

Influence of Executive Characteristics and Duality of Chief Executive Officer to Tax Avoidance

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Abstract: *This study aims to analyze the influence of executive characters and the duality of Chief Executive Officer against tax avoidance with profitability as a control variable. Tax avoidance measure using the effective proxy tax rate (ETR). The population of this research is companies and automotive sub-sector manufacturing components listed on Indonesia Stock Exchange 2011-2016. Sample determination was done by purposive sampling technique. The analysis method used panel data regression analysis with the help of Eviews 7.2 program with model specification test through Chow test, Hausman test and Lagrange Multiplier test (LM). Furthermore, the classical assumption test and hypothesis testing performed. The results of this study indicate that the characteristics of executives and the duality of Chief Executive Officer significantly influence tax avoidance. Partial test results indicate that executive characteristics have a positive effect on tax avoidance. However, the duality of the Chief Executive Officer has no significant effect on tax avoidance.*

Keywords: Effective Tax Rate (ETR), Panel Data, Executives Characteristic, Tax Avoidance

1. Introduction

The optimization of tax revenues in Indonesia as a source of financing that sustains the Indonesian economy has many obstacles, as is the practice of tax evasion and evasion. The main problem of these taxation practices becomes complicated and unique that stems from the implementation of self-assessment in the tax collection system based on the 4th amendment of the Income Tax Law, Law Number 36 The year 2008 regarding the fourth amendment to Law No. 7 of 1983 on tax income.

The freedom granted to the taxpayer to calculate, deposit and report his own tax payable causes the taxpayer to perform tax management activities to reduce the burden of his taxes through avoidance techniques, on the one hand, tax avoidance is not illegal (legal) while on the other tax avoidance is not desired by the government (Diantari and Ulupui:2016).

The corporate governance practices originally introduced by Berle and Means in 1932 around the world aim to reduce business risks faced and provide protection to stakeholders'. In terms of taxation, corporate governance (CG) has a share in decision-making processes including taxation decisions, but tax planning depends on the dynamics of corporate governance (CG) within an enterprise (Winata, 2014).

In the context of Indonesia, until now corporate governance has not been fully implemented by companies listing in Indonesia stock exchange this raises management efforts to conduct tax avoidance practices (Maharani and Suardana 2014).

Some recent tax avoidance and embezzlement cases occur in Indonesia, such as the individual case of the Palembang BKP Treasurer by not making any taxes that have been levied by making an unauthorized Tax Collection that causes a state loss of Rp. 576.971.553,- (Forum Pajak Indonesia, 2016). Other tax cases such as the case of IKEA by avoiding taxes

in the period 2009-2014 to 1 trillion euros or equivalent to Rp. 14,900 trillion by using profit transfer technique (profit sharing) (Kompas, 16/02/2016).

Menurut Hutagaol (2007) cited Dewi and Jati (2014) tax avoidance is an attempt to avoid taxation liabilities that do not legally violate the rules by trying to reduce the amount of tax by looking for loopholes. The company's freedom in determining this set of accounting policies opens opportunities for opportunistic behavior for managers as corporate agents with the goal of efficient contracting. That is, a rational manager will choose an accounting policy in accordance with the interests of one of them using tax planning mechanism with tax avoidance techniques.

The executive characteristic factor through leadership policy also influences tax avoidance practices (Budiman dan Setiyono, 2012). It aims to determine important decisions for the company's business. Leaders must be prepared to face the risks in every decision that is always inherent in him. According to Low (2009), the executive character of risk taker is the executive will be more courageous in taking business decisions and usually has a strong impetus to have income, position, welfare, and higher authority, while the risk-averse executive character tends to hesitate in making decisions business.

Many studies have conducted studies to examine the relationship between executive characteristics and tax avoidance, among others, on Budiman and Setiyono (2012), Maharani and Suardana (2014), Swingly and Sukartha (2015) and Diantari and Ulupui (2016) studies that focus more on internal corporate factors such as firm size, ROA and leverage as well as corporate governance characteristics that include the proportion of independent commissioners, corporate ownership structures and audit committees.

Duality Chief Executive Officer becomes a separate problem in corporate decision making and should be placed carefully as a factor triggering the emergence of agency-problem. The

use of a self-assessment system can provide an executive opportunity as an agent to calculate taxable income (PFM) as low as possible.

The existence of a CEO is also necessary for making decisions related to the accumulation of corporate profits although sometimes CEOs tend not to work optimally in favor of both internal and external shareholders to maximize their wealth (Obradovich and Gill, 2013). On the other hand, the external party also monitors and oversees the company's tax obligations so as to limit the opportunistic behavior of managers to determine certain accounting policies that can increase and decrease profits in tax evasion practices.

This study focuses on examining the impact of tax avoidance in relation to certain determinant factors such as executive characteristics using the 2011-2016 study period. Tax avoidance is measured using the effective tax rate (ETR) method to determine the consistency of tax reform since the enactment of Law No.36 of 2008 regarding the fourth amendment to Law No. 7 of 1983 on income tax on the change of the original tax rate progressive tariffs until 2008 and a 25% single rate which has been in effect since fiscal year 2010.

The object of research using automotive sub-sector companies and components listed on the Indonesia Stock Exchange as the world automotive industry continues to grow in order to meet the demands of consumer tastes are constantly. This study adds a variable that is the duality of Chief Executive Officer in testing it against tax avoidance.

Research on tax avoidance practices can be explained by the following 2 (two) grand-theories: (1) agency theory and (2) stewardship theory. Scott (2015: 340) defines agency theory *"Agency theory is a branch of game theory that studies the design of contract to motivate a rational agent to act on behalf of a principal when the agent's interest would otherwise conflict with those of the principal"*. Different interests above can lead to agency conflict. This conflict occurs because the possibility of the agent not acting in accordance with the interests of the principle.

The second theory used in this study is the theory of service (stewardship). This theory aims to explain the assumption that managers work against the company well and earnestly. Chief Executive Officer's chair is the duality of corporate fate responsibility and has the power to define strategy without fear of canceling with other council seats (Anton, 2010). Therefore, the CEO as the waiter of the organization is expected to maximize the function to account for its performance in a transparent and reasonable manner. In addition, the CEO functions to maintain stakeholders' trust to avoid practices that are inconsistent with corporate governance principles such as tax avoidance.

Tax avoidance is one of the tax planning techniques used by companies that are said not to contradict the tax legislation rules because it is considered legal practice by exploiting loopholes in the tax law that will affect the state revenue tax sector (Dewi dan Jati, 2014).

According to Prebble and Prebble (2012), the difference between tax avoidance and tax evasion is that taxes are illegal, consisting of a deliberate infringement or embezzlement of applicable tax rules to minimize tax liability, while tax avoidance is an unlawful tax avoidance that takes profit on occasions that exist in tax laws to reduce tax liabilities.

Duality Chief Executive Officer can be defined as the position of CEO and chairman of one person. Chief Executive Officer who has good competence will be able to give spirit and perform tasks well at the same time to subordinates. In its development in Indonesia which embraces two-tiers company system organ system board consists of 2 (two) boards namely: (1) managing board or executive board (board of directors); and (2) supervisory board or board of supervisory directors (board of commissioners) (Sutedi, 2014:155-156).

According to Sridharan (1997) cited Puspita (2013), the duality of the Chief Executive Officer will reduce the ability of the board of directors to govern as a key function of the company while acting as a shareholder and oversight mechanism in corporate governance. A company that has a duality Chief Executive Officer refers to the situation when the Chief Executive Officer of the company doubles as chairman of the board of commissioners.

2. Literature Review and Hypothesis

2.1 Effect of Executive Characteristics on Tax Avoidance

Tax avoidance undertaken by the company cannot be separated from the role of leaders/executives in making decisions. The executive must determine the number of alternative policy options and measure the magnitude of the risks that certain characteristics will encounter. Dyreng et al. (2010) state that individual decision-makers must have the certain character and play a role in tax avoidance practices.

The results of Maharani and Suardana research (2014) prove the influence of executive characteristics that are risk taker will further improve tax avoidance practices. Furthermore, the results of Swingly and Sukartha (2015) also show the positive effect of executive characteristics using cash effective tax rate (CETR) against tax avoidance.

H₁: Executive Characteristics have a positive effect on Tax Avoidance

2.2 Effect of Duality Chief Executive Officer on Tax Avoidance

The Chief Executive Officer who is also chairman of the board is able to increase shareholder value, this is due to the decision taken by the management is embedded in the same person (Kyereboah-Coleman, 2007). On the other hand, combining management functions and the leadership of the board of directors is helpful in measuring the degree of tax aggressiveness (Zemzem and Ftouhi, 2013). The results of Mansourinia et al. (2013) does not prove the effect of CEO duality on company dividend policy, it can be understood the

duality of CEO owned by the company so CEO is not fully optimal to evaluate company policy as well as in tax evasion practice.

H₂: Duality Chief Executive Officer negatively affects Tax Avoidance

3. Methodology

This type of research is a causal research that is a type of research with problem characteristic in the form of causal relationship between independent variable (affecting variable) and dependent (influenced) (Sugiyono, 2015: 62). This research method uses a quantitative approach that emphasizes theoretical testing through measurement of research variables to test the hypothesis about the influence of some independent variables (independent variable) that is executive characteristic and duality Chief Executive Officer to other variable / dependent variable that is tax avoidance practice.

The data used in this study are quantitative data in the form of annual reports and financial statements of automotive manufacturing companies and components during the year 2011-2016. The required secondary data has been published by companies listed on the Indonesia Stock Exchange (IDX) and can be accessed through the website www.idx.co.id and the company's official website.

The population used in this study are 13 automotive sub-sector manufacturing companies and components listed in Indonesia Stock Exchange in 2016. The technique of determining the sample using purposive sampling method with the following criteria:

- a) Companies listing on the IDX and submitting a full annual report during 2011-2016.
- b) The Company did not conduct mergers and acquisitions within the observation period.
- c) The company has an ETR value ranging from 0 to 1.
- d) Companies that use currency units other than rupiah (IDR) as the reporting currency will be converted using the middle rate of the Ministry of Finance's Exchange Rate.

Based on the sampling design above, there are eight companies that meet the criteria with the observation period for six years (Table 1).

Table 1 Company Name Research Sample

Date IPO	Name Issuer	Stock Code
04-Apr-1990	1. PT. Astra International, Tbk.	ASII
15-Jun-1988	2. PT. Astra Otoparts, Tbk.	AUTO
05-Sep-1990	3. PT. Indo Kordsa, Tbk.	BRAM
01-Dec-1980	4. PT. Goodyear Indonesia, Tbk.	GDYR
10-Agus-1990	5. PT. Multi Prima Sejahtera, Tbk.	LPIN
24-Jul-1991	6. PT. Nippers, Tbk.	NIPS
12-Jul-1990	7. PT. Prima Aloy Steel, Tbk.	PRAS
09-Sep-1996	8. PT. Selamat Sempurna, Tbk.	SMSM

Source: IDX Data (2017)

The method of analysis, used in this research is regression method using panel data. According to Gujarati and Porter

(2013: 240-251), panel data analysis, there are three approach methods, namely:

1) Common Effect: Pool Least Square (PLS)

The PLS method is the simplest panel data model approach because it only combines time series and cross-section data. In this model is not considered the dimensions of time and individual, so it is assumed that the behavior of corporate data is the same in various periods. This method can use the ordinary least squares approach (OLS) or least squares technique to estimate the panel data model.

2) Fixed Effect Model (FEM)

The FEM method assumes that there is a difference between intercept individuals. However, the coefficient (slope) of the independent variable remains the same between individuals or between times. This estimation method can be done with no weight or LSDV and with weighted (cross-section weight) or generalized least squares (GLS). The purpose of weighting is to reduce the heterogeneity between cross-section units. The use of this model is appropriate to see the data behavior of each variable so that the data is more dynamic in interpreting the data. FEM method can be classified into 2 (two), namely (i) one way fixed effect model; and (ii) a two-way fixed effect model.

3) Random Effect Model (REM)

The REM method will estimate panel data where interference variables may be interconnected between time and between individuals. In the random effect model, the difference between intercepts is accommodated by the error terms of each company. The advantages of using this model can eliminate heteroscedasticity. This model is also called the error component model or generalized least square technique. To determine the best model that can be used, test the selection of regression estimation techniques can be done first. Some selection of estimation techniques to determine the most appropriate technique in estimating panel data parameters, namely:

1) Chow Test (*Likelihood Ratio*)

Chow test is a test to determine the model of fixed effect or common effect is most appropriately used in estimating panel data. The hypothesis in Chow test is:

H₀: Common effect model

H_a: Fixed effect model

If the F-statistic value > F-table or probability < significance level, then H₀ is rejected or otherwise. If the selected model is fixed effect then the next test, namely Hausman test.

2) Hausman Test

Hausman test is a test to determine the fixed effect model or the most appropriate random effect model used in estimating panel data. The hypothesis in Hausman test is:

H₀: Random effect model

H_a: Fixed effect model

If the value of chi-square statistics > value of chi-square distribution table with degree-of-freedom (df) number of independent variables or chi-square probability value < α (critical value), then H₀ is rejected or otherwise.

3) Lagrange Multiplier Test (LM)

The LM test is a test to determine whether the random effect model is better than the common effect (OLS) method. This random effect significance test is based on the residual value of the common effect method developed by Breusch Pagan.

The hypothesis in Lagrange Multiplier are:

H_0 : Common effect model

H_a : Random effect model

If the LM-statistic value > the critical value of the chi-square statistic, then H_0 is rejected or otherwise.

After performing the three parameters of the data panel above, then test the coefficient of determination (R square),

simultaneous test (Test-F / ANOVA), and partial test (t-Test).

4. Results and Discussion

4.1 Descriptive statistics

Descriptive statistics provide an overview of the analysis and information on the data variables seen from the amount of data (N) of 48, a minimum value (Min), the maximum value (Max), an average value (mean), and standard deviation. The overall descriptive statistics of the variables in this study can be seen in the following table:

Table 2 Descriptive Statistics of Research Variables

Variable Penelitian	Nilai Min	Nilai Max	Mean	Standard Deviasi
Executive Characteristics (EC)	0,011600	0,163200	0,054502	0,040704
Duality Chief Executive Officer (CEO)	0	1	0,395833	0,494204
Tax Avoidance (ETR)	-0,600000	0,240300	0,052110	0,119551
Profitability (ROA)	0,028200	0,839200	0,274496	0,150066

Source: SPSS Data Processing Results 22.0 (2017)

The executive characteristic variable (EC) has a minimum value of 0.0116 and a maximum value of 0.1632, it can be seen that the characteristics of executives have a high enough difference. The average value of executive characteristics is 0.0545 with a standard deviation of 0.040704, which means that the data variation in the sample of automotive manufacturing companies and components during the period is very large (74.68% of the mean).

Duality Chief Executive Officer (CEO) has a minimum value of 0 and a maximum value of 1, with an average value of 0.3958 with a standard deviation of 0.4942, which means variations in data on samples of automotive manufacturing companies and components during the period is very large (greater than the mean value).

Variable profitabilities (ROA) operated as a control variable has a minimum value of 0.0282 and a maximum value of 0.8392, it can be seen that the value of return on assets has a high enough difference. The average value of profitability is 0.2745 with a standard deviation of 0.1501, which means that the data variation in the sample of automotive manufacturing companies and components during the period is quite large (54.68% of the mean).

Tax avoidance variable (ETR) has a minimum value of -0.60 and a maximum value of 0.2403, it can be seen that the value of effective tax rate has a high enough difference. The average value of tax avoidance is 0.0521 with a standard deviation of 0.1196, which means that the data variation in the sample of automotive manufacturing companies and components during that period is very large (larger than the mean value).

4.2 Selection of Panel Data Regression Model

Panel data regression can be done with three model approach that is pooled, fixed effect, and random effect. Panel data that

has been collected, recreated using pooled, fixed effect, and random effect model which results can be seen in each of the following tables:

Table 3: Regression results using Least Square Model Pool Panel

POOLED				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,043509	0,041547	-1,047,231	0,3007
EC	1,931,574	0,504868	3,825,898	0,0004
CEO	-0,054686	0,043283	-1,263,463	0,2131
ROA	0,043684	0,107711	0,405571	0,6870
R-squared	0,283198	Sum squared resid		0,481510
Adjusted R-squared	0,234325	Durbin-Watson stat		1,385,162

Table 4: Regression Results Using Fixed Effects Panel and Random Effect Model

FIXED EFFECT				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,038474	0,044977	-0,855421	0,3978
KE	1,700,745	0,548541	3,100,486	0,0037
CEO	-0,038573	0,048127	-0,801476	0,4280
ROA	0,047939	0,121813	0,393548	0,6962
R-squared	0,347090	Sum squared resid		0,438590
Adjusted R-squared	0,140628	Durbin-Watson stat		1,481,245
RANDOM EFFECT				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,043509	0,041547	-1,047,231	0,3007
KE	1,931,574	0,504868	3,825,898	0,0004
CEO	-0,054686	0,043283	-1,263,463	0,2131
ROA	0,043684	0,107711	0,405571	0,6870
R-squared	0,283198	Sum squared resid		0,481510
Adjusted R-squared	0,234325	Durbin-Watson stat		1,385,162

Source: Output Eviews 7.2 (2017)

Based on the results of panel data regression using the above three models, then further testing to estimate panel data parameters through the test as follows:

a. Chow Test

This test is used to determine whether panel data processing using the method of common effect or fixed effect. The summary of Chow test results can be seen in the following table:

Table 5: Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.517248	(7,37)	0.8156
Cross-section Chi-square	4.481317	7	0.723

Source: Output Eviews 7.2 (2017)

Based on the output of Eviews 7.2 in Table 5 above, the chi-square probability value of 0.7320 is greater (>) compared to 0.05, then H_0 is accepted. Thus, the selected regression model is the common effect.

b. Hausman Test

This test is used to test whether panel data is analyzed by using fixed effect or random effect model. The summary of Hausman test results can be seen in the following table:

Table 6 Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	3.274565	3	0.3512

Source: Output Eviews 7.2 (2017)

Based on the output of Eviews 7.2 in table 6 above, the Chi-Square probability value of 0.3512 is greater (>) than 0.05, then H_0 is accepted. Thus, the selected regression model is Random Effect.

c. Lagrange Multiplier Test (LM)

This test is used in conditions after the Chow test and receives H_0 to determine whether the random effect method is better than the common effect (OLS) method. The LM test is based on a chi-square distribution with a degree of freedom (df = 3) of 7.81473. The result of Lagrange Multiplier (LM) test as follows:

$$\begin{aligned}
 &= \frac{(8.6)}{2(6-1)} \times \frac{((6 \times 0.481510)^2 - 1)^2}{0.481510^2} \\
 &= 4.8 \times \frac{(1.39111 - 1)^2}{1.39111} \\
 &= 4.8 \times 0.0010 \\
 &= 0.0480
 \end{aligned}$$

Based on LM statistic calculation above, it is known that LM statistic value equal to 0,0480 smaller (<) compared with a critical value of Chi-Square statistic equal to 7,81473, then H_0 accepted. Thus, the regression model specified is the common effect model.

4.3 Hypothesis testing

4.3.1 Coefficient of Determination Test (R^2)

Table 7: Summary of Coefficient of Determination Test

R^2	Adjusted R^2	SE of the Regression
0.283198	0.234325	0.104611

Source: Output Eviews 7.2 (2017)

Based on the test results in table 7 above, obtained R^2 value of 0.283198 indicating that independent variables consisting of executive characteristics and duality CEO with profitability control variables are together able to explain variations or changes in tax avoidance of 28.32% while 71.68% is explained by other variables outside the established model or other variables not included in this study.

a. Simultaneous Hypothesis Testing (Uji-F / ANOVA)

Table 8: F-Test Summary / ANOVA

Probabilitas F-Hitung	α	Conclusion
0,001986	0,05	H_a Accepted

Source: Output Eviews 7.2 (2017)

Based on the test results in table 8 above, it can be seen that the probability value of F-count is 0.001986 smaller (<) of alpha 5% so that H_a is accepted. Thus, the executive characteristics and the duality of Chief Executive Officer simultaneously have a significant effect on tax avoidance.

b. Partial Test of Hypothesis (Uji-t)

Table 9: T-Test Summary

Alternative Hypothesis	Coefficient Value	The value of t-count	.Sig	Conclusion
Constant Value	-0,043509	-1,047231	0,3007	
H ₁ : Executive Characteristics have a positive effect on Tax Avoidance	1,961574	3,825898	0,0004	H_a Accepted, Significant Positive
H ₂ : Duality Chief Executive Officer negatively affects Tax Avoidance	-0,054686	-1,263463	0,2131	H_a Denied, Not Significant
Profitability (ROA)	0,043684	0,405571	0,6870	-

Source: Output Eviews 7.2 (2017)

The regression equation model of panel data generated from Output Eviews 7.2 in this study are:

$$\text{ETR} = -0,043509 + 1,961574\text{EC} - 0,054686\text{CEO} + 0,043684\text{ROA} + \epsilon$$

Based on the results of the regression equation analysis test above, it can be explained that the constant value for the dependent variable (tax avoidance) is equal to -0.043509 or explain that if all models in executive characteristic (EC) and CEO duality and profitability (ROA) as a control variable affecting tax avoidance variables, the average value of 4.35 percent for eight automotive sub-sector manufacturing companies and components listed on the IDX 2011-2016.

The regression coefficient value of each independent variable is described in detail below:

1) The regression coefficient for the executive characteristic variable (EC) is 1,96,1574, it can be interpreted that

every addition of 1 (one) risk corporate unit has a significant impact on the increase of effective tax rate (ETR) of 1.96 times with other variable assumption ignored and constant.

- 2) The regression coefficient for the CEO duality variable is -0.054686, it can be interpreted that every addition of one unit of duality of the CEO hence has an insignificant impact on the effective tax rate (ETR) decrease of 5.47 percent with the assumption that other variables are ignored and constant.
- 3) The regression coefficient for profitability variable (ROA) as control variable equal to 0.043684, it can be mean that every addition of 1 (one) percent return on asset hence no significant effect to decrease a value of effective tax rate (ETR) 4.37 percent with assumption other variables are ignored and constant.

4.3.2 Discussion

Based on the results of hypothesis testing summarized in table 13 above, then the discussion of the results of the hypothesis is associated with the study of literature and the results of previous studies are as follows:

1) Effect of Executive Characteristics on Tax Avoidance

The executive characteristic variable measured by percentage (%) of company risk has the value of β coefficient of 1.961574 with probability of 0.0004, this indicates that any an increase of risk of company equal to 1 unit hence will have a significant impact to decrease effective tax rate (ETR) of 1.96 times for tax avoidance practices or vice versa. The results of this hypothesis test support Maharani and Suardana research (2014); Singly and Sukartha (2015) which attest to the positive influence of executive characteristics on tax evasion practices.

The findings of this study support the agency theory which states that the leader as the agent of the company has the moral responsibility to optimize the principal's profits by having a certain executive character that is risk taker or risk averse which is reflected from the size of the company's risk (Low, 2009). In general, the practice of tax avoidance has a great risk and is very detrimental to the company. Stakeholder involvement both internal and external companies such as boards of commissioners, audit committees, external auditors, tax authorities and other independent parties also contribute to monitoring the information contained in the corporate tax return.

It is understandable that an executive will tend to use a risk-averse character to focus on decisions that do not result in the greater risk, as evidenced by the low annual risk values during 2011-2016 ranging from 1.16% - 16.32% with an average rating of only 5.45%. Thus, the higher the characteristics of the executive hence a significant impact on the reduction of tax evasion practices.

2) Effect of Duality Chief Executive Officer on Tax Avoidance

The CEO duality variable measured by classifying CEOs who have multiple positions and not having multiple positions has a value of β -coefficient of -0.054686 with a probability of 0.2131, this indicates that any addition of CEO

duality of 1 unit will have an insignificant impact to the effective tax rate (ETR) decrease of 5.47% or vice versa.

The results of this hypothesis test support the research Mansourinia et al. (2013) does not prove the effect of CEO duality on company dividend policy. The duality of the CEO can be understood as a concentration of strength that may impact a number of company policies, including tax planning activities that indirectly determine the amount of effective tax rate (ETR).

Based on the descriptive statistical analysis, 39.58% of the CEOs of the study sample companies have multiple positions, this condition can be understood that the placement of the CEO in the company is very careful, given the many parties who supervise the company, individual shareholders and institutions, Governments and Regulators who have an interest in the company so as not to dominate in decisions related to tax avoidance practices. The findings of this study do not support the stewardship theory which states that the CEO as the waiter of the organization is expected to maximize the function to account for its performance in a transparent and reasonable manner.

The results of this study can be understood that the duality of CEO owned company is not fully optimal to evaluate company policy as well as in tax avoidance practices.

The result of hypothesis testing on profitability which becomes control variable in this research has no significant effect on tax avoidance, with coefficient value of 0.043684 with probability equal to 0.6870. This shows that every addition of one unit of return on assets hence management will improve practice tax evasion by increasing the value of effective tax rate (ETR) of 4.37%.

Conclusions

Based on the results of research and discussion above, then the conclusion of this research are:

- a) Executive Characteristics have a positive effect on Tax Avoidance.
- b) The duality of the CEO has no significant effect on Tax avoidance.

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