

ABSTRACT

This study aims to examine whether financial derivatives are used as a means of tax avoidance by public companies in Indonesia. Literature shows that derivative users incline to avoid tax. Two samples treatment are conducted in examining the problem. The sample used in this study is non-financial companies listed on the Indonesia Stock Exchange period 2012-2014, which were selected using purposive sampling method. Results from this study indicate that, when using the sample all derivative users, this study does not find that derivative users are significantly related to tax avoidance. However, when the sample is separated into two group based on the level of disclosure on financial derivatives, the result shows that firms with low level of disclosure on financial derivatives is more tax aggressive compared to firms with high level disclosure of financial derivatives. The other result shows that the use of financial derivatives is positively related to the level of tax avoidance.

Keywords: tax avoidance, financial derivatives, level of disclosure.