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EXECUTIVE CHARACTERISTICS AND COMPANY SIZES ON TAX AVOIDANCE

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ABSTRACT

This study aims to determine the effect of executive characteristics and company size on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2013-2017. The population in this study amounted to 136 companies and the samples used were as many as 26 companies using purposive judgment sampling. The data used is secondary data. Multiple linear regression analysis method. Based on the results of testing the hypothesis, it can be concluded that simultaneously and partially executive characteristics and company size influence tax avoidance.

Keywords: executive characteristics, company size, tax avoidance.

1. Introduction

According to Undang-Undang No.16 of 2009 Article 1 paragraph 1, tax is a compulsory contribution to the state owed by an individual or entity that is compulsory based on the Law, by not getting compensation directly and used for the state's needs for the greatest possible prosperity people. As with the government, for companies, taxes are costs that must be spent so as to reduce net income. This triggered the company in trying to minimize the amount of tax that must be paid, one of them is by doing tax avoidance.

Dyreng (2008: 62) broadly defines tax avoidance as an explicit tax reduction in general and reflects all transactions that have an effect on corporate tax liabilities explicitly. Tax avoidance has an impact on reduced tax revenue because the potential tax that should be realized becomes lost (Hutagaol, 2007: 151). Tax avoidance has the potential to harm the country because the state only receives minimal acceptance compared to its potential, so that a country cannot maximize its efforts to achieve the target of a country to be able to better prosper its people in the country's development. One way to do tax evasion is to divert business profits to tax haven countries so that they cannot be reached by the country of origin or the source of income.

Currently the issue of tax avoidance is a central issue and has become a common phenomenon that occurs in a number of companies. The phenomenon of tax avoidance in 2017 has been carried out by one of the multinational companies which is a company engaged in fashion, namely Gucci. The Gucci office whose center was in Milan was visited by the Milan police to conduct an investigation into alleged tax avoidance actions. The public prosecutor in Milan charged the Italian clothing manufacturer with tax evasion for several years in sales in Switzerland. Because of this, Gucci saves 1.2 Euros equivalent to US $ 1.5 billion or 22.5 trillion in domestic taxes. This investigation was reported based on reports from former senior Gucci workers who had left the company. Gucci has declared that they provide full cooperation with their respective authorities and are confident in the truth and transparency of their operations. (www.detikfinance.com, downloaded on September 28, 2018)

On the phenomenon of indications of tax avoidance by the Gucci fashion company in Milan, the Directorate General of Tax, Ministry of Finance (DGT of Ministry of Finance) Indonesia checks the tax compliance of the Gucci fashion company that has a branch shop in Indonesia on Thursday 7 December 2017. The case in Milan became the DGT's attention to see or examine the compliance of the company in Indonesia. DGT has various anticipations against tax avoidance that may be carried out by multinational companies that have subsidiaries in other countries. Indonesia coordinates to anticipate tax evasion with other countries that are members of the G20 forum, which is coordinated by the Organization for Economic and Development Cooperation (OECD). In its coordination, DGT representing Indonesia has committed to the Base Erosion and Profit Sharing (BEPS) agreement. For this reason, tax avoidance is expected not to occur again. (www.cnnindonesia.com, downloaded on September 28, 2018)

Before the Gucci case, another case by large companies in the world that had done tax evasion was that the Google company in 2014 had carried out tax avoidance by moving around 10.7 billion euros (approximately US $ 12 billion), this tax strategy was alleged the company has only paid a 6% tax on profits because the tax rate in Ireland is relatively low. Another company, the Apple company, was accused of tax evasion in November 2017, the Apple company transferred profits to Jersey, where Jersey imposed a zero-percent corporate tax rate on foreign companies. Apple pays around 15 billion US dollars.

Next is the Starbucks company which has been twice involved in tax avoidance scandals in 2012 and 2015. Investigation revealed that Starbucks has cut its tax payments to 30 million euros since 2008. His company only paid 2.6 million euros in income tax in the Netherlands or less than 1% of the pre-tax profit of 407 million euros. The case of the Swedish multinational company Ikea which was subsequently accused of not paying more than 1 billion euros in taxes over the past six years. Ikea reportedly moved money from shops in Europe to tax-free places in Lichtenstein and Luxembourg. As a result, in 2014 Ikea allegedly did not pay taxes of 35 million euros in Germany, 24 million euros in France, and 11.6 million euros in the UK. The next company that conducts tax evasion is a Microsoft company, a Seattle-based technology company reported by other companies in Luxembourg as a safe place from the tax authorities. In 2012, Microsoft reportedly sent cash generated from the new Windows 8 operating system to Luxembourg and avoided paying British state corporate taxes of more than 1.7 billion pounds (US $ 2.4 billion). (www.kumparan.com, downloaded on September 28, 2018).

Tax avoidance carried out by the company is not a coincidence. The decision to avoid tax is the result of company policy. Directly, individuals involved in making tax decisions are tax directors and corporate tax consultants. But the executive (president director or president director) as a company leader directly or indirectly also has an influence on all decisions that occur in the company, including corporate tax avoidance decisions (Hanafi and Harto, 2014: 2). In addition to the individual character of executives, there are other factors that influence

tax avoidance activities, namely the size of the company. Company size is a value that shows the size of the company (Hartono, 2008: 254).

Based on the above phenomenon, the title in this study is : **"Executive Characteristics and Company Size on Tax Avoidance."**

2. Framework and Empirical Studies

Executive Characteristics

According to Lewellen (2003 : 1); "The executive character shows how the actions taken by the company's leadership when faced with a risk. Decisions taken will describe whether the executive is a person who dares to take risks or not. Whereas according to Budiman in Dewi and Jati (2014 : 250); "A leader can have a risk taker character or risk averse which is reflected in the size of the company's risk. The higher the risk of a company, the executive tends to be a risk taker. Conversely, the lower the risk of a company, the executive tends to be risk averse." The risk averse executive if he gets a chance he will choose a lower risk (Low, 2006 : 6). Usually the risk averse executive has an older age, has long held office and has a dependency with the company. Compared to risk takers, risk averse executives focus more on decisions that do not result in greater risk.

The executive leadership has a close relationship with tax avoidance. The company leaders can influence tax avoidance decisions by regulating the "tone at the top" related to corporate tax activities (Dyreng et al., 2010: 1164). The research of Dyreng et al. (2010: 1182) was conducted to test whether Top Executive individuals have an influence on corporate tax avoidance. His research took a sample of as many as 908 leaders recorded at ExecuComp and the results showed that individual company leaders had a significant role in the level of corporate tax avoidance, although it was not explained more in the character or behavior of individuals that had influence on corporate tax avoidance.

Paligorova (2010: 5) defines corporate risk (corporate risk) as the volatility of company earnings, which can be measured by standard deviation formulas. Thus it can be interpreted that corporate risk is a standard deviation or deviation from earnings both deviations that are less than planned (downside risk) or may be more than planned (upside potential), the greater the deviation of company earnings indicates the greater existing company risk. Therefore, the high and low risk of the company indicates whether the executive character includes risk taker or risk averse (Paligorova, 2010: 5).

To find out the executive character, company risk is used by the company (Paligorova, 2010: 5). The size of the company's risk indicates the tendency of executive characters (Dewi and Jati, 2014: 250). A large level of risk indicates that the leadership of the company is more risk taker. Conversely, a small level of risk indicates that company leaders are more risk averse (Dewi and Jati, 2014: 250).

Company risk can be calculated by:

$$\text{RISK}=\sqrt{\sum_{T-1}^{T}(E-1/T\sum_{T-1}^{T}E)^2}/(T-1)$$

(Sumber : Paligorova, 2010:8).

Where : E is EBITDA divided by the total assets of the company

Company Size

According to Kieso (2011: 192) the definition of company size, namely: "Assets is a resource controlled by the entity as a result of past events and from which future economic

benefits are expected to flow to the entity". Company size is the most widely used variable to examine the company's tax burden (Rodriguez and Arias, 2012: 65). Large companies tend to have more space for good tax planning and adopt effective accounting practices to reduce company CETR (Rodriguez and Aries, 2012 in Pilanoria, 2016: 17).

According to Richardson and Lanis (2007: 692) there are two competing views about the relationship between the cash effective tax rate (CETR) and company size: the political cost theory and the political power theory. The political cost theory has high visibility, this causes the company to be in the spotlight of the government and become a victim of regulation from government policy. Large companies will maintain the image by disclosing accurate and relevant information, carrying out social responsibility and carrying out the obligation to pay large taxes to attract public attention. While the political power theory explains the relationship between large companies and their resources to manipulate the political process in carrying out tax planning to achieve optimal tax savings. The more resources and experts they have, the greater the tax costs that can be managed by the company.

Republic of Indonesia Minister of Trade Regulation Number: 46 / M-Dag / Per / 9/2009 classifies companies based on the value of total assets owned by the company as stipulated in article 3 paragraph 1, 2 and 3, stating that:

1. Classification of small companies, is for companies with a net worth of more than Rp. 50 million to a maximum of Rp. 500 million.
2. Classification of medium-sized companies, is for companies with a net worth of more than Rp. 500 million to a maximum of Rp. 10 billion.
3. The classification of large companies is for companies with a net worth of more than Rp. 10 billion.

Decree of the Chairman of Bapepam No. Kep.11 / PM / 1997 states that small and medium-sized companies based on assets (wealth) are legal entities that have total assets of not more than Rp. 100 billion, while large companies are legal entities with a total assets above Rp. 100 billion.

According to Sudirham (2011: 85), the size of the company is measured using the Ln total assets proxy, this is intended to reduce excessive data fluctuations. If the value of the total assets is directly used, the variable value will be very large, billion or even trillion. By using natural logs, the billion or even trillion values are simplified, without changing the proportion of the actual origin value. Natural logarithms are logarithms using a number base e. This e number, like the number, is a real number with infinite decimals. Natural logs in this study are formulated in Ln (x) or Ln (Total Assets). As for how to calculate it using Microsoft Excel with the formula Ln (Total Assets). The formula is as follows:

$$Company\ Size\ (UP) = Ln\ (Total\ Aset)$$

(Source : Sudirham, 2011:85)

Tax Avoidance

Tax avoidance is defined as an effort to reduce or minimize the tax burden that must be paid. Hanlon and Heitzman (2010: 137) reveal that there is no general definition of tax avoidance, so that the definition of tax avoidance can vary, "different things to different people". Hanlon and Heitzman (2010: 137) are in line with Dyreng et.al. (2008: 62), broadly defines tax avoidance as an explicit tax reduction in general and reflects all transactions that have an effect on corporate tax obligations explicitly. Rahayu (2010: 148) explains the notion of tax avoidance as follows: "tax avoidance is a legal action, justifiable because it does not violate the law, in this case there is absolutely no legal violation committed". In contrast to tax

evasion that can be easily prosecuted legally, the practice of tax evasion is barely touched by the law (Suwarno, 2015: 12).

In practice, the differences in tax avoidance and tax evasion are very thin, so that it can happen that initially tax planning was carried out with the intention of carrying out tax avoidance but unconsciously the taxpayer has committed tax evasion (Hutagaol, 2007: 155). Weisbach in Hanlon and Heitzman (2010: 137) argues that tax planning can be associated as tax evasion if it has been proven that there is a violation of taxation regulations. Even though it is a legal action, tax avoidance causes the loss of the potential realization of tax revenues that can harm the state. According to Nugroho (2009: 112) the patterns of tax avoidance are as follows: 1. Thin Capitalization 2. Contolled Foreign Corporation (CFC) 3. Treaty Shopping 4. Transfer Pricing

One tax avoidance indicator according to Hanlon and Heitzman (2010: 134) is the Effective Cash Tax Rate (CETR) is a way to measure tax avoidance by the ratio of cash tax payments on corporate profits before income tax (pretax income) . Payment of taxes in cash is contained in the Cash Flow Statement at the post "payment of taxes" in "cash flows from operating activities". Whereas corporate profits before tax are contained in the Income Statement at the post "income before income tax".

In this study, researchers used an effective tax rate, better known as the Effective Cash Tax Rate (CETR). CETR can assess tax payments from cash flow statements, so that we can find out how much cash is actually paid by the company. As Dyreng et al. Al (2010: 167) CETR is well used to describe tax avoidance activities by companies because in using CETR you can see cash flow for tax payments. The higher the percentage level of CETR which is close to the corporate income tax rate of 25% indicates that the lower the level of tax avoidance, on the contrary the lower the percentage level CETR indicates that the higher the level of tax avoidance companies.

The formula for calculating CETR is as follows:

$$CETR = \frac{\text{Payment of Taxes}}{\text{EBITDA}}$$

Source : (Dyreng, et. Al 2010:167)

Previous research conducted by Dewi and Jati (2014), Maharani and Suardana (2014), Butje and Tjondro (2014), Swingly and Sukartha (2015), and Alfajri (2016) stated that executive characteristics have a significant influence on tax avoidance. The influence indicates that the more leaders are risk-takers, the higher the level of tax avoidance. In addition, the research conducted by Swingly and Sukartha (2015), Dewinta and Setiawan (2016), Darmawan and Sukartha (2014), and Dharma and Ardiana (2016) which states that firm size has a significant effect on tax avoidance.

3. Methodology and Data

The object in this study is executive characteristics and company size as independent variables and tax avoidance as the dependent variable. The subjects of this study are companies belonging to manufacturing companies that are listed on the Indonesia Stock Exchange (IDX) from 2013 to 2017. The method used in this study is quantitative research methods. The

statistical analysis used in this study is descriptive statistical analysis and verification statistical analysis.

Table 3.1 Operationalization of Research Variable

Type of Variable	Variable	Concept	Calculation Method	Scale
Independent	Excecutive Characteristics (X_1)	To find out the executive character, corporate risk is used by the company (Paligorova,2010:8)	Standard deviation from EBITDA (Earnig Before Income Tax, Depreciation, and Amortization) / total assets company (Paligorova, 2010:8)	Ratio
Independent	Company Size (X_2)	Company size is a value that shows the size of the company (Sudirham, 2011:85)	The size of the company is measured by using the proxy of total assets, this is intended to reduce excessive data fluctuations $\boldsymbol{UP = Ln\ Total\ Asset}$ (Sudirham, 2011:85)	Ratio
Dependent	*Tax Avoidance* (Y)	Efforts to reduce, or even eliminate, tax debts that companies must pay without violating existing laws. (Dyreng, et Al, 2010:167)	CETR = Payment of tax / profit before tax. (Dyreng, et. Al, 2010:167)	Ratio

The population in this study consisted of 136 companies included in manufacturing companies in the Indonesia Stock Exchange for the period 2013-2017. The study sample consisted of 26 companies using purposive judgment sampling. The data used is secondary data. Multiple linear regression analysis method. Taking conclusions on hypotheses is done by observing the coefficient of determination by considering the results of a significant test that is t-test and F-test of 5% significance level, which has been tested for classical assumptions such as normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

4. Discussion on Empirical Results

Table 4.1. Statistic Descriptive

Variable	N	Minimum	Maksimum	Mean	Median	Std. Deviation
RISK	130	0,001	0,142	0,026	0,021	0,024
LN Total Aset	130	26,475	33,830	29,455	28,702	1,907
CETR	130	0,090	0,830	0,308	0,266	0,131

Table 4.2. Statistic Descriptive Excecutive Characteristics/Risk

No	Perusahaan	Risiko Perusahaan/Risk Periode 2013-2017				
		2013	2014	2015	2016	2017
1	Darya Varia Laboratorium Tbk	0,027	0,059	0,016	0,022	0,001
2	Kimia Farma Tbk	0,029	0,018	0,013	0,029	0,020
3	Kalbe Farma Tbk	0,018	0,002	0,011	0,005	0,001
4	Taisho Pharmaceutical Tbk	0,028	0,015	0,024	0,036	0,022
5	Indofood CBP Sukses Makmur Tbk	0,026	0,008	0,017	0,020	0,001
6	Indofood Sukses Makmur Tbk	0,045	0,004	0,002	0,054	0,006
7	Nippon Indosari Corporindo Tbk	0,041	0,021	0,023	0,006	0,087
8	Sekar Bumi Tbk	0,013	0,014	0,072	0,033	0,024
9	Ultrajaya Milk Industry and Trading Company Tbk	0,030	0,008	0,036	0,003	0,040
10	KMI Wire and Cable Tbk	0,070	0,005	0,004	0,048	0,069
11	Arwana Citra Mulia Tbk	0,029	0,015	0,142	0,035	0,052
12	Surya Toto Indonesia Tbk	0,036	0,009	0,040	0,029	0,028
13	Ekadharma International Tbk	0,021	0,005	0,038	0,051	0,016
14	Mustika Ratu Tbk	0,018	0,039	0,087	0,103	0,015
15	Unilever Indonesia Tbk	0,014	0,001	0,021	0,024	0,008

No	Perusahaan	Risiko Perusahaan/Risk Periode 2013-2017				
		2013	2014	2015	2016	2017
16	Indal Aluminium Industry	0,046	0,020	0,026	0,007	0,021
17	Astra International Tbk	0,013	0,006	0,014	0,006	0,009
18	Selamat Sempurna Tbk	0,023	0,028	0,033	0,021	0,002
19	Charoen Pokphand Indonesia Tbk	0,044	0,090	0,001	0,077	0,001
20	Japfa Comfeed Indonesia Tbk	0,064	0,004	0,016	0,007	0,027
21	Champion Pasific Indonesia Tbk	0,011	0,030	0,043	0,015	0,045
22	Gudang Garam Tbk	0,067	0,029	0,002	0,011	0,007
23	Hanjaya Mandala Sampoerna Tbk	0,016	0,026	0,097	0,026	0,003
24	Wismilak Inti Makmur Tbk	0,046	0,016	0,034	0,005	0,001
25	Indocement Tunggal Prakasa Tbk	0,033	0,008	0,010	0,047	0,004
26	Ricky Putra Globalindo Tbk	0,030	0,016	0,018	0,008	0,009

Maximum	**0,070**	**0,090**	**0,142**	**0,103**	**0,087**
Minimum	**0,011**	**0,001**	**0,001**	**0,003**	**0,001**
Mean	**0,032**	**0,019**	**0,032**	**0,028**	**0,020**
Growth	**-**	**-98,1%**	**-96,8%**	**-97,2%**	**-98,0%**

Table 4.3. Statistic Descriptive Company Size

No	Company	Ukuran Perusahaan Periode 2013-2017				
		2013	2014	2015	2016	2017
1	Darya Varia Laboratorium Tbk	27,805	27,843	27,950	28,057	28,126
2	Kimia Farma Tbk	28,536	28,719	28,864	29,160	29,439
3	Kalbe Farma Tbk	30,057	30,151	30,248	30,354	30,441
4	Taisho Pharmaceutical Tbk	33,674	33,761	33,771	33,803	33,830
5	Indofood CBP Sukses Makmur Tbk	30,688	30,846	30,910	30,995	31,085
6	Indofood Sukses Makmur Tbk	31,989	32,085	32,151	32,040	32,108
7	Nippon Indosari Corporindo Tbk	28,231	28,393	28,627	28,702	29,148
8	Sekar Bumi Tbk	26,933	27,200	27,362	27,633	28,115
9	Ultrajaya Milk Industry and Trading Company Tbk	28,665	28,702	28,895	29,075	29,277
10	KMI Wire and Cable Tbk	27,921	27,922	28,070	28,258	28,734
11	Arwana Citra Mulia Tbk	27,758	27,861	27,989	28,065	28,102
12	Surya Toto Indonesia Tbk	28,188	28,338	28,523	28,579	28,670
13	Ekadharma International Tbk	26,563	26,743	26,689	27,278	27,404
14	Mustika Ratu Tbk	28,014	28,248	28,364	28,413	28,490
15	Unilever Indonesia Tbk	30,222	30,290	30,387	30,449	30,571
16	Indal Aluminium Industry Tbk	27,364	27,523	27,916	27,923	27,825
17	Astra International Tbk	32,997	33,095	33,134	33,199	33,320
18	Selamat Sempurna Tbk	28,162	28,190	28,429	28,444	28,524
19	Charoen Pokphand Indonesia Tbk	30,386	30,669	30,837	30,818	30,831
20	Japfa Comfeed Indonesia Tbk	30,334	30,387	30,474	30,589	30,680
21	Champion Pasific Indonesia Tbk	26,475	26,581	26,674	26,809	26,964
22	Gudang Garam Tbk	31,558	31,695	31,782	31,773	31,832
23	Hanjaya Mandala Sampoerna Tbk	30,942	30,977	31,269	31,381	31,395
24	Wismilak Inti Makmur Tbk	27,837	27,918	27,926	27,934	27,835
25	Indocement Tunggal Prakasa Tbk	30,912	30,994	30,950	31,037	30,994
26	Ricky Putra Globalindo Tbk	27,735	27,789	27,812	27,885	27,949
Maximum		**33,674**	**33,761**	**33,771**	**33,803**	**33,830**
Minimum		**26,475**	**26,581**	**26,674**	**26,809**	**26,964**
Mean		**29,229**	**29,343**	**29,462**	**29,564**	**29,680**
Growth		**-**	**28,34**	**28,46**	**28,56**	**28,68**

Table 4.4. Statistic Descriptive CETR

No	Company	CETR Period 2013-2017				
		2013	**2014**	**2015**	**2016**	**2017**
1	Darya Varia Laboratorium Tbk	0,332	0,464	0,244	0,190	0,237
2	Kimia Farma Tbk	0,349	0,159	0,202	0,190	0,158
3	Kalbe Farma Tbk	0,253	0,235	0,257	0,243	0,241
4	Taisho Pharmaceutical Tbk	0,256	0,267	0,302	0,232	0,323
5	Indofood CBP Sukses Makmur Tbk	0,309	0,298	0,297	0,307	0,358
6	Indofood Sukses Makmur Tbk	0,423	0,385	0,470	0,363	0,447
7	Nippon Indosari Corporindo Tbk	0,265	0,190	0,202	0,273	0,264
8	Sekar Bumi Tbk	0,103	0,308	0,456	0,562	0,432
9	Ultrajaya Milk Industry and Trading Company Tbk	0,390	0,335	0,159	0,271	0,338
10	KMI Wire and Cable Tbk	0,617	0,471	0,300	0,157	0,245
11	Arwana Citra Mulia Tbk	0,235	0,286	0,696	0,245	0,210
12	Surya Toto Indonesia Tbk	0,284	0,260	0,308	0,377	0,202
13	Ekadharma International Tbk	0,263	0,315	0,256	0,127	0,373
14	Mustika Ratu Tbk	0,281	0,279	0,090	0,151	0,274
15	Unilever Indonesia Tbk	0,252	0,242	0,244	0,241	0,257
16	Indal Aluminium Industry Tbk	0,197	0,326	0,300	0,252	0,248
17	Astra International Tbk	0,232	0,204	0,331	0,244	0,218
18	Selamat Sempurna Tbk	0,202	0,251	0,258	0,205	0,232
19	Charoen Pokphand Indonesia Tbk	0,225	0,150	0,275	0,142	0,446
20	Japfa Comfeed Indonesia Tbk	0,366	0,717	0,190	0,152	0,388
21	Champion Pasific Indonesia Tbk	0,408	0,216	0,328	0,212	0,349
22	Gudang Garam Tbk	0,257	0,229	0,212	0,269	0,253
23	Hanjaya Mandala Sampoerna Tbk	0,252	0,292	0,274	0,225	0,257
24	Wismilak Inti Makmur Tbk	0,195	0,417	0,233	0,332	0,541
25	Indocement Tunggal Prakasa Tbk	0,565	0,546	0,553	0,613	0,830
26	Ricky Putra Globalindo Tbk	0,658	0,554	0,436	0,447	0,440
Maximum		**0,658**	**0,717**	**0,696**	**0,613**	**0,830**
Minimum		**0,103**	**0,150**	**0,090**	**0,127**	**0,158**
Mean		**0,314**	**0,323**	**0,303**	**0,270**	**0,329**
Growth		**-**	**-67,7%**	**-69,7%**	**-73,0%**	**-67,1%**

Table 4.5 Data Panel Regression

Dependent Variable: Y

Method: Panel EGLS (Cross-section random effects)
Date: 01/17/19 Time: 14:12
Sample: 2013 2017
Periods included: 5
Cross-sections included: 26
Total panel (balanced) observations: 130
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-3.124106	0.308590	-10.12380	0.0000
X2	-0.024480	0.004322	-5.664261	0.0000
C	1.111149	0.127442	8.718868	0.0000

Effects Specification	S.D.	Rho
Cross-section random	0.035376	0.1692
Idiosyncratic random	0.078385	0.8308

Weighted Statistics

R-squared	0.524725	Mean dependent var	0.216692
Adjusted R-squared	0.517240	S.D. dependent var	0.113573
S.E. of regression	0.078912	Sum squared resid	0.790836
F-statistic	70.10682	Durbin-Watson stat	1.753014
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.569278	Mean dependent var	0.307854
Sum squared resid	0.952718	Durbin-Watson stat	1.495222

Based on the results of the multiple linear regression equation above, it can be interpreted as follows:

• The constant value of 1.111 shows the magnitude of the average tax avoidance measured by CETR if the company's risk and other variables are 0 (zero).

• The regression coefficient for company risk / RISK (X1) is equal to -3.124 and is negative, meaning that whenever an increase in company risk / RISK of 1% and other independent variables are assumed to be constant, it is predicted that the CETR will decrease by -3.124 and indicate tax avoidance .

• The regression coefficient for company size (X2) is -0.024 and is negative, meaning that every increase in company size by 1% and other independent variables are assumed to be constant, it is predicted that the CETR will decrease by -0.024 and indicate tax avoidance.

Table 4.6 F Test (Simultaneous)

Dependent Variable: Y

Method: Panel EGLS (Cross-section random effects)

Date: 01/17/19 Time: 14:12
Sample: 2013 2017
Periods included: 5
Cross-sections included: 26
Total panel (balanced) observations: 130
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-3.124106	0.308590	-10.12380	0.0000
X2	-0.024480	0.004322	-5.664261	0.0000
C	1.111149	0.127442	8.718868	0.0000

Effects Specification	S.D.	Rho
Cross-section random	0.035376	0.1692
Idiosyncratic random	0.078385	0.8308

Weighted Statistics

R-squared	0.524725	Mean dependent var	0.216692
Adjusted R-squared	0.517240	S.D. dependent var	0.113573
S.E. of regression	0.078912	Sum squared resid	0.790836
F-statistic	70.10682	Durbin-Watson stat	1.753014
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.569278	Mean dependent var	0.307854
Sum squared resid	0.952718	Durbin-Watson stat	1.495222

In the table above, it can be seen that the probability value F (simultaneous) of the two independent variables is 0,000, which means that the value is smaller than 0.005, so that the F test has a significant effect on the dependent variable. Decisions taken from the results listed are rejecting Ho and accepting Ha, which means that executive characteristics and firm size have a significant effect on tax avoidance.

Table 4.7. Determination Coefficient of Panel Data Regression Model

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/17/19 Time: 14:12
Sample: 2013 2017
Periods included: 5
Cross-sections included: 26
Total panel (balanced) observations: 130
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-3.124106	0.308590	-10.12380	0.0000
X2	-0.024480	0.004322	-5.664261	0.0000
C	1.111149	0.127442	8.718868	0.0000

Effects Specification	S.D.	Rho
Cross-section random	0.035376	0.1692
Idiosyncratic random	0.078385	0.8308

Weighted Statistics			
R-squared	0.524725	Mean dependent var	0.216692
Adjusted R-squared	0.517240	S.D. dependent var	0.113573
S.E. of regression	0.078912	Sum squared resid	0.790836
F-statistic	70.10682	Durbin-Watson stat	1.753014
Prob(F-statistic)	0.000000		

Unweighted Statistics			
R-squared	0.569278	Mean dependent var	0.307854
Sum squared resid	0.952718	Durbin-Watson stat	1.495222

The coefficient of determination is used to see the magnitude of the contribution given by corporate risk as a proxy of executive characteristics and firm size to tax avoidance. In table 4.7, it is known that the value of R-Squared obtained is 0.524 or 52.4%. These results indicate that company risk as a proxy of executive characteristics and company size simultaneously contributes 52.4% to tax avoidance, while the remaining 47.6% is the influence of other factors not examined. Other factors can be in the form of Return On Assets (ROA), compensation for fiscal losses, leverage, corporate governance, audit quality, audit committee, multinational company, institutional ownership, independent board of commissioners, audit quality, political connections, company age, profitability, and growth sales.

Table 4.8 t-Test (Partial)

Dependent Variable: Y

Method: Panel EGLS (Cross-section random effects)
Date: 01/17/19 Time: 14:12
Sample: 2013 2017
Periods included: 5
Cross-sections included: 26
Total panel (balanced) observations: 130
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-3.124106	0.308590	-10.12380	0.0000
X2	-0.024480	0.004322	-5.664261	0.0000
C	1.111149	0.127442	8.718868	0.0000

Effects Specification	S.D.	Rho
Cross-section random	0.035376	0.1692
Idiosyncratic random	0.078385	0.8308

Weighted Statistics

R-squared	0.524725	Mean dependent var	0.216692
Adjusted R-squared	0.517240	S.D. dependent var	0.113573
S.E. of regression	0.078912	Sum squared resid	0.790836
F-statistic	70.10682	Durbin-Watson stat	1.753014
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.569278	Mean dependent var	0.307854
Sum squared resid	0.952718	Durbin-Watson stat	1.495222

1. Characteristic Effect of Executives on Tax Avoidance

Variable risk as an indicator of the executive characteristic variable has a probability value of 0,000 where the value is smaller than 0.005. Therefore, partially there is a significant influence of executive character which is reflected in the company's risk towards CETR as a Tax Avoidance proxy. The more executive characteristics show the risk taker, the CETR value shows a negative value that illustrates the occurrence of tax avoidance efforts.

2. Effect of Company Size on Tax Avoidance

Variable Ln total assets as indicators of variable size companies have a probability value of 0,000 smaller than 0.005. Therefore, partially there is a significant effect of company size which is reflected in Ln total assets against CETR as a Tax Avoidance proxy. The larger the size of the company shows that the CETR value decreases which illustrates the occurrence of tax avoidance efforts.

5. Conclusion

Based on the results of the above analysis, it can be concluded that executive characteristics and company size simultaneously influence tax avoidance, the contribution of the influence given is 52.4% and the remaining 47.6% is influenced by other variable factors. The executive characteristics have a significant effect on tax avoidance, meaning that when a company has a high risk value it will illustrate that the executive is a risk taker that can indicate tax avoidance. The size of the company has a significant effect on tax avoidance, meaning that

if the company belongs to a large company with a high total asset value, then it influences tax avoidance

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