The Effect of Tax Avoidance and Tax Risk on Company Value in Manufacturing Companies Listed on the IDX Period 2019-2023

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Abstract. This study is intended to reveal how Tax Risk, Tax Avoidance affect Firm Value in the Manufacturing industry listed on the IDX from 2019 to 2023. The purposive sampling method is the method used in sampling, which includes a total of 320 companies and 1,600 data on financial statements. To analyze the data, the control panel regression method was used with STATA 15 software. But the findings do not show a real impact of tax avoidance on firm value. Instead, tax risk is shown to positively influence and have a significant impact on firm value, indicating that firms can utilize tax risk to increase their value. The results suggest that managing corporate tax risk is more important than just trying to avoid taxes.

Keywords: Risk, Firm Value, Tax Avoidance.

INTRODUCTION

Rapid progress in today's economic world, the number of companies in business competition is increasing. Thus, every company needs to make various efforts to provide the best results and survive amidst competition in this sector [1]. Enterprise value is a financial management standard that shows how investors view the success of a business. This value is closely related to the price of shares owned[2]. To increase efficiency in managing tax burdens, companies can carry out tax planning using this strategy[3].

Taxes play an important role in national development, where the main source of state revenue comes from taxes, and its contribution reaches around 70% of total state income[4]. Meanwhile, for companies, the practice of tax collection is a financial obligation faced by a company and functions as a factor reducing profits [1]. Corporate tax avoidance is generally defined as a reduction in the amount of tax that must be paid directly [5]. This is done using gaps or weaknesses in tax regulations and tax laws[6]. However, on the other hand, stakeholders still respond poorly to tax avoidance practices [7]. Tax evasion is seen as an example of irresponsible social behavior by related parties. which has a negative impact on the progress of society. Tax avoidance can give rise to agency conflicts, but is seen as a way to increase returns for shareholders from a traditional perspective [8]

This research examines tax avoidance using an agency theory approach. Because various studies have put forward arguments regarding the relationship between tax avoidance and agency issues [9]. This concept of agency theory presents a picture of the existence of an agency relationship, which is realized from an agreement between one party or more individuals by involving other individuals in carrying out a task on behalf of the principal and giving approval regarding decisions to the agent[6]. In this agency context, there is the potential for agents who do not act in the interests of the principal because each party wants to maximize their own profits[10]. This shows that there is a mismatch between the principal's wishes and the actions of the agent who changes his behavior according to the market conditions he faces[11]. Although much research supports the idea of agency-based tax avoidance, it is interesting to observe shareholder responses to tax

avoidance. This research examines the effect of tax avoidance as a whole, as well as a summary with tax risk and firm value [8].

Tax risk is a situation where there is a misalignment in the company's tax position caused by the company's limitations in maintaining its operational performance in order to maintain a stable tax position over a long period of time [12]v Failure and uncertainty in managing tax risks can have a negative impact on the Company[10]. A more positive approach will be adopted by companies that have high tax risks, which can impact tax payments[8]. Positive tax planning method based on the business risks faced[13]. A common case in Indonesia is tax evasion. One of them is the tax bribery case committed by the owner of PT Bank Pan Indonesia Rp. 900 billion in 2022[14].

Previous research only focused on the relationship between Tax Avoidance and Company Value, without considering other aspects that might have an influence, taking into account financial reports, social responsibility and governance[8]. Based on several previous studies, it shows there is a good relationship between tax avoidance and company value, where companies can benefit from tax avoidance practices [15]. Thus, to strengthen previous research on the relationship between tax avoidance and company value showing various interesting findings, this study looks at how Tax Avoidance with Tax Risk affects Company Value.

METHOD

This study is a quantitative study that uses annual reports as secondary data. The population in this study was determined to include all companies listed on the IDX during the period 2019 to 2023, part of the manufacturing industry. Purposive sampling is a method that is implemented in sampling in this research. In this study, the sample observed consisted of 320 companies, with a population of 920 manufacturing industries on the IDX in the 2019-2023 cycle and the data for this study came from Osiris and Bloomberg database sources.

Study This uses multiple linear regression which is carried out through the application *STATE 15.* The analysis process includes descriptive statistical tests, classical assumption tests (which include normality tests, multicollinearity tests, tests heteroscedasticity, and autocorrelation test), as well as hypothesis testing (including the coefficient of determination test r2, f test, and t test).

The independent variable in this research is tax avoidance (TA). Tax avoidance efforts are efforts implemented by companies to minimize the tax responsibilities that must be borne[16]v. This variable is measured using income tax expense or income tax expense with indicators used using the (CETR) method, in other words, by dividing the amount of profit before tax used to pay tax costs.

$$CETR = Tax\ Cost\ /\ Profit\ Before\ Tax$$

Is:

$CETR =$ as an indicator of tax avoidance.

$CPT = tax$ obligations owed by the company.

$EBT =$ income before taxes.

Tax risk is everything related to taxation which includes operations, financial reporting returns, transactions and financial reputation[10]. One instrument that is able to measure tax risk is CETR Volatility. This study uses CETR Volatility as a method used in tax risk. The formula used is:

CERT Volatility=Standard deviation of the company's cash ETR in the last five years

(Company ETR standard deviation in the last five years)

The dependent variable of this research is Company Value (FV). Company value reflects investors' perceptions of the company, which can be seen from its share

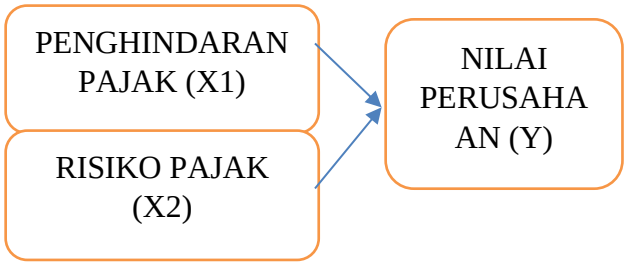
price[16]v. In this research, company value is measured using the TOBIN'S Q formula. One measurement that defines company value using a combination based on the value of tangible assets and intangible assets is TOBIN'S Q.

$$Q = (EMV + D)/(EBV + D)$$

Is:
Q = Company Value
EMV = Stock Market Value
EBV = Carrying Value of All Assets
D = Carrying Value in Total Debt

Hypothesis

H1: It is suspected that Tax Avoidance can affect Company Value.
H2: It is suspected that Tax Risk can affect Company Value.



Tax avoidance and tax risk variable X are independent variables which will influence variable Y, while variable Y company value is a dependent variable which is influenced by variable

RESULTS AND DISCUSSION

Descriptive Statistical Test

This analysis is to describe data concisely through calculating the average, median, or frequency distribution

Table 1
Descriptive Statistical Test Results

Variable	Obs	Mean	Std. Dev.	Min	Max
NilaiPerus~n	320	2.211533	1.613218	.102	6.454
Avoidant~k	320	.1633803	.1283909	-.0988581	.5618487
RisikoPajak	320	1.248	.213144	.87	1.66

Source: STATA 15 data processing results, 2025

The company value shows an average (mean) of 2.2115 with a standard deviation of 1.6132, which shows significant data variation. In contrast, the average tax avoidance is 0.1634 with a standard deviation of 0.1284, and a negative minimum value (-0.0989). This indicates the possibility of outlier values or significant differences between the data. Furthermore, tax risk has a typical value of 1.248 with a standard deviation of 0.2131, indicating a relatively small data spread. These results provide an initial picture of the characteristics of the variables analyzed before the Classical Assumption Test and carrying out Regression Analysis.

Classical Assumption Test

In regression analysis, the classical assumption test aims to verify that the model applied complies with the BLUE provisions which state that regression estimates are efficient and unusual.

Normality Test

To test whether the residuals of the regression model are normally distributed or not, further analysis needs to be applied. If the residuals are normally distributed, then the regression model will be considered reliable. If the probability result exceeds 0.05, the residual data is assumed to be normally distributed.

Table 2
Normality Test Results

Skewness/Kurtosis tests for Normality					
				----------joint----------	
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	Adj chi2(2)	Prob>chi2

Residual	320	0.6864	0.8283	0.21	0.9003

Source: STATA 15 data processing results, 2025

The probability is greater than the chi-square of 0.9003 (exceeds 0.05), because there is no supporting evidence to reject the null hypothesis (H0) which says that the residuals follow a normal distribution. In conclusion, the regression model complies with the assumption of normality.

Multicollinearity Test

To describe a very strong linear relationship between independent variables, we need to consider several aspects that can influence this relationship, we need to pay attention to the possibility of multicollinearity. If multicollinearity occurs, the interpretation of the regression coefficients may become invalid.

Table 3
Multicollinearity Test Results

Variable	VIF	1/VIF
Avoidant~k	1.22	0.816905
Tax Risk	1.22	0.816905
Mean VIF	1.22	

Source: STATA 15 data processing results, 2025

The Variation Effect of Inflation (VIF) value for tax avoidance is 1.22, and the VIF value for tax risk is also 1.22. The average VIF obtained is 1.22, which is a number that is much smaller than the set critical limit, namely 10. A 1/VIF value that is close to 1 indicates that there is no independent variable with a significant linear correlation with other independent variables. This proves that significant Multicollinearity was not found in the VIF among the evaluated variables.

Heteroscedasticity Test

to ascertain whether the residual variances in the regression models are different. If heteroscedasticity exists, then the regression model is inefficient.

Table 4
Heteroscedasticity Test Results

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* OLS Glejser Lagrange Multiplier Heteroscedasticity Test
Ho: No Heteroscedasticity - Ha: Heteroscedasticity
Glejser LM Test = 4.29059
Degrees of Freedom = 2.0
P-Value > Chi2(3) = 0.11703

Source: STATA 15 data processing results, 2025

The Null Hypothesis (H_0) states that there is no heteroscedasticity, which means the residual variance is constant. On the other hand, the Alternative Hypothesis (H_1) states that there is heteroscedasticity, which indicates that the residual variance is not constant. The P value (P-Value) obtained was 0.11703, higher than 0.05. Thus, the existing evidence is not sufficient to reject the Null Hypothesis (H_0). Thus, we can conclude that there is no heteroscedasticity in the regression model that has been analyzed.

Autocorrelation Test

The autocorrelation test is carried out with the aim of identifying any correlation between the residuals in the regression model. If the residuals from one observation are related to the residuals from other observations, then this can be indicated as autocorrelation. Autocorrelation generally occurs in time series data, but can also appear in cross-sectional data if there is a certain pattern in the residuals. The way to test autocorrelation is through the Breusch-Godfrey-LM test.

Table 5
Autocorrelation Test Results

Breusc- Godfrey LM			
Lags (p)	Spend 2	df	Prob > who 2
1	1.332	1	0.2485
H0: no serial correlation			

Source: STATA 15 data processing results, 2025

Null Hypothesis (H_0): There is no autocorrelation in the regression model, which means the residuals are not correlated. Alternative Hypothesis (H_1): There is autocorrelation in the regression model, namely the residuals are correlated. A Probability (Prob) value that is greater than Chi² by 0.2485 (exceeds 0.05) indicates that the evidence is insufficient to oppose the Null Hypothesis (H_0). This shows that autocorrelation is not found in the residual regression model.

Regression Test

To evaluate how the independent variables and dependent variables in the research model influence each other, a regression test is used.

Table 6
Regression Test Results

Company Value	Coef.	Std. Err.	T	P>t	[95% Conf.	Interval]
Tax Avoidance	-2.518939	1.950239	-1.29	0.207	-6.520499	1.482621
Tax Risk	5.645752	1.17476	4.81	0.000	3.235344	8.05616
_cons	-4.42282	1.378661	-3.21	0.003	-7.251599	-1.594041

Source: STATA 15 data processing results, 2025

The Effect of Tax Avoidance on Company Value (X1 → Y)

The Regression Coefficient for Tax Avoidance (X1) is -2. 5189. This situation shows that, based on other variables remaining constant, every 1 unit increase in Tax Avoidance will result in a decrease in company value of 2.5189. The P-value obtained is 0.207.

The Effect of Tax Risk on Company Value (X2 → Y)

The regression coefficient for Tax Risk (X2) is 5.6458. This means that every 1 unit increase in Tax Risk will cause an increase in Company Value of 5.6458. So, tax risk has a significant effect on Company value.

Hypothesis Testing

Test of the Coefficient of Determination R2

The extent to which the Independent Variable influences the Dependent Variable in the Regression Model is measured using the Determination Coefficient (R2). The higher the r2 value, the better the model's ability to describe the dependent variable.

Table 7 Coefficient of determination test results

R- squared	=	0.4686
Adj R- squared	=	0.4293

Source: STATA 15 data processing results, 2025

Tax avoidance and tax risk factors are responsible for 46.86% of the variability in firm value, as shown by the value of R^2 = 0.4686. The remaining variability of 53.14% (100% - 46.86%) is due to additional variability that is not in this research model. This proves that although the model explains the majority of variations in company value, there are still other influencing factors that are not included in the model.

Next, the Adjusted value *R*^2 = 0.4293 is a version that has been adjusted for the number of variables in the model. Adjusted Value *R*^2 is lower compared to *R*^2 because it takes into account the number of independent variables applied. The value of 0.4293 indicates that after adjustments, the model is still quite strong in explaining the dependent variable.

Uji F

The purpose of this test is used in regression analysis to determine how the Independent Variable simultaneously influences the Dependent Variable.

Table 8

F Test Results

F(2, 27)	=	11.91
Prob>F	=	0.0002

Source: STATA 15 data processing results, 2025

Null Hypothesis (H_0): There is no significant impact found between Tax Avoidance and Tax Risk simultaneously on Company Value. Alternative Hypothesis (H_1): There is a significant influence of Tax Avoidance and Tax Risk simultaneously on Company Value. The F-statistic value was recorded at 11.91, The Independent Variable shows that there is an influence on the Dependent Variable. The Prob > F value of 0.0002 (below 0.05) indicates that the Null Hypothesis (H_0) is rejected while the Alternative Hypothesis (H_1) is accepted based on existing evidence.

Uji t

In the regression model, effects caused by each independent variable is measured individually against the dependent variable using the T Test.

Table 9
T Test Results

Company Value	Coef.	Std. Err.	T	P>t	[95% Conf.	Interval]
Tax Avoidance	-2.518939	1.950239	-1.29	0.207	-6.520499	1.482621
Tax Risk	5.645752	1.17476	4.81	0.000	3.235344	8.05616
_cons	-4.42282	1.378661	-3.21	0.003	-7.251599	-1.594041

Source: STATA 15 data processing results, 2025

How Tax Avoidance Affects Company Value (X1 → Y)

The coefficient is -2.5189, which indicates that firm value is predicted to decrease by 2.5189 if tax avoidance increases by one unit. The p-value obtained was 0.207.

The Effect of Tax Risk on Company Value (X2 → Y)

The coefficient is 5.6458, which indicates that if Tax Risk increases by one unit, the Company Value will be 5.6458. The P-value obtained is 0.000.

Discussion

Tax Avoidance Has No Effect on Company Value

Based on the regression analysis test, it indicates that Tax Avoidance has a negative coefficient of -2.5189. This phenomenon shows that with increasing levels of tax avoidance, company value tends to decrease. However, the link between Tax Avoidance and Firm Value is statistically negligible, according to the P-Value of 0.207 which is higher than 0.05. As a result, the hypothesis which states that tax avoidance has an effect on company value is rejected. That the tax avoidance variable does not have a significant effect on company value. One possible reason is that investors and the market may not consider tax avoidance strategies with a significant impact on assessing company value[3]v. The results of this research are in line with previous findings by[16], which stated that tax avoidance by companies will not affect company value.

Tax Risk Has a Positive and Significant Influence on Company Value.

Evidence from regression analysis shows that tax risk has a positive coefficient of 5.6458, which indicates that the higher the tax risk, the higher the company value. The p value (p-value) found was 0.000. That the Tax Risk variable has a good and significant impact on Company Value. Because companies that can manage tax risks well can optimize investor confidence and increase company value. Failure and uncertainty in managing tax risks can have a negative impact on the Company[17]. This statement shows that the more effective tax risk

management is implemented, the more significant its impact on fluctuations in company value. Because if tax risks tend to be high but are managed well, the company can have the potential for higher value, because it is considered capable of facing tax challenges with an effective strategy.

CONCLUSION

Referring to the findings in this research, it can be concluded that Tax Avoidance has no effect on Company Value. Tax Avoidance Strategies have not been empirically tested to increase company value and influence investor perceptions.

Meanwhile, tax risk has a large and significant impact on company value. This phenomenon leads to the fact that the more effective tax risk management is implemented, the more significant its impact on fluctuations in company value. Because if tax risks tend to be high but are managed well, the company can have a higher value, because it is considered capable of facing tax challenges with an effective strategy.

SUGGESTION

Future research is recommended to consider additional variables, expand industry coverage, use more complex measurement methods, and conduct long-term analysis to provide more in-depth and applicable results.

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