company's management that impact on the sustainability of the company. The quality of GCG implementation within a company influence policymaking in the disclosure and transparency of financial reporting and strategic decisions.

Based on some of the issues and a literature review of relevant theories, hypothesis testing conducted in this research is encapsulated in the following alternative hypothesis:

H4: Good corporate governance has a positive effect on profitability.

Profitability on Tax Avoidance

Profitability is one measure for the performance of a company. Profitability of a company describes the ability of a company to generate profits for a certain period at the level of sales, assets and certain share capital. Profitability is composed of several ratios, in this case, the researchers used a latent variable is the net profit margin (NMP) and Return on Assets (ROA).

NPM is used to determine the company's ability to generate net income through sales. The greater the NPM, the performance of the company will be more productive, so it will increase the confidence of investors to invest in the company. Net profit margin is a ratio that measures the percentage of any income earned after deducting all costs and expenses, include interest, tax & dividends to preferred shareholders (Gitman, 2006). While ROA is an assessment of profitability on total assets, by comparing the profit after tax to average total assets. ROA indicates the effectiveness of the company to manage the assets, either from their own capital or from the borrowed capital, investors will look at how effectively a company to manage assets.

Based on that company which makes a profit can be assumed not do tax avoidance because it is able to regulate the income and tax payments

$H_{5:}$ Profitability effect on Tax Avoidance

CSR against Tax Avoidance through profitability

CSR is one way to evade taxes by many the cost of research conducted in Indonesia. Research costs incurred are included in CSR and let her taxes as a cost. The higher the level of CSR disclosure made by the company, the company is expected to increasingly aggressive against the tax. This is because if the company is running a CSR act aggressively against the tax, it will make the company lose a reputation in the eyes of the stakeholders and would eliminate the positive effects associated with CSR activities that have been carried out.

Based on the above exposure, the researchers propose the following research hypothesis:

$H_{6:}$ Influence of corporate social responsibility against tax avoidance through profitability as an intervening variable

GCG against Tax Avoidance through profitability

Empress (2014) stated that the diminishing influence of corporate governance, the greater the chance of tax avoidance, due to pressure from stakeholders to perform these actions, with the aim of suppressing the load or payment corporate taxes. GCG structure also affects the way a company in executing tax obligations.

The company carries out tax avoidance to minimize the taxes to be paid so that it makes a bad image for the company, it can be formulated hypothesis as follows:

H7: Influence of good corporate governance against tax avoidance through Profitability as an intervening variable

Research Methods

Based on the conceptual framework presented, there are four the main relationship which will be tested in this study. This conceptual framework consists of first intercourse is the direct influence of CSR and GCG against tax avoidance. Relations between the two is the influence profitability against tax avoidance. The next third link, ie the indirect influence of CSR and GCG against tax avoidance through profitability. The third relationship can't be separately estimated because they are interrelated those relationships are intertwined, if the relationship were estimated separately, the results of the estimate will be the bias.

Design of this study using quantitative methods, and testing hypotheses by using Partial Least Square with Smart PLS.

Sample selection in this research technique is the method of purposive sampling, the samples taken from certain considerations based on the destination (sekaran, 2011). Sampling criteria: (1) a public company listed in Indonesia Stock Exchange (IDX) (2) Annual report (AR) in 2014 to 2016, (3) not in delisting years 2014-2016, (4) manufacturing company sectors Basic and Chemical Industry, Based on the criteria and procedures for sampling above, then obtained a sample of 32 companies so that the number of observations researched to 96 observations (3 years multiplied by 32 companies sampled).

Operational Variable

Independent Variable:

CSR:

$$CSRIi = \frac{\Sigma Xi}{n}$$

GCG: ASEAN Corporate Governance Scorecard

Intervening Variable

Profitability: Net Profit Margin and Return on Assets

Dependent Variable

Tax Avoidance: ETR (Effective Tax Rates) and BTD (Book of Tax Differences)

Control Variable

Leverage	: Debt to Equity ratio
Size	: natural Log (Total Assets)
Capital Intensity	: Capital Intensity Ratio

Structural Equation

H 1:	T. Avoid	$= \alpha + \beta_1$ CSR + €
H 2:	T. Avoid	$= \alpha + \beta_2$ GCG + €
H 3:	Profit	$= \alpha + \beta_1$ CSR + €
H 4:	Profit	$= \alpha + \beta_2$ GCG + €
H 5:	T. Avoid	$= \alpha + \beta_3$ profit + €
H 6:	Profit	$= \alpha + \beta_1$ CSR + €
	T. Avoid	$= \alpha + \beta_3$ profit + €
H 7:	Profit	$= \alpha + \beta_2$ GCG + €
	T. Avoid	$= \alpha + \beta_3$ profit + €

Analysis Data with Smart PLS

Data analysis and structural equation modeling using PLS software, are as follows:

Structural Model (Inner Model)

Inner Structural Models or Models describe relationships between latent variables based on a substantive theory.Structural Model Design relationships between latent variables based on the formulation of the problem or the research hypothesis.

Measurement Model (Outer models)

Model Outer or measurement Model defines how each block of indicators associated with latent variables. Design of Measurement Model determines the properties of the respective indicator latent variables, whether reflexive or formative, based on the operational definition of variables.

Weight, Line coefficient, and Loading

Methods of parameter estimation (estimation) in PLS is the least squares method (least square methods). The calculation process is done by iteration, where iteration will stop if convergent conditions have been achieved. The estimation of the parameters in the PLS includes three things:

- Weight estimate used to calculate the latent variable data.
- The path that connects between the estimate and the estimation of latent variable loading between the latent variables with the indicator.
- Means and location parameters (regression constant value, intercept) for indicators and latent variables.

The Goodness of Fit

Goodness of Fit model is measured using R2 dependent latent variables with the same interpretation of regression. Q2 predictive relevance for the structural model should measure with Bootstrap resampling method developed by Geisser & Stone. The test statistic used is the t-statistic or t-test. Application of resampling methods, allowing free entry into force of the distributed datanfree) does not require the assumption of a normal distribution and does not require a large sample (sample recommended minimum of 30). Testing is done by t-test when obtained by p-value.

Results

Measurement Model

The model is a model that connects the latent variables with manifest variables.

= Attachment 1 =

Structural Model

Structural Model(StructuralModel / InnerModel)is a model that connects the exogenous latent variables with endogenous latent variables (bound) or connect the endogenous latent variables with endogenous latent variables (bound) others.

= Attachment 2 =

The table above shows that in the first sub-structure that is the variable of profitability obtained by the coefficient of determination ($R^{2)}$of 0.390. This means that 39% variable profitability can be explained by CSR, corporate governance and control while the remaining 61% are influenced by other variables such as the performance of companies that are not investigated in this study. The multicollinearity test, whose value is indicated by the Variance Inflation Factor (VIF), is known that the VIF value for all exogenous variables is greater than 0.20 and less than 5 (0.20> VIF <5) meaning that there is no multicollinearity in each exogenous variables (Hair, et al, 2010).

Furthermore in the second substructure that is the variable tax avoidance obtained the coefficient of determination (R^2) of 0.328. This means that 32.8% tax avoidance variables can be explained by CSR, GCG, control and profitability variables while the remaining 67.2% is influenced by other variables such as firm performance not examined in this study.

Test Result Influence of Exogenous Variable on Endogen Variable

Hypothesis No.	Path Coefficient		t-Statistics	t-Table	Hypothesis Test Results
	Path	Value			
H_1	CSR -> T. Avoid	0,708	61,558	1,985	Ho rejected
H_2	GCG -> T. Avoid	0,296	20,616	1,985	Ho rejected
H_3	CSR -> Profit	-0,521	49,845	1,985	Ho rejected
H_4	GCG -> Profit	-0,587	40,015	1,985	Ho rejected
H_5	Prof -> T. Avoid	0,284	23,094	1,985	Ho rejected
H_6	CSR -> Profit -> T. Avoid	0,284	23,094	1,985	Ho rejected
H_7	GCG -> Profit -> T. Avoid	0284	23,094	1,985	Ho rejected

Source: Results of Data Processing

The table above shows that all Ho in this study is rejected because all *t-statistics* value is bigger than t-table (1,985) meaning the result of all this research is accepted or in other words. the whole hypothesis is proven. Meanwhile, to answer the 6th and 7th hypotheses using the Ghozali (2012) guidance model simultaneously the effect of exogenous variable (X) and *intervening* variable (M) on the endogenous variable (Y). in the last test, it is expected that the influence of exogenous variable (X) on endogen (Y) is not significant while the influence of *intervening* variable (M) on endogenous variable (Y) must be significant at t-*statistics*> 1.985.

Construct Reliability and Validity

Variable	Composite Reliability	Average Variance Extracted (AVE)
CSR	0,787	0,782
GCG	0,812	0,675
Prof	0,993	0,986
T. Avoid	0,755	0,607

Source: Results of Data Processing

AVE independent variable has value above 0,5 then it can be concluded that intervening variable profitability influence independent variable corporate social responsibility and good corporate governance to tax avoidance.

Conclusion

Based on the results of tests conducted, where all hypotheses have an effect on corporate social responsibility and good corporate governance variable to tax avoidance with profitability as an intervening variable. Researchers can conclude that the implementation of CSR and the implementation of good corporate governance can reduce tax avoidance practices in manufacturing companies of industrial and chemical sectors listed in BEI period 2014 - 2016 sample.

Research Implications

This research shows all result of hypothesis show significant influence corporate social responsibility variable and good corporate governance to tax avoidance with profitability as an intervening variable. The implication does not cover the possibility that the company executes CSR correctly according to The government issued PP no. 47 of 2012 on Social and Environmental Responsibility of Limited Liability Company. Article 4 paragraph (1) of PP. "The Board of Directors based on the Company's annual work plan on obtaining approval from the Board of Commissioners or the General Meeting of Shareholders (GMS) in accordance with the Company's articles of association laws and regulations ", and the implementation of GCG, will eliminate tax avoidance practices.

This is in line with what says Margaret Hodge as Chair of the Public Accounts Committee – The United Kingdom (2013), in her discussion with Starbucks's chief financial officer Troy Alstead, Amazon (Amazon's director of public policy, Andrew Cecil) and Google (Google's vice president of sales & operations, Matt Brittin), She said we're accusing you of being immoral, in other words, Starbuck, Amazon and Google are earning money in the United Kingdom but not paying tax even though the rules are justified (tax avoidance) but immoral. After Margaret Hodge said that, the Google is willing to pay taxes to the United Kingdom.

Limitations of Research

This study has several limitations as follows: is

1. The number of independent variables studied is only 2 independent variables.
2. The sample is only a manufacturing company of Basic and Chemical Industry sectors.

Suggestion

In the study of tax payments by way of *tax avoidance* to come is expected to provide more qualified research results by considering the suggestions as follows:

1. The result of R square on CSR and GCG to *tax avoidance* is only 39% and R square on CSR and GCG through profitability to *tax avoidance* is only 32.8%. The result has not made the strength in the number of independent variables that affect the dependent variable, because R square is still too small so the need for further research by adding the study period for 10 (ten).
2. The samples should not be taken by a manufacturing company in Basic and Chemical Industry sectors but should be extended to all sectors.

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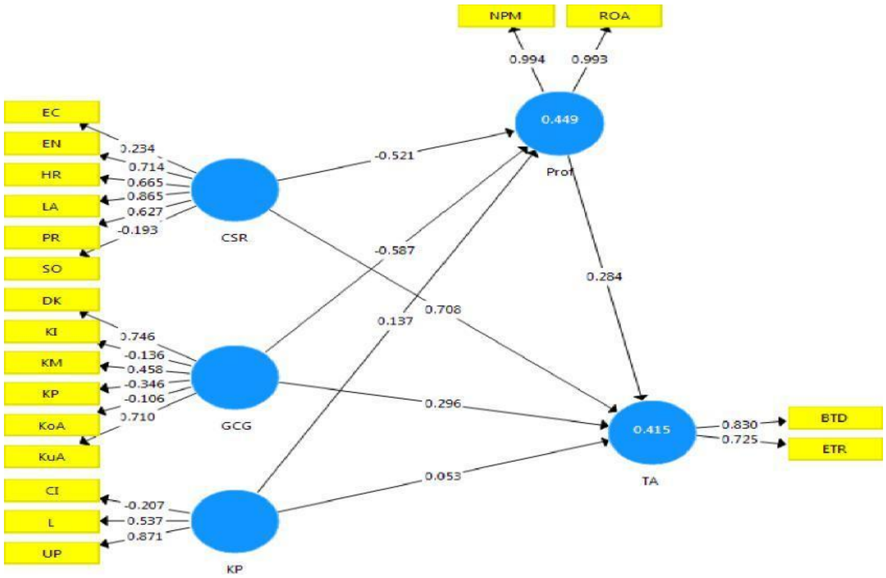
Attachment 1
Output Estimates



(Source: Results of Data Processing)

Attachment 2
Structural Model Path Coefficient

Sub structure	Path	Path Coefficient	t-statistics	R^2	VIF
First	CSR – Prof	-0,521	49,845	0,390	1,297
	GCG – Prof	-0,587	40,015		1,252
	VC - Prof	0,137	9,781		
Second	CSR – TA	0,708	61,588	0,328	1,790
	GCG – TA	0,296	20,616		1,879
	VC - TA	0,053	5,440		1,493
	Prof – TA	0,284	23,094		1,816