



The Effect Of Tax Risk And Profitability On Firm Value, With Independent Commissioners And The Audit Committee Serving As Moderating Variables

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ABSTRACT

This study aims to examine the effect of tax risk and profitability on firm value, with independent commissioners and the audit committee serving as moderating variables. A descriptive quantitative research design was employed using secondary data from the annual reports of companies in the Investment Company subsector listed on the Indonesia Stock Exchange for the 2020–2024 period. The study population consisted of 11 companies, with 10 selected as the research sample. Panel data regression analysis was conducted using E-Views 13 software. The results show that Tax Risk has a positive effect on Firm Value, while Profitability has no significant effect on firm value in both models. Likewise, the moderating effects of both Independent Commissioners and the Audit Committee have no significant influence on firm value

INTRODUCTION

Firm value is a key indicator reflecting market perception of a business entity's performance and long-term prospects. The Tobin's Q ratio is widely used to assess firm value because it illustrates the comparison between market value and book value of assets, while also capturing investor expectations regarding growth potential (Syahdina et al., 2024; Setiawan et al., 2022). The relevance of firm value studies increased in the 2020–2023 period, when the COVID-19 pandemic created economic uncertainty that depressed the financial performance of most companies listed on the Indonesia Stock Exchange (Revinka, 2021).

In the investment company subsector, firm value dynamics are heavily influenced by tax risk and profitability. High tax risk creates fiscal uncertainty, increases the potential for sanctions, and reduces market confidence in business sustainability (Saragih & Ali, 2023; Widodo & Firmansyah, 2021). Research by Firmansyah et al. (2022) also shows that tax risk directly impacts firm value declines through operational disruptions. However, empirical findings regarding the impact of tax risk on the investment company subsector are still limited, as most studies focus on the manufacturing or banking sectors (Santo & Sari, 2024; Dewi & Ardiyanto, 2020), leaving a

research gap regarding the characteristics of investment sectors, which have different risk exposures and portfolios.

Profitability is also a key determinant of market perception because it reflects a company's ability to generate profits and manage resources efficiently (Kasmir, 2019). High profitability increases investor confidence and strengthens company value (Sari et al., 2021; Febianto & Susanti, 2024).

Furthermore, Good Corporate Governance (GCG) is thought to act as a moderating factor influencing the relationship between tax risk and profitability on company value. Mechanisms such as independent commissioners and audit committees are considered capable of increasing transparency, accountability, and oversight of tax policies and financial performance (Karinda, 2018; Hernandez & Nariman, 2023; Rustiarini, 2023). A study by Mnif & Tahari (2022) shows that an effective audit committee strengthens the influence of profitability on firm value, while strong GCG can mitigate the negative impact of tax risk. However, most previous studies have not integrated the moderating role of GCG into the model of this relationship (Abernathy et al., 2021; Aydogmus et al., 2022).

Based on this context, this study aims to examine the effect of tax risk and profitability on firm value in the investment company subsector in Indonesia, with GCG as a moderating variable and firm size as a control variable. Focusing on the 2020–2024 period provides an important contribution to understanding the dynamics of firm value during the post-pandemic economic disruption and enriches the literature on the determinants of firm value in the investment sector

LITERATURE REVIEW

The Influence of Tax Risk on Company Value

Agency theory states that conflicts of interest between shareholders and managers can encourage management to engage in aggressive tax avoidance, which increases tax risk (Hendrastuti & Harahap, 2023; Nurdiniah et al., 2021). Tax risk is measured using the Cash Effective Tax Rate (CETR), where a low CETR indicates potential tax avoidance and future fiscal uncertainty (Chen et al., 2020). This uncertainty sends a negative signal to investors because it increases the likelihood of disputes, fines, and legal risks, thus reducing confidence in the quality of a company's tax compliance (Li & Wu, 2022; Husna & Satria, 2019).

This decreased confidence can depress stock prices and reduce company value, as measured by Tobin's Q (Widodo & Firmansyah, 2021). Previous research findings are also consistent that tax risk has a negative impact on firm value because it increases the uncertainty of after-tax cash and the cost of capital (Saragih & Ali, 2023; Guedrib & Marouani, 2023; Zirgulis et al., 2022).

H¹ : Tax risk has a negative impact on company value.

The Influence of Profitability on Company Value

Profitability reflects a company's ability to generate profits from its assets and can mitigate agency conflicts by demonstrating management's effectiveness in meeting shareholder interests (Ishlah & Natsir, 2023). Profitability is measured by Return on Assets (ROA); a high ROA indicates operational efficiency and provides a positive signal regarding the company's prospects (Sari et al., 2021; Febianto & Susanti, 2024).

Increased ROA generally drives share prices higher because investors view companies with high profitability as stable entities and worthy of long-term investment (Aydogmus et al., 2022; Ross et al., 2022). This directly impacts firm value, as measured using Tobin's Q. Previous research also confirms that profitability plays a crucial role in strengthening market confidence and increasing firm value (Widnyana et al., 2019; Wicaksono & Mispiyanti, 2020).

H² : Profitability has a positive influence on company value.

The Effect of Tax Risk on Firm Value with Independent Commissioners as a Moderator

Tax risk reflects uncertainty over tax obligations, which can undermine investor perceptions and company value, particularly when a low CETR indicates aggressive tax avoidance, potentially triggering litigation and reputational damage (Li & Wu, 2022; Abernathy et al., 2021; Saragih & Ali, 2023). From an agency theory perspective, managers' opportunistic behavior in tax management can exacerbate agency conflicts (Nurdiniah et al., 2021).

As part of good corporate governance mechanisms, independent commissioners play a role in overseeing tax policies and ensuring transparency and accountability (Beasley et al., 2021; Hernandez & Nariman, 2023). This mechanism can mitigate the negative impact of tax risk on company value by limiting overly aggressive tax strategies (Chen et al., 2020), although overly strict oversight can reduce management's flexibility in exploiting tax efficiency opportunities (Arfiansyah, 2020).

H³: Independent commissioners as moderators weaken the negative influence of tax risk on company value.

The Effect of Profitability on Firm Value with Independent Commissioners as a Moderator

Profitability (ROA) reflects a company's efficiency in generating profits and serves as a positive signal to investors, thereby increasing company value (Kasmir, 2019; Ross et al., 2022; Ishlah & Natsir, 2023). However, high profits can encourage earnings management practices that undermine market confidence. In this context, independent commissioners play a role in ensuring that profits are managed accountably and are not misused for opportunistic purposes (Bon & Hartoko, 2022; Husna & Satria, 2019). With effective oversight, independent commissioners can strengthen the positive influence of profitability on company value through the implementation of transparent and accountable governance (Hernandez & Nariman, 2023).

H⁴: Independent commissioners as moderators strengthen the positive influence of profitability on company value.

The Effect of Tax Risk on Firm Value with the Audit Committee as a Moderator

High tax risk reflects uncertainty about tax payments and potential non-compliance, which can reduce a company's value and damage its reputation (Drake et al., 2019; Campbell et al., 2019; Nguyen, 2021). As part of good corporate governance, the audit committee plays a role in reviewing financial statements and tax practices. An effective audit committee in terms of independence, meeting frequency, and financial competence can increase transparency and mitigate tax risk (Gaaya et al., 2017; Sihono & Febyansyah, 2023).

Through rigorous oversight, the audit committee can mitigate the negative impact of tax risk on company value by detecting aggressive tax avoidance practices and increasing accountability (Beasley et al., 2021; Mnif & Tahari, 2022).

H⁵: The audit committee as a moderator weakens the negative influence of tax risk on company value.

The Effect of Profitability on Firm Value with the Audit Committee as a Moderator

High profitability, as measured by ROA, can increase company value because it reflects managerial efficiency (Aydognmus et al., 2022; Wicaksono & Misiyanti, 2020). However, without adequate oversight, management can manipulate financial statements to adjust profits to specific targets.

The audit committee plays a crucial role in assessing earnings quality and ensuring that profitability is fairly reflected in the financial statements (Rustiarini, 2023). An effective audit committee will strengthen market confidence in financial statements and amplify the positive impact of profitability on company value (Beasley et al., 2021).

H⁶: The audit committee as a moderator strengthens the positive influence of profitability on company value.

METHODS

This study uses a descriptive quantitative research design to analyze the effect of tax risk and profitability on firm value, with Good Corporate Governance (GCG)—independent commissioners and audit committees—as moderating variables, and firm size as a control variable. The study subjects included companies in the Investment Company subsector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.

The study population consisted of 11 companies, and sample selection was conducted through purposive sampling based on the following criteria: the company was not delisted, reported complete financial statements, and had the required variable data. Based on these criteria, 10 companies were selected as the research sample. The study variables were operationalized using Tobin's Q (firm value), CETR (tax risk), ROA (profitability), the proportion of independent commissioners, the number of audit committee members, and firm size measured by the natural logarithm of total assets.

Table 1. Operationalization of Research Variables

No	Variable	Indicator	Scale
1.	Company Value	$\text{Tobin's Q} = \frac{(\text{Market value of equity} + \text{Book value of total liabilities})}{\text{Book value of total assets}}$	Ratio
2.	Tax Risk	$\text{CETR} = \frac{\text{Tax Payment}}{\text{Profit Before Tax}}$	Ratio
3.	Ptofitabilities	$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$	Ratio
4.	Independent Commissione r	$\text{Independent Commissioners} = \frac{\text{Total Independent Commissioners}}{\text{Total Board of Commissioners}}$	Ratio
5.	Audit Committee	Audit Comitte = Total Audit Committee of the Company	Ratio
6.	Firm Size	$\text{Firm Size} = \text{LN}(\text{Total Asset})$	Ratio

Data analysis was conducted using panel data regression with the help of Eviews 13. The analysis stages include descriptive statistics, regression model selection (through the Chow, Hausman, and Lagrange Multiplier tests), classical assumption testing (normality, multicollinearity, autocorrelation, heteroscedasticity), and hypothesis testing using the t-test to measure the partial influence of each variable. In addition, the coefficient of determination is used to assess the model's ability to explain variations in company value. The regression model is arranged in two forms, namely a model without moderation and a model with moderation through the interaction of GCG variables.

RESULTS

Model Determination Test Results

Table 2: Results of the Chow Test Without Moderation

Effects Test	Statistic	d.f.	Prob.
Cross-section F	10.610628	(9,37)	0.0000
Cross-section Chi-square	63.781596	9	0.0000

Source: Eviews Output Data (2025)

Based on Table 2, the cross-section F probability from the Chow test is 0.0000, which is below 0.05. Therefore, it can be concluded that the Fixed Effects (FEM) model is more appropriate for this study than the Common Effects (CEM) model.

Table 3: Results of the Chow Test with Moderation

Effects Test	Statistic	d.f.	Prob.
Cross-section F	10.168885	(9,33)	0.0000
Cross-section Chi-square	66.397924	9	0.0000

Source: Eviews Output Data (2025)

Table 3 shows the results of the Chow test with a cross-section F probability of 0.0000, which is below the significance threshold of 0.05. Based on this, it can be concluded that the more appropriate model for this study is the Fixed Effect (FEM) compared to the Common Effect (CEM).

Table 4: Results of the Hausman Test Without Moderation

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.525128	3	0.0146

Source: Eviews Output Data (2025)

Based on Table 4, The Hausman test results show a probability value of 0.014, which is less than 0.05. This indicates that the appropriate model is the fixed effects model (FEM).

Table 5: Results of the Hausman Test with Moderation

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.188920	7	0.0479

Source: Eviews Output Data (2025)

Based on Table 5, The Hausman test results show a probability value of 0.047, which is less than 0.05. This indicates that the correct model is the fixed effects model (FEM).

Table 6: Results of the Lagrange Multiplier Test Without Moderation

	Cross-section	Time	Both
Breusch-Pagan	21.53023	1.799336	23.32957
	(0.0000)	(0.1798)	(0.0000)

Source: Eviews Output Data (2025)

Based on table 6, the Breusch-Pagan Lagrange Multiplier (LM) test obtained a probability value of 0.0000, which is smaller than the significance level of 0.05, thus the most appropriate model for this study is the random effect model compared to the common effect model.

Table 7: Results of the Lagrange Multiplier Test with Moderation

	Cross-section	Time	Both
Breusch-Pagan	23.50530	1.553907	25.05921
	(0.0000)	(0.1798)	(0.0000)

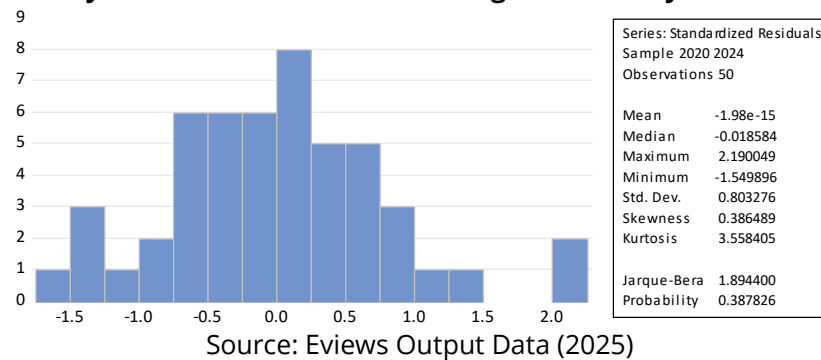
Source: Eviews Output Data (2025)

Based on Table 7, the Breusch-Pagan Lagrange Multiplier (LM) test obtained a probability value of 0.0000, which is lower than the 0.05 significance level. Therefore, the most appropriate model for this study is the random effects model compared to the common effects model.

In the third test, it was concluded that the test without moderation selected the fixed effect model, while with moderating variables the fixed effect model was chosen as the most appropriate to use.

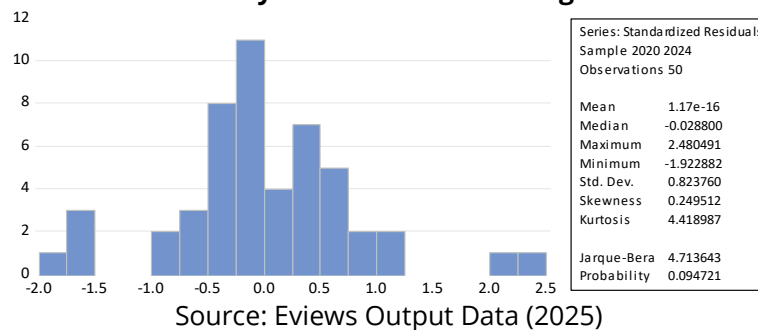
Classical Assumption Test Results

Figure 1: Normality Test Results After Natural Logarithm Analysis Without Moderation



Based on figure 1, the probability value of the normality test is 0.387, which is greater than the significance level of 0.05, so it can be concluded that the residual data in the regression meets the assumption of normal distribution (Ghozali ,2020).

Figure 2: Results of Normality Test After Natural Logarithm With Moderation



Based on figure 2, the probability value of the normality test is 0.094, which is greater than the significance level of 0.05, so it can be concluded that the residual data in the regression meets the assumption of normal distribution (Ghozali ,2020).

Table 8: Results of Multicollinearity Test Without Moderation

	LNCETR	LNROA	LNSIZE
LNCETR	1.000000	-0.385764	0.311987
LNROA	-0.385764	1.000000	-0.041419
LNSIZE	0.311987	-0.041419	1.000000

Source: Eviews Output Data (2025)

Based on Table 8, the results of the multicollinearity test indicate that all correlation values among the independent variables are below 0.80, suggesting that there is no multicollinearity problem in the regression model. The correlation between CETR and ROA is -0.385, between CETR and SIZE is 0.311, and between ROA and SIZE is -0.041. These relatively low correlation values indicate weak relationships among the independent variables, thereby confirming that the regression model is appropriate for further analysis. (Ghozali ,2020).

Table 9: Results of Multicollinearity Test with Moderation

	CETR	ROA	CETR_KI	ROA_KI	CETR_KA	ROA_KA	SIZE
CETR	1.000000	-0.475219	-0.290180	0.074862	-0.177672	-0.054588	0.522229
ROA	-0.475219	1.000000	0.038510	-0.210469	-0.091661	0.291893	-0.123072
CETR_KI	-0.290180	0.038510	1.000000	-0.694715	0.162375	-0.122676	-0.038938
ROA_KI	0.074862	-0.210469	-0.694715	1.000000	-0.364516	0.219171	-0.207672
CETR_KA	-0.177672	-0.091661	0.162375	-0.364516	1.000000	-0.528738	0.236035
ROA_KA	-0.054588	0.291893	-0.122676	0.219171	-0.528738	1.000000	-0.283438
SIZE	0.522229	-0.123072	-0.038938	-0.207672	0.236035	-0.283438	1.000000

Source: Eviews Output Data (2025)

Based on Table 9, the results of the multicollinearity test show that all correlation values among the independent variables are below 0.80, indicating that there is no multicollinearity problem in the regression model. Therefore, all models are considered appropriate for further analysis. (Ghozali ,2020).

Table 10: Results of Heteroscedasticity Test Without Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.280713	14.65633	-0.496762	0.6223
LNCETR	0.014612	0.039458	0.370321	0.7133
LNROA	0.046786	0.049729	0.940814	0.3529
LN SIZE	2.296627	4.343101	0.528799	0.6001

Source: Eviews Output Data (2025)

Based on table 10, the results of the Glejser test show that all independent variables have a probability value (p-value) greater than 0.05, so that the regression model is declared free from heteroscedasticity and meets the assumption of homoscedasticity (Ghozali ,2020).

Table 11: Results of Heteroscedasticity Test with Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.412158	5.168236	-0.079748	0.9369
CETR	0.030104	0.290625	0.103583	0.9181
ROA	0.653443	0.903672	0.723097	0.4747
CETR_KI	0.911502	1.709822	0.533098	0.5975
ROA_KI	12.37825	14.86763	0.832564	0.4111
CETR_KA	-0.083609	0.905002	-0.092385	0.9270
ROA_KA	-0.262351	1.494203	-0.175579	0.8617
SIZE	0.021011	0.175451	0.119754	0.9054

Source: Eviews Output Data (2025)

Based on table 11, the results of the Glejser test show that all independent variables have a probability value (p-value) greater than 0.05, so that the regression model is declared free from heteroscedasticity and meets the assumption of homoscedasticity (Ghozali ,2020).

Table 12: Results of Autocorrelation Test Without Moderation

Durbin-Watson stat	1.696365
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Source: Eviews Output Data (2025)

Based on table 12, the results of the Durbin-Watson test show a D-W value of 1.696, in the range of -2 to 2, so that the regression model is declared free of autocorrelation and meets the classical assumptions (Ghozali ,2020).

Table 13: Results of Autocorrelation Test with Moderation

Durbin-Watson stat	1.502907
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Source: Eviews Output Data (2025)

Based on table 13, the results of the Durbin-Watson test show a D-W value of 1.502, in the range of -2 to 2, so that the regression model is declared free of autocorrelation and meets the classical assumptions (Ghozali ,2020).

Hypothesis Test Results**Table 14: F-Test Results Without Moderation**

R-squared	0.798977	Mean dependent var	-0.282841
Adjusted R-squared	0.733780	S.D. dependent var	0.946764
Prob(F-statistic)	0.000000		

Source: Eviews Output Data (2025)

Based on table 14, the F test results show a significance value of 0.000 (<0.05), so the regression model is suitable for use and the independent variables simultaneously have a significant effect on firm value

Table 15: Results of the F-Test with Moderation

R-squared	0.799372	Mean dependent var	-0.282841
Adjusted R-squared	0.702097	S.D. dependent var	0.946764
F-statistic	8.217705	Durbin-Watson stat	1.502907
Prob(F-statistic)	0.000000		

Source: Eviews Output Data (2025)

Based on table 15, the F test results show a significance value of 0.000 (<0.05), so the regression model is declared feasible and the independent variables simultaneously have a significant effect on firm value.

Table 16: Results of the t-Test Without Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-24.27668	26.27526	-0.923937	0.3615
LOGCETR	0.156434	0.070739	2.211419	0.0333
LOGROA	0.078677	0.089153	0.882491	0.3832
LOGSIZE	7.296443	7.786131	0.937108	0.3548

Source: Eviews Output Data (2025)

Based on table 16 Based on the regression test results, tax risk has a positive and significant effect on firm value. This is evident from the coefficient value of 0.156434, with a calculated t-value of 2.211419, which is greater than the t-table value of 1.67866, and a significance level of 0.0333, which is below the 0.05 threshold. This finding indicates that the higher the tax risk faced by a company, the higher the firm value, which may indicate the potential for tax aggressiveness, perceived by the market as an effort to increase efficiency. The profitability variable did not show a significant effect on firm value. This is indicated by the calculated t-value of 0.882491, which is smaller than the t-table value of 1.67866, and the significance level of 0.3832, which is greater than 0.05. Therefore, the level of corporate profitability was not statistically proven to influence firm value in this research model.

Table 17: Results of the t-Test with Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.561800	9.019723	-0.616626	0.5417
CETR	0.542232	0.507205	1.069058	0.2928
ROA	1.856089	1.577109	1.176893	0.2477
CETR_KI	2.808965	2.984020	0.941336	0.3534
ROA_KI	28.94275	25.94732	1.115443	0.2727
CETR_KA	1.292961	1.579430	0.818625	0.4189
ROA_KA	-3.885347	2.607716	-1.489942	0.1457
SIZE	0.170731	0.306201	0.557578	0.5809

Source: Eviews Output Data (2025)

Based on table 17 The analysis results show that tax risk has no effect on firm value, as reflected in the calculated t-value of 1.069058, which is smaller than the t-table value of 1.68023, and the significance level of 0.2928, which is above 0.05. This indicates that the level of tax risk faced by the company is unable to explain changes in firm value. Profitability also has no effect on firm value, as indicated by the calculated t-value of 1.176893 < t-table and the significance level of 0.2477 > 0.05. This finding implies that a company's ability to generate profits is not a determining factor in the increase or decrease in firm value in this research model. The interaction test indicates that independent commissioners are unable to moderate the relationship between tax risk and firm value. This is evident in the calculated t-value of 0.941336, which is lower than the t-table, and the significance level of 0.3534, which is greater than 0.05. Thus, the presence of independent commissioners neither strengthens nor weakens the influence of tax risk on firm value. Independent commissioners also do not moderate the effect of profitability on firm value, as evidenced by a calculated t-value of 1.115443 < t-table and a significance level of 0.2727 > 0.05. This means that the independent commissioners' oversight role is not effective enough to alter the relationship between profitability and firm value. The results of subsequent moderation tests indicate that the audit committee does not moderate the relationship between tax risk and firm value, as evidenced by a calculated t-value of 0.818625 < t-table and a significance level of 0.4189 > 0.05. In other words, the audit committee function does not provide additional influence in explaining the relationship between the two. The audit committee also does not moderate the effect of profitability on firm value, as evidenced by a calculated t-value of 1.489942, which is still below the t-table, and a significance level of 0.1457, which exceeds 0.05. This indicates that the effectiveness of the audit committee is not strong enough to influence this relationship.

Table 18: Results of the Determination Coefficient Test Without Moderation

R-squared	0.798977	Mean dependent var	-0.282841
Adjusted R-squared	0.733780	S.D. dependent var	0.946764
S.E. of regression	0.488497	Akaike info criterion	1.623929
Sum squared resid	8.829293	Schwarz criterion	2.121055
Log likelihood	-27.59823	Hannan-Quinn criter.	1.813237
F-statistic	12.25486	Durbin-Watson stat	1.696365
Prob(F-statistic)	0.000000		

Source: Eviews Output Data (2025)

Based on table 18 above The table above shows the coefficient of determination (Adjusted R Square) obtained at 0.733780. This shows that the variables of tax risk, profitability, audit committee, independent committee and company size are able to explain the company value by 73% while the remaining 27% is influenced by other variables not examined in this study.

Table 19: Results of the Determination Coefficient Test with Moderation

R-squared	0.799372	Mean dependent var	-0.282841
Adjusted R-squared	0.702097	S.D. dependent var	0.946764
S.E. of regression	0.516748	Akaike info criterion	1.781963
Sum squared resid	8.811948	Schwarz criterion	2.432050
Log likelihood	-27.54907	Hannan-Quinn criter.	2.029520
F-statistic	8.217705	Durbin-Watson stat	1.502907
Prob(F-statistic)	0.000000		

Source: Eviews Output Data (2025)

Based on table 19 above The table above shows the coefficient of determination (Adjusted R Square) obtained at 0.702097. This shows that the variables of tax risk, profitability, audit committee, independent committee and company size are able to explain the company value by 70% while the remaining 30% is influenced by other variables not examined in this study

DISCUSSION

Tax Risk on Company Value

The results indicate that tax risk has a positive and significant effect on firm value, with a coefficient of 0.156434, a t-statistic of 2.211419 > t-table 1.67866, and a significance level of $0.0333 < 0.05$. Therefore, H1, which posits a negative effect of tax risk on firm value, is rejected. This finding suggests that higher tax risk is associated with higher firm value, as reflected by Tobin's Q.

This positive relationship can be explained through a managerial and market-based perspective, particularly the risk-return trade-off concept. Capital markets tend to perceive firms that successfully implement aggressive tax strategies and effectively reduce their Cash Effective Tax Rate (CETR) as demonstrating managerial efficiency that leads to higher after-tax profitability (Chen et al., 2020; Tang, 2020; Hendrastuti & Harahap, 2023; Saragih & Ali, 2023). Although agency theory highlights the potential for moral hazard and fiscal uncertainty, investors appear to respond positively as long as such strategies enhance profitability without triggering immediate legal consequences.

This finding is consistent with prior studies that report a positive relationship between tax risk and firm value (Linantis et al., 2021; Irawan & Turwanto, 2024). Linantis et al. (2021) document that lower effective tax rates, reflecting tax avoidance, increase firm value, while Sutrisno et al. (2023) argue that the market interprets low effective tax rates as cost efficiency, leading to higher stock prices. Similarly, Fitriana et al. (2024) find that tax risk does not necessarily have a negative impact on firm value, indicating market flexibility depending on how tax risk is managed.

Profitability Against Company Value

The results indicate that profitability has no significant effect on firm value, as evidenced by a t-statistic of 0.882491 < t-table 1.67866 and a significance level of $0.3832 > 0.05$. Therefore, H2, which proposes that profitability positively affects firm value, is rejected. This finding suggests that improvements in profitability, as measured by Return on Assets (ROA), do not increase firm value in the investment company subsector, and the market does not respond to profitability as a value-enhancing signal.

From an agency theory perspective, high profitability is expected to reflect managerial efficiency in asset utilization, reduce agency conflicts, and provide a positive signal to investors (Kasmir, 2019; Sari et al., 2021; Ishlah & Natsir, 2023). However, firm value measured by Tobin's Q is largely driven by investors' perceptions of future prospects rather than historical financial

performance. Consequently, ROA becomes less relevant in influencing market valuation decisions (Nurmadi & Novietta, 2022; Yuliandana et al., 2021).

This finding is consistent with several prior studies reporting that profitability does not significantly affect firm value (Whetyningtyas et al., 2025; Andika et al., 2021; Febriani, 2020; Fitriana et al., 2024; Hidayat & Khotimah, 2022; Rahayu et al., 2025; Silvia & Dewi, 2022; Wicaksono & Debora, 2020). Al-Haq and Yuliati (2024) further explain that firm value may not increase alongside profitability when firms prefer to retain earnings rather than distribute dividends, which investors may interpret as a negative signal.

Independent Commissioners in Moderating Tax Risks to Company Value

The results indicate that tax risk moderated by independent commissioners has no significant effect on firm value, as reflected by a t-statistic of $0.941336 < t\text{-table } 1.68023$ and a significance level of $0.3534 > 0.05$. Consequently, H3, which states that independent commissioners weaken the negative effect of tax risk on firm value, is rejected. This finding suggests that independent commissioners do not statistically moderate the relationship between tax risk and firm value in investment companies listed on the Indonesia Stock Exchange during the study period. Consistent with agency theory, tax risk arises from managers' opportunistic behavior, such as aggressive tax avoidance, which increases fiscal uncertainty and negatively affects firm value (Li & Wu, 2022; Nurdiniah et al., 2021; Saragih & Ali, 2023). Although independent commissioners are theoretically expected to mitigate such behavior through effective monitoring as part of Good Corporate Governance, this moderating role is not empirically supported. This result aligns with Arfiansyah (2020), who argues that excessive oversight by independent commissioners may reduce managerial flexibility in designing tax efficiency strategies. Moreover, prior studies suggest that the effectiveness of independent commissioners depends on factors such as genuine independence, professional expertise, and commitment to objective supervision (Beasley et al., 2021; Hernandez & Nariman, 2023).

These findings imply that while independent commissioners are expected to moderate tax risk theoretically, their role has not been statistically effective in practice, highlighting the need to strengthen their capacity, independence, and understanding of complex tax strategies to sustain firm value.

Independent Commissioners in Moderating Profitability Against Company Value

The findings indicate that profitability moderated by independent commissioners has no significant effect on firm value, as evidenced by a t-statistic of $1.115443 < t\text{-table } 1.68023$ and a significance level of $0.2727 > 0.05$. Therefore, H4, which posits that independent commissioners strengthen the positive effect of profitability on firm value, is rejected. This result suggests that independent commissioners do not statistically moderate the relationship between profitability and firm value in the sampled investment companies. This condition implies that although firms exhibit certain levels of profitability, the supervisory mechanism provided by independent commissioners is insufficient to alter how the market perceives the contribution of profitability to firm value. Investors tend to assess profitability directly, without significantly considering the degree of governance independence. Profitability, proxied by Return on Assets (ROA), reflects managerial efficiency in utilizing assets to generate earnings and is generally perceived as a positive signal by investors (Kasmir, 2019; Ross et al., 2022; Ishlah & Natsir, 2023).

From an agency theory perspective, conflicts of interest may arise when managers engage in earnings management to pursue personal benefits, potentially distorting firm performance (Nurdiniah et al., 2021; Ishlah & Natsir, 2023). Independent commissioners, as part of Good Corporate Governance, are theoretically expected to mitigate such opportunistic behavior by enhancing transparency and accountability (Bon & Hartoko, 2022; Hernandez & Nariman, 2023). However, consistent with Husna and Satria (2019), the insignificant moderating effect found in

this study suggests that the effectiveness of independent commissioners may be constrained by limited practical independence, insufficient expertise, or suboptimal supervisory capacity.

These findings indicate that while independent commissioners are expected to ensure the quality of profitability information, their moderating role in strengthening the impact of profitability on firm value is not empirically supported. This suggests that investors may rely more heavily on profitability indicators themselves rather than governance mechanisms when evaluating firm value.

Audit Committee in Moderating Tax Risks to Company Value

The results indicate that tax risk moderated by the audit committee has no significant effect on firm value, as reflected by a t-statistic of $0.818625 < t\text{-table } 1.68023$ and a significance level of $0.4189 > 0.05$. Accordingly, H5, which proposes that the audit committee weakens the negative effect of tax risk on firm value, is rejected. This finding deviates from theoretical expectations grounded in agency theory and the principles of Good Corporate Governance (GCG). From an agency theory perspective, managers may engage in aggressive tax avoidance for personal interests, thereby increasing tax risk (Li & Wu, 2022). The audit committee, as a supervisory mechanism established by the board of commissioners, is expected to oversee tax practices, enhance accountability, and detect aggressive tax avoidance at an early stage (Gaaya et al., 2017; Beasley et al., 2021; Mnif & Tahari, 2022; Rustiarini, 2023; Sihono & Febyansyah, 2023). However, the insignificant moderating effect found in this study suggests that the signal conveyed by the audit committee is not sufficiently strong to influence investors' perceptions of tax risk in firm valuation.

In investment companies, tax risk often arises from investment volatility, financial asset management, and complex transaction structures. Such complexity may limit the audit committee's ability to effectively oversee all tax-related aspects. Consequently, firm value remains more strongly driven by external uncertainty and future prospects rather than internal monitoring mechanisms, allowing tax risk uncertainty to dominate market-based valuation decisions (Drake et al., 2019; Guedrib & Marouani, 2023).

Audit Committee in Moderating Profitability Against Company Value

The findings indicate that profitability moderated by the audit committee has no significant effect on firm value, as shown by a t-statistic of $1.489942 < t\text{-table } 1.68023$ and a significance level of $0.1457 > 0.05$. Accordingly, H6, which posits that the audit committee strengthens the positive effect of profitability on firm value, is rejected. Although profitability is theoretically expected to signal superior firm performance and enhance firm value (Kasmir, 2019; Sari et al., 2021), and the audit committee as part of Good Corporate Governance is expected to reinforce this relationship (Mnif & Tahari, 2022), the empirical results do not support this moderating mechanism. The insignificant moderating effect of the audit committee can be explained from two perspectives. First, in forward-looking markets, firm value measured by Tobin's Q is more strongly influenced by investors' expectations of future prospects than by current profitability, thereby weakening the relevance of earnings signals. Second, intensive audit committee oversight may be interpreted by the market as a signal of underlying risks or internal pressure. While the audit committee plays a crucial role in enhancing accountability and monitoring financial reporting and tax practices (Rustiarini, 2023), heightened supervision may simultaneously reveal potential risks, including tax-related issues and managerial opportunism.

This dual effect of audit committee oversight improving transparency while exposing latent problems may explain why profitability does not translate into higher firm value through the audit committee's moderating role. These findings suggest that although strong internal governance is essential to mitigate opportunistic behavior, in highly volatile investment companies, market participants do not necessarily perceive audit committee signals as drivers of firm value.

CONCLUSION

This study concludes that tax risk has a positive and significant effect on firm value in investment companies, indicating that investors perceive higher tax risk as a signal of managerial efficiency and value creation, consistent with the risk-return trade-off perspective. In contrast, profitability measured by Return on Assets (ROA) does not significantly affect firm value, suggesting that market valuation is driven more by future prospects than by historical financial performance. Furthermore, neither independent commissioners nor the audit committee are found to significantly moderate the relationships between tax risk and firm value or between profitability and firm value. Although these governance mechanisms are theoretically expected to reduce managerial opportunism and strengthen financial signals, their roles are not empirically effective in influencing market perceptions within the investment company subsector.

Overall, the findings indicate that firm value is primarily determined by investors' expectations of future performance and risk management strategies rather than profitability or internal governance structures. These results highlight the need to enhance the effectiveness of corporate governance to better support firm value creation.

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N: Conceptualization, Methodology, Data Collection, Data Analysis,

S: Writing – Original Draft, Visualization, Review and Editing

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3. Conflict of Interest:

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4. Research Ethics:

The study did not involve any intervention, biological specimens, vulnerable groups, or sensitive personal data. Participation was voluntary, and the confidentiality of the respondents was maintained.

5. Use of Artificial Intelligence (AI):

No Use of AI. The authors declare that generative AI was not used in the preparation of this article.

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