

THE EFFECT OF GOOD CORPORATE GOVERNANCE AND TAX AVOIDANCE ON THE FIRM VALUE (An Empirical Study at Private Companies Registered in the LQ45 Index of Indonesia Stock Exchange in 2015-2017)

PENGARUH GOOD CORPORATE GOVERNANCE DAN TAX AVOIDANCE TERHADAP NILAI PERUSAHAAN (Studi Empiris Pada Perusahaan Swasta Yang Terdaftar Dalam Indeks LQ45 Bursa Efek Indonesia Tahun 2015-2017)

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Abstract: The Effect Of Good Corporate Governance And Tax Avoidance On The Firm Value (An Empirical Study At Private Companies Registered in the LQ45 Index Of Indonesia Stock Exchange In 2015-2017). This study aims to determine the effect of Good Corporate Governance and Tax Avoidance on the Firm Value (An Empirical Study at Private Companies Registered in the LQ45 Index of Indonesia Stock Exchange in 2015-2017). This research is included in comparative causal research. The population in this study are private companies listed in the Indonesia Stock Exchange LQ45 Index for 2015-2017. The sample selection uses a purposive sampling method. There are 14 companies that meet the criteria for the study sample. So, the data sample in this research were 42. The data analysis techniques using descriptive statistics, classic assumption tests, and regression analysis. The results of this study indicate that (1) Managerial ownership have a positive significant effect on Firm Values, (2) Institutional Ownership have a positive significant effect on Firm Values, (3) Audit Committee does not have a significant effect on Firm Values, (4) Board of Independent Commissioners Proportion does not have a significant effect on Firm Values, (5) Board of Directors Size does not have a significant effect on Firm Values, (6) Tax Avoidance does not have a significant effect on Firm Values, and (7) Corporate Governance and Tax Avoidance simultaneously have positive significant effect on Firm Values.

Keywords: Good Corporate Governance, Tax Avoidance, Firm Value

Abstrak: Pengaruh Good Corporate Governance Dan Tax Avoidance Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Swasta Yang Terdaftar Dalam Indeks LQ45 Bursa Efek Indonesia Tahun 2015-2017). Penelitian ini bertujuan mengetahui pengaruh Good Corporate Governance dan Tax Avoidance terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Swasta yang Terdaftar dalam Indeks LQ45 Bursa Efek Indonesia Tahun 2015-2017). Penelitian ini termasuk dalam penelitian kausal komparatif. Populasi dalam penelitian ini adalah perusahaan swasta yang terdaftar dalam Indeks LQ45 Bursa Efek Indonesia tahun 2015-2017. Pemilihan sampel menggunakan metode purposive sampling. Terdapat 14 perusahaan yang memenuhi kriteria sampel penelitian. Sehingga diperoleh total 42 laporan keuangan perusahaan. Teknik analisis data menggunakan statistik deskriptif, uji asumsi klasik, dan analisis regresi. Hasil Penelitian ini menunjukkan bahwa (1) Kepemilikan Manajerial berpengaruh positif signifikan terhadap Nilai Perusahaan, (2) Kepemilikan Institusional berpengaruh positif signifikan terhadap Nilai Perusahaan, (3) Komite Audit tidak berpengaruh signifikan terhadap Nilai Perusahaan, (4) Proporsi Dewan Komisaris Independen tidak berpengaruh signifikan terhadap Nilai Perusahaan, (5) Ukuran Dewan Direksi tidak berpengaruh signifikan terhadap Nilai Perusahaan, (6) Tax Avoidance tidak berpengaruh signifikan terhadap Nilai

Perusahaan, dan (7) Good Corporate Governance dan Tax Avoidance secara simultan berpengaruh positif signifikan terhadap Nilai Perusahaan.

Kata Kunci: Good Corporate Governance, Tax Avoidance, Nilai Perusahaan

PENDAHULUAN

The company was established with the aim of carrying out operational activities to generate benefits for stakeholders. The founder of the company can act as the owner and manager of operations the direction and goals of the company can run according to the wishes of the owner. Through a good management process, the company can grow in managerial and business scale. Along with these developments, capital requirements increasingly and management structures are becoming complex so the owner needs to involve external parties as the management process. In order to support the development of the company, external funds can be excavated through loans or issue shares. The management also can appoint professional parties as managers which can improve the existence of the company.

Then, the owner only needs to oversee the company's performance and management and then determine the direction of the company's development. Company performance can be assessed through financial statements considering the purpose of preparing financial statements is to provide information to

stakeholders as a basis for economic decision making (FASB 2010 paragraph OB2). Management and capital owners certainly want the company to be valuable so can take over public trust both as consumers and as investors. The company Firm Value is generally based on stock prices in the capital market so that the role of management performance is an important thing that determines the Firm Value (Desai & Dharmapala: 2009). In addition to benefits in general for the company, the Firm Value can personally guarantee the position and increase prestige for management and investors. In terms of material, management will get higher incentives if the company's development is getting better. As for capital owners, the high Firm Value increases prestige among investors while increasing the assets of capital owners. High Firm Value can also attract more investors to develop the company.

Management can made various efforts to create better Firm Value. The stability of business development and profitability are the main concerns of investors in their consideration of investing. Even investors tend to focus on the level of profit without paying attention to other

aspects (Indriawati et al, 2018). Its can motivate management in the practice of earnings management. Through this practice, the company's growth can be reported to be stable in financial statements which increases the Firm Value. This action is a common effort carried out by professional management with a certain profit scale. If the scale of earnings management is too far from a reasonable level, it can actually lead to the growth of fictitious companies and significantly reduce the Firm Value. Even in one of the largest energy companies in the world such as Enron, efforts to increase Firm Value are carried out not only through earnings management but also through financial report manipulation. Before the practice of data manipulation was revealed, Enron shares continued to get buy recommendations by analysts. However, after the disclosure of the case, the price of Enron shares dropped gradually to end in bankruptcy (liputan6.com). The case that happened to Enron also happened to domestic companies such as PT. Kimia Farma Tbk. (2001), PT. Indofarma Tbk. (2001), PT. Lippo (2002), and PT. Ades Alfindo (2001-2003). The difference is that the case that happened to the domestic company did not result in bankruptcy, but could be resolved by giving a fine to the management and suspension of shares as sanctions (Tempo.co, Detik.com). As a

result of the case, the Firm Value experienced a significant decline with the correction of the stock price. In addition, the suspension raised investor concerns about the investment funds. The practice of manipulating financial statements also results in the information presented in financial statements being biased so that investors cannot assess management's performance and firm growth.

Good corporate governance is an effort to reduce information bias due to differences in ownership of information between management and investors and minimize the risk from earning management. The mechanism that involves the General Meeting of Shareholders (GMS), the Board of Commissioners, the Board of Directors, the Board of Committees, the Internal and External Auditors, and the Corporate Secretary in Good Corporate Governance (GCG) is expected to ensure the management process and presentation of financial statements in accordance with Financial Accounting Standards Boards (FASB). In this case, supervision is the main focus of the Good Corporate Governance mechanism. The monitoring process involves the Board of Commissioners, Internal Audit, Audit Committee and External Auditors. The Independent Board of Commissioners as the party that supervises and is incorporated in the internal company has an important

responsibility for the management process that is able to increase the Firm Value (Surjadi & Tobing: 69). While the quality of external auditors has a role to provide assurance that the company's financial statements have been presented in accordance with financial accounting standards (Pradita, 2010). The ownership structure of the company must also be considered if the majority shareholders of the company are involved as management so doesn't freely practice earnings management with the risk of harming their investment. From external parties, the public provides a higher rating for companies with high transparency, where transparency is incorporated in the principles of GCG (Ehrhardt & Brigham, 2011: 87). Thus, the application of Good Corporate Governance has a large effect on the company's valuation by investors (The Indonesian Corporate Governance Manual, 2014: 17).

Unfortunately, the implementation of Good Corporate Governance in Indonesia has not been addressed. In terms of investors themselves, the focus of investment attention is still on the company's profitability. In fact, GCG as a tool to guarantee investment should also be a focus of investor attention. This is evidenced by the drop in PT. Garuda Indonesia Airways after announcing a reduction in tariffs, which of course has an

impact on profit, and at PT. Matahari Departement Store after experiencing a decline in profit due to the closing of mataharimall.com (Tempo.co, Kontan.co.id). Meanwhile, the release of "CG Watch" with Indonesia in rank 12 of the 12 countries in the Asia Pacific surveyed, shows the weak of corporate attention to the implementation of GCG. Data collected by the *Lembanga Pengembangan Perbankan Indonesia (LPPI)* also showed the same results. Having improved in 2006-2011, the implementation of Good Corporate Governance in banks in Indonesia actually dropped in 2011-2015 (Kompas.com).

This fact further encouraged management to also focus on the profitability of the company. In addition to increasing Firm Value, profitability is also commonly used as a basis for determining incentives for management. Tax becomes one of the costs that determine the amount of a company's net profit (profitability). In this case, management requires the minimum amount of tax paid to increase profitability. The investor also wants same thing in order to increase the return on equity (ROE). Therefore, tax management is considered as one of the focuses in the assessment of large companies carried out by economists, regulators, accountants, researchers, capital market analysts, and investment communities (Hanlon &

Heitzman, 2010). As an agent who has been chosen by the capital owner, management is responsible for the tax calculation process. Management must be able to reach the targets provided by shareholders, including in terms of tax minimization or known as Tax Avoidance. The implementation of Tax Avoidance can be done by utilizing tax incentive facilities (tax holidays), deferring taxation, and utilizing tax facilities borne by the State (Zain, 2008: 43). Desai & Dharmapala (2009) prove that tax minimization increases Firm Value in America, especially for companies with government institutional ownership that are higher than those owned by other parties.

The companies sold shares to the public in improve their existence and obtain funding sources for the company growth. The trading process is carried out through the primary market and the secondary market. Securities transactions on the secondary market in Indonesia are conducted through the Indonesia Stock Exchange (IDX). On the exchange, all companies compete in increasing the Firm Value in order to gain a good reputation for investors. From companies listed on the IDX, traded shares are categorized in a number of groups with certain criteria. The most liquid company shares traded on IDX are categorized in the LQ45 index. In addition to being the most liquid, companies incorporated in LQ45 are

considered to have good financial conditions, high growth prospects, and high trading frequency in the regular market (idx.co.id). The process of stock evaluation and replacement is carried out every six months so that the quality of the companies can be guaranteed.

Meanwhile, companies going public in the LQ45 Index consist of private companies and SOEs. In addition to having a GCG component, SOEs obtain supervision from government institutions in the form of BPK and are monitored by the Ministry of Finance. While private companies are limited to external auditors. The fewer components of supervision make private companies more likely to have tax avoidance opportunities. The results of Chen's research, et al. (2013) and Wang (2010) show that the implementation of Good Corporate Governance determines the Firm Value. Then, Wardani & Juliani (2018) and Chen, et al (2013) stated that Tax Avoidance is not able to have an impact on Firm Value as disclosed by Desai & Dharmapala (2009). Good Corporate Governance as in The Indonesia Corporate Governance (2014: 46) is able to increase the Firm Value.

This research aim to determine The Effect of Good Corporate Governance and Tax Avoidance on Firm Values. Good Corporate Governance proxied by Managerial Ownership, Institutional

Ownership, Audit Committee, Proportion of Independent Board of Commissioners, and Board of Director Size. Tax Avoidance proxied by Effective Tax Rate (ETR), and Firm Value proxied by Price to Book Value (PBV). The sample and data used in this research are private companies that listed in LQ45 index during 2015-2017 as the newest period.

RESEARCH METHODS

Research Design

Based on the nature of the research place, this study was included in the survey research that is research by actively collecting data from certain places naturally using instruments (Sugiyono, 2011: 6). This study uses a descriptive method with a quantitative approach, a research method for processing research results in the form of numbers and analyzed using statistics (Sugiyono, 2011: 7). Based on the relationship of each variables, this study was included in associative research, a research to find out the causal relationship between variables through testing hypotheses (Sugiyono, 2015: 89). In this case, the study aims to prove that there is an effect between Good Corporate Governance and Tax Avoidance on Firm Values

Place and Time of Research

This Research was conducted at Indonesia Stock Exchange (IDX) by its official website. The research was conducted from January-May 2019.

Population and Samples of Research

The Populations of this research are 61 companies that listed in LQ45 Index of IDX during 2015-2017. The sampling technique in this research use purposive sampling technique and there are 14 companies fulfil the criteria.

Operational Variable Definition

a. Firm Value

The proxy of Firm Value is Price to Book Value (PBV). This ratio of PBV calculated by the following formula.

$$PBV = \frac{\text{Market Value of Common Stock}}{\text{Book Value of Common Stock}}$$

b. Managerial Ownership

Managerial Ownership is calculated using the percentage of share ownership by managers, directors, and commissioners compared to the number of outstanding shares (Wahidahwati, 2002).

MAN =

$$\frac{\sum \text{manager, director, and commissioners shares}}{\sum \text{outstanding shares}}$$

c. Institutional Ownership

Institutional ownership is calculated using the percentage of share ownership by the government, financial institutions, legal

entities, foreign institutions, etc. at the end of the year compared to the number of outstanding shares (Isti'adah, 2015)

$$IST = \frac{\sum \text{institutional shares}}{\sum \text{outstanding shares}}$$

d. Audit Committee

The Audit Committee must conduct meetings at least once every 3 months (POJK No. 55 / POJK.04 / 2015). Then the proxy used is the Audit Committee Meeting.

e. Proportion of the Independent Commissioner

In addition, in article 20 POJK No. 33 / POJK.04 / 2014 are required to have at least one or 30% Independent Commissioners of the total Board of Commissioners. Thus the proxy used is the proportion of the Independent Commissioners.

$$DKI = \frac{\text{Independent Commissioners}}{\text{Board of Commissioners}}$$

f. Board of Director Size

The number of qualified directors is expected to be able to better manage the company so that it is able to meet the target shareholders. Therefore, the proxy used is the Size of the Board of Directors.

g. Tax Avoidance

In this study, Tax Avoidance measurements were performed using modeling developed by Minnick & Noga as used by Koanantachai (2013) as follows.

$$\text{Gaap ETR} = \frac{\text{Tax Expense}}{\text{Pre Tax Income}}$$

Data Collection Technique

The type of data used in this study is secondary data taken from the company's financial statements. These financial statements can be accessed on the site <http://www.idx.co.id> and website of each company.

Data Analysis Technique

The data analysis technique were descriptive statistical analysis, classic assumption test, and regression analysis.

RESULT AND DISCUSSION

Descriptive Statistics Analysis

a. Firm Value

The Firm Value ranges from 0,3772-6,1218 with an average of 2,823370 and standard deviation of 1,4789633. The mean of 2,823370 or above 1 means that the company is able to produce assets that are higher than the investment value. The company with the lowest Firm Value in this study is PT. Lippo Karawaci in 2017 was 0,3772 while the highest Firm Value was

PT. Sawit Sumbermas Sarana in 2015 with a PBV of 6,1218.

b. Managerial Ownership

The range of Managerial Ownership ranges from 0,0000-0,0593 with an average of 0,005009 and a standard deviation of 0,0110039. The mean of 0,005009 means that the average management of a company invests in shares of the company. The highest share ownership by the company occurs at PT. Sawit Sumbermas Sarana in 2015 was worth 5,93%.

c. Institutional Ownership

The amount of Institutional Ownership ranges from 24,46%-80,53% with an average of 59,8144% and standard deviation of 12,38098%. The mean of 59,8144% means that the average capital of the company is owned by institutions both legal entities, financial institutions, insurance, and other institutions and not owned by individuals. The company with the lowest Institutional Ownership is PT. Lippo Karawaci in 2015 was 24,46% while the highest Institutional Ownership was owned by PT. Indofood CBP Sukses Makmur in 2017.

d. Audit Committee

The amount of Audit Committee Meetings ranges from 3-21 with an average of 6,357134 and standard deviation of

4,1953600. The mean of 6,357134 means that the majority of the Audit Committee of the company conducts meetings in accordance with the stipulated rules (POJK No. 55) which is a minimum of four months one time. Audit Committee Companies that carry out the lowest number of meetings are PT. Astra Agro Lestari in 2016 and PT. Indofood Sukses Makmur in 2017 three times. Meanwhile, most meetings were held by the Audit Committee of PT. Bank Central Asia in 2017.

e. Proportion of Board of Independent Commissioners

The proportion of the Independent Board of Commissioners ranges from 33,33% to 83,33% with an average of 43,9129% and a standard deviation of 12,447667%. The mean of 43,9129% means that the majority of companies apply the minimum rules of the proportion of Independent Board of Commissioners in accordance with POJK No. 33 of 2014 which requires that there be at least one or 30% of the members of the Independent Board of Commissioners. The highest proportion of Independent Board of Commissioners is PT. Lippo Karawaci in 2016.

f. Board of Director Size

The amount of the Board of Directors ranges from 3-11 with an average of 7,571429 and a standard deviation of

2,1429733. The mean of 7,571429 means that the majority of companies comply with POJK No. 33 2014 by having more than two Board of Directors. The lowest number of Directors is PT. Sawit Sumbermas Sarana in 2016 and 2017 as many as 3 people. Meanwhile, the highest number of Directors is owned by PT. Astra International as many as 11 people.

g. Tax Avoidance

The amount of Tax Avoidance ranges from 4,28%-40,82% with an average of 24,0338% and standard deviation of 7,62914%. The mean of 24,0338% means that the company makes a relative tax payment in accordance with the effective rate (according to the Act) of 25% of taxable income and conducts tax management so that the amount of the tax borne is below 25%. The company that has the lowest tax payment in this study is PT. Astra Agro Lestari in 2016 amounted to 4,28%. Meanwhile, the highest tax is borne by PT. Astra Agro Lestari in 2015 amounted to 40,82%.

Classic Assumption Test Result

Substructure equations:

$$Y = a + b_1X_1 + b_2 X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6$$

a. Normality Test

The results of the normality test show the value of Asymp. Sig. 0,200 which

is higher than the significance of 0,05 (0,200 < 0,05) so that it can be concluded that the residual data in this study are normally distributed.

Table 1. Normality Test Result

N	Unstandarized Residual	Explanation
Kolmogorov-Smirnov	,107	Normally Distributed
Asymp. Sig. (2-tailed)	,200 ^{c,d}	

b. Multicollinearity Test

The results of multicollinearity tests show the overall value of the Tolerance of Institutional Ownership (IST) variables, Audit Committee (KAU), Independent Board of Commissioners (DKI), Board of Directors Size (UDD), and Tax Avoidance (ETR) above 0,10. The calculation results of VIF (Variance Inflation Factor) also show the overall value of Managerial Ownership (MAN) variables, Institutional Ownership (IST), Audit Committee (KAU), Independent Board of Commissioners (DKI), Board of Directors Size (UDD), and Tax Avoidance (ETR) below 10. Thus it can be concluded that the substructure equation model is free from multicollinearity disturbances.

Table 2. Heteroskedasticity Test

Model	Collinearity Statistics		Explanation
	Tolerance	VIF	
MAN	0,724	1,381	No Multicollinearity
IST	0,824	1,214	
KAU	0,633	1,579	

DKI	0,842	1,188
UDD	0,567	1,765
ETR	0,921	1,086

c. Autocorrelation Test

The results of the autocorrelation test show the Durbin Watson value of 2,025, the value of DU = 1,8451, the value of DL = 1,2022, and 4-DU = 2,1549. Durbin Watson's value of 2,1549 was between DU and 4-DU ($1,8451 < 2,025 < 2,1549$). Thus, this research substructure equation model is free from the autocorrelation.

Table 3. Autocorrelation Test Result

Model Summary	Value	Explanation
K;N	6;42	No Autocorrelation
DU	1,8451	
4-DU	2,1549	
DL	1,2022	
4-DL	2,7978	
Durbin-Watson	2,025	

d. Heteroscedasticity Test

The heteroscedasticity test through the Glejser test show the significance values of each independent variable except managerial ownership and the Board of Directors' Size is higher than 5%. Thus it can be concluded that most of the substructure equation model used in this study is free from heteroscedasticity disorders (Ghozali, 2011: 143).

Table 4. Heteroskedasticity Test Result

Mode l	T	Sig.	Explanation
MAN	-3,364	0,002	There's Heteroskedas- ticity Problem
IST	1,263	0,215	No Heteroskedas- ticity

KAU	0,748	0,459	No Heteroskedas- ticity
DKI	1,988	0,055	No Heteroskedas- ticity
UDD	-2,770	0,009	There's Heteroskedas- ticity Problem
ETR	-0,459	0,649	No Heteroskedas- ticity

Hypotheses Test

a. First Hypothesis Test

Table 5. The Result of First Hypothesis Analysis

Vari- able	t Value	Sig.	t Table	r ²
IST	3,210	0,003	2,030	0,205

The first hypothesis test results show the regression coefficients of Managerial Ownership variables of 60,029 indicating a positive effect on Firm Value. The value of t count is 3,210 higher than t table (2,030) with a significance of 0,003 which is lower than 0,05 ($0,003 < 0,05$). So that it can be concluded managerial ownership has a significant effect on the Firm Value. The value of r square is 0,205 or equivalent to 20,5% which means that Managerial Ownership has an effect of 20,5% in determining Firm Value, while the rest is influenced by other variables. The value of r square also means if Managerial Ownership rises by 1 unit, it increases the Firm Value by 0,205. The results of this study are in line with Yuniarti (2014) and Rusyda (2018).

Based on the results of the analysis, it's proven that the existence of company

share ownership by management is able to reduce agency costs and reduce investment risk. In this case, agency costs that can be minimized are monitoring costs issued by shareholders to ensure management works in accordance with the company's targets, bounding costs or commitments that must be borne by management in guaranteeing its performance to capital owners, and residual loss borne by capital owners due to differences in decisions management with capital owners. This condition occurs because management feels the direct impact of each policy taken. Management benefits directly from the policies taken due to its investment in the company. If management is able to improve company performance, the investment held by the company also increases.

Meanwhile, management also bears the loss of taking actions that are detrimental to the company. This condition can occur due to a decrease in company performance which directly reduces the value of its investment in the company. Thus management can be more careful in determining company policies and can work optimally in increasing the Firm Value.

b. Second Hypothesis Test

Table 6. The Result of Second Hypothesis Analysis

Vari- able	t Value	Sig.	t Table	r ²
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IST	2,032	0,049	2,030	0,094
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The second hypothesis test results show the regression coefficients of Institutional Ownership variables of 3,525 indicating a positive effect on Firm Values. The value of t count is 2,032 higher than t table (2,030) with a significance of 0,049 which is higher than 0,05 (0,049 > 0,05). So it can be concluded that Institutional Ownership has a significant effect on Firm Value. The r square value of 0,094 or equal to 9,4% indicates that Institutional Ownership in this study has an effect of 9,4% in determining the Firm Value. While the rest is influenced by other variables. The value of r square also means that when Institutional Ownership rises by 1 unit, it increases the Firm Value by 0,094. The results of this study are in line with Rusyda (2018) and Jensen & Meckling (1976).

Based on the results of the analysis, Institutional Ownership proved to have an effect on the Firm Value. The existence of high Institutional Ownership is considered capable of increased monitoring of management performance so as to minimize fraud and agency costs (Jensen & Meckling, 1976). Institutions invest in other companies to make a profit. With this aim, the institution continuously monitors each management policy for its investment security and motivates management performance. Thus management cannot freely commit fraud and is able to be more motivated to increase the value of the investment. The stronger the monitoring that is carried out, ultimately able to increase public confidence in investing in the company.

The higher the Institutional Ownership of a company provides a high level of trust in the company management. The existence of high ownership triggers an increase in public interest in investing. Thus, the increasing number of investors who are interested in investing in companies, are able to increase stock prices which is one component in measuring Firm Value.

c. Third Hypothesis Test

Table 7. The Result of Third Hypothesis Analysis

Variable	t Value	Sig.	t Table	r ²
KAU	0,588	0,560	2,030	0,009

The third hypothesis test results show that the Audit Committee variable regression coefficient of -0,007 indicates a negative influence on Firm Value. The value of t count is 0,588 lower than t table of 2,030 with a significance of 0,560 which is higher than 0,05 ($0,560 > 0,05$). So it can be concluded that the Audit Committee has no significant effect on Firm Value. The value of r square shows the number 0,009 or equal to 0,9%, which means that the Audit Committee has an effect of 0,9% in determining the Firm Value and the rest is determined by other factors. The value of r square also means that when the Audit Committee falls by 1 unit, it increases the Firm Value by 0,009. The results of this study are in line with Yuniarti (2014).

Based on the analysis results, the number of meetings conducted by the Audit Committee did not affect the Company's Value. Effective communication between fellow audit committee members has not been able to provide an effective picture of the monitoring process. As the data obtained, the average Audit Committee of the company has held a meeting with the required amount. However, the effectiveness of the Audit Committee's

performance cannot be based on the number of meetings held in one period.

Audit Committee members who have high integrity, sufficient skills and appropriate experience can better reflect the role of the Audit Committee compared to the attendance rate (Yuniarti, 2014). Thus, the measurement of GCG through the Audit Committee can be done with other criteria such as skills, educational background, and experience so as to be able to represent the importance of the Audit Committee for the company. In addition, the existence of training programs that support the ability of the Audit Committee also needs to be considered in measuring Good Corporate Governance through the Audit Committee.

d. Fourth Hypothesis Test

Table 8. The Result of Fourth Hypothesis Analysis

Variable	t Value	Sig.	t Table	r ²
DKI	-0,253	0,801	2,030	0,002

The fourth hypothesis test results show that the regression coefficient of the proportion of Independent Board of Commissioners is -0,311 indicating a positive influence on Firm Value. The value of t count is -0,253 lower than t table of 2,030 with a significance of 0,801 which is higher than 0,05 ($0,801 < 0,05$). So it can be concluded that the proportion of the Independent Board of Commissioners has no significant effect on Firm Value. The value of r square shows the number 0,002

or equal to 0,2%, which means the proportion of the Independent Board of Commissioners has an effect of 0,2% in determining the Firm Value and the remainder is determined by other factors. The value of r square also means that when the proportion of the Board of Commissioners rises by 1 unit, it increases the Firm Value by 0,002.

The Board of Commissioners is considered as the highest holder of the company's monitoring function. At least in a company, there are one or 30% members of the unaffiliated Board of Commissioners (Independent Board of Commissioners). With the existence of an Independent Board of Commissioners, it is hoped that the supervision process will become increasingly objective. With objective supervision, the operation is expected to run in accordance with targets to ensure the growth of the company. However, based on the results of data analysis, the number of Independent Board of Commissioners cannot guarantee an increase in management performance and company assets (Yuniarti, 2014).

In other words, there are still a number of more significant factors that are able to guarantee an increase in management performance and company assets in addition to the many Independent Commissioners. The qualifications of the Independent Board of Commissioners are

things that need to be considered in assessing Good Corporate Governance through the Independent Board of Commissioners. In addition, the Independent Board of Commissioners also cannot be directly involved in management decision making.

e. Fifth Hypothesis Test
Table 9. The Result of Fifth Hypothesis Analysis

Variable	t Value	Sig.	t Table	r ²
UDD	-1,031	0,309	2,030	0,026

The fifth hypothesis test results show the regression coefficient of the Board of Directors variable size of 0,033 indicates a positive influence on Firm Value. The value of t count is -1,031 lower than t table of 2,030 with a significance of 0,309 which is higher than 0,05 (0,309 > 0,05). So it can be concluded that the size of the Board of Directors has no significant effect on Firm Value. The value of r square shows the number 0,026 or equal to 2,6%, which means that the Board of Directors' size has an effect of 2,6% in determining the Firm Value and the rest is determined by other factors. The value of r square also means that when the size of the Board of Directors rises by 1 unit, it increases the Firm Value by 0,026.

The Board of Directors is the highest holder of the company's operational responsibility. With the existence of a capable Board of Directors, it is expected

that the operational path can be in line with the company's goals and stabilize the company's growth. However, based on the results of data analysis, the number of Board of Directors cannot guarantee an increase in company assets. In other words, there is at least the number of the Board of Commissioners as the responsibility holders of each sub in the company who have not been able to represent good management performance. The knowledge, experience, and skills of the Board of Commissioners in each sub in the company can better reflect the professionalism of management. Through measurement with these criteria, the role of the Board of Commissioners can better reflect the implementation of corporate GCG so as to attract investors' attention in investing in the company.

f. Sixth Hypothesis Test
Table 10. The Result of Second Hypothesis Analysis

Vari- able	t Value	Sig.	t Table	r ²
ETR	-0,362	0,719	2,030	0,003

The sixth hypothesis test results show that the Tax Avoidance variable regression coefficient of -1,564 indicates a negative influence on Firm Value. This figure shows that the lower the tax charged will increase the Firm Value. The value of t count is -0,326 lower than t table of 2,030 with a significance of 0,719 higher than 0,05 (0,719 > 0,05). Thus, it can be

concluded that Tax Avoidance does not have a significant effect on Firm Value. The results of this study are in line with Wardani & Juliani (2018). The r square value indicates 0,003 or equal to 0,3%, which means that Tax Avoidance has an effect of 0,3% in determining Firm Value and the rest is determined by other factors. The value of r square also means that when the amount of tax paid drops by one unit, it increases the Firm Value by 0,003.

Tax avoidance that is actually able to increase the company's net profit by reducing the tax that must be paid does not affect the Firm Value. The results of this study are in line with the research conducted by Chen, et al (2013). Investors pay less attention to the taxation of companies in investing, so the size of the tax borne by the company does not affect investment decisions. This is supported by the low tax compliance that is only at 58,9% in 2017 tax year (kompas.com). In line with this fact, the public does not yet have enough awareness to fulfill their tax obligations so they do not pay attention to the size of the tax paid by the company. Thus it is clear that the company has not taken advantage of the opportunity to legally avoid taxation to increase the Firm Value.

g. Seventh Hypothesis Test

Table 11. The Result of the Seventh Hypothesis Analysis

Variable	F	Sig.	F Table
MAN, IST, KAU, DKI, UDD, ETR	2,364	0,051	2,36

The results of the analysis show that the calculated F value of 2,364 is higher than the F table of 2,36 with a significance of 0,05 which is lower than 0,05 ($0,05 < 0,05$). Thus, it can be concluded that Good Corporate Governance and Tax Avoidance simultaneously have a significant effect on Firm Value. Adjusted R square value shows that 0,166 or 16,6% shows the influence of Good Corporate Governance and Tax Avoidance on Firm Value. While 83,4% are influenced by other factors. Adjusted R square value also gives meaning if Good Corporate Governance and Tax Avoidance increases by 1 unit will increase the Firm Value by 0,166.

Based on the results of the analysis, it is proven that the implementation of Good Corporate Governance through Managerial Ownership, Institutional Ownership, Audit Committee, Proportion of Independent Board of Commissioners, Board of Directors Size, and Tax Avoidance simultaneously influence the Firm Value. Through the implementation of Good Corporate Governance, the company is considered capable of minimizing investment risks and ensuring the sustainability of the company's operations

and being able to increase the investment of shareholders. With the implementation of GCG, investors feel more protected as company owners. In addition, the implementation of Tax Avoidance is considered safer and free from the risk of tax sanctions due to the implementation of GCG in accordance with the rules.

CONCLUSION AND SUGGESTION

Conclusions

Based on the data analysis on the Effect of Good Corporate Governance (with proxy Institutional Ownership, Audit Committee, Proportion of Independent Board of Commissioners, and Board of Directors Size) and Tax Avoidance on Firm Values in companies listed in the Indonesia Stock Exchange LQ45 index 2015-2017, we can conclude as follows.

1. Managerial Ownership has a positive significant effect on the Firm Value.
2. Institutional Ownership has a positive significant effect on the Firm Value.
3. The Audit Committee does not have a significant effect on the Firm Value.
4. The proportion of the Independent Board of Commissioners does not have a significant effect on the Firm Value.
5. The size of the Board of Directors does not have a significant effect on the Firm Value.
6. Tax Avoidance does not have a significant effect on the Firm Value.

7. Good Corporate Governance and Tax Avoidance simultaneously have a significant effect on Firm Value.

Suggestions

Suggestions that researchers can convey based on the results of data analysis that has been done as follows.

1. For The Company

The company should continue to increase efforts to maintain and enhance its Firm Value. Meanwhile, the completeness of the GCG component should also be presented in full in the annual report in order to increase company transparency.

2. Financial Report Users

Users of financial statements should also pay attention to company information and taxation in addition to other general financial information. Investors can pay attention to aspects of Good Corporate Governance and Tax Avoidance. This is related to security in investments that will provide benefits, minimize the risk of significant changes in stock prices due to the illegal practices of the management, and increase the prestige of shareholders.

3. Indonesia Stock Exchange

Indonesia Stock Exchange as the organization which manage all activity

of capital market in Indonesia should prepare the report of Good Corporate Governance implementation periodically. It would help investor to measure how professional company management are. The report may be conduct of the corporate governance implementation index. It's may help the capital value in Indonesia to grow caused by increased of the investment security.

4. Future Researchers

- a. Compile the Good Corporate Governance Index (GCG) to expand the proxy in measuring GCG.
- b. The research period should may more than 3 years so as to be able to provide information that is stronger in supporting the results of the study.
- c. Samples should not be focused on companies listed on the LQ45 index but rather extended to the use of a population of companies listed on the Indonesia Stock Exchange (IDX).
- d. Can develop research by adding variables that affect Firm Value.

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