Jurusan Akuntansi
Masyarakat Akuntansi Multiparadigma Indonesia
Jurnal Akuntansi Multiparadigma
www.jamal.ub.ac.id

HOW DOES TAX AVOIDANCE AND PROFITABILITY INFLUENCE FIRM'S INTRINSIC VALUE?

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Volume 14
Nomor 1
Halaman 115-125
Malang, April 2023
ISSN 2086-7603
e-ISSN 2089-5879

Tanggal Masuk:
30 Desember 2022
Tanggal Revisi:
29 April 2023
Tanggal Diterima:
15 Mei 2023

Kata kunci:

intrinsic value,
dividend,
profitability,
tax avoindance

Mengutip ini sebagai:
Ifada, L. M., Ghniyah, N., & Nurcahyono. (2023). How Do Tax Avoidance and Profitability Influence a Firm's Intrinsic Value? *Jurnal Akuntansi Multiparadigma*, *14*(1), 115-125.https://doi.org/10.21776/ub.jamal.2023.14.1.08

Abstrak - Bagaimana Penghindaran Pajak dan Profitabilitas Mempengaruhi Nilai Intrinsik Perusahaan?
Tujuan Utama – Penelitian bertujuan menelaah bagaimana penghindaran pajak dan profitabilitas mempengaruhi nilai intrinsik perusahaan.
Metode – Penelitian ini menggunakan metode regresi linear berganda. Sampel penelitian ini adalah perusahaan manufaktur selama periode 2016-2020.
Temuan Utama – Profitabilitas perusahaan yang menunjukkan peningkatan laba umumnya dipandang prinsipal mampu memperluas ekspansi investasi sehingga meningkatkan nilai instrinsik. Selain itu, dividen bukan menjadi pilihan utama dalam berinvestasi karena investor lebih memilih bertransaksi untuk jangka pendek. Bagi perusahaan yang mengalami masalah, penurunan tarif pajak menjadi lebih penting.
Implikasi Teori dan Kebijakan – Penelitian ini menunjukkan relevansi teori agensi dalam penentuan nilai intrinsik perusahaan. Pada aspek praktik, nilai intrinsik perusahaan harus dikelola manajemen karena merupakan faktor yang diperhatikan investor sehingga perusahaan perlu mengelola sumber daya, aset, atau modal yang dimiliki untuk menghasilkan keuntungan.
Kebaruan Penelitian - Penelitian ini menambahkan penghindaran pajak untuk mencari penjelasan upaya melakukan perencanaan pajak dan dampaknya.

Abstract - How Do Tax Avoidance and Profitability Influence a Firm's Intrinsic Value?
Main Purpose – *The research examined how tax avoidance and profitability affect the firm's intrinsic value.*
Method – *This study used multiple linear regression methods. The sample was manufacturing companies during the 2016-2020 period.*
Main Findings - *The profitability of companies that showed an increase in profits was generally viewed by principals as being able to expand investment expansion, thereby increasing intrinsic value. In addition, dividends were not the primary choice in investing because investors prefer short-term transactions. For companies experiencing problems, lowering the tax rate was even more critical.*
Theory and Practical Implications – *This research demonstrates the relevance of agency theory in determining a company's intrinsic value. On the practical aspect, the firms' intrinsic value must be managed by management because it is a factor that investors pay attention to, so companies need to manage their resources, assets, or capital to generate profits.*
Novelty - *This research adds tax avoidance to seek explanations for tax planning efforts and their impact.*

One of the crucial factors fostering Indonesian economic growth is the firm's intrinsic worth. This is so because the company's intrinsic worth describes how successful the business is in the eyes of investors. If more investors are interested in investing in Indonesia, it will be one of the reasons for the increase in the national economy. However, changes in the business industry are increasingly sharp, requiring companies to face and anticipate all situations and conditions to survive and be at the forefront of the company's main goals (Li & Islam, 2019; Mehdi et el., 2017). In financial company accounting, more firm intrinsic value is always desired, implying stronger business growth and earnings. Although research on financial accounting has been carried out several times, the importance of companies increasing company value and the existence of new studies in this research need to be developed.

Companies carry out operations based on agency relationships (known in the literature as agency theory) between management and shareholders. In agency theory, company managers must behave with complete honesty in carrying out tasks to increase the company's intrinsic value (Jensen & Meckling, 1976; Navas, 2021; Ni et al., 2017; Qi et al., 2017). In this study, tax avoidance is greater due to information asymmetry in agent and principal relationships. The conflict of interest between agents and principals cannot be divorced from the capital structure, dividend policy, or profitability of generating the firm's intrinsic value.

Companies must update or follow existing trends to encourage significant changes in the business and industrial environment. A company must optimize its firm value. Investor perception of the firm's state is seen by external parties from its firm value. However, in recent years, industrial growth has been below economic growth. The financial crisis had an impact on poor economic conditions. These economy crysis conditions will have an impact on the Indonesian economy. So how can the company's intrinsic value still be optimized in the transition period of downturn and recovery of economic conditions.

Previous empirical research examines the factors that influence firm value related to several variables: capital structure, dividend policy and profitability. Dao & Ta (2020) argued that capital structure can hinder the firm's intrinsic value if the capital is dominated by debt. In this study, exploring how the balance of the intended capital structure is able to make the intrinsic value of the firm preferable. Akhtar (2017), Amar et al. (2018), Bossman et al. (2022), Brown et al. (2019), Hauser & Thornton (2017), Karim & Ilyas (2021), Kim et al. (2021), and Liao et al. (2022) confirmed a policy in the company regarding dividends affect firm value. In these three studies, the theoretical approach to agent-principal relations has not been disclosed in the dividend distribution conflict of interest. Sumani et al. (2020) substantiated the claim that profitability increases business value. Yet, on the contrary research, Kamaliah (2020) and Salehi et al. (2019) found no impact on the connection between company worth and profitability. There are inconsistencies in research findings, indicating the need for research on this matter. This study offers a new model by adding the tax avoidance variable and using the agency theory approach. Companies can save money by avoiding paying taxes to the government. To increase the firm's core value, businesses use these tax savings as short-term capital to fund operations and increase investment prospects. Tax avoidance is an activity that will results in investors claiming the company is not good and will get the wrong value in the eyes of investors.

Based on the aforementioned studies, this essay aims to investigate how tax avoidance, profitability, dividend policy, and capital structure influence the company's intrinsic value. Application-wise, this research provides useful information for decision-makers to consider when deciding how tax avoidance, profitability, dividend policy, and capital structure support its intrinsic value because it boosts confidence that these characteristics can affect a company's intrinsic value, including disruptive economic conditions. To understand the phenomena of tax avoidance, profitability, dividend policy, capital structure and business intrinsic value, this research demonstrates agency theory's viability in Indonesia.

METHOD

Table 1 shows the sampling process. Based on Table 1, we use companies from manufacturing businesses which listed on the Indonesia Stock Exchange (IDX). We chose the manufacturing sector because this sector is very sensitive to corporate financial policies (abdullah et al., 2022; Salehi et al., 2019). In addition, we chose Indonesia as the population because this country's situation is one of the most affected by the Covid-19 pandemic so that every financial policy has a huge impact on the sustainability of the companies (Sumani et al., 2020).

In the research analysis approach, analysis employed multiple linear regression. To show the influence of dependent and independent variables as for other objectives, multiple linear regression analysis was utilized (Akbari et al., 2019; Jacob et al., 2021). Purposive sampling was also employed in the sampling process because, as found in the research, not all samples met the required requirements.

Figure 1 shows the research framework. Based on Figure 1, the regression equation is:

$$IFV = \alpha + \beta_1 CS + \beta_2 DP + \beta_3 PT + \beta_4 TA + e \quad \text{(i)}$$

Based on Figure 1 and the regression equation, both independent and dependent variables

Table 1. Sample Selection

Criteria	Total
Manufacturing company listed on the Indonesia Stock Exchange from 2016 to 2020 (IDX).	145
Manufacturing businesses that did not consistently release financial reports between 2016 and 2020	(6)
Financial statements of companies that did not use the Rupiah for the period 2016 – 2020	(30)
Companies that experienced losses during 2016 – 2020	(50)
Companies that did not distribute dividends during 2016-2020	(28)
Companies that did not have complete data	(1)
Final Sample Quantity	**30**
Number of Observations	**150**

existed that are tested directly. Capital structure, defined financial ratios that show the proportion of equity and shareholder debt used to finance the company's operational activities, measured with debt equity ratio, the ratio between long-term debt minus short-term debt compared with total shareholder equity. Dividend policy was the second independent variable. It is a strategy to be used when choosing whether to pay dividends to manufacturing companies (Wahjudi, 2020). Decisions regarding dividends are made using the dividend payout ratio, which is frequently referred to as the ratio of dividends paid per share to earnings per share. The profitability, measured by return on equity was third independent variable.

The explanation of Figure 1 and the regression equation is reflected in the following section. In this study, the firms intrinsic value (IFY) is described through return on equity and debt to equity ratio. Return on equity reveals how effectively a business manages the capital that investors have put into it. Return on equity formulated with net income compared to shareholder equity. Tax evasion is the final independent variable and is calculated using the "effective tax rate" (Cook et al., 2017; Xu & Zheng, 2020). The term "effective tax rate" refers to the proportion of a company's overall tax expenses to pretax profits in a particular year based on the proportion of total tax expenses to pretax income. The share price divided by the company's book value yielded the intrinsic value of the company, which was the dependent variable. Prices on the stock market were determined by comparing share book values.

Companies with high stock prices will have an excellent intrinsic value of firm because they can prosper the shareholders. In addition to chasing profit, optimizing the value of the company is the goal of the company (Boubaker et al., 2019). The value of the company lies in the total capital of the company based on the share price. Companies with high stock prices will have an excellent intrinsic value of firm because they can prosper the shareholders. Investors' perceptions of the company's total capital in relation to stock prices are referred to as firm values. Generally, the closing and market price of the stock are both used as the stock price. The significance of a firm's worth

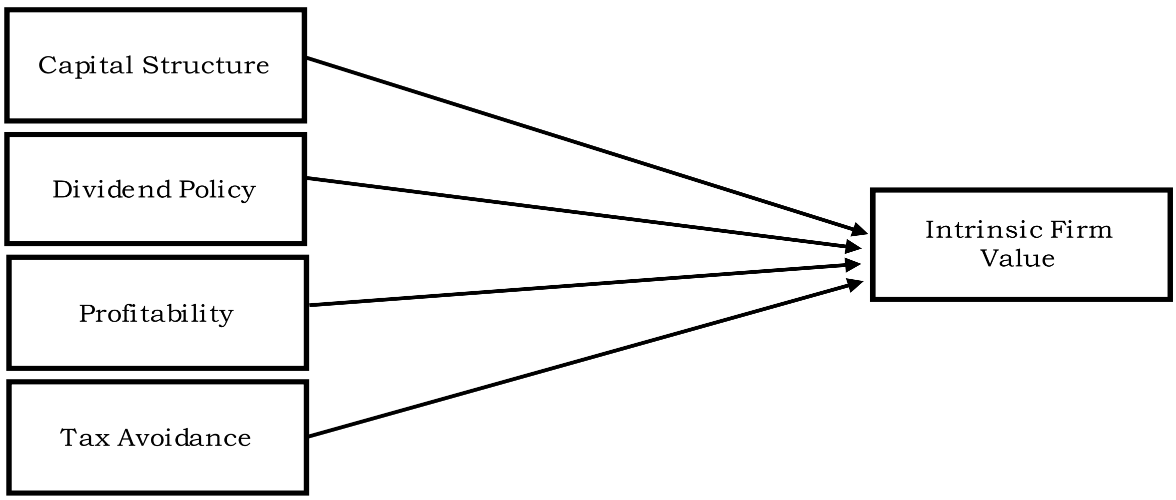

Figure 1. The Research Framework

lies in the fact that high shareholder prosperity results from high intrinsic value (Chandra et al., 2022; Trihermanto & Nainggolan, 2020; Wang et al., 2021). Firm value is a benchmark for investors when making investment decisions. This demonstrates how investors can utilize the firm value to represent the company's success going forward. A high firm value may entice investors to purchase stock in a business. The volume of demand for shares in a firm may raise that company's stock price (Atanda & Osemene, 2020).

Debt to equity ratio provides the necessary funds to fulfill its operating and investment demands. Chauhan & Huseynov (2018) and Ramli et al. (2019) suggested that capital structure decisions form the basis for a variety of other corporate finance decisions. Debt equity issues are the company's focus in financial management. The purpose of discussing this issue is to find a way to fund operational costs from two sources of debt, and equity. It is the perfect combination of long-term debt and equity. The capital structure can be projected using the business's ability to deploy capital to pay its debts is demonstrated by the DER (Liao et al., 2022). The combination of balance in debt funds and equity funds that can create a better share price in the company is said to be the best for it. To maximize firm value, productivity and corporate performance must be optimized through capital structure. When the company can balance the benefits and costs to pay obligations or debts, it balances agency problems between internal parties of the company and also between internal parties of the company and creditors. More is thought of a firm's worth as being capable of assuming the load or risk of financing its debts when the capital structure (or DER value) increases.

Shareholders will get income that will depend on the dividends distributed. A company's value may be impacted positively or negatively by the dividend payout ratio (Ranajee et al., 2019). Amar et al. (2018) determined that the company's financial planning is influenced by both dividend policy and the capital structure's design. Dividends are distributed to stockholders as compared to shares outstanding is used to measure dividend policy in the form of DPR (Booth & Zhou, 2017; Dixit et al., 2020; He et al., 2020).

When management can reduce agency problems, this can be a good information for investors about the company's prospects. Amar et al. (2018) argued that the dividend distribution policy provides insight into the company's prospects. For investors, an increase in dividend payout represents a future performance improvement for the business. In this case, the business will be more brilliant in the future, so that investors will increasingly trust and be interested in buying shares. Dividends are another tool for addressing management-investor agency issues (Navas, 2021; Ni et al., 2017; Qi et al., 2017).

Dividend policy (DP), within the framework of agency theory is related to the existence of differences in the interests of stockholders or internal management (Jensen & Meckling, 1976). Free cash flow is likely the most frequently claimed defense of dividend-paying businesses. By restricting managers from obtaining their fair share of cash flow, businesses encourage more investment discipline in their managers. Dividends are a governance method designed to discourage opportunistic managerial behavior while also decreasing control and monitoring expenses, according to the perspective of contract theory. Yet, its effectiveness relies on the company's free cash flow and agency conflict. This need is frequently met by mature businesses with a distinct separation of ownership and control, which seems to be more suitable (Booth & Zhou, 2017; Dixit et al., 2020).

Profitability (PT) is where a firm can generate profits and show efficiency in company performance (Singla, 2020). Good company performance in generating profits can reduce information asymmetry between agents and principals. This is important for investors to make decisions. Profitability can attract company owners and shareholders because profitability is managing the funds invested, and the profits will become property. This study measures profitability ratios using ROE (Return on Equity). Better ROE value invested, better the company's prospects. This is supported by research from Hasan et al. (2021), Moore (2020), and Rudyanto & Pirzada (2020). They stated that information on increasing profitability can reduce principal agent problems. The assets of the company are utilised more effectively to generate profits the higher the percentage attained, boosting the company's worth (Mubyarto & Khairiyani, 2019).

Tax avoidance (TA) is an obligatory contribution to the country billed either personally or by an entity based on the constitution. The nation's goals for the prosperity of its citizens are not directly compensated. Tax avoidance can incre b ase after-tax income or profits by taking advantage of loopholes in the country's jurisdictional regulations. The ratio between tax expenses and pre-tax profit is calculated using the company's ETR (Effective Tax Rate). For a variety of reasons, ETR is a suitable indicator of tax avoidance activity. ETR calculates the relationship between the year's income before taxes and the total tax expense, including deferred taxes. ETR can record tax deductions implied by tax shelters and legal loopholes using legal and illicit methods (Cooper & Nguyen, 2020; Dyreng et al., 2017). Since ETR has the opposite effect on tax evasion, there is more corporate tax evasion, which results in a lower value for ETR (Wilde & Wilson, 2018).

This tax avoidance act is classified as an activity that will result in investors claiming to the company that it is not good and will get a wrong value in the eyes of investors. Such information

Table 2. The Multiple Linear Regression Result

Variables	Regression Results
Constant	0,491
Capital Structure	0,180**
	(-2,062)
Dividend Policy	0,193
	(1,366)
Profitability	0,367**
	(8,860)
Tax Avoidance	-0,227**
	(-0,925)

will be considered as triggering agency problems for investors. Investors will not be attracted to companies that do tax avoidance because it is an indication of manipulation that reduces the accuracy of the financial statements presented. Also, tax evasion behavior depends on a variety of objectives to address management's and shareholders' worries. For example, Isensee et al. (2020) argued that shareholders prefer to reduce tax expenses by paying accrued taxes and concentrating on enhancing the value of their shares, but, management is looking out for a salary increase with high bonuses. Business tax evasion strategies are an indication of organizational issues (Frank et al., 2009; Tang & Firth, 2011).

RESULTS AND DISCUSSION

Table 2 shows the regression results. Based on Table 2, the final regression equation is:

$$IFY = 0,491 - 0,180CS + 0,193DP + 0,367PT - 0,227TA + e \quad (i)$$

The equation shows that wach variable had different results. Only profitability has a beneficial effect on prices in the stock market. Prices on the stock market were consequently reduced for two other reasons, namely capital structure and tax evasion.

The effect of capital structure to intrinsic value of firm. The firm's intrinsic worth was adversely impacted by its capital structure. A significance value was shown for DER in Table 2. As a result, it is conceivable to argue that the capital structure reduced the company's worth.

In agency theory, a high DER value will reduce problems between shareholders and management, this will make investors increase investment because DER indicates a company's failure to pay debts, and can increase investor confidence to invest. Negative influence means that management must make the best decision on its debt strategy. The capital structure of companies that are able to balance debt funds with equity funds is the best proportion. Graham & Harvey (2001) suggests that the marginal costs and marginal gains should be balanced to get the ideal capital structure. This is an important task and requires critical analysis of the company's financial decisions, especially on financing. Too much debt or financing will demonstrate the company's reliance on external sources of finance, so the burden will be heavy and can affect the profit given to investors. By taking on additional debt, the company will, on average, perform worse than its industry, and the market will react favorably (Banerjee & Homroy, 2018; Xu et al., 2020). Conversely, debt that is too low will also indicate a new problem in the principal agent theory due to creditors' distrust of the company.

A company's value may be negatively impacted by high debt ratios. A debt to equity ratio value too high will indicate that the company depends on debt to equity or capital from outsiders. Investors will assume the company is perceived to have a debt burden which will have an impact on decreasing profits (Dao & Ta, 2020). The company's intrinsic value has increased since interest on debt is tax deductible. Investors will therefore receive a larger portion of the operating profit. The firm's intrinsic worth will also be large as a result of the increased profit, which is the other effect. The weakness is that if the company is in a difficult situation and the operating profit needs to be increased to cover the interest, the shareholders will cover the loss. In addition, the company will go bankrupt if it cannot cover itc (Akhtar, 2017; Brown et al., 2019).

This result was also possible due to uncertain conditions, such as during a pandemic, so companies with a DER value made creditors worry about the debt they had invested in the company. The firm's intrinsic worth may decrease as DER value rises. Amar et al. (2018), Bossman et al. (2022), Liao et al. (2022), and Sumani et al. (2020) stated that the firm's intrinsic worth is adversely impacted by its capital structure. In the context of financial accounting, when a company's capital structure is high, meaning that it will further increase debt compared to equity, so that the value of the company can have a negative impact. The similarity of the findings of the significant negative effect is because investors will assume that the company has a debt burden that reduces the company's profits.

Bossman et al. (2022) explained that tobin's Q a company will decline if it has reasonable amounts of cash and cash equivalents and maintains more long-term debt than equity. Then, Riccetti et al. (2016) argued that the more the long-term debt, or in this case, the greater the debt, the more harmful the value of the company's shares, increasing investor and potential investor concern about the danger of corporate debt. The intrinsic worth of the company can also be used to examine this. Investors are worried because they depict companies with excessive debt as a potential failure from a long-term perspective so they can provide a lower value to the company's stock price.

The effect of dividend policy to intrinsic value of firm. Table 2 shows that rhe intrinsic value of firm was not significantly impacted by the dividend policy. The dividend policy was advantageous, but it did not statistically significantly affect the firm's intrinsic worth. This indicated that stock prices were not primarily determined by dividends by investors.

Chatterjee & Bhattacharjee (2020) and He et al. (2020) claimed that the company's dividend release policy demonstrates commitment of management (agents) to bridging the side of shareholders (principals). Superior businesses pay higher dividends than inferior ones. If there is an increase in information differences between investors and managers, organizations with higher information differences should pay higher dividends. In the other hand, Nguyen (2020) and Stereńczak & Kubiak (2022) claimed that outside investors do not understand the distribution of funding from internal companies compared to management. Dividend payment means there is additional cash issued from the company. Benjamin & Biswas (2019) and Maradona (2020) had proposed more towards how a two tier with female directors can provide a better dividend policy direction.

In agency theory, if the level of dividend distribution increases, it is a good thing that is considered by the principal because it reflects future company earnings. It can be considered sufficient to bear high dividends. The firm's inherent worth may be impacted as a result. Profit-sharing distribution in the company is not only for dividends but also for other sources of profit, namely capital gains. These capital gains obtain profit associated with the stock sales in the secondary market with a selling price above the purchase price. In this case, investors seek profits through capital gains rather than dividend distribution because they get profits faster and can make their own decisions directly. However, it differs from dividends, and investors must wait until the dividend is distributed. The company determines the percentages of dividend distribution following its policies. Shareholders want the company to have the maximum intrinsic value. Investors will invest by looking at the company's net profit, describing the firm's value. The distribution of uncertain dividends every year by the company to investors and investors' perceptions of uncertainty about when to receive dividends and what percentage of profits will be distributed as dividends to investors are what causes dividend policy not to affect the firm's intrinsic value.

It is also possible for the business and environmental economic conditions due to the pandemic to make investors not see the dividend policy taken to provide an assessment of the company. Manufacturing companies are companies with many sectors. Therefore, investors may choose other indicators, such as how the company makes a profit. Management is consequently under indirect pressure to greater intrinsic value of firm, one strategy is tax evasion.

Unfortunately, this finding are inconsistent with some researchers such as Akhtar (2017), Amar et al. (2018), Brown et al. (2019), Kim et al. (2021), and Liao et al. (2022). Despite that, this finding is consistent with some research from Bossman et al. (2022) and Taher & Al-Shboul, (2022) who highlighted how the dividend policy had no impact on the company's intrinsic worth. The stock price is unaffected by dividend policy. The results of this analysis and findings from other studies suggested that the company's payouts had not been able to raise the fundamental worth of the business.

In the context of a pandemic, this can actually happen the other way around, that companies issue dividends with dividends payable so that they had not been able to increase the investment enthusiasm of stakeholders so that they had not increased the company's intrinsic value. While dividend payout and earnings per share were utilized as dividend policy indicators, a corporation's performance was assessed using ROA and ROE. This findings demonstrate that variables affecting dividend policy are unrelated to measures of firm success. Capital gains may have the effect can increase stock prices because they can attract investors. Because high stock prices can raise the firm's intrinsic value, management must keep an eye on the rise in stock prices. Analysis from Hauser & Thornton (2017) and Karim & Ilyas (2021) leads to the results of dividend policy having a relationship to intrinsic value of firm.

The effect of profitability to intrinsic value of firm. Table 2 shows that profitability has a favorable effect on intrinsic value of the firm. Unquestionably, profitability increased a company's value. A firm's success increased the amount of profits that could be allocated to shareholders, resulting in a higher predicted intrinsic value of firm. Profitability, as measured by ROE, will make the company prosperous if it maintains or increases returns. The percentage increase in return on equity, as shown by Bossman et al. (2022)

and Riccetti et al. (2016) showed that companies can increase expansion with investments made for increased profits. The existence of returns allows companies to invest in assets expected to increase stockholders' wealth and stimulate investment interest in the company. High profitability is linked to make money using its assets and capital. The higher profitability will be the interest of investors to buy shares so the intrinsic value of firm increases. That will attract investors more in increasing company returns and capturing company performance so that there is an increase in investors who choose company shares and share price increases, further increasing the intrinsic value of firm.

This finding indeed stressed the content of the agency theory which states that highly profitable businesses would want to educate their shareholders that they have successfully managed their operations, minimizing the lead agent's information asymmetry (Navas, 2021; Ni et al., 2017; Qi et al., 2017). This is so because a company's net profit determines its profitability. The more profitable a business is, the higher its stock price will be. An increase in a company's stock price signals improved business success, which attracts investors' funds. This will have an effect on boosting a firm's worth and informing shareholders that the company has successfully managed its operations to achieve a high degree of profitability. This is so because a company's profitability is determined by its net profit. The more profitable a business is, the higher its stock price will be. An increase in a company's stock price signals improved business success, which attracts investors' funds. The worth of a corporation will rise as a result of this. This is what causes ROE to raise the company's worth.

This finding supports the argument form Faisal et al. (2020) and Lozano & Caltabiano (2014) who stated that banking companies with profitability results positively affect firm value. Besides that, research Sumani et al. (2020) discussed how the firm's intrinsic worth is impacted by profitability. This indicates a positive trend, meaning that a company's value will increase directly to its profitability. Businesses with high enough profitability will receive sufficient funding, enabling them to enhance performance and, ultimately, their value. The company's value will rise if it generates a profit, as evidenced by the rise in the price of its stock. Businesses that are able to expand their profitability year over year will draw a lot of investors (Chandra et al., 2022; Espinosa et al., 2016; Thakur et al., 2019).

Sumani et al. (2020) found that earnings have a positive effect on the intrinsic value of firm. Then, Bossman et al. (2022) reveals ROE and stock prices have positive correlation. Therefore, The inherent value of the company is positively impacted by profitability (Kamaliah, 2020; Salehi et al., 2019). The outcomes of this study all point in the same general direction: profitability increases a firm's intrinsic value, as previous studies have shown increasing company profits. This also shows that when business conditions are disrupted, such as during a pandemic, investors can focus more on how the capital they have invested is run, not on the return on their investment.

The effect of tax avoidance to intrinsic value of firm. The worth of a firm was unaffected by tax evasion. As a result, it may be claimed that tax evasion had no bearing on a company's value (see Table 2). This indicated that the company's intrinsic value could rise, but the business did not aim to curtail tax evasion. Akbari et al. (2019) and Jacob et al. (2021) stated that companies with a perception of taxation can transfer corporate and individual wealth to the government. Hence, most company management often plans and implements tax management practices to minimize corporate tax obligations. Nevertheless, tax evasion had no appreciable impact on the company's efforts to raise intrinsic value. Tax avoidance variables and the firm's intrinsic worth can be explained by the epidemic situation. The efforts made by businesses to boost their economic growth, especially their intrinsic value, are useless in the current economic climate. In addition to these reasons, tax evasion and a company's intrinsic value are not statistically significantly related, indicating that there is a reluctance on the part of managers to reduce tax avoidance efforts in increasing the intrinsic value of a firm due to management's belief that there is an agency conflict between directors and stockholders.

The discussion of this research showed investors typically paid little attention to tax avoidance when conducting investment analysis. In this case, investors invested more attention to several other essential aspects as the main focus in their considerations to buy company shares. The management only practiced tax avoidance as the best alternative to minimize the tax burden because there were opportunities for tax regulation gaps without violating government tax regulations. Procurement of tax avoidance will give perception from investors, resulting in decreased investor interest. It is due to the practice of manipulation that will affect the accuracy of financial statements. The underlying value of company stocks might go up or down depending on how aggressive the tax system is. If tax aggression considered a company to implement tax engineering, the firm's core worth will rise. The risk will rise if it is perceived as a non-compliance move, lowering the company's intrinsic value (Nguyen, 2020; Stereńczak & Kubiak, 2022).

Strategy used by businesses to enhance earnings by lowering their tax liability and raising the firm's worth known in terms of tax avoidance. Tax avoidance takes advantage of loopholes in the law contained in tax regulations. It indicates that there are significant tax avoidance strategies in use. The company's management assumes because it is alternative to minimize the tax burden without violating the government's taxation rules and will impact the company, reducing stock prices and firm value.

This finding has the same perception as research from Abdullah et al. (2022), Akbari et al. (2019), and Jacob et al. (2021). Tax avoidance, therefore, has no impact on the company's fundamental worth. Tax evasion reduces a company's tax liabilities, but because they can't plan for future non-tax-related expenses, their financial difficulties continue. Moreover, higher taxes have an impact on stakeholder benefits. Moreover, Tax evasion raises agency expenses and lowers corporate value (Ha et al., 2021). However, it differs from Cook et al. (2017) and Xu & Zheng (2020) who found that tax avoidance can impact saving tax costs, explicitly contributing to increasing earnings per share. From these explanations, We conclude that the intrinsic worth of a corporation is not reliably predicted by tax avoidance. This is also possible because of information asymmetry related to why companies carry out tax avoidance. Contracting economic conditions may make stakeholders focus more on performance results such as company profits.

CONCLUSION

The company's profitability which indicates an increase in profits is generally seen by the principal as being able to expand investment expansion and make the stock price increase, then increasing the intrinsic firm's value. Dividends are not the main choice in investment as the principal agent relationship content, in economic conditions covered by a pandemic, can be an option for investors who prefer to be active in trading for the short term by pursuing capital gains compared to just not passively distributing dividends to companies. For companies experiencing problems, reducing tax rates is even more important for companies. The company's capital structure needs to be managed as optimally as possible by taking into account the elements of costs and benefits of investment sources.

According to the findings of this study, highly productive organizations strived to educate their shareholders on how they had effectively managed their operations in generating profitability, hence lowering the knowledge asymmetry between agents and principals. The agency theory approach to debt utilization must be maintained such that it is not too high or excessively low in proportion to creditors' and shareholders' faith in the principal agent's connection with the firm. To satisfy the interests of the firm's stakeholders, it is required to work for conditions that allow the company to pay dividends. To prevent tax evasion, authorities' enforcement must be strengthened. Stockholders should report on reporting transparency, which includes regularly monitoring taxes and programs that lower agency expenses.

ACKNOWLEDGEMENT

The authors would like to thank the editors, reviewers, and all parties involved in the preparation of this article.

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