ANALYSIS OF TAX AVOIDANCE AFFECTED BY THE EXECUTIVE COMPENSATION AND SHARE OWNERSHIP EXECUTIVE

(Case Study on Corporate Taxpayers Manufacturing Listed in Indonesia Stock Exchange Period 2012 - 2016)

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ABSTRACT

This research aim to Obtain empirical evidence about the influence of executive compensation, and executive ownership to tax avoidance. The population of this research are all taxpayer of manufacturing the which listed on Indonesia Stock Exchange in 2012-2016.The phenomenon that Occurs in the taxpayer of the manufacturing is the decline in executive compensation for Several years, and executive stock ownership is Followed by an increase of in tax avoidance.The purpose of this research is to know and test empirically the amount of influence the Executive Compensation and Executive Share Ownership partially.The method used in this research is descriptive and verificative method with quantitative approach. The sample used in this study is 100 annual report of 20 manufacturing Taxpayers from 2012-2016. Sampling using purposive sampling technique. The analysis technique used is multiple linear regression analysis.The results of this research show that, (1) there is a significant and positive influence between the executive compensation variable on tax avoidance (2) there is a significant and positive influence between the variables executive stock ownership to tax avoidance.

Keyword: Tax Avoidance, Executive Compensation, Executive Ownership

I. Introduction

1.1 Research Background

the Indonesian Government in seeking to boost national income and economic growth as well as public awareness and compliance in the implementation of tax obligations in the future, the Indonesian government imposed a tax amnesty *(tax amnesty)* (Bambang PS Brodjonegoro, 2016). Implementation of the remission of tax *(tax amnesty)* is based on the taxpayer for their disobedience, while one form of non-compliance the taxpayer is tax avoidance (Bambang PS Brodjonegoro, 2016). Similarly, according to Judi Budiman (2012) one of the obstacles in order to optimize their tax revenue is tax avoidance.

Tax avoidance according Erly Suandy (2014: 21), a reduction of legally performed by utilizing the provisions in the field of taxation optimally like, exemptions and deductions are allowed as well as take advantage of things that are not regulated and weaknesses contained in the applicable tax regulations. However, according to Ibnu Wijaya (2014), although literally taxation *(tax avoidance)* is legal and there is no law was violated but all parties agree that tax evasion is something that in practice is unacceptable. This is because tax avoidance direct impact on the erosion of the tax base resulting in reduced tax revenue required by the state. If this is not given an action, the practice of tax evasion can result in injustice, because in general the tax avoidance schemes is done through a complex transaction designed to systematically usually performed by large corporations (Ibnu wijaya, 2014). This has caused the perception of

injustice, where large corporations seem to pay less tax and can lead to reluctance of other taxpayers to pay taxes that resulted in the ineffectiveness of taxation system (Ibnu wijaya, 2014).

Tax avoidance is also diferrentiated from tax evasion. According to Mohammad Zain (2008: 48) there is a fundamental difference, where tax evasion associated with the use of methods that violate the law to reduce or eliminate the tax burden, while tax avoidance is legal to take advantage of gaps *(loopholes)* contained the existing tax laws to avoid paying taxes, or transactions that have no purpose other than to avoid tax.

Factors that influence to be tested against tax avoidance is the relationship of executive compensation. According to Desai and Dharmapala (2006) higher compensation given to executives able to raise the level of corporate tax evasion led to more greater. However Irawan (2012), which conducts research in Indonesia found no significant effect between management compensation against corporate tax avoidance. Scott (2000) state executive compensation is a form of contract between the company's agent and corporate managers who are trying to align the interests of owners and managers with manager compensation basing on one or more measures of effort in operating the company's managers. So with the right compensation policy, management expects business owners can improve company performance through more efficient tax payments that will affect the overall value of the company (Irawan, 2012). For that high compensation for the executive is one of the best ways in an effort to the implementation of corporate tax efficiency (Umi Hanafi and Harto, 2014).

Tax avoidance tend to also be influenced by the interests held by the shareholders. According to previous research related to executive stock ownership according to Hanafi (2014) showed that the company's shares by executive influence on corporate tax avoidance. Cindy Mayangsari (2015) supports previous research done by Hanafi (2014) and Irawan (2012) that the presence of executive stock ownership has a role to taxation *(tax avoidance).* According to the theory that explains how the compliance of the company's shares by executives are able to influence the company's tax evasion (Umi Hanafi and Harto, 2014). This theory assumes that the executive as an individual will carry out something if he gain from it (Umm Hanafi and Praise Harto, 2014). With the stake, an executive is also a part owner of the company (Umi Hanafi and Praise Harto, 2014). So either directly or indirectly, the flow of *cash flow* good corporate into executives hope that he gets a higher profit (Umi Hanafi and Harto, 2014). Good corporate cash flow one of which can be achieved with the efficiency of the tax burden through tax avoidance Companies (Umi Hanafi and Harto, 2014). Executive stock ownership is a share of ownership is determined by how much equity invested in the company in particular to hold the shares used in the *control* and influence the course of a company to be able to reduce the conflict between management and shareholders (Cindy Mayangsari, 2015).

As a special phenomenon that occurs in the unit of analysis is based on the taxpayer terlisting manufacturing in Indonesia Stock Exchange 2011-2015 period, on PT. Asahimas Flat Glass Tbk (AMFG). Phenomenon occurs between variable executive compensation and tax evasion. Based on thereport *annual report* of PT. Asahimas Flat Glass Tbk (AMFG) presented containing information rate of profit and tax payments, showed in 2011 the profit amounted to 446 661 (in millions of rupiah) with the payment of taxes 142 884 (in millions of rupiah) in 2012 increased profits by 463 812 (in millions of rupiah) and but related tax payments amounted to 114 270 (in millions of rupiah). And in 2013 the profit amounted to 450 753 (in millions of rupiah) with the level of tax payments 103 124 (in millions of rupiah). It states in the year 2011 - 2013 with the amount of income earned on the rise but the rate of tax has decreased. In terms of executive compensation levels at PT. Asahimas Flat Glass Tbk (AMFG) in 2011 received compensation amounting to Rp.26.964 billion,in 2012 to get executive compensation Rp.26.225 billion and then in 2013 to Rp. 24.62 billion.It is clear that the discrepancy with the theory that should have been according to the theory, the increase in the compensation of directors declared an increase in welfare for his contribution to the company as to reverse the decline of Executive Compensation then it is likely the company tax evasion would be lower.

Table 1.1
Level of Earnings Before Tax, Tax Payment and Executive Compensation
At PT. Asahimas Flat Glass Tbk (AMFG).

Period 2012-2016

Year	Profit Before Tax	Tax Payments	Executive Compensation
2012	↑463 812	↓114 270	26.225.000.000↓
2013	↓450 753	↓103 124	24.620.000.000↓
2014	↑597 807	↑161 705	25.115.000.000↑
2015	↓464 263	↓152 968	26.197.000.000↑
2016	↓348 561	117 634 ↓	27.801.000.000↑

1.2 Problem Statement

Based on the identification of an issue that has been described above, the authors formulate some problems that the main problem in this study, as follows:

1) How big is the influence of executive compensation against tax avoidance.
2) How big is the influence of executive stock ownership against tax avoidance.

1.3 The Objective of the Research

1.3.1 Purpose of the Research

The purpose of this study was to test the truth of the statement that connects predictive *independent variable* of the *dependent variable* (Kothari, 2008). to test the truth that tax avoidance is influenced by the executive compensation and executive stock ownership.

1.3.2 Objective of the Research

1) To examine and analyze the influence of executive compensation against tax avoidance.
2) To examine and analyze the influence of executive stock ownership against tax avoidance.

1.4 Usability Research

1.4.1 Practical Uses

The result is expected to solve the problems that occur on an analysis of tax avoidance which is influenced by the executive compensation and share ownership executives, namely the business taxpayer to minimize tax burden with tax evasion through the payment of executive compensation and share ownership affect control of the company.

1.4.2 Academic usability

results of this study are used as the development of science through empirical testing and concepts that had been expected to prove back in the theories of previous studies on the influence of executive compensation against tax evasion and the influence of ownership against tax evasion.

II. Literature Review, Framework and Hypotheses

2.1 Literature Review

2.1.1 Tax Avoidance

Tax Avoidance According to (Siti Kurnia, 2010: 146) is an event regard to setting such a way to minimize or eliminate the tax burden by paying attention to whether or not the tax consequences there of. According to (Chairil Anwar, 2015: 11), Tax Avoidance is an effort to streamline the tax burden by avoiding the tax by pointing to the transaction is not subject to tax. Measurement of tax avoidance is calculated by *CASH ETR (Effective Cash Rate)* companies are cash costs incurred for taxes divided by income before taxes (Budiman, 2012). The formula for calculating *CASH ETR* is as follows:

$$CASH\ ETR = \frac{Pembayaran\ Pajak}{Laba\ Sebelum\ Pajak}$$

2.1.2 Executive Compensation

Definition of executive compensation by (Scott, 2000), is an agency contract between the company and the company's managers are trying to align the interests of owners and managers by basing compensation manager at one or more acts of attempts manager in operating the company.

According to (Blocher, 2012: 689), executive compensation is a compensation program for top managers are usually described in the report and a company representative must be approved by shareholders. The basic salary is usually in the form of an annual amount paid in a year, though it can also include future cash payments.

Executive compensation in this study was measured using total cash compensation received by executives during the year (Hanafi, 2014). Executive compensation data contained in *the annual report* of companies which can be seen in the notes to the financial reporting on the disclosure of salary.

2.1.3 Executive Share Ownership

Executive share ownership according (Muzdalifah, 2012: 77) is a portion of ownership is determined by how much equity invested in the company.

Definition of Shareholding Executive According to (Cindy Mayangsari**,** 2015) is an ownership share represents a portion of ownership is determined by how much equity invested in the company, especially on the stock used in holding *control* and influence the course of the company so as to give effect to the performance in running a company and believed to be able to reduce the conflict between management and shareholders.

In this research, measurement indicators shareholding executives to apply the measurements made by (Hanafi, 2014) and (Cindy Mayangsari, 2015) in which the shareholding executive is the percentage of shares owned by executives of the number of shares outstanding to see the data ownership contained in *annual report* of the company.

$$Kepemilikan\ Saham\ Eksekutif = \frac{\%\ Jumlah\ Saham\ Direksi}{Jumlah\ Saham\ Beredar}$$

2.2 Framework

2.2.1 Effects of Executive Compensation On Tax Avoidance

Based on the theory of compliance stating that basically no one taxpayer who voluntarily or freely pay taxes (Setyowati, 2015). In fact there is an ancient adage says "nobody enjoys paying taxes", but all agree that taxes are very important and beneficial to the public interest. As for the so-called *voluntary* (voluntary) in taxation always mean *quasi-voluntary* or voluntary, arising due to coercion by law and hope will benefit from tax payments (Brautigam, 2008). Due to the taxpayer it is a burden because it may reduce earnings. Based on that one executive as head of the company will create a policy to streamline the tax burden or tax avoidance policy if he benefit from it. Therefore providing higher compensation to the executive is one of the best ways a company tax efficiency implementation efforts. (Desai and Dharmapala, 2006) also said a reduction in the level of tax payments the company was affected by the compensation given to executives.

In the study conducted by Desai and Dharmapala (2006) showed that the executive compensation given to high it can raise corporate tax avoidance leads. Results of research conducted by Rego and Wilson (2009) showed that the compensation given to executives have a positive impact on corporate tax avoidance.

From the above statement can be stated that the executive compensation effect on tax evasion.

2.2.2 Effect of Shareholding Executive On Tax Avoidance

According to (Mohamad Zain, 2008: 71), to achieve a greater profit of the executive directors, shareholders, and as an individual who will be making decisions and solving problems, will think of how much tax will be paid how can I make the tax payments efficiently, and how to perform tax avoidance does not violate the provisions of the tax legislation. decision to be taken of the directors will provide the framework for the other members of the organization to act.

Based on research conducted by Hanafi and Harto (2014) found results that shareholding executives significant and positive impact on the taxation of companies and research conducted by Zhou (2011), working in China, finding the result that there is a positive relationship between the proportion of shareholders controllers with corporate tax evasion.

From the above statement can be stated that the executive stock ownership effect on tax avoidance.

2.3 Hypothesis

Then the hypothesis of this study is based on the framework are as follows:

H1: Executive Compensation effect on corporate tax avoidance.

H2: Executive stock ownership affects the corporate tax avoidance.

III. Research Methodology

3.1 Research Methodology

According to (Suharsimi Arikunto, 2006) that the research method is the means used by researchers to collect data research, whereas the research instrument is an instrument or facility used by researchers to collect data in order to work more easily, and the result is better, in meaning more accurate, complete and systematic so more easily processed. The method used in this research is descriptive and verification method with quantitative approach. The purpose of descriptive research is to provide an overview of the influence of executive compensation and executive stock ownership in detecting tax avoidance. While the verification method is a method of research that aims to determine the relationship between two or more variables (Sugiono, 2012: 55).

The object of research by (Husein Umar, 2011) is to explain about what or who is the object of study, as well as where and when research is done. Can also add other things if deemed necessary. From these explanations can be concluded that the object of research for the

unit of analysis according to (Sudjoko S. Efferin, 2004) states that the analysis unit is the smallest unit of the research object desired by the researchers as the classification of the data collection.

3.2 Operational Variable

According to the(Umi Narimawati, 2010: 31) is a variable operational research on the variable decomposition process sub-variables, dimensions, sub indicator variables, and measurement. The conditions of decomposition of the operation performed when the basic concepts and indicators of each variable is clear, if not clear conceptually it is necessary to factor analysis.

3.3 Data Sources and Data Collection Techniques

Data used is secondary data. Secondary data by source (Sugiyono, 2012) is not directly provide data to data collectors, for example, from parties or through documents. The data used are the financial statements for the last 5 years commencing from the year 2012 to 2016 on Agency Corporate Tax Payer registered and published in the Stock Exchange.

3.4 Population, Sample, Place and Time of Research

3.4.1 Population

Definition Population by (Umi Narimawati 2010) is the object or subject that has certain characteristics according to the information set out by researchers, as a unit of research analysis. Pengerrtian Based on the above, the population in this study is financial statements Corporate Tax Payer Firm listed on the Stock Exchange.

3.4.2 Sample

Definition of the sample according to (Sugiyono, 2014: 81) is part of the number and characteristics possessed by this population. As for the use within the sampling technique used for this research is by echnique *purposive sampling* in which researchers have criteria or specific objectives of the sample to be studied. According to (Sugiyono 2010) *purposive sampling* is a sampling technique with particular consideration of data sources.

Of the population who have been determined above, the authors took a sample in accordance with the criteria specified by the author and in accordance with what will be studied. The sample in this study were obtained by method, purposive samplingwith the following criteria:

1. Corporate Tax Payer Firm listed on the Indonesia Stock Exchange during the study period (2012-2017).
2. Corporate Tax Payer Firm has been registered before 2012.
3. Corporate Tax Payer Firm are not delisted by the Indonesia Stock Exchange
4. Corporate Tax Payer Firm which is not relisting by the Indonesia Stock Exchange

5. Corporate Tax Payer Firm did not experience losses during the years of research
6. Corporate Tax Payer Fim that uses Rupiah for reporting.
7. Corporate Tax Payer Firm that has ownership of directors.

3.4.3 Place and Time of Research

To obtain the required data in the study executive compensation, executive stock ownership and tax evasion, the research was conducted in Corporate Tax Payer Firm listed on the Stock Exchange, by taking secondary data obtained from BEI addressed in Jl.PHH Mustafa No. 33, Bandung, West Java.

3.5 Data Collection Method

According to (Umi Narimawati 2010) method of research is the process of searching for and compiling a systematic data that has been processed from the results of field observation and documentation with how to organize data into categories, describe into the units, synthesize, organize into a pattern, choosing which is more important and that will be studied, and make conclusions so easily understood by myself and others. Then the test data in this study using the data rate or using multiple regression analysis.

1) Classical Assumption Test

According to (Ghozali, 2011: 57) the classical assumption that is used to obtain a good regression model free of deviations of data consisting of multicoloniarity, heteroscedasticity, autocorrelation and normality. The means used to test the classic assumption deviation as follows:

a) Normality Test

According to (Husein Umar, 2011: 182) defines normality test is to determine whether the dependent variable, independent or both normal distribution, near normal or not. Normality test aims to test whether the regression model, the dependent variable and independent variables both have a normal distribution or not. The testing tool used by the writer is by using thetest. *Kolmogorov-Smirnov*In this case to determine whether the distribution of the residuals are normally distributed if signifkansi value of more than 0.05, (Ghozali, 2011).

b) Multicollinearity Test

According to (Husein Umar, 2011: 177) defines multicolinierity test is to determine whether the regression model found a correlation between the independent variables. If there is a correlation, there is a multicollinearity problem that must be addressed. Multikolinearitas means a strong relationship between some or all of the independent variables in the regression model. Multicollinearity test done by looking at the tolerance value and variance inflation factor (VIF). If the VIF value is less than 10 then the data is not there Multicollinearity (Gujarati, 2004: 93).

c) Heteroscedasticity Test

According to (Husein Umar, 2011: 179) states heteroscedasticity test was conducted to determine whether a regression model occurred inequality residual variance of an observation to another observation. To test whether there is heteroscedasticity Spearman rank test was used, ie by correlating the independent variable on absolute values and residuals (errors). If there is a significant coefficient at the 5% error rate means indicates heteroscedasticity.

d) Autocorrelation test

According to the(Husein Umar, 2011: 182) autocorrelation autocorrelation test is performed to determine whether in a linear regression model there is a strong relationship between the positive and negative data on the variables of the study.

Test criteria: Compare the value of DW with the value d from the Durbin-Watson table:

a) If DW <dL or DW> 4 -dL, conclusions on the data contained autocorrelation.
b) If dU <DW <4 -Du, conclusions on such data is not contained autocorrelation.
c) No conclusion if: DW dU dL or 4 -Du DW 4 -dL

If the Durbin-Watson test results can not be concluded whether there is autocorrelation or not then proceed with the *test*runs.

2) Regression Analysis

Analysis of linear regression according to (Sugiyono, 2011: 277) is the analysis the researchers used, if intended to predict how the situation (rise and fall) the dependent variable (criterion), when two or more independent variables as a factor predictor manipulated (dinaik decrease in value).

Equation of multiple linear regression analysis in general to test the hypothesis in this study are as follows:

$$Y = A + \beta_1 X_1 + \beta_2 X_2$$

Source: Sugiyono

Description:

Y = Tax Avoidance
A = Constant, is bound value which in this case is Y whenthe independent variable is 0 (X1, X2 = 0)
β1 = coefficient of regression between the independent variables X1 bound Y, if the independent variables are considered constant X2.
β2 = coefficient of regression between independent variables X2 bound when X1dianggap independent variables constant.
X1 = Executive Compensation
X2 = Executive Stock Ownership

3) Correlation Analysis Pearson

Pearson correlation is used to determine whether there is a relationship between two variables, namely the independent variable and the dependent variable scale interval or ratio (parametric). According to (Umi Narimawati, 2011: 49) analysis of the correlation is a correlation test is used to determine how strong the relationship between the variables X and Y can use Pearson correlation approach with the formula with the following formula:

$$r = \frac{n(\Sigma X_i Y_i) - (\Sigma X_i)(\Sigma y)}{\sqrt{[\Sigma X_i^2 - (\Sigma X_i Y_i)^2][n(\Sigma Y_i^2) - (\Sigma Y_i)^2}}$$

Description:

r = Correlation Coefficient
n = Number of data
X = variables Independent
Y = variable Dependent

the correlation coefficient has a value of -1 ≤ r ≤ +1 where:

a) if r = +1, the correlation between the two variables is said to be very strong and direct, meaning that if X increased by 1 then Y will also rise by 1 or vice versa.
b) If r = 0, then the relationship between these two variables is very wide or no relationship at all.
c) If r = -1, the correlation between the two variables is very strong and in the opposite direction, meaning that if X increased by 1 then Y will decrease by 1 or vice versa.

4) Coefficient of Determination

Analysis of coefficient of determination (CD) is used to see how big the X independent variables affect the dependent variable Y expressed as a percentage (Danang Sunyoto, 2013: 57).

In the correlation analysis there is a number called the coefficient of determination is often called the coefficient determinant, because magnitude is the square of the correlation coefficient (r2). So that the coefficient is useful to determine the influence of executive compensation and executive stock holdings against tax avoidance. By using the formula as follows:

$$KD = r^2 X\ 100\%$$

Description:

Kd = Coefficient of Determination
r2 = Correlation Coefficient

IV. Results and Discussion

4.1 Result of research

In this section will be presented the results of research and discussion on the influence of executive compensation and executive stock holdings against tax avoidance. which analytical methods used to process the data in this research is descriptive analysis and verification.

4.1.1 Results Descriptive Analysis

To find an overview of each of the variables examined the Executive Compensation, Executive and Executive Share Ownerhsip on Tax Avoidance of Corporate Taxpayer Manufacturing Listed in Indonesia Stock Exchange, the first conducted a descriptive analysis and verification with quantitative approach.

4.1.1.1 Description of Executive Compensation (X1)

It can be explained that the highest 2012-2016 executive stock ownership that can be collected is 2.48E-08. While the lowest executive share ownership that can be collected at 0.

4.1.1.2 Description Executive Share Ownership (X2)

It can be explained that the highest Avoidance of 2012-2016 that can be collected amounted to 4.5723. While the lowest Avoidance Tax that can be collected 0.0025.

4.1.1.3 Description of Tax Avoidance (Y)

It can be explained that the taxation years 2012 to 2016 the highest that can be assembled by kedawung Citatah Tbk of 4.5723. While the lowest taxation that can be assembled by Nusa Duta Pertiwi Tbk 0.0025.

4.1.2 Analysis Verification

Once deciphered image data sets of research variables, further to determine whether there is influence of Executive Compensation and Stock Ownership Executive against Tax Avoidance then performed statistical tests partially. Tests will be carried out through the following steps: test classic assumption test, multiple linear regression analysis, Pearson correlation coefficient and multiple, determination coefficient and hypothesis testing.

4.1.2.1 Classic Assumption Testing

According to (Ghozali, 2011: 57) the classical assumption that is used to obtain a good regression model free of deviations of data consisting of multicoloniarity, heteroskedacity, autocorrelation and normality.

a) Normality Test Results

Test Normalityaims to test whether the regression model, the dependent variable and independent variables both have a normal distribution or not. The testing tool used by the writer is by using thetest. *Kolmogorov-Smirnov* In this case to determine whether the distribution of the residuals are normally distributed if signifkansi value of more than 0.05, (Ghozali, 2011).

Asymp value. Sig totaled 0.087 and the value is greater than 0.05, then in accordance with the testing criteria can be concluded that the residuals in the regression model are normally distributed, so the model has met one of the requirements to do regression testing.

b) Multicollinearity Test Results

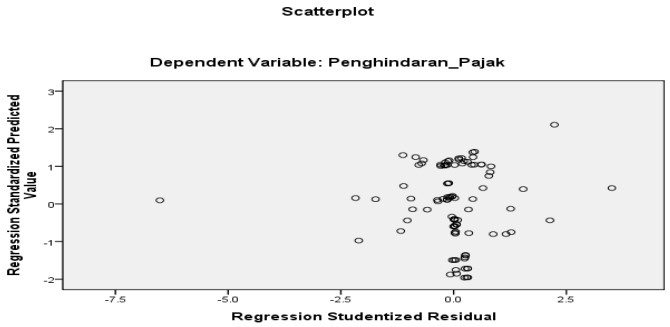
According(Husein Umar, 2011: 177) defines multicolinierity test is to determine whether the regression model found a correlation between the independent variables. If there is a correlation, there is a multicollinearity problem that must be addressed. Multikolinearitas means a strong relationship between some or all of the independent variables in the regression model. Multicollinearity test done by looking at the tolerance value and variance inflation factor (VIF). If the VIF value is less than 10 then the data is not there Multicollinearity (Gujarati, 2004: 93).

VIF obtained as shown in Table 4.8 above showed no strong enough correlation among the independent variables. It can be seen from the amount of *tolerance* (α) and the *variance inflation factor* (VIF) if using alpha / tolerance = 10% or 0.10 then VIF = 10. From the output of the second VIF count variable is equal to 1,054 smaller than 10 and all *tolerance* variabel dependend has a value of 0.949 = 94.9% greater than 10%, then it can be concluded there is no multicollinearity among variables Executive Compensation and Executive Share Ownership.

c) Heteroskidastity Test Results

The test is conducted in order to determine whether a regression model occurred inequality residual variance from one observation to another observation. A good regression

model should be free from the problem of heteroscedasticity. Visually, heteroskedastisity detectable ingraph *the scatterplot* between the predicted value of the dependent variable (ZPRED) with residual value (SRESID). If there is no clear pattern, as well as dots scattered randomly above and below the number 0 on the Y axis, it can be concluded that the regression model is free from the problem of heteroscedasticity. To test whether the variance of the residual homogeneous seen from the scatterplot graph.



Gambar 4.5
Grafik Scatterplot
Sumber : SPSS 16

Figure 4.5 indicates that the dots randomly spread and spread both above and below the number 0 on the Y axis It can be concluded that there is no heteroskedacity in regression models, so that decent regression model used to predict Tax Avoidance based on the independent variables and the Executive Compensation Executive Share Ownership.

d) Autocorrelation Test Results

Test autocorrelation test whether the linear regression model was no correlation between bullies error in period t with bullies error in period t-1 (previous). If there is a correlation, then there is a problem called autocorrelation. On testing autocorrelation Durbin-Watson test was used to determine whether there is autocorrelation in the regression model and following the Durbin-Watson value obtained through the results of the regression model estimation.

The value of Durbin-Watson statistic (DW) obtained at 1,889. While Table DW with a significant level (a = 5%), for a number of independent variables as much as two variables (k = 2), and a number of observations on a study of 100 samples (n = 100), the obtained lower limit value (dL) of 1,633 and the upper limit (dU) of 1,715. Because the value of the Durbin-Watson regression model on the processing of 1,889 and greater than the upper limit (dU) and less than 4 1,715 - 1,715 (4 - dU), it is concluded that there is no regression model autocorrelation. Since all four regression assumptions are met, it can be concluded that the results of the regression model estimation already qualified BLUE *(Best Linear Estimation unbias)* so that said conclusions derived from the regression model already describe the real situation.

4.1.2.1 Multiple Regression Analysis

According to the(Sugiyono, 2011: 277) is the analysis the researchers used, when intend predict how the situation (rise and fall) the dependent variable (criterion), when two or more independent variables as predictors factors manipulated (dinaik lower value).Equation of multiple linear regression analysis in general to test the hypothesis in this study are as follows:

$$Y = A + \beta_1 X_1 + \beta_2 X_2$$

Sumber : Sugiyono

Description:

Y = Tax Avoidance
A = Constant, is bound value which in this case is Y whenthe independent variable is 0 (X1, X2 = 0)
β1 = coefficient of regression between the independent variables X1 bound Y, if the

independent variables are considered constant X2.

β2 = coefficient of regression between independent variables X2 bound when X1dianggap independent variables constant.

X1 =Executive Compensation

X2 =Executive Stock Ownership

From the results of the regression coefficients obtained, can be written in the form of the equation that describes the relationship of data X and Y are used is as follows:

$Y = 0.168 + 3,525X_1 + 0,095X_2$

Where:

Y = Tax Avoidance

X_1 =Executive Compensation

X_2 =Executive Stock Ownership

multiple linear regression equation above can be interpreted as follows:

a) Constant of 0.168; meaning that if the Executive Compensation and Executive Share Ownership value is 0, then theTax Avoidance is 0.168.
b) Executive Compensation variable regression coefficient ($X_{1)}$at 3.525; meaning that if another independent variable value is fixed and Executive Compensation increased 1%, then the Avoidance of Double Taxation (Y) will increase by 3.525. The coefficient is positive, it means there is a positive relationship between Executive Compensation and Tax Avoidance.
c) The regression coefficient Executive Share Ownership variable ($X_{2)}$equal to 0.095; meaning that if another independent variable value is fixed and the Executive Stock Ownership rose 1%, then the Avoidance of Double Taxation (Y) will increase by 0.095. The coefficient is positive, meaning a positive relationship between the Executive Share Ownership and Tax Avoidance, the higher the Executive Stock Ownership Tax Treaty will be higher.

4.1.2.1 Pearson Correlation

Correlation analysis aims to determine the relationship between the Executive Compensation to the executive share ownership Avoidance Pajakdan against tax evasion.

The relationship between the Executive Compensation by taxation when Shareholding Executive at 0.410, the value of the correlation is positive, which indicates that the relationship that occurs in the direction including the relationship is

the relationship between Shareholding Executive with taxation when Shareholding Executive at 0.420, the value of the correlation is positive which showed that the relationship that occurs in the direction including the relationship that is being.

4.1.2.1 Coefficient Determination

From the results of the partial determination coefficient value calculation based on the output that do with calculation are as follows:

Executive Compensation Effect on Tax Avoidance

$Kd = (0.410)^2 \times 100\% = 16.81\%$

Effect executive share ownership on Tax Avoidance

$Kd = (0.420)^2 \times 100\% = 17.64\%$

4.1.2.1 Partial hypothesis Testing

In this study will be explained how much influence executive compensation and executive stock holdings against tax avoidance. By paying attention to the characteristics of the variables to be tested, the statistical test to be used is through the calculation of regression and correlation analysis.

Values obtained arithmetic variable executive compensation and executive stock ownership will be compared with the value ttabel the t distribution table. with df = nk-1 = 97, the value of t table for testing the two parties of ± 1,988.

Executive compensation ($X_{1)}$ effect on tax avoidance (Y) for the acquired (3,750). It can be concluded t value > t table (3,750> 1,988) and it can be concluded that H0 rejected and H1 accepted.

Executive Share Ownership ($X_{2)}$effect on tax evasion (Y) as obtained (3.899). It can be concluded t value > t table (3.899> 1.988) and it can be concluded that H0 rejected and H1 accepted.

4.2 Discussion

4.2.1 The influence of the Executive Compensation Effect To Tax Avoidance

Based on the results obtained yagn relationship between executive compensation against tax evasion is 0.410. Correlation value is positive, which indicates that the relationship between independent and dependent variables are unidirectional. This means that the executive compensation increased tax evasion will also be increased.

The results of hypothesis testing shows executive compensation ($X_{1)}$effect on tax evasion (Y) for the acquired (3,750). It can be concluded t value> t table (3,750> 1,988) and it can be concluded that H0 rejected and H1 accepted. While based on the calculation of the influence of variable executive compensation against tax evasion can be seen that only provide kontirbusi amounted to 16.81% and 83.19% influenced by factors which are not examined by the authors.

The condition is to prove and answer phenomena that occur in the PT. Asahimas Flat Glass Tbk in 2011-2013 where executive compensation has decreased, but the company indicated to taxation. Supposedly according to the theories, by decreasing the possibility of the company Executive Compensation tax evasion would be lower. Of the phenomenon, showing that the Executive Compensation and taxation has a negative relationship but after this study can be proved that the Executive Compensation by taxation has a positive relationship or it can be said when the Executive Compensation has increased the possibility that the company did taxation will become bigger and and vice versa

results of this study also explained that the Executive Compensation significant effect on taxation. This is consistent with the results of research conducted by Desai and Dharmapala (2006), Rego and Wilson (2009), Irawan (2012), as well as the Hanafi and Harto (2014), which indicates that the Executive Compensation significant effect on taxation.

4.2.1 The influence of the Executive Share Ownership To Tax Avoidance

Based on the results obtained yagn relationship between the Executive Share Ownership against tax evasion is 0.420. Correlation value is positive, which indicates that the relationship between independent and dependent variables are unidirectional. This means that the Executive Share Ownership increasing the tax evasion will also be increased.

The results of hypothesis testing showed the Executive Share Ownership ($X_{2)}$effect on tax evasion (Y) as obtained (3.899). It can be concluded t value> t table (3.899> 1.988) and it can be concluded that H0 rejected and H1 accepted. While based on the calculation of the influence of the Executive Share Ownership variables against tax evasion can be seen that only provide kontirbusi amounted to 17.64%, while 82.36% influenced by factors not examined by the authors.

The conditions proved and answered phenomenon that occurred when research discoveries pad PT. Supreme Cable Manufacturing in the years 2014-2015 in which the Executive Stock Ownership decline, but the company indicated to taxation. Supposedly according to the theories, the Executive Stock Ownership decrease the possibility of tax evasion company would be lower. Of the phenomenon, showing that Shareholdings Executive and taxation has a negative relationship but after this study can be proved that the Shareholding Executive and taxation have a positive relationship, or it can be said when Shareholding Executive has increased the possibility that the company did taxation will the larger and vice versa.

The results of this study also explained that the Executive Stock Ownership significant effect on the Avoidance of Double Taxation. This is consistent with the results of research conducted by Hanafi and Harto (2014), Zhou (2011), and Setyowati (2015) which indicates that the Executive Stock Ownership significant effect on the Avoidance of Double Taxation.

V. Conclusions and Recommendations

5.1 Conclusions

Based on the identification of the problem, formulation of the problem, framework, the research hypothesis, the results of research and discussion on Executive Compensation and

Stock Ownership Executive to taxation, then at the end of this study, the authors concluded as follows:

1) Executive Compensation effect against Tax Avoidance. Problems that occur on a tax avoidance occurred because of a problem on Executive Compensation: the magnitude of the compensation paid to executives can make executives take risky decisions to stabilize the company. on Executive Compensation is positive correlation means, any increase in executive compensation then it will increase the Avoidance of Double Taxation and vice versa. If the compensation given to executives on high it can raise corporate tax avoidance lead. Executive Compensation Fluctuate change due to an increase or decrease in the amount of net income, net sales, finance charges, general and administrative expenses, other operating expenses, cost of goods sold, operating expenses and income tax expense of the company.
2) Executive Share Ownership effect on taxation. Problems that occur on a tax avoidance occurred because of a problem on Executive Stock Ownership namely: policies or decisions, can not be separated from the personal interests of the shareholders, the company's decision taxation is determined by shareholders. Executive Share Ownership positive correlation means, any increase in the Executive Stock Ownership then it will increase the Avoidance of Double Taxation and vice versa. The greater the ownership of shares owned by the shareholders, the company is getting aggressive in making decisions and this implicated a high tax evasion. Fluctuate Executive Share Ownership changes due to an increase or decrease in the amount of capital deposited by the directors.

5.2 Suggestion

Based on the research results and the above conclusions, the researchers tried to give some advice that can be taken into consideration including the following:

5.2.1 Practical Tips

1) For Taxpayers

   For Companies taxpayer Manufacturing listed on the Indonesia Stock Exchange, especially for the management of the company, the company can make an effort improvement incentive compensation to prioritize improvements. Improving incentives must also be followed by an increase in performance of the company, where the company should be able to increase or maintain stable profitability. Then the company executives need to increase investments in capital stock that the greater percentage of directors capital. The high percentage of directors capital make executive stock ownership also increased, and the executive will be more aggressive in the efficiency of the corporate tax burden in order to obtain greater profits. It is also necessary oversight of the company's management that allowed tax avoidance activities are all these efforts do not solely to avoid taxes, but serve as activities to improve efficiency of tax burden without violating applicable laws.
2) For Investor

   For investors who are or will invest in taxpayer Manufacturing Company listed on the Indonesia Stock Exchange, is expected to be more careful in analyzing the fundamentals of the company and analyze the performance of the company. Investors should consider the Executive Compensation and Shareholding Company executives so that no one in the company invests into potentially produce optimal profit.

5.2.2 Suggestion Academic

1) For Development Studies

   results of this study are expected to provide knowledge and add the latest information for the development of tax accounting, especially regarding the effect of Executive Compensation and Stock Ownership Executive against Tax Avoidance.
2) For researchers Other

   Expected next researcher to examine the Executive Compensation and Stock Ownership Executive measurement standards that differ from the study, and is expected to examine the other variables in addition to Executive Compensation and Stock Ownership Executive, because there are others factors may affect to tax avoidance. In addition, the

authors suggest to increase the period to be studied and add other objects in order to strengthen the research results.

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