

ABSTRACT

This study aimed to examine effect of corporate governance to tax avoidance. The dependent variable is tax avoidance which is proxied by GAAP ETR. Independent variables are corporate governance which proxied by institutional ownership, proporsion of independent commissioner, size and financial expertise background of audit committee. There are control variables on this study, which proxied by size, leverage, and ROA.

This study used secondary data from annual report of manufacturing companies which listed on Indonesia Stock Exchange 2012-2014. There were 165 total observations of manufacturing companies. This study used purposive sampling method and multiple regression analysis to test the hypotheses. Statistic program in this study used SPSS 16.

The result of this study showed that none of hypotheses were accepted. Institutional ownership did not has effect because the higher institutional ownership level in company, the higher tax avoidance activity on company. This is happened because they became the person who dominate the decision of company tax policy. Proportion of independent commissioners and audit committee size did not have effect because this parties alleged only obey the rules from government. Financial expertise background of audit committee did not have effect because apart of financial expertise, additional expertise in taxation is important to monitor the tax avoidance. External auditor did not have effect because this party only have rule to make sure the credibility of financial reporting, not to decrease the tax avoidance activity.

Keywords: tax avoidance, GAAP ETR, corporate governance.