TAX AVOIDANCE IN BANKING INDUSTRY

Wilson Pribadi [1], Prastha Delta Widiatmaja [2], Peri Akbar Manaf [3]
[1,2,3] Master of Management Binus Business School, Jakarta, Indonesia

ABSTRACT

The purpose of this study is to analyse the factors that influence tax avoidance of banking companies listed in the Indonesian Banking Directory by looking at the influence before the tax amnesty program in Indonesia in 2016. The population that observes was 115 companies, with the time of research in 2013 - 2018. Selection of samples using a purposive sampling method and selected 76 banking companies that fit the criteria. The dependent variable used is the cash effective tax rate (CETR). The independent variables are profitability, liquidity, audit quality, a time before and after the tax amnesty program is run, and firm size. The results showed profitability affected at the 99% confidence level, then for liquidity and observations of time before and after the tax amnesty affected at the 90% confidence level, while the rest did not affect each level of confidence level.

Keywords
Tax Avoidance, Banking Industry, Tax Amnesties

Article Received: 10 August 2020, Revised: 25 October 2020, Accepted: 18 November 2020

Introduction

Taxes become the biggest expense in business, so company management tries as much as possible to make a strategy in minimizing these expenses. (Graham, 2005) said that the tax strongly influences corporate financial decision making. It has an impact on financial decisions, company structure, decisions on corporate reform, payment policies, incentive strategies, and actions for risk reduction (Desai & Dharmapala, 2006). Tax avoidance strategies are one way to reduce spending but are often considered a high-risk strategy (Armstrong et al., 2015). According to (Dyreng et al., 2008), this tax avoidance is done by including something that can reduce corporate tax on accounting profit before tax. Tax avoidance is when a company can minimize tax liabilities either directly or implicitly without incurring additional tax enforcement costs in the short and long term. However, if the tax authorities find that corporate tax avoidance involves tax fraud and not fiscal preservation, the related company will incur a large tax expense in the form of an initial tax plus additional fines (Kim & Im, 2017).

This research will focus on the influence of financial ratios such as profitability, liquidity, and audit quality on banking companies on tax avoidance treatment. The choice of a banking company is because banking is a place for collecting funds and providing major credit, which is closely monitored by Bank Indonesia (Central Bank in Indonesia) and the Financial Services Authority (OJK).

Figure 1 :Profit and Loss in Banking Industry

In Million Rupiah	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
EBIT	137.162	143.591	133.521	137.467	166.903	190.719
Income Tax	30.455	31.431	28.893	30.923	35.747	40.706
% of Income Tax	22,20%	21,89%	21,64%	22,49%	21,42%	21,34%

Source : Indonesia Banking Directory, 2020

From that data, it can see that the percentage of income tax in 2016 recorded the highest number compared to other years, were in that year, there was also a tax amnesty policy, which made repatriation of funds from the program entered into the banking sector. The Financial Services Authority (OJK) notes that 70% of repatriation funds enter the banking sector at the end of the tax amnesty program (Kontan.co.id, 2017), with this it is possible for banking companies to have sufficient funds to channel loans back thereby increasing profitability, with an increase in corporate profits, it will affect the banking company's tax avoidance strategy. This research will be a focus on the time of the enactment of the tax amnesty tax program.

The object of the research base on 115 commercial bank companies listed in the Indonesian Banking Directory (DPI), with the research year between 2013 - 2018 and making the profitability, liquidity, and audit quality variables independent variables, the year before and after-tax amnesty as moderating variables and firm size as a control variable.

Literature Review

A. *Agency Theory*

Jensen & Meckling (1976) revealed a relationship between principal and agent in the form of a contract, with the agent acting to represent the principal. Agents are required to provide maximum service to the principal. The principals referred to in this theory are business owners, while agents are the people who are appointed to run the company representing the principal. Agency theory also provides a perspective that usually arises between principals and agents. The conflict that usually arises from the principal and agent's relationship is that the agent does not always act and make decisions based on the wishes of the principal (maximizing the principal's wealth by increasing the value of the company). However, the agent acts on his desire, achieving personal goals, for example, getting incentives as high as possible. This conflict makes the principal must be more careful to oversee the agent.

Agency theory focuses on solving two problems that arise from agency relationships, namely (1) problems that arise due to differences in the interests of the owner and agent (manager); (2) to ensure that what is done by agents, for owners is difficult and expensive (Eisenhardt, 2016). Because the owner wants to ensure that the agent has worked by the owner's goals, agency costs arise. Jensen & Meckling (1976) state that agency cost is the sum of (1) monitoring expenditures by the principal, (2) bonding expenditures by the agent, (3) the residual loss. Slemrod (2004) states that additional problems arise in companies that have the characteristics of separation between ownership and control. Risk-neutral shareholders expect managers to act to focus on profit maximization, which includes pursuing opportunities to reduce tax obligations as long as the additional benefits outweigh the additional costs incurred (Hanlon & Heitzman, 2011). Therefore, tax avoidance is not a stand-alone thing, but rather a reflection of the agency problem. However, the separation between ownership and control can cause corporate tax decisions to reflect the manager's interests. The challenge for shareholders and the board of directors is to find a combination of control mechanisms and incentives that minimize agency costs (Jensen & Meckling, 1976). The separation of ownership and control implies that if tax avoidance is a beneficial activity, then the owner must implement an appropriate incentive structure to ensure that managers make tax-efficient decisions (Hanlon & Heitzman, 2011).

B. Banking Industry

Bank based on UU (Law) no. 10 of 1998 is a business entity that collects funds from the community in the form of deposits and channels them back to the community in the form of credit and other forms to improve the lives of many people. Activities based on Law no. 10 of 1998, the banking business includes three activities: raising funds, channelling funds, and providing other bank services.

Laeven (2013) revealed that banks are different from other non-financial companies in several aspects, namely that banks (1) have high leverage, (2) have unclear asset portfolio quality, (3) Have scattered debt (to customers), (4) Has a maturity mismatch between assets and liabilities, (5) Is a large lender, (6) is systemically important and therefore heavily regulated. Banks are an industry that has high leverage compared to non-financial companies (Laeven, 2013) due to the high level of third-party bank funds in the form of customer deposits recorded by banks as debt. Debt held by banks in the form of deposits is not only to one party or one customer but to many parties so that the debt held by the bank spread. Then the bank is considered to have asset quality at the bank is not clear (Laeven, 2013) because the determination of the quality of bank loans is not explained in detail in the notes to the bank's financial statements to enable high information asymmetry (Morgan, 2002). Maturity mismatches at banks often occur because, in general, third-party funds (customer deposits) are recorded as short-term debt (Laeven, 2013), while loans provided (booked as assets) are long-term, thus possibly causing banks to face liquidity risk (Diamond et al., 1983)

Banks are the main creditors (lenders) in the economy (Gorton & Schmid, 2000). If a company wants to expand and does not have enough capital, it can rely on funding from banks in the form of

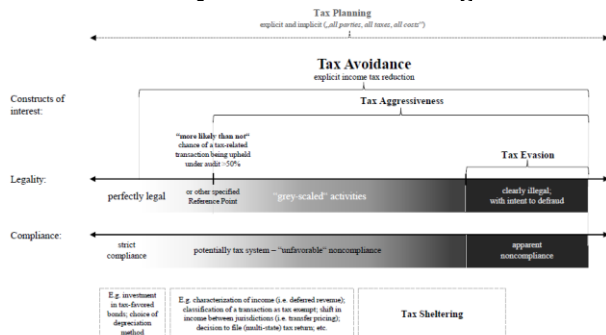
loans. Systemically the bank is significant because it is faced with various risks while carrying out its strategic position as an intermediary institution and supporting the payment system (UU no 10, 1998). The risks faced by banks not only affect their employees, customers, and shareholders but also have an impact on the economy. Therefore strict regulations are set for banks so that the interests of the community can be maintained.

C. *Tax Avoidance*

Tax avoidance occurs because there are differences in interests between taxpayers and the government. Taxpayers try to pay as little tax as possible because tax payments reduce the financial ability of taxpayers, while for the government, funds need to finance the government's administration, which mostly comes from taxes. This difference in interests causes taxpayers to tend to reduce the amount of tax paid, both legally and illegally, by carrying out tax management.

Lietz (2013) develops and illustrates a conceptual framework to promote a shared understanding of corporate tax planning construction. Lietz (2013) says that the use of improper tax planning constructions and different readings can increase the risk that opinion-making bodies and regulators falsely convey the impression that any type of tax planning that is direct to the explicit tax reduction is illegal or at least has a connotation of doubt moral.

Figure 2 : Unifying Conceptual Framework of Corporate Tax Planning



Source : Lietz (2013)

Based on the conceptual framework above, it can see that tax planning includes all activities that aim to reduce taxes either explicitly or implicitly, which are legal or illegal, which comply with the laws and regulations that are set or not. The definition of legality itself includes indeed legal activities, a grey area, and genuinely illegal. Tax planning with a compliance level includes activities that are entirely compliant with regulations, are not compliant because there are gaps in the taxation system, and are deliberately not compliant with existing rules and regulations, including tax avoidance and tax aggressiveness, tax evasion and tax sheltering. If the purpose of tax planning is to reduce explicit taxes, then that is tax avoidance practice.

Hanlon & Heitzman (2011) define tax avoidance as an explicit tax reduction, but the legality of tax avoidance is debatable because the tax structure is not easy to measure (Hermalin & Weisbach, 2003). Lawyers and economists quickly classify "avoidance" as legal tax planning while "evasion" as illegal tax planning as if one can determine the legality of the tax structure quickly (Hermalin & Weisbach, 2003).

Figure 2 shows that tax avoidance is an attempt to reduce the company's explicit tax includes businesses that have legality, a grey area, or illegal, which are compliant to those that do not comply with the existing rules and regulations. Explicit taxes affect after-tax returns, while implicit taxes reduce returns from investments that receive tax incentives and costs that not taxed (such as agency fees, transaction costs, and financial reporting costs (Lietz, 2013). In Figure 2, tax avoidance includes tax Aggressiveness, tax shelters, and tax evasion as long as it aims to reduce explicit taxes. This study uses the term tax avoidance to define all the company's efforts to minimize its explicit taxes.

Hypothesis Development

A. Profitability (Rentability) on Tax Avoidance

The profitability or rentability ratio in banking is vital to measure the health of a company. Besides, profitability can measure performance in generating revenue and controlling operating costs, which shown in cost efficiency (Athanassopoulos, 1997). it is in line with agency theory, where there is a conflict of interest between the principal (Government) with the agent (manager), in this case, the principal continues to be consistent in getting income from income tax, but the agent tries to minimize tax payments to increase company profits. On the other hand, corporate profitability is related to tax avoidance because the more efficient a company is, the less tax (Derashid & Zhang, 2003)

H1: Profitability affects the tax avoidance of banking companies listed in the Indonesian Banking Directory 2013-2018

B. Liquidity on Tax Avoidance

Liquidity ratios in banks use to see whether bank assets are liquid enough to finance short-term liabilities, see how much credit the banks provided is financed by third-party bank funds, and measure bank cash flow (Circular of Bank Indonesia, 2004). If the company experiences financial difficulties that reflect in the company's liquidity, it is possible not to meet tax regulations to maintain its cash flow (Slemrod, 2003). Based on the unique characteristics of banking that have disclosed, the maturity mismatch level is sacrificed quite high because of the large amount of short-term debt (in the form of customer deposits) to enable banks to face liquidity risk.

H2: Liquidity affects the tax avoidance of banking companies listed in the Indonesian Banking Directory 2013-2018

C. Audit Quality on Tax Avoidance

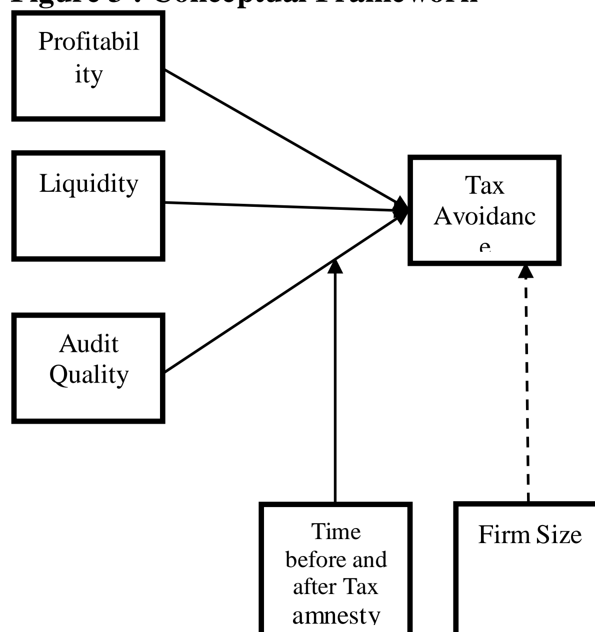
Based on the perspective of the agency theory, audit quality is crucial to reduce the conflict of interests between the principal and the agent (Gaaya et al., 2017). Audit quality is one of corporate governance that controls managers' behaviour in manipulating reports of accounting activities or other deviant activities (Masulis, 1980). Furthermore, the external auditor assesses whether the client is doing tax aggressively in the grey area that can be detected by the tax authority (Guenther et al., 2017). The larger the size of the company, the accounting in the company's financial statements will be more complex so that it requires more qualified auditors (Watts & Zimmerman, 1983), besides that research conducted by (Lanis & Richardson, 2012), proves that the KAP incorporated in the Big Four reduces the potential unclear tax position. However, after the Andersen case and the existence of Sarbanes Oxley, there was an increase in the use of second-tier auditors, which previously considered second-tier auditor audit quality is considered the same as non-big four KAP, second-tier auditors are grouped based on the number of professional staff between 100 - 400 people. In this study, the measurement of audit quality divide into three, namely (1) big four, (2) second-tier, and (3) non-big four and non-second tier. Financial statements' independence is implicitly related to the reliability of financial statements, which minimize tax avoidance. Previous research on the relationship between tax avoidance and audit quality produced different findings.

H3: Audit quality affects the tax avoidance of banking companies listed in the Indonesian Banking Directory 2013-2018

D. Conceptual Framework

This study's conceptual framework is about the effect of profitability, liquidity, and audit quality on tax avoidance and making time before and after-tax amnesty as moderating variables and firm size as control variables. Here is a conceptual framework that describes the research model and the relationship of each variable in research :

Figure 3 : Conceptual Framework



Methodology and Results

A. Objects and Research Samples

The object of research determined by the author in this study is commercial banks registered in the Indonesian Banking Directory 2013-2018. Data takes from the Indonesia Stock Exchange website or company website (in the form of financial reports or other reports). The population in this study amounted to 115 banks consisting of 101 conventional commercial banks and 14 Islamic commercial banks, then using a purposive sampling technique established criteria adapted from research conducted by Gupta and Newberry (1997), including:

1. Banking Companies classified as Commercial Banks.

2. Consistently registered in the Indonesian Banking Directory and still operating during the 2013-2018 period.
3. Consistently report the company's annual reports and audited financial statements during the 2013-2018 period.
4. Booked profit before tax (not recorded loss before tax) during the 2013-2018 period.

B. Research Design

Tax Avoidance

According to previous research, there are several measurements of tax avoidance including the Effective Tax Rate (ETR) (Stickney & McGee, 1982), Cash Effective Tax Rate (CETR) (Dyreng et al., 2008), and Book-Tax Differences (BTD) (Desai & Dharmapala, 2006). Companies that do tax avoidance will have lower ETR and CETR, while BTD will be higher (Chen et al., 2010)

ETR is the most widely used tax avoidance measure (Annuar et al., 2014) because it helps estimate effectiveness in corporate tax planning activities (Phillips et al., 2005). ETR is measured by dividing total income tax expense (current and deferred) with accounting income before tax. Although ETR has been widely used as a measure of tax avoidance, there are some limitations in the use of ETR revealed by (Annuar et al., 2014) , namely : (1) ETR can only capture non-conforming tax avoidance because it measures tax avoidance relative to accounting income, (2) may reflect strategies for tax deferral, (3) only reflect aggressive tax planning through permanent book-tax differences (Chen et al., 2010). Many tax evasion involves accelerating deductions and deferring income, which reduces current tax and increases deferred tax (Dyreng et al., 2008). Deferred tax is a tax that will be paid (or returned) in the future due to temporary book-tax differences.

Chen et al. (2010) explain the difference between CETR and ETR. CETR is different from ETR, where, according to Chen et al. (2010), ETR only reflects permanent-book tax differences, whereas CETR reflects temporary and permanent book-tax differences. By focusing on the value of money paid, this measurement avoids overstatement of accounting tax burdens (Chen et al., 2010). Research by (Gawehn & Mueller, 2019) shows that the ETR value does not differ in the sample of studies that include banks and those that do not include banks, but another thing if you use CETR because banks have a high CETR level compared to non-banks. It shows that CETR is the right measurement in measuring tax avoidance.

Data Analysis

To empirically test the relationship of independent variables (profitability, liquidity, and audit quality) to tax avoidance (TAX) by entering company size as company size (SIZE) and TIME variable for moderating variables. In this case, we use a dummy variable for the TIME proxy will be given a value of 1 for after-tax amnesty and 0 for before tax amnesty. We adapt this method from research conducted by (Gaaya et al., 2017) were comparing between the years after and before the Tunisia revolution against tax avoidance, and a panel data regression model was determined with the regression model as follows:

$$TAX_{it} = \alpha + \beta_1 PROFIT_{it} + \beta_2 LIQ_{it} + \beta_3 AQ_{it} + \beta_4 TIME_{i+} \beta_5 SIZE_{it} + e_{it}$$

Profit can be measured using BOPO (Operational Costs with Operating Income based on Circular Letter No. 15/28 / DPNP dated 31 July 2013 (concerning the quality of assets of commercial banks, matrix parameters, or indicators of assessment of profitability factors consisting of bank performance in generating profits). For the calculation that is by dividing total operating expenses by total operating income.

Liquidity can be measured using a Loan to Deposit Ratio (LDR) Based on Circular No. 6/23 / DPNP dated 31 May 2004. To calculate the LDR can do by dividing credit against third party funds. Then Audit quality is measured using a dummy variable whose distribution base on research conducted by Cassell (2013), including big four, second tier, and non-big four - non-second tier. For the evaluation, big four KAP will give a value of 1 and 1, and second-tier will give 0 and 1, non-big four, and non-second tier will give 0 and 0. KAP in Indonesia affiliated with big four auditors are (1) Price Waterhouse Coopers (PWC) affiliated with KAP Tanudiredja, Wibisana, Rintis, and Partners; (2) Deloitte Touche Tohmatsu (Deloitte) affiliated with Osman, Bing & Any KAP and Satrio, Bing, Any & Partners KAP; (3) Ernest & Young (EY) affiliated with KAP Purwantono, Sungkoro & Surja; (4) Klynveld Peat Marwick Goerdeler (KPMG)

affiliated with KAP Siddharta Widjaja & Partners, the second tier KAP in Indonesia classified as the second tier is (1) BDO International affiliated with Tanubrata, Sutanto, Fahmi, Bambang & Partners; (2) Grant Thornton International affiliated with Gani Sigiro & Handayani; (3) Crowe Horwath affiliated with Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Partners. A firm size control variable will be measured using a proxy adapted from research conducted by Richardson & Lanis (2007), where firm size can be measured by Log to Total Assets.

C. Results and Discussion

From the results of data processing, descriptive results are obtained as follows:

Figure 4 : Descriptive Statistics

Variable	Observations	Mean	Std. Dev	Min	Max
BOPO	456	80.03	11.90	37.33	101.01
LDR	456	101.27	46.67	45.72	455.58
QA_1	456	0.54	0.49	0	1
QA_2	456	0.59	0.49	0	1
TIME	456	0.50	0.50	0	1
SIZE	456	16.93	1.49	12.88	20.93
CETR	456	0.33	0.51	0.001	8.77

BOPO has an average value of 80.03, and the standard deviation is 11.90. The lowest value is 37.33 and has a maximum value is 101.01, while the average LDR is 101.27, with a standard deviation of 46.67. The minimum value of the LDR is 45.72, and the maximum value is 455.58. As for the dummy variable audit quality and TIME, the average value is at 0.50, with a standard deviation value of 0.49, for the minimum value is at 0 and the maximum at 1. SIZE variable has an average value 16.93, with the standard deviation is 1.49, for the value, the lowest is at 12.88 and the biggest at 20.93, while the CETR variable has a mean value of 0.33, with a standard deviation of 0.51 with the lowest value at 0.001 and the highest at 8.77.

Figure 5 : Test Results

Variable	Coefficient	Std. Error	t	P-Value	Conclusion
Regression Model :					
Tax = - 1.116 + 0.010 (BOPO) + 0.001 (LDR) + 0.139 (QA_1) – 0.126 (QA_2) + 0.078 (TIME) + 0.029 (SIZE)					
_Cons	-1.116	0.387	-2.88	0.004	
BOPO	0.010	0.002	4.72	0.000*	Accept H1
LDR	0.001	0.001	1.82	0.070***	Accept H2
QA_1	0.139	0.107	1.29	0.197**	Rejected H3
QA_2	-0.126	0.104	-1.21	0.226**	Rejected H3
TIME	0.078	0.047	1.68	0.094***	Accept H4
SIZE	0.029	0.187	1.53	0.127**	Rejected H5
R-squared	0.0653				
Adjusted R^2	0.0528				
F-Statistic	5.23				

Based on the results of data processing above, the results obtained for the first hypothesis that the value of profitability (BOPO) has a value of 0,000, where the value is smaller than 0.001 (99% confidence level), this proves that profitability affects tax avoidance and states the hypothesis first received. Profitability affects tax avoidance because the company tries to maintain its profit by doing tax avoidance, where tax considers as a burden for the company, the company's profit will still survive due to cost efficiency. The results of this study align with Yuniarwati et al. (2017) and Derashid & Zhang (2003)

Then for the second hypothesis, the result of liquidity is 0.070, where the value is more significant than 0.01. It proves that at a 90% confidence level, liquidity affects tax avoidance. This result is in line with research conducted by Fadli (2016), where many banking companies do not meet the LDR criteria set by Bank Indonesia. LDR is influential because the high lending will

increase interest income which results in increased tax payments, besides that there are still banks that include an allowance for impairment losses (CKPN) that are not following applicable regulations, this is evidenced by there are several banking companies that have experienced a decrease in but credit has increased in CKPN. It certainly has an impact on tax payments because CKPN is considered a burden on banks.

From the results of regression variables, audit quality has a value higher than 0.05. Because the p-value results where the confidence level is at 95%, it can be concluded that there is no relationship between audit quality with Tax Avoidance. The results of this study are in line with research by Hogan & Noga (2011), and Salehi et al. (2020) that there is no significant relationship between auditor industry specialization on the Tax Avoidance strategy undertaken by the company. Research conducted by Salehi et al. (2020) comparing the results of a cross-sectional analysis of tax avoidance and auditor specialization with three alternative analyzes, such as suitable sample analysis. When comparing clients of specialist and non-specialist auditors, modify the cross-sectional model of tax avoidance, including the fixed-effects of the auditor client, and use alternative proxies for expertise based on the size and importance of the audit tax function at the office level. Hogan & Noga (2011) also concluded that there is a negative relationship between reducing tax services by auditors and taxes that must be paid by companies. However, the results of this study are not following the findings of McGuire et al. (2012) and Gaaya et al. (2017), because their testing results in a significant relationship between a well-known auditor company and a tax avoidance policy because the higher the auditor's credibility, it will affect the legal tax avoidance strategy.

From the regression results in this study, the TIME variable has a significant value of 0.094 which means that there is a relationship between the time variables before and after the Tax Amnesty program from the government and the tax avoidance strategy of listed banking companies in Indonesia if the confidence level is at 90%, so it can conclude that the hypothesis is accepted. With the Tax Amnesty program from the government, it can increase the profits of banking companies because of the repatriation funds that will deposit in the banks. From the increase in profit of the banking company, the banking company will likely implement a tax avoidance strategy to reduce the tax costs that must be paid by the company. It is in line with research conducted by Alm et al. (1990), where tax amnesty has a long-term effect on compliance with tax payments.

This study's results indicate that the regression results from the SIZE variable have a significance value higher than 0.05, so it can conclude that the company's size does not affect Tax Avoidance. This result aligns with previous research conducted by Lanis & Richardson (2012), which tested the relationship between firm size and ETR with the situation in Australia. The results of this study indicate a negative relationship between firm size, as measured by the logarithm of the company's total assets, to the ETR. Research conducted by Wu et al. (2012), using a sample of companies in China, concluded that firm size would produce a positive relationship if it influences by state ownership and corporate taxation status. If the company has preferred taxation status, then the firm size will not affect the company's tax avoidance strategy. Similar results show by research conducted by Mohammed et al. (2016) by using a sample of company data in Ghana. It can conclude that there is a negative relationship between firm size and Corporate Tax Avoidance (CTA). According to Mohammed et al. (2016), company size also has a negative relationship with Earnings Management (EM) and also with Corporate Tax Avoidance. This negative relationship can explain by the fact that many regulations, as well as investors, oversee larger companies.

Conclusions

Based on the research results above, it can conclude that the company intends to take maximum benefit from tax exemptions and regulations so that they will not pay more tax than required. Some companies try to be more aggressive in their tax planning and try to exploit favorable loopholes in uncertainty in tax laws. Therefore, some businesses will be involved in large-scale tax planning to reduce their income tax. In this case, the company is trying to do tax planning where the main goal is to reduce total responsibility for income tax, and the second is to meet financial planning targets with minimal tax

performance. Corporate Tax Planning describes as structuring the affairs of a company so that the tax paid to the governor is postponed, reduced, or even deleted with the primary objective of financial benefits expected by the company. In this case, it is evident that the company has a movement in carrying out tax planning from the time before and after the tax amnesty program, which looks as profitability where the company seeks to increase its profits by emphasizing the company's burden, in this case, the company's burden can be in the form of tax payments. With the suppression of tax payments by utilizing existing tax regulations, company profits will maintain, and then liquidity in banks will affect because many banking companies have not fulfilled the LDR criteria set by Bank Indonesia.

LDR is influential because the high lending will increase interest income which results in increased tax payments, besides that there are still banks that include an allowance for impairment losses (CKPN) that are not following applicable regulations, this is evidenced by there are several banking companies that have experienced a decrease in but credit has increased in CKPN. It certainly has an impact on tax payments because CKPN is considered a burden on banks. Then it is fascinating that the quality of the audit does not affect a company that can take tax avoidance. It is because the credibility of the results of the audit has been sufficiently tested and comply with the Sarbanes Oxley Act 2002, which addresses conflicts of interest that public accounting firms conduct audits can not do consulting services (non-audit) in the same company. For the large and small companies in Indonesia does not affect a banking company to do tax avoidance, this is because banks are the main focus and have quite strict supervision from various agencies existing, so that if the company take the risk to do tax avoidance, then the bank's credibility can be questioned and may lead to conflicts in the future.

REFERENCES

[1] Alm, J., McKee, M., & Beck, W. (1990). Amazing Grace: Tax Amnesties and Compliance. National Tax Journal, 43(1), 23–37.

[2] Annuar, H. A., Salihu, I. A., & Obid, S. N. S. (2014). Corporate Ownership, Governance and Tax Avoidance: An Interactive Effects. Procedia - Social and Behavioral Sciences, 164(August), 150–160. https://doi.org/10.1016/j.sbspro.2014.11.063

[3] Armstrong, C. S., Blouin, J. L., Jagolinzer, A. D., & Larcker, D. F. (2015). Corporate governance, incentives, and tax avoidance. Journal of Accounting and Economics, 60(1), 1–17. https://doi.org/10.1016/j.jacceco.2015.02.003

[4] Athanassopoulos, A. D. (1997). Service quality and operating efficiency synergies for management control in the provision of financial services: Evidence from Greek bank branches. European Journal of Operational Research, 98(2), 300–313. https://doi.org/10.1016/S0377-2217(96)00349-9

[5] Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). Are family firms more tax aggressive than non-family firms? Journal of Financial Economics, 95(1), 41–61. https://doi.org/10.1016/j.jfineco.2009.02.003

[6] Derashid, C., & Zhang, H. (2003). Effective tax rates and the “industrial policy” hypothesis: Evidence from Malaysia. Journal of International Accounting, Auditing and Taxation, 12(1), 45–62. https://doi.org/10.1016/S1061-9518(03)00003-X

[7] Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. Journal of Financial Economics, 79(1), 145–179. https://doi.org/10.1016/j.jfineco.2005.02.002

[8] Diamond, D. W., Dybvig, P. H., Diamond, D. W., & Dybvig, P. H. (1983). Liquidity - Diamond and Dybvig. Journal of Political Economy, 24(1), 14–23. https://doi.org/10.1086/261155

[9] Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. Accounting Review, 83(1), 61–

82. https://doi.org/10.2308/accr.2008.83.1.61

[10] Eisenhardt, K. M. (2016). Building Theories from Case Study Research Published by : Academy of Management Stable URL : http://www.jstor.org/stable/258557 Linked references are available on JSTOR for this article : Building Theories from Case Study Research. 14(4), 532–550.

[11] Fadli, I. (2016). Effect Of The Liquidity, leverage, Independent Commissiner, Earnings Management, and Institutional Ownership Against Corporate Tax Aggessiveness. JOM Fekon, 3(1), 1205–1219. https://doi.org/10.1016/j.bbapap.2013.06.007

[12] Gaaya, S., Lakhal, N., & Lakhal, F. (2017). Does family ownership reduce corporate tax avoidance? The moderating effect of audit quality. Managerial Auditing Journal, 32(7), 731–744. https://doi.org/10.1108/MAJ-02-2017-1530

[13] Gawehn, V., & Mueller, J. (2019). Tax Avoidance - Are Banks Any Different? SSRN Electronic Journal, 45. https://doi.org/10.2139/ssrn.3418506

[14] Gorton, G., & Schmid, F. A. (2000). Universal banking and the performance of German firms. Journal of Financial Economics, 58(1–2), 29–80. https://doi.org/10.1016/s0304-405x(00)00066-0

[15] Graham, J. R. (2005). A review of taxes and corporate finance. Foundations and Trends in Finance, 1(7), 573–691. https://doi.org/10.1561/0500000010

[16] Guenther, D. A., Matsunaga, S. R., & Williams, B. M. (2017). Is tax avoidance related to firm risk? Accounting Review, 92(1), 115–136. https://doi.org/10.2308/accr-51408

[17] Hanlon, M., & Heitzman, S. (2011). A Review of Tax Research. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.1476561

[18] Hermalin, B. E., & Weisbach, M. S. (2003). Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature. FRBNY Economic Policy Review, 9(April), 7–26. https://doi.org/10.2139/ssrn.233111

[19] Hogan, B., & Noga, T. (2011). The Association Between Changes in Auditor Provided Tax Services and Long-Term Corporate Tax Avoidance. SSRN Electronic Journal, July. https://doi.org/10.2139/ssrn.1539637

[20] Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, October, 1976, V. 3, No. 4, Pp. 305-360. https://doi.org/https://doi.org/10.1016/0304-405X(76)90026-X

[21] Kim, J., & Im, C. (2017). Study on corporate social responsibility (CSR): Focus on tax avoidance and financial ratio analysis. Sustainability (Switzerland), 9(10), 1–15. https://doi.org/10.3390/su9101710

[22] Kontan.co.id. (2017). Mayoritas dana repatriasi mengendap di deposito (The majority of repatriated funds settle on deposits). https://nasional.kontan.co.id/news/mayoritas-dana-repatriasi-mengendap-di-deposito?

[23] Laeven, L. (2013). Corporate Governance: What's Special About Banks? Annual Review of Financial Economics, 5(1), 63–92. https://doi.org/10.1146/annurev-financial-021113-074421

[24] Lanis, R., & Richardson, G. (2012). Corporate social responsibility and tax aggressiveness: An empirical analysis. Journal of Accounting and Public Policy, 31(1), 86–108. https://doi.org/10.1016/j.jaccpubpol.2011.10.006

[25] Lietz, G. M. (2013). Tax Avoidance vs. Tax Aggressiveness: A Unifying Conceptual Framework. SSRN Electronic

Journal. https://doi.org/10.2139/ssrn.2363828

[26] Masulis, H. deAngelo e R. W. (1980). Optimal Capital Structure Under Corporate and Personal Taxation. In Journal of Financial Economics (pp. 3–29).

[27] McGuire, S. T., Omer, T. C., & Wang, D. (2012). Tax avoidance: Does tax-specific industry expertise make a difference? Accounting Review, 87(3), 975–1003. https://doi.org/10.2308/accr-10215

[28] Menteri Negara Sekretaris Negara. (1998). Menteri Negara Sekretaris Negara. Undang-Undang Republik Indonesia Nomor 10 Tahun 1998 Tentang Perubahan Atas Undang-Undang Nomor 7 Tahun 1992 Tentang Perbankan, 63.

[29] Mohammed, A., Teddy, O. K., Simon, H., & Sally, M. Y. (2016). Do firms manage earnings and avoid tax for corporate social responsibility? Journal of Accounting and Taxation, 8(2), 11–27. https://doi.org/10.5897/jat2016.0218

[30] Morgan, D. P. (2002). Rating banks: Risk and uncertainty in an opaque industry. American Economic Review, 92(4), 874–888. https://doi.org/10.1257/00028280260344506

[31] Phillips, J. D., Pincus, M. P. K., & Rego, S. O. (2005). Earnings Management: New Evidence Based On Deferred Tax Expense. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.276997

[32] Salehi, M., Tarighi, H., & Shahri, T. A. (2020). The effect of auditor characteristics on tax avoidance of Iranian companies. Journal of Asian Business and Economic Studies, ahead-of-print(ahead-of-print). https://doi.org/10.1108/jabes-11-2018-0100

[33] Slemrod, J. (2004). The economics of corporate tax selfishness. National Tax Journal, 57(4), 877–899. https://doi.org/10.17310/ntj.2004.4.06

[34] Stickney, C. P., & McGee, V. E. (1982). Effective corporate tax rates the effect of size, capital intensity, leverage, and other factors. Journal of Accounting and Public Policy, 1(2), 125–152. https://doi.org/10.1016/S0278-4254(82)80004-5

[35] Watts, R. L., & Zimmerman, J. L. (1983). Agency Problems, Auditing, and the Theory of the Firm: Some Evidence. The Journal of Law and Economics, 26(3), 613–633. https://doi.org/10.1086/467051

[36] Wu, L., Wang, Y., Luo, W., & Gillis, P. (2012). State ownership, tax status and size effect of effective tax rate in China. Accounting and Business Research, 42(2), 97–114. https://doi.org/10.1080/00014788.2012.628208

[37] Yuniarwati, I Cenik Ardana, Sofia Prima Dewi, & Caroline Lin. (2017). Factors That Influence Tax Avoidance in Indonesia Stock Exchange. Chinese Business Review, 16(10), 510–517. https://doi.org/10.17265/1537-1506/2017.10.005