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The Influence of Corporate Social Responsibility Disclosure on the Financial Performance, Fiscal Correction and Tax Aggressiveness on Mining Company Listed in Bei

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Abstract

Corporate Social Responsibility can be applied in any company, but the challenges faced by a different company from the challenges faced by other companies. The mining company is one of the companies that are interesting to study. This study aims to examine how the influence of corporate social responsibility disclosure towards the company's financial performance, fiscal correction, and tax aggressiveness on the mining companies listed in BEI.

The independent variable in this study is corporate social responsibility disclosure and the dependent variables in this study are financial performance, fiscal correction, and tax aggressiveness. Corporate social responsibility disclosure measured using Global Reporting Intiative (GRI). Financial performance measured using Return on Asset (ROA). Fiscal correction measured using comparison of fiscal financial statements and commercial financial statements. Tax aggressiveness measured using Effective Tax Rates (ETR).

The samples used in this study are 27 mining companies listed and published in the period 2010 to 2012 on the website BEI www.idx.co.id. The research method used in this study is associative research. Analysis of the data used by researchers is descriptive analysis. Statistical analysis was used to test the quality of the data and testing hypotheses in this research is to use Multivariate Analysis of Covariance (MANCOVA).

The result showed that Corporate Social Responsibility (CSR) activities only affects the fiscal correction, but do not effected on company financial performance and tax aggressiveness. The result showed there are many companies doing CSR activities just to meet the public pressure and to compliance with the law.

Keywords: Corporate Social Responsibility, Return on Asset, Fiscal Correction, Tax Aggressiveness

1. Background

Discussion on the CSR started to emerge in Indonesia in 2001, many companies are implementing CSR but very few that disclose in a report. Corporate Social Responsibility is basically applied to every company. But the challenges faced by a company different from the challenges faced by other companies. One of the companies is interesting to observe that the mining company.

The operations of mining companies have a direct impact on the environment and surrounding communities. The company recognizes that environmental aspects and in particular community development is not just a social responsibility but is part of the company's risk that must be managed properly.

Making economic decisions require social information in addition to the company's financial performance information. Sustainability reporting is a tool that can provide information on various aspects of social, environmental, and financial as well. Return on assets (ROA) is one of information showing the performance of the company. This ratio shows the ability of the company to generate profits with the assets owned by the company.

Implementation of CSR programs implemented by each company is different, so that the tax treatment is also different. In Article 6 of Law No. 36 Year 2008 on Income Taxes, fees CSR are deductible expenses. But the contribution is the cost of CSR in companies categorized as a non-deductible expense. The difference in treatment gives rise to fiscal correction. Fiscal correction occurs because of differences between accounting standards with the tax regulations. Fiscal correction is a burden for the company if the costs incurred by the company are not deductible from taxable income, resulting taxes to be paid by the company getting bigger.

Various attempts were made by the company to minimize the amount of taxes to be remitted to the State. Tax planning is one way to minimize tax payments. Aggressiveness taxes are proxies used to measure tax evasion committed by the company. In general, the size of the tax compliance obligations are usually measured and compared to the size of the tax savings, tax avoidance, and tax evasion, which aims to minimize the tax burden (Zain, 2008).

Several researchers have conducted research on CSR. The results of these studies give different results. Research conducted by Maliyati Wikantini (2012) on the influence of disclosure of corporate social responsibility (CSR) on the corporate financial performance revealed that there is significant influence over the disclosure of CSR to the company's financial performance as measured by ROA.

Research conducted by Marissa Yaparto, Dianne Frisko, Rizky Eriandani (2013) on the influence of corporate social responsibility against financial performance in manufacturing sector listed on the Indonesia Stock Exchange in the period from 2010 to 2011 shows that CSR is not a significant effect on all financial ratios used.

Empirical research conducted by Lanis and Richardson (2012) on corporate social responsibility and tax aggressiveness provide empirical evidence that higher levels of CSR disclosure of a company, the lower the level of aggressiveness of tax. However, research conducted Nur Kurniati Paramita (2013) on analysis influence of corporate social responsibility activities against tax rate aggressiveness stated that CSR activities do not affect the level of aggressiveness of corporate taxes.

Research conducted by Diana Sari and Tetty Lasniroha (2010) on corporate social responsibility (CSR) in Indonesia tax regulations states that the government should clarify the tax laws so that companies are not wrong to use the tax rules relating to the cost of CSR. Still there is a fiscal correction at the cost of CSR specify a burden for companies that are required to implement CSR.

Based on the phenomenon that has been disclosed, interesting to study how the influence of corporate social responsibility disclosure on financial performance, fiscal correction and aggressiveness tax on mining company listed on the Indonesia Stock Exchange. From the description above framework, the authors propose the following hypothesis
H1: CSR affect the company's financial performance
H2: CSR affect the fiscal correction
H3: CSR affect the aggressiveness of tax

2. Methods

This research was conducted on the financial statements of a mining company listed on the Indonesia Stock Exchange (BEI) in the period 2010 to 2012. The mining company has been selected by the author because its business is directly related to the environment that often raises social issues concerning the destruction of the environment.

The variables analyzed in this study are as follows:
1. Disclosure of corporate social responsibility as a variable independend. CSR is information relating to the activities of corporate social responsibility. CSR is measured by a proxy Corporate Social Responsibility Disclosure Index (CSRDI) as measured by indicators of the Global Reporting Intiative (GRI) version GR3.1 2010.

$$CSRDIj = \frac{\sum Xij}{nj}$$

Where:

CSRDIj = *Corporate Social Responsibility Disclosure Index*

j nj = number of items for company j, nj ≤ 84

Xij = value of 1 if item i is disclosed, a value of 0 if the item i is not disclosed

2. The financial performance as the first dependent variable. In this study, Return on Assets (ROA) is used as the main analytical tool in the performance assessment indicators. ROA can be formulated as follows:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

3. The fiscal correction as the second dependent variable. Fiscal correction occurs because of differences between the commercial financial statements with the financial statements of the fiscal. The main difference between commercial financial report with the financial statements of the fiscal due to differences in purpose and legal basis, although in some cases there are similarities between taxes accounting, which refers to the provisions of legislation of taxation and financial accounting refers to the accounting standards (Diana Sari, 2014). In this study as a measuring tool used are commercial financial statements and the financial statements of the fiscal.

4. Tax aggressiveness as the third dependent variable. As for the main proxy in this study are the Effective Tax Rates (ETR) Lanis and Richardson (2012) models. ETR describes the percentage of total income tax paid by the company of the total pre-tax income from the company. ETR is measured by using a proxy.

The type of data in this study is documentation. Source data used are secondary data in the annual report and financial report from 2010 to 2012 obtained from various sources including through the Indonesia Stock Exchange website (www.idx.co.id) and the website of mining companies listed on the Indonesia Stock Exchange.

Population mining company listed on the Stock Exchange amounted to 39 companies. Samples taken are mining companies amounted to 27 companies. The samples were taken by the author conducted with a purposive sampling method.

Analysis of the data used by researchers is descriptive analysis. Statistical analysis was used to test the quality of the data and testing hypotheses in this research is to use Multivariate Analysis of Covariance (MANCOVA).

3. Results

Observation have been made against 27 companies from 39 mining companies listed on the Indonesia Stock Exchange during the period 2010 to 2012 shows that:

1. Overall average CSR valued at 0.2997 with a standard deviation of 0.34592, meaning that the level of disclosure of CSR in the mining company are incomplete.

2. Overall average ROA is worth 6.6084 with a standard deviation of 10.95323, meaning that the total funds invested in activities that are used for the company's operations have not been able to generate profits by leveraging their assets.

3. Overall average fiscal correction totaled 24040.3089 with a standard deviation of 37065.93527, meaning that fiscal correction for non deductible expense enough disclosed by the company.

4. Overall value of the tax aggressiveness has a value of -0.780 with a standard deviation of 0.79940, meaning that tax aggressiveness made by the company are relatively high.

Measurement of financial performance of the company used as the main analytical tool in the study of performance indicators in this study is ROA. ROA shows the ability of the company in generating profits. ROA is expected by the company will be positive, it indicates the ability of the invested capital as a whole is able to generate a profit.

From the result of ANOVA calculation, obtained that F calculate ROA = 1.645 and sig = 0.213 greater than 0.05 = 5% (or $p > 0.05$) H0 is accepted. The conclusion is that CSR has no effect on ROA.

ROA is ratio of net income after taxes by total assets. The greater the value of ROA shows better performance due to the greater rate of return (Ang, 2007: 33). The study says that CSR does not affect the value of ROA because negatively ROA meaning the performance is not good, the ability of the invested capital as a whole has not been able to generate profits. It is not appropriate to the subject matter Herremans et al (1993) which states that the additional costs specific to implement CSR will result in a neutral impact (balance) to profitability due to additional costs incurred will be offset by the efficiency gains generated by the fee outlay.

The main difference between commercial financial report with the fiscal financial statements due to differences in purpose and legal basis, although in some cases there are similarities between tax accounting, which refers to the provisions of legislation of taxation and financial accounting refers to the accounting standards (Diana Sari, 2014 : 204). The difference can be resulted permanent or temporary fiscal correction.

From the calculation of MANCOVA, the result for fiscal correction F calculate = 6.292 and sig = 0,020 less than 0.05 = 5% (or $p < 0.05$) H0 rejected and Ha accepted. It has been suggested that CSR affects the fiscal correction.

CSR activity affects the fiscal correction because the higher the CSR activities undertaken by the company will result in positive fiscal correction. Positif fiscal correction arising from the cost of CSR can not be charged to the taxable income, as a result the company had to bear the cost of the CSR. It is unfair for the company because the company has been run in accordance with the provisions of applicable law, but the cost of CSR can not be charged. According to Diana Sari and Lasniroha (2010), on the one hand the government wants companies to implement CSR, but on the one hand the government's desire for the company to carry out CSR is limited by a regulation. It is unfortunate if the donations were allocated to improve the quality of life can not be categorized into CSR costs can be deducted from gross income.

Lanis and Richardson (2012) states that there are several reasons to use ETR as a proxy to measure the tax aggressiveness is that the ETR is a proxy of the most widely used in the literature, and the low value of the ETR can be an indicator of the tax aggressiveness. Overall, companies that avoid corporate income taxes by reducing their taxable income while maintaining the financial accounting income has a value lower ETRs. Thus, ETR can be used to measure the tax aggressiveness.

From the calculation of MANCOVA, the result for the tax aggressiveness F calculate = 0.114 and sig = 0.739 greater than 0.05 = 5% (or $p > 0.05$) H0 is accepted. The conclusion is that CSR has no effect on the tax aggressiveness.

The study states that CSR has no effect on the tax aggressiveness because almost all mining companies surveyed have a low value of ETR. Low value of ETR indicates that the company can avoid corporate taxes by reducing their taxable income while maintaining the financial accounting income (Lanis and Richardson, 2012). Corporate taxes can only be associated with a CSR if the tax payments made by the company have implications for the wider community. If the payment of income tax is regarded as a business transaction and one of the company's costs. Thus a company engaged in aggressive tax policy is socially irresponsible.

4. Conclusion

1. Corporate social responsibility disclosure in the mining company listed on the Indonesia Stock Exchange in 2010-2012 is still not complete, only some companies actually have to implement CSR.
2. Corporate social responsibility disclosure has no effect on the financial performance in the mining company listed on the Indonesia Stock Exchange in 2010-2012. CSR disclosures are not always accompanied by the increase in financial performance.
3. Corporate social responsibility disclosure affects the fiscal correction. The higher the level of disclosure of CSR will be accompanied by disclosure of the fiscal correction.
4. Corporate social responsibility disclosure has no effect on the tax aggressiveness on mining companies listed on the Indonesia Stock Exchange in 2010-2012. CSR is not necessarily accompanied by an increase in the tax aggressiveness.

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