

ABSTRACT

This study aims to examine the effect of tax avoidance on firm value and the moderating roles of independent commissioners and internal control quality in non-financial companies listed on the Indonesia Stock Exchange. This study is grounded in agency theory, which explains that information asymmetry arising from tax avoidance behavior potentially undermines firm value, while strong corporate governance mechanisms are hypothesized to moderate such negative effects. This study extends the framework of Lv et al. (2025) in the context of the Indonesian capital market by employing an internal control quality proxy based on Bloomberg's Governance Quality Score as validated by Lusk and Wells (2021).

This study uses secondary data from financial statements and Bloomberg data of 59 non-financial companies listed on the Indonesia Stock Exchange for the period 2022–2024, selected through purposive sampling, resulting in 177 observations. Tax avoidance is measured using Current ETR, firm value using Tobin's Q , independent commissioners using the proportion of independent commissioners to total board members, and internal control quality using IQS derived from reverse scoring of Bloomberg's GQS. Data analysis employs three-equation panel data regression estimated using Fixed Effect Model with Panel EGLS Cross Section Weights in EViews 13, following the Chow test, Hausman test, and classical assumption tests, all of which were satisfied.

The results indicate that tax avoidance does not have a significant direct effect on firm value, leading to the rejection of the first hypothesis, suggesting that the Indonesian capital market has yet to treat tax behavior as a primary signal in firm valuation. Independent commissioners are proven to moderate the relationship between tax avoidance and firm value with a positive and significant interaction coefficient, indicating that a higher proportion of independent commissioners effectively weakens the negative impact of tax avoidance on firm value, thus the second hypothesis is accepted. Internal control quality is also proven to moderate the relationship with a negative and significant interaction coefficient, indicating that higher internal control quality effectively mitigates tax avoidance risk in the eyes of investors, thus the third hypothesis is accepted. These findings imply that the impact of tax avoidance on firm value is conditional and dependent on the quality of corporate governance.

Keywords: Tax Avoidance, Firm Value, Internal Control Quality, Independent Commissioners.