



# The Effect Of Tax Avoidance On Firm Value With Earnings Management As A Mediation Variable

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## ABSTRACT

The objective of this research is to determine the effect of tax avoidance on firm value, using earnings management as a mediating variable. This research filled an empirical vacuum left by earlier research that used agency theory and signal theory to reexamine the effect of tax avoidance on firm value. This research was carried out to fill up an empirical gap in earlier research that sought to use agency theory and signal theory to reexamine the effect of tax avoidance on firm value. This research is innovative in that it looks at earnings management as a mediator between tax avoidance and firm value. This research makes use of secondary data and a quantitative methodology. Manufacturing enterprises registered on the Indonesia Stock Exchange (BEI) for the 2018–2022 period make up the research population. A total of 185 observations from 37 firm's in this research sample satisfied the criteria. The results of this research show that tax avoidance has no an effect on firm value, earnings management has no effect on firm value, and earnings management cannot mediate the effect of tax avoidance on firm value.

## INTRODUCTION

The firm wants to enhance its worth. The prestige that a firm achieves and that investors bestow upon it is known as firm value. Firm value is said to be the level of success which is often linked to share prices (Harry, 2017). Tobin's Q is used to calculate the value of a company by contrasting the market value and replacement cost of its assets.

Tax avoidance is one of the many issues that might affect a firm's worth. Legal actions taken with the intention of minimizing or reducing the tax burden without violating tax laws are known as tax avoidance (IAI, 2015). Agency theory can be used in tax avoidance practice because it can help understand how opportunistic behavior from management arises when they attempt to maximize tax profits, by maintaining high profit levels in a competitive business environment. Tax avoidance is said to be an investment with high profits that can minimize the current tax burden (Lee & Choi, 2022), so that tax avoidance is considered an activity to increase firm value (Desai & Dharmapala, 2009).

Results of previous research conducted (Inanda et al., 2018),(Prasetya et al., 2023),(Siew Yee et al., 2018) states that tax avoidance can lower a firm' value and that the more work required to carry out tax avoidance, the lower the firm value will be. Contrasting with the findings of earlier investigations (Lee & Choi, 2022),(Tang, 2019),(Moradi. M., Mohammadi, M. & Saeedi, 2015),(Herdiyanto & Ardiyanto, 2015),(Noor Afifah & Mona Adriana P, 2023) which states that tax avoidance can increase firm value, when the firm succeeds in tax avoidance, the profit will be remaining after paying taxes will be greater, so the value of the firm will more increasing.

Research on the effect of tax avoidance on firm value was carried out as a form of the empirical gap that occurred in previous research, which still showed inconclusive results, thus, our study used agency theory and signal theory to reexamine how tax avoidance affects firm value. This research focuses on manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period, because manufacturing firm's tend to practice tax avoidance and earnings management to achieve the desired profit targets.

Results of previous research conducted (Lestari et al., 2020),(Wulandari et al., 2023),(Setiorini et al., 2021) states that earnings management has an impact on increasing tax avoidance. According to signal theory, tax avoidance can provide a positive signal to investors and the market about firm performance and management's ability to generate high profits, so that this signal can effect share prices and firm value. Results of previous research conducted (Noor Afifah & Mona Adriana P, 2023),(Violeta & Serly, 2020),(Riswandi & Yuniarti, 2020),(Sugiono, 2020) states that earnings management also has an effect on firm value, the greater the earnings management practices carried out, the higher the firm value.

The novelty of this research is using earnings management as a variable that can mediate tax avoidance on firm value. In addition to being a tool for financial report manipulation, earnings management also serves to highlight the potential effect of tax avoidance on a firm value. Businesses can improve earnings management by lowering their tax burden through the use of tax avoidance. Firm can affect financial reports in reaching the intended profit targets, which will effect on firm value, through earnings management strategies.claims that the worth of a firm is similarly effected by earnings management, with higher firm value resulting from more extensive use of these strategies.

## LITERATURE REVIEW

### Agency Theory

The link between a firm management and shareholders is explained by agency theory. (Jensen & Meckling, 1976). Firm that group management and ownership duties separately have a high risk of agency conflicts or conflicts of interest (Lambert, 2001). The division of control and interests inside a firm leads to conflict its of interest. According to agency theory, there are differences in the information held by shareholders and firm management. Shareholders have the opportunity to increase firm value and profits, while firm management has the opportunity to increase salaries or retain employees (Jensen & Meckling, 1976). Agency theory is related to tax avoidance practices, because management has the ability to carry out tax avoidance to obtain high firm value. Agency theory can be used to better explain how management's opportunistic conduct for earnings management and tax avoidance stems from their desire to maximize their own profits, which will effect on firm value.

### **Signal Theory**

According to signal theory, the party conveying information can provide signals that indicate the condition of the firm with the aim of providing benefits to the recipient, namely investors (Spence, 1973). Signals refer to actions taken by firm management with the aim of providing investors with clues about management's view of the firm's prospects (Brigham & Houston, 2015). Signal theory explains that the financial reports used by firms are able to send positive or negative messages to their users (Sulistyanto, 2017). Signal theory relates to the actions of a firm, such as tax avoidance and earnings management, which can provide signals to the market and investors about the firm's performance and management's ability to generate high profits, which will effect the firm value and share prices.

### **Firm Value**

Firm value is the status or value achieved by the firm as a result of the level of investor trust in the firm (Harry, 2017). This assessment can show how well the firm operates in creating value for shareholders and other stakeholders. A number of ratios, including Price Earning Ratio (PER), Price to Book Value (PBV), and Tobin's Q, can be used to determine a firm value. Tobin's Q, on the other hand, is used in this study to measure firm value. James Tobin created Tobin's Q, which is determined by contrasting a firm market value with its asset replacement value. This ratio is considered superior, because it can provide good information that focuses on the firm's current value (Prawesti Ningrum, 2021).

### **Tax Avoidance**

Tax avoidance is a legal activity that has the aim of minimizing the tax burden without going against tax provisions (IAI, 2015). Tax avoidance is also defined as a legally valid effort, where firms can take advantage of opportunities or loopholes provided by the taxation system, to lower the required tax payment amount (Desai & Dharmapala, 2006). The Cash Effective Tax Rate (CETR) is used in this study to quantify tax avoidance. The effective cash tax rate, or cash effective tax rate (CETR), is determined by dividing the total amount of taxes paid by profit before taxes (Heryawati et al., 2021).

### **Earnings Management**

Earnings management is an action that regulates financial information and transactions with the aim of increasing or reducing reported profits over a certain period of time (Sulistyanto, 2008). In this research, discretionary accruals are used in conjunction with the Modified Jones Model to measure earnings management. The discretionary accruals measurement was chosen in earnings management because it is more flexible, easy to detect and relevant.

### **Hypothesis Development**

Numerous researches have discovered the effect of tax avoidance on firm value. Tax avoidance can boost a firm's capacity to accomplish its objectives, which improves the firm's financial efficiency (Graham et al., 2014). Results of previous research conducted (Inanda et al., 2018),(Prasetya et al., 2023),(Siew Yee et al., 2018) ) states that tax avoidance has a negative effect on firm value, the more efforts a firm makes to carry out tax avoidance, the lower the firm value.

Results of previous research conducted (Lee & Choi, 2022),(Tang, 2019),(Moradi. M., Mohammadi, M. & Saedi, 2015),(Herdiyanto & Ardiyanto, 2015),(Noor Afifah & Mona Adriana P, 2023) states that tax avoidance has a positive effect on firm value, when a firm succeeds in implementing tax avoidance, the tax rate that must be paid by the firm will be lower, so the profit remaining after paying taxes will be greater, thereby increasing the value of the firm. Based on the results of previous studies, the following hypothesis is proposed:

**H1: Tax avoidance has a positive effect on firm value**

The firm's ability to generate profits will have an impact on firm value. Results of previous research conducted (Yorke et al., 2016),(Li, J., Wang & Guo, 2017) states that earnings management has a negative effect on firm value. Firm that carry out earnings management will reduce the share price and market value of a firm.

Results of previous research conducted (Noor Afifah & Mona Adriana P, 2023),(Violeta & Serly, 2020),(Riswandi & Yuniarti, 2020),(Sugiono, 2020) states that earnings management has a positive effect on firm value, the greater the earnings management practices carried out, the higher the firm value. From the results of this research, the hypothesis proposed is as follows:

**H2: Earnings management has a positive effect on firm value**

Results of previous research conducted (Lestari et al., 2020),(Wulandari et al., 2023),(Setiorini et al., 2021) states that earnings management has an effect on increasing tax avoidance. If earnings management is improved, then tax avoidance will tend to increase. Firm value is effect by earnings management as well, the higher the firm value, the more aggressively earnings management tactics are used.

Earnings management is carried out simultaneously with tax avoidance. Tax avoidance can reduce the tax burden and can increase the firm's net profit, which is caused by lower taxes paid, so it will look positive in the firm's financial reports (Falbo & Firmansyah, 2021). After successfully carrying out tax avoidance and with increased profits due to tax avoidance, firm management will feel interested in manipulating financial reports to make them look better by adjusting income or costs in an effort to optimize financial performance. Successful earnings management practices can provide a more positive signal to the firm, which can effect share prices and overall firm value. From this explanation, the following hypothesis is proposed:

**H3: Earnings management is able to mediate tax avoidance on firm value****METHODS**

Types of research. This research is quantitative methods. Research that is provided with data in numerical form is known as quantitative research. This study examines the effect of tax avoidance on firm value with earnings management as a mediating variable.

Population and Research Sample. The population and sample in this research are manufacturing firm listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. The sample collection technique in this research used purposive sampling. The use of purposive sampling technique involves selecting samples from data sources based on certain considerations or criteria, such as:

1. Manufacturing firm's listed on the Indonesian Stock Exchange during the 2018-2022 period.
2. Manufacturing firm's that present financial reports and annual reports after being audited for the 2018-2022 period.
3. Manufacturing firm's that report data in rupiah during the 2018-2022 period.
4. Manufacturing firm's that have complete data related to research variables for the 2018-2022 period.

Method of collecting data. This research employed secondary data for its data collection. The financial reports of manufacturing firm listed on the Indonesia Stock Exchange for the years 2018–2022 are the source of data, and they can be accessed via each firms on website and the official [www.idx.co.id](http://www.idx.co.id) website.

### Firm Value

The firm's success rate, which is frequently correlated with the stock price, serves as the dependent variable for firm value. frequently connected to stock values. Tobin's Q is a tool used to measure firm value.

$$\text{Tobin's } Q = \frac{\text{EMV} + \text{Debt}}{\text{Total Asset}}$$

Information:

Tobin's Q	: firm value
EMV	: Equity Market Value (equity market value calculated from closing <i>price</i> x number of shares outstanding)
Debt	: Total Debt

### Tax Avoidance

Tax avoidance as an independent variable refers to legal and secure tax avoidance on the part of taxpayers. The Cash Effective Tax Rate (CETR) is used to calculate tax avoidance.

$$\text{CETR} = \frac{\text{Cash Tax Paid}}{\text{Earning Before Tax}}$$

### Earnings management

Earnings management as a mediating variable is a method used by firm managers to effect financial reports (Midiastuty et al., 2016). Earnings management measurement is carried out using discretionary accruals with the Modified Jones Model.

$$\begin{aligned} \text{TAC} &= \text{NI} - \text{CFO} \\ \frac{\text{TAC}}{\text{TAt-1}} &= \beta_1 + \frac{1}{\text{TAt-1}}\beta_2 + \frac{\Delta\text{Sales}}{\text{TAt-1}}\beta_3 + \varepsilon \frac{\text{PPE}}{\text{TAt-1}} \end{aligned}$$

$$\text{DTAC} = \beta_1 + \frac{1}{\text{TAt-1}}\beta_2 + \frac{\Delta\text{Sales} - \Delta\text{Rec}}{\text{TAt-1}}\beta_3 + \varepsilon \frac{\text{PPE}}{\text{TAt-1}}$$

$$\text{DAC} = \frac{\text{TAC}}{\text{TAt-1}} - \text{NDAC}$$

Information:

TAC	: Total accrual
NI	: Net Income (net profit)
CFO	: Cash Flow Operations (Operating cash flow)
TAt-1	: Total assets in the previous year
$\Delta\text{Sales}$	: Change in total sales from current year to year previously
$\Delta\text{Receivable}$	: Change in total accounts receivable from current year to year previously
PPE	: Property, plant, and equipment gross
DTAC	: Total discretionary accruals
DAC	: Discretionary accruals
NDAC	: Nondiscretionary accruals

### Data analysis method

This research was tested using multiple linear regression analysis with mediating variables, with the help of the Eviews application. Techniques for data analysis employed in Model testing, classic assumption testing, and hypothesis testing, including the F,  $R^2$ , and t test.

The model for this research is as follows:

$$\text{TQ} = \alpha + \beta_1 \text{TA} + \beta_2 \text{EM} + \varepsilon$$

$$\text{EM} = \alpha + \beta_1 \text{TA} + \varepsilon$$

$$TQ = \alpha + \beta_1 EM + \varepsilon$$

Information:

TQ	: Firm Value
$\alpha$	: Constant
$\beta_1 - \beta_2$	: Regression Coefficients
TA	: Tax Avoidance
EM	: Earnings Management
$\varepsilon$	: Error

### **Model Test**

#### **Test Chow**

The best model to employ for estimating the data is either the Fixed Effect Model (FEM) or the Common Effect Model (CEM), depending on the results of the Chow test.

1. CEM is acceptable if the probability value of F is greater than 0.05.
2. FEM is rejected if the probability value of F is less than 0.05. The Hausman test comes after this one.

#### **Hausman test**

The Fixed Effect Model (FEM) and the Random Effect Model (REM) can be distinguished using the Hausman test.

1. REM is approved if the Chi-Square probability value is greater than 0.05.
2. The FEM is rejected if the Chi-Square probability value is less than 0.05.

#### **Lagrange Multiplier Test**

The Random Effect Model (REM) vs Common Effect Model (CEM) technique comparison is done using the Lagrange Multiplier (LM) test.

1. The statistical value of LM is less than Chi-Square, meaning that REM is acceptable
2. The CEM is acceptable if the LM statistical value is greater than Chi-Square.

#### **Normality test**

The normal distribution of variable data is assessed using the normality test. The residuals' distribution can be ascertained using the Jarquae Bera (JB) likelihood value and significance level.

1. It is deemed abnormal for the residual distribution if the JB likelihood value is less than 0.05.
2. The residual distribution is regarded as normal if the JB likelihood value is greater than 0.05.

#### **Multicollinearity Test**

Multicollinearity is tested by examining if there is collinearity between the independent variables in the regression model. If the correlation coefficient is more than  $< 0.98$ , the model is said to be multicollinear.

#### **Autocorrelation Test**

(Ghozali, 2016) states that in order to ascertain if confounding errors in period  $t$  and confounding errors in period  $t-1$ , or the prior period, in the regression model were correlated, the autocorrelation test was employed. In the regression model,  $t-1$  denotes the preceding time. The Durbin-Watson, or DW-test, is the autocorrelation test that is most frequently employed.

### Heteroscedasticity Test

The find out if there is a variance inequality between the residuals of two observations in the regression model, apply the heteroscedasticity test. between the residuals of two observations in the regression model. As per reference (Ghozali, 2016) the heteroscedasticity test is employed to ascertain if the regression model's residuals exhibit continuous variance.

### Multiple linear regression test with mediating variables

#### F test

(Ghozali, 2016) states that the find out if the independent variable effect the dependent variable, the F test is used.

1. The regression coefficient is not significant if the significance value is greater than 0.05.
2. The independent variable significantly effect the dependent variable if the significance value is less than 0.05, substantial effect on the variable that is being measured.

#### Test R2

(Ghozali, 2016) states that the model's capacity to explain the dependent variable is assessed using the partial coefficient of determination test. The value of the partial determination coefficient is in the interval 0-1.

1. Independent variables have a stronger impact on the dependent variable if the regression model's determination value approaches 1 (one).
2. Independent variables have a decreasing impact on the dependent variable as the regression model's determination value approaches 1(one) smaller.

#### b. t test

(Ghozali, 2016), states that the effect of the independent variable on the dependent variable is determined using the t-statistical test.

1. The independent variable does not substantially affect the dependent variable if the significance value is greater than 0.05.
2. The independent variable has a partial impact on the dependent variable if the significance value is less than 0.05.

#### Sobel test (mediation criteria)

(Ghozali, 2016), stated that the sobel test is used to determine the effect of mediating variables, in this research, namely earnings management. A variable is referred to as a mediating variable if a variable affects the relationship between the independent variable and the dependent variable.

## RESULTS

### Descriptive statistics

**Table. 1 Descriptive Statistical Test Results**

	TQ	TA	E.M
Mean	1.735300	0.274095	-0.001908
Maximum	6.524448	0.973809	0.150412
Minimum	0.260908	0.001666	-0.204037
Std. Dev.	1.297936	0.182541	0.056287
Observations	185	185	185

Descriptive statistics for all research variables use mean, maximum, minimum and standard deviation values by explaining the population and research sample.

### Test Chow

**Table. 2 Chow Test Results**

Effects Test	Model	Statistics	df	Prob.
Cross-section F	Model 1	23.031241	(36,146)	0.0000
Chi-square cross-section		351.307361	36	0.0000
Cross-section F	Model 2	2.173897	(36,147)	0.0007
Chi-square cross-section		78.962453	36	0.0000
Cross-section F	Model 3	31.588890	(36,147)	0.0000
Chi-square cross-section		400.979854	36	0.0000

The table above shows the results of the Chow test from model 1 which obtained a probability value of 0.0000, which means  $F < 0.05$ , model 2 which obtained a probability value of 0.0007, which means  $F < 0.05$ , and model 3 which obtained a probability value of 0.0000, which means  $F < 0.05$ , so the FELM test was chosen, so it was continued with the Hausman test.

### Hausman test

**Table. 3 Hausman Test Results**

Test Summary	Model	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Period random	Model 1	29.229236	2	0.0000
Period random	Model 2	1.380848	1	0.2400
Period random	Model 3	0.952234	1	0.3292

The table above shows that the Hausman test results from model 1, model 2 and model 3 chi-square  $> 0.05$ , so the REM test was chosen, so to find out which test is best used in this research, the lagrange multiplier test was carried out.



**Lagrange Multiplier Test****Table. 4 Lagrange Multiplier Test Results**

Model	Test Hypothesis		
	Cross-section	Time	Both
Model 2	3.434806 (0.0001)	3.716791 (0.0001)	5.056943 (0.0000)
Model 3	3.434806 (0.0003)	3.716791 (0.0001)	5.056943 (0.0000)

The table above shows that the results of the lagrange multiplier test from model 2 and model 3 are < chi-square, so the REM test was chosen, so in this study the best test chosen was the REM test.

**Multicollinearity Test****Table. 5 Multicollinearity Test Results**

Model 1

	TA	EM
TA	1.000000	0.012999
EM	0.012999	1.000000

The table above shows that the correlation coefficient value between variables from model is < 0.98, this is in accordance with the decision criteria of the multicollinearity test, so the variable data in this study does not have multicollinearity problems. Model 2 and model 3 are not multicollinearity because there is only one x variable.

**F test****Table. 6 F Test Results**

N	Models	F	Prob.	Explanation
185	Model 1	3.727591	0.025906	Fit regression model
185	Model 2	4.647332	0.000000	Fit regression model
185	Model 3	30.77921	0.000000	Fit regression model

The F test results from model 1 show an F value of 3.727591 with a probability value of 0.025906, the results of model 2 show an F value of 4.647332 with a probability value of 0.000000, and the results of model 3 show an F value of 30.77921 with a probability value of 0.000000, so all variables simultaneously effect the bond variable.

**Test R<sup>2</sup>****Table. 7 R<sup>2</sup> Test Results**

N	Model	Adjusted R-squared.	Coefficient of determination
185	Model 1	0.028794	2.87%
185	Model 2	0.090175	9.01%
185	Model 3	0.0856902	8.56%

The results of model 1 show an adjusted R-square value of 0.028794 (2.87%), which shows that the independent variable is able to explain 2.87% of the dependent variable, the remaining 97.13% is effect by other factors outside this research, the results of model 2 show an adjusted R-square value of 0.090175 (9.01%), which shows that the independent variable is able to explain 9.01% of the dependent variable, the remaining 90.99% is effect by other factors outside this research, and the results from model 3 show an adjusted R-square value of 0.0856902 (8.56%), which shows that the independent variable is able to explain 8.56% of the dependent variable, the remaining 91.44% is effect by other factors outside this research.

**t test****Table. 8 t Test Results****Model 1**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	0.127410	0.043561	2.924859	0.0039
EM	-0.100158	0.779360	-0.128514	0.8979
C	1.611022	0.152481	10.56541	0.0000

**Model 2**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	0.002651	0.003780	0.701450	0.4839
C	-0.004491	0.005095	-0.881455	0.3793

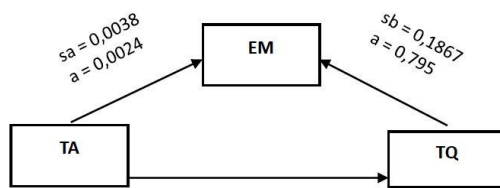
**Model 3**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EM	0.186785	0.795475	0.234810	0.8147
C	1.735657	0.036264	47.86134	0.0000

The results of the t test model 2 on the TA variable have a coefficient value of 0.002651 with a p-value of 0.4839. P-value > 0.05, indicating that tax avoidance has no effect on firm value in manufacturing firm's listed on the IDX for the 2018-2022 period. The results of model 3 for the EM variable, the coefficient value is 0.186785 with a p-value of 0.8147. P-value > 0.05, then the results show that earnings management has no effect on firm value.

## Sobel test

**Table. 9 Sobel Test Results**



$$\begin{aligned}
 Z &= \frac{ab}{\sqrt{(b^2 \text{ sea}^2) + (a^2 \text{ seb}^2)}} = \frac{(0.0038)(0.1867)}{\sqrt{(0.1867)^2 \times (0.0038)^2 + (0.0024)^2 \times (0.795)^2}} \\
 &= \frac{0,000709}{\sqrt{(0.03485 \times 0.0000144) + (0.00000576 \times 0.632)}} = \frac{0.000709}{\sqrt{0.0000001 + 0.000004}} \\
 &= \frac{0.000709}{\sqrt{0.0000041}} = \frac{0.000709}{0.002} = 0.3545
 \end{aligned}$$

The sobel test is used to test the mediating effect between variable tax avoidance and firm value. In this research, the mediating variable is the earnings management variable. From the results of the sobel test, it is known that the  $z = 0.3545$ , value  $z < 1.96$  then it shows the result that earnings management cannot mediate the effect of tax avoidance on firm value in manufacturing firm's listed on the IDX for the 2018-2022 period.

## DISCUSSION

### The Effect of Tax Avoidance and Firm Value

Tax avoidance is a legal activity that aims to minimize the tax burden without going against tax provisions. Based on the results of the research data analysis above which shows that tax avoidance as measured by CETR has an effect on firm value as measured by Tobin's Q. The results of this research are also in line with previous research conducted (Inanda et al., 2018), (Prasetya et al., 2023), (Siew Yee et al., 2018) ) states that tax avoidance has a no effect on firm value, the more efforts a firm makes to carry out tax avoidance, the lower the firm value. so **H1: is rejected.**

### The Effect of Earnings Management and Firm Value

Based on the results of the research data analysis above, it shows that earnings management as measured by discretionary accruals has no effect on company value. The results of this research are in line with previous research conducted (Yorke et al., 2016), (Li, J., Wang & Guo, 2017) which states that earnings management has no effect on firm value. Firm's that carry out earnings management will reduce the share price and market value of a firm. The profits generated by the firm are not the main consideration for investors, so firm that practice earnings management with strategies to increase profits will not have an effect on the firm value, so **H2: is rejected.**

### Earnings Management is Able to Mediate Tax Avoidance on Firm Value

Based on the results of the research data analysis above which shows that earnings management has no effect on tax avoidance and firm value which is caused by a z value  $<1.96$ , which means that earnings management is unable to mediate the effect of tax avoidance on firm value. The results of this research are contrary to theory. signal, which states that tax avoidance can provide a positive signal to investors about management's ability to generate high profits, so that this signal can effect share prices and firm value. However, by carrying out tax avoidance and through earnings management practices, the firm cannot directly effect the financial reports in achieving the desired profit target, so it does not effect the firm value, so **H3: is rejected**

### CONCLUSION

The research aims to see the effect tax avoidance on firm value with earnings management as a mediating variable, but the research results show that tax avoidance has no effect on firm value, and there is no effect of earnings management on firm value, and earnings management cannot be used as a mediating variable between tax avoidance on firm value. This research focuses on manufacturing firm's listed on the idx for the 2018-2022 period. The sample used after meeting the criteria was 37 firm's with a total of 185 observations.

### SUGGESTIONS

The results of this research are that in manufacturing companies tax avoidance has no effect on firm value, and in manufacturing companies earnings management also has no effect on firm value, and earnings management is unable to become a mediating variable between tax avoidance and firm value. So it is hoped that further research can add other variables to investigate the effect of tax avoidance on firm value and earnings management on firm value, and add other mediating variables, and it is hoped that further research can add research samples to get better results.

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