

ABSTRACT

This study examines the relationship between corporate tax avoidance and firm value in East and Southeast Asia. It also considers how ESG performance and institutional quality affect this connection. Based on agency theory, signaling theory, and stakeholder theory, the first hypothesis expects a negative relationship between tax avoidance and firm value, while the second hypothesis suggests that ESG performance moderates this relationship. Using panel data from 10,652 firm-year observations (2014–2023), the analysis applies fixed-effects regression. The results show that tax avoidance, particularly when measured using GAAP ETR and cash ETR, is negatively associated with firm value. ESG performance strengthens this negative relationship, especially in countries with strong institutional quality. However, book-tax differences (BTD) show weaker and inconsistent effects across models. The findings show that how the market responds to tax avoidance is context-dependent. This study contributes multi-country evidence on how ESG performance and institutional quality influence the valuation of corporate tax strategies.

Keywords: tax avoidance, firm value, institutional quality, ESG performance, agency theory