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Tax Planning Activities and Firm Value (Study In Indonesia Consumer Goods Companies Listed in IDX Period 2016 to 2020)

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ABSTRACT

The objective of this research is to examine the effect of tax planning measured by using three proxies (tax per share, effective tax rate, and book-tax differences per share) on the firm value. The study's total sample was 27 companies in Consumer Goods sector listed on Indonesia Stock Exchange between 2016 to 2020, with total of 135 observation. The sample was selected using purposive sampling method and the analysis technique used panel data regression with the Eviews-10 application. The findings of this study reveal that: Model 1 that using tax per share has a positive and significant effect on firm value which suggests that tax planning has a negative impact on firm value. Model 2 that using effective tax rate has no significant effect on firm value which indicates that no influence of tax planning on firm value. Model 3 that using book-tax differences per share has a positive influence on firm value which means that tax planning positively affects firm value.

Keywords: tax planning, firm value,

INTRODUCTION

The business uses strategies for tax planning and tax avoidance in an effort to reduce its tax liability. Tax planning, according to Larking (2005), refers to the actions taken by taxpayers to reduce their tax obligations. Zain (2007) defined tax avoidance as a process of identifying holes in tax law provisions that are then processed in order to identify a tax avoidance strategy that can significantly reduce the amount of taxes paid. According to that view, tax planning and tax avoidance both objectives to lower the amount of tax liability, but tax avoidance is more extensive because the effort is made in accordance with current regulations. Because it still complies with tax rules, this mechanism is lawful.

Opposite to tax evasion, as defined by Mclyntre (2000), which is the practice of not declaring income or declaring income whose value is false. The tax authorities do not permit this mechanism because it disobeys the laws already in place, making it possible to impose the current penalties. especially when assets or goods are being hidden or smuggled (smuggling or dissimulating goods or assets). Tax planning and tax avoidance are therefore legal under the law, whereas tax evasion is illegal because it involves concealing information.

One of case of tax avoidance that ever happened in Indonesia is, occurred at PT Coca-Cola Indonesia (CCI). During 2014, PT CCI is suspected of avoiding taxes by the directorate general of taxes, the company underpaid the tax with the amount of Rp49,24 billion. This case is now going to be appealed to the Tax Court. PT CCI filed an appeal because it felt that it had already paid taxes according to the provisions. This case happened on the fiscal years 2002 until 2006. The results of the investigation by the Directorate General of Taxes, Ministry of Finance discovered that during that year there was a significant rise in costs. (Kompas, 2014)

Firm value is notable aspect from an investor's point of view. The company value assessment ratio provides information on how much investors value the company, so that investors are interested in buying shares with the high ratio of the firm value which mean the firm is good enough. During the COVID-19 pandemic, there was a drastic decline in global stock prices, which means that the book value of these shares is greater than the market price of these shares.

According to CNN (Jakarta, November 30th 2020) The IDX Composite decreased by 2.96 percent to 5,612 positions due to Covid-19 on Monday (30/11). The decline in the stock index was the worst during November 2020. However, at the closing date year 2020 the stock index rebound

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to 5,970 position. The decline in 2020 was due to a decrease in the number of people investing in stocks. Furthermore, the decreasing value of people's welfare and purchasing power as a result of COVID-19 is due to lower income and layoffs by businesses in order to survive the pandemic.

According to the value significance literature, firm value can be calculated in a number of ways. This line of inquiry focuses on determining whether accounting numbers accurately represent the information used by equity holders. There are many variables that are not yet reflected in financial statements, such as those mentioned by Barth et al (2001), but that can help explain or predict the future value of a firm. The market values of equity shares are a widespread basis for determining a company's value. The idea of capital market efficiency, which in its extreme form is when prices fully reflect all available information, is tied to how much financial accounting information is reflected in share prices (Fama, 1970).

Kirkpatrick's (2020) study was replicated in these research. The distinction is that this study uses only aligned shareholder interest theory to forecast the positive influences on firm value. Moreover, this study only focuses on identifying the positive impact between tax planning and firm value on consumer goods sector in Indonesia Stock Exchange. Since Kirkpatrick's (2020) study using the period of 2006 until 2010, this study aims to renew the periods to 2016 to 2020. Years 2016 to 2020 is an appropriate era for research because it is a new period and similar studies have never been undertaken utilizing samples from 2016 to 2020.

The Covid-19 pandemic has had an impact on global stock exchanges. Almost all global stock market index returns have fallen, including those on Indonesian stock exchanges. The property and real estate sector experienced the greatest decline in 2020, falling by -36.09 percent. In comparison to the benchmark index (JCI and LQ45), the consumer goods sector, on the other hand, performed relatively well. Since the pandemic emerged in Indonesia in March 2020, the primary performance of consumer goods firms has had a minor influence. When compared to other industries, its stock price changes are likewise more limited during this epidemic (Qolbi, 2020). In 2020, from 57 companies in consumer goods sector, only seven companies suffer losses in the financial statement.

In fact, consumer goods are a robust sector since the research included the pandemic era period. The other reason why this research subject is consumer goods companies because the human need for consumer goods is very enormous. Consumer goods is also an industry that continues to grow and is consistent because it is the primary need of every human being. Moreover, Consumer goods companies are one segment of the business with bright prospects and a high level of resistance to crises such as the COVID-19 pandemic. Consumer goods companies products are everyday necessities for a large portion of the population.

Many studies have been done regarding several factors that affect firm value which are Effective Tax Rate (Kirkpatrick, 2020) (Assidi, 2016) (Khaoula, 2019) (Kiesewetter, 2017) (Nafti, 2020) (Khoula, 2015) (Nwobia, 2016), Boox Tax Difference (Chen et al, 2014) (Santana, 2016), and Cash Effective Tax Rate (Nugroho & Agustia, 2018). However, none of them conducted research in 2020 which is when the COVID-19 pandemic occurred in global. Futhermore, the research subject of the previous study very broad and not the specific sector. This study focuses on consumer goods sector because consumer goods sector have high level of resistance to the crisis such as COVID-19 pandemic in accordance with the level of high human primary needs. Many previous studies have shown inconsistent results. Therefore, in this study, the factors that affect firm value will be tested again. Namely tax planning which are using three proxies (TaxPS, ETR, and BTD) and consumer goods companies listed in IDX period 2016 to 2020 will be the research subject.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Based on aligned shareholder interest theory, this study examines the connection of tax planning on firm value. Firm value is the study's dependent variable. This study's independent variable is tax planning, which will be evaluated through the use of three proxies: tax per share (TaxPS), effective tax rate (ETR), and book-tax differences per share (BTDPS).

Past research demonstrates that shareholder and manager interests being aligned is a crucial aspect in comprehending corporate tax avoidance (Desai & Dharmapala ,2006; Wilson ,2009; Chen et al ,2010; Rego & Wilson ,2012; Bauer, 2015). This classic view posits that managers' objectives

and decision-making are linked with the bigger shareholders' interests in order to minimise tax burden and maximize after-tax profits (Kirkpatrick, 2020). This theory of tax planning put forth by Allingham & Sandmo (1972) and Crocker & Slemrod (2005) which stated that a manager who earns income or shareholders is motivated to pay the least amount of tax and the risk of infringement penalties is the only thing that will prevent tax planning activities. It is presumed that the managers hold confidential information regarding the extent of legally acceptable reductions in taxable income, and that they may also inflate the firm's taxable income by illegal evasion. The form of the compensation arrangement influences the managerial incentives to engage in tax planning. (Crocker & Slemrod, 2005)

According to Nyberg & Fulmer (2010), incentive alignment is comprised of two related components. First, financial alignment, in which a manager's economic rewards correlate to those of the owners via ownership and compensation. Second, alignment of decision-making, in which managers' decisions become more aligned with shareholder interests and are still motivated by self-interest that is more consistent with shareholder interests. Research done by Hanlon & Heitzman (2010) stated that managerial incentives, such as tying remuneration to after-tax profits or share price, may help to align managers and wider shareholders' interests. The corporation has an incentive to link the agent's remuneration to outcomes that affect the after-tax profitability of the firm in order to match the incentives of decision-makers with those of shareholders. Hanlon & Heitzman (2010) found that after-tax performance-based incentives align the interests of managers and shareholders. The more post-tax incentives a company uses, the more tax-avoidance actions it should do.

Our research believes that tax planning and firm value are associated. This can be demonstrated by a scenario in which management wants to minimize tax liabilities in accordance with the expectations of its shareholders by tying remuneration to after-tax profits or share price. The outcome will be an increase in after-tax income, which has an impact consistent with the increase in the firm value. This theory follows the concept of the Kirkpatrick (2020) research which stated that there is an association of tax planning and firm value if the alignment of interest between managers and shareholders is in line to reduce the tax expenses.

Three distinct proxies are used in this research to examine the impact of tax planning on the value of firms. Each measurement of tax planning has a different effect and direction on firm value. The difference in direction occurs because each proxy has its own perspective on the results of its measurements which will be explained in the explanation of each hypothesis. First, tax per Share describes the tax expense of a company divided by share outstanding. If the value of tax per share is low, tax planning is carried out effectively. As a result, it is believed that there is a negative correlation between TaxPS and firm value. To conclude, the tax planning is positively affecting the firm value. However, according to Kirkpatrick (2020) tax per share indicate that tax planning has only a negligible influence on firm value.

According to the theory put forth by Hanlon & Heitzman (2010) found that after-tax performance-based pay incentives align the interests of managers and shareholders. Therefore, businesses that use more post-tax incentives should engage in more tax-avoidance activities. This classic theory assumes that managers' goals and choices are in line with the interests of all shareholders to reduce tax obligations and increase after-tax profit (Kirkpatrick, 2020). Based on this description, the following is the research hypothesis:

H1a: There is a positive effect of tax planning proxied by Tax per share (TaxPS) on firm value

Second, the effective tax rate describes how much the company pays taxes if it is scaled with its pre-tax income. When the value of ETR is lower, corporate tax planning is at its best. The comprehensive tax planning of a company will affect its value. As a result, it is believed that there is a negative correlation between ETR and firm value. To conclude, the tax planning is positively affecting the firm value. This situation can also be supported by align shareholder interest theory which stated that the alignment of desires between shareholders and management to minimize the tax burden. ETR is found to be negative correlated with firm value (Kirkpatrick, 2020; Khoula, 2015) Based on this description, the following is the research hypothesis:

H1b: There is a positive effect of tax planning proxied by Effective Tax Rate (ETR) on firm value

Third, the comparison between fiscal profit and commercial profit also known as book tax difference, which is scaled using outstanding share. The effectiveness of tax planning is indicated by a higher BTDPS number, and vice versa. When the value of BTDPS is high, corporate tax planning is at its best. The tax planning of a company will affect its value to increase. As a result, it is believed that there is a positive correlation between BTDPS and firm value. To conclude, the tax planning is positively affecting the firm value. Empirical findings by Kirkpatrick (2020) documents that BTDPS in static panel analysis have positive effect on firm value. These findings raise the possibility that managers are aiming to maximize after-tax cash flow and that shareholders gave them the necessary incentives. Shareholders typically offer incentives connected to after-tax profits or share prices to accomplish this goal. (Hanlon & Heitzman, 2010). Moreover, tax planning using BTD have a positive relationship to firm value (Khoula, 2019; Wisti et al, 2021; and Ayu and Ernandi, 2020). Based on this description, the following is the research hypothesis:

H1c: There is a positive effect of tax planning proxied by Book Tax Differences Per Share (BTDPS) on firm value

RESEARCH METHOD

Nature of Research

Method of this research is quantitative. Quantitative research is characterized using empirical techniques and asserts. (Cohen, 2018). This research use explanatory research approach which evaluating a theory or hypothesis to strengthen or even deny the theories and hypotheses of current research findings. The data used in this research is longitudinal or can be said as data panel. According to Kuncoro (2009) data panel is integration between cross-section (Consumer goods companies listed in IDX) and time-series (Data from 2016 until 2020) data.

Population and Sample

The population of this study is all consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2020, representing companies operating before and during the COVID-19 pandemic. Consumer goods companies provide the human need for consumer goods. Moreover, consumer goods companies are one segment of the business with bright prospects and a high level of resistance to crises such as the COVID-19 pandemic.

In this study, purposive sampling was used. Purposeful sampling was used to ensure that the sample analyzed met the criteria and requirements of the researcher. The sample is determined using the following criteria:

1. Consumer Goods company listed on IDX during the period 2016 to 2020
2. Issued financial statements for the period 2016 until 2020 respectively
3. Using the rupiah currency in its financial statements
4. Have positive income
5. All data required for the calculation of the research are provided in financial statements.

Firm Value

The variable to be studied in this research is firm value, which is defined using Market Value Equity per Share (MVES) proxy. When using accounting data, there's also the difficulty of eliminating scale effects by using scalars as number of shares or book value of assets (Barth & Clinch, 2009; Shen & Stark, 2013). When it refers to limiting scale effects, Barth & Clinch (2009) note that the number of shares is a preferable scalar than, perhaps, the book value of equity.

$$MVES = \frac{Market\ Value\ of\ Equity}{Share\ Outstanding}$$

Tax Planning

This research uses three proxies to define tax planning which are ETR, BTD, and TaxPS. There are many ways to calculate tax planning, one of which is by using the ETR proxies. ETR has been used in the previous studies regarding factors that influence firm value such as Kirkpatrick (2020), Assidi (2016), Khoula (2019), Khoula (2019), Kiessewetter (2017), Nafti (2020), Khoula (2015), and Nwobia (2016). ETR is a method that is used to measure a company's tax performance.

This proxy is the most accurate for determining the real corporate tax liabilities. In order to calculate the ETR, researcher use the following formula:

$$ETR = \frac{Tax\ Expense}{Income\ PreTax}$$

Book-tax income variations are primarily attributable to how revenues and expenses are recognized and measured to compute both pre-tax book income and taxable revenue. The tax income is derived from the specified tax expense and the current corporate income tax standard rate. According to Kirkpatrick (2020) analyzing BTD may be crucial to examine whether book income or taxable income is more tightly connected to share market values. In order to calculate the BTDPS, researcher use the following formula:

$$BTDPS = \frac{Book\ Tax\ Differences}{Outstanding\ Shares}$$

The other proxies to determine tax planning is by using Tax per share (TaxPS). Tax per share is computed by dividing the tax expenses amount in the annual income statement by the outstanding shares (Kirkpatrick, 2020). The researcher use the following formula:

$$TaxPS = \frac{Tax\ expense}{Outstanding\ Shares}$$

Panel Regression Analysis

The panel regression model analysis was employed in this study after determining which model, Common, Fixed, or Random Effect, best suited the models. For the purposes of this experiment, the following regression equation was employed:

Model (1) $MVESi,t = \beta + \beta1TaxPSi,t + \beta2BVESi,t + \beta3LTDPSi,t + \beta4SalesPSi,t + \varepsilon i,t$

Model (2) $MVESi,t = \beta + \beta1ETRi,t + \beta2BVESi,t + \beta3LTDPSi,t + \beta4SalesPSi,t + \varepsilon i,t$

Model (3) $MVESi,t = \beta + \beta1BTDPSi,t + \beta2BVESi,t + \beta3LTDPSi,t + \beta4SalesPSi,t + \varepsilon i,t$

Information:

MVES : Firm Value (Market Value of Equity Per Share)
β : Constant
β1, β2, β3, β4 : Coefficient of Regression
ε : Res Error
TaxPS : Tax per Share
ETR : Effective Tax Rate
BTDPS : Book-Tax Difference Per Share
BVES : Book Value of Equity Per Share
LTDPS : Long-term Debt Per Share
SalesPS : Sales Per Share

RESULT AND DISCUSSIONS

Data Sampling

This study focuses on consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2020. In addition, purposive sampling was used to choose the sample for this research. Approximately 30 companies do not fit the criteria for a variety of reasons, including losses in 2019 and 2020 due to the covid-19 pandemic, no current income tax, stock prices not available from 2016 to 2020, failure to issue financial statements in certain years, and failure to use the rupiah currency (IDR). Ultimately, 27 companies in the consumer goods sector were chosen as matching the research requirements. This study involves gathering data from 27 firms during a five-year timeframe from 2016 to 2020. As a result, 135 observations will be made in this study.

Table 1
Data Sampling

No	Standards	Amount
1.	Consumer goods companies listed on the Indonesia Stock Exchange for the period 2016-2020 that published audited financial statement ended December 31	57
2.	Issued financial statements respectively for the period 2016 until 2020	57
3.	Using the rupiah currency in its financial statements	57
4.	Have positive income or not suffer loss	(20)
5.	All data required for the calculation of the research are provided in financial statements.	(10)
	Total	27 x 5 years = **135 observations**

Regression Model Selection

Three model approaches can be used to estimate the panel data regression model: the common effect model, fixed effect model, and random effect model. The panel data regression model will be estimated using the best of the three models. A series of tests must be completed in order to determine which model to use, including:

Chow Test

Table 2
Chow Test

Equation	Effect Test	Statistic	d.f	Prob.
Model 1 (TaxPS)	**Cross-Section F**	5.329815	(26,104)	0.0000
	Cross Section Chi-square	114.334307	26	0.0000
Model 2 (ETR)	**Cross-Section F**	12.132532	(26,104)	0.0000
	Cross Section Chi-square	188.263370	26	0.0000
Model 3 (BTDPS)	**Cross-Section F**	5.580395	(26,104)	0.0000
	Cross Section Chi-square	117.912307	26	0.0000

Table 3 displays the results of the F statistical test, which indicates that the probability value of the F cross-section for all three models is 0.000 (TaxPS, ETR, and BTDPS). As displayed in table 4.3, the Fixed Effect Model is chosen since the probability value is less than the significance level of 0.05. In order to determine whether the Fixed Effect Model or Random Effect Model provides a more accurate approximation of the regression model, the Hausman test must be utilized

Hausman Test

Table 3
Hausman Test

Equation	Test Summary	Chi-Square Statistic	d.f	Prob.
Model 1 (TaxPS)	**Cross-Section Random**	13.216584	4	0.0103
Model 2 (ETR)	**Cross-Section Random**	51.690200	4	0.0000
Model 3 (BTDPS)	**Cross-Section Random**	22.742655	4	0.0001

A random cross-section of each model has the following probability values: model 1 probability value 0.0103, model probability value 2 0,0000, and model 3 probability value 0,0001. Table 4.4 sums up the results of the investigation. The Fixed Effect Model is utilized since the probability value is less than 0.05. Models 1 through 3 were estimated using a fixed-effect model.

Regression model estimates can be made by using fixed effect technique without weighting or the Ordinary Least Square (OLS), as well as with weighting (cross section weight) or the General Least Square (GLS). For panel data, Gujarati (2009) claims that the GLS methodology is superior than OLS in terms of accuracy and consistency. As the result, this research will use Fixed Effect Model weighted cross section (GLS) for all models to obtain more consistent result.

Wilcoxon Test

Table 4
Wilcoxon Test

TaxPS	**Probability**	0.4063
ETR	**Probability**	0.1236
BTDPS	**Probability**	0.4889

The probability of Wilcoxon test of each tax planning proxy are as follows: For model 1 TaxPS 0.4063>0.05, model 2 ETR 0.1236>0.05, and model 3 BTDPS 0.4889>0.05. The probability value across all proxies greater than the significance level of 5 percent. This result is consistent with the fact stated by Qolbi (2020) that consumer goods sector is less impact to the COVID-19 pandemic than the other sector. This means there is no issues when combining the period before and during COVID-19 pandemic since this research use consumer goods as the object of the research.

Coefficient of Determinants

Table 5
Coefficient of Determinants

Model 1	**R-squared**	0.960419
	Adjusted R-squared	0.949001
Model 2	**R-squared**	0.963763
	Adjusted R-squared	0.953311
Model 3	**R-squared**	0.953380
	Adjusted R-squared	0.939931

Model 1 consist of: TaxPS, BVES, LTDPS, and SalesPS had a combined influence of 94,9% on MVES. Model 2 consist of: ETR, BVES, LTDPS, and SalesPS had a combined influence of 95,3% on MVES. Model 3 consist of: BTDPS, BVES, LTDPS, and SalesPS had a combined influence of 93,99% on MVES.

F Test

Table 6
F Test

Model 1	**F-statistic**	84.11743
	Prob(F-statistic)	0.000000
Model 2	**F-statistic**	92.20103
	Prob(F-statistic)	0.000000
Model 3	**F-statistic**	70.89267
	Prob(F-statistic)	0.000000

This test examines how far the independent variables contribute to the dependent variables in the models. Table 4.8 reveals that model 1's F_{count} value is 84.11743, model 2's F_{count} value is 92,20103, and model 3's F_{count} value is 70,89267 simultaneously with 0.000 Prob(F-statistic). From the F table 0,5 it can be seen that the value of F0.05;4;131 is 2,44 and the significance level use is 5%. For model 1, F_{count} value 84,11743>F_{table} 2,44. For model 2, F_{count} value 92,201033>F_{table} 2,44. While, for model 3 F_{count} value 70,89267>F_{table} 2,44. Consequently, when all models are

considered, it is possible to say that the independent variables influence the dependent variable in the following way: Model 1, TaxPS, BVES, LTDPS, and SalesPS all variables have an impact on the MVES variable. Model 2, ETR, BVES LTDPS, and SalesPS all variables have an impact on MVES variable. Model 3, BTDPS, BVES, LTDPS, and SalesPS all variables have an impact on MVES variable.

T Test

Table 7
T Test

Model	Variable	Coefficient	Std. Error	t-Statistic	Prob.
Model 1	(Constant)	-3567.470	903.5059	-3.948475	0.0001
	TaxPS	25.51200	3.133024	8.142933	0.0000
	BVES	1144.800	165.3092	6.925201	0.0000
	LTDPS	-0.752942	0.233863	-3.219583	0.0017
	SalesPS	10867.03	2462.418	4.413152	0.0000
Model 2	(Constant)	2764.461	1038.178	2.662800	0.0090
	ETR	-199.2422	687.1733	-0.289945	0.7724
	BVES	541.4794	188.8885	2.866661	0.0050
	LTDPS	-0.390887	0.158432	-2.467212	0.0152
	SalesPS	0.102940	0.180882	0.569100	0.5705
Model 3	(Constant)	-5603.814	1001.970	-5.592794	0.0000
	BTDPS	3.365361	0.689595	4.880202	0.0000
	BVES	1669.459	172.2825	9.690241	0.0000
	LTDPS	-1.077672	0.209538	-5.143076	0.0000
	SalesPS	17546.40	2312.026	7.589189	0.0000

According to t statistical test as showed in table 4.9, Model 1 independent variable TaxPS has a probability of zero or less than 0.05. The coefficient value of 25,51200 represent the positive influence direction. To summarize, the TaxPS variable has a positive and significance effect on firm value (MVES). This means tax planning negatively affect firm value. **H1a hypothesis is rejected**

Model 2 independent variable ETR has a probability of 0,7724 or greater 0,05. The coefficient value -199,2422 shows the negative influence direction. To summarize, the ETR variable has a negative and not significance effect on firm value (MVES). This means tax planning positively effect firm value but not significance. **H1b hypothesis is rejected**

Model 3 independent variable BTDPS has a probability of zero or less than 0,05. The coefficient value of 3,365361 represent the positive influence direction. To summarize, the BTDPS variable has a positive and significance effect on firm value (MVES). This means tax planning positively effect firm value. **H1c hypothesis is accepted**

Comparison of Tax Planning Proxies

The empirical findings show that tax planning measured using BTDPS positively influence firm value while other proxies not. It can be said that only BTDPS suited the best for the model. BTDPS reflects all the information such as fiscal income, book income, and statutory tax rates. Additionally, Kirkpatrick (2020) state that the BTDPS term's input variables are computed to detect and isolate permanent differences, which are more likely to indicate tax planning actions than transient time differences.

CONCLUSION

This research examines the factors influencing firm value with three different tax planning proxies as the independent variables. This study employs a sample of consumer goods firms listed on the Indonesia Stock Exchange for 2016-2020. The consumer goods period 2016-2020 was

selected as a sample since the COVID-19 pandemic happened in 2019-2020. The selection of consumer goods samples is advantageous because consumer goods are a primary need sector everyone requires; therefore, the research results are still relevant.

The empirical findings show that tax planning measured using TaxPS negatively and significantly affects firm value. The result is not as predicted. However, the findings are consistent with previous research that stated tax planning and firm value could be negative because of interactions between tax planning and management diversion. Furthermore, tax planning using ETR proxy has a positive and insignificant effect on firm value. Although the direction of the relationship of tax planning on firm value is as predicted, the probability value shows insignificant results. Tax planning has no association to firm value can occur if the correct incentives for managers are supplied and perfectly implemented; the managers and stockholders are fully aware of the risks and benefits of avoiding taxes.

Moreover, tax planning measured using book tax difference per share positively influences firm value. The empirical results of the BTDPS measurement support the align shareholder theory, which explains that managers' interests and decision-making align with the wider shareholders' interests to minimize tax liability to maximize after-tax profit.

According to the findings, this study still has limitations that future researchers are expected to address. The empirical evidence about the influence of tax planning on firm value differs according to the proxy employed to measure this activity. Variations in tax planning proxy measurements can impact the data reported in financial analysis. This distinction, which may also influence value relevance that will explain as follows: tax per share is a measurement of tax expense but does not show tax expense as part of pre-tax profit; ETR displays the amount of tax paid as a percentage of pre-tax earnings, but it does not compare that to the legal tax rate; and BTD is based on the difference between actual tax rates and the statutory tax rates.

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