PROFITABILITY AND TAX AVOIDANCE ON COMPANY VALUE MODERATED PROFIT MANAGEMENT

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ABSTRACT
Company value is the public's view or belief in a company. A high company value indicates that the company's performance is good. Good performance will have an impact on future prospects that can be trusted by investors and the public. This study is to examine the influence of profitability, and tax avoidance on the value of companies moderated by profit management. This type of research is quantitative research. The study population is food and beverage companies listed on the Indonesia Stock Exchange for the 2021-2023 period. Sampling techniques based on cretaria. The number of samples in this study is 60. The data analysis technique uses Moderated Regression Analysis (MRA). The results of the study show that profitability and tax avoidance affect the value of the Company. Profit management moderates the relationship between profitability and tax avoidance to the value of the Company. The implication of this research is that tax avoidance and profit management can be carried out by companies within reasonable limits can increase the value of the company. The novelty of this study uses profit management as a moderation of the relationship between tax avoidance and profitability to company value.

Keywords: tax avoidance, profitability, earnings management, firm value

INTRODUCTION

The value of a company can be interpreted by analyzing the Tobin's Q ratio. Tobin's Q ratio is a ratio proposed by Tobin, which is able to describe how effective management is in managing the resources owned by the company by comparing the stock market value that is added up to debt and divided by the company's total assets. The higher the Tobin's Q ratio, the more able the company will be able to increase the company's value, (Dzahabiyya et al., 2020). The price of shares traded on the stock exchange serves as a gauge of a company's worth for those that issue shares on the capital market. A company's worth can be impacted by a number of factors, including profit management, tax evasion, leverage, and profitability.

The financial success of a firm, as shown in its financial statements, has a significant impact on whether its stock price is high or low. The better the company's financial performance, the more profitable the company will be considered by potential investors so that potential investors are willing to pay more for the company's shares. One of the ratios used to measure financial performance is ROA (Return on Asset), which is used in this study, (Dewi et al., 2019). A type of profitability ratio called return on asset ratio is used to assess a company's capacity to pay for all of the capital invested in the operations that it uses to run its business and earn a profit from the assets it owns.

Net income divided by total assets is known as ROA. The ROA variable was chosen for this study due to its various benefits, one of which being its ability to gauge the overall effectiveness of capital use, which is influenced by a variety of factors that impact a company's financial health. Furthermore, ROA is utilized to gauge a company's capacity for making money. ROA is the ratio of profit after tax to total assets. With this ratio, the author can take into account the company's ability to use assets obtained from its own capital (equity) and other parties (liabilities).

LITERATURE REVIEW

Companies generally seek to increase the value of the company every period because the high value of the company, which is reflected in the share price, will be able to increase prosperity for the shareholders. This affects shareholders' ability to keep their investment and prospective investors' desire to put money into the business. Various efforts are made by the management to increase the company's value, one of which is by reducing tax costs that can affect the company's value. One way to streamline the tax burden is through tax avoidance (Tax avoidance), (Salma & Riska, 2020).

According to (Manurung & Simbolon, 2020) said that tax avoidance, which is also referred to as tax avoidance, is the process of controlling actions to avoid the consequences of unintended tax imposition. Tax avoidance is an act of tax saving that is still in the corridor of legislation (lawful fashion). This indicates that there is no breaking of the law; rather, tax savings will be realized by controlling the facts in a way that prevents the imposition of a higher or entirely non-taxable tax, so regulating actions that evade the application of tax imposition.

The next factor that can affect the value of a company is profit management. Profit management is one of the accounting strategies used to manage financial statements. According to (Indra Kusuma & Mertha, 2021) Profit management is related to the selection of accounting methods carried out by managers in financial reporting to increase profits or decrease profits to suit the interests of the company and the parties involved. Profit management is very important in a company because it can develop a business strategy and can help businesses to survive and grow. In addition, profit management can also identify what aspects need to be improved. In this study, profit management is proxied with discretionary accruals using the accrual component in managing profits because the accrual component does not require physical cash evidence. Attractive profit management is used as a moderation variable because profit management can provide an overview of a company's financial statements, it can be considered a signal for investors in assessing the company's good or bad performance and becoming a source of income for investors.

Tax avoidance is the ability of a company to meet its short-term obligations in a timely manner. Liquid companies will be trusted by investors because they are considered good company performance (Santania & Jonnardi, 2020). This is important to note, as failure to pay obligations can lead to the bankruptcy of the company. A high level of tax avoidance shows that the company is in good condition to be able to meet its short-term obligations. An increase in stock price will certainly increase the company's value. Higher tax avoidance will cause the company's value to be higher and vice versa, the lower the tax avoidance, the lower the company's value. This will have a big impact on the company's value in front of investors in making decisions.

HYPOTHESIS

Research conducted by (Sintarini & Djawoto, 2018), (Wardani & Juliani, 2018), (Nusa et al., 2020) stated that *Tax avoidance* has a significant effect on the company's value. However, according to (Santania & Jonnardi, 2020) stated that *Tax avoidance* has a negative and significant influence on the company's value. Based on theoretical studies, empirical studies and logical foundations, the alternative hypotheses proposed in this study are as follows:
$H_{1:}$ Tax Avodiance affects the company's value

The profitability ratio, according to Dosenekonomi (2021), is a ratio or comparison used to assess a company's capacity to turn a profit on sales, assets, and equity based on specific metrics. The type of profitability ratio is used to illustrate the amount of profit or profit from a company's performance that impacts the financial statement records that need to comply with the financial accounting requirements of the organization.

Research conducted by (Anggraini, 2020) entitled "The Influence of Profitability, Company Size, *Tax avoidance*, *Leverage*, and Inflation on Company Value" states that profitability affects company value. The research conducted (Santania & Jonnardi, 2020) entitled "The Influence of Profitability, *Tax avoidance*, and *Leverage* on Company Value" also states that profitability has a positive and significant influence on company value. However, a study conducted by (Sintarini & Djawoto, 2018) entitled "The Effect of Profitability, *Tax avoidance*, *Leverage* and Activity on the Value of Pharmaceutical Companies on the IDX" states that profitability has a non-significant effect on the value of companies in the pharmaceutical sector on the Indonesia Stock Exchange. Based on theoretical studies, empirical studies and logical foundations, the alternative hypotheses proposed in this study are as follows:
H_2: Profitability affects the value of the company

Tax planning is one of the ways carried out by management to reduce the amount of tax paid by the company. One of the strategies in tax planning is to carry out tax avoidance. Tax avoidance is an effort by companies to reduce the taxes paid by practicing legally and not contradicting the provisions of taxation of research results (Santania & Jonnardi, 2020) (Lestari & Ningrum, 2018) (Wardani & Juliani, 2018) (Nusa et al., 2020) (Nsafe et al., 2022) show that tax avoidance influences the value of companies.

Profit management is a process of taking certain steps that are deliberate in accordance with generally accepted accounting principles to change the company's profit to what it wants. Even though it is legal and looks safe, profit management has a detrimental impact on the company if the company is detected carrying out these activities. The long-term consequence for the company is that the company will lose support from stakeholders which leads to increased vigilance and suspicion from shareholders and other stakeholders.
H_3: Profit management moderates the relationship between profitability and company value

Company management that manipulates profits has an incentive to project a socially friendly image to obtain support from stakeholders (Jayastini, 2016). With this strategy, managers will reduce the possibility of being pressured due to stakeholder dissatisfaction whose interests are damaged by profit management practices.
Companies that seek to avoid taxes accompanied by profit management will have an impact on the company's financial performance in the long term, causing a decrease in the company's value.
A company that seeks to increase profitability but is accompanied by management to choose a financial policy from a certain standard to affect the profits that occur to be as the company wants can cause the company's value to decrease. Thus, profit management that moderates the influence of profitability can weaken the influence on the company's value and will cause the company's value to decrease. Research results. (Khairani, 2019) (Suliastawan & Purnawati, 2020) show that profitability has a significant positive effect on the value of the Company
H_4: Profit management moderates the relationship between tax avoidance and company value

METHODS

This study uses a quantitative method with a descriptive approach. Research methods that are based on the positivist philosophy and are utilized to study specific populations or samples are known as quantitative research methods. Sampling techniques are typically random and data is collected using research instruments. Quantitative and statistical data analysis is then performed with the goal of testing established hypotheses, (Sugiyono, 2014).
A population is a category for generalization made up of items or subjects that the researcher has chosen to study and then draw conclusions from because they possess

particular traits and attributes. All food and beverage companies listed on the IDX in 2021–2023 make up the study's population.
A sample is a set of parts/subsets of a population, the sample provides a true description of the population (Novari & Lestari, 2020). Purposive sampling, a strategy used in this study to choose the research sample with specific considerations intended to make the data collected later more representative, was used to select the sample.

The criteria needed in determining the sample are: 1. *Food and beverages* companies listed on the Indonesia Stock Exchange in 2021 – 2023. 2. *Food and beverages* companies that have profits listed on the IDX in 2021 – 20233. Food *and beverages* companies that use rupiah currency are listed on the IDX in 2021 – 2023. The sample is 20 companies, the total sample for 3 years is 60.

Table 1. Operational Definition of Research Variables

Variable	Formula	Scale
Profitability	ROA= net profit after tax x 100% / Total Aset	Ratio
Tax avoidance	Cash ETR(ETR)= Tax payment x 100% / Profit before tax	Ratio
Management profit	TAt = Net Income – Cash Flow Operations	Ratio
Company value	$Price\ to\ Book\ Value$ (PBV)= Stock market price / Book value	Ratio

Source: Processed (2024)

The data analyst technique uses *Moderated Regression Analysis* (MRA). Before MRA was carried out, the data was tested with classical assumptions consisting of normality test, autocorrelation test, multicoloniality test and hereditary test. After the classical assumption is fulfilled, a t-test is performed.

RESULTS

Classical assumption test results

Normality test results

Results of Kolmogorov Smirnov's normality (Table 2). The normality test results show a sig asymp of > 5%, this means that the data is normally distributed. In the table (Table 3), it can be seen that the VIF is below 10 and with a tolerance above 0.5, the regression model means that Multicollinearity is free. The test results (Table 4) explained that the abs sig value > 0.05 indicates that the model is free of heterokedsticity. The results of the autocorrelation test through DW, a value of 1.914 was at 1,55 – 2,46. The data are free of autocorrelation symptoms.

Table 2. Hasil uji normalitas

Variable	**Asymp test results sig.**	**information**
ROA to PBV	0,260	Normal
Cash ETR(ETR) to PBV	0,213	Normal
ROA* TAt to PBV	0,517	Normal
Cash ETR* Tat to PBV	0,687	Normal

Source: processed (2024)

Table 3. Multicollinearity results

Variable	Vif	
ROA to PBV	2,422	Free Multicollinearity
Cash ETR(ETR) to PBV	2,428	Free Multicollinearity
ROA* TAt to PBV	3,878	Free Multicollinearity
Cash ETR* Tat to PBV	3,878	Free Multicollinearity

Source: processed (2024)

Table 4. Heteroscedasticity Test Results

Variable	Sig (2 tailed)	
ROA terhadap PBV	0,473	Free from heteroscedasticity
Cash ETR(ETR) tehadap PBV	0,458	Free from heteroscedasticity
ROA* TAt terhadap PBV	0,567	Free from heteroscedasticity
Cash ETR* Tat terhadap PBV	0,679	Free from heteroscedasticity

Source: processed (2024)

Table 5. Multiple regression analysis test results

Variable	coefficient	sig	
ROA to PBV	0,144	0,028	Influential
Cash ETR(ETR) to PBV	0,513	0,000	Influential
ROA* TAt to PBV	-0,386	0,014	moderation occurs
Cash ETR* Tat to PBV	-0,322	0,028	moderation occurs

Source: processed (2024)

Profitability affects the Company's value

Based on the results of table 5, it shows that the higher the profitability will have a significant effect on the higher the value of the company. Profitability is a ratio to show the company's ability to obtain profits or profits and measure the level of operational efficiency and efficiency in using the company's assets or assets (Bagaskara, 2021). The type of profitability ratio is used to show how much profit or profit is obtained from the performance of a company that affects the records of financial statements that must be in accordance with the company's financial accounting standards. Profitability is used to measure the effectiveness of overall management as shown by the level of profit obtained in relation to sellers and investments.

Investors' evaluation of the firm's performance and success, which is reflected in the market price of its stock, is known as company value. Good investment chances will be indicated by the value of a company formed by market stock price indicators. The availability of these investment options can raise the company's value by sending a favorable message to potential investors about the prosperity they can expect and the company's prospects going forward (Hidayat, 2022). The company's primary objective is to maximize wealth or profits, particularly for its shareholders, by working to raise or maximize the share price's market value. This objective is merely an outline since, in reality, financial sector decisions always have an impact on it.

The results of this study are in line with Hidayat's (2022) research which states that the higher the profitability value, the higher the performance shows that the company can improve performance, which has an impact on increasing the company's profits and will then have an impact on increasing the company's value. These results are also supported by other studies that state that profitability has a significant positive effect on the value of companies (Astuti & Yadnya, 2019), (Yanti and Darmayanti, 2019), and (Fahriyal et al., 2020).

Tax avoidance affects the value of the Company

Based on table 5, it shows that the higher the tax avoidance will have a significant effect on the higher the value of the company. Tax avoidance is a tax avoidance with the aim of minimizing the tax burden by taking advantage of the tax loophole of a country (Fikriyah, 2022). Minimization of tax costs causes the profits obtained to be greater so that the dividends paid to investors are higher. High dividends cause investors to invest their investment capital and trigger new investments, so the stock price increases followed by an increase in the value of the company. investors responded positively to the signal that the higher the tax avoidance carried out, the higher the company's value.

The value of a company describes the prosperity of investors (Laurenty, 2023). The higher the value of the company reflects the higher the level of prosperity of the investors. This indicates that every investor must expect a high value of the company. Therefore, companies must increase their value by improving their performance in order to maintain their existence and the existence of investors as capital owners who contribute to the sustainability of the company's business. Therefore, it can be said that increasing the value of the company as much as possible is one of the main goals of the company.

To increase the value of the company, the management of a company makes various efforts to increase the value of the company. One of the efforts made by the company's management is tax avoidance measures. Tax avoidance measures carried out by company management are carried out with the aim of minimizing the income tax burden of a company legally without violating tax regulations but taking advantage of the weaknesses of these regulations. A low income tax burden will increase the company's profits. A company's high profit reflects the company's good performance, making investors interested in buying the company's shares. The increase in stock prices will have a positive impact on the company's value.

Profit management moderates the relationship between profitability and company value

Based on table 5, it shows that the higher the moderated profit management, the higher the profitability will have a significant effect on the lower the company's value. Factors that can affect the value of a company are important because they are the basis for consideration in determining whether a stock is worth buying or not. Profitability is one of the factors that creates future value to attract investors. A ratio called profitability gauges a business's capacity to turn a profit. The ability of a business to turn a profit in relation to sales, total assets, and its own capital is known as profitability. This ratio, which is expressed in terms of sales and investment income earnings, also gives an indication of how well a company's management is performing.

A firm manager's attempt to alter or modify information in financial statements in order to mislead stakeholders who are interested in learning about the performance and state of the business is known as profit management. Profit management is an intervention with a specific purpose by management in the profit determination process, usually to meet its own goals. Profit management often involves window dressing on financial statements, especially the amount of bottom-line profit. Profit management can be cosmetic, if the manager manipulates accruals without cash flow consequences. Profit management can also be real, if managers take actions related to cash flow consequences for the purpose of managing profits (Subramanyam, 2017).

A company that seeks to increase profitability but is accompanied by management to choose a financial policy from a certain standard to affect the profits that occur to be as the company wants can cause the company's value to decrease. Thus, profit management that moderates the influence of profitability can weaken the influence on the company's value, and will cause the company's value to decrease.

Profit management moderates the relationship between tax avoidance and company value

Based on table 6, it shows that the higher the moderated profit management, the higher the tax avoidance, the lower the company's value. The purpose of increasing company value is a benchmark for the success of a company in achieving planned profits and can increase the prosperity of the company owner. The value of a company reflects the value of the desired revenue in the future and an indicator for the market in valuing the company as a whole (Yuliandana, 2021).

The management employs a variety of strategies to increase the company's worth and optimize profitability. Modifying the taxes that the business pays is one way management optimizes the company's worth. Companies view taxes as a burden that will lower their profits, while the state views them as a source of money for government operations. This affects businesses looking to lower their tax obligations through legitimate and illicit means. Tax planning is a useful tool for controlling tax expenditures with the goal of lowering tax liabilities.

Tax planning is one of the ways carried out by management to reduce the amount of tax paid by the company. One of the strategies in tax planning is to carry out tax avoidance. Tax avoidance is an effort by companies to reduce the taxes paid by practicing legally and not contrary to tax provisions (Adityamurti & Ghozali, 2017).

Profit management is a process of taking certain steps that are deliberate in accordance with generally accepted accounting principles to change the company's profit to what it wants. Even though it is legal and looks safe, profit management has a detrimental impact on the company if the company is detected carrying out these activities. The long-term consequence for the company is that the company will lose support from stakeholders which leads to increased vigilance and suspicion from shareholders and other stakeholders.

This tax avoidance practice can have an effect on taxpayers. Moreover, the long-term impact on a business that is run. So that it can affect the development of the business that is run because when you want to expand that requires funding from outside, investors will consider the company to be at risk of facing legal problems Company management that manipulates profits has an incentive to project a socially-friendly image to obtain support from stakeholders (Jayastini, 2016). With this strategy, managers will reduce the possibility of being pressured due to stakeholder dissatisfaction whose interests are damaged by profit management practices. Companies that seek to avoid taxes accompanied by profit management will have an impact on the company's financial performance in the long term, causing a decrease in the company's value.

CONCLUSION

Profitability affects the value of the Company. Food and beverage companies for the period 2021 to 2023 were able to improve their financial performance well, which had an impact on increasing the Company's value. Tax avoidance affects the value of the Company. Tax evasion carried out by the Company can increase the value of the Company. Profit management moderates the relationship between profitability and the company's value. Profit management carried out by management has an impact on the decline in profitability and the value of the Company. Profit management moderates the relationship between tax avoidance and the value of the Company. Profit management carried out through taxavoidance is related to the decline in the Company's value in the long term. Advice for Companies, you should use profit management and tax avoidance wisely so that the profitability and value of the Company are stable. For the next research, use the good governance moderation variable.

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