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The Effects of Tax Avoidance, Tax Aggressiveness, and Profitability on Firm Value among Non-Cyclical Sector Companies Listed on the Indonesia Stock Exchange

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ABSTRACT
This study examines the effects of tax avoidance, tax aggressiveness, and profitability on firm value. The population comprised 132 non-cyclical sector companies listed on the Indonesia Stock Exchange from 2020 to 2024. Using purposive sampling, 41 companies were selected. Secondary data were obtained from financial statements and analyzed using panel-data regression in EViews 13. The results show that, partially, tax avoidance has a negative but statistically insignificant effect on firm value, tax aggressiveness has a negative and significant effect, and profitability has a positive and significant effect. Simultaneously, the three variables significantly affect firm value. These findings indicate that aggressive tax strategies may reduce investors' valuation of a company. Therefore, transparent tax policies and improved profitability are more relevant strategies for non-cyclical sector companies seeking to increase firm value.

Keywords: Tax Avoidance, Tax Aggressiveness, Profitability, Firm Value.
JEL Code: H26

I. Introduction

Firm value is an important indicator investors use to assess a company's future prospects. High firm value reflects the market's favorable assessment of a company's ability to generate sustainable profits and maximize shareholder wealth (Ariani & Diandra, 2024). For investors, firm value is a primary consideration in capital-market investment decisions because it reflects market expectations regarding a company's future performance and growth prospects. Accordingly, understanding the factors that affect firm value is important both for investors when formulating investment strategies and for corporate management when developing policies that enhance the company's market appeal. In practice, firm value is influenced by various managerial decisions, including tax policy. This issue is particularly important for companies in the non-cyclical sector, which includes food, beverage, and consumer goods industries and forms part of the manufacturing industry, the country's largest contributor to tax revenue. These conditions encourage management to engage in tax planning to reduce the company's tax liability (Prastiwi & Walidah, 2020), and various strategies may be used to implement such planning (Fadillah, 2019). Tax planning ranges from legally permissible tax avoidance to more aggressive actions commonly referred to as tax aggressiveness. These two forms of tax planning differ

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in their characteristics and risk levels: tax avoidance generally exploits regulatory gaps within the law, whereas tax aggressiveness includes actions at the boundaries of legality or those that may potentially violate tax regulations, thereby exposing companies to greater legal and reputational risks. In addition to tax policy, profitability is also a managerial outcome that affects firm value because investors closely consider a company's ability to generate earnings (Fadillah, 2019).

Tax-planning practices continue to draw attention, particularly from tax authorities. According to the December 2024 edition of APBN Kita, the manufacturing industry, which largely comprises non-cyclical companies in food, beverages, and consumer goods, was the largest national tax contributor, generating Rp411.74 trillion, or 25.84% of total tax revenue, exceeding the contributions of the trade, finance, and insurance sectors. This substantial contribution means that tax strategies adopted by non-cyclical companies can materially affect government revenue; therefore, tax avoidance and tax aggressiveness in this sector may have significant fiscal consequences. Data from the Tax Court Secretariat show that more than 72,000 tax disputes were resolved between 2020 and 2024. The large number of disputes indicates continuing differences in how taxpayers and tax authorities interpret tax obligations. Prolonged tax disputes not only impose administrative and financial burdens on companies but may also undermine investor confidence in corporate governance, particularly when the disputes involve indications of deliberate tax avoidance or tax aggressiveness. These conditions suggest that corporate tax strategies affect not only tax efficiency but also the risks that shape investors' assessments of firms.

Previous studies have examined the relationship between tax planning and firm value, but their findings remain mixed. Tax avoidance was found to have a negative but nonsignificant effect on firm value by (Yuliandana et al., 2021), whereas (Panggabean & Ritonga, 2024) reported a negative and significant effect. Regarding tax aggressiveness, (Dini et al., 2026) found a negative but nonsignificant effect, and (Rahma et al., 2023) found no significant effect on firm value; however, (Cerqueira et al., 2022) reported a positive effect. For profitability, (Setyawan, 2021) reported a positive and significant effect, and (Santi & Sudarsi, 2024) reported a positive but nonsignificant effect, whereas (Ariani & Diandra, 2024) found a negative effect. These differences indicate that the relationships of tax avoidance and tax aggressiveness with firm value remain inconsistent. Such inconsistency may result from differences in variable proxies, research periods, or the characteristics of the industries examined; consequently, findings from one sector may not be generalizable to sectors with different characteristics. Moreover, studies that simultaneously examine tax avoidance and tax aggressiveness in relation to firm value in the Indonesian market during 2020-2024 remain limited, particularly in the non-cyclical sector. This sector is characterized by relatively stable product demand and makes a substantial contribution to national tax revenue, making it highly relevant yet underexplored in the Indonesian literature on taxation and firm value. Therefore, this study examines the effects of these variables, together with profitability, on firm value in Indonesia. The study is expected to contribute theoretically by enriching the literature on the application of agency theory and signaling theory to taxation in Indonesia's non-cyclical sector and practically by providing corporate managers and investors with evidence regarding the effects of tax policies and profitability on market valuation.

II. Literature Review and Hypothesis Development

Two main theories underpin this study. Agency theory, developed by (Jensen & Meckling, 1976), explains that the relationship between owners (principals) and managers (agents) may involve conflicts of interest because managers have incentives to maximize their own interests, including through aggressive tax decisions, even when such decisions may harm shareholders' long-term interests. Signaling theory, introduced by (Spence, 1978), explains that investors interpret publicly disclosed financial information, including profitability and tax strategies, as positive or negative signals that influence their valuation of the firm. Firm value represents investors' perceptions of management performance and is reflected in the price investors are willing to pay for the company's shares (Prastiwi & Walidah, 2020; Santi & Sudarsi, 2024). Higher stock prices indicate greater investor confidence in expected returns (Hapid & Hanifah, 2022). One way management can maximize firm value is by adjusting the company's tax costs (Yuliandana et al., 2021).

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Management may optimize tax policy through systematic and structured tax planning; however, this may create conflict between the company and the tax authorities because the two parties view taxes differently. From the company's perspective, taxes are a strategic cost component that can be managed to achieve fiscal efficiency. Effective tax planning can increase net income and, consequently, firm value. From the tax authority's perspective, taxes are a state instrument for ensuring taxpayer compliance and must be administered in accordance with applicable laws without diminishing the government's entitlement to tax revenue, which is essential to national development.

Tax avoidance refers to legally reducing tax liabilities by exploiting gaps in tax regulations (Idawati & Wisudarwanto, 2021; Ehima & Ohonba, 2024). Accordingly, tax avoidance is not treated as a violation of tax law. Nevertheless, when pursued too aggressively, it may cause financial losses to the government and ultimately reduce public revenue (Panggabean & Ritonga, 2024). In this study, tax avoidance is proxied by the Cash Effective Tax Rate (CETR), calculated as cash tax payments divided by pretax accounting income. This proxy was selected because it reflects the actual tax burden paid in cash, is more difficult to manipulate than accrual-based proxies, and better captures a company's long-term tax-planning strategy (Safitri & Aulia Oktaviani, 2024). From an agency-theory perspective, management's decision to engage in tax avoidance, although legal, may raise investor concerns regarding potential conflicts of interest and future reputational or legal risks, thereby reducing firm value. Previous studies have produced mixed results: (Yuliandana et al., 2021) found a negative but nonsignificant effect, whereas (Panggabean & Ritonga, 2024) found a negative and significant effect.

Tax aggressiveness is a more extreme tax-planning strategy than tax avoidance and includes activities at the boundaries of legality as well as those that may potentially violate tax regulations (Siahaya & Lingga, 2024; Simarmata & Cahyonowati, 2014). This variable is proxied by the Book-Tax Difference (BTD), calculated as the difference between pretax accounting income and taxable income divided by total assets. This proxy is used because a large difference between accounting income and taxable income often indicates earnings management or aggressive tax planning; therefore, BTD is considered more sensitive in capturing tax-aggressive behavior than proxies based solely on effective tax rates. Under signaling theory, investors may interpret aggressive tax actions as a negative signal regarding corporate governance and transparency, thereby reducing market confidence and valuation. Studies by (Dini et al., 2026) and (Rahma et al., 2023) found negative but nonsignificant effects, whereas (Cerqueira et al., 2022) reported a positive effect.

Profitability reflects a company's ability to manage its resources effectively to generate earnings (Ariani & Diandra, 2024). This variable is proxied by Return on Assets (ROA), which indicates how efficiently the company uses all of its assets to generate net income. ROA was selected because it is widely used in the literature to measure profitability from the perspective of overall operating efficiency, making it relevant for evaluating how non-cyclical companies manage their assets amid relatively stable product demand. Consistent with signaling theory, high profitability sends investors a positive signal regarding managerial efficiency and the company's growth prospects (Isniawati, 2026), thereby tending to increase firm value. (Setyawan, 2021) found a positive and significant effect, and (Santi & Sudarsi, 2024) found a positive but nonsignificant effect, whereas (Ariani & Diandra, 2024) reported a negative effect. Based on these prior findings, the following hypotheses are proposed:

H1: Tax avoidance has a negative effect on firm value.
H2: Tax aggressiveness has a negative effect on firm value.
H3: Profitability has a positive effect on firm value.

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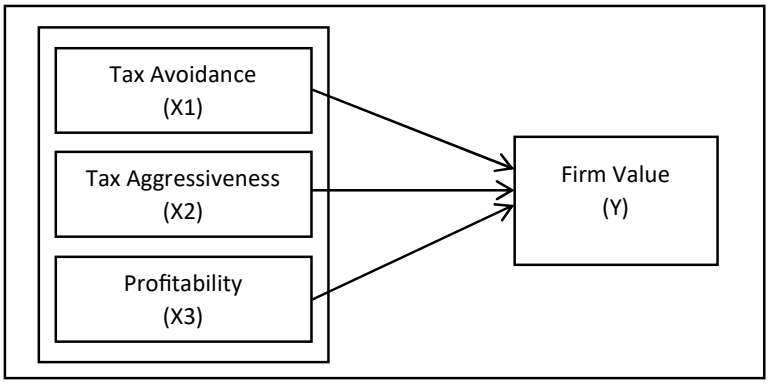

Figure 1. Conceptual Framework

III. Research Method

This study uses a quantitative approach with a causal-associative research design to examine the effects of tax avoidance, tax aggressiveness, and profitability on firm value. The study uses secondary data from the annual financial statements of non-cyclical sector companies obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) and the official websites of the respective companies for the 2020-2024 period. To ensure data accuracy and completeness, data downloaded from the IDX were cross-checked against the financial statements published by each company. The analytical technique is panel-data regression, which combines time-series and cross-sectional data, conducted using EViews 13. The population comprises all 132 non-cyclical sector companies listed on the Indonesia Stock Exchange (IDX) during 2020-2024. Purposive sampling was used to select companies based on criteria aligned with the research objectives, as follows:

Table 1. Sample Selection Criteria

No.	Sample Criteria	Number of Companies
1	Non-cyclical sector companies consistently listed on the IDX from 2020 to 2024	132
2	Non-cyclical sector companies with complete financial statements for 2020-2024	95
3	Non-cyclical sector companies reporting cash tax payments for 2020-2024	74
4	Non-cyclical sector companies reporting positive earnings for 2020-2024	43
Total companies included in the research sample		41

The sample was selected using purposive sampling, whereby companies were chosen according to criteria aligned with the research objectives. These criteria were established to ensure that complete and consistent data were available throughout the observation period, to avoid missing values, and to satisfy the measurement requirements of the study variables. Companies reporting losses were excluded because firms with negative earnings generally have no corporate income tax liability and were therefore considered unsuitable for measuring tax-avoidance and tax-aggressiveness behavior. The final sample consisted of 41 companies observed from 2020 to 2024, yielding 205 firm-year observations for statistical testing. The study includes one dependent variable and three independent variables, all calculated from financial-statement data using Microsoft Excel before further analysis through panel-data regression in EViews 13. The variables were measured as follows:

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Table 2. Operational Definitions of Variables

Variable	Proxy	Formula
Firm Value (Y)	PBV	Market Price per Share / Book Value per Share
Tax Avoidance (X1)	CETR	Cash Tax Payments / Pretax Accounting Income
Tax Aggressiveness (X2)	BTD	(Pretax Accounting Income - Taxable Income) / Total Assets
Profitability (X3)	ROA	Net Income / Total Assets

The data were analyzed using panel-data regression based on the following equation:

$$PBV_{it} = \alpha + \beta_1 CETR_{it} + \beta_2 BTD_{it} + \beta_3 ROA_{it} + e_{it}$$

Where:

PBV_{it} : Firm value (PBV) of company i in period t.
α : Constant.
$\beta_1, \beta_2, \beta_3$: Regression coefficients for the respective independent variables.
$CETR_{it}$: Tax avoidance (Cash Effective Tax Rate) of company i in period t.
BTD_{it} : Tax aggressiveness (Book-Tax Difference) of company i in period t.
ROA_{it} : Profitability (Return on Assets) of company i in period t.
e_{it} : Error term.
Index i : The cross-sectional dimension (company).
Index t : The time-series dimension (period).

Descriptive statistical analysis was first conducted to summarize the characteristics of the research data. The appropriate panel-data regression model was then selected by comparing the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), as described below:

a. The Common Effect Model (CEM) is a panel-data regression model that assumes constant intercepts and slope coefficients across all companies and time periods and therefore does not account for differences in company-specific or time-specific characteristics **(Gujarati & Porter, 2008)**. The model is estimated using Ordinary Least Squares (OLS) by pooling all cross-sectional and time-series data without distinguishing among observational units. Although it is the simplest model, it may produce biased estimates when heterogeneity exists across companies.
b. The Fixed Effect Model (FEM) assumes that intercepts differ across companies through fixed individual effects, thereby capturing unique company characteristics that remain unchanged throughout the observation period (Gujarati & Porter, 2008). The model is estimated by including dummy variables for each cross-sectional unit (company), enabling it to control for unobserved factors that are constant over time, such as corporate culture or company-specific management policies.
c. The Random Effect Model (REM) assumes that differences in company intercepts are random and uncorrelated with the independent variables, so individual effects are treated as part of the error component (Gujarati & Porter, 2008). The model is estimated using Generalized Least Squares (GLS) and is more efficient than FEM when the assumption that individual effects are uncorrelated with the independent variables is satisfied. It is therefore generally more suitable for samples with a large number of cross-sectional units.

The most appropriate model was selected through three tests: the Chow test, Hausman test, and Lagrange Multiplier test, as described below:

a. The Chow test determines whether the Common Effect Model (CEM) or Fixed Effect Model (FEM) is more appropriate. The test compares the Cross-section F probability with a 0.05 significance level. It evaluates whether significant differences exist among company-specific cross-sectional intercepts and, therefore, whether individual dummy variables are required in the FEM. In other words, the test determines whether the characteristics of each company affect the regression model differently and should be specifically accommodated through fixed effects. The hypotheses are evaluated as follows:

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If the probability value is < 0.05, H0 is rejected and FEM is selected.
If the probability value is > 0.05, CEM is selected.

b. The Hausman test is conducted when FEM is selected by the Chow test to determine whether the Fixed Effect Model (FEM) or Random Effect Model (REM) is more appropriate. The test compares the Cross-section random probability with a 0.05 significance level. It assesses whether the individual effects are correlated with the independent variables. If such a correlation exists, the REM estimates will be biased and inconsistent, making FEM the more appropriate choice. Thus, the Hausman test determines whether company-specific effects should be treated as fixed or random so that the resulting parameter estimates remain consistent. The hypotheses are evaluated as follows:

If the probability value is < 0.05, H0 is rejected and FEM is selected.
If the probability value is > 0.05, REM is selected.

c. The Lagrange Multiplier test is conducted when REM is selected by the Hausman test to determine whether the Random Effect Model (REM) or Common Effect Model (CEM) is more appropriate. The test compares the Breusch-Pagan probability with a 0.05 significance level. It determines whether variation across cross-sectional units is sufficiently large to be explained by a random-effect component or whether a simpler model such as CEM adequately represents the panel data. If the variation is not significant, REM provides no meaningful additional information, making CEM the more efficient model. The hypotheses are evaluated as follows:

If the probability value is < 0.05, H0 is rejected and REM is selected.
If the probability value is > 0.05, CEM is selected.

The model selected through these three tests was subsequently used as the final estimation model for testing the research hypotheses. Before the regression results were interpreted, the selected model was subjected to classical-assumption tests, including normality, multicollinearity, heteroskedasticity, and autocorrelation. According to (Wooldridge, 2013), when heteroskedasticity is detected, it can be addressed by applying cross-section weights to obtain panel EGLS estimates. Selecting an appropriate estimation model is expected to produce unbiased, consistent, and efficient regression parameters, thereby ensuring that the conclusions drawn from hypothesis testing are statistically defensible.

IV. Results and Discussion

4.1. Descriptive Statistics

Table 3. Descriptive Statistics

	X1	X2	X3	Y
Mean	0.27	0.02	0.10	3.31
Median	0.23	0.01	0.08	1.85
Maximum	1.89	0.30	0.42	56.79
Minimum	0.01	-0.07	0.00	0.00
Std. Dev.	0.19	0.04	0.07	6.76
Jarque-Bera	6727.06	1612.54	177.35	10073.23
Observations	205	205	205	205

Based on the results presented above, the descriptive statistics are interpreted as follows:

a. Tax avoidance has a mean value of 0.27, indicating that the sample companies paid cash taxes equal to an average of 27% of pretax income. This percentage exceeds Indonesia's applicable corporate

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income tax rate of 22%, suggesting that, on average, the sample companies paid taxes above the statutory rate and did not exhibit substantial tax avoidance. However, the mean exceeds the median of 0.23, indicating a distribution in which a small number of companies made cash tax payments substantially above the average. The maximum value of 1.89 indicates that certain companies paid taxes exceeding their pretax income in a given period, possibly because of payments for prior-year tax liabilities or tax-refund adjustments. In addition, the standard deviation of 0.19 is lower than the mean, indicating relatively limited dispersion in the tax-avoidance data. Thus, most companies had cash tax payment rates close to the sample average. These results suggest that tax-avoidance behavior among non-cyclical companies did not vary substantially during the study period.

b. Tax aggressiveness has a mean value of 0.02, indicating that the average difference between accounting income and taxable income among the sample companies was only 2% of total assets. This result suggests that the companies did not, on average, exhibit a high degree of tax aggressiveness. However, the mean exceeds the median of 0.01, indicating a distribution in which a small number of companies had book-tax differences considerably above the average. The maximum value of 0.30 suggests that certain companies engaged in substantially more aggressive tax planning than most other companies in the sample, possibly through more intensive use of differences between accounting and tax rules. The standard deviation of 0.04 exceeds the mean, indicating relatively high variation in tax-aggressiveness values across companies. Accordingly, although average tax aggressiveness was low, several companies exhibited substantial differences between accounting income and taxable income.

c. Profitability has a mean value of 0.10, indicating that the sample companies generated net income equal to an average of 10% of total assets, which represents a reasonably strong level of profitability in the non-cyclical sector. However, the mean exceeds the median of 0.08, indicating that a small number of companies achieved profitability substantially above the sample average. The maximum value of 0.42 suggests that certain companies managed their assets far more efficiently than most other companies in the sample, possibly because of operational advantages or stronger market positions. Conversely, the standard deviation of 0.07 is lower than the mean, indicating that profitability was relatively homogeneous across the sample. Most non-cyclical companies therefore maintained relatively similar returns on assets during the observation period, and differences in their earnings-generating ability were not extreme.

d. Firm value has a mean of 3.31, indicating that the market prices of the sample companies' shares were, on average, 3.31 times their book values. This result reflects a generally favorable investor assessment of the prospects of non-cyclical companies. However, the mean substantially exceeds the median of 1.85, indicating that a small number of companies had firm values far above the sample average. The maximum value of 56.79 suggests that investors valued certain companies far above their book values, possibly because of brand reputation, growth prospects, or exceptionally strong market confidence. Unlike the preceding variables, the PBV standard deviation of 6.76 exceeds the mean, indicating substantial variation in firm value across companies. Investor valuations of non-cyclical companies were therefore not uniform but were influenced by factors such as growth prospects, financial performance, corporate governance, and market perceptions of each company.

4.2. Model Selection Results

The Chow test, Hausman test, and Lagrange Multiplier test produced the following model-selection results:

Table 4. Model Selection Results

Test	Model Comparison	Result	Selected Model
Chow Test	CEM vs FEM	Prob. 0.00 < 0.05	FEM
Hausman Test	FEM vs REM	Prob. 0.00 < 0.05	FEM
Conclusion			FEM

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As shown in Table 4, the Chow test produced a Cross-section F probability of 0.00 (< 0.05); therefore, H0 was rejected, and the Fixed Effect Model (FEM) was considered more appropriate than the Common Effect Model (CEM). The Hausman test was then conducted to determine whether FEM or the Random Effect Model (REM) was more appropriate. The Hausman test produced a Cross-section random probability of 0.00 (< 0.05); therefore, H0 was rejected, and FEM was again selected over REM. Because FEM was selected in the Hausman test, the Lagrange Multiplier test was no longer required to determine the final model, as that test is used only to compare REM with CEM when REM is selected by the Hausman test. Based on these model-selection procedures, the most appropriate panel-data regression model for this study was the Fixed Effect Model. The selection of FEM indicates that each company has distinct characteristics that affect the relationship between the independent variables and firm value. In other words, company-level heterogeneity could not be ignored, making a model that accommodates fixed effects more appropriate than one that assumes all companies share identical characteristics. FEM was also expected to produce more accurate parameter estimates because the regression model accounted for company-specific differences.

4.3. Regression Results

a. Normality Test

Wooldridge (2013) explains that the central limit theorem applies to sample means as well as sufficiently large samples. Consistent with this view, (Alfairus et al., 2026) state that violations of the normality assumption are not considered serious in panel-data regression with a sufficiently large sample because parameter estimates remain consistent and the estimator remains unbiased. (Hsiao, 2022) further explains that normality is not a requirement for an estimator to be BLUE (Best Linear Unbiased Estimator), and some scholars do not consider it a mandatory assumption. Accordingly, the analysis proceeded on the basis of the sample size, which comprised 205 observations.

b. Multicollinearity Test

Table 5. Multicollinearity Test Results

	X1	X2	X3
X1	1.000	-0.144	-0.261
X2	-0.144	1.000	0.222
X3	-0.261	0.222	1.000

Based on the results presented in Table 5, the model does not exhibit multicollinearity. This conclusion is supported by the fact that all pairwise correlations among the independent variables are below 0.90. The analysis could therefore proceed to the next testing stage.

c. Heteroskedasticity Test

Table 6. Heteroskedasticity Test Results

	Value	df	Probability
Likelihood ratio	1536.619	41	0.000

Table 6 presents the heteroskedasticity test results. (Wooldridge, 2013) explains that conventional OLS standard errors may be too large for the intercept or generally too small for the slope coefficients relative to estimates that account for heteroskedasticity. (Hsiao, 2022) likewise argues that GLS produces estimates that are consistent in the presence of heteroskedasticity by incorporating a weighting structure that adjusts for nonconstant variance, thereby improving estimation efficiency. To address the detected heteroskedasticity, the Fixed Effect Model was re-estimated using Cross-section Weights, which can produce more efficient and unbiased estimates. This method assigns each company a weight based on the characteristics of its residual variance, thereby minimizing differences in variance across companies.

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Consequently, the resulting standard errors are more reliable, and tests of regression-coefficient significance provide more accurate results than conventional OLS estimation (Wooldridge, 2013).

d. Autocorrelation Test

During the heteroskedasticity assessment, the model was transformed using Estimated Generalized Least Squares (EGLS). In addition, this study uses panel data. In panel-data regression, autocorrelation is fundamentally associated with the time-series dimension; therefore, testing autocorrelation in data that are not purely time series, such as cross-sectional or panel data, is considered uninformative. According to (Antonetta & Simon, 2026), the GLS model is considered an efficient Best Linear Unbiased Estimator (BLUE) and does not require an additional autocorrelation test. Accordingly, after the model was estimated using EGLS with appropriate weighting, the analysis focused on interpreting the regression results without conducting a separate autocorrelation test.

e. Panel-Data Linear Regression

$$PBV\_it = 2.788 - 0.078CETR\_it - 4.622BTD\_it + 6.609ROA\_it + e\_it$$

1) The constant is 2.788 when the Cash Effective Tax Rate, Book-Tax Difference, and Return on Assets are all equal to zero. Under these conditions, firm value is 2.788.
2) The tax-avoidance coefficient (CETR) indicates that a one-unit increase in tax avoidance decreases firm value by 0.078, holding the other variables constant.
3) The tax-aggressiveness coefficient (BTD) indicates that a one-unit increase in tax aggressiveness decreases firm value by 4.622, holding the other variables constant.
4) The profitability coefficient (ROA) indicates that a one-unit increase in profitability increases firm value by 6.609, holding the other variables constant.

f. Coefficient of Determination (R-squared)

Table 7. Coefficient of Determination Test Results

Weighted Statistics	
R-squared	0.9260
Adjusted R-squared	0.9062

As shown in Table 7, the adjusted R-squared value is 0.9062, or 90.62%. This result indicates that, after correcting for heteroskedasticity using Cross-section Weights, tax avoidance, tax aggressiveness, and profitability jointly explain 90.62% of the variation in firm value, while the remaining 9.38% is explained by factors outside the model that were not examined in this study. The panel-data regression model therefore has very high explanatory power for firm-value variation among non-cyclical companies listed on the Indonesia Stock Exchange from 2020 to 2024. The high adjusted R-squared also indicates that the combination of the three independent variables represents the conditions affecting firm value well within the research sample. Nevertheless, a small portion of firm-value variation is influenced by factors outside the model, including dividend policy, capital structure, company size, corporate-governance quality, macroeconomic conditions, and market sentiment. The findings should therefore be interpreted with these external factors in mind.

4.4. Discussion

a. Effect of Tax Avoidance (X1) on Firm Value

Tax avoidance, proxied by CETR, has a coefficient of -0.078 and a probability value of 0.559. The negative sign indicates a negative relationship between tax avoidance and firm value; however, the probability value is substantially above the 0.05 significance level, indicating that the effect is not statistically significant. Thus, the first hypothesis is accepted. This result is consistent with (Yuliandana et al., 2021), who also found a negative but nonsignificant relationship between tax avoidance and firm value. The

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nonsignificant effect suggests that investors in non-cyclical companies do not yet treat the level of tax avoidance as a primary consideration when assessing company prospects, possibly because the observed tax-avoidance practices remain within reasonable and lawful limits. This interpretation is reflected in the sample's mean CETR of 0.27, which exceeds the applicable corporate income tax rate of 22%. The result is consistent with agency theory, under which investors respond negatively to managerial actions that may harm shareholders, but such a response becomes significant only when tax avoidance is extreme or creates a tangible litigation risk. The findings also indicate that tax avoidance measured by CETR remains at a level investors consider acceptable among non-cyclical companies. As long as a company's tax strategy does not violate tax regulations or create substantial legal consequences, investors tend to focus more on the company's ability to generate earnings and sustain business growth than on the amount of tax paid. However, this finding differs from (Panggabean & Ritonga, 2024), who reported a significant effect, although the direction of their finding was likewise negative. Accordingly, information concerning the level of tax avoidance has not become a primary signal in determining firm value in this sector. These findings also indicate that the Indonesian capital market increasingly considers the quality of corporate governance when evaluating investment decisions. Investors assess not only the amount of earnings generated but also how those earnings are obtained. When higher earnings are achieved through excessively aggressive tax strategies, investors may view the resulting economic benefits as insufficient to offset the potential future risks. Consequently, firm value may decline in response to investors' heightened risk perceptions.

b. Effect of Tax Aggressiveness (X2) on Firm Value

Tax aggressiveness, proxied by BTD, has a coefficient of -4.622 and a probability value of 0.001. The negative sign indicates a negative relationship between tax aggressiveness and firm value, while the probability value below the 0.05 significance level indicates that the effect is statistically significant. Thus, the second hypothesis is accepted. This result is consistent with signaling theory, under which investors interpret aggressive tax actions as a negative signal of weak corporate governance and limited transparency, thereby reducing market valuation. The finding differs from (Dini et al., 2026) and (Rahma et al., 2023), who reported nonsignificant effects, but is directionally consistent with the argument of (Cerqueira et al., 2022) that tax aggressiveness has a tangible effect on market valuation, although their study reported a positive direction. Differences in direction and significance across studies reinforce the view that investor reactions to tax aggressiveness depend heavily on the capital-market context and the strength of corporate-governance oversight in each country. In Indonesia, particularly in the non-cyclical sector, the present findings indicate that investors are sensitive to the negative signals associated with aggressive tax practices. The results further show that tax aggressiveness is perceived differently from tax avoidance. Although both are components of corporate tax strategy, tax aggressiveness generally represents greater risk because it makes more intensive use of differences between accounting and tax rules. Investors may therefore view such practices as increasing the likelihood of tax disputes, administrative sanctions, or reputational damage if the company's tax strategy is challenged by the tax authorities.

These findings also indicate that the Indonesian capital market increasingly considers corporate-governance quality when evaluating investment decisions. Investors assess not only the amount of earnings generated by a company but also how those earnings are obtained. When earnings growth is achieved through an excessively aggressive tax strategy, investors may regard the economic benefits as disproportionate to the risks that may emerge in the future. Firm value therefore declines in response to higher perceived investor risk. The findings imply that companies must balance tax efficiency with compliance with tax regulations. Although an aggressive tax strategy may provide short-term benefits through lower tax expenses, it may undermine investor confidence and reduce firm value in the capital market over the long term.

c. Effect of Profitability (X3) on Firm Value

Profitability, proxied by ROA, has a coefficient of 6.609 and a probability value of 0.000. The positive sign indicates a positive relationship between profitability and firm value, while the probability value far below the 0.05 significance level indicates that the effect is statistically significant. Thus, the third hypothesis is accepted. This result is consistent with signaling theory: high profitability provides investors with a positive signal regarding managerial efficiency and the company's growth prospects (Isniawati, 2026), thereby

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increasing market valuation. The finding is consistent with (Setyawan, 2021), who also reported a positive and significant effect, but differs from (Santi & Sudarsi, 2024), who found a positive but nonsignificant effect, and from (Ariani & Diandra, 2024), who reported a negative effect. The difference from (Ariani & Diandra, 2024) may be attributable to differences in sector and research period. The present findings confirm that, in the non-cyclical sector, a company's ability to generate earnings from its assets is a primary consideration for investors, particularly because this sector requires consistent operating efficiency amid stable but competitive product demand. High profitability demonstrates that a company can use its assets efficiently to generate earnings. This capability gives investors confidence that the company has favorable business prospects and can generate future cash flows. Accordingly, the market generally responds positively to higher profitability through increased demand for the company's shares, which in turn increases firm value.

The results also show that profitability is more influential than tax-avoidance policy in shaping investment decisions. Investors tend to place greater emphasis on a company's ability to generate sustainable earnings than on the extent of its tax efficiency. This condition indicates that operating performance remains the primary basis for market perceptions of firm value. For non-cyclical companies, maintaining profitability is particularly important because the sector faces intense competition and must ensure a stable supply of essential consumer goods. Companies that generate consistent earnings earn greater investor confidence and therefore have stronger opportunities to increase firm value. Improving operating efficiency and optimizing asset management are consequently more effective strategies for increasing firm value than focusing solely on tax-expense savings.

d. Joint Effect of X1, X2, and X3 on Firm Value

The F-test was used to determine whether the independent variables jointly have a significant effect on the dependent variable by comparing the F-statistic probability with the 0.05 significance level. The F-statistic is 46.827, with a probability value of 0.000, which is below 0.05. Therefore, tax avoidance proxied by CETR, tax aggressiveness proxied by BTD, and profitability proxied by ROA jointly have a significant effect on firm value (PBV) among non-cyclical companies listed on the Indonesia Stock Exchange from 2020 to 2024. The relatively large F-statistic of 46.827 also indicates that the regression model has strong overall explanatory power; that is, the combination of the three independent variables is relevant for explaining variations in firm value in the non-cyclical sector during the observation period. These findings confirm that corporate tax policy, in the form of both tax avoidance and tax aggressiveness, together with profitability, collectively constitutes an important set of factors considered by investors when evaluating the prospects of non-cyclical companies, even though not all variables have a significant partial effect, as shown by the t-test result for tax avoidance.

V. Conclusion

This study examined the effects of tax avoidance, tax aggressiveness, and profitability on the firm value of non-cyclical sector companies listed on the Indonesia Stock Exchange from 2020 to 2024. The sample comprised 41 companies selected through purposive sampling, and the data were analyzed using panel-data regression with the Fixed Effect Model (FEM). The results show that tax avoidance has a negative but nonsignificant effect on firm value, tax aggressiveness has a negative and significant effect, and profitability has a positive and significant effect. Simultaneously, the three variables significantly affect firm value. The adjusted R-squared of 90.62% indicates that the model has very strong explanatory power for variations in firm value in the non-cyclical sector during the observation period. This study reinforces the relevance of signaling theory and agency theory in explaining the relationship between tax policy and firm value. Tax aggressiveness acts as a negative signal that can reduce firm value, whereas profitability acts as a positive signal that can increase firm value. Conversely, the nonsignificant effect of tax avoidance indicates that investors do not automatically interpret every form of lawful tax planning as a negative signal, provided that the actions remain within reasonable legal boundaries. The study also enriches the still-limited taxation literature on Indonesia's non-cyclical sector.

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Managers of non-cyclical companies should avoid excessively aggressive tax practices because such practices can reduce firm value from investors' perspective. Management should instead prioritize transparent tax policies and improved profitability as principal strategies for increasing firm value. The findings may also assist investors and capital-market analysts in evaluating the quality of tax governance among non-cyclical companies before making investment decisions. This study is limited by its focus on a single sector, namely the non-cyclical sector, and by the relatively short observation period of 2020-2024. The results therefore cannot yet be generalized to other sectors. Future research should expand the sectoral coverage and observation period and consider moderating variables such as corporate governance to deepen understanding of the relationship between tax policy and firm value.

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