

ABSTRACT

The purpose of this study is to examine the influence of foreign investors' interest to tax avoidance. The dependent variable is tax avoidance which is measured by GAAP ETR. The independent variable is foreign investors' interest which is represents by shares owned by foreign investors, substantial shareholding, and proportion of foreign directors in the board.

The study used secondary data from annual reports of companies which were listed on Kompas 100 index of Indonesia Stock Exchange in 2012-2014. Total sample of this study is 183. This study analyzes the impact of foreign investors' interest by the method of Random Effect Model. Data analysis was performed with the classical assumption and hypothesis testing in regression method of data panel.

The results of this study indicate that shares owned by foreign investors has negative significant influence while substantial shareholding has positive significant influence to tax avoidance. The proportion of foreign directors in the board doesn't have significant influence to tax avoidance.

Keywords : tax avoidance, GAAP ETR, foreign investors' interest, foreign ownership, panel data