ABSTRACT

This study aims to investigate the effect of tax avoidance on firm value with the mediating role of agency cost and moderating role of family ownership. Firm value is measured with Tobin’s Q, tax avoidance was measured with effective tax rate and agency cost was measured with asset turnover or sales to total ssset ratio. This research adopted F-PEC index developed by Astrachan, Klein, & Smyrnios (2002) to measure family ownership.

Population of this research were non financial firms listed on IDX. Samples were taken for the year 2012-2016 and was collected by purposive sampling method where researcher established some criteria to be the research data. Panel data analysis on Eviews 10 was used to test the research data.

This research find that tax avoidance significantly have positive effect on firm value. The results of this research prove that investor in Indonesia react positively to tax avoidance or do not consider tax avoidance practice as long as their interests are met. Furthermore, tax avoidance significantly have negative effect on agency cost, and agency cost significantly have negative effect on firm value. Tax avoidance negatively affects the agency costs because in doing tax avoidance, the agent strives to fulfill the principal's interests by providing higher after-tax profits, so that the interests of both parties are met and the conflicts and agency costs are likely to decrease. The path analysis result do not proven that tax avoidance have indirect effect on firm value through agency cost. Another finding is family ownership does not moderate the effect of tax avoidance on firm value. There are no different effect related to tax avoidance and firm value between low family ownership and high family ownership.

Keywords: tax avoidance, firm value, agency cost, family ownership