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The Effect of Corporate Social Responsibility Disclosure on Tax Avoidance With Financial Performance As A Mediation Variables

(*Studies in mining companies listed on the Indonesia Stock Exchange)*

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Abstract: *This study aims to determine the effect of disclosure of Corporate Social Responsibility (CSR) on tax avoidance with financial performance as a mediating variable. Measuring the disclosure of Corporate Social Responsibility (CSR) in this study uses the Corporate Social Responsibility Disclosure Index (CSRDI). The measurement of tax avoidance in this study uses the Effective Tax Rates (ETR). Measurement of financial performance in this study uses Return on Assets (ROA). Tests were carried out on mining companies listed on the Indonesia Stock Exchange during the 2017-2019 period. The number of samples taken was 25 companies with a total research observation of 75 samples in 3 years, selected by purposive sampling technique. Data were analyzed using path analysis. The results of the analysis show that corporate social responsibility has a positive and significant effect on tax avoidance. Corporate Social Responsibility has a positive and significant effect on financial performance. Financial performance has a positive and significant effect on tax avoidance. Financial performance is able to mediate positively and significantly the influence of Corporate Social Responsibility on tax avoidance.*

Keywords*: Corporate Social Responsibility, Financial Performance, Tax Avoidance.*

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I. Introduction

Over the last few decades, there have been several companies that have implemented Corporate Social Responsibility (CSR) programs as one of the tax avoidance strategies (Wijayani, 2016; Zeng, 2019). The reason that causes companies to carry out CSR programs is as an effort to be accountable to the community so as not to protest and reject the presence of companies that have exploited nature and damaged the environment (Goerke, 2019). Tax avoidance through the CSR program is considered not to violate applicable tax regulations so that many companies implement CSR programs to avoid taxes (Adhityawati et al., 2018).

State revenue in the form of taxes is obtained from various existing sectors. One of them is from the mining sector. Tax revenue in the mining sector has decreased drastically. Tax revenue in the mining sector was recorded at Rp.66.12 trillion, down 19 percent compared to 2018 (Uly, 2020). This shows that tax revenue, especially in the mining sector, is not optimal. One of the factors that cause companies to be reluctant to pay taxes is the trust factor in legal certainty, where companies that do not believe in the legal certainty of the government will try to exploit loopholes or commit fraud to reduce taxes, because the company thinks that the tax paid will be corrupted, thus forming an intention of non-compliance. (Effendy and Toly, 2013). By companies doing tax avoidance, it can have an impact on the company's image and company profits.

Companies that carry out CSR programs are expected to be able to increase the level of tax avoidance and to improve the company's financial performance. With the existence of a CSR program in companies and companies that are able to carry out their responsibilities in paying taxes, it is hoped that the company's image will be better in the eyes of stakeholders. With a better corporate image, it is hoped that stakeholder support for the company will continue to increase so that the form of capital investment into the company and the trust to use the company's products will increase so that the results allow the company to have more profits and can have an impact on the company's financial performance (Rahardjo et al., 2019).

II. Theoretical Review And Research Hypothesis

2.1. Tax Avoidance

Tax avoidance is an effort to reduce the tax burden that is carried out without violating the applicable tax regulations (Adhityawati et al., 2018). In general, tax avoidance is considered legal because it takes advantage of the more loopholes (loopholes and opportunities for tax savings) that exist in applicable tax regulations. Gaps in taxation are conditions, regulations, transactions, or events that allow a person or business entity to have the opportunity to save on tax payments. (Luxmawati and Prihantini, 2020). The measurement of tax avoidance in this study uses ETR. ETR is used as a proxy in this study because of the ability of ETR to provide a comprehensive picture of changes in tax burden.

Factors that influence tax avoidance include disclosure of Corporate Social Responsibility and financial performance (Moeljono, 2020).

2.2. Corporate Social Responsibility

Disclosure of Corporate Social Responsibility (CSR) is a medium used by companies as evidence that companies are not only concerned with their companies but are also responsible for improving their environmental and social quality as a sign of the company's sustainable commitment (Sandra and Anwar, 2018). According to Luxmawati and Nafasati (2020), several companies carry out CSR activities as a strategy to avoid taxes, gain political access for business interests, and attract public sympathy. CSR disclosure is calculated with a total of 91 indicators based on GRI-G4, using the calculation of the Corporate Social Responsibility Disclosure Index (CSRDI). According to Kiesewetter & Manthey (2017), CSR has a positive effect on tax avoidance. The higher the company discloses CSR, the higher the corporate tax avoidance action. This is because the CSR activities carried out are still considered a burden and are no longer part of community development.

H_1: Disclosure of Corporate Social Responsibility (CSR) has a significant effect on Tax Avoidance.

Several studies have found that CSR can affect financial performance. In accordance with stakeholder theory, CSR activities show a form of concern for stakeholders, and it is hoped that the company's image will be better in the eyes of stakeholders. With a better company image, it is hoped that stakeholder support for the company will continue to increase so that the form of capital investment in the company will increase and the results allow the company to have more financial benefits and have an impact on the company's financial performance (Mahrani and Soewarno, 2018). Research conducted by Senyigit and Shuaibu (2017) found that CSR has a positive effect on the company's financial performance.

H_2: Disclosure of Corporate Social Responsibility (CSR) has a significant effect on financial performance.

2.3. Financial Performance

Financial performance is the company's ability to manage and control its resources (Indonesian Accountants Association, 2009). The ratio used to measure financial performance in this study is the profitability ratio, namely Return on Assets (ROA). The higher the ROA value, the higher the level of tax avoidance because the company is able to manage its assets well so that it benefits from tax intensive and other tax concessions so that the company can do tax avoidance (Fadila et al., 2017). Research conducted by Arinda and Dwimulyani (2018) found that financial performance has a positive effect on tax avoidance.

H_3: Financial Performance has a significant effect on Tax Avoidance.

A number of theories say that Corporate Social Responsibility can affect financial performance, supported by research by Senyigit and Shuaibu (2017); Sari and Azizah (2019) state that CSR has a positive effect on the company's financial performance. Meanwhile, financial performance is also able to influence tax avoidance, which is supported by research by Fadila et al. (2017) which shows that financial performance has a positive effect on tax avoidance. Therefore, Corporate Social Responsibility can affect financial performance, and financial performance can affect tax avoidance, so financial performance has the potential as a mediating variable for the disclosure of Corporate Social Responsibility on tax avoidance.

H_4: Financial performance acts as a mediating variable for the effect of Corporate Social Responsibility (CSR) Disclosure on Tax Avoidance.

Based on theoretical and empirical studies, a research conceptual framework can be built as shown below.

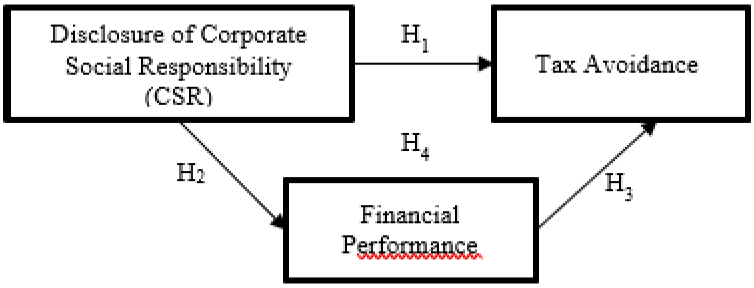

Figure 1. Research Concept Framework

III. Research Method

3.1. Research Site

This research was conducted by mining companies listed on the Indonesia Stock Exchange during the 2017-2019 period. Mining companies were chosen because in carrying out their business activities, mining sector companies will have direct contact with the use of natural resources that have a direct impact on the environment.

3.2. Population and Research Sample

The population in this study were all mining companies listed on the Indonesia Stock Exchange (BEI) 2017-2019, namely 41 companies. The number of samples taken was 25 companies with the number of research observations as many as 75 samples in 3 years. The method of determining the sample in this study is the purposive sampling method.

3.3. Data Analysis

The data analysis used in this research is path analysis. The basis for calculating the path coefficient is correlation and regression analysis and the calculation uses software with the SPSS for Windows program.

IV. Result And Discussion

4.1. Path Analysis Results

Testing the research hypothesis which consists of four hypotheses can be explained in Figure 2 and Table 1.

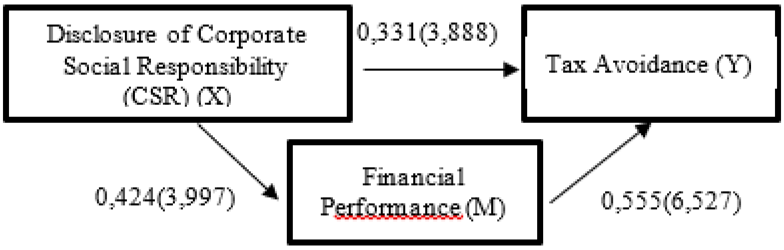

Figure 2. Validation of the Final Path Diagram Model

Table 1. Path Coefficient

Correlation			Path Coefficient	t-Value	Info
Independent	**Mediation**	**Dependent**			
Corporate Social Responsibility	-	Tax Avoidance	0.331	3.888	Significant
Corporate Social Responsibility	Financial Performance	-	0.424	3.997	Significant
-	Financial Performance	Tax Avoidance	0.555	6.527	Significant

Source: Data processed, 2020

Based on Table 1, it can be explained that Corporate Social Responsibility has a significant positive effect on tax avoidance, this is indicated by a path value of 0.331. Corporate Social Responsibility shows a significant effect on performance, where the path coefficient value is 0.424. Financial performance shows a significant effect on tax avoidance, this can be seen from the path value of 0.555.

Therefore, Corporate Social Responsibility can affect financial performance, and financial performance can affect tax avoidance, so financial performance has the potential as a mediating variable for the disclosure of Corporate Social Responsibility on tax avoidance.

4.2. Discussion

a) The Effect of Corporate Social Responsibility on Tax Avoidance

Based on the analysis of the research data, shows that Corporate Social Responsibility has a positive and significant effect on tax avoidance. This means that if the company routinely discloses CSR, the higher the company's tax avoidance measures. This is because the CSR programs carried out by the company are still considered a burden on the company. The results of this study are in accordance with the results of research by Kiesewetter & Manthey (2017); Maraya & Yendrawati (2016).

b) The Effect of Corporate Social Responsibility (CSR) Disclosure on Financial Performance

Based on the results of the analysis of research data, shows that corporate social responsibility has a positive and significant effect on financial performance. This means that CSR activities carried out by companies are a form of concern for stakeholders and it is hoped that the company's image will be better in the eyes of stakeholders. With the better company image, it is hoped that stakeholder support for the company will continue to increase so that the form of capital investment into the company and the trust to use the company's products will increase and the results allow the company to have more profits and this can have an impact on the company's financial performance. The results of this study are in accordance with the results of research by Senyigit and Shuaibu (2017), Mahrani and Soewarno (2018).

c) The Effect of Financial Performance on Tax Avoidance

The results of the analysis show that financial performance has a positive and significant effect on tax avoidance. The higher the company's profit, the higher the income tax of a company so that the company is likely to do tax avoidance to avoid increasing the amount of tax burden paid. This is in line with the research results of Arinda and Dwimulyani (2018).

d) The Effect of Corporate Social Responsibility (CSR) Disclosure on Tax Avoidance with Financial Performance as a Mediation Variable

The results of the analysis show that financial performance has a positive and significant effect as a mediation between corporate social responsibility on tax avoidance. This shows that the company is expected to regularly disclose its Corporate Social Responsibility and the company is able to carry out its responsibilities in paying taxes, it is hoped that the company's image will be better in the eyes of stakeholders. With a better corporate image, it is hoped that stakeholder support for the company will continue to increase so that the form of capital investment into the company and the trust to use the company's products will increase so that the results allow the company to have more profit.

V. Conclusions, Recommendation, Limitation, And Future Research

Based on reference studies and supporting the results of previous research, this study finds that disclosure of corporate social responsibility has a positive and significant effect on tax avoidance, disclosure of corporate social responsibility has a positive and significant effect on financial performance, financial performance has a positive and significant effect on tax avoidance, financial performance is capable mediate positively and significantly the effect of disclosure of corporate social responsibility on tax avoidance.

This study only uses disclosure of corporate social responsibility and financial performance as factors that influence tax avoidance, while other factors cause companies to avoid tax. Further researchers can add other variables that can affect tax avoidance, such as institutional ownership, company risk, and company size (Moeljono, 2020).

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