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Corporate Social Responsibility Disclosure, Environmental Performance, and Tax Aggressiveness

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ABSTRACT

This study aims to examine the influence of the corporate taxpayers' level of CSR disclosure and environmental performance on the level of tax aggressiveness. This study took a sample of non-financial companies listed on the Indonesian Stock Exchange during 2009-2012. This study shows that the corporate taxpayers' level of CSR disclosure has significant negative effect towards the tax aggressiveness. It means the higher the level of the CSR disclosure, the lower the company's tax aggressiveness. This study also proves that good environmental performance will strengthen the negative effect of CSR disclosure on tax aggressiveness. The assessment of environmental performance is conducted by the Ministry of Environment as independent party. It means that the higher the score of company's environmental performance, the higher the commitment to pay taxes. This study supports the view that more socially responsible corporations are likely to be less tax aggressive.

SARI PATI

Penelitian ini bertujuan untuk meneliti pengaruh tingkat pengungkapan CSR perusahaan dan kinerja lingkungan terhadap tingkat penghindaran pajak. Penelitian ini menggunakan sampel perusahaan non keuangan yang terdaftar pada BEI selama tahun 2009-2012. Penelitian ini menunjukkan bahwa tingkat pengungkapan CSR perusahaan berpengaruh negatif terhadap penghindaran pajak. Penelitian ini juga membuktikan bahwa kinerja lingkungan yang bagus akan memperkuat pengaruh negatif tingkat pengungkapan CSR perusahaan terhadap penghindaran pajak. Penilaian atas kinerja lingkungan dilakukan oleh kementrian lingkungan sebagai pihak yang independen. Dengan demikian semakin tinggi skor kinerja lingkungan perusahaan maka semakin tinggi komitmen perusahaan untuk membayar pajak. Penelitian ini mendukung pandangan bahwa perusahaan yang memiliki tanggung jawab sosial yang lebih tinggi akan cenderung lebih sedikit melakukan penghindaran pajak.

INTRODUCTION

Corporate Social Responsibility (CSR) is a concept that started growing since the 1950s. Howard Bowen, American economists in 1953 stated that a businessman should have the responsibility to promote hope, purpose and values in society (Hartanti 2006).

Some views relate the concept of CSR and corporate taxes because CSR is corporate expenditure for the benefit of stakeholders and taxes paid by the company is also the expenses paid to the government for the benefit of society. Because of similar purpose of this expenditure, Avi-Yonah (2008) stated that the determination of corporate tax policy is influenced by the company's perspective on corporate responsibility to the community in the form of CSR.

The relation between corporate's perspective on CSR and corporate's policies on taxes generate some research linking CSR and tax avoidance (Huseynov and Klamm, 2012; Sikka 2010; Hasseldine and Morris 2012), CSR and tax aggressiveness (Lanis and Richardson 2012) and company's taxes motivation in CSR (Carrol and Joulfaian 2005). These studies resulted in mixed findings. Huseynov and Klamm (2012) found that companies that have good relationship with community tend to not doing tax avoidance, while companies that do not have a good relationship with the community tend to do tax avoidance.

Sikka (2010) found that a company with good CSR turned out tax evasion. However, study conducted by Lanis and Richardson (2012) on CSR disclosure stated that a company with good disclosure will have low level of tax aggressiveness. Lanis and Richardson (2012) stated that the term aggressiveness of tax, tax avoidance and tax management has the same meaning. From the findings above, there is a consensus that company's policies on CSR affect the amount of taxes paid by the company. However, the results still inconclusive , whether company's CSR policy has positive or negative effect on the payment of corporate taxes.

In Indonesia, there were pros and cons whether companies should be required to engage in CSR activities. The pros and cons arose when the government issued Act No. 40 of 2007 on Limited Liability Company that requires company conduct its business activities in areas related to natural resources to implement social and environmental responsibility. The opponents argue that the company already pays taxes and the tax is spending for the benefit of society. Additional cost of engaging in CSR will become the company's expense and reduce the competitiveness of companies (Djimanto 2007). But in the end the government issued Act No. 36 of 2008 which states that expense on CSR activities can be deducted from taxable income. The act states that the amount of taxable income for domestic taxpayers is determined based on gross income less costs to acquire, collect, and maintain income, including the cost of CSR such as donations to the national disaster, donations for the research and development carried out in Indonesia, the cost of construction of social infrastructure, donations for educational facilities, and donations for developing sport activities. Further explanation about CSR expenses that can be deducted from gross income is regulated in Government Regulation No. 93 in 2010.

However, although at first there are pros and cons, CSR development in Indonesia is increasing. As an illustration, a company that publishes sustainability reporting reports increased by 100% over the 6 years from 2005 to 2011 (ISRA 2011). The Government through the Ministry of Environment also increases the supervision of the company which has impact on the environment using tool which is called the Environmental Performance Rating in Environmental Management (acronym in Indonesia is PROPER).

From 2009 to 2011 PROPER participants increased 45% from 690 to 995 companies. The degree of compliance of PROPER participants in 2011 had reached 66% means that 66% of companies already meet the criteria of compliance (PROPER Report 2011). The lack of research in Indonesia that investigate the influence of disclosure of CSR performance and score of environmental performance on the level of corporate tax aggressiveness raises motivation to examine how the influence of the level of CSR disclosure and environmental performance of companies on the level of tax aggressiveness.

LITERATURE REVIEW

Corporate Social Responsibility

Various parties explain their views on CSR. Elkington (2007) proposed the concept of the triple bottom line (people, profit, planet). Holme and Watts (2006) stated that CSR is the commitment of business to act ethically, contribute to economic development, and improve the quality of life of workers, local communities and society.

One of the most influential literatures in CSR is written by Carroll (1979) and refined in 1991 that proposed the CSR pyramid which consist of economic, legal, ethical and philanthropic. The meaning of the pyramid is a company that engage in CSR will work to generate profit, obey the law, behave ethically and be good company.

According to Avi-Yonah (2008) and Schon (2008), a company is a real-world entity that must survive in a competitive business environment and should be associated with many entities and individuals. A company will develop policies, strategies and operations that are not merely centered on shareholder welfare but also for stakeholders (government, politicians, trading communities, employees, suppliers and customers) and public community. Porter and Kramer (2006) stated that the company that has high social responsibility will have good image, strong brand and increasing in the value of company.

It can be concluded that CSR not only includes the responsibility to stakeholders and public, but also the implementation of good business ethics by the company. In Indonesia, various studies have linked CSR with a variety of variables, such as financial performance (Wijayanti and Prabowo 2011) and earnings respond coefficient (Sayekti and Wondabio 2007).

Tax Aggressiveness

Lanis and Richardson (2012) stated that the aggressiveness of the tax, tax evasion and tax management is a term that refers to the same meaning. Frank *et al* . (2009) defines tax aggressiveness as management efforts to reduce taxable income through tax planning activities via legal, illegal, and in between (gray area).

Hanlon and Hetzman (2010) defines tax evasion as a tax reduction and highlight the broad scope of tax evasion, the tax management, tax planning, tax aggressiveness, tax evasion and tax sheltering. Additionally, Hanlon and Hetzman stated that positive book-tax difference (BTD) and lower effective tax rate reflects the tax evasion behavior. On the one hand, the tax is an expense and the company is trying to do the management of tax or tax planning to reduce costs, increase profitability and shareholder value. On the other hand, companies involved in the tax shelter or tax evasion and make decisions based solely on the desire to reduce tax referred to as a company that does not have a social responsibility (Schon 2008). One way to do a tax management is to use the services of a tax consultant. Research Mills (1998) showed that companies that use the services of consultants have a low effective tax rate.

CSR and Tax Regulation in Indonesia

Government has started to set deductible Corporate Social Responsibility (CSR) expenses from company's income by issuing PP (Government Regulation) No. 93 Year 2010. Forms of CSR expenditures which are tax deductible expenses are as follows:

a. Donation for national disaster management,

b. Donation for research and development.
c. Donation for educational facility, which is a donation of educational facilities which are distributed through educational institutions;
d. Donations in order to develop the sport.
e. Cost of social infrastructure development which are costs incurred for the purpose of developing infrastructure for public and non-profit interests.

CSR expenditure in form of donation and/or any expenses as mentioned above could be deducted from gross income with some requirements. The amount of donation and/or social infrastructure development expenses that could be deducted from gross income as referred to Article 1 for 1 (one) year are restricted to not exceed 5% of previous Tax Year's fiscal net income.

Program of Firm's Performance Rating in Environmental Management

Since 1995, the Ministry of Environment has carried through Program of Firm's Performance Rating in Environmental Management *(Program Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan*/PROPER) as an effort to monitor environmental performance executed by companies. PROPER's criteria consist of two parts i.e. criteria of compliance rating and criteria of Beyond Compliance Rating (PERMENLH/ Minister of Environment Regulation No. 5 Year 2011). For compliance rating, aspects assessed are compliance to: 1) requirement of environment document and its reporting, 2) control of water pollution, 3) control of air pollution, 4) regulation of waste management, and 5) likelihood of land damage.

Beyond compliance rating is more dynamic as adjustable to technology development, best practice of environment management application and global environment issues, consists of: 1) assessment of environment management system, 2) assessment of resource utilization and 3) assessment of society utilization.

CSR and Tax Aggressiveness

Avi-Yonah (2008) claimed three firm's points of view to CSR affecting corporate tax policy. Such points of view are the artificial entity view, the real entity view and the aggregate view. The artificial entity view sees firm owing its country so that being involved in CSR is its mission and paying tax is one of the ways to fulfill its CSR obligation. The real entity view sees firm having rights and obligations as if society so that firm is suggested to exercise CSR. For tax payment, firm tends to obey the duty to pay and is not involved in overly aggressive tax management. The aggregate or nexus of contract view sees CSR as prohibited activities since it would direct managers to become irresponsible to their shareholders that have selected them. In this view, firm tries to maximize shareholders' profit by lessening corporate tax to the minimum level. Avi-Yonah (2008) declared that, given any views held by firms, they are not expected to have strategic tax behavior merely designed for tax reduction. It is because aggressive tax behavior would cause country to experience revenue slump that further influence the construction of public facilities. Avi-Yonah (2008) ascertained that firm's decision about the extent of tax reduction would be affected by firm's attitude towards CSR.

Due to tight connection between firm's view of CSR and corporate tax policy, some researchers relate CSR and tax avoidance. Huseynov and Klamm (2012) found that firms having good public relationship tend to not make any tax avoidance, otherwise the ones who don't tend to make some. Lanis and Richardson (2012) found that CSR disclosure is negatively associated with corporate tax aggressiveness. From literatures above, hypothesis that could be developed is as below:

H1: Disclosure level of firm's Corporate Social Responsibility negatively influences corporate tax aggressiveness.

Since 1995, the Ministry of Environment has evaluated firms' environmental performance in Indonesia. Some researchers investigate the association between environmental performance and the level of CSR disclosure. Suratno (2006) stated that there is positive relationship between firm's PROPER rating and its CSR disclosure. Al Tuwajiri and Sulaiman (2003) stated that there is positive relationship between firm's environmental performance rating and its CSR disclosure. Based on findings above, we can conclude that the companies with good environmental performance will report high level disclosure of CSR to explain its CSR activities. We can also conclude that the companies with good environmental performance have higher commitment to do the CSR activities and it reflected in their CSR disclosure. Their commitment will prevent them to do the tax aggressiveness. So, it is predicted that good environmental performance will strengthen the negative effect of CSR disclosure on tax aggressiveness.

Based on literatures above, hypothesis that could be developed is as below:

H2: Environmental performance strengthens negative effect of firm's Corporate Social Responsibility disclosure towards corporate tax aggressiveness.

METHODS

Sample and Research Data

This research uses sample of listed firms in BEI (Indonesia Stock Exchange). The data for this research is retrieved from:

1. Financial statements and annual reports 2009-2012
2. Environmental performance Rating issued by the Ministry of Environment (PROPER) 2009-2012

Research Model

The model used in this study are:

Model 1 (for hypothesis 1)

$CETR_{it} = a + \beta_1 CSRD_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 AGEPUB + \beta_7 MTOBOD_{it} + \beta_8 BHD_{it} + \beta_9 INV_{it} + \beta_{10} MKTBK_{it} + \beta_{11} INDSEC + e_{it}$

Model 2 (for hypothesis 2)

$ETR_{it} = a + \beta_1 CSRD_{it} + \beta_2 KL_{it} + \beta_3 CSRD{*}KL + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 AGEPUB + \beta_8 MTOBOD_{it} + \beta_9 BHD_{it} + \beta_{10} INVINT_{it} + \beta_{11} MKTBK_{it} + \beta_{12} INDSEC + e_{it}$

Where:

CETR	:	Tax avoidance, Current effective tax rate (Current tax expense / pretax income)
CSRD	:	Level of CSR Disclosure
KL	:	PROPER Rating (Gold = 5, Green = 4, Blue = 3, Red = 2, Black
SIZE	:	log Total Assets
LEV	:	Debt (LT Debt / Total Asset)
ROA	:	Profitability (Pretax Income / Total Asset)
AGEPUB	:	Length of companies listed
MTOBOD	:	Total cumulative proportion of insiders ownership in the company
BHD	:	Percentage of ownership of a company owned by the blockholder at least 5% and has no affiliation with the management
INVINT	:	Inventories divided by total asset
MKTBK	:	Market value of equity divided by book value of equity
INDSEC	:	Dummy variable industrial sector.

Variables Measurement

Dependent Variable: Tax Aggressiveness

Current Effective Tax Rate (Current ETR)

Tax aggressiveness is measured by Current Effective Tax Rate (Current ETR) which is current tax expenses divided by pre-tax accounting income. The low CETR means high tax aggressiveness. The CETR is multiplied with -1, so the high CETR reflect high tax aggressiveness. Proxy of Current ETR is employed as based on the result of most recent tax study. Current ETR is considered could capture corporate tax aggressiveness (Dyreng 2008). ETR is also the most frequent proxy used by researchers for tax aggressiveness (Dyreng 2008).

Independent Variable: Corporate Social Responsibility Disclosure (CSRD)

Checklist of CSR disclosure is prepared based on study from Lanis and Richardson (2011) which has been modified by Hilma and Martani (2012). This study exploits information related to CSR activities disclosed on company's annual report through seven categories as follow:

(1) Corporate and CSR strategy items,
(2) Staff strategy items,
(3) Social investment items,
(4) Environment items,
(5) Customer and supplier items,
(6) Community and political involvement items, and
(7) Detail CSR expense.

CSRD is calculated by applying dichotomy approach which every CSR item in the research instrument takes a value of 1 if it is disclosed and 0 otherwise. Furthermore, score from each item is summed up to obtain total score for each firm. Formula for CSRD calculation is as follow:

$$CSRD_j = \frac{X_{ij}}{n_j}$$

Where:

$CSRD_j$: Corporate Social Responsibility Disclosure Index company j

n_j : number of items for firm j

X_{ij} : 1 = if the item i is disclosed; 0 = if item i is not disclosed.

Moderating Variable: Environmental performance (KL: PROPER Rating)

Proxy for moderating variable is the result of *Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan* (PROPER/ Firm's Performance Rating in Environmental Management) administered by the Ministry of Environment. Rating category set by PROPER is gold, green, blue, red and black. As proxy for environment performance, the given scale is as follow: gold=5, green=4, blue=3, red=2 and black=1.

Control Variables

Firm Size (SIZE)

Firm having larger size would be more aggressive in its tax policy rather than small firm. This is because large firms have greater economic and political power which enables them to bring off tax aggressiveness (Lanis and Richardson 1997, 2012; Masri and Martani 2012; Budiman and Setiyono 2012). SIZE is measured by log of total assets (log TA). SIZE is predicted to positively affect tax aggressiveness (Current ETR).

Long Term Debts (LEV)

Firm having debts would be more aggressive for gaining opportunity to apply tax reduction as consequence of interest payment (Lanis and Richardson 2012; Stickney and McGee 1982; Chasbiandani and Martani 2012; Budiman and Setiyono 2012). LEV is measured by total long term debts divided by total assets (LTD/TA). LEV is predicted to positively affect tax aggressiveness (Current ETR).

Profitability (ROA)

Firm having high profitability would tend to be aggressive in its tax policy by reason of the desire to thrift in cash outflow (Lanis and Richardson 2012; Stickney and McGee 1982; Chasbiandani and Martani 2012). ROA is measured by pre-tax income divided by total assets (Pre-tax Income/TA). ROA is predicted to positively affect tax aggressiveness (Current ETR).

Listed Period of Firm (AGEPUB)

Firm that has just been listed on stock exchange would be looked forward to have good financial performance, so that the firm would tend to apply tax aggressiveness. (Lanis and Richardson 2012). Firm that has long been listed would be more conform to the regulation in the stock exchange (Beasley 1996). AGEPUB is measured by listing period of the firm on BEI (Indonesia Stock Exchange). AGEPUB is predicted to negatively affect tax aggressiveness (Current ETR).

Block Holder (BHD)

Shleifer and Vishny (1986) expressed block holder existence augments incentive to monitor management because they have large shares ownership. Block holder in this study is measured by total proportion of outstanding shares owned by block holder, who has not less than 5% shares ownership and does not have any affiliation or relation with management. BHD is predicted to negatively affect tax aggressiveness (Current ETR).

Management Stock Ownership of the Board of Directors (MTOBOD)

Lanis and Richardson (2011) stated that there is positive association between MTOBOD and corporate tax aggressiveness. Management Stock Ownership of the Board of Directors (MTOBOD) is measured by cumulative percentage of firm's ownership possessed by insiders (e.g. firm's directors or commissioners).

Investor Intensity (INVINT)

Lanis and Richardson (2007) expected that firm's having greater inventory intensity tends to be more tax aggressive compared to firm's having smaller inventory intensity. INVINT is engaged as variable controlling tax aggressiveness. Inventory intensity is measured by this formula:

$$INVINT = \frac{Inventory}{Total\ asset}$$

Market to Book Ratio (MKTB)

Lanis and Richardson (2012) and Adhikari (2006) predict that market to book ratio affect the tax aggressiveness. Market price can reflect the profitability of the firm. Similar with ROA, firm having high profitability would tend to be aggressive in its tax policy by doing thrift in cash outflow. Market to book ratio is measured by this formula:

$$MKTB = \frac{Market\ Value\ of\ Equity}{Market\ Value\ of\ Equity}$$

RESULTS AND DISCUSSION

Research Samples

Population of this research is all firms listed on BEI (Indonesia Stock Exchange) since 2009-2012 exclude financial services. For hypothesis 1, from 457 firms listed on BEI (Indonesia Stock Exchange), 188 firms were selected as research samples. For hypothesis 2, sample period taken is from 2009-2011 because PROPER's data for 2012 had not been published yet. Table 1 provides technique of sample selection.

Descriptive Statistics

Based on processing result, descriptive statistics data is obtained and available on Table 2.

From descriptive statistics above, mean and median of Current ETR are 31.3% and 24.5% respectively. This means that in average, from 188 sample firms, the amount of current tax paid by firms exceeded tax rate based on tax law i.e. 25%. It is because, in sample selection, firms that did not pay tax for more than one year caused by net loss or presence of tax loss carry forward were excluded from samples. Whereas maximum value of current ETR is 0.94 and minimum value of current ETR is 0. From these maximum and minimum ETR values, we can see that there were firms that extremely paid current tax up to 94%. From data analysis of 188 firms, there were also 30 firms (16% of samples) who, at least in one period, paid immensely low current tax i.e. between 2%-10%.

From CSR score, mean of score is 0.31 implies that in average firms disclosed 31% of total item of firm's CSR. This means that disclosure level of CSR for manufacturing firms in Indonesia is considered as low. Since disclosure level of CSR could represent activity level of CSR, therefore it can be inferred that CSR activities of manufacturing firms in Indonesia is still poor.

Table 1. Technique of Sample Selection

Sampel Description	Jumlah
Hypothesis 1	
Non-financial companies listed on the Stock Exchange in 2012	379
Incomplete company financial data incomplete annual report data from 2009-2012	(141)
Companies that have negative earnings before tax, tax is now zero, the current tax ratio above 1 and their tax refund	(49)
Total Sample	188
Firm year observation in 2009-2012	**752**
Hypothesis 2	
Company listed in BEI (non keuangan)	379
Companies which do not have PROPER Rating	(311)
Companies which do not have complete PROPER Rating in 2009-2012	(50)
Total sampel	18
Total firm year observation in 2009-2011	**54**

Table 2. Descriptive Statistics

	CSR	CETR	PROPER	SIZE	LEV	ROA
Mean	0.343	0.313	3.170	4.101.399.346.780	0.104	0.072
Median	0.317	0.245	3.000	1.013.575.088.000	0.061	0.054
Maximum	0.883	0.940	4.5	152.113.000.000.000	0.845	0.577
Minimum	0.000	0.000	1.0	1.132.980	0.000	-0.351
Std. Dev.	0.173	0.988	0.657	11.525.689.277.318	0.126	0.088

	INV	MOWN	MTB	BHD	AGE	IND
Mean	0.174	0.019	2148.0	0.426	13	0.282
Median	0.127	0.000	1,58	0.441	13	0.000
Maximum	0.832	0.754	10.0	0.998	34	1.000
Minimum	0.000	0.000	(7.40)	0.000	0	0.000
Std. Dev.	0.171	0.065	2834.0	0.308	70	0.450

From 18 sample firms, mean of PROPER rating of firms attending PROPER is 3.13. From all firms listed on BEI (Indonesia Stock Exchange), the number of firms having full PROPER rating for three years is 18 firms with average PROPER score of 3. Score 3 denotes that those firms acquire blue rating, in which is the third rating below gold and green. Blue rating implies that firms have put serious efforts on entailed environmental management in accordance with prevailing provisions or regulations.

Statistical Test Result of Hypothesis 1

Regression test was undertaken with panel data by using eviews. This research used Chow Test to determine whether data processing is better with pooled or Fixed Effect then continued with Hausman Test to decide of whether using Fixed Effect or Random Effect. From Chow Test and Hausman Test, the result showed that the model of hypothesis 1 using Random Effect. Table 3 provides regression result of hypothesis 1.

From regression test result above, disclosure level of CSR has significant negative effect towards tax aggressiveness. It implies that the higher the disclosure level of CSR, the lower the level of corporate tax aggressiveness. This result fits the estimation in hypothesis stating that disclosure level of CSR negatively influences tax aggressiveness. Such result supports empirical study investigated by Lanis and Richardson (2010). From this result, it appears that firms exercising social responsibility have better ethics so that they have tendency to not hold any tax aggressiveness.

Examination of control variables of SIZE, ROA and MTB denotes that they positively and significantly affect tax aggressiveness. It implies that the greater the firm's size, profitability and market to book, the higher the corporate tax aggressiveness. Firms that are getting larger would tend to be more tax aggressive since big firms have greater motivation to be so for example to divert cash outflow for tax payment to business expansion. Besides, big firms may have tax expert that could exercise tax aggressiveness. Firms with higher profitability also tend to exercise tax aggressiveness since high profit normally leads to high tax payment, so that firms try to divert funds for tax payments to other investments.

From above outcome, it appears that control variable LEV has inverse sign from expectation. Variables LEV and INV show negative effects against tax aggressiveness. This means the more superior the variable LEV, the more inferior the corporate tax aggressiveness. This may happen because with the greater debts, firms drawing tax shield from interest so as they could down the debts.

Table 3. Regression Results for Hypothesis 1

Current $ETR_{it} = a + \beta_1 CSRD_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 AGEPUB + \beta_6 MTOBODit + \beta_7 BHDit + \beta_8 INVit + \beta_9 MKTBKit + \beta_{10} INDSEC + e_{it}$

Variable	Estimation	Coefficient	Std. Error	t-Statistic	Prob.	
C		0.115	0.069	1.67	0.048	
CSRD	**(-)**	**-0.002**	**0.001**	**-2.49**	**0.006**	*******
SIZE	**(+)**	**0.010**	**0.005**	**2.13**	**0.017**	******
LEV	**(+)**	**-0.058**	**0.021**	**-2.7**	**0.003**	*******
INV	**(-)**	**-0.097**	**0.037**	**-2.65**	**0.004**	*******
ROA	**(+)**	**0.148**	**0.070**	**2122.**	**0.017**	******
MOWN	(+)	-0.101	0.102	-.99	0.160	
MTB	**(+)**	**0.000**	**0.000**	**3.58**	**0.000**	*******
BHD	**(-)**	**-0.008**	**0.006**	**-1.36**	**0.087**	*****
AGE	**(-)**	**0.011**	**0.004**	**2.71**	**0.003**	*******
IND	?	-0.014	0.042	-.32	0.374	
Adjusted R-squared		0.101568				
F-statistic		9.444.878				
Prob(F-statistic)		0.00000				

Sign *, **, and *** show significancy at level .10; .05 and .01

In line with expectation, variables INV and BHD have negative coefficients imply that INV and BHD negatively affect tax avoidance. It indicates that the larger the inventory level and block holder ownership, the smaller the tax avoidance. Inventory level negatively affect since more capital intensive firm would more beware to do tax evasion. The greater block holder ownership also lightens tax avoidance as block holder supervision would avoid management from tax evasion.

Statistical Test Result of Hypothesis 2

Examination was undertaken with panel data by using eviews. This research used Chow Test to determine whether data processing is better with pooled or Fixed Effect then continued with Hausman Test to decide of whether using Fixed Effect or Random Effect. From Chow Test and Hausman Test, the result showed that the model of hypothesis 2 using Random Effect. Table 4 provides regression result of hypothesis 2.

From regression result without moderating, it is noticed that PROPER negatively influence current ETR exhibits that the higher the PROPER rating, the lower the tax aggressiveness. This demonstrates that firms holding decent environmental performance would be more ethical and tend to not exercise tax avoidance. This result also support the view that more responsible and care the company on their environment, the less the tax aggressiveness.

Regression result from disclosure level of CSR moderated with environmental performance shows negative coefficient means that the higher

Table 4. Regression Results for Hypothesis 2

$\text{Current ETR}_{it} = a + \beta_1 \text{CSRD}_{it} + \beta_2 \text{KL}_{it} + \beta_3 \text{CSRD*KL} + \beta_4 \text{SIZE}_{it} + \beta_5 \text{LEV}_{it} + \beta_6 \text{ROA}_{it} + \beta_7 \text{AGEPUB} + \beta_8 \text{MTOBOD}_{it} + \beta_9 \text{BHD}_{it} + \beta_{10} \text{INVINT}_{it} + \beta_{11} \text{MKTBK}_{it} + \beta_{12} \text{INDSEC} + e_{it}$

		Regression Results without Moderating Variable				Regression Results with Moderating Variable (KL: PROPER Rating)			
Variable	**Estimation**	**Coeff**	**Std. Error**	**t-Stat**	**Prob.**	**Coefficient**	**Std. Error**	**t-Stat**	**Prob.**
C		-1.008	0.4343	-2.321	0.01195	-1.510	0.623713	-2.421	0.0093
CSR	**-**	**0.1926**	**0.1013**	**1.900**	**0.0312****	**1.09**	**0.569114**	**1.928**	**0.029****
KL	-	**-0.0525**	**0.0103**	**-5.071**	**0.000*****	0.0881	0.075148	1.173	0.1228
CSR*KL	+					**-0.3231**	**0.183372**	**-1.762**	**0.041****
SIZE	**+**	**0.0697**	**0.0311**	**2.237**	**0.01455****	**0.0784**	**0.031535**	**2.487**	**0.00*****
LEV	**+**	**-0.1924**	**0.1141**	**-1.686**	**0.0486****	**-0.1964**	**0.110882**	**-1.771**	**0.040****
INV	_	-0.2051	0.1224	-1.674	0.0497	-0.0594	0.092488	-0.642	0.26155
ROA	+	0.4222	0.1101	3.833	0.00015	0.2973	0.255808	1.162	0.125
MOWN	+	0.6620	0.6296	1.051	0.1487	0.6052	0.63551	0.952	0.1725
MTB	+	-0.0039	0.0028	-1.405	0.0826	-0.0038	0.003858	-1.007	0.15895
BHD	-	-0.0091	0.0469	-0.194	0.4232	0.0274	0.050485	0.543	0.29435
AGE	**-**	**-0.0047**	**0.002**	**-1.724**	**0.04505**	**-0.0043**	**0.00281**	**-1.533**	**0.0654**
IND		**0.2350**	**0.1112**	**2.112**	**0.0195**	**0.2304**	**0.08772**	**2.626**	**0.00555**
Adjusted R-squared			0.2456			Adjusted R-squared		0.204216	
F-statistic			3.012.9			F-statistic		2.454.192	
Prob(F-statistic)			0.00315			Prob(F-statistic)		0.011976	

Sign *, **, and *** show significancy at level .10; .05 and .01

CSR disclosure and environment performance, the lower the tax avoidance. This issue attests that good environmental performance strengthens the negative effect of CSR disclosure on tax aggressiveness. This evidence affirms that the company which high level disclosure of CSR and based on evaluation proven to has a good environment performance, has less tax aggressiveness behavior. Based on this result, we can recommend the government to conduct the evaluation on the company's environment and social activities performance with the purpose to verify the CSR report.

MANAGERIAL IMPLICATIONS

This research proves that company which conducts corporate social responsibility activities do less aggressively tax avoidance. It implies that investors must consider the CSR and environment activities that are disclosed in CSR disclosure before they decide to invest in a company. The CSR and environment program conducted by company reflect the company's commitment to do business ethically, so there will be less probability that they will avoid paying tax. The tax risk must be considered by investors to avoid stock price crash if the company proven involved in tax evasion.

CONCLUSION

Corporate social responsibility is reflected on disclosure of CSR activities by the firm. Firms having well CSR activities are expected to hold appropriate business ethics, obey the law and satisfy all stakeholders. Tax aggressiveness is a firm's act of aggressively attempt to reduce tax payment. Firms with good disclosure of CSR activities are expected to have low level of tax aggressiveness.

This empirical study investigates CSR disclosure and environmental performance made by firms and the impacts towards the level of corporate tax aggressiveness. Statistical test result shows the higher the CSR disclosure, the lower the tax aggressiveness in Indonesia. It also shows the better the environment performance, the lower the tax aggressiveness in Indonesia. This describes that firm exercising CSR activities and good performance on environment tends to practice well ethics and don't avoid paying taxes. This study also shows the higher the environmental performance rating, the more strengthen the negative effect of CSR disclosure on tax aggressiveness. This evidence can imply that in the future, the government must evaluate the environmental performance of company to verify the CSR activities that company reported in annual reports. The level of CSR disclosure and environmental performance can be an indicator of company tax aggressiveness. ■

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