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**THE EFFECT OF TAX AVOIDANCE ON COST OF EQUITY
OF COMPANIES THAT LISTED IN
INDONESIA STOCK EXCHANGE**

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ABSTRACT

Equity is the one of the most crucial part in doing business. Equity can obtain from various funding way either from share. The purpose of this research analysis study is to explain and introduce what are the effects of tax avoidance measures on the cost of equity in a company. This research was conducted using a sample of company data registered in the Indonesia Stock Exchange in the period 2013 to 2017. The sample used was 145 companies after being excluded companies that have the effect of avoiding negative taxes and financial statements that are incomplete or do not meet the criteria.

The research is using combination of time series and cross sectional method. Research also includes moderation variables to strengthen the relationship of tax avoidance to the cost of equity. The variable of marginal moderation of incentives, outside party supervision and information quality are proven to have an effect of increasing the effect of tax avoidance on the cost of corporate equity. This shows that there are many factors that affect the cost of equity in addition to tax avoidance. The measurement of equity costs used by Capital Asset Pricing Model is one of the equity cost measurement models that can be applied in Indonesia.

The research result shows that relationship between tax avoidance with the cost of equity. Therefore the results of these studies produce regression results indicate that cost of equity measured with CAPM have no significant relation on tax avoidance efforts as measured by ETR. The results of this study only focus on Indonesia, which can only provide information benefits for Indonesian companies.

Keywords: *Cost of Equity, Tax Avoidance, Marginal Incentives, Outside Monitoring, Information Quality*