TAX AVOIDANCE, CORPORATE GOVERNANCE, KARAKTER MANAJEMEN, DAN KARAKTERISTIK PERUSAHAAN

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ABSTRACT

The purpose of this study is to determine the effect of tax avoidance, corporate governance, executive's character, and firm characteristics. Secondary data for this study were collected from companies included in the category of 100 compasses listed on the Indonesia Stock Exchange in the period 2015. The sample used in this study as many as 54 companies. Based on the results and the conclusion of the research indicate: institutional ownership, independent commissioner, audit quality, executive's character and leverage do influence tax avoidance. Meanwhile, audit committee and firm size does not affect tax avoidance.

Keywords: *corporate governance, executive's character, corporate characteristics, tax avoidance*

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh *tax avoidance, corporate governance,* karakter manajemen, dan karakteristik perusahaan. Penelitian ini menggunakan data sekunder yang dikumpulkan dari perusahaan yang termasuk dalam kategori 100 kompas yang terdaftar di Bursa Efek Indonesia pada periode 2015. Sampel yang digunakan dalam penelitian ini sebanyak 54 perusahaan. Berdasarkan hasil dan kesimpulan dari penelitian menunjukkan: kepemilikan institusional, komisaris independen, kualitas audit, karakter manajemen dan *leverage* mempengaruhi *tax avoidance.* Sementara itu, komite audit dan ukuran perusahaan tidak mempengaruhi *tax avoidance*.

Kata Kunci: *corporate governance*, karakter manajemen, karakteristik perusahaan, *tax avoidance*

INTRODUCTION

Tax funding for Indonesia is the largest source revenue aside from revenue from natural resources. In order to develop, country's largest revenue should be optimally upgraded so that the country's growth rate and development implementation can be improve. Thus, it is expected the compliance of taxpayer in carrying out its tax obligations voluntarily in accordance with applicable laws. Government's tax collection, is not always well addressed by taxpayers, especially for corporate taxpayers. Oktagiani (2015) said that, corporate taxpayers try to pay taxes as low as possible with reduce their income or net profit, while for the government wants taxes as high as possible in order to finance the country's development.

The differences interests between government and corporate taxpayers, causing corporate tend to find ways to reduce the amount of tax payments both legally and illegally. The legally efforts of taxpayer deduction are called tax avoidance, while illegally efforts of taxpayer deductions are called tax evasion. Tax avoidance is a legally avoided tax effort that does not violate tax regulations by taxpayers in order to attempting reduce of the amount tax payable by searching for regulatory weaknesses (Sukartha and Swingly, 2015). Tax avoidance is not contradicton with tax laws and regulations because tax avoidance is considered as utilize the gaps in the tax law (Puspitasari and Ngadiman, 2014).

Beside to required for payment of taxes, corporations are also required to implement corporate governance. Corporate governance is a systems that explains the relationship between the various participants in the company that determine the direction of company performance (Maharani and Suardana, 2014). Corporate governance are reflected by mechanisms, such as institutional ownership, the proportion of independent board of commissioners, audit committee and audit quality. Maharani and Suardana (2014) found that the implementation of corporate governance in determining the taxation policies used by corporate related to the payment of income tax, so the policies taken by the corporate's leader itself also affect in tax avoidance.

Dewi and Jati (2014) mentions that, company's management in generating financial statements usually have two character traits that is, risk taker and risk averse. Management that has the character of risk taker and risk averse will reflected on the size of the risk of the company's financial statements. The higher the risk of a company, then the executive tends to be a risk taker. Conversely, the lower the risk of a company, the executive tend to be risk averse. According to Dewi and Jati (2014), risk taker executive usually dare to do the tax avoidance, while risk averse management do not dare to do tax avoidance.

Company's characteristics also became one decisive factors in action of tax avoidance. Characteristics of a company is the hallmark of a business entity. Company characteristics are usually reflected by firm size and debt level (Dewi and Jati, 2014), while they stated that, the larger the size of the company then the transactions will be more complex. So it allows companies to take advantage of existing loopholes to perform tax avoidance measures from each transaction. While other company characteristics also seen from the level of debt (leverage). The level of debt is considered to affect tax avoidance, because the addition of the amount of debt will result in the emergence of interest expense to be paid by the company. Where the component of interest expense will reduce taxable profit, so the tax expenses to be paid by the companies will be reduced (Darmawan and Sukartha, 2014).

From the description, this research entitled is "Corporate Governance, Executive's Character, Corporate's Characteristics and Tax Avoidance".

LITERATURE REVIEW & HYPOTHESIS

Tax Avoidance

Tax avoidance is forms of activity that gives effect to tax action, whether activities are allowed by tax or special activities to reduce taxes. Tax avoidance is usually done by exploiting the weaknesses of tax laws that do not seem to violate tax laws (Lukviarman and Sandi, 2015). Tax avoidance is a taxpayer transaction scheme intended to minimize the tax expense by utilizing various weaknesses (loophole) of tax provisions of a country so that tax experts declare legal because it does not violate tax laws. Pupitasari and Ngadiman (2014) revealed that tax avoidance is deliberately done by the corporate in order to minimize the level of tax payments and increase the corporate's cash flow. In tax avoidance, there is no violation of the law by the corporate and the tax savings will be obtained with ways of regulation of actions in the application on taxation in such a to avoid tax payments not taxable at all. Based on the description above, it can be concluded that tax avoidance is an attempted made by the taxpayer to reduce the tax expense to be borne by exploiting the weaknesses of tax legislation regulations. This tax avoidance action is legal because it does not violate the tax laws and taxpayers will benefit from relatively low tax payments or absolutely no taxable.

Corporate Governance and Tax Avoidance

Agency theory describes the relationship between shareholders as principal and management as agents in a contract called nexus of contract (Jensen and Meckling, 1976). Management is a party to the contract or authorized by shareholders to work in the interests of shareholders. Therefore, the management must responsible for all its work to shareholders.

Rahmawati et al (2015) stated that the problems that occur between management and owners can lead to costs, where lies the importance of corporate governance (CG). Corporate governance mechanism is a tool to discipline managers to comply with contracts that have been agreed, so that the existence of good governance mechanism based on corporate governance principles is expected to reduce agency problems within the company which can then improve the company's performance. So the company relies on corporate governance mechanism that serves as a supervisor in the company. According to Permana and Zulaikha (2015), corporate governance is a system that control and monitoring managements. The four variables of corporate governance mechanism are institutional ownership, independent board of commissioners, audit committee and audit quality.

Good Corporate Governance Mechanism and Tax Avoidance

Institusional Ownership

Puspitasari and Ngadiman (2014) define institutional ownership as ownership shares by financial institutions, such as insurance companies, banks, pension funds, and investment banking. Institutional ownership is a majority shareholding of a company owned by an institution or foundation (insurance company, bank, investment company, asset management, and other institutional ownership). With greater the institutional ownership, then the greater the oversight of external parties. The company's management will implement policies to optimize the value of the company so that the company's performance will increase. External shareholders have an incentive to monitor and influence management reasonably to protect their investment in the company. External shareholders reduce the opportunist behavior of managers, resulting in a low direct agency conflict between management and shareholders.

Ayu et al. (2014) have found that institutional ownership has no effect on tax avoidance because institutional owners also have an incentive to ensure that management makes decisions that maximize institutional shareholders' welfare and Kristiana et al. (2014) found that institutional ownership had no effect on tax avoidance because the presence of institutional investors indicated that institutional pressure was on the part of the company's management to conduct aggressive tax policies. Meanwhile, Puspitasari and Ngadiman (2014) research stated that institutional ownership affects tax avoidance because institutional owners have voting rights that can force managers to focus on economic performance and avoid opportunities for selfish behavior. Based on the description, the research hypothesis is obtained:

H1: Institutional ownership has negative effects on tax avoidance

Independent Board

According to Lukviarman (2016) the independent board is a member of the commissioner who is not affiliated with management, other commissioners and controlling shareholders, and is free from business relationships and other relationships that may affect their capability to act independently or act solely for the benefit of the company National Good Corporate Governance Policy 2004). The independent board is responsible for directing various corporate activities, but is not responsible for managing corporate operational activities. The independent board is responsible for acting with due care or due diligence in performing its roles and functions within the company. It is expected that independent board's role can improve the accountability and performance, thus requiring significant and substantive changes in the implementation of board governance within the company.

Ayu et al. (2014) said that the independent board had an effect on tax avoidance because the independent boards were effective in preventing tax evasion and Sandy et al. (2015) obtained the result that the proportion of independent board of commissioners influenced tax avoidance because if the greater the proportion of independent board of commissioners, the lower the tax avoidance effort. Meanwhile, the research results Kristiana et al. (2014) states that the proportion of independent board of commissioners has no effect on tax avoidance because the existence of an independent board is not effectively in preventing tax evasion measures. Based on the description, the research hypothesis is obtained:

H2: Independent board has negative effects on tax avoidance

Audit Committee

Lukviarman (2016) mentioned that the current guidelines for corporate governance mechanism require every company that were registered in the capital market to have an audit committee. The development of the audit committee's range of work becomes increasingly widespread including; oversight risk management, management system control, internal audit, and corporate governance compliance. The roles and responsibilities of the audit committee as outlined in the charter of the audit committee charter must be approved by the board of commissioners and reviewed regularly. Sukartha and Swingly (2015) stated that, since the recommendation of Corporate Governance at the Indonesia Stock Exchange in 2000, the audit committee has become a common component in the corporate governance structure of public companies. In general, this committee serves as the supervisor of the process of preparing financial reports and internal supervision, because of Indonesia Stock Exchange requires all companies to form and have an audit committee headed by an Independent Commissioner.

The results of Kristiana et al. (2014) states that audit committees have an effect on tax avoidance because the higher the presence of audit committees within the company will improve the quality of corporate governance within the company, therefore by minimizing the possibility of tax evasion practices. However, the results of Sukartha and Swingly (2015) show that the audit committee had no effect on tax avoidance because the board of commissioners had a bigger decision-making role than the audit committee and Nandasari (2016) said that the audit committee had no effect on tax evasion due to how much external audit committees within the company do not affect tax evasion. Based on the description, the research hypothesis is obtained:

H3: Audit Committee has no effect on tax avoidance

Audit Quality

Audit quality is one of corporate governance's important element which an accurate form of disclosure called transparency. According to Annisa and Kurniasih (2012), transparency of shareholders can be achieved by reporting matterials relate to taxation on capital markets and shareholder meetings. Given the assumption of aggressive tax behavior implications, shareholders do not want the management to take an aggressive position in terms of taxes and will prevent such actions if know in advance. An audit quality is determined by a Public Accounting Firm, in which an accounting firm is selected by a company or issuer based on a recommendation from the audit committee to the board of commissioners (Lukviarman, 2016).

Ayu et al. (2014) found that audit quality had an effect on tax avoidance because firms audited by the Big Four accounting firm would be difficult to practice tax avoidance, Sandy et al. (2015) stated that audit quality had an effect on tax avoidance because high and low of tax avoidance variation was determined by audit quality. Meanwhile, Nandasari (2016) stated that the quality of audit does not affect tax avoidance because the audit conducted by accounting firm focused on the audit of financial statements not to detected the presence or absence of fraud committed. Based on the description, the research hypothesis is obtained:

H4: Audit quality has negative effects on tax avoidance

Executive's Character and Tax Avoidance

According to Budiman and Setiyono (2012), in order to carrying out its duties, management has two characters as a risk taker and risk averse. Management that has a risk taker character is a management that is more daring to take business decisions and usually has a strong courage to have income, position, welfare, and higher authority. Management that has risk taker character also does not hesitate to do debt financing.

In contrast, risk averse character is management who tend less daring in taking business decisions hence risk averse management will choose lower risk (Budiman and Setiyono, 2012). Usually management with risk averse has an older age, has long held office, and has a dependence with the company. Compared to risk takers, risk averse management focuses more on decisions that do not lead to greater risk.

Budiman and Setiyono (2012) also stated that corporate risk was reflected by management's policy. The policy taken by management can be indicated whether they have risk taker or risk averse character. The higher the corporate risk the more management has the character of risk takers, and vice versa. Risk taker characteristics are also more daring to make the decision to finance the debt, because they feel they already have complete informations about the costs and benefits of the debt.

Ayu et al. (2014) finding obtained the result that management characteristics have a positive effect on tax avoidance because with risk taker characteristic, then the greater the tax avoidance activity, Siahaan (2015) also support that management characteristics have positive effect on tax avoidance with the ratio of 1: 1. On the other hand, Butje et al (2014) stated that management characteristic have a negative effect on tax avoidance because risk taker management will avoid tax avoidance. Based on the description, the research hypothesis is obtained:

H5: The executive character has a positive effect on tax avoindance

Firm's Characteristics and Tax Avoidance

Firm characteristics is the hallmark and signal of a business entity where the characteristics of the company is usually reflected by size and the level of debt (leverage) (Dewi and Jati, 2014).

Firm Size

Puspitasari and Ngadiman (2014) stated that firm size is a level that can classify firm into large and small in ways such as total company assets, stock market value, average sales rate and total sales. But what is often done as the determination of firm size is based on the total assets. The greater the total asset then indicates that the company has a possibility in a relatively long period of time. It also illustrates that firms are more stable and more capable of generating profits than firms with small total assets.

According to Hendy et al. (2014) stated that firm size affects tax avoidance because the bigger the company will have more resources and the company will take tax avoidance action cause it more advantage for them. While Kristiana et al. (2014) found that firm size not affect tax avoidance because big and small firm would always be pursued by tax authorities (regulator) for violated the tax regulations, and Dewi (2016) obtained the result that firm size had no effect on tax evasion because firm size did not determine tax avoidance activity. Based on the description, the hypothesis is obtained:

H6: Company size does not affect tax avoidance

Leverage

Leverage reflect the company's level of debt in finance its operations. In addition, it also provides an overview of company capital structure so that show the level of risk of uncollectible debt (Andriyanto, 2015). Puspitasari and Ngadiman (2014) result showed that leverage is the use of debt to finance investment. Leverage also illustrates the relationship between total assets and share capital cause it showing the use of debt to increase earnings by Niar et al (2016). It can be concluded that leverage is the use of funds from external parties in the form of debt to finance investment and corporate assets. Financing through debt is primarily long term debt will result in interest expense that will affect the tax expense to be paid by firm. So the use of debt is considered successful if it will increase the revenue of the owner of the company because the return of this fund exceeds the interest to be paid, and the owner's right, which means increasing owner's equity. The positive and negative effects of leverage can increase based on the proportion of debt in a company.

Hendy et al's (2014) found that leverage did not affect tax avoidance because the use of debt by firms could be used for tax savings by obtaining intensive interest expenses that would be a deductible of taxable income, Octagiani (2015) obtained that leverage has an effect on tax avoidance because companies with high debt will get tax intensive in the form of deductions on the interest of the loan. Meanwhile, Dewi's research findings (2016) suggest that leverage has an effect on tax avoidance because high leverage rate resulted in low effective tax rate indicating tax evasion activity. Based on the description above then obtained the hypothesis:

H7: Leverage has a positive effect on tax avoindance

Based on the theoretical literature and hypotheses of research, it can be presented as follows:

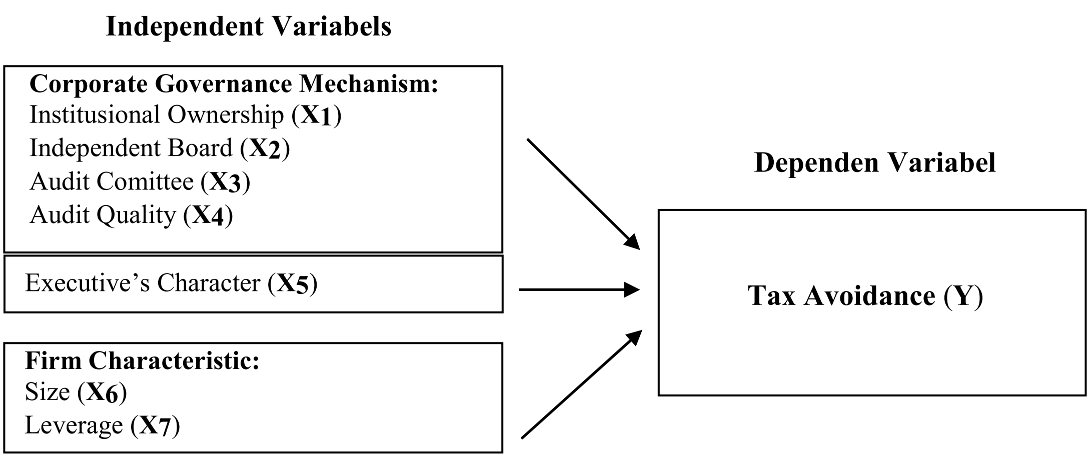

Figure 1

RESEARCH METHODS

Sample

This research was conducted on category of Kompas 100 companies in Indonesia Stock Exchange (Bursa Efek Indonesia/BEI) in 2016, to know and test empirically the influence of independent variables, where's: corporate governance, executive's character and corporate characteristics to tax avoidance as dependent variable. Data collection method used in this research is purposive sampling from audited financial statements and annual report of public companies that fall into the category of Kompas 100 companies in 2016 which is listed on the Indonesia Stock Exchange (www.idx.co.id) with criteria in table 1 as follows:

Tabel 1. Sample Criteria

Information	Observation
Listed companies on category as Kompas 100 listed on tahun 2016	100
Companies didn't published annual report on observation periods	(7)
Listed companies on category as Finance/Banking Industry	(10)
Companies not using Rupiah currency on annual report	(10)
Companies with negative income on observation periods	(9)
Outlier	(10)
Observation sampel	**54**

Research Model

The research model used in this research is as follows:

Tax Avoidance = α + β1 Institutional Ownership + β2 Independent Board + β3 Audit Committee + β4 Audit Quality + β5 Executive's Character + β6 Size + β7 Leverage + e

Operationalization Variabels

The following are operationalization variabels in this research:

a) Institutional Ownership (X1) wheres: percentage of institutional share ownership of total outstanding shares (Ayu et al. , 2014);
b) Independent Board (X2) wheres: percentage of the number of independent members of the board of commissioners to the total board of commissioners (Kristiana et al. , 2014);
c) Audit Commitee (X3) wheres: the number of audit committee members (Nandasari, 2016);
d) Audit Quality (X4) wheres: dummy: big 4 Accounting Firm = 1, non big 4 Accounting Firm = 0 (Nandasari, 2016);
e) Executive's Character (X5) wheres: percentage of Earning Before Interest Tax (EBIT) to total assets (Butje et al, 2014);
f) Size (X6) wheres: ln. total assets (Kristiana et al., 2014);
g) Leverage (X7) wheres: percentage of total debt to total equity (Niar et al, 2016);
h) Tax Avoidance (Y) wheres: percentage of tax expense to income before tax (Pupitasari dan Ngadiman, 2014).

RESULT & DISCUSSION

After data collection and hypothesis testing, further will be explained result of empirical test to the data by using research model.

Descriptive Statistics Test

First, here are following of descriptive statistical test as seen in table 2 below:

Table 2. Descriptive Statistical Test (n=54)

Variabels	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	0.21	0.89	0.5852	0.15243
Independent Board	0.143	0.750	0.39244	0.123532
Audit Committee	2	5	3.22	0.604
Audit Quality	0	1	0.56	0.502
Executive's Character	0.016	0.577	0.09589	0.098830
Size	14.811	18.335	16.32811	0.912342
Leverage	0.108	2.737	1.10654	0.701022
Tax Avoidance	-0.797	-0.005	-0.23524	0.150615

From Table 2, the results of descriptive statistical analysis are following:

a) Institutional ownership has a mean value of 0.5852 with a standard deviation of 0.15243 where it indicates a possible deviation of 0.15243 (15.24%). There is also a minimum value of institutional ownership of 0.21 obtained from PT. Matahari Departement Store Tbk. this indicates that there are not many number of shares owned by the institution within the company and the less the oversight being made by external parties. On the opposite, the maximum value of 0.89 is obtained from PT. Timah (Persero) Tbk. this shows that the number of shares in PT. Timah (Persero) Tbk. owned by many institution and the greater the oversight made by external parties.

b) Independent board has a mean value of 0.39244, with a standard deviation of 0.123532 where it indicates a possible deviation of 0.123532 (12.35%). There is also a minimum value of 0.143 generated by PT. Total Bangun Persada Tbk. this indicates that the number of independent commissioners held under 30%. While the maximum value of 0.750 obtained from PT. Kalbe Farma Tbk. this indicates that the number of independent commissioners held above 30%.

c) Audit committee has a mean value of 3.22, with a standard deviation of 0.604 where the value indicates a possible deviation of 0.604 (60.4%). There is also a minimum value of 2 obtained from PT. Japfa Comfeed Indonesia Tbk. and PT. Surya Semesta Internusa Tbk. It indicates that both companies have only 2 audit committees. While the maximum value of 5 obtained from PT. Charoen Pokhpand Indonesia Tbk., PT. Timah (Persero) Tbk. and PT. Wijaya Karya Beton Tbk. this indicates that the three companies have 5 audit committee members.

d) Audit quality has a mean of 0.56, with a standard deviation of 0,502 where it indicates a possible deviation of 0.56 (56%). There is also a minimum value of 0 obtained from some companies whose financial statements are audited by Non Big Four Accounting Firm. While the maximum value of 1 were obtained from companies whose financial statements are audited by Big Four Accounting Firm or Accounting Firm which affiliated with the Big Four.

e) Executive's character has a mean value of 0.09589, with a standard deviation of 0.098830 where it indicates a possible deviation of 0.098830 (9.88%). The minimum value of 0.016 is obtained from

PT. Mitra Adiperkasa Tbk. which indicates that the executive is risk averse in which the executive does not dare to take business risks. While the maximum value of 0.577 produced by PT. Matahari Departement Store Tbk. It means that the executive is a risk taker where the executive is brave to take on business risks.

f) Size has a mean value of 16.32811, with a standard deviation of 0.912342 where it indicates a possible deviation of 0.912342 (91.23%). The minimum value of 14.811 obtained from PT. Nippon Indosari Corpindo Tbk. which shows that the total assets owned are less than 54 other companies and the maximum value of 18.335 is obtained from PT. Indofood Sukses Makmur Tbk. this shows that the total assets owned is greater than 54 other companies.

g) Leverage has a mean value of 1.10654, with a standard deviation of 0.701022 where it indicates a possible deviation of 0.701022 (70.1%). There is also a minimum value of 0.108 produced by PT. Semen Baturaja (Persero) Tbk. It indicates that the company is less dependent on debt to finance its operations. Conversely the maximum value of 2.737 obtained from PT. PP (Persero) Tbk. this shows that the company has a high degree of dependence on debt in finance its operations.

h) Tax avoidance has a mean value of -0.23524, with a standard deviation of 0.150615 where it indicates a possible deviation of 0.150615 (15.06%). The minimum value of -0.797 produced by PT. Mitra Adiperkasa Tbk. It indicates that the resulting EBIT is low but the tax expense is high. While the maximum value of -0.005 obtained from PT. Bumi Serpong Damai Tbk. this indicates that the resulting EBIT is high with low tax expense.

Classic Assumption Test (BLUE Test)

According to Ghozali (2016), the normality test aims to test whether in the regression model, the error or residual variable has a normal distribution because best regression model is one that has normal / near-normal data distribution. Based on the test results obtained, Asymp value, significant 0.2, means the residual data is normally distributed. The autocorrelation test shows a Durbin-Watson (DW) value of 1.453, which is between -2 and +2, which means that there is no autocorrelation or no correlation between data in time sequence (Niki and Syeldila, 2015).

Other classical assumption tests include heteroscedasticity test showing spreading dots that are not patterned. This confirms that there is no heteroscedasticity. The multicolinearity test yields the conclusion that all independent variables are free from mulitkolinearity (have tolerance value> 0.10 and have variance inflation factor (VIF) <10,0.).

Hypotheses Test

The results of hypothesis testing are included in table 3 below:

Table 3. Hypothesis Test

Variable	Hip	Coef	Sig.
Constanta		0,027	0,950
Institutional Ownership	H_1 (-)	-0,313	0,04**
Independent Board	H_2 (-)	-0,162	0,02**
Audit Committee	H_3	-0,025	0,45
Audit Quality	H_4 (-)	-0,074	0,02**
Executive's Character	H_5 (+)	0,120	0,08*
Size	H_7	0,011	0,636
Leverage	H_6 (+)	0,083	0,009**
R^2 (R Square) : 0,382			
Adj R^2 (Adjusted R Square) : 0,473			
F hitung : 2,579			
F Signifikansi : 0,025			

*** = sig.5%, * = sig. 10%*

Hereby the following explanation from table 6:

a.) Institutional Ownership and Tax Avoidance
Institutional ownership has a negative and significant effect on tax avoidance. This is indicated by negative coefficient value (-0.313) and p value value of 0.04 is smaller than 0.05. This suggests that with higher institutional ownership can lead managers to complied with the rules of conduct and minimize tax avoidance behavior. The results of this study are consistent with Nhadimal, et.al. (2014) but not consistent with Ayu et.al. (2014) and Kristiana, et.al. (2014).

b.) Independent Board and Tax Avoidance
Independent board has a negative and significant effect on tax avoidance. This is indicated by negative coefficient value (-0.162) and p value value of 0.02 is smaller than 0.05. This shows that the independent board serves to supervise and control the performance of management, then its existence will be able to suppress dan push down the tax avoidance action. The results of this study support research conducted by Kristiana et al. (2014) but does not support the research results of Ayu et al. (2014) and Sandy et al. (2015)

c.) Audit Committee and Tax Avoidance
Audit Committee has no significant effect on tax avoidance. This is indicated by the negative coefficient value (-0.074) and the value of p value of 0.45 is greater than 0.05. It can be concluded that the audit committee has not been able to perform its duties in supervising the internal control structure of the company so that tax avoidance practices conducted by certain parties can not be detected by the audit committee. In other words, the audit committee within the company is only procedural because of the rules of the IDX that require all issuers to form and have an audit committee. These results support the research of Sukartha and Swingly (2015) and Nandasari (2016) and do not support the results of Kristiana et al's research. (2014).

d.) Audit Quality and Tax Avoidance
Audit quality has a negative and significant effect on tax avoidance. This is indicated by negative coefficient value (-0.074) and p value value of 0.02 is smaller than 0.05. In other words, an audit conducted by Big 4 Accounting Firm can lower tax avoidance activities, compared to audits conducted by Non Big 4 Accounting Firm because the quality of financial statement audit conducted by Big 4 Accounting Firm, has to measure whether there is fraud taxation by the company, in this case the activities of tax avoidance . These results support the Nandasari (2016) study but do not support the results of Ayu et al. (2014) and Sandy et al. (2015)

e.) Executive's Character and Tax Avoidance
The character of executive (management) has a positive and significant effect on tax avoidance. This is indicated by the positive coefficient value (0.120) and the p value of 0.08 is smaller than 0.1. With nature of being risk taker, the characters can effect tax avoidance activities higher and one of them dare to want to violate the government regulation. Where the results support the research conducted et al. (2014) and Siahaan (2015).

f.) Size and Tax Avoidance
Firm size has no significant effect on tax avoidance. This is indicated by the value of positive coefficient (0.011) and p value value of 0.636 greater than 0.05. It means that large companies and small companies will definitely get the attention from the Government associated with the income profits obtained by companies. So it is difficult for the company to do tax avoidance because anykind of companies size are taxed according to the prevailing rules. This result is in line with Kristiana et al's research. (2014) and Dewi (2016) but did not support the results of Hendy et al. (2014).

g.) Leverage and tax avoidance
Leverage has a positive and significant effect on tax avoidance. This is indicated by positive coefficient value (0,083) and

value of p value equal to 0,009 less than 0.05. Leverage rate is proven to cause tax avoidance because high leverage causes high debt interest expense. So net income will drop down and produces a low tax expense and this is one way of tax avoidance practices that can be used by companies without violate the regulators. These results support the Dewi's research (2016) but contrary to the results of research Hendy et al. (2014) and Oktagiani (2015).

LIMITATIONS

The limitations of this study are:

a.) This study uses annual report data and corporate financial report audit data included in the category of compass company 100 taken from the Indonesia Stock Exchange Website (http://idx.co.id) within only the period of 2016, so the results of this study only influenced by events at that time.

b.) The corporate governance was used only mechanisms and only used the institutional ownership, independent board, audit committee and audit quality. While the firm characteristics was used only the size of the company and leverage.

RECOMMENDATIONS

Recommendation that can be submitted based on this research are as follows:

a.) For next researchers, should increase the amount of data because in this study only use the data for 1 year so can't see the trend of tax avoidance in the long term. Researchers also need to add other variables both financial and non-financial, for example, financial variables can use variable profitability ratios and non-financial variables can use variable political connections.

b.) For investors, should not choose a company whose executive's (management) character are risk taker because the risk taker management is willing to take a dangerous business risk for the company. Investors can also see the leverage because the results showed that the correlation variable is positive (+) significant, so the company can practice tax avoidance.

c.) For the companies, should consider institutional ownership, independent commissioners, and accounting firm size as proven to reduce tax avoidance measures.

d.) For Regulator (the Directorate General of Taxes) to pay more attention to corporate tax planning because of tax planning may occur tax avoidance activity. Tax evasion that is not handled properly and continuously happens will be able to reduce tax revenue of country.

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