

Tax Avoidance and Cost of Debt

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Tax Avoidance and Cost of Debt: Ownership Structure and Corporate Governance

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ABSTRACT

This study examines the relationship between tax avoidance actions and the cost of debt capital through the moderating effects of corporate governance (family ownership, the ultimate owner, the second-largest shareholder, and the effectiveness of the board, and audit committee) for companies on the Indonesian Stock Exchange between 2008-2012. Using the methodology of panel data, the results show that tax avoidance has a positive relationship with the cost of debt capital. Furthermore, it is found that concentrated ownership strengthens the relationship between tax avoidance and the cost of debt, while the existence of second-largest owners weakens the relationship. Even though this study cannot prove that family ownership and the effectiveness of the company's board commissioners and audit committee have any impact on the tax avoidance and cost of debt relationship, it provides future research with a better insight into the role of a company's shareholders on its tax compliance. This study is one of the first that questions the role of a firm's ultimate shareholder and its second-largest shareholder based on the relationship between tax avoidance and the cost of debt.

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INTRODUCTION

People, as well as companies, tend to avoid tax. Avoiding tax has been regarded as a way to gain extra cash out of the company's earnings. However, researches have been conducted on the consequences of tax avoidance actions undertaken by corporations. This research follows the work of Lim (2011) in examining company tax avoidance behaviour with reference to its cost of debt. The agency theory mentions that there will be an agency problem on tax avoidance through information asymmetry, as suggested by Lim (2011). This theory will be the grand theory for this paper. The following middle-range theory argues that this implication is moderated with the presence of adequate monitoring agents that is the role of institutional owners. This study also evaluates whether the effectiveness of the corporate board and audit committee also moderates the relationship between tax avoidance and cost of debt.

The first objective of the study is to examine the relationship between tax avoidance and cost of debt. The second one is to probe the role of the ultimate owner, second largest owner, and family owner and the effectiveness of the board and the audit committee in moderating the effect of tax avoidance on the cost of debt. Tax avoidance may benefit the companies due to lower cost of capital and at the same time possibly allow companies to bear a higher cost of capital (Dhaliwal et al., 2008; Graham & Tucker, 2006; Lim, 2011). Tax avoidance decisions, like other management

decisions, can be efficient for the company, for example, the substitution effect on the use of debt through interest expense as an income tax deduction (Graham & Tucker, 2006; Lim, 2011).

On the other hand, such decisions can also be opportunistic which is with the occurrence of rent diversion, which according to Jensen and Meckling (1976) is a management behaviour that seeks personal gain, and therefore needs to be attended to with caution as it may harm shareholders' and other stakeholders' interests. This can create another problem which is a decrease in corporate transparency (Desai & Dharmapala, 2009; Desai et al., 2007; Desai & Dharmapala, 2006). Companies that carry out tax avoidance face an increasing information risk that must be borne by the shareholders, causing a higher expected rate of return for company shareholders, and resulting in a higher cost of equity capital for the company (Dhaliwal et al., 2008).

Moreover, Desai and Dharmapala (2006) had also found that companies that reported their taxes aggressively, implying a concomitant low degree of corporate transparency, also tended to carry out earnings management in the form of earnings aggressiveness (Frank et al., 2009) and had less persistent earnings (Tang & Firth, 2012) thus lowering the earnings' quality. They further argued that tax management indicated earning management and was able to determine the earning persistence. Dhaliwal et al. (2008) further demonstrated the relationship between tax management

and the quality of earning that mostly increased the informational risk generated by the company.

This study also probes the role of the corporate governance (CG), family-owned and shareholding, in moderating the positive relationship between tax avoidance and cost of debt (Desai & Dharmapala, 2009, 2006; Lim, 2011). Previous studies regarding the role of corporate governance and ownership structure (Desai & Dharmapala, 2006; Lim, 2011; Wahab & Holland, 2012) are mostly conducted in developed countries, with different characteristics of corporate governance. In developing countries, it is common to find both concentrated and pyramidal family ownership structures (Diyanty, 2012; Fan & Wong, 2002; LaPorta et al., 1999); and thus, the controlling shareholders possess strong roles in their companies and have the potential to act against the interests of the minority shareholders. This study particularly evaluates the role of the controlling shareholder, both family-owned and non-family owned, as well as the second-largest shareholder (Attig et al., 2008) in moderating the positive effects of tax avoidance on the cost of debt.

The final purpose of this study is to evaluate whether the board of commissioners and the audit committee are able to affect the lenders' perception of the company's tax avoidance practices through the company's cost of debt. This study found that tax avoidance heightened the company's cost of debt. This positive relationship is found more prominently

in more concentrated companies and less strongly when the company has the second-largest shareholder as a monitoring agent. However, the supposed role of family ownership and effectiveness of the board of commissioners and audit committee in moderating the positive relationship between the tax avoidance activities and the company's cost of debt tested in this study were not proven.

This result, as concluded by this research, provides a number of contributions in several aspects. First, to the best of our knowledge, this research is the first that probes the role of controlling owners, second-largest shareholder, and family ownership structures on the relationship between the tax avoidance and the cost of debt. The second contribution is the use of a sample of companies as listed in the Indonesian capital market (IDX). This fact is important as the Indonesian market has distinctive characteristics, which are first, a capital market which currently is in its emerging state with limited means on minority stakeholders' protection. Second, corporations in Indonesia tend to be owned by certain concentrated owners (family), which would increase the possibility of any entrenchment act undertaken by the controlling owners to the minorities. Third, investigating the effect of tax avoidance particularly on the cost of debt in the Indonesian market is interesting as it is found that corporations in Indonesia prefer taking debt from banks as compared to issuing equities due to information transparency requirements attached to the latter choice

(Leuz & Oberholzer-Gee, 2003). Choosing debt as the financing strategy limits the company's obligation to disclose necessary information to only those parties involved in the debt agreement which is banks and other lenders. Adopting pecking order theory, Adiputro (2015) also found that companies in Indonesia, especially after the 2008 financial crisis, preferred to obtain loans from banks as the last option of equity issuance.

The remainder of this paper is organized into four sections. Section 2 covers hypotheses development. Section 3 outlines the sample, designates the empirical model and defines the variables. Section 4 covers analysis of the statistical and empirical evidence, including the sensitivity analysis. Finally, Section 5 provides the conclusion.

Hypotheses Development

Some studies examined the relationship between BTD (Book-Tax Differences) as a proxy for tax avoidance and the cost of debt and found a substitution effect on the use of debt as a source of funding (Graham & Tucker, 2006; Lim, 2010). Graham and Tucker (2006) found that companies that carried out tax sheltering appeared to have lower borrowing costs in comparison to those that did not.

On the other hand, Bhojraj & Sengupta (2003) and Derriena et al. (2016) argued that an increase in information asymmetry caused an increase in both expected and actual losses to debtholders, causing increased cost of debt. The first hypothesis (H1) in this study then is as follows:

H1: Tax avoidance increases the company's cost of debt

Fan and Wong (2002) suggested that a (group of) controlling shareholder(s) tended to have greater control than the number of shares owned, thus allowing the ultimate owner to determine the company's financial and operating policies. This leads to the occurrence of the entrenchment effect, i.e. the ability of the controlling shareholder that holds more control rights than cash flow rights to control the company opportunistically, a situation which can thus harm the minority shareholders' interests (Fan & Wong, 2002). Following is the second hypothesis (H2):

H2: The increase in the cost of debt due to tax avoidance will be heightened in companies in which ultimate owners hold a higher ratio of control rights to cash flow rights

Companies with family ownership are deemed to have higher financial profitability as compared to other companies, especially if the family owners are actively involved in the company's management (Maury, 2006). This is because the owners want to perpetuate the company's glory. Further, Chen et al. (2010) indicated that family companies tended to not be tax aggressive. In addition, family firms tend to maintain their reputation and relationship with the authorities in order to ensure the survival of the family business in the long run.

Nevertheless, family ownership, which usually is accompanied by the pyramidal ownership structure (Claessens & Yutroglu, 2013) can also carry the risk for minority shareholders exclusively for the sake of the company's ultimate owner's personal gains, including in Indonesia (Diyanty, 2012).

In short, family-controlled companies that avoid tax may, on one hand, be perceived by lenders as being careful not to jeopardize their reputations, and on the other hand, are viewed as efficient management discretion instead of opportunistic, hence, the third hypothesis (H3):

H3: The effect of tax avoidance on the cost of debt in family-controlled companies is different from non-family-controlled companies

Attig et al. (2008) found that the role of the second-largest shareholder reduced agency conflicts and information asymmetry between an ultimate owner and other minority shareholders, in particular, for companies in developing countries as compared to companies in developed countries. This is due to the weak institutional environment (protection of shareholders and law enforcement) in developing countries (Attig et al., 2008).

On the other hand, the second-largest shareholder can weaken the agency conflicts between ultimate owner and minority shareholders as second-largest shareholder appears to have interests that are in line with the interests of the management (and ultimate owner), which are different from the

common interests of minority shareholders (Kim et al., 2007). The fourth hypothesis (H4) is as follows:

H4: The increase in the cost of debt due to tax avoidance will be different in companies with a second-largest shareholder

Previous studies show that companies with good corporate governance will be able to suppress the management's tendency to do rent diversion and tax evasion measures (Desai & Dharmapala, 2006). They were also able to moderate the relationship between tax planning and company value (Desai & Dharmapala, 2009). Based on the arguments above, the fifth hypothesis (H5) is as follows:

H5: The increase in the cost of debt due to tax avoidance will be lowered in companies with the stronger corporate governance mechanism

MATERIALS AND METHODS

Sample Selection

The sample chosen for this study comprised all the companies listed on the Indonesia Stock Exchange from 2008 to 2012. These samples had been selected using purposive sampling method with the criteria that during the observation period the companies: (i) have complete data of, both, financial and ownership structure, (ii) did not have negative equity, (iii) were not involved in any form of mergers, acquisitions, and divestitures. Companies that were specifically regulated in the tax regulations were excluded: (i) subject to final income

tax (referred to as Article 4 (2) income tax act), that are construction service business, real estate, and land and/or building rental, (ii) allowed to form tax provisions and to nurture a reserve fund (Article 9 (1) income tax act).

Variables Definition

Cost of debt was calculated, according to the method suggested by Lim (2011), by dividing the company's interest expense by the year's average corporate interest-bearing debt, where the average corporate interest-bearing debt was obtained from total current year's interest-bearing debt (short-term and long-term) added to the one from the previous year which was then divided by two. This calculation of interests, which only includes the interest-bearing debt (and not the operational liabilities) is in accordance with the managerial balance sheet approach.

According to Sengupta (1998), the cost of debt used in this study is for the year $t + 1$. The ultimate owner is proxied as the ratio of the degree of the ultimate owner's control rights to its cashflow rights is called its Cash-Flow Leverage. Family shareholders are the firm's ultimate owner which is individual or a group of individuals who constitute a family. Following the study of Diyanty (2012), the identity of an ultimate owner is determined whether it is an individual or a group of individuals who have family ties. Family, in this study, is a dummy variable, which is given the value of 1 if the ultimate owner (with minimum 20% ownership) is an

individual name within a family or group of families and 0 if it is not so.

The second-largest shareholder takes into account the presence of any other large shareholder, other than the ultimate owner. Following the work of Attig et al. (2008), the second-largest shareholder's role will be measured using the dummy variable, 1, if the company has a second-largest shareholder (who holds more than 20% shares), and 0 if it does not.

Corporate governance variable represents the effectiveness of the board of commissioners and audit committee in a company. In this study, the score has been calculated representing the monitoring effectiveness of the company's board commissioners and audit committee (Klein, 2002). According to Hermawan (2009), this study uses a similar checklist to assess the characteristics of the board commissioner and audit committee. Each question in the checklist has three possible answers which are good, fair, and poor, which represents a score of 3, 2, and 1, respectively, on the independence, activities, size, expertise, and competence of the boards and the audit committee. The above-mentioned checklist suggests that lenders will perceive companies with higher corporate governance score to have better monitoring tools.

Previous studies indicate that the difference between accounting profit and taxable profit, or the book-tax difference not only imply the presence of tax avoidance but also of earnings management (Tang & Firth, 2012) and earnings aggressiveness behaviours. Moreover, research also finds that

tax avoidance would reduce the transparency of firms (Desai & Dharmapala, 2006) which in turn would increase the investors' information risks with a higher opportunity of rent extractions by management creating a shield for managerial opportunism (Desai & Dharmapala, 2009; Wilson, 2009). To acknowledge the existence of earnings aggressiveness and low transparency, due to tax avoidance actions, this research uses Earnings Quality variable as a control variable. Earnings quality is a combined measure of discretionary accruals (DA) and earnings transparency (ET) using confirmatory factor analysis (CFA).

Other control variables employed in this study include financial leverage, growth rate, the value of the company, size, and age of the company. Control variables further include a ratio of return on asset (ROA), cash flow from operations (CFO) and interest rate over the debt. While Dechow et al. (1996) argued that higher financial leverage represents higher outstanding debt which could lead to higher risk and higher cost of capital, Siregar (2005) found that high growth rate of the company was expected to accompany high discretionary accruals.

Nelson et al. (2002) affirmed that higher market to book value or smaller companies indicated lower earnings management. However, older companies avoid poor earnings quality in order to maintain their reputation and hence get a better interest rate from lenders (Lim, 2011). Some studies further argue that the higher the profitability, the higher is the earnings quality (Francis

et al., 2005) and the lower the need for a loan (Petersen & Rajan, 1994). On the other hand, Francis et al. (2004) claim that the higher the interest coverage, the higher is the degree of trust the lenders have and lesser is the cost of debt.

Research Model

To answer the first objective of this study, which was to find the relationship between tax avoidance and cost of debt, hypothesis H1 was tested by using the following model with the cost of debt as the dependent variable and tax avoidance as the independent variable. The earnings quality variable in this research was one with the influence of tax avoidance.

The first hypothesis, H1, then, was tested by using model (2) as follows:

$$COD_{it+1} = \gamma_0 + \gamma_1 ABTD_{it} + \gamma_2 pEQ_{it} + \gamma_3 Growth_{it} + \gamma_4 Age_{it} + \gamma_5 Lev_{it} + \gamma_6 CFO_{it} + \gamma_7 Size_{it} + \gamma_8 Intcov_{it} + \gamma_9 ROA_{it} + \epsilon_{it} \quad (1)$$

Where,

COD_{it+1} = cost of debt;

Lev_{it} = total debt to total equity;

CFO_{it} = cash flow from operation;

$Size_{it}$ = natural logarithm of total assets;

$Intcov_{it}$ = ratio of operating income to interest expense.

Hypotheses 2, 3, 4, and 5 were developed for answering the second objective of this research, which was the impact of moderating variables (the ownership structure and corporate governance). They

were tested by using the following research model:

$$\begin{aligned} \text{COD}_{it+1} = & c0 + c1\text{ABTD}_i + c2\text{pEQ}_{it} \\ & + c3\text{Growth}_{it} + c4\text{Age}_{it} + c5\text{Lev}_{it} + \\ & c6\text{CFO}_{it} + c7\text{Size}_{it} + c8\text{intcov}_{it} + c9\text{ROA}_{it} + \\ & c10\text{Fam}_{it} + c11\text{Fam}*\text{ABTD}_{it} + c12\text{CFL}_{it} + \\ & c13\text{CFL}*\text{ABTD}_{it} + c14\text{OWN2}_{it} + c15\text{OWN2} \\ & * \text{ABTD}_{it} + c16\text{CG}_{it} + c17\text{CG}*\text{ABTD}_{it} + \\ & e_{it} \quad (2) \end{aligned}$$

Where,

FAM_{it} = 1 if the firm's ultimate owner is an individual or group of individuals in a family and 0 if otherwise;

CFL_{it} = the ratio of ultimate owner's control rights to cash flow rights; OWN2_{it} : 1 if the firm has a SLS, and 1 if otherwise;

CG_{it} = corporate governance score.

From the equation, the expected sign for the coefficients are as follows: $c11$ and $c15 \neq 0$; $c13 > 0$; and $c17 < 0$

RESULTS AND DISCUSSIONS

Statistical and Empirical Evidence

Cash flow leverage, which represents the ratio of the ultimate owner's control rights to the ultimate owner's cash-flow rights, has a minimum (maximum) value of cash flow leverage is 1 (2.03). The higher the control rights owned by the ultimate owner as compared to their cashflow rights are, the more open the ultimate owner to the conflict of interest will be, leading to a higher possibility of entrenchment problems.

Family ownership (FAM), which is

a dummy variable, has an average and median value of this variable is 0.7 and 1, respectively. These numbers indicate that there are more of family-owned companies compared to non-family owned included in the sample. The average value of variable OWN2_{it} , which represents the second-largest shareholder, of 0.29 and the median value of 0 indicates that there are more companies in the sample that do not have a second-largest shareholder as compared to those who have.

The Effect of Tax Avoidance on the Cost of Debt Capital

Univariate analysis among each of the variables used in this study shows that the tax avoidance variable has a positive and significant correlation with the cost of debt. This positive and significant correlation is an early indication that tax avoidance affects the cost of debt. Moreover, it can be deduced from the analysis that all interacting variables between the moderating variables and the tax avoidance variable in this research show a positive correlation with the cost of debt capital variable, except for the family ownership and second-largest shareholder variables.

Table 1 shows the multivariate analysis of the study. The first hypothesis (H1) states that tax avoidance has a positive relationship with the cost of debt capital. The tax avoidance can increase the corporate's information asymmetry, which can result in the occurrence of opportunistic management behaviour as well as the diversion of rents (Desai et al., 2007; Desai & Dharmapala, 2006; Wilson, 2009). Tax avoidance can cause agency problems

between the management and lenders and other problems related to moral hazard (Lim, 2011). Therefore, lenders facing such high risk will tend to protect themselves by charging a higher cost of debt to the company.

A significant positive value found in the ABTD variable in Table 1 indicates that companies undertaking tax avoidance face a higher cost of debt as compared to other companies. This result supports H1.

The Effect of Ownership Structure and Corporate Governance on the Positive Impact of Tax Avoidance on Cost of Debt

Four moderating factors are tested on their role in strengthening or weakening the positive effect of tax avoidance on the cost of debt capital. The four factors are the ultimate owners' cash flow leverage, family owners, second-largest shareholders and corporate

governance score. The result in Table 1 is consistent with the second hypothesis (H2) which predicts that cash flow leverage positively influences the impact of tax avoidance on the cost of debt. Higher cash flow leverage in companies carrying out tax avoidance will impact on the higher cost of debt. Ultimate owner is found to be perceived by the lenders as a reason for potential entrenchment problems. A higher ultimate owner implies higher uncertainty in the eyes of the lenders. Lenders perceive that the tax avoidance actions taken by higher ultimate owner's cash flow leverage companies tend to be opportunistic, hence charge higher interest.

Family ownership is expected to have an influence, be it positive or negative, on the relationship between tax avoidance and the cost of debt (H3). The result in Table 1, however, is inconsistent with the

Table 1

Effect of tax avoidance of the Cost of Debt (Model 1 and Model 2)

Variable	Predicted Sign	Model 1 (No Moderation)			Model 2 (With Moderation)		
		Coef.	p-value		Coef.	p-value	
C		0.219	0.000	***	0.163	0.000	***
ABTD	+	2.760	0.001	***	2.296	.64	*
pEQ	-	5.790	0.003	***	5.86	0.003	***
GROWTH		0.157	0.007	***	0.156	0.007	***
AGE	-	0.002	0.180		.001	.0241	
LEV	+	-0.158	0.000	***	-0.158	0.001	***
CFO	-	-0.156	0.016	**	-0.155	0.000	***
SIZE	-	-0.03	0.002	***	-0.147	0.022	**
INTCOV	-	0.000	0.457		1.092	0.003	***
ROA	-	1.358	0.001	**	1.377	0.001	***

Table 1 (Continued)

Variable	Predicted Sign	Model 1 (No Moderation)		Model 2 (With Moderation)	
		Coef.	p-value	Coef.	p-value
FAM	+/-			-0.003	0.455
FAM*ABTD	+/-			-0.269	0.414
CFL	+			0.006	0.443
CFL*ABTD	+			0.881	0.074 *
OWN2	+/-			-0.009	0.365
OWN2*ABTD	+/-			-0.636	0.054 *
CG	-			0.076	0.249
CG*ABTD	-			-0.182	0.448
Adj R-squared		17.50%	17.82%		
Prob F-stat		0	0		

Notes: ***significant at 1%; ** significant at 5%; *significant at 10%

COD: the cost of debt; ABTD: Abnormal Book-Tax Difference; pEQ the fitted value of earnings quality drew from model (1); Growth: sales growth; Lev: total debt to total equity; Size: the natural logarithm of total assets; MTBV: market-to-book value of equity; CFO: Cash Flow from operations; Intcov: ratio of operating income to interest expense; ROA: return on asset; Fam: 1 if the firm's ultimate owner is an individual or group of individuals in a family, and 0 if otherwise; CFL: ratio of ultimate owner's control rights to cash flow rights; OWN2: 1 if the firm has a second-largest shareholder and 0 if otherwise; CG: Corporate Governance score.

hypotheses. Interacting variable FAM with tax avoidance shows insignificant values, which indicates that tax avoidance in family controlled-companies results in a cost of debt which is not marginally higher or lower as compared to tax avoidance done by non-family-controlled companies. This result suggests that in the lenders' perception, tax compliance of a company has nothing to do with the fact that the company is controlled by the family or not.

The next moderating variable tested in this study is the second-largest owner. The output of the test on the role of a second-largest shareholder is consistent with the fourth hypothesis (H4). The second-

largest shareholder has a significantly negative effect on the positive relationship between tax avoidance and cost of debt. Tax avoiding companies that have second-largest shareholder will bear the lower cost of debt compared to those which do not. This result implies that companies that have second-largest shareholder are perceived by lenders as having lesser opportunities for managerial rent diversion through their tax avoidance.

This result enriches the findings of Attig et al. (2008) on the role of the companies' second-largest shareholder. The existence of second-largest shareholder in the company will be responded positively not only by

investors but also in the eyes of creditors. The second-largest shareholder is regarded as a monitoring agent who is perceived to have a monitoring role over the controlling owner that influences the governance and information problem of the companies (Attig et al., 2008).

The last moderating variable is the corporate governance score which depicts the effectiveness of a company's board and audit committee. Table 1 shows that the result does not support hypothesis H5, which says that strong corporate governance would tend to reduce the tax avoidance effect on the cost of debt capital. It is found that the effectiveness of the board of commissioners and the audit committee does not have any impact on how the lenders perceive the tax avoidance activities taken by the company.

Although the finding is inconsistent with the hypothesis, nevertheless, it is relevant with the findings in the study conducted by Adam et al. (2015) on the relationship between corporate governance and cost of debt in Indonesia, which suggests that the board members, their independence and educational background, and the effective characteristics of audit committees are not considered by creditors as contributing factors in generating quality financial reports, thus affecting their decision in charging the companies' cost of debt.

Sensitivity Analysis

Alternative Measurement for the Second-largest shareholder. According to the work of Attig et al. (2008), the role of the second-largest shareholder was also

measured using two other measurements namely the degree of control rights held by the second-largest shareholder and the ratio of the second-largest shareholder's control rights to ultimate owner's control rights. The test using the two measurements provided a consistent result with the main analysis on the role of second-largest shareholder (not tabulated).

CONCLUSION

The purpose of this study was to examine the effect of a company's tax avoidance on its cost of debt. The findings of this paper confirmed the notion that tax avoidance would be perceived as higher information asymmetry by lenders resulting in higher cost of debt capital.

This study also examined the roles of corporate governance elements of ownership structure variables (family, the ultimate owner, and the second-largest shareholder) and corporate governance score in impacting how tax avoidance affects the cost of debt. Lenders of companies in the sample perceived that tax avoidance decision taken by family-controlled entities to be indifferent with other companies. What matters to the lenders was how much control was held by the ultimate owner. Higher cash flow leverage would increase the perceived risk as a result of the company's tax avoidance decisions. Moreover, the existence of a second-largest shareholder in the companies was more favourable for the lenders. They perceived that tax avoidance taken by such companies would not have

higher risks, as compared to those who did not have a second-largest shareholder.

This study also found that the board commissioner and audit committee characteristics and effectiveness did not show any sizable impact on the effect of tax avoidance on the cost of debt. The characteristics and effectiveness were not perceived by lenders as making tax avoidance activities taken by the company were less risky for them to charge the companies less interest. The result of this study provides benefits for the corporations as the management and investors comprehend the consequences of undertaking tax avoidance, with regard to their ownership structure and their characteristics and effectiveness of their board of commissioners and audit committees to the overall cost borne by companies. Moreover, the government could also use the result of this study as a campaign tool, persuading companies to be more obedient in fulfilling their tax duty.

Lastly, this paper examined the impact of tax avoidance on the cost of debt through information asymmetry, corporate governance and the existence of different structures of ownership in Indonesia. It would be beneficial if the future study is enhanced with the comparison of Indonesian cases with cases in other developing countries so that the uniqueness of tax avoidance implication on companies in Indonesia can be further examined.

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