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Tax Avoidance Moderates The Determinants Of Firm Value (Study On Construction Companies In Indonesia)

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ABSTRACT
The purpose of the study was to examine the effect of profitability, leverage, and liquidty on firm value with tax avoidance as a moderating variabel. Measurement of firm value is carried out using Price book Value (PBV). Meanwhile, profitability uses Return On Assets (ROA), leverage uses Debt Equity Ratio (DER), liquidity uses Current Ratio (CR), and tax avoidance uses Cash Effective Tax Ratio (CETR). The population used in this study are construction companies listed on Indonesia Stock Exchange for the period 2017-2022. The sample used are 9 companies using the purposive sampling method. The type of data used is secodary data and the analyze method used is Moderated Regression Analysis (MRA) using SPSS 22. The result of this study obtained that profitability has positive and significant effect on firm value, while leverage and liquidty have no effect on firm value. As moderating variabel, tax avoidance cannot moderate the effect of profitability, leverage, and liquidity on firm value.

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INTRODUCTION

In accordance with Presidential Decree Number 17 of 2023, the government has officially terminated the Covid-19 pandemic and reclassified it as an endemic disease in Indonesia. Despite its termination, the Covid-19 pandemic has exerted a considerable influence in numerous domains, particularly in the economic sector. One of the Covid-19 policies that has an impact on the economy is the implementation of Large-Scale Social Restrictions (PSBB). PSBB significantly affects the company's operational activities, resulting in a reduction in business profits (Saputri & Handayani, 2023). From an investor's perspective, the performance of a company is gauged by its profit generation. Consequently, companies strive to optimize their profits, as greater profit generation is indicative of superior financial performance (Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, 2022). The financial performance of a company will affect investors in making investment decisions because investors tend to invest in companies that perform well (Al Lutfie Rizqi Adha Ritonga & Rezki Zurriah, 2023).

A survey of the impact of the Covid-19 pandemic on business actors conducted by the Indonesian Central Bureau of Statistics (BPS) found that the construction sector was ranked second as the business sector that had reduced the most workers amid the pandemic.

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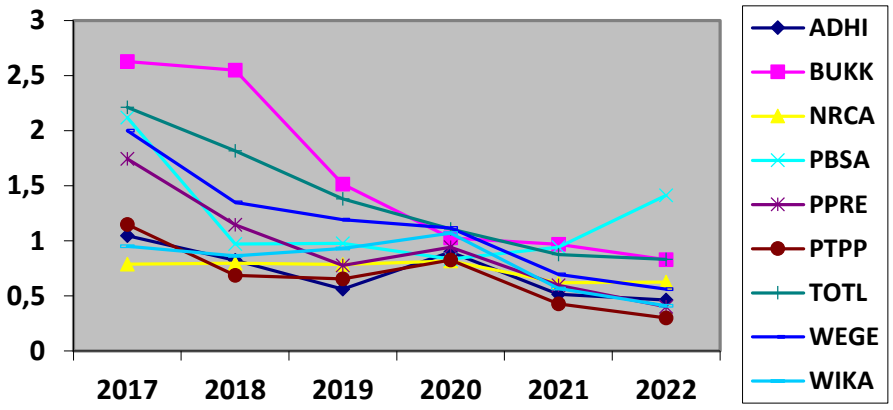
Furthermore, according to (Bayu, 2020), 87.49% of the construction sector experienced a decrease in income, ranking the sector fourth in terms of the sector most affected by the Covid-19 pandemic. During the Covid-19 pandemic from 2020 to 2022, the shares of construction companies listed on the IDX demonstrated a downward trend in prices, which was then followed by a decrease in company value. The decline in stock prices is related to a decrease in company value, as for companies going public, the company's value is reflected in its share price. Company value is measured using Price to Book Value (PBV). PBV is the ratio of the share price per share to the book value per share of the company. Previous research has identified several factors that affect firm value, including profitability, leverage, liquidity, and tax avoidance.



Graph 1 PBV of Construction Companies Listed on the IDX in 2017-2022

Profitability is defined as the company's capacity to generate profits through the effective and efficient utilization of its assets. According to (Oktaviani, R. M., Susanti, D. T., Sunarto, S., & Udin, 2019), companies with high profitability demonstrate the ability to manage their assets in a manner that maximizes profit potential. Furthermore, profitability is regarded as a reflection of the intrinsic value of the company (Arifin et al., 2023). The higher the profitability of a company, the higher the value of the company (Putri & Miftah, 2021). Therefore, investors utilize profitability as one of the factors that must be considered in making investment decisions. The profitability of a company can be measured by the return on assets (ROA) ratio. Research conducted by (Putri & Miftah, 2021) indicates that profitability has a significant effect on firm value. In contrast, research conducted by (Mahanani & Kartika, 2022) and (Rohmatulloh, 2023)suggests that profitability does not affect firm value.

Leverage is a ratio that measures the extent to which a company uses debt in its corporate spending. One method for measuring leverage is through the Debt-to-Equity Ratio (DER). A high value of DER indicates a company's confidence in improving performance and developing its business through the use of debt. This can increase investor confidence, as it provides the opportunity for higher returns, which can subsequently increase company value (Putri & Miftah, 2021). However, the higher the debt of a company, the higher the risk of the company experiencing losses. This is because the company will be charged with interest

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expense, which will reduce the company's profit. Furthermore, high debt also increases the risk of default, which can reduce company value. The findings of research conducted by (Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, 2022) and (Putri & Miftah, 2021) indicate that leverage has a positive and significant impact on firm value. Conversely, the results of research by (Nusa et al., 2020) and (Mahanani & Kartika, 2022) demonstrate that leverage has no effect on firm value.

Liquidity is defined as the company's ability to settle current liabilities through the use of current assets. According to (Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, 2022), a company is considered liquid if the amount of current assets exceeds its current debt. The liquidity of a company can be quantified using the current ratio (CR). The high and low CR will affect investors in making investment decisions because a high CR indicates that the company is performing well, which will have an impact on increasing stock prices and company value. Previous research conducted by (Mahanani & Kartika, 2022) has demonstrated that liquidity has a positive and significant effect on firm value. However, these findings differ from those of (Putri & Miftah, 2021) and (Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, 2022), which indicate that liquidity has no effect on firm value.

Tax avoidance is defined as an effort by taxpayers to minimize taxes that must be paid by taking advantage of loopholes in tax laws. In engaging in tax avoidance, the company does not contravene tax regulations, thereby ensuring that the avoidance is legally valid and that the government cannot impose sanctions on the perpetrator (Sahrir et al., 2021). According to the Tax Justice Network, n.d., in The State of Tax Justice 2020: In the context of the global pandemic, the Tax Justice Network (2020) estimates that Indonesia may lose up to $4.86 billion in tax revenue. Of this total, $4.78 billion is attributed to corporate taxpayers who engage in tax avoidance or evasion. The Tax Justice Network defines tax avoidance as "the legal use of tax regulations to reduce the amount of tax paid." It is measured using the Cash Effective Tax Rate (CETR), which is the ratio between the amount of cash tax paid by the company in the current year and its total profit before tax. The CETR value is inversely related to tax avoidance practices. In other words, the higher the CETR value of a company, the lower the level of tax avoidance and vice versa. Based on the phenomena, theories, and differences in research results described above, this study was conducted again to examine the effect of profitability, leverage, and liquidity on firm value in construction companies listed on the IDX for the period 2017-2022. In this study, the authors also included tax avoidance as a moderating variable.

Agency Theory

Agency theory is a theory that explains the relationship between the party who gives the order and the party who carries it out (Jensen & Meckling, 1976). In agency theory, conflicts arise between the two parties due to differences in interests. This study examines whether tax avoidance practices can affect firm value. This is consistent with agency theory, which posits that tax avoidance can facilitate opportunistic management practices such as earnings manipulation, thereby placing business owners at risk (Jensen & Meckling, 1976). This condition will cause company owners to face several risks related to tax avoidance, which in turn will have an impact on reducing company value (Syura et al., 2020).

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Signalling Theory

Signalling Theory (signal theory) is a strategy employed by company management to convey the company's performance to related parties. According to (Spence, 1973), by providing a signal, the party with the information attempts to provide information that can be utilized by the recipient of the information. In signal theory, company management endeavors to provide positive indications about their performance to the market and investors. The emphasis on increased earnings as a positive signal, while a decrease in earnings is considered a negative signal, is at the core of this signal theory.

Modigliani and Miller Theory with Taxes

Modigliani and Miller's theory with taxes has the conclusion that in practice tax savings can be made by using sources of funds derived from debt. Debt will result in interest expenses that can be deducted from gross profit, thereby reducing the amount of tax payable (Lemmuel & Sukadana, 2022). Modigliani and Miller argue that companies that have debt have a higher firm value than companies that do not have debt (Sudiyatno et al., 2021). This can occur because the use of debt can reduce taxes payable, thereby optimizing current year profits.

Profitability

Profitability is the company's capacity to generate profits in an effective and efficient manner, thereby increasing its share price and company value. The profitability of a company can be quantified by the return on assets (ROA) ratio. According to Sudana (2015: 25), the ROA can be calculated using the following equation:

$$ROA = \frac{Net\ Profit\ After\ Tax}{Total\ Asset}$$

Leverage

Leverage is a phenomenon that arises from the use of debt in corporate funding. The use of debt generates a fixed cost in the form of interest expense, which in turn increases investor confidence. This, in turn, can increase company value (Putri and Miftah, 2021). The extent of leverage is measured using the Debt to Equity Ratio (DER). According to Sudana (2015: 24), the DER can be calculated using the following equation:

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

Liquidity

Liquidity describes the ability of a company to meet its short-term obligations. Companies with good liquidity have stable financial conditions, allowing them to pay off short-term debt that is due soon. Liquidity is measured by the current ratio (CR). According to (Sudana, 2015), the CR is calculated by the following equation:

$$CR = \frac{Current\ Assets}{Current\ Liabilities}$$

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Tax Avoidance

Tax avoidance is defined as an effort by taxpayers to minimize taxes by taking advantage of loopholes in tax laws. Tax avoidance practices can be measured using the Cash Effective Tax Rate (CETR). A company is considered to engage in tax avoidance if its CETR is less than 0.25 (or 25%). CETR can be calculated using the following equation:

$$CETR = \frac{Total\ Tax\ Payment}{Profit\ Before\ Tax}$$

Company Value

Firm value is the price that potential investors consider appropriate. For companies going public, the company's value is reflected in its share price. The higher the share price, the higher the company value. Firm value is measured using Price to Book Value (PBV), namely by dividing the current stock price by the book value per share. The book value per share can be calculated by dividing the total equity by the number of outstanding shares. According to Sudana (2015: 27), the price-to-book value (PBV) can be calculated by the following equation:

$$PBV = \frac{Share\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

Influence between Variables

Profitability and Company Value

Profitability is the company's ability to generate profits with the assets it has. According to Arifin et al. (2022) profitability reflects the value of the company. The higher the profitability, the more effective and efficient the company is in managing its assets. The profit generated by a company greatly affects the value of the company, because investors will be more interested in investing in companies that provide large returns.

H1: Profitability has a positive effect on firm value

Leverage and Firm Value

One of the ratios used to measure leverage is the Debt to Equity Ratio (DER). The high value of DER shows the company's confidence to improve performance and develop business through the use of debt (Rohmatulloh, 2023) so that it will increase returns for its investors. Therefore, the proper use of debt can increase the value of the company because investors will choose to invest in companies that have the ability to process funds to generate higher profits (Putri & Miftah, 2021).

H2: Leverage has a positive effect on firm value

Liquidity and Firm Value

The performance of a company can be seen from the level of its financial health. Companies that have healthy finances will be able to pay off their obligations in a timely manner (Mahanani & Kartika, 2022). Liquidity is the company's ability to pay off its current obligations using its current assets. Investors will invest in companies that have high liquidity,

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so this will increase the company's value. Because companies with high liquidity reflect stable financial conditions.

H3: Liquidity has a positive effect on firm value

Tax avoidance as a moderating variable of profitability on firm value

The companies with high profitability have a tendency to do tax avoidance. Because the higher the profitability, the greater the tax that must be paid. Companies as taxpayers consider taxes as a burden that will reduce profits so that it will reduce company value. Therefore, the company will try to minimize its tax burden so that it can optimize the profit earned. The amount of profit of a company is the main attraction for potential investors. The higher the profit, the higher the return paid to investors both as cash dividends and stock dividends, this will affect the increase in stock prices in the capital market and increase the value of the company.

H4: Tax avoidance is able to moderate the relationship between profitability and firm value.

Tax Avoidance as a moderating variable of leverage on firm value

Based on the results of research by (Lemmuel & Sukadana, 2022) leverage affects tax avoidance. Leverage is one of the factors that determine the high and low tax avoidance practices. Leverage can be measured by Debt to Equity Ratio (DER). The higher the DER value, the higher the funding source that comes from debt, where the debt will generate fixed costs in the form of interest expense. Interest expense can be used as a deduction in calculating the tax base. The lower the tax base, the lower the tax that must be paid and this will increase the current year's profit. So that this will increase investor interest and then have an impact on increasing share prices and increasing company value.

H5: Tax Avoidance is able to moderate the relationship between leverage and firm value

Tax Avoidance as a moderating variable of liquidity on firm value

Liquidity is the company's ability to meet its short-term obligations. Short-term obligations are obligations that mature in less than one year. Companies with high liquidity tend not to do tax avoidance, because the company has a stable financial condition to fulfill its tax obligations (tax debt is a short-term liability). The high liquidity of the company will increase investor confidence to invest their capital, so that it will also increase the company's value.

H6: Tax Avoidance is able to moderate the relationship between liquidity and firm value.

METHODS

The population in this study were 26 building construction sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2017-2022. Sample determination is done by purposive sampling using certain criteria. In this study, the data used is secondary data in the form of audited financial statements of construction companies and analyzed with SPSS 22.

According to (Sugiyono, 2021) descriptive statistics are statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make conclusions that apply to the population from which the sample is taken. There are several

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types of descriptive statistics, but in this study researchers will use the calculation of the average value (mean), minimum value, maximum value, and standard deviation.

The normality test is used to test whether in a regression model, the dependent variable, independent variable, or both are normally distributed. One way to detect whether the data is normally distributed or not is the non-parametric Kolmogorov-Smirnov (K-S) test. The data criteria are normally distributed if the significance value is> 0.05

The multicolonierity test aims to test whether there is a correlation between independent variables in a regression model. A regression model is said to be good if there is no correlation between the independent variables. One way to determine whether or not there is a correlation between independent variables, namely by using the Variance Inflation Factor (VIF) and Tolerance. The following are the decision-making criteria:

a. If the Tolerance value < 0.1 and VIF ≥ 10, then there is multicollinearity
b. If the Tolerance value> 0.1 and VIF ≤ 10, then there is no multicolonierity

According to Ghozali (2018: 137) the heteroscedasticity test is carried out to test whether in a regression model there is an inequality of variance from the residuals of one observation to another. The presence or absence of heteroscedasticity can be tested with the Park Test, namely by regressing the residual value with the independent variables. If all independent variables have sig> 0.05 then there is no heteroscedasticity.

The autocorrelation test aims to determine whether there is a correlation of variables in the model with changes in time. The autocorrelation test is performed when the data pattern is time series (secondary data). This study uses the Breusch Godfrey LM (Lagrange Multiplier) Test method to detect autocorrelation. The following are the test criteria:

a. If the regression results on the parameter coefficients for the LAG residuals have a sig <0.05 then there is autocorrelation
b. If the regression result on the parameter coefficient for the LAG residual has sig> 0.05 then there is no autocorrelation

Moderated Regression Analysis (MRA) is a regression where the equation contains an element of interaction (multiplication of two or more independent variables). The following is the regression equation in this study:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_1Z + \beta_5X_2Z + \beta_6X_3Z + \varepsilon$$

Information:

Y = Company Value
$X_{1,2,3}$ = Profitabilitas, *Leverage*, and *Liquidity*
Z = *Tax avoidance*
β_0 = Constant
β_{1-6} = Reg. Coef
ε = *Error term*

The coefficient of determination is used to measure how much influence occurs between the independent variable and the dependent variable. The coefficient of determination is between zero and one (0 ≤ R2 ≤ 1).

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The t statistical test is used to determine how far the influence of one independent variable on the dependent variable is partially or separately. The t test can be done by comparing t count with t table at a significant level of 5%. The test criteria used, namely:

1. If tcount < ttable or sig value> 0.05 the independent variable does not affect the dependent variable.
2. If tcount> ttable or sig value <0.05 the independent variable affects the dependent variable.

The F test is used to see whether the independent variables used (X) together (simultaneously) have a real effect on the dependent variable (Y). the following are the characteristics for the F test:

1. If the sig value> 0.05 then simultaneously there is no effect of the independent variable on the dependent variable
2. If the sig value <0.05 then simultaneously there is an influence of the independent variable on the dependent variable

RESULTS AND DISCUSSION

Descriptive statistical analysis provides information on the minimum value, maximum value, average value (mean), and standard deviation of all variables in this study.

Table 1. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std.Deviation
PBV (Y)	54	0,2991	2,628	1,015	0,510
ROA(X1)	54	0,0002	0,156	0,045	0,035
DER(X2)	54	0,1827	6,052	1,843	1,289
CR(X3)	54	0,8526	4,286	1,659	0,726
CETR(Z)	54	-8,25696	-0,062	-1,167	1,619
Valid N	54				

*) Source: Processed by the author through Ms. Excel (2024)

Classical Assumption Test

Normality Test

Based on Table 2, the sig value of the normality test with Kolmogorov-Smirnov (K-S) is 0.200 (0.200>0.05). So it can be concluded that the data is normally distributed.

Table 2. Kolmogorov- Smirnov Normality Test Resul

	Unstandardized Residual
N	54
Asymp. Sig. (2-tailed)	,200[c,d]

*)Source: SPSS 22

Multicollinearity Test

Table 3 Multicollinearity Test Results

Variable Independent	Collinearity Statistics	
	Tolerance	VIF
Profitability	0,318	3,148
Leverage	0,268	3,729

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Variable Independent	Collinearity Statistics	
	Tolerance	VIF
Liquidity	0,383	2,613
Tax Avoidance	0,292	3,421

*)Source: SPSS 22

Based on Table 3 for all variables, the tolerance value> 0.1 and the VIF value < 10. So it can be concluded that in this regression model there is no multicollinearity between the independent variables.

Heteroscedasticity Test

Based on Table 4, the sig value> 0.05 for all independent variables on the absolute value of the residual, it can be concluded that there is no heteroscedasticity.

Table 4. Heteroscedasticity Test

Variable	Significant
Profitability	0,834
Leverage	0,521
Liquidity	0,135

*)Source: SPSS 22

Autocorrelation Test

Based on Table 5, the sig value between LAG and unstandardized residual is 0.428 (0.428> 0.05). This means that in this regression model there is no autocorrelation

Table 5. Autocorrelation Test

Model	Signifikansi
LAG	0,428

*)Source: SPSS 22

Moderated Regression Analysis (MRA)

Table 6. *Moderated Regression Analysis* (MRA)

Variable	β (koefisien)	T_{count}	sig	Description
Konstanta	,956	2,696	,010	
ROA	,309	3,717	,001	Positif/Significant
DER	,110	,630	,532	Non-significant
CR	,049	,154	,879	Non-significant
ROA*CETR	-,020	-,397	,693	Non-significant
DER*CETR	,015	,096	,924	Non-significant
CR*CETR	-,003	-,012	,991	Non-significant

*)Source: SPSS 22

Based on table 6, the MRA test results are obtained with a significance level of 0.05 (5%), the following equation is obtained

PBV= 0,956 + (0,309)ROA + (0,110)DER + (0,049)CR + (-0,20)ROA*CETR + (0,15)DER*CETR + (-0,003)CR*CETR + ε

Based on the above equation, it can be said that:

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1) Profitability has a coefficient value of 0.309. This means that a one unit increase in profitability will have an impact on increasing the PBV value by 0.309. So that the higher the profitability of a company, the value of the company will also increase.
2) Leverage has a coefficient value of 0.110. This means that an increase of one of the leverage units will have an impact on increasing the PBV value by 0.110. So that the higher the leverage of a company, the value of the company will also increase.
3) Liquidity has a coefficient value of 0.049. This means that an increase of one liquidity unit will have an impact on increasing the PBV value by 0.054. So that the higher the profitability of a company, the value of the company will also increase.
4) The interaction of profitability and tax avoidance has a coefficient value of -0.020. This means that a one-unit increase in the interaction of profitability and tax avoidance will have an impact on a decrease in PBV value of 0.020. So that the higher profitability will increase tax avoidance practices which have an impact on the decline in firm value.
5) The interaction of leverage and tax avoidance has a coefficient value of 0.015. This means that a one-unit increase in the interaction of leverage and tax avoidance will have an impact on the increase in PBV value by 0.015. The higher the leverage will increase tax avoidance practices which have an impact on increasing company value.
6) The interaction of liquidity and tax avoidance has a coefficient value of -0.003. This means that an increase of one unit of liquidity and tax avoidance interaction will reduce the PBV value by 0.003. The higher liquidity will reduce tax avoidance but will have an impact on the decline in firm value.

Coefficient of Determination Analysis (R^2)

Table 7. Coefficient of Determination Analysis (R^2)

Variabel	R Square
Nilai Perusahaan (Y)	0,368

*)Source: SPSS 22

Based on Table 7, the R Square (R2) value in Moderated Regression Analysis (MRA) is 0.368 or 36.8% and the remaining 63.2% is influenced by other variables not included in this study. The R2 value of 0.368 indicates that the effect of the independent variable on the dependent variable is included in the moderate category (0.25> 0.368 <0.75).

Partial Test (t-test)

Referring to table 6, the relationship between variables can be explained as follows:

1) The sig value between profitability and firm value is 0.001 (0.001 <0.05). Then the tcount value is 3.717 where the value is greater than the ttable (3.717> 1.675). So it can be concluded that profitability has a significant effect on firm value. Therefore H1 is accepted.
2) The sig value between leverage and firm value is 0.532 (0.532> 0.05). Then the tcount value is 0.630 where the value is smaller than the ttable (0.630 <1.675). So it can be concluded that leverage has no effect on firm value. Therefore H2 is rejected.

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3) The sig value between liquidity and firm value is 0.879 (0.879>0.05). Then the tcount value is 0.154 where the value is smaller than the ttable (0.154 <1.675). So it can be concluded that liquidity has no effect on firm value. Therefore H3 is rejected.
4) The sig value of the interaction variable of profitability and tax avoidance is 0.693 where the value is greater than 0.05 (0.693> 0.05). Then the tcount value is -0.397, this value is smaller than the t table (-0.397 < 1.675). So it can be concluded that tax avoidance is unable to moderate the effect of profitability on firm value. Therefore H4 is rejected.
5) The sig value of the interaction variable between leverage and tax avoidance is 0.924, this value is greater than 0.05 (0.924> 0.05). Then the tcount value is 0.924, this value is smaller than the t table (0.924 < 1.675). So it can be concluded that tax avoidance is unable to moderate the effect of leverage on firm value. Therefore H5 is rejected.
6) The sig value of the interaction variable between liquidity and tax avoidance is 0.991, this value is greater than 0.05 (0.99>0.05). Then the tcount value is -0.012, this value is smaller than the t table (-0.012 <1.675). So it can be concluded that tax avoidance is unable to moderate the effect of liquidity on firm value. Therefore H6 is rejected

Simultaneous Test (F-test)

Table 8. Simultaneous Test (F-test)

Model	Signifikansi
Regression	0,000[b]

*)Source: SPSS 22

Based on table 8, the F test results have a significance value of 0.000 (0.000 <0.05), it can be concluded that simultaneously the independent variable has a significant effect on the dependent variable.

The Effect of Profitability on Firm Value

The tests that have been carried out prove that profitability has a significant positive effect on firm value. High profitability is a positive signal for investors, who will invest in the company. This will have an impact on the increase in stock prices and company value. For companies going public, the company's value is reflected in its share price. The results of this study align with those of (Putri & Miftah, 2021), which indicate that profitability has a significant impact on firm value. However, this is at odds with the findings of (Mahanani & Kartika, 2022), which suggest that profitability has no effect on firm value.

The Effect of Leverage on Firm Value

The tests conducted indicate that leverage has no effect on firm value. Leverage is a ratio that measures the extent to which a company uses debt in its spending. The use of debt that is excessive and not optimally managed increases the risk of default, which results in a decline in the company's value. Additionally, debt generates interest expenses, which increases the company's losses. This sends a negative signal to investors, reducing their level of trust in the company. The results of this study are consistent with those of (Nusa et al., 2020) and (Mahanani & Kartika, 2022), yet they contradict those of (Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, 2022), which posit that leverage has a significant and positive effect on firm value.

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The Effect of Liquidity on Firm Value

The tests conducted indicate that liquidity has no effect on firm value. Liquidity is defined as the company's ability to settle its current obligations using its current assets. A CR value that is too high will reduce the company's value, as it indicates that the company has not been able to process its assets optimally, thereby reducing its ability to generate profits. The results of this study are consistent with those of (Imronudin, Waskito, J., Cantika, I. B., & Sofiardhani, 2022). However, they are at odds with those of (Mahanani & Kartika, 2022), which posit that liquidity has a significant and positive effect on firm value.

The effect of profitability on firm value moderated by tax avoidance

The results of the tests conducted indicate that tax avoidance is unable to moderate the effect of profitability on firm value. In making investment decisions, investors focus more on the profits generated compared to tax avoidance practices. High profits will increase dividend payments to investors. Low tax payments do not accurately describe that the company practices tax avoidance. Conversely, low tax payments reflect the company's declining profits. This is consistent with the findings of (Nusa et al., 2020).

The effect of leverage on firm value moderated by tax avoidance

This is consistent with the findings of (Nusa et al., 2020). A company's funding can be derived from its own capital and third-party debt. For companies seeking to go public, their own capital can be increased by issuing more shares, but this will result in a reduction in the proportion of investor ownership, leading to a decline in the returns obtained. Consequently, investors tend to favour funding sources in the form of debt, as interest expenses are tax deductible. This allows them to reduce the amount of tax that must be paid and increase net profit after tax. When the profit generated is optimal, the company value will increase.

The effect of liquidity on firm value is moderated by tax avoidance.

Tests conducted have proven that tax avoidance is unable to moderate the effect of liquidity on firm value. When a company has a high degree of liquidity, its current assets will exceed its current debt (which includes taxes payable with a maturity of less than a year). Conversely, when the CR value is high, the company's focus is not on reducing tax payments, but rather on generating profits. A CR value that is too high indicates that the company has not been effective and efficient in processing its assets in order to reduce its ability to generate profits.

CONCLUSION

The results of this study indicate that profitability contributes to increasing firm value in construction companies listed on the IDX between 2017 and 2022. However, leverage and liquidity do not. Furthermore, tax avoidance does not moderate the effect of profitability, leverage, and liquidity on firm value. Simultaneously, profitability, leverage, and liquidity have a significant influence on firm value. The coefficient of determination (R^2) value of 0.368 indicates that profitability, leverage, liquidity, and tax avoidance are only able to explain the firm value variable by 36.8%. The remaining 63.2% is explained by other variables outside the variables in this study. Therefore, for further research, it is advisable to expand other

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financial variables that have a greater influence on firm value and increase the sample size and use other proxies to measure the firm value variable.

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