TAX AVOIDANCE AND FIRM VALUE: UNVEILING THE ROLE OF INFORMATION ASYMMETRY

Amanda Fitriyani[1], Nurul Aisyah Rachmawati[2(*)]

[1,2]Program Studi Akuntansi, Fakultas Ekonomi Bisnis dan Humaniora, Universitas Trilogi, TMP. Kalibata, Duren Tiga, Kec. Pancoran, Kota Jakarta Selatan, Daerah Khusus Ibukota Jakarta, Indonesia

Correspondence Author[(*)]: *nurulaisyah@universitas-trilogi.ac.id*

Abstract

In a market that is increasingly attentive to ethical and transparency issues, firms engaging in tax avoidance may face negative evaluations if they do not provide sufficient disclosure of information. Therefore, understanding the role of information asymmetry is crucial in explaining why the impact of tax avoidance on corporate value can vary under different conditions. This study aimed to examine the effect of tax avoidance on corporate value, with information asymmetry acting as a moderating variable. The population for this research included manufacturing companies listed on the Indonesia Stock Exchange from 2021 to 2023. Purposive sampling was used to select the sample. The data for this study were secondary data sourced from www.idx.co.id and https://finance.yahoo.com. The results showed that tax avoidance did not significantly affect corporate value; however, information asymmetry moderated the relationship between tax avoidance and corporate value. In this context, tax avoidance represents important information for investors when evaluating companies with high levels of information asymmetry.

Keywords: Firm Value; Information Asymmetry; Tax avoidance.

Abstrak

Dalam pasar yang semakin sensitif terhadap pertimbangan etika dan transparansi, perusahaan yang melakukan penghindaran pajak dapat menghadapi penilaian negatif apabila tidak disertai dengan pengungkapan informasi yang memadai. Oleh karena itu, memahami peran asimetri informasi menjadi penting untuk menjelaskan mengapa pengaruh penghindaran pajak terhadap nilai perusahaan dapat berbeda dalam berbagai kondisi. Penelitian ini bertujuan untuk menguji pengaruh penghindaran pajak terhadap nilai perusahaan dengan asimetri informasi sebagai variabel moderasi. Populasi dalam penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia dari periode 2021 sampai 2023. Metode pengambilan sampel yang digunakan dalam penelitian ini adalah *purposive sampling*. Jenis data penelitian ini menggunakan data sekunder yang diambil dari www.idx.co.id dan https://finance.yahoo.com. Hasil penelitian menunjukkan bahwa penghindaran pajak tidak berpengaruh signifikan terhadap nilai perusahaan, namun asimetri informasi memoderasi hubungan antara penghindaran pajak dengan nilai perusahaan. Dalam hal ini, penghindaran pajak akan menjadi informasi penting bagi investor ketika menilai perusahaan dengan asimetri informasi yang tinggi.

Kata Kunci: Asimetri informasi; Nilai perusahaan; Penghindaran pajak.

Profile and corresponding author: *Nurul Aisyah Rachmawati from Department of Accounting, Faculty of Economic and Business, Universitas Universitas Trilogi.*

INTRODUCTION

Indonesia's manufacturing sector experienced steady growth from 2021 to 2023, as indicated by the Manufacturing Purchasing Managers' Index (PMI), which remained above the 50-point mark throughout the period. In 2021, the PMI hit a new high of 57.20 in October, indicating rapid industrial growth (Economy, 2023). During 2022–2023, the PMI remained in the 50–52 range despite global economic challenges, showing the sector's resilience. In January 2023, the PMI rose to 51.3 from 50.9 in December 2022, and by November 2023, it had increased to 51.7 from 51.5, indicating stronger demand and increased production activity. Overall, Indonesia's manufacturing stock index during this time displayed a positive growth trend, driven by ongoing expansion in production and purchasing activities.

Increasingly fierce business competition in the era of globalization motivates companies to strive to increase their value continually. The company's management is committed to achieving this goal because good and bad management performance is reflected in the profit generated (Ariyanti & Rachmawati, 2025). The more optimal the management performance, the more optimal the profit earned. If company profits increase, the company's attractiveness to investors will also increase. Every company aims to provide welfare to its shareholders by optimizing company value. To prosper, companies must utilize their resources optimally and operate with high productivity. One element that can affect firm value is tax policy (Ariyanti & Rachmawati, 2025). Management of tax expenditures is carried out by management. The company will employ various strategies, including tax avoidance, to mitigate its tax burden (S. B. Putri & Rachmawati, 2023).

Tax avoidance, which refers to strategies employed by companies to minimize their tax liabilities within legal boundaries, has a complex relationship with firm value (Lv et al., 2025; Olanda & Marietza, 2024). Research indicates that while tax avoidance can initially seem beneficial by reducing tax expenses and increasing after-tax profits, thereby improving cash flow and potentially enhancing accounting performance measures like Return on Assets (ROA) and Return on Equity (ROE) (Amini et al., 2024; Doke et al., 2024; Soemarsono et al., 2024). Several previous studies have found that tax avoidance has a positive impact on company value (Anisran & Ma'wa, 2023; Krisyadi & Angery, 2021). Tax avoidance can also diminish firm value due to increased agency costs and information asymmetry between managers and shareholders, as it may escalate risks related to legal and ethical concerns, and raise the likelihood of penalties or reputational damage (Alomair & Metwally, 2025; Nurseto & Bandiyono, 2021; Olanda & Marietza, 2024; Rahmi et al., 2025). Meanwhile, in other studies, Rajab et al. (2022) and Yulianti et al. (2023) found that the relationship between tax avoidance and company value had no significant effect. These studies have shown an inconclusive relationship between tax avoidance and company value. The results of these studies are still diverse and are often limited to direct influence analysis. The effect of tax avoidance on company value can be influenced through specific mechanisms, one of which is information asymmetry.

Information asymmetry is also a significant issue in the context of corporate value, as asymmetric information between management and investors can lead to distortions in investment decision-making (Li & Li, 2025). One of the problems that often arises between the two is the information imbalance resulting from the separation of ownership

and management within the company (E. Febriyanti et al., 2025). Information asymmetry occurs when managers possess a deeper understanding of the company's internal data and future opportunities compared to investors and other stakeholders (Santra et al., 2023). In a situation of information asymmetry, when there is a public offering related to corporate value, a manager who has complete information can influence investors' views by conveying information about high profits and providing information that is different from that received by shareholders for the sake of managerial interests (Rasyiddin et al., 2022). Information asymmetry can arise between the company (agent) and the owner (principal) or investor, namely providing an opportunity for a company manager to act opportunistically or pursue personal interests (Putri & Diantini, 2022). Information asymmetry can potentially stimulate moral hazard behavior by agents who have access to more information than principals or lenders. As a result, agents may take actions that the principal is not aware of. This moral hazard behavior is generally aimed solely at maximizing profits for the personal interests of the agent, leading to violations of the work contract that was agreed upon at the beginning, and actions that may conflict with applicable moral rules or principles.

Information asymmetry can encourage companies to present inaccurate information, particularly when evaluating their performance (Putri & Diantini, 2022). Information asymmetry is one of the agency problems and can result in obstacles and even the failure of the company to achieve its goal of increasing its value. Information asymmetry creates incentives for management to manipulate accounting. Companies tend to report inflated profits to increase their attractiveness to investors. To overcome this problem, increased transparency is needed in conveying financial information to shareholders (Putri & Diantini, 2022). The relationship between tax avoidance practices and various indicators of transparency, including information asymmetry, inaccuracy of analyst estimates, and the quality of earnings reporting. Tax avoidance increases the complexity of a company's operations, making it difficult for management and investors to communicate effectively (Gralewska & Białek-Jaworska, 2022). Transparency must be presented in financial reports so that investors can objectively evaluate the company's performance and gain confidence in the investment decisions. Therefore, transparency disclosure must be carried out to prevent the creation of information asymmetry. Information asymmetry can moderate the relationship between tax avoidance and firm value. This study suspects that there is a difference in the relationship between tax avoidance and firm value in companies with high and low levels of asymmetry.

Previous research examined the effects of tax avoidance and information asymmetry on firm value separately. The difference between this study and previous research lies in the research variables, as this study aims to explore the impact of tax avoidance on firm value more deeply, with information asymmetry serving as a moderating variable in manufacturing companies listed on the IDX from 2021 to 2023. This focus on manufacturing companies during this period is due to their complex operational transactions. Additionally, manufacturing companies significantly contribute to state revenue, making the potential for substantial tax avoidance, primarily driven by the sustainability of the production process, particularly noteworthy (Hasanah & Faisol, 2023).

LITERATURE REVIEW

Signaling Theory

From a signal theory perspective, tax avoidance can be interpreted in two ways: as a positive signal (good news) or a negative signal (bad news) that the company sends to investors. According to signal theory, tax avoidance practices can influence market reactions, providing positive signals to investors if they result in increased company profits (Amini et al., 2024; Doke et al., 2024; Soemarsono et al., 2024). However, according to signal theory, tax avoidance practices can also provide negative signals if the company does not carry out these practices openly to information users (investors), and not all investors welcome companies that engage in tax avoidance because it can trigger information imbalances between companies and investors (Nurseto & Bandiyono, 2021; Olanda & Marietza, 2024; Rahmi et al., 2025), which is often referred to as information asymmetry. Information asymmetry can trigger higher tax avoidance costs and raise doubts among investors about the quality of company management. This suggests that the company may not have promising growth prospects or questionable management quality (E. Febriyanti et al., 2025; Li & Li, 2025).

Agency Theory

In agency theory, a company is viewed as a collection of contracts between the principal and the agent, where the principal authorizes the agent to make decisions on behalf of the principal. The relationship between principals and agents often gives rise to conflicts due to differing interests (Yoon et al., 2024). The difference in interests can manifest in the principal's (shareholders') desire to engage in tax avoidance, which increases the company's value and enables it to achieve high investment returns. In contrast, the agent (company manager) will only engage in tax avoidance if it benefits them (Auliansyah & Rachmawati, 2022; M. S. Z. Putri & Rachmawati, 2023). Other differences in interests include making decisions that benefit the company's profits after tax avoidance. The principal wants the profit to be distributed as dividends, whereas the agent prefers it to be used for company operations (Ariyanti & Rachmawati, 2025). These conflicts are referred to as agency problems. Based on agency theory, taxpayers tend to avoid tax obligations if the amount to be paid increases, as taxes are often perceived as a burden. This is one of the motivations or factors that prompts companies to engage in tax avoidance (S. B. Putri & Rachmawati, 2023).

The Effect of Tax Avoidance on Firm Value

The company's primary objective is to maximize its potential resources to generate substantial profits. On the other hand, the company must also consider the welfare of its shareholders and increase its value. The value of the company is the value that investors consider appropriate if they were to buy the company if it were to be sold at some point. The indicator of a company's value after it has gone public is the price of its shares, which are traded on the stock exchange (Auliansyah & Rachmawati, 2022).

Based on agency theory, taxpayers tend to avoid tax obligations if the taxes to be paid increase, as taxes are often perceived as a burden. This is one of the motivations or factors that prompts companies to engage in tax avoidance (Yoon et al., 2024). Tax avoidance is one effort to minimize tax payments to increase profits. Tax aggressiveness activities can increase or decrease the company's value (Le, 2025). The company's value will increase if tax aggressiveness is considered an effort to plan and plan efficiently. However, the

company's value can decrease if it is assessed as non-compliant, thus reducing its value, because, according to signal theory, this can convey a negative signal to investors or principals (Alomair & Metwally, 2025).

Previous studies on the effect of tax avoidance on company value have produced mixed findings. Several study findings indicate a negative relationship between the two. Excessive tax avoidance can lead to a decrease in public trust in the company, which in turn can have a negative impact on the company's reputation. Previous research found a negative correlation, indicating that tax avoidance activities tend to reduce a company's value (Alomair & Metwally, 2025; Le, 2025; Nurseto & Bandiyono, 2021; Olanda & Marietza, 2024; L. T. Putri et al., 2023). At the same time, other studies have found a positive correlation (Amini et al., 2024; Arieftiara et al., 2025; Doke et al., 2024; Soemarsono et al., 2024; Yoon et al., 2024). Thus, to study further, the first hypothesis is proposed, namely:
H$_1$: Tax avoidance affects firm value.

The Effect of Information Asymmetry on the Relationship Between Tax Avoidance and Firm Value

In agency theory, tax avoidance practices can encourage managers to act opportunistically by taking various measures to evade tax obligations (Yoon et al., 2024). Although this action provides short-term benefits, it can also have a negative impact on the company's long-term value. Not all investors welcome companies that avoid taxes because of the information imbalance. This imbalance is often referred to as information asymmetry. Information asymmetry refers to the imbalance between company management and external stakeholders, particularly investors (Gim et al., 2023). In this situation, companies that engage in tax avoidance tend to have an incentive to hide or present information related to tax avoidance in a manner that is not entirely transparent (Knaisch, 2024). This can create uncertainty and doubt among investors, which in turn affects their assessment of the company's value. According to the adverse selection theory, this information imbalance can lead investors to make poor decisions because they cannot fully access or understand the implications of the company's tax strategy. In this context, investors may perceive companies engaging in tax avoidance as having higher risks in terms of legal compliance and reputation, which can negatively impact their stock prices and overall value.

In the context of signal theory, companies can use specific disclosures or actions to convey positive signals to the market about the quality of their management and financial stability (Campbell et al., 2025). Suppose the company succeeds in giving a strong and transparent signal regarding the tax avoidance strategy carried out, for example, by explaining that tax avoidance is carried out legally and ethically. In that case, this can strengthen the relationship between tax avoidance and company value. Conversely, suppose the signal is ambiguous or creates a negative perception. This information asymmetry can weaken the relationship because investors consider the company a greater risk. The lack of transparency regarding this complex or complicated tax avoidance strategy will lead investors to view the company as one with a high risk. Transparency must be disclosed in the financial statements so that investors can assess the company's performance and provide confidence in the investment made (Gralewska & Białek-Jaworska, 2022). Therefore, the effect of information asymmetry on the relationship between tax avoidance and company value depends heavily on the extent to which the

company can manage market perceptions and provide clear and convincing signals to investors. This study assumes a difference in the influence of tax avoidance on company value in companies with high and low information asymmetry. Thus, the second hypothesis is proposed as follows:

H₂: Information asymmetry affects the relationship between tax avoidance and firm value.

RESEARCH METHOD

This research employs a quantitative approach to analyze data and convert it into more measurable information. With a quantitative approach, the research will emphasize testing theories through variable measurement, numerical data collection, and data interpretation. The results of testing using numerical data processing aim to help researchers draw empirical conclusions and accept or reject the developed hypotheses. Sample

This study uses samples from the population of all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2021-2023 period. Sampling in this study used the purposive sampling method, namely sampling according to the following criteria: (1) Manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2021-2023 period; (2) Companies that present their financial reports altogether and consecutively during 2021-2023; (3) Companies that did not experience losses during the 2021-2023 period; (4) Manufacturing companies that consistently provide financial report data in Rupiah (IDR) during the 2021-2023 period; and (5) Research data does not experience outliers, namely data that deviates too far from other data in a data series. Based on predetermined criteria, a sample of 139 companies was selected by reviewing company documents, specifically annual reports, for the years 2021-2023.

Data Analytics Technique

This research uses a data analysis method in the form of a standard effect model or a pooled least squares model, which is explained in the following equation:

Equations 1:
$$PBV_{it} = \alpha + \beta1BTD_{it} + \beta2SIZE_{it} + \beta3ROA_{it} + \beta4DER_{it} + \epsilon$$

Equations 2:
$$PBV_{it} = \alpha + \beta1BTD_{it} + \beta2SPREAD_{it} + \beta3BTD_{it} \times SPREAD_{it} + \beta4SIZE_{it} + \beta5ROA_{it} + \beta6DER_{it} + \epsilon$$

Information:
PBVit   : Firm Value, company i year t.

BTDit   : Tax avoidance, company i year t.

SPREADit: Information Asymmetry, company i year t.

SIZEit   : Firm Size, company i year t.

ROAit   : Profitability, company i year t.

DERit   : Leverage, company i year t.

ϵ : Error.

Operational Variables

Firm Value

Firm value is the investor's perception of the company, as reflected in its stock price. Firm value, which is determined by stock market indicators, is significantly influenced by investment opportunities. Investment spending sends a positive signal to managers about the company's future growth, thereby increasing the stock price as an indicator of firm value. A high stock price also reflects the company's high value. An important factor to consider when examining the company's condition is the price-to-book value (P/BV), a key factor investors use when determining which shares to buy (Auliansyah & Rachmawati, 2022). This study estimates the company value by dividing the stock price by the book value per share. This price is taken from the closing stock price on March 31 of the following year or the date of the announcement of the financial statements, which is adjusted to the deadline for the publication of the company's financial statements, because investors will respond when there is new information in the form of these financial statements. This Price Book Value (PBV) ratio can describe the company's prospects. The company value can be formed as follows:

$$PBV = \frac{share\ price}{book\ value\ per\ share}$$

Tax Avoidance

Book Tax Difference (BTD) is a calculation to measure the difference between accounting profit and fiscal profit. Fiscal profit or taxable income is calculated by dividing the current tax expense by the corporate tax rate applicable during this research period, which is 22% (R. S. Febriyanti & Rachmawati, 2024; Muhammad Akmal Fadillah & Rachmawati, 2024; Qisti & Rachmawati, 2025; Syaima & Rachmawati, 2025; Zakiah & Rachmawati, 2025). The higher the book-tax differences (BTD) value, the higher the tendency of companies to engage in tax avoidance. Tax avoidance can be calculated with BTD (Book Tax Difference), namely:

$$BTD = \frac{(Pre\ Tax\ Accounting\ income\ -\ Taxable\ Income)}{Total\ Assets}$$

Information Asymmetry

In this study, the indicator used to calculate information asymmetry is the relative bid-ask spread (SPREAD), which determines a company's level of information asymmetry (Campbell et al., 2025). Relative bid-ask spread (SPREAD) is the company's shares, or the difference between the selling price and the purchase price of the company's shares, for one year. Relative bid-ask spread (SPREAD) is the difference between the highest and lowest share prices of a company's shares. SPREAD is formulated as follows:

$$SPREADit = \frac{(ASKit\ -\ BIDit)}{\left\{\frac{(ASKit + BIDit)}{2}\right\}}$$

Firm Size

Larger firm size is generally associated with higher operational efficiency and better access to capital markets, which can potentially lead to increased firm value (Ariyanti & Rachmawati, 2025). In this study, the indicator used to measure company size is total assets, where Ln (total assets) represents company size (Amriza & Rachmawati, 2021; Rachmawati et al., 2019, 2020; Rachmawati & Martani, 2017; Sakti & Rachmawati, 2024). Using natural logarithms (Ln) aims to reduce excessive data fluctuations without changing the proportion of the original value. Company size is formulated as follows:

$$SIZEit = \ Ln\ (Total\ Assets)$$

Profitability

High profitability indicates the company's ability to generate profits, which directly contributes to increasing its value (M. S. Z. Putri & Rachmawati, 2023; S. B. Putri & Rachmawati, 2023). Profitability is a financial ratio used to calculate a company's ability to generate profits over a specific period. Apart from calculating the ability to generate profits, profitability is also used to determine the effectiveness of company management in managing the company's assets. In the profitability ratio, several key ratios are typically used to assess a company's ability to generate profits. One is the return on assets (ROA), a ratio comparing net income with the company's total assets. The formula used is:

$$ROA = \frac{Earning\ After\ Tax}{Total\ Assets}$$

Leverage

The leverage ratio is a crucial factor in determining a company's performance. Leverage describes the proportion of assets financed by debt. Companies with high leverage ratios (those with large debts) are more likely to face significant financial risks. However, they also have great opportunities to generate high profits. This significant financial risk arises because the company must bear or be burdened with large interest payments (Harahap & Halim, 2022). Leverage is expressed in the ratio of total debt to total assets on the year-end balance sheet. Leverage in this study is calculated using the debt-to-equity ratio (DER). This ratio can measure the proportion of funds sourced from debt to finance company assets (Soraya & Rachmawati, 2021). The debt-to-equity ratio (DER) is formulated as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

RESULT AND DISCUSSION

Descriptive statistics describe or provide a general overview of the problems in the research objects used as samples. Table 1 presents descriptive statistics containing the maximum, minimum, median, mean, and standard deviation values from the 2021-2023 research sample. These results indicate that 417 data points meet the criteria in this study. Thus, a descriptive analysis for each variable can be presented as follows:

Table 1. Descriptive Statistics

Variable	N	Mean	Median	Std. Dev.	Min	Max
PBVit	417	1.8148	1.1157	1.9941	0.0436	18.4045
BTDit	417	0.0036	0.0000	0.0369	-0.1156	0.3144
SPREADit	417	0.0345	0.0246	0.0351	0.0000	0.2752
SIZEit	417	28.6415	28.6611	1.8026	24.7043	33.7306
ROAit	417	0.0781	0.0623	0.0581	0.0006	0.3636
DERit	417	0.7149	0.5369	0.6489	0.0193	4.9350

The dependent variable PBV for firm value has an average value of 1.8148. This value indicates that investors value the average sample company at a higher price or have a higher market value than its book value. Then, this variable has a median value of 1.1157, which is smaller than the mean value, indicating that most sample companies have large firm values. Furthermore, the standard deviation of 1.9941 indicates that the data variability is high, with relatively large variations, as the standard deviation value exceeds the average value, ranging from a minimum of 0.0436 to a maximum of 18.4045.

The independent variable BTD for tax avoidance has a relatively low average value of 0.0036. This average value indicates that the sample company has a relatively small difference between its accounting and fiscal profits, as well as its total assets. Then, having a median value of 0.0000 indicates that the BTD distribution is quite symmetrical, with the majority of data centred around the value of 0, suggesting that most companies are not involved in tax avoidance practices. The standard deviation of 0.0369 indicates that the sample company has varied data, as the standard deviation value is higher than the average value, which ranges from a minimum of -0.1156 to a maximum of 0.3144.

Furthermore, the SPREAD moderation variable for information asymmetry has an average (mean) of 0.0345. The average value is relatively small, indicating that the market is quite efficient, as evidenced by the difference in selling prices (ask). The buying price (bid) compared to the average price tends to be small, indicating that the level of information asymmetry is moderate in the market. This suggests that the market has relatively good liquidity and information tends to be evenly distributed among market players. This value also means that most companies in the sample have pretty good information disclosure. However, the maximum value of 0.2752 suggests that certain companies exhibit a high level of information asymmetry, which can result in an information imbalance. The median value of 0.0246, or smaller than the mean value, indicates that most sample companies do not experience high information asymmetry. The standard deviation of 0.0351 indicates that the sample company data is quite varied, as the standard deviation value is greater than the average value, which ranges from a minimum of 0.0000 to a maximum of 0.2752.

The following variables are the control variables, consisting of firm size (SIZE), profitability (ROA), and leverage (DER). The first control variable, firm size (SIZE), which is analyzed using the natural logarithm of assets, has an average of 28.6415, indicating that the scale of assets is quite large for the sample companies. The median value of 28.6611 indicates that it is almost the same as the average value, meaning that some companies are of a similar size scale. The standard deviation of 1.8026 indicates that the data variability is low, as the resulting standard deviation is lower than the average value. This is indicated by the minimum value of 24.7043, while the maximum is 33.7306.

The second control variable, profitability, measured by ROA (Return on Assets), shows an average of 0.0781, indicating that the average sample company can manage its assets to generate fairly good profits. The median value of 0.0623 indicates a moderate level of profitability (around the median), meaning that most companies have a good level of profitability. The standard deviation of 0.0581 indicates that the data variability is low, as the sample company data does not vary significantly, given that the standard deviation value is lower than the average value. This is indicated by a minimum value of 0.0006, while the maximum value reaches 0.3636.

The last control variable, leverage, was measured using the Debt-to-Equity Ratio (DER), with an average of 0.7149. This shows that the average sample company tends to rely more on equity than debt to fund its assets. The sample company can cover its debt obligations with its equity capital. This reflects a relatively moderate level of financial risk. The median value of 0.5369 indicates that most companies have lower financial risk. The standard deviation of 0.6489 indicates a relatively low variation, as the sample company data does not vary significantly, given that the resulting standard deviation value is lower than the average value. This indicates that companies with very different funding structures are represented in the sample, with a minimum value of 0.0193 and a maximum value of 4.9350.

Correlation Analysis

Correlation analysis can show the relationship between the dependent and independent variables using pairwise correlation. If a study correlates with variables of more than 0.8, it can be said to have a multicollinearity problem. The correlation test results for each variable in Table 2 do not indicate multicollinearity problems in this study, as the correlation values between variables are all below 0.8.

Table 2. Correlation Analysis

	PBV	BTD	SPREAD	SIZE	ROA	DER
PBV	1.0000					
BTD	0.2804	1.0000				
SPREAD	0.0350	0.0301	1.0000			
SIZE	-0.0839	0.0175	-0.1899	1.0000		
ROA	0.4328	0.3732	-0.0594	0.0441	1.0000	
DER	0.0994	0.0322	0.1614	0.1005	-0.1774	1.0000

The Effect of Tax Avoidance on Firm Value

The pooled least squares regression on the independent variables, namely tax avoidance, with the control variables firm size, profitability, and leverage on the dependent variable firm value, is:

Table 3. Results of Testing Tax Avoidance Variables on Firm Value

PBVit	Prediction	Coefficient	Std. Err.	t	P>|t|
BTDit	H1(+/-)	6.3445	6.7377	0.94	0.347
SIZEit	+/-	-0.1363	0.0391	-3.38	0.001***
ROAit	+/-	14.6451	1.7834	8.21	0.000***
DERit	+/-	0.5648	0.1805	3.13	0.002***
_cons		4.1482	1.1621	3.57	0.000
R-Squared					0.2463
Prob (F-Statistic)					0.0000***

Referring to the panel data regression findings in Table 3, the tax avoidance variable does not have a significant effect on the firm value variable. This is evidenced by the coefficient value of 6.3445 and the P-value of 0.347, which is greater than the absolute value of t for tax avoidance (BTD). This value indicates that the tax avoidance value has a value greater than the α value. The study's results suggest that tax avoidance has no significant impact on firm value. These results align with those of Rajab et al. (2022) and Yulianti et al. (2023), who found that tax avoidance practices have no significant effect on firm value.

This study rejects the relationship between the independent variable of tax avoidance and the dependent variable of firm value. The descriptive statistical analysis results are a basis for the lack of influence between tax avoidance practices and firm value. This is supported by the relatively low average value of tax avoidance, which is 0.0036. The average value indicates that the sample company has a relatively small difference between its accounting and fiscal profits, as well as its total assets. A median value of 0.0000 indicates that the BTD distribution is quite symmetrical, with the majority of data clustered around the value of 0, suggesting that most companies are not involved in tax avoidance practices. However, investors do not consider this an important issue. In Indonesian manufacturing firms, tax avoidance has minimal influence on firm value because the market struggles to assess its economic advantage due to limited transparent tax data. Investors view tax avoidance as a risk, so the potential savings do not directly enhance firm value. Furthermore, the market's limited efficiency and the modest scope for tax avoidance in manufacturing mean that it is not a crucial factor in valuation. As a result, tax avoidance does not send a strong market signal, reducing its impact on firm value.

Shareholders, as supervisors, approve tax avoidance policies implemented by management, considering that the benefits obtained from compensation for these activities outweigh the costs incurred. Tax supervision carried out by the government in Indonesia is still relatively weak. Thus, tax avoidance is viewed more as an advantage than a risk, as the possibility of detection can be minimized. Tax avoidance can decrease a company's value if a country has an effective tax supervision system (S. B. Putri & Rachmawati, 2023). In countries with adequate tax supervision, tax avoidance can lead to increased agency costs due to the expenses incurred from these practices, including implementation costs, a decline in reputation, and potential sanctions. On the other hand, the transfer of wealth from the government to the company can increase the company's value. The company receives additional resources from tax avoidance activities and can minimize cash flow out for tax purposes. This enables the company to utilize its cash flow more effectively or distribute it to investors. Companies that distribute large profits tend to receive positive reviews from investors. As a result, shares that are limited in number will be in high demand, which will increase the price of the shares.

The Effect of Information Asymmetry on the Relationship Between Tax Avoidance and Firm Value

The regression of the Pooled Least Squares (PLS) model on the independent variable, namely tax avoidance, with the moderating variable of information asymmetry and the control variables of company size, profitability, and leverage on the dependent variable of company value is:

Table 4. Results of Testing Information Asymmetry Variables on the Relationship between Tax Avoidance and Firm Value

PBVit	Prediction	Coefficient	Std. Err.	t	P>|t|
BTDit	+/-	14.1215	8.1083	1.74	0.082*
SPREADit	+/-	4.2295	2.6951	1.57	0.117
BTDSPREADit	H2(+/-)	-288.6710	75.9006	-3.80	0.000***
SIZEit	+/-	-0.1285	0.0480	-2.68	0.008***
ROAit	+/-	14.4480	1.6205	8.92	0.000***
DERit	+/-	0.5653	0.1912	2.96	0.000***
cons		3.8128	1.1660	3.27	0.006***
R-Squared					0.2720
Prob (F-Statistic)					0.0000***

Based on the panel data regression results in Table 4, the information asymmetry variable has a negative impact on the relationship between the tax avoidance variable and the company's value. This is evidenced by the negative coefficient value of -288.6710 and the P-value> |t| BTDSPREAD of 0.000. This value indicates that the value of information asymmetry on the relationship between the tax avoidance variable and the company's value is smaller than the α value of 0.01.

The results of this study state that information asymmetry weakens the relationship between tax avoidance and company value. The regression results in Table 4 show research results that align with the hypothesis. This study demonstrates that information asymmetry can moderate the relationship between tax avoidance and a company's value. The study's results support the hypothesis that there is a difference in the relationship between tax avoidance and company value in companies with high and low information asymmetry. This study's results align with signal theory because the signal creates a negative perception due to the company's lack of transparency in opportunistic actions, such as tax avoidance, which causes information asymmetry and can ultimately reduce the company's value (Campbell et al., 2025; Gim et al., 2023; Knaisch, 2024). Empirically, research indicates that firms characterized by elevated levels of tax avoidance coupled with low transparency are frequently regarded as presenting substantial regulatory, litigation, and reputational risks. Investors often struggle to assess the long-term sustainability of tax avoidance advantages, leading to overly optimistic evaluations of potential increases in cash flow (Auliansyah & Rachmawati, 2022; M. S. Z. Putri & Rachmawati, 2023).

Transparency must be disclosed in financial reports so that investors can assess whether the company is financially sound and provide confidence in the investment made (Auliansyah & Rachmawati, 2022; M. S. Z. Putri & Rachmawati, 2023). The existence of information asymmetry can affect the financial decision-making process, potentially leading to errors for investors (adverse selection) and ultimately resulting in a loss of investment value in a company's shares. Therefore, the effect of information asymmetry on the relationship between tax avoidance and company value depends on the extent to which the company can be transparent and provide clear and convincing signals to investors.

The Effect of Control Variables on Firm Value

Referring to the panel data regression results in Table 3, the firm size variable (SIZE) has a significantly negative effect on company value. This is evident from the coefficient value of -0.1363, with a p-value of 0.001. This value indicates that the value of the company size variable is smaller than 0.01 or 1%. Thus, this study demonstrates that the company size variable has a negative and significant impact on company value at a 99% confidence level. The negative coefficient value indicates that the larger the company size, the lower the company value (S. B. Putri & Rachmawati, 2023). In manufacturing companies in Indonesia, large size can reduce company value because high operational costs, fixed asset depreciation, and reliance on debt for expansion often accompany increased scale. The resulting complexity and inefficiencies lead the market to perceive large companies as less productive or adaptive, which in turn leads to their perceived size being seen as a source of risk and depressing company valuations.

The profitability variable (ROA) has a significantly positive effect on firm value. This is evident from the coefficient value of 14.6451, with a p-value of 0.000. This value indicates that the profitability variable is smaller than 0.01 or 1%. The results of the study indicate that the higher a company's profitability level, the greater its ability to maintain long-term survival and provide a positive impact in the future. Based on the results of the t-test analysis listed in Table 3, the leverage variable has a significant positive effect on firm value. This is evident from the coefficient value of 0.5648, with a p-value of 0.000. This value indicates that the value of the leverage variable is smaller than 0.01 or 1%. Increasing leverage in a company is considered a positive signal, reflecting the company's potential to make future investments with the expectation that its income will increase (S. B. Putri & Rachmawati, 2023).

CONCLUSION

This study aims to analyze the impact of tax avoidance on firm value in manufacturing companies listed on the Indonesia Stock Exchange during the 2021-2023 period, as well as the effect of information asymmetry on the relationship between tax avoidance and firm value. Based on the existing findings, the following conclusions can be drawn: (1) Tax avoidance practices do not have a significant effect on firm value, which suggests that the size of the company in carrying out tax avoidance cannot describe an increase or decrease in firm value; (2) Asymmetric information can weaken the relationship between tax avoidance and firm value. These results align with the theory of adverse selection, which leads to the emergence of asymmetric information. All of this information can cause investors to make poor decisions because they cannot fully access or understand the company's tax strategy implementation. In this context, investors may perceive that companies engaging in tax avoidance have higher risks, both in terms of legal compliance and reputation, which can have a negative impact on stock prices and overall firm value.

Companies must evaluate their tax strategies and operational efficiency to avoid negative impacts on company value. It is essential to ensure that tax strategies not only focus on cost reduction but also consider their impact on reputation and compliance. Companies must be more transparent to avoid an imbalance of information between the agent and the principal. Companies must always pay attention to the transparency of information provided to users (investors) so that it does not impact investor trust, which ultimately affects the company's value. These results are also expected to be a consideration for

investors in the decision-making process, so that they do not potentially lead to errors (adverse selection), which can ultimately result in the loss of investment value in a company's shares. Transparency must be presented in financial reports so that investors can objectively evaluate the company's performance and gain confidence in the investment decisions. Therefore, transparency disclosure must be carried out to prevent the creation of information asymmetry. A limitation of this study is that it yields relatively low R-squared values (0.2463 in the model without moderation and 0.2720 in the model with moderation). Further research may consider including additional variables that affect firm value, such as other financial performance metrics (e.g., liquidity and capital structure). Thus, the model can explain greater variation in firm value.

The finding that tax avoidance does not significantly impact firm value offers an important theoretical contribution within Indonesia's manufacturing sector. This industry is characterized by high capital intensity, relatively narrow profit margins, and limited transparency in tax reporting. Accordingly, this suggests that conventional assumptions—particularly those viewing tax avoidance as a means to enhance value—require reevaluation. In the context of Indonesia's manufacturing industry, the economic advantages associated with tax avoidance are often minimal, inconsistent, and challenging for the market to discern. Moreover, the finding that asymmetric information weakens the relationship between tax avoidance and firm value further substantiates agency theory, especially given the industry's operational complexity and uneven information disclosure. Information asymmetry hinders investors' ability to determine whether tax avoidance serves as an efficiency mechanism or a strategy to conceal performance deficiencies. Consequently, this research highlights that, within the Indonesian manufacturing sector, the quality of information and governance practices are more influential determinants of firm value than tax strategies.

For Indonesian manufacturing firms, relying on tax avoidance to increase firm value is ineffective as the market ignores such practices due to limited transparency and regulatory uncertainty. These firms should focus on improving production efficiency, innovation, and cost management, rather than advocating for tax cuts. Managers must also recognize that information asymmetry, highlighted by delayed reporting and complex debt, can weaken investor confidence. Investors should prioritize profitability, governance, and asset management over tax indicators. For regulators, these findings underscore the need to enhance tax disclosure standards, given the sector's significant economic importance and limited transparency. Better disclosure would help the market assess tax strategies, reduce uncertainty, and strengthen the link between tax avoidance and firm value.

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