THE INFLUENCE OF TAX AUDIT, TAX AVOIDANCE AND COMPANY RISK ON COMPANY INVOLVEMENT IN TAX AMNESTY PROGRAMS IN INDONESIA

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ABSTRACT

This study aims to investigate the motivation of taxpayers for participating in the tax amnesty programs in Indonesia. At the end of 2016 to early 2017, the Government of Indonesia implemented a tax amnesty program. Through this research, we observed the profile of corporate taxpayers who voluntarily took part in the program. The results of this profile observation are useful for mapping the types of taxpayers' motivation that are beneficial in increasing tax compliance. To achieve this goal, we observed the companies listed on the Indonesia Stock Exchange in the 2015-2017 period and then selected samples based on certain criteria. By using logistic regression, this study proves that the factors of tax audits, tax avoidance and business risk of the company encourage companies to join the tax amnesty program. These findings confirm that the company made use of the incentives offered by the tax amnesty program.

Keywords: tax amnesty, tax audit, tax avoidance, business risks

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INTRODUCTION

Indonesia has adopted a self-assessment system since the tax reform in 1984. The self-assessment system provides an opportunity for taxpayers to calculate and report their tax obligations independently. Therefore, the application of the self-assessment is expected to increase the tax compliance. The tax reform that has taken place to date is expected to increase taxpayer compliance. Meanwhile, a problem that often occurs related to the self-assessment tax collection system is that many people still do not meet their tax obligations. This statement is supported by the fact that the compliance ratios for reporting the annual notification letter (SPT) for 2017 and 2018 are 72.6% and 71%, respectively. The ratios are still below the target set by the Directorate General of Taxes (DGT) for the reporting compliance ratio of the SPT at 80% (*Kontan*, 2019). The self-

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assessment system provides taxpayers with flexibility to fulfill their tax obligations. The taxpayers calculate and report the tax burden independently. However, this self-assessment system opens space for taxpayers to carry out tax avoidance by utilizing loopholes of applicable taxation provisions, as well as tax evasion, namely tax avoidance that conflicts with applicable taxation provisions (Dyreng, Hanlon and Maydew, 2008). The tax avoidance practices that cause the level of tax compliance in Indonesia is still low (Ngadiman and Huslin; 2015).

To improve tax compliance, in 2016 the Government of Indonesia rolled out a tax amnesty program by issuing the Act Number 11 of 2016 concerning Tax Amnesty (UU PP). The Tax Amnesty Program offers a tax write-off that should be paid where the taxpayer only needs to uncover the assets and pay a tax ransom of 2% - 4% of the tax payable as a tax amnesty for the assets that have never been reported. The program is an opportunity for taxpayers to pay taxes with smaller amounts including the elimination of interest and penalties without fear of being convicted.

The study of the effect of tax audits on the tendency of companies to participate in tax amnesty has never been done in Indonesia. This study aims to investigate the motivations underlying taxpayers who took part in the tax amnesty program in Indonesia. Torgler and Schaltegger (2005) conducted a research on the relationship between tax audits and tax compliance in the companies who participated in the tax amnesty programs in Costa Rica and Switzerland. The proxy used for tax audits is dummy 1 for the companies being inspected and 0 for those not. The results of the study showed insignificant results. Other researches linked the participation of tax amnesty programs with redeeming tax avoidance behavior (Malik and Schwab, 1991; López-Laborda and Rodrigo, 2005). Andreoni (1991) states that one of the reasons why taxpayers follow tax amnesty is to eliminate past mistakes and be able to rejoin the tax system, without facing the shame caused by past mistakes. Some researchers claim that tax amnesty provides an opportunity for non-compliant taxpayers to pay back the taxes on previously unreported income without the threat of sanctions or demands (Bayer et al., 2015; Sawyer, 2005; Alm et al., 1990). Andreoni et al., (1998) states that alternative tax non-compliance information can be obtained from the tax amnesty data itself, because those who participate in tax amnesty themselves state that they have carried out tax evasion. Leonard and Zeckhauser (1987) state that tax amnesty is one way to bring tax evaders back on the compliant path. According to Pratama (2018), the researches on tax amnesty have been carried out in various countries but these studies focus on the effect of tax amnesty on tax compliance afterwards.

Meanwhile, this study analyzes the motivation of participating in a tax amnesty program associated with the benefits of the program. Little research has analyzed the causes or motivations of taxpayers to take part in tax amnesty. This is because tax amnesty in several countries is mandatory, not voluntary as happened in Indonesia. In addition, this study aims to explore more deeply whether companies that participate in tax amnesty are companies that are being or routinely examined so that they intend to take part in tax amnesty to stop the inspection process and cover their non-compliance in the past and whether companies that participate in tax amnesty are companies that avoid their tax obligations in the past and whether companies with high risk tend to follow tax amnesty. The results of this study are expected to have a significant impact on the stakeholders, especially the institution where the author works, DGT, related to

making the policies and rules that are more equitable and more efficient law enforcement so as to support the achievement of tax revenue targets each year.

LITERATURE REVIEW

1. Decision Theory

The Decision Theory is an analytical approach to choose the best alternative of a decision. It aims to provide tools for management in the framework of the decision-making process so that decision theory can be implemented in various problems that require managerial decision-making. Hansson (2005) states that the decision theory is a theory about the way humans making choices among several choices that are available at random in order to achieve the goals to be achieved. The Decision Theory is divided into two, namely normative decision theory and descriptive decision theory. The Normative Decision Theory is a theory of how decisions should be made based on the principle of rationality, while the Descriptive Decision Theory is a theory of how decisions are factually made.

The decision-making process cannot just happen but has to go through several processes. According to Hansson (2005), the decision-making process is divided into three stages including: the process of proposing basic principles for decision-making, the process of eliminating available choices into the most likely choices, and the process of selecting choices and implementing choices. The theory regarding the stages of decision-making develops into two major groups, namely the sequential models of decision-making (sequential models) and the non-sequential models of decision-making. The sequential model of decision-making assumes that the stages of decision-making occur coherently and linearly, while the non-sequential model of decision-making assumes that the stages of decision-making do not occur linearly but circularly (Hansson, 2005).

When a tax forgiveness law is passed, the company management is faced with the choice to participate or not. A tax amnesty program is not mandatory (voluntary). Tax amnesty provides benefits (incentives) in the form of reducing or eliminating tax owed, administrative sanctions, tax penalties, and no tax audit, preliminary evidence checking, and tax investigation. Therefore, the company considers the benefits and costs to be borne due to tax amnesty before making a decision to participate in tax amnesty (Siahaan, 2017). The decision-making following tax amnesty is related to corporate tax non-compliance in the past because tax amnesty will close the possibility that tax evaders will be re-examined by tax officials (Torgler and Schaltegger, 2005). By following the tax amnesty, the inspection process will be stopped and the company only needs to pay a ransom of only 2% compared to a maximum fine of up to 48%. The company's motivation to participate in tax amnesty is to reduce the level of tax avoidance (Malik and Schwab, 1991; López-Laborda and Rodrigo, 2005). Andreoni (1991) states that one of the reasons why taxpayers follow tax amnesty is to eliminate past mistakes and be able to rejoin the tax system, without facing the shame caused by past mistakes. Tax amnesty provides incentives in the form of opportunities for non-compliant taxpayers to pay back taxes on previously unreported income without the threat of sanctions or demands (Bayer et al., 2015; Sawyer, 2005; Alm et al., 1990). The company's decision to take part in tax amnesty relates to the use of incentives to

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eliminate corporate risk related to penalties for incorrect past taxes. Therefore, the company's cash flow in the future will not be interrupted by management actions that are not in accordance with the company's objectives.

2.   Tax Amnesty in Indonesia

Baer and LeBorgne (2008) define tax amnesty as an invitation to tax evaders to participate in the list of people who pay taxes. Luitel and Sobel (2007) define tax amnesty as a government program that usually gives tax evaders a short time to voluntarily pay back taxes that were previously avoided without being subjected to penalties and prosecutions that are usually caused by tax evasion. Buckwalter et al. (2014) states that tax amnesty programs usually offer to forgive some or all of the penalties, fees and interest associated with unpaid tax obligations. Some researchers also claim that tax amnesty provides individuals with an opportunity to pay unpaid tax without penalty or prosecution, which is actually a risk of tax evaders (Bayer et al, 2015; Sawyer, 2005; Alm et al., 1990). Specifically, the tax amnesty program provides tax amnesty facilities to taxpayers in the form of abolition of taxes that should be owed, administrative sanctions, and criminal sanctions in the field of taxation by revealing assets and paying ransoms (Article 1 Paragraph (1) of the UU PP).

Not much different from 1964 and 1984, each taxpayer was given the opportunity to disclose his assets in a statement to get a tax amnesty, administrative sanctions, and criminal sanctions in the field of taxation by paying a ransom. However, the taxpayers who are under investigation, in the judicial process, and serving criminal penalties in the field of taxation, do not get tax amnesty facilities. The tax amnesty includes the tax obligations that have not or have not been fully resolved by the taxpayer until the end of the last tax year. The tax obligations are meant here only the income tax obligations, value added tax, and sales tax on luxury goods. The tax amnesty period is divided into three periods, namely the first period from July to September 2016, the second period from October to December 2016, and the third period from January to March 2017. In addition to disclosing his assets, the taxpayer must also pay the ransom obtained by multiplying the ransom rate with the value of the net assets disclosed. The ransom rates vary based on the area of the asset's existence and the period of participation in tax amnesty. When the Tax Amnesty Certificate (SKPP) has been issued, the taxpayer obtains the tax amnesty facility in the form of: (a) write-off of tax due; (b) the elimination of administrative sanctions; (c) tax audit exception; and (d) termination of tax audits.

There are several objectives of tax amnesty: 1) Accelerating economic growth and restructuring; 2) promoting tax reform for a fairer taxation system; 3) building a more valid, comprehensive and integrated tax database extension; and 4) increasing tax revenue (Bose and Jetter, 2012; Republic of Indonesia, 2016; Sudarma and Darmayasa, 2017. Leonard and Zeckhauser (1987) identify the benefits and costs of tax amnesty. Tax amnesty programs are usually designed if there are major difficulties in government finances, especially regarding government budgets (Mikesell and Ross, 2012; Buckwalter et al., 2014). Tax revenues in developing countries can be stable if the government can provide policies to increase tax revenues (Sharma and Singh, 2015). Tax revenues in one country might be reduced as a result of international tax competition (Fourcans and Warin, 2010).

3.   Reviewof Previous Research

Research on tax amnesty has been carried out in various countries, both in the form of theoretical, experimental, and empirical research. However, these studies focus on the effect of tax amnesty on subsequent tax compliance. Little research has analyzed the causes or motivations of taxpayers to take part in tax amnesty programs. This is because tax amnesty in some countries is mandatory, not voluntary as happened in Indonesia (Pratama, 2018). Alm et al. (2009) states that some tax amnesty initiators argue that tax amnesty can increase tax revenue and compliance in the future, but in some countries there is an insignificant increase in tax revenue. In fact, many taxpayers obey the government because tax amnesty provides special treatment for tax evaders. Many studies suggest that tax amnesty does not contribute to tax revenue in the long-run, even has a negative effect on tax compliance because the tax evaders assume there will be tax amnesty in the future (Alm et al., 1990; Alm and Beck, 1993; Torgler and Schaltegger, 2005).

The research by Alm and Beck (1991) conducted on the companies in 28 states in the United States that have been conducting tax amnesty since 1981. The results of the study suggest that companies will consider fiscal incentives in making decisions about participation in tax amnesty. Another conclusion from the study is that the higher the law enforcement carried out by the tax authorities after the tax amnesty period ends, the more it encourages the participation of taxpayers to participate in tax amnesty. Torgler and Schaltegger (2005) conducted an experimental study of the effect of tax audits on tax compliance in tax amnesty companies in Costa Rica and Switzerland. Tax audits are proxied with 1 dummy for companies that were inspected before the tax amnesty period and 0 that were not checked before the tax amnesty period. The results show that tax audits have no significant effect on tax compliance in both countries.

For the Indonesian context, Pratama (2018) conducted a study of the factors influencing companies to participate in tax amnesty. These factors include tax avoidance, ownership structure, and corporate governance. The samples used were 135 companies listed on the Indonesia Stock Exchange in the period 2011 to 2016. The tax avoidance was measured using the trend or the average GAAP ETR during 2011 to 2015. The ownership structure was divided into four groups, namely institutional, managerial, foreign and family ownership. The corporate governance is divided into two measures, namely the effectiveness of the board of commissioners measured in four different perspectives, namely the type or level of independence, size, activity, and competence and effectiveness of the audit committee based on three different perspectives, namely competency, activity, and size. While the tax amnesty variable is stated in the dummy variable 1 for the companies that participate and 0 for those who do not take tax amnesty. The results showed all independent variables significantly influence the dependent variable.

4.   Development of Research Hypotheses
Based on the theoretical basis and the results of previous studies, the hypotheses proposed in this study are as follows:

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a. **The effect of tax audits on the tendency of companies to participate in the tax amnesty program**

The limited resources owned by the DGT while the tax revenue target in the APBN continues to increase each year is followed by the growth in the number of taxpayers who need to be monitored, requiring the DGT to determine the right strategy for conducting audits. The phenomenon that often occurs is that DGT is often preoccupied by routine checks such as examinations of SPT-LB submitted by taxpayers. To deal with these problems, the DGT needs to develop strategies in order to secure state revenue. This strategy is realized with the implementation of risk-based audits starting from establishing special regional offices and large taxpayer regional offices. A tax audit carried out for the 2015 tax year and beforehand will determine the company's decision whether or not to take tax amnesty. The taxpayers who have been or are regularly inspected for the previous year before the Tax Amnesty Act applies will tend to utilize the incentives offered so that the audit process for all types and periods of tax is stopped. The taxpayers do this to cover the non-compliance or avoidance of taxes carried out in previous years. Meanwhile,the data from the KPP Entering Exchange Company stated that 82% of the ongoing tax audit process was terminated because the taxpayer followed the tax amnesty.

The research conducted by Dubin et al. (1992) show that if the tax office still conducts a tax audit after tax amnesty, the possibility of taxpayers to participate in the tax amnesty program will be significantly reduced. Meanwhile, Marchese and Privileggi (1997) state that tax amnesty provides a way for taxpayers to avoid being examined or criminal sanctions for their past wrongs. Many companies take part in tax amnesty just to avoid tax audits to be carried out, so that tax avoidance or non-compliance in the past cannot be found during the inspection.

Torgler and Schaltegger (2005) conducted research on the relationship between tax audits and tax compliance for the companies taking part in tax amnesty programs in Costa Rica and Switzerland. The proxy used for tax audits is dummy 1 for the companies being inspected and 0 for those not. The results of the study showed insignificant results. The researchers attempted to use dummy proxy 1 for the company being inspected and receiving the legal product SKPKB examination and 0 for those not. Companies tend to avoid tax audits because if they are found to be underpaid, they will be penalized in the form of a 2% fine per month, a maximum of 24 months. In other words, the maximum fine is 48%.

Tax amnesty is related to past non-compliance (avoidance) of corporate tax because tax amnesty will cover the possibility that tax evaders will be examined again by the tax official. By following the tax amnesty, the inspection process will be stopped and the company only needs to pay a ransom of only 2%. There are benefits or incentives that companies receive by following tax amnesty. Therefore, the first hypothesis in this study is:

H_1 = The companies that are examined and receive underpayment decisions tend to take part in tax amnesty programs.

b.   The effect of tax avoidance on the tendency of companies to take part in the tax amnesty program

Tax amnesty provides an opportunity for non-compliant taxpayers to pay back taxes on previously unreported income without the threat of sanctions or demands (Bayer et al., 2015; Sawyer, 2005; Alm et al., 1990). Andreoni et al., (1998) states that alternative tax non-compliance information can be obtained from the tax amnesty data itself because those who participate in tax amnesty themselves state that they have carried out tax evasion. Leonard and Zeckhauser (1987) state that tax amnesty is one way to bring the tax evaders back on the compliant path.

One motivation for companies to participate in tax amnesty is to reduce the level of tax avoidance (Malik and Schwab, 1991; López-Laborda and Rodrigo, 2005). Andreoni (1991) states that one of the reasons why taxpayers follow tax amnesty is to eliminate past mistakes and be able to rejoin the tax system, without facing the shame caused by past mistakes.

Based on the author's direct observations, tax amnesty is closely related to corporate tax avoidance in the past. This is indicated by the opportunity given to the company to submit a Statement of Assets (SPH) more than once. Thus, if there is any company that has not been right in disclosing its assets, a warning will be given to submit SPH again in accordance with the results of potential excavations by the Account Representative. Simply put, the company will be pursued to reveal all assets that have not been reported until according to the tax avoidance according to the tax official's estimate.

This is confirmed by the results of research conducted by Pratama (2018) in the companies listed on the Indonesia Stock Exchange in 2016 which found the effect of tax avoidance on the tendency of companies to take part in tax amnesty with a positive relationship. Thus the second hypothesis in this study is:

H_2 = *The companies with high tax avoidance tend to take part in tax amnesty programs.*

c.   The effect of company risk on the tendency of companies to take part in the tax amnesty program

The companies listed on the IDX must be able to keep their company risks at low levels so that investors are interested in maintaining or owning their shares. High and low risk of the company one of which can be reflected in the size of the company's stock returns. The higher stock returns of a company, both now and in the future, it can be assessed that the company has a small risk of the company (Muliana, 2017). If tax payments are a fairly large component of a company's cash flow, then it can cause uncertainty of the company's overall cash flow. By participating in tax amnesty, companies can get the opportunity to improve incomplete financial statements (lack of completeness), thereby increasing transparency and also reducing the uncertainty of the company's future cash flow.

Tax amnesty is closely related to company risk because tax amnesty eliminates risks associated with penalties for incorrect past taxes. Therefore, the company's cash

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flow in the future is not interrupted by management actions that are not in accordance with the company's objectives. Thus, the third hypothesis in this study is: H_3 = *The companies with high company risk tend to take part in the tax amnesty program.*

RESEARCH METHODS

The purpose of this study is to determine how much influence of the tax audit, tax avoidance and company risk on the tendency of companies to participate in the tax amnesty program. To achieve this objective, we observed the data on financial statements of companies listed on the Indonesia Stock Exchange from 2011-2017. The objects of research are the companies listed on the Stock Exchange during 2011-2017 period. However, the companies that did not meet the established criteria were not included as research objects. The reason for selecting the 2011-2017 period is to determine the effect of tax audits, tax avoidance, and company risk on the tendency of companies to take tax amnesty where the three variables are measured in the long term or five years from 2011 to 2015.

The population in this study is public companies listed on the IDX. Not all listed companies will be used as research objects. The method used by the researchers in sample selection is purposive sampling. Purposive sampling is a sampling technique based on the characteristics of members that are tailored to the aims and objectives of the study (Sugiyono, 2010). Based on these methods, the sample selection in this study was carried out with the following criteria:

1. The company publishes the financial reports in a row and audited by an independent auditor during the period 201 1 -2 017;
2. The company issues a complete financial report with the reporting period January 1 - December 31;
3. The company has a positive book value of equity;
4. The company has positive average ETR values in 2011-2015; and
5. The financial statements contain the data needed to determine the research variables.
6.

The final criteria for selecting samples in this study is to eliminate companies that do not have complete information. The incomplete information can be caused by the unavailability of financial statements on the IDX website or because the company is suspended by the IDX so that stock trading data is incomplete. The number of companies whose data is incomplete is 97 so the results of purposive sampling based on selection criteria are 250 companies. The sampling criteria are presented in Table 1.

Table 1 Sampling Criteria

Criteria	Amount
Companies listed on the IDX in 2017	566
Reduced by:	
Company listing after 2011	115
Companies with negative ETR, ETR> 100%	104
Companies for which data was not obtained	97
Number of research samples	250

Definisi Operasional

To test the hypothesis, this study uses four variables, namely tax amnesty as the dependent variable as well as tax audits, tax avoidance and company risk as the independent variables. The dependent variable is the variable that is influenced by the independent variable, and the independent variable is the variable that influences the outcome of the dependent variable (Sugiyono, 2010). These influences can be either positive or negative. The variables used are as follows:

a. Variabel Dependen

The dependent variable in this study is tax amnesty (TA). According to the definition under the UU PP, tax amnesty is the abolition of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the taxation field, by uncovering assets and paying ransoms. For the companies that do not disclose participation in the tax amnesty program or do not disclose in full on the notes to the financial statements, we assume the company is considered not to participate in the tax amnesty program. TA uses a dummy variable "1" for companies that have followed tax amnesty; "0" for companies that do not take part in tax amnesty.

b. Independent Variable

1) Tax Audit (AUD)

Tax audit is an audit activity that has been completed and a legal product has been excluded from the audit in the form of a Tax Assessment Letter for the period 2011 to 2015. The information on whether the company has or is being carried out is obtained from disclosures in the notes to the financial statements. The information is usually in the form of disclosures about tax audits and legal products in the form of Tax Assessment. This study uses SKPKB received by the company to identify tax audits. SKPKB is a legal product issued by DGT after the tax audit process has been completed with the company. The SKPKB contains the calculation of the tax principal accrued by the company and its sanctions. In this study, tax audits are proxied using dummy variables "1" for companies receiving SKPKB; "0" for companies that have never received SKPKB in the 2011-2015 period.

2) Tax Avoidance (TAV)

Tax avoidance is defined as general tax avoidance as a tax planning strategy that includes activities that are fully in accordance with applicable regulations and transactions included in gray areas (Wang, 2010). Based on this definition, it can be concluded the purpose of tax avoidance is to reduce the tax burden that should be owed

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but still in accordance with applicable regulations. Dyreng et al. (2008) defines tax avoidance as all actions that can affect tax obligations, both activities that are still in the corridor of regulations and illegal activities. In accordance with research by Pratama (2018) tax avoidance is measured using GAAP ETR by dividing the total tax burden by the profit before tax.

$$TAV\ (GAAP\ ETR) = \frac{\text{total tax burden}}{\text{profit before taxes}}$$

Lanis and Richardson (2013) state that GAAP ETR is the most widely used proxy in previous research literature because it provides a comprehensive picture of changes in the tax burden represented by current and deferred taxes. The relationship between GAAP ETR and tax avoidance has the opposite nature. The lower the value of GAAP ETR owned by the company indicates the higher the level of tax avoidance done. However (Dyreng et al., 2008) states that the GAAP ETR approach has weaknesses because it is influenced by accounting estimates so that temporary differences arise between commercial and fiscal calculations.

3)   Risiko Perusahaan

Hutchens and Rego (2015) define corporate risk as the uncertainty regarding the company's future net cash flow. In their research, Guenther, Matsunaga, and Williams (2013) measure company risk using a measure of stock return volatility. According to them, a company that has cash flow volatility after tax will affect the volatility of its stock returns. To that end, the use of a measure of stock return volatility can better illustrate a company's risk. This study uses stock return volatility to measure corporate risk with the following equation.
Where,

$$\text{Share's monthly return} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

P_t = share price in period t
P_{t-1} = share price in period t-1

Control Variable

a.   Audit Quality

Control variables to determine whether a public accountant firm (BIG 4) that audits the company's financial statements, are classified into Big Four accounting firms and non-Big Four accounting firms. It is stated in the dummy variable that is 0 for companies whose financial statements are audited by non- Big Four accounting firms. and 1 for companies whose financial statements are audited by Big Four accounting firms. According to Lawrence et al. (2011), large public accounting firms provide higher audit quality because they have a reputation that must be protected. The size of a public accounting firm is an important determinant of audit quality, because its large size (1) makes a large expenditure on audit training and technology, and (2) makes it

less dependent on one client and is better at holding back pressure from clients in generating clean audit opinion (DeAngelo, 1981).

b.   Profitability

Profitability is measured by return on assets (ROA)which is calculated from profit before tax divided by total assets (Richardson and Lanis, 2012). Profitability is a general measure of performance. Higher profitability indicates that the company's performance is good. But higher profitability will result in higher tax amounts, so many companies with high profits will attempt to avoid tax to minimize tax costs (Minnick and Noga, 2010; Wahab and Holland, 2012). The ROA variable is used to control the profitability variations of the company. De la Fuente Sabaté and De Quevedo Puente (2003) found a strong relationship between financial performance (profitability) and company reputation. Companies with high reputations should have a smaller possibility of participating in tax amnesty, because the company recognizes the existence of assets and liabilities that have not been disclosed. Therefore, it is expected that research results from the ROA variable have a negative coefficient (-).

Variabel *profitability* dihitung dengan formula:

$$ROA_{i,t} = \frac{EBIT_{i,t}}{TA_{i,t}}$$

Where,

EBITi,t   : Profit before company tax i in year t
TAi,t   : Total assets of company i in year t

c.   Company Size
Company size (SIZE) is measured by the natural log of total assets (Lanis and Richardson, 2012). Dyreng et al. (2008) show that company size plays a role in tax management and find that smaller companies have higher tax rates. Rego (2003) argues that larger companies can achieve economies of scale through tax planning and have incentives and resources available to them to reduce the amount of corporate tax debt. SIZE variable is calculated by the following formula: where, Ln TA i, t measured by the value of the natural logarithm of the total assets of the company i in year t. The use of logarithmic values is done to avoid bias in measurement due to differences in the scale of company operations.

Research Model
This study aims to provide empirical evidence of the effect of tax audits, tax avoidance, and company risk on the tendency of companies to participate in tax amnesty. This study uses a regression equation adapted from the previous research model (Pratama, 2018) with some changes and adjustments according to the previous explanation. Therefore, the model used in this study is as follows:

$$TA_{it} = \beta_0 + \beta_1.AUD_{it-1} + \beta_2.TAV_{it-1} + \beta_3.BRISK_{it-1} + \beta_4.BIG4_{it-1} + \beta_5.ROA_{it-1} + \beta_6.SIZE_{it-1} + \varepsilon_i$$

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Note:

TA   = tax amnesty, which is the company's participation in the tax amnesty program, using a dummy variable "1" for companies participating in tax amnesty in 2016 and / or 2017; "0" for companies who do not;

AUD = tax audit, using dummy variables; "1" for companies that have been inspected and received SKPKB; "0" for companies that have never been inspected or did not receive SKPKB within the period of 2011-2015;

TAV = taxation (tax avoidance), measured using the effective tax rate (ETR) is the tax burden (tax expense) divided by income before tax (pretax income) during the years 2011-2015, divided by 5;

BRISK = company risk, measured using the annual standard deviation of monthly stock returns for 2011-2015, divided by 5;

BIG4 = audit quality, using dummy variables; "1" for companies audited by the Big Four; "0" for companies were not audited by the Big Four during 2011-2015;

ROA = level of profitability of the company, measured by profit before tax divided by total assets for the years 2011-2015, divided by 5;

SIZE = company size, measured by natural log of total assets for 2011-2015, divided by 5;

β = regression coefficient;

ε = error;

t   = year t;

i   = company i.

The dependent variable in this study is tax amnesty which is proxied by a dummy variable so as to conduct data analysis we use the logistic regression. The logistic regression does not require a model selection test and a classic assumption test. We tested the hypotheses by using logistic regression analysis results that include the coefficient of determination (R^2 test) test, the simultaneous significance test (F test), and the individual parameter significance test (t-test). To strengthen the research model, we tested with the Omnibus test, the Hosmer-Lemeshow test, and the classification accuracy test so that it could be seen that the model used was fit for further analysis. We used the STATA 14 application to perform statistical testing. In the research process, we used Microsoft Office Word word processing applications and Microsoft Office Excel data processing applications.

RESULTS AND DISCUSSION

1. Descriptive Statistics Analysis

Descriptive data analysis is used to analyze data by describing the data that have been collected as they are without intending to make conclusions that apply generally or generalization (Sugiyono, 2010). Using descriptive statistics, the data become easily understood and informative for the reader. An overview of descriptive statistics of all variables is presented in Table 2.

Table 2. Statistik Deskriptif

Variabel	N	Mean	Median	Min	Max	Standar Deviasi
TAV	250	0,2259106	0,23264	0,00126468	0,4737814	0,09410571
BRISK	250	0,1196732	0,11172	0,05342713	0,2751254	0,03782697
ROA	250	0,0618947	0,04577	-0,0693228	0,4255421	0,06446911
SIZE	250	28,79931	28,6512	25,07605	36,20272	1,86603

Variabel *dummy*	N	Value 1 (%)	Value 0 (%)
TA	250	98 (39,20%)	152 (60,80%)
AUD	250	158 (63,20%)	92 (36,80%)
BIG4	250	123 (49,20%)	127 (50,80%)

Note: **TA** = tax amnesty, variabel *dummy*, a value of 1 for companies participating in tax amnesty and 0 for vice versa; **AUD** = tax audit, dummy variable, value 1 for companies receiving SKPKB, and 0 for vice versa; **TAV** = tax avoidance, *effective tax rate* (ETR); **BRISK** = company risk, standard deviation of monthly stock returns; **SIZE** = company size, natural log of total assets; **BIG4** = audit quality, dummy variable, value 1 for the company audited by the *Big Four*, and 0 for vice versa; **ROA** = *profitability*, net income divided by total assets.

2) *Analysis of Logistic Regression Results*

The hypothesis testing in this study used the logistic regression analysis because the dependent variable in this study is proxied by dummy variables. The logistic regression does not require a model selection test and a classic assumption test. The hypothesis testing using logistic regression analysis results include the coefficient of determination (R test 2) test, the simultaneous significance test (F-test), and the individual parameter significance test (t-test). To strengthen the research model, the test is carried out with the Omnibus test, the Hosmer-Lemeshow test and the classification accuracy test so that it can be seen that the model used is fit for further analysis. The results of tests conducted can be seen in Table 3

Table 3. Logistic Regression Results

	Sign Prediction	Coef.	Odds Ratio	Stat. Wald Test	Significance (P>|z|)
AUD	+	1,581335	4,861442	18,475	0,000***
TAV	—	-0,0599468	0,9418146	12,721	0,000***
BRISK	+	0,1289819	1.13767	8,379	0,004***
ROA	—	-0,0058284	0,9941885	0,053	0,819**
BIG4	—	-1,159082	0,313774	11,924	0,001**
SIZE	—	-0,1625995	0,8499316	2,253	0,133*
CONS		3,462051	31,8823	1,184	0,276

Prob > chi^2 = 0,0000
Pseudo R^2 = 0,2217; CoxdanSnell R^2 = 0,257; Nagelkerke R^2 = 0,384
N = 250

The level of significance, ***= 1%; ** = 5%; *=10%
Note: **TA** = tax amnesty, a dummy variable, a value of 1 for companies participating in tax amnesty and 0 for vice versa; **AUD** = tax audit, dummy variable, value 1 for companies receiving SKPKB, and 0 for vice versa; **TAV** = tax avoidance, *effective tax rate* (ETR);

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BRISK = company risk, standard deviation of monthly stock returns; SIZE = company size, natural log of total assets; **BIG4** = audit quality, dummy variable, value 1 for the company audited by the *Big Four*, and 0 for vice versa; **ROA** = *profitability*, net income divided by total assets.

The coefficient of determination is used to measure the ability of the model in explaining the variation of the dependent variable (Ghozali and Ratmono, 2013, 59). The coefficient of determination ranges between 0 and 1. The value of the coefficient of determination can be seen from the R- squared value of the regression results. If the coefficient value is small (close to 0) it can be interpreted that the ability of the independent variable in explaining the dependent variable is very limited. Conversely, if the coefficient value is large (close to 1), it can be interpreted that the independent variable provides almost all the information needed to predict the dependent variable. The coefficient of determination can be seen from the R- squared (R^2). However, many researchers advocate the use value of a djusted R-squared, because the value of R-squared was considered biased against the number of independent variables. Whereas in logistic regression using pseudo R-squared numbers to measure the ability of the model in explaining the variation of the dependent variable. N use values pseudo R-square d is 0 2217. This means that the model used can be explained by the independent variables and the control variables in this study by 22.17 %. The rest, which is equal to 77, 83 % is explained by other factors outside the research model.

The F statistical test is used to determine the effect of all the independent variables entered into the model to have a joint effect on the dependent variable or not (Ghozali and Ratmono, 2013, 61). To determine the results of the F-test, it can be seen from the value of Prob (F-statistics). If the Prob (F-statistic) value is smaller than the 5% significance level ($\alpha = 0.05$), then H_o is rejected and H_a is accepted. Conversely, if the Prob (F-statistic) value is greater than 0.05, H_o is accepted and H_a is rejected. Table 4 shows a chi square of 74.216 and a p-value of less than 0.05. Thus, the decision obtained is to reject H_0. Therefore, it can be concluded that with a 95 percent confidence level there is at least one explanatory variable that significantly influences the dependent variable. In addition, it can be concluded that the regression model formed is fit and can be used for further analysis.

Table 1. *Statistical Test of Likelihood Ratio (Omnibus Test)*

	Chi square	Degree of freedom (df)	P value
MODEL	74,216	6	0,0000

After a simultaneous test by producing a decision rejecting H_0 which means there is at least one independent variable or control variable that affects the dependent variable, then a partial test is then performed to determine the effect of each explanatory variable on the dependent variable. The statistical test t is also called the significance of individual parameter tests (Ghozali and Ratmono, 2013). A t statistical test was conducted to determine the effect of partially independent variables on the dependent variable. The results of the statistical test t are determined by looking at the Prob (p-value) for each variable then compared to the level of significance. With a significance level of 1% ($\alpha = 0.01$), if the Prob value of a variable is smaller 0.01 then the variable is

significant so H$_O$ is rejected and H$_a$ is accepted. Conversely, if the Prob (p-value) of a variable is greater than the level of significance, then the variable is considered insignificant. This study uses a one-tailed hypothesis because it has determined the direction of influence (positive/negative) of the independent variable. Thus, the results of the t-statistic test with one-tailed probability are presented in Table 4.

3) Discussion of Research Results

a) The effects of tax audits on the tendency of companies to participate in the tax amnesty program

The first hypothesis in this study proposes a provisional guess about the effect of tax audits on the tendency of companies to take tax amnesty. The coefficient value of the AUD variable is a proxy for the effect of tax audits on the tendency of companies to participate in tax amnesty. The determination whether to accept or to reject hypothesis, can be seen from the probability value in the research model. Based on Table 3, the AUD variable has a probability value of 0,000 which is smaller than the value of α (0.01), so that the tax audit has a significant effect on the company's participation in the tax amnesty program. The direction of the coefficient of the AUD variable is positive. Thus, the logistic regression results show that tax audits have a positive effect on the propensity of companies to participate in tax amnesty. Table 5 shows the relationship between the tax audit independent variable and the tax amnesty dependent variable. The data shows that more companies were examined and received SKPKB from 2011 to 2015 both for companies participating in tax amnesty and those not participating.

Tabel 5 Relationship of Tax Audit and Tax Amnesty

		AUD		
		0	**1**	**Total**
TA	**0**	71	81	152
	1	21	77	98
Total		92	158	250

The largest figures in the table above refer to the companies that did not take part in the tax amnesty program but were examined in previous years and received SKPKB as a legal inspection product, namely 81 companies. This contradicts the hypothesis as explained in the literature review section that companies that are being or regularly inspected and receive SKPKB will tend to participate in tax amnesty. However, the amount of data that fits the hypothesis is more than the ones that do not fit the hypothesis. The number of companies that did not participate in tax amnesty and did not receive SKPKB plus the number of companies that participated in tax amnesty and received SKPKB was 148. This figure is more than the number of companies that did not participate in the tax amnesty but received SKPKB plus the number of companies that participated in the tax amnesty but never received SKPKB, namely 102 companies. The data above supports the hypothesis of this research, where companies that are examined and receive SKPKB as legal products of inspection tend to participate in the tax amnesty program.

Companies tend to avoid tax audits because if they are found to be underpaid, they will be penalized in the form of a 2% fine per month, a maximum of 24 months. In other words, the maximum fine is 48%. Tax amnesty is related to past non-compliance (avoidance) of corporate tax because tax amnesty will cover the possibility that tax evaders will be examined again by the tax official. By following the tax amnesty, the inspection process will be stopped and the company only needs to pay a ransom of only

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2%. There are some benefits or incentives that companies receive by following tax amnesty.

The results of this study are in line with research conducted by Dubin et al. (1992) that shows that if the tax authority still conducts tax audits after the tax amnesty program ends, the likelihood of taxpayers to participate in the tax amnesty program will be significantly reduced. This is what will determine the company's decision whether to take part in tax amnesty or not. As data from the KPP the Companies Go Public, which stated that 82% of the ongoing tax audits were terminated because the taxpayer took part in the tax amnesty. Most taxpayers who follow tax amnesty are most likely taxpayers who have problems with tax compliance (Fisher et al., 1989; Alm et al., 1990; Alm and Beck, 1993). Meanwhile, Marchese and Privileggi (1997) state that tax amnesty provides a way for the taxpayers to avoid being examined or criminal sanctions for their past wrongs. Many companies aim to join the tax amnesty in order to just stop the inspection process that is being carried out even to avoid tax audits to be carried out by the tax authorities, so that tax avoidance or non-compliance in the past cannot be found during the inspection.

b) The effects of tax avoidance on the tendency of companies to take part in tax amnesty program

The second hypothesis in this study proposes a temporary conjecture regarding the effect of tax avoidance on the tendency of companies to participate in tax amnesty. The coefficient value of the TAV variable is a proxy for the effect of tax avoidance on the tendency of companies to participate in tax amnesty. The determination whether to accept or reject the hypothesis, can be seen from the probability value in the research model. Based on Table 3, the TAV variable has a probability value of 0.001 which is smaller than the value of α (0.01). Thus, tax avoidance has a significant effect on the company's participation in the tax amnesty program. The direction of the TAV variable coefficient is negative f. Therefore, the logistic regression results show that tax avoidance has a negative effect on the tendency of companies to participate in tax amnesty.

The descriptive statistical data in Table 2 shows that companies participating in tax amnesty had an average ETR (19.46%) which is lower than the corporate income tax rates in force in Indonesia. The companies that did not take part in the tax amnesty tend to be more compliant with an average ETR of 24.61% or almost the same as the corporate income tax rates in force in Indonesia. This shows an indication of conformity with the hypothesis, where companies with high tax avoidance (low ETR) will be more likely to follow the tax amnesty. From the analysis of each sector, it can be concluded that the average ETR of companies that participated in the tax amnesty is lower than those that did not. This applies to all sectors except the agricultural sector where the average ETR of companies that took tax amnesty (25.63%) is higher than the average ETR of companies that did not take tax amnesty (20.35%).

Of the companies that participated in tax amnesty, the companies in the financial sector had the lowest average ETR compared to all sectors, which was only 13.46%. While the highest average ETR value came from companies from the agricultural sector with an average ETR value of 25.63%. Of the companies that did not participate in tax amnesty, the companies in the property, real estate and construction sectors had the lowest average ETR compared to all sectors, which was only 19.73%. While the highest average ETR value came from companies from the mining sector with an average ETR value of 31.10%. Malik and Schwab (1991) state that companies are motivated to follow tax amnesty to reduce the level of tax avoidance. This is in line with Andreoni

(1991) which states that one of the reasons why taxpayers participate in tax amnesty is to eliminate past mistakes and to be able to rejoin the tax system, without having to face the shame caused by past mistakes.

Some researchers claim that tax amnesty provides an opportunity for non-compliant taxpayers to pay back the taxes on previously unreported income without the threat of sanctions or demands (Bayer et al., 2015; Sawyer, 2005; Alm et al., 1990). Andreoni et al., (1998) states that alternative tax non-compliance information can be obtained from the tax amnesty data itself, because those who participate in tax amnesty themselves state that they have carried out tax evasion. Leonard and Zeckhauser (1987) state that tax amnesty is one way to bring tax evaders back on the compliant path. The results of testing the tax avoidance of the tendency to participate in the tax amnesty are in line with previous research conducted by Pratama (2018). This study found a positive relationship between tax avoidance and tax amnesty, that is, the higher the level of tax avoidance, the higher the likelihood of companies to participate in tax amnesty programs.

Belz et al. (2018) states that companies that avoid tax will face supervision because they fail to meet stakeholder requests. The intended stakeholder is the tax authority (DGT). Kirchler et al. (2003), Prebble and Prebble (2010), and Dowling (2014) also stated that companies that carry out tax avoidance will try to find ways to hide the tax avoidance activities that have been carried out from the tax authorities. Therefore, this study shows that the companies participating in tax amnesty programs are the taxpayers with high tax avoidance (low ETR).

c) Discussion of the effect of company risk on the tendency of companies to participate in the tax amnesty program

The third hypothesis in this study proposes a provisional conjecture regarding the effect of company risk on the tendency of companies to participate in the tax amnesty. The coefficient value of the BRISK variable is a proxy for the effect of company risk on the tendency of companies to take tax amnesty. The determination whether to accept or to reject the hypothesis, can be seen from the probability value in the research model. Based on Table 6, the BRISK variable has a probability value of 0.001 which is smaller than the value of α (0.01), so company risk has a significant effect on the company's participation in the tax amnesty program. The direction of the BRISK variable coefficient is positive. Thus, the results of logistic regression indicate that company risk has a positive effect on the propensity of companies to take tax amnesty. Based on the analysis of each sector, it is found that almost all of the average annual standard deviations of the monthly stock returns of companies that took part in the tax amnesty are higher than those that did not. Only three sectors with an average annual standard deviation of the monthly stock returns of companies that tookk part in the tax amnesty are no higher than those who did not take tax amnesty namely the mining sector, various industries, and property, real estate, and construction.

Table 6 Relationship between Company Risk and Tax Amnesty by Sector

SECTOR	BRISK Average (%)		Number of Companies	
	TA : 1	TA : 0	Participate	Not

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					Participate
	Agriculture	12.60	10.57	4	6
	Basic Industry And Chemicals	14.18	12.59	3	13
	Consumer Goods Industry	11.96	9.24	7	18
	Finance	12.44	9.55	4	10
	Infrastructure, Utilities And Transportation	12.53	9.45	6	15
	Mining	11.74	12.14	30	10
	Miscellaneous Industry	12.58	14.06	8	9
	Property, Real Estate And Building Construction	13.36	13.61	7	40
	Trade, Services dan Investment	14.21	11.43	29	31
	Total	**13.34**	**11.08**	**98**	**152**

Of the companies that participated in tax amnesty, companies in the mining sector had the lowest average annual standard deviation of monthly stock returns compared to all sectors at 11.74%. While the average annual standard deviation of the highest monthly stock returns comes from companies from the trade, services and investment sectors with an average annual standard deviation of monthly stock returns of 14.21%.

For the companies that did not participate in tax amnesty, companies in the consumer goods industry sector had the lowest average annual standard deviation of monthly stock returns compared to all sectors, which was only 9.24%. While the average annual standard deviation of the highest monthly stock returns comes from companies from various industry sectors with an average annual standard deviation of monthly stock returns of 14.06%.

The pulic companies listed on the Indonesia Stock Exchange must try to keep the company's risk stable at a minimum level so that the investors and potential investors are interested in maintaining, owning, or even increasing their shares in the company (Muliana, 2017). Table 4 shows the significant influence between company risk and the likelihood that the company will take tax amnesty at a significance level of 1%. It can be interpreted that company risk influences the likelihood of a company taking part in tax amnesty programs.

According to Rego (2015), one of the high or low risks of a company can be reflected in the size of the company's stock returns. The higher the stock returns of a company, both now and in the future, it can be assessed that the company has a small company risk. In addition, according to Rego and Wilson (2012) and Badertscher, Katz, and Rego (2013) total company risk is a type of risk inherent in management's decision-making arrangements. This company's risk is reflected in the volatility of stock returns. Hutchens and Rego (2015) simply define company risk as the uncertainty about the company's net cash flow in the future. Thus, it can be concluded that the volatility or uncertainty of a company's cash flow is reflected in the volatility of monthly stock returns. If tax payments are a fairly large component of a company's cash flow, then it can cause uncertainty of the company's overall cash flow. By participating in tax amnesty, the companies can get the opportunity to improve the incomplete financial statements (lack of completeness), thereby increasing transparency and also reducing the uncertainty of the company's future cash flow. By following the tax amnesty, the company hopes to eliminate the risks of uncertain cash flows that will be received in the future. Alm and Beck (1991) state that companies will consider fiscal incentives in making decision on participation in tax amnesty. Tax amnesty will eliminate the risks associated with penalties for incorrect past taxes. Therefore, the company's cash flow in

the future will not be interrupted by management actions that are not in accordance with the company's objectives.

CONCLUSION

This study aims to explain the influence tax audit, tax avoidance, and the company's risk on the tendency of companies to participate in the tax amnesty programs. The objects of research are the companies listed on the Stock Exchange during the period 2011 to 2017. The finding of this study is that the tax audit has significant and positive effect on the tendency of companies to take part in the tax amnesty programs. The result shows that companies which are inspected by the tax office and receive SKPKB as legal products have a higher likelihood to join the tax amnesty program compared to companies that are not inspected or received a tax underpayment during the period 2011 to 2015.

The tax avoidance has significant and positive influence on the tendency of companies to follow the tax amnesty. This result indicates that companies with small ETR (large tax avoidance) have a 94.79% higher chance of participating in tax amnesty than companies with large ETR (small tax avoidance) during the 2011 to 2015 tax year period. Another finding is that company risk has a significant and positive influence on the tendency of companies to take part in the tax amnesty program. These results indicate that firms with higher risks are more likely to join tax amnesty than companies with smaller risks.

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