

Tax Avoidance and Firm Value in Indonesia: A Systematic Literature Review

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Abstrak

Penelitian ini menyintesis hubungan antara penghindaran pajak dan nilai perusahaan di Indonesia dengan mempertimbangkan persepsi investor, risiko, dan tata kelola perusahaan. Tinjauan pustaka sistematis dilakukan terhadap 14 artikel kuantitatif yang diterbitkan pada 2021–2025, terdiri atas enam artikel dari Scopus dan delapan artikel dari jurnal terakreditasi SINTA 2 yang ditemukan melalui Google Scholar. Sintesis naratif menunjukkan hubungan yang beragam: sejumlah studi melaporkan hubungan positif yang dikaitkan dengan manfaat penghematan pajak, sedangkan studi lain menemukan hubungan negatif atau tidak signifikan. Perbedaan proksi penghindaran pajak dan nilai perusahaan, cakupan sektor, periode observasi, serta spesifikasi model membatasi perbandingan langsung antartemuan. Teori sinyal dan teori keagenan digunakan sebagai kerangka interpretasi untuk menjelaskan bagaimana manfaat penghematan pajak dapat dipertimbangkan bersama risiko reputasi dan konflik kepentingan. Persepsi investor merupakan penjelasan konseptual atas variasi temuan, bukan mekanisme yang diuji secara langsung oleh seluruh studi. Penelitian ini menyimpulkan bahwa penghematan pajak tidak selalu diikuti peningkatan nilai perusahaan; interpretasinya perlu memperhatikan konteks dan metode penelitian. Cakupan artikel yang terbatas dan tidak dilakukannya meta-analisis membatasi generalisasi hasil.

Kata Kunci: penghindaran pajak, nilai perusahaan, persepsi investor, tata kelola perusahaan, Indonesia.

Abstract

This study synthesizes the relationship between tax avoidance and firm value in Indonesia, considering investor perceptions, risk, and corporate governance. A systematic literature review covers 14 quantitative articles published in 2021–2025: six identified through Scopus and eight from SINTA 2-accredited journals identified through Google Scholar. The narrative synthesis reveals mixed associations. Some studies report positive relationships linked to tax-saving benefits, whereas others report negative or statistically insignificant relationships. Differences in tax avoidance and firm value

proxies, sectoral coverage, observation periods, and model specifications limit direct comparisons. Signaling and agency theories provide interpretive frameworks for considering tax-saving benefits alongside reputational risks and conflicts of interest. Investor perceptions offer a conceptual explanation for variation in the findings rather than a mechanism directly tested in every study. The review concludes that tax savings do not necessarily translate into higher firm value and that findings require context-sensitive and method-sensitive interpretation. The limited evidence base and absence of a meta-analysis constrain generalizability.

Keywords: tax avoidance, firm value, investor perception, corporate governance, Indonesia

Introduction

Corporate taxation is an important consideration in financial decision-making because tax payments affect the resources available for investment, financing, and distribution to shareholders. Firms may undertake tax planning to reduce their tax burden and improve after-tax returns. From a valuation perspective, however, the benefits of lower tax payments depend on how these savings are generated and whether they can be sustained. Tax arrangements that preserve resources may support firm value, whereas arrangements associated with uncertainty, limited transparency, or managerial opportunism may expose shareholders to additional costs. The relationship between tax avoidance and firm value therefore requires consideration of both the financial benefits of tax savings and the risks surrounding the underlying strategies (Mujiyati et al., 2022; Suriawinata & Almurni, 2023).

Agency theory and signaling theory provide complementary explanations for these competing valuation implications. Agency theory suggests that managerial decisions may advance shareholders' interests but may also reflect conflicts of interest and generate monitoring costs (Jensen & Meckling, 1976). In the taxation context, complex arrangements can make it difficult for shareholders to distinguish value-enhancing planning from managerial opportunism. Signaling theory, meanwhile, explains how investors interpret observable information under conditions of information asymmetry (Spence, 1973). A lower tax burden may signal efficient resource management, but it may also raise questions about the sustainability and risks of reported earnings. These perspectives suggest that tax avoidance does not carry a uniform valuation implication; its interpretation depends on the information available to investors and the incentives underlying corporate decisions.

Empirical evidence from Indonesia reflects this ambiguity. Mujiyati et al. (2022), Renaldo and Murwaningsari (2023), and Ardillah et al. (2022) report positive relationships between tax-related practices and firm value in their respective settings. These findings are consistent with the view that tax savings can increase resources available to shareholders. In contrast, Fuadah and Kalsum (2021) and Yuliandana et al. (2021) report negative relationships, indicating that lower tax burdens do not necessarily correspond to higher valuations. Juliani and Finatariani (2023), Rajab et al. (2022), and Febrianto et al. (2025) report statistically insignificant relationships. Taken together, these studies

suggest that the valuation implications of tax avoidance cannot be adequately explained by a general expectation that reducing taxes either creates or destroys firm value.

Governance and disclosure provide further context for interpreting these findings. Rudyanto and Pirzada (2021) show that the relationship involving accounting effective tax rates and firm value varies with environmental sensitivity and sustainability reporting. Tjondro and Tjaraka (2024) find that firms with potential tax avoidance activities experience a more pronounced decline in firm value when market-based governance is stronger. Conversely, Suriawinata and Almurni (2023) identify valuation benefits associated with the use of special purpose vehicles in tax planning and with board independence. These findings indicate that governance mechanisms may influence how tax strategies are evaluated, while their implications differ across arrangements and research settings. Transparency and oversight should therefore be examined as contextual conditions whose roles require empirical clarification.

Differences in research methods also complicate comparisons across the literature. The reviewed studies employ tax measures such as effective tax rates, cash effective tax rates, and book-tax differences, alongside indicators of tax planning. These measures capture related aspects of corporate taxation but do not necessarily represent identical practices. Their direction also matters: a lower effective tax rate generally indicates greater tax avoidance, meaning that the sign of an effective-tax-rate coefficient must be distinguished from the implied relationship between tax avoidance and firm value. Differences in valuation proxies, industry coverage, observation periods, and model specifications create additional boundaries to comparability. Moreover, studies examining direct relationships, moderation, and mediation address different questions, even when they involve similar variables.

The research gap consequently concerns the integration and interpretation of this heterogeneous evidence. Individual studies provide insights into particular sectors, periods, and governance conditions, but their findings leave uncertainty about how substantive and methodological differences relate to the divergent results. Grouping studies solely according to positive, negative, or insignificant coefficients can obscure differences in the constructs and relationships being examined. Similarly, attributing valuation outcomes to investor perceptions may overstate the evidence when those perceptions are not directly measured. A systematic synthesis is therefore needed to connect reported findings with their measurement choices, sample characteristics, and contextual boundaries, while distinguishing theoretical explanations from mechanisms explicitly tested in the underlying studies.

Accordingly, this study conducts a systematic literature review of 14 quantitative articles published in 2021–2025 concerning tax avoidance and firm value among Indonesian listed companies. The evidence base comprises six articles identified through Scopus and eight articles from SINTA 2-accredited journals identified through Google Scholar. The review addresses three questions: What relationships between tax avoidance and firm value are reported in the Indonesian literature? How do differences in measurement, sample coverage, and contextual variables affect the comparability of these findings? How can agency and signaling theories inform their interpretation? These theories serve as interpretive frameworks for the narrative synthesis rather than as hypotheses tested using newly collected firm-level data.

This review contributes by integrating the reported valuation relationships with the methodological and contextual conditions under which they arise. It clarifies why findings concerning tax avoidance, tax planning, and tax aggressiveness should be compared with attention to their operational definitions. It also distinguishes the roles of governance and disclosure variables from broader explanations concerning investor perceptions. For researchers, the synthesis identifies issues that require more comparable measurement and more direct examination of the proposed mechanisms. For corporate decision-makers and investors, it provides a basis for evaluating tax savings alongside their sustainability, transparency, and associated risks. The contribution is thus a more qualified understanding of the Indonesian evidence and a clearer foundation for subsequent research on corporate taxation and firm value.

Theoretical and Conceptual Framework

Signaling theory explains how observable information can inform decisions when parties possess unequal information (Spence, 1973). Applied to corporate taxation, a lower tax burden may be interpreted as evidence of efficient resource management or as an indication of aggressive practices and uncertain future costs. Financial and nonfinancial information can influence these interpretations by helping investors evaluate a firm's prospects (Hadi, 2018; Silvia & Yohanes, 2022). Agency theory provides a complementary explanation: managers may pursue tax strategies that benefit shareholders, but complex arrangements may also facilitate managerial opportunism and increase monitoring costs (Jensen & Meckling, 1976). The two perspectives therefore identify competing interpretations of tax avoidance rather than predicting a uniformly positive or negative valuation relationship.

The ethical dimension further complicates this relationship. Young (2003) discusses the reconciliation of private interests with the public good, while Wegener and Labelle (2017) examine the relationship between business ethics and tax aggressiveness. Corporate taxes contribute to public revenue, making tax strategies relevant to stakeholders beyond shareholders. Nevertheless, a reduction in tax payments alone does not establish unethical conduct: its interpretation depends on the underlying arrangements and the standards against which they are assessed.

Hardeck and Hertl (2014) show why stakeholder responses to corporate tax strategies warrant attention. A distinction is needed between tax savings arising from substantive business activities or available incentives and aggressive arrangements that raise concerns about their economic substance or social consequences. Prebble and Prebble (2010) and Raiborn et al. (2015) discuss the ethical concerns associated with tax avoidance. These perspectives help explain why investors may attach different meanings to similar tax outcomes, without assuming that every tax-saving practice has the same ethical or financial implications.

Information transparency is relevant because aggregate tax figures do not, by themselves, reveal the motivations, sustainability, or risks of a tax strategy. Chen et al. (2014) examine tax avoidance and firm value in China, while Goh et al. (2016) examine the cost of equity, illustrating that tax practices can be considered through different market outcomes. These studies provide conceptual background rather than forming

part of the Indonesian review sample. In this review, signaling and agency theories guide the interpretation of published findings; they do not function as hypotheses tested on newly collected firm-level data. An SLR does not inherently require hypothesis development, but a theoretical framework can clarify how evidence is interpreted.

Recent Indonesian studies report positive, negative, and statistically insignificant associations between tax avoidance and firm value (Fuadah & Kalsum, 2021; Juliani & Finatariani, 2023; Mujiyati et al., 2022; Rajab et al., 2022). The research gap concerns the interpretation of this inconsistency. Individual studies examine different tax proxies, valuation measures, sectors, and governance mechanisms, making it difficult to determine whether divergent findings reflect substantive differences or methodological choices. Studies of sustainability reporting, ownership structure, and market-based governance also suggest that contextual conditions matter (Ardillah et al., 2022; Rudyanto & Pirzada, 2021; Tjondro & Tjaraka, 2024). A synthesis that relates these conditions to measurement and sample differences can provide a clearer account of what the existing evidence supports and where uncertainty remains.

Accordingly, this review addresses three questions: (1) What associations between tax avoidance and firm value are reported in Indonesian quantitative studies published in 2021–2025? (2) How do differences in measurement, sample characteristics, and contextual variables affect the comparability of these findings? (3) How can signaling and agency theories help interpret the observed patterns? The contribution is an integrated narrative synthesis linking reported findings to their methodological and contextual boundaries. It also provides a basis for teaching and research on corporate taxation, valuation, and governance by distinguishing theoretical explanations from mechanisms that individual studies directly test.

Method

This study adopts a systematic literature review (SLR) to synthesize quantitative research on tax avoidance and firm value among Indonesian listed companies. The unit of review is the published article. The synthesis examines reported associations, the roles of governance and disclosure variables, and differences in measurement and sample coverage. The review uses a narrative approach; it does not estimate a pooled effect, reanalyze firm-level data, or establish a numerical threshold for optimal tax avoidance. International studies inform the conceptual framework, while the empirical review remains focused on Indonesia.

The literature search covered publications dated 2021–2025. The initial search used Scopus through Publish or Perish 8 and focused on English-language quantitative studies of Indonesian listed companies. A supplementary Google Scholar search identified Indonesian-language articles published since 2021 in journals classified as SINTA 2 in the review. Scopus and Google Scholar served as retrieval sources, whereas SINTA 2 denotes journal accreditation. The two search routes therefore had different language and source-coverage boundaries.

Search terms covered tax practices ("tax avoidance," "tax aggressiveness," "tax management," and "tax planning"), valuation outcomes ("firm value," "shareholder

value," "Tobin's Q," and "stock price"), and possible mechanisms ("investor perception," "market reaction," "risk," and "agency cost").

The Scopus search used the following keyword combinations:

("tax avoidance" OR "tax aggressiveness") AND ("firm value" OR "shareholder value" OR "Tobin's Q")
 ("tax avoidance" OR "tax management") AND ("investor perception" OR "market reaction") AND ("firm value" OR "shareholder value")
 ("corporate tax avoidance" AND "trade-off" AND "firm value")
 ("tax planning" AND "stock price" AND "risk")
 ("tax aggressiveness" AND "agency cost" AND "firm value")

Articles were screened by title and abstract, followed by full-text assessment where necessary. Eligibility required a quantitative design, an Indonesian listed-company context, and relevance to the relationship between tax practices and firm value. Studies examining governance, disclosure, or market-related mechanisms were considered where they addressed this relationship. Accessibility was also a practical selection condition, which limits the completeness of the evidence base.

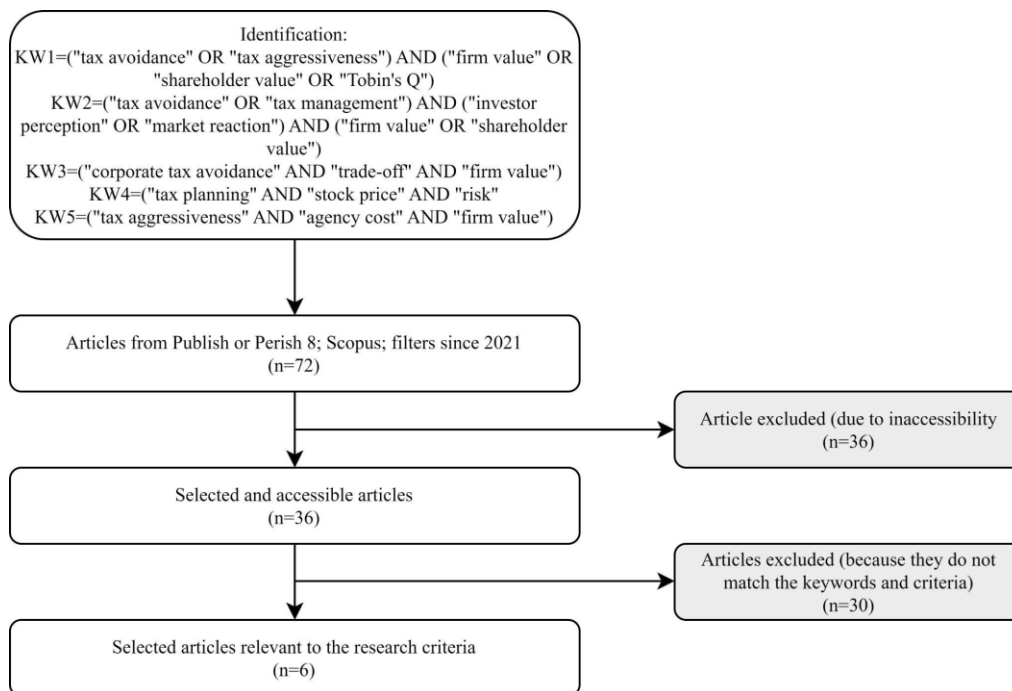


Figure 1. Scopus article identification and selection flow

Source: Authors' compilation, 2025.

Figure 1 summarizes the Scopus identification and screening stages in a PRISMA-style flow diagram. The five keyword combinations identified 72 records. Access constraints excluded 36 records, leaving 36 accessible articles for further assessment. Of these, 30 did not satisfy the review's relevance or inclusion criteria, leaving six Scopus articles.

The supplementary Google Scholar search used the terms "tax avoidance," "tax planning," and "firm value," with a preference for Indonesian-language publications dated 2021 onward. This search contributed eight articles from SINTA 2-accredited journals. The

combined evidence base therefore comprised 14 quantitative articles, all examining Indonesian companies. The supplementary search broadens domestic coverage but does not provide a systematic international comparison.

The narrative synthesis compares publication details, study periods, sample characteristics, key measures, and contextual variables, as summarized in Tables 1 and 2. Reported findings are discussed as positive, negative, statistically insignificant, or conditional relationships, with attention to the coding of tax measures and to the distinct roles of moderators and mediators. The synthesis does not treat the number of statistically significant findings as an estimate of the overall effect.

Results and Discussion

Evidence Base and Reported Associations

As summarized in Table 1, the review comprises six Scopus articles and eight articles from SINTA 2-accredited journals. Together, they cover tax avoidance, tax aggressiveness, and tax planning in relation to firm value. The evidence is heterogeneous: some studies report positive associations, others report negative or statistically insignificant associations, and some identify relationships that depend on disclosure or governance conditions. These patterns require interpretation alongside the definitions and methods used in each study.

Table 1. Reviewed articles and journal details

No.	Author (Year)	Citation Count	Title - Journal	Index
1	Fuadah & Kalsum (2021)	76	The Impact of Corporate Social Responsibility on Firm Value: The Role of Tax Aggressiveness in Indonesia <i>Journal of Asian Finance, Economics and Business</i> , Vol 8 No 3 (2021) 0209-0216	Scopus
2	Listiani et al. (2024)	1	Managerial Overconfidence, Cash Flow, Tax Aggressiveness and Firm Value <i>Montenegrin Journal of Economics</i> , 20(1), 47-57	Scopus
3	Mujiyati et al. (2022)	10	Tax amnesty and company value: Testing tax avoidance as an intervening variable <i>Investment Management and Financial Innovations</i> , Volume 19, Issue 3, 2022	Scopus
4	Renaldo & Murwaningsari (2023)	32	Does Gender Diversity Moderate the Determinant of Future Firm Value? <i>Review of Economics and Finance</i> , 21, 680-689	Scopus
5	Rudyanto & Pirzada (2021)	113	The role of sustainability reporting in shareholder perception of tax avoidance <i>Social Responsibility Journal</i> , 17(5), 669-685	Scopus
6	Tjondro & Tjaraka (2024)	5	How does market-based governance influence sustainable tax behaviour? Evidence from tax haven utilisation and tax avoidance <i>International Journal of Sustainable Economy</i> , 16(1), 45-66	Scopus

No.	Author (Year)	Citation Count	Title - Journal	Index
7	Ardillah et al. (2022)	21	The role of ownership structure in moderating the relationship between tax avoidance, corporate social responsibility disclosure, and firm value <i>Accounting Analysis Journal</i> , 11(1), 21-30	SINTA 2
8	Febrianto et al. (2025)	10	Tax Avoidance and Green Accounting In Increasing Firm Value And CSR Practices In Indonesia <i>Jurnal Reviu Akuntansi dan Keuangan</i> , 15(1)	SINTA 2
9	Juliani & Finatariani (2023)	9	Institutional Ownership, Tax Planning and Tax Avoidance Effect on Firm Value <i>JAS (Jurnal Akuntansi Syariah)</i> , 7(2), 168-183	SINTA 2
10	Rajab et al. (2022)	47	Pengaruh tax planning, tax avoidance, dan manajemen laba terhadap nilai perusahaan <i>JPPi (Jurnal Penelitian Pendidikan Indonesia)</i> , 8(2), 472-480	SINTA 2
11	Sohono et al. (2024)	-	The Role of Corporate Transparency In Moderating The Influence Of Leverage And Tax Avoidance On Firm Value In The Real Estate And Property Sector In Indonesia <i>Sosiohumaniora</i> , 26(3), 391-401	SINTA 2
12	Suriawinata & Almurni (2023)	10	Corporate tax planning, the use of SPV, board independence, and firm value <i>Jurnal Ekonomi Dan Bisnis</i> , 26(1), 67-90	SINTA 2
13	Susilowati et al. (2024)	-	Maximizing Firm Value: Analyzing Profitability and Leverage with Tax Avoidance Interventions <i>JASF: Journal of Accounting and Strategic Finance</i> , 7(1), 114-132	SINTA 2
14	Yuliandana et al. (2021)	51	Pengaruh Tax Avoidance Terhadap Nilai Perusahaan: (Studi Pada Perusahaan Manufaktur yang Terdaftar Di BEI) <i>Jurnal Ilmiah Akuntansi Kesatuan</i> , 9(1), 31-42	SINTA 2

Source: Authors' compilation, 2025. Citation counts are those recorded in the original review.

Mujiyati et al. (2022), Renaldo and Murwaningsari (2023), and Ardillah et al. (2022) report positive valuation relationships in their respective settings. These findings are consistent with the explanation that tax savings can increase the resources available to shareholders. Susilowati et al. (2024) also discuss a positive relationship between tax avoidance and firm value. Suriawinata and Almurni (2023) identify a valuation benefit associated with the use of special purpose vehicles (SPVs) in corporate tax planning. These findings support a potential financial-benefit explanation, but they do not establish that all forms of tax reduction create value.

Negative associations are reported by Fuadah and Kalsum (2021), Sohono et al. (2024), and Yuliandana et al. (2021). Such results are consistent with concerns about agency costs, uncertainty, or reputational consequences, although a negative valuation coefficient does not directly establish investors' motivations. Listiani et al. (2024) examine tax aggressiveness in conjunction with managerial overconfidence and operating cash flow, emphasizing the relevance of the broader model. Tjondro and Tjaraka (2024) show

that stronger market-based governance is associated with a more pronounced valuation decline among firms with potential tax avoidance activities.

Juliani and Finatariani (2023), Rajab et al. (2022), and Febrianto et al. (2025) report statistically insignificant tax avoidance–firm value relationships in their respective settings. An insignificant result indicates insufficient evidence of an association within a particular model and sample; it does not demonstrate that investors universally disregard tax practices. Rudyanto and Pirzada (2021) provide a conditional account, showing that the relationship involving GAAP effective tax rates and firm value varies with environmental sensitivity and sustainability reporting. Their evidence therefore illustrates why a study may not be adequately represented by a single unconditional classification.

The roles of additional variables also differ across studies. Ardillah et al. (2022) examine ownership structure as a moderator, while Listiani et al. (2024) consider tax aggressiveness as a mediator in the managerial overconfidence–firm value relationship. Susilowati et al. (2024) examine whether tax avoidance mediates the relationships of profitability and leverage with firm value. Moderation concerns variation in a relationship across conditions; mediation concerns an indirect pathway between variables. These roles should not be combined into a general claim that every governance or financial variable explains the same mechanism.

Methodological Comparison

Table 2 shows substantial variation in valuation measures, tax measures, sample characteristics, and contextual variables. This variation affects the interpretation of both coefficient direction and statistical significance. The comparison below considers these features as potential explanations for differences in findings rather than as evidence that any single methodological choice causes a particular result.

Tobin's Q is widely used to measure firm value, while Renaldo and Murwaningsari (2023) and Sohono et al. (2024) use market-to-book or price-to-book measures. These proxies reflect related aspects of valuation but are not numerically interchangeable. Tax-related measures include effective tax rates (ETRs), cash effective tax rates (CETRs), book-tax differences (BTDs), and tax-planning indicators. For example, Rudyanto and Pirzada (2021) distinguish cash ETR from GAAP ETR, while Suriawinata and Almurni (2023) use BTDs. A lower ETR generally indicates greater tax avoidance, so the sign of an ETR coefficient must be distinguished from the implied direction of tax avoidance. Differences in current tax expense, cash payments, timing, and proxy construction can therefore produce findings that appear inconsistent when compared only by coefficient sign.

Sample coverage also differs. The study summaries report observation periods of three to ten years and sample sizes ranging from ten companies in Rajab et al. (2022) and Sohono et al. (2024) to 210 in Renaldo and Murwaningsari (2023). Manufacturing is common, but the review also includes mining, energy, infrastructure, consumer goods, real estate and property, agriculture, and broader nonfinancial samples. Small or sector-specific samples may offer limited statistical power or external validity, while different observation periods expose firms to different economic conditions. A statistically insignificant estimate in one sample therefore cannot be directly equated with evidence of no relationship across Indonesian firms.

Table 2. Methodological comparison of the reviewed studies

No.	Author (Year)	Study Period (Year)	Sample - Industry	Key Variable Proxies and Measures Tax and Firm Value Measures	Other Variables
1	Fuadah & Kalsum (2021)	3	29	Tobin's Q, ETR	CSR
2	Listiani et al. (2024)	10	- Manufacturing 116 - Manufacturing	Tobin's Q, ETR	Managerial Overconfidence, Operating Cash Flow
3	Mujiyati et al. (2022)	4	54 - Manufacturing	VOC/Tobin's Q, TAV/ETR, TAM (Tax Amnesty)	-
4	Renaldo & Murwaningsari (2023)	5	210 - Primary and Nonprimary Consumer Goods	MBV/PBV, GAAP ETR	Earnings Management, Gender Diversity
5	Rudyanto & Pirzada (2021)	3	199 - TRBC	Tobin's Q, ETR, GAAP ETR	CSR
6	Tjondro & Tjaraka (2024)	5	135 - Manufacturing & Agriculture	Tobin's Q, THS & THmin1 (Tax Haven), TA/ETR/CETR	Market-Based CG
7	Ardillah et al. (2022)	4	19 - Mining	Tobin's Q, ETR	CSR
8	Febrianto et al. (2025)	5	83 - Energy	Tobin's Q, ETR	CSR
9	Juliani & Finatariani (2023)	5	16 - Infrastructure	Tobin's Q, TRR, CETR	Institutional Ownership
10	Rajab et al. (2022)	3	10 - Manufacturing	Tobin's Q, TRR, ETR	Earnings Management
11	Sohono et al. (2024)	3	10 - Real Estate & Property	PBV, CETR	Corporate Transparency, Leverage
12	Suriawinata & Almurni (2023)	5	119 - Nonfinancial	Tobin's Q, BTD	Special Purpose Vehicles, Board Independence
13	Susilowati et al. (2024)	3	58 - Manufacturing	Tobin's Q, CETR	Profitability, Leverage
14	Yuliandana et al. (2021)	5	25 - Manufacturing	Tobin's Q, CETR	-

Source: Authors' compilation, 2025.

Model specifications incorporate different combinations of corporate social responsibility (CSR), ownership structure, managerial overconfidence, earnings management, gender diversity, transparency, profitability, and leverage. Other studies examine market-based governance, tax haven use, SPVs, or board independence. These differences mean that direct, conditional, and indirect relationships may answer different questions. For example, Suriawinata and Almurni (2023) examine a specific tax-planning arrangement and board independence, whereas Tjondro and Tjaraka (2024) focus on external monitoring and tax behavior. Their findings need not conflict simply because

their valuation implications differ. Direct comparison requires alignment of the underlying construct, proxy direction, sample, and model specification.

Interpretation and methodological implications

The findings are consistent with two competing valuation channels. The financial-benefit channel links lower tax payments to resources available for investment or distribution. The risk and agency-cost channel concerns uncertainty, limited transparency, and possible divergence between managerial and shareholder interests. Signaling theory helps explain how investors might interpret observable tax outcomes, while agency theory helps explain why similar outcomes may arise from different managerial incentives. The review uses these channels to organize the evidence, without claiming that they were directly measured in every article.

Positive relationships should therefore be interpreted in light of the tax strategy and valuation horizon examined. Tax savings may be valuable when investors view them as sustainable and consistent with the firm's operating activities. However, the evidence does not establish that progressively more aggressive tax avoidance produces progressively greater value. The results concerning SPVs and board independence in Suriawinata and Almurni (2023), for example, concern specific arrangements and governance conditions rather than a universal benefit from tax avoidance.

Negative and statistically insignificant findings require similar care. Negative relationships are compatible with risk-related interpretations, but do not independently prove reputational damage or a particular investor belief. Insignificant relationships may reflect limited precision, competing influences, or sample-specific conditions. The contrast between the negative findings reported by Yuliandana et al. (2021) and the insignificant findings reported by Rajab et al. (2022), for example, is best considered alongside their sample and specification differences rather than treated as a direct contradiction about all manufacturing firms.

Methodological heterogeneity is particularly important when comparing ETR-based measures with tax-planning indicators. A coefficient attached to an ETR measures a change in the tax rate, whereas the conceptual interpretation may concern a change in tax avoidance in the opposite direction. Likewise, cash and accounting tax measures can capture different timing effects. Comparisons based only on whether coefficients are positive or negative may therefore misclassify the underlying relationship. The findings support careful interpretation of each study's operational definitions, rather than a pooled conclusion drawn from unadjusted signs or significance counts.

Disclosure and governance are relevant contextual factors, but their effects are not uniform. Rudyanto and Pirzada (2021) connect sustainability reporting with differences in the GAAP ETR-firm value relationship across environmental-sensitivity groups. In contrast, Sohono et al. (2024) report that corporate transparency does not moderate the tax avoidance-firm value relationship in their sample, although it moderates the leverage-firm value relationship. These findings caution against assuming that transparency always offsets the valuation risks of tax avoidance. Similarly, a negative ownership interaction does not, by itself, demonstrate that ownership reduces the level of tax avoidance; it indicates a change in the estimated valuation relationship.

The synthesis thus identifies investor perception as an interpretive mechanism requiring more direct empirical examination. Firm value provides a market-based outcome, but its association with tax measures does not isolate investors' beliefs. Studies using direct perception measures, clearly specified information events, or comparable disclosure indicators could help distinguish financial-benefit explanations from risk-related explanations. The review also highlights the importance of comparing equivalent constructs and separating contextual explanations from statistically tested mechanisms.

Conclusion and Implications

This SLR synthesizes 14 quantitative articles published in 2021–2025 on tax avoidance and firm value in Indonesia. The reviewed evidence does not support a uniformly positive or negative relationship. Positive findings are consistent with potential tax-saving benefits, while negative and statistically insignificant findings show that these benefits do not necessarily translate into higher market valuations. Differences in tax and valuation proxies, sample coverage, and model specifications limit direct comparisons across studies.

Signaling and agency theories offer complementary explanations for these patterns. Investors may interpret tax outcomes in relation to expected financial benefits, uncertainty, transparency, and managerial incentives. However, investor perception is not directly tested as a moderator or mediator in every reviewed study. The review therefore presents perception as a conceptual explanation supported by context-dependent findings, rather than as a universally established causal mechanism. Its main contribution is to connect the mixed evidence with the conditions and methods under which it is reported.

The findings have implications for research, accounting education, corporate decision-making, investment analysis, and policy.

For researchers and educators, the comparison emphasizes the need to distinguish tax planning, tax avoidance, and tax aggressiveness, and to explain how the direction of a tax proxy affects interpretation. Future research can improve comparability by reporting alternative measures, sectoral boundaries, and the roles of interaction and indirect effects clearly. Direct examination of investor beliefs and comparable cross-country designs would help evaluate the proposed mechanisms. The current evidence does not establish an optimal level of tax avoidance; identifying such a threshold requires a separate empirical design.

For corporate management, the implication is to assess tax savings alongside their sustainability, disclosure requirements, and potential effects on stakeholder confidence. A favorable valuation association in one setting should not be treated as justification for all tax-minimization strategies. Clear explanations of material tax arrangements and effective oversight can support informed assessments of their benefits and risks, although the review does not establish that any single governance mechanism guarantees a valuation benefit.

For investors, higher after-tax earnings should be considered together with the persistence of tax savings, the quality of disclosures, and the firm's governance arrangements. The review supports examining the source and context of tax outcomes

rather than relying on a low effective tax rate as a sufficient indicator of either efficient management or excessive risk.

For regulators and policymakers, the findings support attention to the clarity and comparability of tax-related disclosures. Better information about material arrangements can assist market participants in evaluating their implications. Nevertheless, the mixed evidence does not justify a universal prediction about how a particular disclosure or enforcement measure will affect firm value.

Limitations and Future Research

This review has several limitations. First, the 14-article evidence base is restricted to Indonesian listed companies and publications dated 2021–2025; it does not establish whether the same patterns apply to private firms, other jurisdictions, or later publications. Second, reliance on Scopus and a supplementary Google Scholar search of SINTA 2 journals creates source-coverage and language limitations. The exclusion of 36 Scopus records because of access constraints may also introduce availability bias. Third, differences in proxies, sectors, periods, and model specifications limit comparability, while the narrative synthesis does not provide a pooled effect size or a standardized risk-of-bias appraisal.

Fourth, the review relies on published quantitative results and cannot independently establish causality or identify investor beliefs from valuation measures alone. Publication and selective-reporting biases may affect the available evidence, but their extent is not quantified here. Future reviews could broaden database and geographic coverage, document search dates and screening decisions in greater detail, and apply a formal quality-assessment procedure. A meta-analysis would require sufficiently comparable estimates and additional extraction of effect sizes and uncertainty measures.

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