THE IMPACT OF TAX AVOIDANCE AND AUDIT QUALITY ON TAX AMNESTY PROGRAM

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ABSTRACT

Purpose this study was to examine the effect of tax avoidance and audit quality on companies participating in tax amnesty based on Law no. 11 of 2016 concerning Tax Amnesty. Data processing uses logistic regression. Results of study found that companies with high audit quality have a lower participating in tax amnesty. Regression results showed that the tax avoidance has no effect on companies participating in tax amnesty. Implication of the research is as initial information for government as a tax regulator in taking or formulating policies related to tax amnesty. One of conditions for receiving tax amnesty is companies regularly report their tax payments.

Keywords: *Tax Amnesty, Tax Avoidance, Audit Quality, Big Four*

Diterima (Received) : 15-03-2022
Direvisi (Revised) : 01-09-2022
Disetujui (Approved) : 06-09-2022
Dipublikasi (Published) : 01-11-2022

INTRODUCTION

Indonesia, with its 2016 to 2017 tax amnesty program, has achieved the highest achievement in the world. According to data from the Directorate General of Taxes (2017), Indonesia's tax amnesty program achieved a ransom of 0.9% of GDP and total declared assets of 34.4% of GDP, which led Indonesia to become the country with the highest tax amnesty program achievement in the world. The tax amnesty program provides 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 disclosing assets and paying a ransom (Article 1 paragraph 1 of the Tax Amnesty Law).

Accounting treatment of the impact of tax amnesty regulated in PSAK 70 related to Accounting for Tax Amnesty Assets and Liabilities.

Some researchers state that tax amnesty provides an opportunity for non-compliant taxpayers to pay back taxes on previously unreported income without fear of punishment or prosecution (Bayer et al., 2015; Sawyer, 2005; Alm et al., 1990). This is in line with the views of Baer and LeBorgne (2008) that tax amnesty is a form of invitation to tax evaders to enter the list of obedient taxpayers. Andreoni et al., (1998) stated that alternative tax non-compliance information can be obtained from the tax amnesty data itself, because the parties participating in the tax amnesty themselves state that they have evaded taxes. Therefore, tax amnesty is one way to bring tax evaders back on a compliant path (Leonard and Zeckhauser, 1987). Tax amnesty provides an opportunity for companies to improve their books, especially their tax reporting. Instead of being chased by the government, it is better to take the opportunity for tax amnesty to be taken because for whatever reason tax avoidance is still an act that is contrary to tax laws and regulations.

Tax amnesty is likely to be carried out by companies that have evaded tax in the past. The tax amnesty will rule out the possibility that past tax evaders will be re-examined by tax officials. Hanlon and Heitzman (2010) define tax avoidance as an act of tax deduction that explicitly and reflects all transactions that affect the company's tax debt. This definition is also in line with Dyreng et al. (2010) which states that tax avoidance is the ability to pay tax debts low relative to pre-tax profit. Therefore, one of the objectives of this study is to analyze the effect of tax avoidance on the possibility of companies participating in tax amnesty.

The 2016 tax amnesty program is certainly different from previous years, because in 2016 to participate in the tax amnesty, it is mandatory to report assets and liabilities that have not been disclosed. For companies that participate by reporting assets and liabilities that have not been disclosed, indirectly admit that the company's financial statements are not yet complete. With this condition the company does not meet the completeness conceptual framework to achieve the reliability of financial statements (Kieso et al., 2014). Therefore, participation in tax amnesty may pose risks related to the reliability of the company's financial statements. The reliability of financial statements can be assessed by external parties, namely external auditors, because the purpose of the audit is to provide reasonable assurance that the financial statements are free from material misstatement (Gray et al., 2015). According to DeAngelo (1981), Big Four auditors provide higher reliability of financial statements with higher audit quality than other audit firms because they have a large size and high reputation. With increasingly reliable financial reports, there is potential for not participating in tax amnesty.

The magnitude of the benefits offered in the tax amnesty program does not only make companies join the program, especially those audited by large public accounting firms or the Big Four. Lawrence et al. (2011) stated that large public accounting firms provide higher audit quality because they have a reputation that must be protected and higher capital for auditor training. With increasingly reliable financial reports, the tendency of unrecorded assets or liabilities will be low so that companies no longer need to report assets or liabilities that have not been recorded in the tax amnesty program. Therefore, one of the objectives of this study is to analyze the effect of audit quality on the likelihood of companies participating in tax amnesty.

Research related to tax amnesty is still limited both internationally and nationally. Internationally, research on tax amnesty focuses more on the theory, direction, compliance, and tax enforcement of tax amnesty programs, and specifically discusses tax amnesty in the United States. Research in Indonesia is more focused on the implementation, effectiveness, and history of the implementation of tax amnesty, as well as research related to sunset policy. Previous research on average states that tax amnesty provides an opportunity for tax evaders to pay taxes that have not been paid in the past, but no one has specifically examined the relationship between tax evasion, audit quality, and tax amnesty.

In this study, we will focus on empirical studies of the effect of past tax evasion and audit quality on the possibility of public companies to participate in the tax amnesty program in Indonesia. Previous research has not empirically tested the relationship between tax avoidance, audit quality, and the possibility of companies to participate in tax amnesty. With the condition that Indonesia has just implemented the tax amnesty program, it is the right moment to investigate this further.

The contribution of this research is as input for regulators to develop various policies or instruments to deal with the problem of tax avoidance, whether the tax amnesty policy the right solution to reduce tax avoidance actions against companies. The government required the role and participation of entrepreneurs or companies in helping the government develop the economy, provide employment and increase tax revenue by the government. Therefore, the tax amnesty is part of the guidance to the entrepreneur or the company itself, where between the government and the entrepreneur or company is a symbiotic mutualism.

LITERATURE REVIEW AND RESEARCH FRAMEWORK

Tax amnesty

Baer and LeBorgne (2008) define tax amnesty as an invitation to tax evaders to join the list of tax payers. Some researchers also state that tax amnesty provides individuals with an opportunity to pay unpaid taxes without penalty or prosecution, which is actually a risk for 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 disclosing assets and paying ransom (Article 1 paragraph 1 of the Tax Amnesty Law).

With the experience of implementing tax amnesty in 1964 and 1984 as well as implementing the Sunset Policy, Indonesia again implemented tax amnesty in 2016 based on Law no. 11 of 2016 concerning Tax Amnesty. The government's aim of implementing tax amnesty is to accelerate economic growth and restructuring, encourage tax reform, and increase tax revenues (Article 2 paragraph 1 of the Tax Amnesty Law).

Not much different from 1964 and 1984, every taxpayer is given the opportunity to disclose their assets in a Declaration Letter in order to obtain tax debt forgiveness, administrative sanctions, and criminal sanctions in the field of taxation by paying a ransom. However, taxpayers who are being investigated, are in the judicial process, and are serving criminal penalties in the field of taxation, do not receive tax amnesty facilities. Tax amnesty includes tax obligations that have not been or have not been fully settled by the taxpayer until the end of the last tax year. The tax obligations referred to are only income Tax, Value Added Tax, and Sales Tax on Luxury Goods. The tax amnesty period is divided into three periods, namely: the first period of 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 their assets, taxpayers must also pay the ransom obtained by multiplying the ransom rate by the value of the net assets disclosed. The ransom rate varies based on the area where the assets are located and the period of participation in the tax amnesty. When the Tax Amnesty Certificate (SKPP) has been issued, the tax payer will receive tax amnesty facilities in the form of: (a) write-off of the tax payable; (b) the abolition of administrative sanctions; (c) no tax audit is conducted; and (d) cessation of tax audits.

For the amnesty facility obtained, the taxpayer is not entitled to: (a) compensate for the compensated fiscal loss; (b) compensate for overpayment of taxes; (c) apply for a refund of the tax overpayment; and (d) correcting the notification letter on PPh, PPN, and PPnBM. If the taxpayer does not take advantage of the tax amnesty or has made tax amnesty, then the DGT finds assets that have not been reported, then the assets are calculated as additional income in the SPT and are taxed with additional administrative sanctions or tax increases in accordance withapplicable provision. The consequences after this tax amnesty period is only valid for a maximum of 3 years from the enactment of the Tax Amnesty Law.

From the accounting side, PSAK 70 was approved as the basis for recognition, presentation and accounting disclosure of tax amnesty assets and liabilities. PSAK 70 provides two options for entities in the initial measurement of tax amnesty assets and liabilities. First, an entity may apply the initial measurement in accordance with other SAKs relevant to the respective assets and liabilities. Second, the entity at initial recognition of the tax amnesty asset at its cost as stated in the statement letter, and measures the liability at the contractual obligation to settle obligations directly related to the acquisition of the tax amnesty asset. Assets and liabilities arising from the tax amnesty are considered as new assets and liabilities.

Tax Evasion

Tax payments are a burden for the company, so it will be intentionally or unintentionally avoided to maximize company profits.To minimize tax debt, the company reduces taxable profit through tax planning by management (Richardson and Taylor, 2012). Companies will try to minimize tax debt through tax planning (tax planning) that is legal or illegal (Rahayu, 2009). According to Hanlon and Heitzman (2010) tax avoidance is legal tax planning and tax evasion is illegal tax planning. Hanlon and Heitzman (2010) define tax avoidance as an act of tax deduction that explicitly and reflects all transactions that affect the company's tax debt. Dyreng, Hanlon, and Maydew (2008) emphasize that tax avoidance does not show companies doing things that are not right,

According to Hanlon and Heitzman (2010) there are various types of tax avoidance measurements used in various types of tax research. The Effective Tax Rate (ETR) is the most commonly used measure of tax avoidance, dividing the estimated tax liability by pre-tax profit or cash flow. Specifically, the calculation of ETR with profit before tax as a denominator can be divided into three methods, namely: (1) GAAP ETR, calculated by dividing the total tax burden by profit before tax; (2) Current ETR, calculated by current tax expense divided by profit before tax; and (3) Cash ETR, calculated by paying tax divided by profit before tax. Furthermore, Dyreng et al. (2008) developed a long-run cash ETR to avoid the volatility of the ETR on an annual basis.

In addition to ETR, the measurement of tax avoidance that is often used is the book-tax difference (BTD). BTD shows the difference in accounting profit and profit recognized according to taxation rules. BTD can be measured by subtracting profit before tax by taxable income, while taxable income is measured by current tax expense divided by tax rate or statutory tax rate. The greater the BTD, the greater the opportunity for the company to be audited by the tax apparatus and shows the greater the tax shelter carried out (Hanlon & Heitzman, 2010).The next method to calculate tax avoidance is the abnormal book-tax difference (ABTD) which was developed by Desai and Dharmapala (2006, 2009). According to Tang and Firth (2012), BTD shows regulatory differences between accounting and tax, while ABTD shows more earnings management and tax management activities. Hanlon & Heitzman (2010) also emphasize that ABTD is able to explain the difference in profit in accounting and tax cannot be explained in BTD.

Audit Quality and Tax Amnesty

according to Lawrence et al. (2011), large public accounting firms provide higher audit quality because they have a reputation that must be protected. Boone et al. (2010), stated that the two drivers of audit quality are litigation costs and loss of reputation. With large capital and large expenditures to build a brand, large CPA firms have incentives to lower litigation risk and protect their reputation by providing more reliable financial reports.. The size of a CPA firm is an important determinant of audit quality, because a large size (1) makes large expenditures on audit training and technology, and (2) makes it less dependent on any one client and is better at withstanding pressure from clients to produce a clean audit opinion (DeAngelo, 1981).

According to DeAngelo (1981), Big Four auditors provide higher reliability of financial statements with higher audit quality than other audit firms because they have a large size and high reputation. Big Fouris the largest accounting firm internationally, which has a high audit quality (Beasley et al., 2005). Currently, public accounting firms that are classified as large public accounting firms or the Big Four are Deloitte, PwC, EY, and KPMG (ICAEW, 2017). Audit by*Big Four* On average, it provides higher quality than other (smaller) accounting firms, with evidence from the auditor's output, namely audit reports and audited financial statements (Francis, 2004). According to Khurana and Raman, concern for reputation provides sufficient incentive for auditors *Big Four* to provide a higher quality audit even in an environment with a low level of litigation.

Reliable financial reports must have met the conceptual framework in financial reporting, one of which is completeness. Completeness shows that all information has been disclosed in the financial statements in accordance with the actual situation(Kieso et al., 2014), including all assets and liabilities owned must be presented in the financial statements. However, the existence of a tax amnesty program that requires companies to report assets and liabilities that have not been disclosed, poses risks related to the reliability of the company's financial statements.

Research Hypothesis

The success of tax amnesty is generally measured by the income generated and the increase in the tax base, in particular attracting taxpayers from the underground sector to the legal sector (Bose and Jetter, 2012). Ross and Buckwalter (2015) also emphasize that in order to collect tax debt from non-compliant taxpayers, tax amnesty can potentially encourage taxpayers to voluntarily fulfill their obligations. In simple terms, tax amnesty aims to encourage taxpayers who have avoided tax in the previous period to admit their tax debts in the tax amnesty program to obtain tax relief.

The tax amnesty program provides an opportunity for non-compliant taxpayers to pay all unpaid taxes without prosecution and punishment.Bayer et al., 2015). This is because tax amnesty is an excellent opportunity to avoid prosecution and punishment, because taxpayers are aware that past non-compliance can lead to negative impacts in the future in the form of tax penalties (Bayer et al., 2015). DDTC (2016) also states that tax amnesty provides an opportunity for non-compliant taxpayers to report their income and pay taxes voluntarily through the provision of incentives.

The government's tax amnesty policy provides forgiveness for the company's disobedience in fulfilling tax provisions. Forgiveness is given in the form ofabolition of taxes that should be owed, administrative sanctions, and criminal sanctions in the field of taxation by disclosing assets and paying a ransom. Based on this, companies that have had high tax avoidance in the past have a higher probability of applying for tax amnesty.

H1: Companies with high tax avoidance have a higher probability of participating in tax amnesty.

Tax amnesty can be obtained if the company reports assets and liabilities that have not been disclosed in previous years. For companies that participate in tax amnesty, indirectly admit that the company's financial statements are not complete. With this condition, the company does not meet the completeness conceptual framework to achieve the reliability of financial statements(Kieso et al., 2014). Therefore, participation in tax amnesty may pose risks related to the reliability of the company's financial statements.

The reliability of financial statements can be assessed by external parties, namely external auditors, because the objective of the audit is to provide reasonable assurance that the financial statements are free from material (Gray et al., 2015).According to DeAngelo (1981), Big Four auditors provide higher reliability of financial statements. This is becauseaudited by *Big Four* on average provide higher quality than other accounting firms (Lawrence et al., 2011; Beasley et al., 2005; Francis, 2004; DeAngelo, 1981). For *Big Four*, their brand name reputation is a very important professional asset in retaining its current audit clients, attracting large new clients, and retaining or recruiting outstanding new employees (Khurana and Raman, 2004). Therefore, higher audit quality results in more reliable financial reports.Quality financial reports mean reports that have reliability, showing the company has complied with the conceptual framework of financial statements. With this condition, the potential for companies to participate in tax amnesty is low because the potential for assets and liabilities that are not disclosed is low.

H2: Companies with higher audit quality have a lower probability of participating in tax amnesty.

Research Framework

This study aims to provide empirical evidence of the effect of tax avoidance and audit quality on the likelihood of companies participating in tax amnesty. Based on the hypothesis that has been developed previously, the schema of the relationship between the independent variable and the control variable on the dependent variable is shown in the research framework as illustrated in Figure 1.

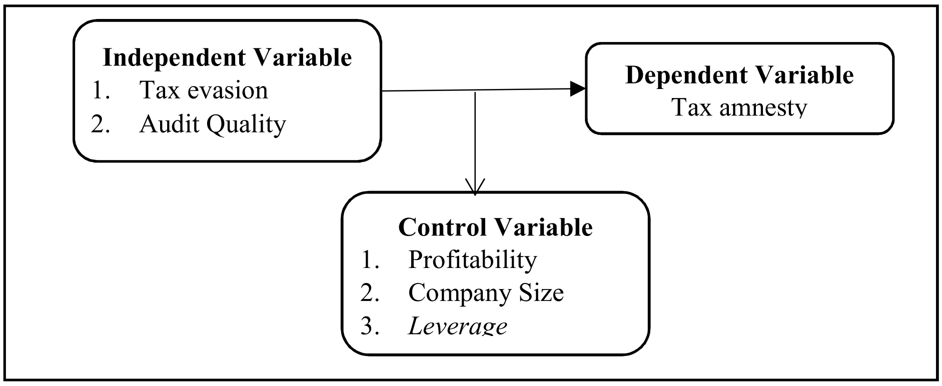

Figure 1
Research Framework

METHODOLOGY

This study aims to provide empirical evidence of the effect of tax avoidance and audit quality on participation in multiple pardons as explained in the previous chapter. In previous studies, there has been no research that empirically examines the relationship between tax avoidance, audit quality, and tax amnesty. Therefore, the model used in this study is as follows.

TAi = 0 + 1TAVi + 2AUDi + 3ROAi + 4LEVi + 5SIZEi + i................. (1)

Information:

TA	=	tax amnesty, namely participation in tax amnesty using a dummy variable; "1" for companies participating in tax amnesty; "0" for companies that do not participate in the tax amnesty;
TAV	=	tax avoidance, measured by abnormal book tax difference (ABTD), the level of tax avoidance is the absolute value of the residual value of the Book Tax Difference (BTD) regression;
AUD	=	audit quality, using dummy variables; "1" for companies audited by the Big Four; "0" for companies not audited by the Big Four;
ROA	=	the level of company profitability, measured by profit before tax divided by total assets;
LEV	=	the company's level of leverage, measured by total liabilities divided by total assets;
SIZE	=	company size, measured by the natural log of total assets;

The dependent variable in this study is tax amnesty, especially the company's decision to participate in tax amnesty or not. Therefore, the measurement will use a dummy variable,"1" for companies participating in tax amnesty; "0" for companies that do not participate in the tax amnesty. Companies that are declared to participate in tax amnesty are companies that submit Asset Declaration Letters in one or several tax amnesty periods from 2016 to 2017 and are disclosed in the financial statements.

The independent variables in this study are tax avoidance and audit quality. The proxy used to measure the level of tax avoidance is the abnormal book tax difference (ABTD) which refers to the research of Tang and Firth (2012). ABTD is the residual value of the absolute book tax difference (BTD) regression model, because positive or negative values do not affect the position of tax avoidance. The higher the level of ABTD indicates the high level of management manipulation of accounting and tax profits that leads to tax avoidance.The following is a BTD model developed from Tang and Firth (2012).

$$BTDi = 0 + 1CapINTi + 2\Delta REV + 3LEVi + 4SIZEi + 5PrevBTDi_{+} i........... \qquad (2)$$

Information:

BTD	=	*book tax difference*, measured by profit before tax minus taxable profit divided by total assets;
CapINT	=	*capital intensive,* measured by total fixed assets divided by total assets;
Δ*Rev*	=	change in income from year t-1 to year t;
LEV	=	the company's level of leverage, measured by total liabilities divided by total assets;
SIZE	=	company size, measured by the natural log of total assets;
PrevBTD	=	*book tax difference*, measured by profit before tax minus taxable profit divided by total assets in year t-1;

In this study, the higher the tax avoidance as measured by the ABTD proxy, the greater the company's desire to participate in tax amnesty. Therefore, the results of research on the ABTD variable are expected to produce a positive (+) coefficient. The audit quality variable was measured using a dummy variable; "1" for companies audited by*Big Four*; "0" for companies not audited by*Big Four*. In this study, if the company is audited by*Big Four*the lower the possibility of the company to participate in tax amnesty, because it has a higher audit quality to produce more reliable financial statements (Boone et al., 2010; DeAngelo, 1981) so that the possibility of an unrecorded asset or liability is low. Therefore, the results of research on the Big Four variables are expected to produce a negative coefficient (-).

In this study, there are three control variables namely.

1. Profitability is measured by return on assets (ROA) which is calculated from profit before tax divided by total assets (Richardson and Lanis, 2012). The ROA variable is used to control for variations in the profitability 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 a high reputation, should have a lower likelihood of participating in tax amnesty, because the company recognizes assets and liabilities that have not been disclosed.. Therefore, it is expected that the research results of the ROA variable have a negative coefficient (-).
2. Firm size (size) is measured by the natural log of total assets (Richardson and Lanis, 2012). Firm size has a strong relationship with firm reputation (Schultz et al., 2001; Roberts and Dowling, 2002). Companies with a high reputation, should have a lower likelihood of participating in tax amnesty, because the company recognizes assets and liabilities that have not been disclosed.. Therefore, it is expected that the research results of the SIZE variable have a negative coefficient (-).
3. The company's leverage level shows how much funding the company uses comes from debt, which is calculated from total liabilities divided by the company's total assets. Companies with high leverage tend to avoid taxes on interest expense from debt which can be deducted from profits in tax calculations (Richardson and Lanis, 2012). The higher the tax avoidance, the company will tend to participate in the tax amnesty program. Therefore, it is expected that the research results of the LEV variable have a positive coefficient (+).

This study uses secondary data, namely from company financial report data downloaded from the Indonesia Stock Exchange (IDX) and Thomson Reuters Eikon sites. The data taken include quantitative and qualitative data on balance sheets, income statements, and notes to financial statements. This study uses data available from 2014 to

2017.Tax amnesty data based on company participation in tax amnesty in 2016-2017. As for the other data, 2015 is used because the tax amnesty regulations were implemented in 2016. Therefore, the use of 2015 data is more indicative of the company's condition before participating in the tax amnesty.

The sample selection in this study used a purposive sampling method, which was limited to certain criteria relevant to the study. Sample selection criteria are:

1. Companies listed on the Indonesia Stock Exchange (IDX) until 2017.
2. Companies that are not engaged in sectors that have special tax regulations, such as the financial, mining, property and real estate, construction, and shipping sectors.
3. Companies with a fiscal year ending on December 31, so that samples can be compared.
4. Companies that do not have a negative balance for profit before tax, total tax expense, amount of current tax, and amount of tax paid.
5. The company has complete data needed for research, which is available in financial statements from 2015 to 2017.

This study conducted a quantitative data analysis that tried to prove the effect of the independent variable on the dependent variable tested in the study. The dependent variable used in this study is binary (dummy) so that in analyzing the data using a logistic regression model. Logistic regression is used to see the effect of the independent variable on the possibility of the dependent variable (Gujarati, 2004). The statistical software used in this study is STATA 13. In this study, descriptive statistical analysis, logistic regression analysis, multicollinearity test, model feasibility test, pseudo r2 test, and hypothesis testing will be carried out.

RESULTS AND DISCUSSION

Based on the criteria of the sample selection method, there are 149 companies that are taken as research samples. Table 1 shows the sample selection process in this study.

Table 1
Research Sample Selection

Criteria	Amount
Companies listed on the Indonesia Stock Exchange in 2017	556
Subtracted by:	
Companies in the financial sector	98
Companies in the mining sector	42
Companies in the property, real estate and construction sectors	67
Companies in the shipping sector	15
Companies with negative profit before tax	107
Companies that do not use the December 31 fiscal year	2
Companies whose data cannot be obtained	14
Companies with negative, zero, more than one, or unavailable ETR	47
Companies with unavailable information for calculating ABTD	15
Number of samples counting	149

Descriptive statistics

Descriptive statistical analysis describes the characteristics and distribution of each variable in the study. Table 2 shows a summary of the descriptive statistics in this study.

Table 2
Descriptive Statistics

Variable	N	Average	Min	Max	Standard Deviation
TAV	149	0.0187	0.000139	0.1386	0.0222
ROA	149	0.1025	0.000008	0.5779	0.0973
LEV	149	0.4668	0.070742	0.8912	0.1499
SIZE	149	28.5489	24.5877	33.1341	1.5949

dummy variable	N	Value 1 (%)	Value 0 (%)
TA	149	65 (44%)	84 (56%)
AUD	149	60 (40%)	89 (60%)

Remarks : TA = tax amnesty (tax amnesty), dummy variable, value 1 for companies participating in tax amnesty and 0 for otherwise; AUD = audit quality, dummy variable, value 1 for Big Four audited companies, and 0 for vice versa; TAV = tax avoidance, measured by abnormal book tax difference, regression residual value of book tax difference (BTD); ROA = profitability, profit before tax divided by total assets; LEV = leverage, total liabilities divided by total assets; SIZE = company size, natural log of total assets.

Logistics Regression

In this study, logistical analysis was used to see the effect of tax avoidance and audit quality as well as control variables on the possibility of participating in tax amnesty. Multicollinearity test was carried out to determine there is a strong relationship between the independent variables in the regression model. Based on the rule of thumb in chapter 3, the tests used are the Pearson correlation test and the VIF test. Referring to the results of the Pearson correlation test show that there is no variable that has a value above +/- 0.8. These results indicate that there is no strong correlation between variables, so there is no multicollinearity problem of the variables in the research model. The results of the Pearson correlation test are also an early indication of the relationship of each independent and control variable to the dependent variable in the research model. The results in table 3 show that all independent and control variables, namely ABTD, BIG4, ROA, LEV, SIZE have a negative relationship to the dependent variable, namely TA.

Table 3
Pearson Correlation Test Results

	TA	ABTD	BIG4	ROA	LEV	SIZE
TA	1					
ABTD	-0.0954	1				
BIG4	-0.3359	0.0328	1			
ROA	-0.1290	0.2283	0.2892	1		
LEV	-0.0146	-0.0712	-0.0153	-0.2473	1	
SIZE	-0.2851	-0.0658	0.5081	0.0854	0.1274	1

In addition to the Pearson correlation test, multicollinearity testing can also be done with the VIF test. VIF test resultsshows that there is no variable that has a value above 8. These results indicate that there is no multicollinearity problem of the variables in the research model, so that this research model is stable enough to carry out further regression tests. Regression tests, especially logistic regression, were carried out to test hypotheses in the study through global tests and individual tests. Table 4 shows the regression results of the research model.

Table 4
Regression Results

Variable	Sign Prediction	Coef.	Odds Ratio	Significance (P>|z|)
TAV	+	-11,16312	0.0000142	0.224
AUD	-	-1.083248	0.3384944	0.013**
ROA	?	-0.6074991	0.5447114	0.779
LEV	+	-0.1215265	0.8855676	0.900
SIZE	-	-0.2555837	0.7744643	0.065*

Prob > chi2 = 0.0004
Pseudo R2 = 0.1102
N = 149

Significance level, ***= 1%; ** = 5%; *=10%

Remarks: TA = tax amnesty (tax amnesty), dummy variable, value 1 for companies participating in tax amnesty and 0 for otherwise; AUD = audit quality, dummy variable, value 1 for Big Four audited companies, and 0 for vice versa; TAV = tax avoidance, measured by abnormal book tax difference, regression residual value of book tax difference (BTD); ROA = profitability, profit before tax divided by total assets; LEV = leverage, total liabilities divided by total assets; SIZE = natural log of total assets.

The global test in this study shows the value of *Prob > chi2*= 0.0004. This value of 0.0004 is smaller than the 1% significance level, so it can be concluded that the overall model is correct. In this case, overall the independent variables of the study have a significant influence on the dependent variable of the study. The results of the regression test also show that the Pseudo R2 value from the study is 0.1102. The Pseudo R2 value indicates that the independent variables of the study together are able to explain the variation of the dependent variable of 11.02% based on the research model used.

Hypothesis testing

The Effect of Tax Avoidance on the Possibility of Participating in Tax Amnesty

Table 4 shows that there is no significant effect between tax avoidance, Tax Avoidance, and the possibility of participating in tax amnesty. It can be interpreted that tax avoidance does not affect the possibility of a company participating in tax amnesty. Therefore, the results of this regression test make the first hypothesis of the study, namely companies with high tax avoidance that have a higher probability of participating in tax amnesty, is rejected.

Based on the theoretical basis in the previous discussion, tax avoidance is an act of minimizing taxes legally that takes advantage of loopholes in tax regulations. This is different from the practice of tax evasion which is classified as illegal. Therefore, it is likely that the company does not need forgiveness but rather to avoid tax disputes over previous tax evasion actions. In addition, there is a possibility that the purpose of participating in tax amnesty is to obtain tax certainty in the future. Article 13 paragraph 4 of the General Taxation Law states that new taxpayers get legal certainty regarding the amount of tax payable which is reported in the Tax Return (SPT) after 5 years after the time the tax becomes due. By following the tax amnesty,

The Effect of Audit Quality on the Possibility of Participating in Tax Amnesty

Table 4 shows a significant effect between audit quality, audit quality (AUD), and the possibility of participating in tax amnesty at a significance level of 5%. The regression coefficient shows a negative value, so audit quality has a negative effect on tax amnesty with an odds change rate of -66% [(0,3384944 – 1) x 100]. These results indicate that firms audited by the Big Four have a 66% lower probability of participating in tax amnesty than those audited by the non-Big Four. Therefore, the second hypothesis of the study, namely that companies with higher audit quality have a lower probability of participating in tax amnesty, is accepted. Companies audited by the Big Four, have higher audit quality to produce more reliable financial statements (Lawrence, 2010). Meza, Zhang, 2011; Beasley, Clune, and Hermanson, 2005; Francis, 2004; DeAngelo, 1981). According to DeAngelo (1981) there is a strong relationship between the size of the accounting firm and the quality of the resulting audit, because there is a reputation that must be maintained by the auditor. The more reliable the company's financial statements, the less likely it is to participate in tax amnesty because the possibility of undisclosed assets or liabilities is low.

The Effect of Control Variables on the Possibility of Participating in Tax Amnesty

Referring to table 4, the ROA variable does not have a significant effect on the possibility of participating in tax amnesty.It can be seen from the value of P>|z| ROA of 0.779 which is greater than the 10% significance level, so it does not have a significant effect. It can be interpreted that the level of profitability does not affect the possibility of participating in a company's tax amnesty. The LEV variable does not have a significant effect on the possibility of participating in tax amnesty. It can be seen from the value of P>|z| LEV of 0.900 which is greater than the 10% significance level, so it does not have a significant effect. It can be interpreted that the level of leverage does not affect the possibility of participating in a company's tax amnesty.

The SIZE variable has a significant effect on the likelihood of participating in tax amnesty at a significance level of 10%. The coefficient of the regression result shows a negative value, so that the size of the company has a negative effect on tax amnesty with an odds change rate of -23% [(0.7744643 – 1) x 100]. The results of this regression indicate that an increase of 1 unit in SIZE causes the probability of participating in tax amnesty to decrease by 23%.

Sensitivity Analysis of Tax Avoidance Variables

The regression results show that tax avoidance has no significant effect on the likelihood of participating in tax amnesty. The sensitivity analysis of the tax avoidance variable was conducted to see the consistency of the regression results by changing the tax avoidance proxy.

Table 5
Sensitivity Analysis Results

Variable	Sign Prediction	CashETR		BTD		SKP	
		Odds Ratio	P>|z|	*Odds Ratio*	P>|z|	*Odds Ratio*	P>|z|
CashETR	+	0.507	0.519				
BTD	+			0.003	0.287		
SKP	+					1.048	0.908
AUD	-	0.326	0.012**	0.334	0.012**	0.343	0.014**
ROA	-	0.422	0.700	0.326	0.607	0.276	0.553
LEV	+	0.787	0.806	0.777	0.795	0.849	0.867
SIZE	-	0.790	0.085*	0.777	0.067*	0.788	0.086*

Prob (%)=Probability percentage; P>|z| = significance level, ***= 1%; ** = 5%; *=10%

Information: CashETR =taxes paid divided by the amount of profit before taxes; BTD =*book tax difference*, profit before tax minus taxable profit divided by total assets; SKP = Tax Assessment Letter, in the form of a dummy variable; "1" for companies that received SKP for 2012-2015; "0" for companies that did not receive SKP for 2012-2015. tax assessments letter (SKP) in the form of Tax Underpayment Assessment Letter (SKPKB) or Tax Overpayment Assessment Letter (SKPLB) which differ between the number of submissions and the determination.

There is no significant effect between tax avoidance, CashETR, *book tax difference* (BTD), and tax assessments letter (SKP), against the possibility of participating in tax amnesty. For the audit quality (AUD) variable, it has a significant effect on the likelihood of participating in tax amnesty at a significance level of 5% and has a negative relationship on the three types of models. In addition, for the control variable, only the SIZE variable is significant at the 10% level and has a negative relationship in all three types of models.

CONCLUSION AND SUGGESTION

The results of this study conclude that tax avoidance does not affect the likelihood of companies participating in the tax amnesty program. This means that the company considers that the actions of fax avoidance is a legal action, so companies may not need tax amnesty in order to avoid tax disputes. In addition, there is a possibility that the purpose of participating in tax amnesty is to obtain tax certainty in the future. By following the tax amnesty, the potential for mistakes made before 2015 will not be examined so that the company's taxation becomes certain without having to wait for the certainty period as stipulated in the Law on General Provisions of Taxation.

Companies audited by large public accounting firms have a lower probability of applying for tax amnesty. Companies audited by*Big Four* have a 66% lower chance of following forgiveness tax compared to those audited by non *Big Four*. This is because companies audited by*Big Four*have higher audit quality to produce more reliable financial reports. The more reliable the company's financial statements, the less likely it is to participate in tax amnesty because the possibility of undisclosed assets or liabilities is low

This study failed to prove that tax avoidance affects the company's participation in participating in tax amnesty. The implications of the research from the literature side need to be developed other tax avoidance proxies used such as Long Run Earning Tax Rate, DTAX, Tax Shelter, Tax Assessment Letters, and others. From the point of view of the Director General of Taxes, it should be noted that the company's participation in tax amnestynot solely to obtain forgiveness for non-compliant actions or tax evasion committed in the past, but for other purposes such as obtaining tax certainty in the future. Therefore, it is important for the Directorate General of Taxes to increase tax certainty. This study succeeded in proving audit quality affects participation in tax amnesty. For regulators, in this case the Directorate General of Taxes and the Financial Services Authority, companies audited by non-Big Four need great attention because of the possibility of having lower quality financial reports. For investors, this study provides material for consideration in choosing a company, especially considering the reliability of the financial statements of companies that follow tax amnesty and the reputational risks experienced. Further research, can use long-term tax avoidance data as in the research Dyreng et al. (2008) so that it is expected to better describe the condition of corporate tax avoidance before participating in tax amnesty. In addition, it can conduct a deeper analysis of exploratory tax amnesty, for example through case studies on certain companies that participate in tax amnesty.

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