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Governance Disclosures, Senior Management and their Influences on Tax Avoidance

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Purpose -This study aims to examine the influence of governance disclosures and senior management on tax avoidance in manufacturing industry companies listed on the Indonesia Stock Exchange (IDX). **Design/methodology/approach** – This study applies linear regression with WarpPLS 5.0, examining the secondary data of 120 manufacturing industry companies on the IDX during the period 2012-2017.
Findings - The results show that: (1) governance disclosures have a significant influence on tax avoidance and (2) senior management has a significant influence on tax avoidance.
Practical implications - This research provides input for the Government, especially the Directorate General of Taxation (DGT), to make regulations that are not subject to multi-interpretation and which thus cannot be misused by taxpayers for tax avoidance. Tax avoidance causes losses to state revenues and regulations should create preventive policy standards to resolve long-term tax evasion actions. **Originality/value** – This study applies indicators used by the tax authorities in Indonesia which are expected to help the tax authorities in ascertaining the potential of the taxpayer so that the potential for a taxpayer to conduct tax avoidance or embezzlement of taxes can be detected. Not only for Indonesia, but further afield, especially for developing countries with relatively similar characteristics to Indonesia, this study provides insights.

Key words: *Governance disclosure, senior management, tax avoidance.*

Introduction

This study aims to provide empirical evidence in Indonesia on the influence of governance disclosures and senior management on tax avoidance. This study was motivated by tax ratio and state revenues from the taxation sector which are still low. The Indonesian tax ratio for the past seven years is as presented in Table 1 below.

Table 1: Indonesian tax ratio for six years from 2012 until 2018

	2018	2017	2016	2015	2014	2013	2012
Tax ratio (%)	11.60	10.90	10.30	10.70	11.40	11.90	11.90

Source: www.kemenkeu.go.id

Indonesia's six-year tax ratio of under 12 percent was interpreted as embarrassing by Finance Minister Sri Mulyani because Indonesia's tax ratio was still lagging behind other countries. This is due, according to the Finance Minister, to an agreement that the standard of a good tax ratio necessitates it be in the range of 15 percent which has been agreed on by all members of the World Bank. The International Monetary Fund (IMF) also requires a country to carry out sustainable development if its tax ratio is at least 12.5 percent. If the tax ratio is still below that, then development will not meet expectations.

Taxes are a source of state revenue used for development of the welfare of the people. Good tax revenues can be used to support the Sustainable Development Goal's (SDG's) program that has been adopted by almost all world leaders who attended meetings at the United Nations Headquarters in New York. Good tax revenues in Indonesia can be used to pursue the SDGs and for development aimed at reducing poverty, creating wealth and also creating quality human resources. The Government of Indonesia uses its tax revenue to build infrastructure (Trans Java toll road, Trans Sumatra toll road, Probolinggo port, Labuan Bajo komodo airport, Becakayu toll road, Trans Sulawesi train, Trans Papua road, MRT / LRT) and to increase health prosperity through the Indonesian National Health Insurance System (INHIS).

According to Suandy (2016) from the public or taxpayer point of view, tax is perceived as an obligation and rational taxpayers will try to minimize their tax burden. Taxpayers will calculate their tax savings using various methods that are still within the framework of the tax regulations. This saving is known as tax avoidance. Futher, Agoes and Trisnawati (2013) state that tax avoidance is conducted so that the minimum amount of the tax burden is paid to obtain the expected profit and liquidity. Tax avoidance is also contained in the company's financial statements so that tax avoidance is a problem in accounting as well.

Firms, as a rational and economical taxpayer, tend to pursue tax avoidance to reduce their tax burden (Chen, et al; 2010). Various tax avoidance methods are used legally and are not contrary to the taxation provisions. One example in Indonesia involves the Asian Agri Group (AAG) who began their effort to conduct tax management through tax avoidance. However, the tax avoidance conducted by AAG was alleged to have contradicted the taxation regulations resulting in an indication of tax evasion.

Tax avoidance cases that allegedly lead to tax evasion can be reduced through transparency, a basic principle in corporate governance. Corporate governance is the oversight function of the board of commissioners, assisted by the audit committee, to help minimize any tax avoidance by the opportunistic attitude of management to reduce the amount of taxes paid by a company (Chyz & White, 2014 and Lin & Zeng, 2017).

Corporate governance can reduce the problem of information asymmetry (Chyz & White, 2014 and Lin & Zeng, 2017). This information asymmetry arises due to management's opportunistic attitude in deciding the amount of tax deductions through tax avoidance techniques. The higher the information asymmetry, the higher the tax avoidance (Chen, et al., 2010). The management's opportunistic attitude can also be mitigated by good oversight of corporate governance so that the level of transparency in the firms increases (Moore, 2006; Machold, et al. 2008; Desai & Dharmapala, 2007; Dominguez, et al. 2009; Armstrong et al. 2014). Corporate governance is expected to minimize the perception difference between the taxpayers and the tax authority so that tax dispute cases in the Tax Courts will decrease and the amount of state revenue from the tax sector will increase.

Studies on the influence of corporate governance on tax avoidance are varied. Armstrong, et al. (2014); Wahab, et al. (2017) and Mgammal, et al (2017) showed that corporate governance has not been able to reduce tax avoidance, as corporate governance is only used to protect the interests of the shareholders through the opportunistic attitude of the management without regard to the public's interest as stakeholders. However, Martinez & Lessa (2014) and Richardson, et al. (2016) showed that corporate governance plays an important role in reducing tax avoidance aggressiveness. The differences in previous research results and also differences in thinking about corporate governance related to tax avoidance, resulted in this research being conducted to obtain empirical evidence regarding the role of corporate governance to reduce information asymmetry and limit the opportunistic attitude of management related to taxation.

The senior management of the company has a very important role in decision-making. This statement was supported by a study conducted by Dyreng, et.al, (2010) which showed that senior management play an important role in determining the level of tax avoidance. Evertson (2016) also pointed out that the board of directors is an actor in tax evasion. Senior management shapes the form of behaviour by the corporate leaders in the decision making of the company's tax avoidance. The opportunistic attitude by senior management in tax avoidance depends on the behavioural attitude of each individual in taking risks. The corporate leaders' attitude has two characteristics, either as a risk taker or as averse to risk. In this research whether tax avoidance decisions affect the amount of tax to be paid by the company is the focus (Paligorova, 2010).

Prior study results regardubg the role of senior management on tax aggressiveness and tax avoidance, such as Desai & Dharmapala (2006); Rego & Wilson (2009); Armstrong, et al. (2011); Gaertner (2011), and Graham, et al. (2011) indicated that the compensation received by senior management bore a relationship with lower tax payments. However, the above studies did not explain the boldness of senior management when making tax avoidance decisions based on risk, so this research is expected to contribute to decision-making in this context, in Indonesia. In Indonesia, corporate governance (GCG) related to tax avoidance is a mandatory requirement from the IMF, as one of Indonesia's creditors, requiring companies in Indonesia to apply GCG principles. The Financial Services Authority (FAS) has also issued specific regulations regarding the implementation of GCG in publically listed limited liability companies. In addition, the role of corporate governance is also regulated in Law number 40 of 2007 concerning Limited Liability Companies.

In the context of taxation, the Indonesian government has also issued a regulation for publically listed limited liability companies such that at least 40% of their total paid-up shares traded on the IDX must be owned by at least 300 parties and each party individually may only own less than 5% of the total issued and fully paid shares and can thus receive a 5% lower income tax rate (PP number 56 on 2015). This tariff reduction facility was introduced for publically listed companies who had implemented GCG with the expectation that it would reduce tax information asymmetry in the case of tax audits by the tax authorities and increase both State revenue from tax and taxpayer compliance and the Indonesian tax ratio (Lin & Zheng, 2017).

Increasing taxpayer compliance and the tax ratio is an identified need for the Indonesian people under the government of President Joko Widodo and part of the plan for Indonesia to become a sovereign, independent and cultured nation. The government of President Joko Widodo launched the Nawa Cita program to prioritize the path of change towards a politically and independently sovereign Indonesia in the field of economic and cultural personality (kemendag.go.id). The One Government Nawa Cita program was enacted in 2017 through the Republic of Indonesia Law No 1 concerning access to financial information for taxation purposes. This was then included in the Government Law No 9 in 2017 which also related to access to financial information for taxation purposes.

This study used ten tax avoidance measures developed by two parties, namely the taxpayers (effective tax rate / ETR) and the tax authorities in Indonesia in exploring the potential of taxpayers (Benchmark Behavioral Model / BBM). This study provided an appropriate measurement of tax avoidance indicators in Indonesia for both parties namely taxpayers and tax authorities. The results of this study will provide a snapshot of Indonesian taxpayers that could be used by the tax authorities to improve compliance with taxpayer awareness to pay taxes. The findings are expected to support tax authorities to develop better regulation for increased tax ratio by implementing the Inklusi Kesadaran Pajak program. Tax receipts and compliance were measured by the tax ratio. Indonesia's tax ratio was still the lowest among neighbouring countries as compared with the Philippines, Singapore, Malaysia and Thailand respectively and presented in Table 2 below.

Table 2: South East Asia tax ratio for seven years from 2012 until 2018 (in %)

	2018	2017	2016	2015	2014	2013	2012
Thailand		17.00	15.51	15.70			17.07
Malaysia	15.00	14.40	13.77	13.80			15.31
Singapore	13.60	14.29	13.71	14.30			13.79
Philippines	14.60	13.67	13.68	13.70			12.35
Indonesia	11.60	10.90	10.30	10.70	11.40	11.90	11.90

Source: processed by researcher

Based on these results, this research intends to examine the influence of governance disclosure and senior management on tax avoidance. The purpose of this study is to obtain empirical evidence that governance disclosure and senior management actions have an influence on tax avoidance in Indonesia. This research will be useful to increase knowledge and insight about governance disclosure, senior management and tax avoidance so that it can be used as input for the Indonesian Government, especially DGT, to increase State income through taxation, to raise Indonesia's tax ratio and as an input for other countries, especially emerging developing countries.

Literature review

This research applies the behavioural theory in accounting, as the financial statements that must be attached to the Tax Return report, summarizes the economic events resulting from management behaviour when determining its performance, both internally and externally (Binberg and Shields, 1989).

Based on the description above, this research uses the contemporary theory of motivation through the attribution theory and agency theory as described below.

Attribution Theory

This attribution theory, developed by Heider (1958), is used to describe the character of senior management as an independent variable and argues that one's behaviour is determined by a combination of internal forces and external forces. In this study, attribution theory is related to the attitude of the audit committee and senior management in making an assessment of the definition of tax itself, which is an internal factor of a person, while the contract between the owner with the management (incentives / bonus) and the ethical climate in the company and socialization of the professional ethics are the external factors that will influence the persons making decisions to save the amount of taxes to be paid in their tax avoidance efforts. Audit committees and senior management who have an understanding of tax and a commitment to high professional ethics and companies with an ethical climate in the workplace, will have a lower risk for examination related to tax avoidance let alone tax evasion.

Agency Theory

Jensen & Meckling (1976) in presenting agency theory used it to explain the effect of governance disclosure on tax avoidance. According to this theory, the contract between the principal to delegate authority to the agent to make decisions in running the company, includes decision making for tax avoidance. Agency theory assumes that each party, both agents and principals, think rationally and are solely motivated by their welfare and self-interest so other interests must be sacrificed, i.e. stakeholders by making tax savings.

The Influence of Governance Disclosures on Tax avoidance

Tax avoidance is an act by a taxpayer to reduce the amount of tax payable by not violating existing taxation regulations, without changing profits generated by the taxpayer (Hutagaol, 2007; Badertscher, et al. 2012; Lietz, 2013). Corporate governance is a form of supervisory function that provides solutions to the problem of information asymmetry between agent and principal (shareholders) in terms of taxation (Moore, 2006; Machold, et al. 2008; Desai & Dharmapala, 2007; Dominguez, et al. 2009; Amstrong, et al., 2014; Sari, et al., 2017).

Large companies usually conduct corporate governance. This indicates that companies that conduct corporate governance are less likely to engage in risk-averse tax avoidance (Noor, et. al.2010; James & Igbeng, 2014). Governance disclosure is expected to recognize tax avoidance practices that could bring about an audit by the tax authorities and lead to a decrease in corporate image in the public eyes (Daniri, 2005) as has happened to companies that have had tax dispute cases which played out in the Tax Courts. From the above description it can be concluded that corporate governance can minimize tax avoidance and the risk of inspection by the tax authorities. Based on the above conclusions, the hypothesis proposed is as follows:

H1: Governance disclosure has an influence on tax avoidance.

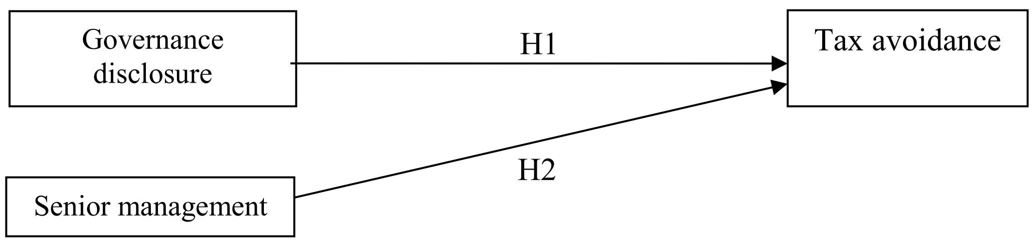
The Influence of Senior Management on Tax avoidance

Tax avoidance is conducted by the company's management to reduce the amount of tax the company pays (Hoffman, 1961). Senior management has a very important role in the company when deciding tax avoidance levels. These decisions are based on the character of senior management and are a form of company leadership behaviour based on risk. Unlike risk taker management, risk averse management will choose a lower risk (Low, 2006). If the senior management character is that of a risk taker, the tax avoidance rate will be higher (Desai & Dharmapala, 2006; Dyreng, et al. 2010; Minnick & Noga, 2010; Paligorova, 2010), as they have a greater desire to improve their own and/or the owner's welfare. Companies are also more willing to allocate compensation payments to management (Desai & Dharmapala, 2006; Chen & Chu, 2005; Crocker & Slemrod, 2005; Shafer & Simmons, 2008; Rego & Wilson, 2009; Armstrong, et al. 2011; Gaertner, 2011; Graham, et al., 2011; Jalan, et al., 2013; James & Igbeng, 2014; Evertsson, 2016; Novita, 2016; Chee, et al., 2017; Hoseini, et al., 2019). Higher compensation to management leads to higher tax savings. This is evidenced by the many tax cases in the Tax Courts. From the above description it can be concluded that senior management has a great desire to improve their own personal and/or the owner's welfare by making tax savings. Moreover, companies are also more willing to allocate compensation to management or dividends to shareholders. High compensation to management will lead to higher tax savings. Based on the above conclusions, a second hypothesis is proposed:

H2: Senior management has an influence on tax avoidance.

The influence of governance disclosure and senior management on tax avoidance is described in the framework described in Figure 2 below:

Figure 2.1. Research framework



Research methodology

The population for this study includes 165 manufacturing industry companies listed on the Indonesia Stock Exchange (IDX) divided into three sectors (1) Basic and chemical industry sectors consisting of 8 sub-sectors, (2) Various industrial sectors consisting of 6 sub-sectors, and (3) Consumer goods industry sector consisting of 5 sub-sectors. The study was conducted in 2012-2017 because the professional accounting organization, IAI (Indonesian Institute of Accountants) determined that financial accounting standards were based on International Financial Reporting Standards (IFRS) which came into effect in 2012 as a whole (IAI, 2012). The sampling method in this research is purposive with the proviso that state-owned companies tend to avoid tax avoidance, in accordance with the statement of State Minister of State-Owned Enterprise (SOE) at that time, Sofyan Djalil (tempo.co, 2009).

Variables used in this study are the governance disclosure (GD) and senior management (SM) as an independent variables and tax avoidance (TaxAv) as a dependent variable.

Governance disclosure (GD)	Content analysis from the ASEAN corporate governance scorecard A-E section, by assigning scores (Abadi & Gunawan, 2014) as follows.		
	Score 0	=	if there is no governance disclosure
	Score 1	=	if the governance disclosure in diagrams (figures, tables, charts) shows one word up to one sentence.
	Score 2	=	if the governance disclosure contains a minimum of two sentences of up to one paragraph
	Score 3	=	if the governance disclosure contains two to three paragraphs
	Score 4	=	if the governance disclosure contains four to five paragraph
	Score 5	=	if the governance disclosure contains more than five paragraphs
Senior management (SM)	the level of risk (Paligorova, 2010) using the standard deviation of EBITDA divided by total assets.		
Tax avoidance (TaxAv)	Current ETR Hanlon dan Heitzman, 2010		Current tax expense divided by profit before tax
	GAAP ETR Liestz, 2013		Total tax expense divided by profit before tax
	Cash ETR Liestz, 2013		Tax paid from cash flow statement divided by profit before tax

Tax ETR Hanlon dan Heitzman, 2010	Income tax payable (PPh 29) divided by profit before tax
GPM SE-96/PJ/2009	Gross profit divided by sales
OPM SE-96/PJ/2009	Operating profit divided by sales
PPM SE-96/PJ/2009	Profit before tax divided by sales
CCTOR SE-96/PJ/2009	Income tax payable (PPh 29) divided by sales
NPM SE-96/PJ/2009	Net profit divided by sales
DPR SE-96/PJ/2009	Cash dividend divided by net profit

The model used in this research is as follows:
$TaxAv_{it} = \beta_0 + \beta_1 GD_{it} + \beta_2 SM_{it} + \varepsilon_{it}$
The collected data was processed and analyzed using SPSS 20.0 and WarpPLS 5.0 programs.

Results and Discussion

The total sample is the same as the total population of 165 industrial companies listed on IDX. However, only 120 companies were sampled in this study. 45 companies were excluded from the sample as 5 were state-owned companies, 8 companies had been delisted, 2 companies had been relisted, 1 company had merged, 2 companies had no financial reports and the remaining 27 companies had conducted an IPO in the period 2012-2017. The observation period was for 6 years, with a total of 720 observations.

Results

Descriptive Statistics were performed with SPSS 20. There were 10 tax avoidance dependent variables: ETR (current ETR, GAAP ETR, cash ETR, tax ETR) and BBM (GPM, OPM, PPM, CCTOR, NPM and DPR). The descriptive statistics for secondary data are presented in Table 4.1 below.

Table 4.1: Descriptive Statistics results for independent and dependent variables

Variable	Minimum	Maximum	Mean	Std. Deviation
Governance disclosure (x1)	3.5000	33.5400	19.2540	6.6278
Senior management (x2)	0.0000	1.1900	0.0731	0.1262
tax avoidance (y):				
current ETR	-3.7100	6.1500	0.1966	0.3956
GAAP ETR	-4.3300	6.6000	0.2441	0.5429
cash ETR	-22.6000	37.0600	0.4717	2.6065
tax ETR	-81.2100	41.4600	-0.2367	4.0494
GPM	-2.4200	4.6900	0.1879	0.3112
OPM	-4.4100	2.5400	0.0481	0.3563
PPM	-9.4400	1.7500	0.0041	0.6055
CCTOR	-8.4500	0.0030	-0.0195	0.3519
NPM	-9.4000	6.3800	0.0113	0.5847
DPR	-4.4400	11.2300	0.2110	0.6538

Source: Data processed by SPSS 20

Table 4.1 shows that the average value of governance disclosure is 19.25% indicating the number of sample companies disclosing corporate governance in their annual report. Governance disclosure in the annual reports ranged from a minimum of 3.50 to 33.54. The average value for senior management was 0.0731 indicating that senior management tends to be risk averse as the result is close to 0. There was a senior management classified as a high risk taker with a value of 1.19.

Variable tax avoidance in this research used 10 indicators. All the minimum values of the tax avoidance variable ratio indicated that there were companies seeking tax avoidance strategies as indicated by taxpayer risk by the tax authorities, while the maximum value indicated that the companies were likely to conduct small tax risk aversion strategies. The average value of the tax avoidance variable with the ETR and CCTOR tax sizes was negative which means that the average sample companies are in a more overpaid condition (income tax article 28a). This was due to the size of tax ETR and CCTOR using tax payable (income tax article 29) in calculating the amount of tax avoidance. The occurrence of overpayment was due to larger tax credits such as tax deductions made by third parties or due to excess tax instalments (income tax article 25) or due to the recognition of income tax article 28a made in previous years.

The standard deviation column shows the distribution value of each variable. The distribution of variable values are said to vary if the standard deviation goes above 0.000. The governance disclosure variable has a very high value of to 6.6278, followed by variable tax avoidance with tax ETR and cash ETR with a value of 4.0494 and 2.6065 respectively. This means that the governance disclosure variable varies widely followed by tax avoidance tax variables ETR and cash ETR. Conversely, if the standard deviation is closer to 0.000 this means the variable data is increasingly not varied or homogeneous, as in the variable for senior management and tax aggressiveness of 0.1262 and 0.1483 respectively.

An outer model test was performed for 10 tax avoidance sizes with a value of 0.5 for the dimensions to be measured so that tax ETR, CCTOR, current ETR, ETR GATR, cash ETR, and DPR have values below 0.5 should be removed. After these six sizes were deleted, the remaining four sizes are shown in Table 4.2 below with the following values.

Table 4.2: Results of combined loadings and cross-loading

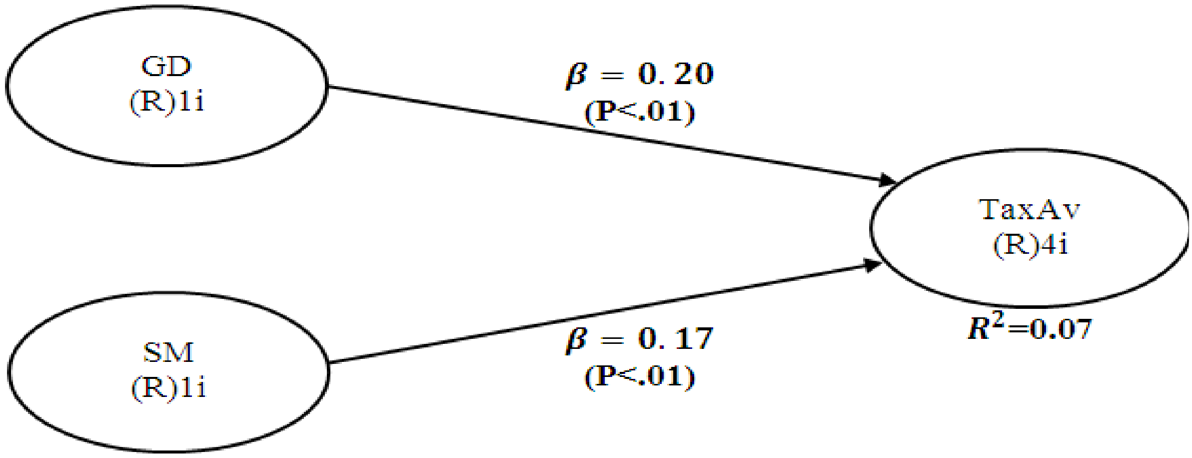
		P-values
GD		< 0.001
Characters		< 0.001
GPM	0.750	< 0.001
OPM	0.925	< 0.001
PPM	0.848	< 0.001
NPM	0.800	< 0.001

Source: Data processed by WarpPLS 5.0

Outer model results from AVE, composite reliability and Cronbach's Alpha for tax avoidance variables were 0.694; 0.900 and 0.851. In this research, it was found that the tax avoidance measure used was a measure of the ratio set in SE-40/PJ/2012 on the benchmark behavioural model (BBM), while the size for ETR was removed as it was less suitable for this study. The results of this study provided a picture that the BBM size was suitable for the size of tax avoidance companies listed on the IDX.

An inner model test was performed by looking at the R-square value, which is a goodness-fit-model test for the governance disclosure and senior management influence model for tax avoidance, that is ARS value equal to 0.068 with P equal to 0.023 and AARS equal to 0.065 with P equal to 0.027; which means that the adjusted value of R2 of 0.065 indicates the tax avoidance variable of only 6.5% can be explained by the variance of governance disclosure and character of senior management, see Figure 4.1 below.

Figure 4.1. The influence of governance disclosure and senior management on tax avoidance



Discussions
The Influence of Governance Disclosure on Tax avoidance

Figure 4.1 explains that there is a direct influence of governance disclosure against tax avoidance of 0200 because it has a 99% confidence level that can be seen at p value <0.001. The H1 test result also has a t-statistic value of <0.001 less than 1%, so H1 successfully rejects H0 meaning there is an influence of independent variable to dependent variable (Gujarati, et al. 2011). The H1 test results have a more transparent governance disclosure, with the more reluctance to engage in tax avoidance for the company, the greater number of governance disclosure variables and the greater ratio of the tax avoidance variable.

Based on the results of the above research it can be concluded that the research hypothesis is successfully supported by the data or it can be said that H1 was accepted. The results of this study support Desai & Dharmapala, 2006; Noor, et al. 2010; Aliani & Zarai, 2012; Martinez & Lessa, 2014. The study results show that the role of governance is proven to reduce the issue of agency between shareholders and management. Information asymmetry can be reduced by increasingly transparent governance disclosure so that the interests of the State as stakeholders are also accommodated (Jensen & Meckling, 1976). The existence of governance is also proven to reduce information asymmetry between companies as taxpayers with tax authorities (Moore, 2006; Desai & Dharmapala, 2007; Machold, et al. 2008; Dominguez, et al. 2009; Armstrong, et al., 2014; Tandean & Winnie, 2016).

The results of this study also support assumptions about the level of tax compliance by companies listed on the IDX, enabling the Indonesian government to enact taxation regulations whereby the government issued a regulation on the reduction of 5% tax rate for domestic publically listed limited liability company taxpayers (PP No. 56 of 2015). Higher government trust in limited liability companies, deemed compliant in carrying out their tax obligations, in accordance with applicable tax regulations, encourages more openly compliant companies in carrying out their tax obligations in accordance with applicable tax regulations (Suryadi, 2016). For the sample companies in Indonesia shown in Table 4.1, the average value of the five tax avoidance measures (GPM, OPM, PPM, and NPM) in the descriptive statistics reached 0.1879; 0.0481; 0.0041; and 0.0113 respectively. These figures show that most companies still conduct tax avoidance. However, the tax avoidance conducted does not have the risk of a tax audit by the tax authorities as it is still below 0.5.

From the statistics description results it can be concluded that the governance disclosure in the company reports show the existence of corporate governance and has provided solutions in the field of taxation for the problem of information asymmetry that occurs between the company as a taxpayer and the tax authorities (Moore, 2006; Desai & Dharmapala, 2007; Machold, et al. 2008; Dominguez, et al. 2009; Armstrong, et al., 2014; James & Igbeng, 2014). The existence and role of corporate governance increases the trust level of the tax officers in the quality of the financial reports.

The Influence of Senior Management on Tax avoidance

Figure 4.1 shows that there is an influence by senior management on tax avoidance of -0.169 with 99% confidence level seen in the p value <0.001. The H2 test results also have a t-statistic value <0.001, smaller than 1%, so H2 successfully rejects H0 meaning there is the influence of independent variables to the dependent variable (Gujarati, et al. 2011). The H2 test results mean that the senior management is risk averse, the tax avoidance can be seen by the smaller variable number for senior management than the larger ratio of the tax avoidance variable.

Based on the results it can be concluded that the research hypothesis successfully supported the data or it can be said that H2 was accepted. The results of this study proved the Hoffman theory (1961) that tax planning is conducted by management to save the amount of tax paid by the company. The results of this study also showed that senior management participates in tax avoidance decision making (Low, 2006; Dyreng, et al, 2010; Chyz and White, 2014; Evertsson, 2016; Novita, 2016; Hoseini, et al. 2019).

Companies as taxpayers are not willing to pay taxes to the State and this is seen as a form of welfare transfer from the private sector to the public sector (Musgrave, 1959) or the transfer of wealth from the rich to the poor according to Plato and Joseph Stiglitz the winner of the 2001 Nobel Prize in economics and as such taxes are seen as a burden to the company. Taxes are also seen as not contributing directly to the company (Waluyo, 2011) so the company will always look for ways to save taxes payable to the State by implementing tax saving strategies. These tax payment savings are made by the company's senior management as the head and executor of the company (Hoffman, 1961). Tax avoidance by the company begins with the senior management as the decision maker of the company, as well as the parties authorized to manage the company by the owner.

Tax avoidance by the management actually only shifts the expenditure. The savings on paying taxes are allocated as compensation for senior management and are aligned with the risk of inspection by the tax authorities that may occur (Gaertner, 2011). The decisions of senior management on tax avoidance are driven by the desire to improve their own and/or the shareholders' welfare (Desai & Dharmapala, 2006; Dyreng, et al. 2010; Minnick & Noga, 2010; Paligorova, 2010; James & Igbeng, 2014). Companies are also more willing to allocate compensation payments to management (Desai & Dharmapala, 2006; Chen & Chu, 2005; Crocker & Slemrod, 2005; Shafer & Simmons, 2008; Rego & Wilson, 2009; Armstrong, et al. 2011 Gaertner, 2011, Graham, et al. 2011; Jalan, et al., 2013; Chee, et al., 2017) rather than pay taxes. Higher compensation for management will lead to higher tax savings.

Conclusion and Recommendations

The result of the research for H1 is that governance disclosure has a significant influence on tax avoidance. This research in Indonesia has proved that governance disclosure can reduce agency issues between stakeholders and management (Desai & Dharmapala, 2006; Noor, et al. 2010; Aliani & Zarai, 2012; Martinez & Lessa, 2014). From the study results, H2 investigation reveals that senior management has a significant influence on tax avoidance. This research, using samples in Indonesia, has proven that senior management participates in tax avoidance decision making (Low, 2006; Dyreng, et al, 2010; Chyz and White, 2014; Hoseini, et al. 2019).

Implications, Limitations and Future Study

The results of this study on governance disclosure are expected to provide suggestions for improvements to the governance oversight function in the taxation obligations in the ASEAN corporate governance scorecards related to the interests of the State as stakeholders (Blanthome, et al., 2014). The results of this study about senior management proved the influence on tax avoidance and these results are expected to provide input to senior management when leading their company to maintain their tax reputation in the interests of company continuity and stability.

The results of this study on tax avoidance are expected to give input to the Government, especially DGT, to create regulations that are not open to multi-interpretation and are designed to avoid misuse by the taxpayers for tax avoidance that will potentially create loss to state revenue. The study results are expected to provide input to FSA in protecting the interests of investors by determining the future policy direction, namely by paying attention to the company's tax reputation, whereby the tax reputation is used to determine the continuity and stability of the company in running its business. The results of this study are expected to provide input to investors so they become more cautious when buying stocks and look at the company's tax reputation and their adherence to carrying out their tax obligations.

This research still has some weaknesses as it only used six measures of tax avoidance variables in BBM whereas in SE-96/PJ/2009 there were 10 established measures. The governance disclosure variables using content analysis indicators could add a coder for more than two people so that the subjectivity element is minimized and this is a recognized study limitation.

Suggestions for future research are (1) the research period be divided between the period before tax amnesty (2014 and 2015) and the period after tax amnesty (2017 and 2018) so that the results of research on tax avoidance in Indonesia will be more detailed, (2) use 10 measures in the BBM for tax avoidance variables, (3) senior management can be measured through gender as in the study of Novita (2016) and Hoseini et al. (2019).

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