Impact Street Earnings on Tax Avoidance

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ABSTRACT

This study discusses the effect of street earnings on tax avoidance for two reasons. First, there is the potential for companies that always minimize tax avoidance, especially after the COVID-19 pandemic. Second, preventive actions from various parties, including independent commissioners, public accounting firms, and securities analysts who carry out street earnings-related tax avoidance activity. This study was conducted on manufacturing companies for the 2015–2020 period. This study also added an expansive test without taking two controlling variables. As a result, street earnings have a significant negative effect on tax avoidance in expansive testing, meaning recommended companies by analysts could potentially do tax avoidance. The practical implication is the role of securities analysts as recommended parties for company monitoring. The theoretical implication is that transitory items excluded increase earnings relevant in various tests, thus further studies are needed, such as the effect of street earnings on corporate governance.

Keywords: street earnings, transitory items, tax avoidance

1. INTRODUCTION

The COVID-19 pandemic has created disasters and challenges for many people in developing countries as well as economic development, especially for countries with weak health systems, poor populations, and weak social safety nets. It is impacting the rise of commodity prices globally. This weakness is worsened by the lack of budgets in several countries, so government action to progress economically is limited (Kamin & Clements, 2021).

In Indonesia, the impact of the COVID-19 pandemic was quite heavy. More than 1.5 million workers were cut off, of whom 90 percent were laid off temporarily and 10 percent were laid off permanently. Inflation increased until March 2020, reaching 2.96, which was contributed by the price of gold jewelry and food commodities. For the manufacturing industry, the performance of processing industries, including production, new orders, and employment, decreased as measured by manufacturing PMI numbers (Hanoatubun, 2020).

The company's performance was impacted by COVID-19 pandemic. The return on assets (ROA) of the consumer goods sector declined because people's mobility was limited. Fear of viruses causes activities outside to be reduced and focus on spending for basic needs (Junaidi & Salim, 2021). In the property sector, the COVID-19 pandemic also had a significant negative impact on performance. This pandemic has proven reduce people's interest in buying property because their

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funds are only focused on their daily needs and kept as a precaution. Investors also refrain from making any investment because they see an uncertain economy (Lowardi & Abdi, 2021). Hotel, restaurant, tourism (Esomar & Chritianty, 2021) and financing sector (Esomar, 2021) are in similar conditions.

The Indonesian government anticipates a performance decline by providing various incentives, including ease of delivery of tax notification letters, facilitating import activities, and reducing corporate income tax (Tambunan, 2020), releasing incentives for Income Tax Article 21 DTP, Income Tax Article 22 import DTP, Final Income Tax / UMKM DTP, reducing installments of PPh article 25 by 50% and preliminary VAT refund (Ermanis et al., 2021).

All incentives support aiming to bring the national economy back to normal, including restoring company performance, but there is a negative side, namely tax avoidance. During the COVID-19 pandemic, this practice underwent a greater increase compared to before, largely attributable to tax incentives (Barid & Wulandari, 2021), although other studies stated that there were no significant differences in tax avoidance practices before and during the pandemic (Firmansyah & Ardiansyah, 2021) means this practice is perpetual.

For this reason, it is urgently needed to prevent this practice, for example, in the presence of an independent commissioner. Unfortunately, their role is not significant for tax avoidance (Wardana & Wulandari, 2021) and will reduce control quality (Sparta & Purnama, 2021), even though they have a lot experience in accounting practices (Gunawan, 2022). Contrary to popular belief, independent commissioners can reduce tax avoidance because they can supervise management to comply with laws and regulations (Wijayanti & Merkusiwati, 2017).

The second preventive action is through external auditors, but unfortunately, a greater public accountant firm (KAP) facilitates companies doing tax avoidance (Suyadnya & Supadmi, 2017). An auditor with high competency was needed (Cahyadi et al., 2020) and the highest fee audit to extend the audit scope will hinder tax avoidance (Cahyadi et al., 2020; Suyadnya & Supadmi, 2017).

The third preventive action that will be tested in this study is the role of a security analyst. Analysts are considered more independent because their function is only as an intermediary between investors and company (Barker & Imam, 2008) and provides value to companies known as street earnings (Sadique & Sheikh, 2013) or I/B/E/S earnings (Entwistle et al., 2010) or analyst consensus earnings (Barth et al., 2012). The value provided by analysts is better because it is more informative (Bhattacharya et al., 2003), more predictive (Barth et al., 2012), and more persistent (Brown & Sivakumar, 2003). Other studies show that street earnings have more influence on stock prices (Rachmawati & Susilawati, 2008), more effect on stock returns (Cohen et al., 2007), and can determine firm value (Z. ikhsan Pane et al., 2021). Street earnings also used to indicate financial distress (Z. I. Pane, 2021b) and more consistent with future earnings if there are few independent directors (Frankel et al., 2011). Street earnings are considered superior because of some adjustments (Huang & Skantz, 2016), by exclude certain accounts, for example gains / losses on sales of asset, claims due to legal liability (Heflin et al., 2015) or known as special items (Christensen et al., 2011), or transitory effects (Heflin et al., 2015) or non-recurring items (Baik et al., 2009; Bradshaw & Sloan, 2002; Chen, 2010).

From the explanation above, it can be summarized as follows: first, the background of this study is an urgent need for preventive action against tax avoidance because this practice always exists when companies are in normal or difficult conditions, for example, due to the COVID-19 pandemic. Beside external auditors and independent commissioners who have been studied previously, the role of securities analysts needs to be considered because they have no personal interest and their function is only to act as an intermediary between companies and investors. Second, for research purposes, this study is to examine the effect of street earnings values on tax avoidance. This study is needed to find out whether street earnings, as initiated by analysts, are adequate to determine tax avoidance practices.

The novelty of this study is the relation of street earnings to other variables besides financial distress, firm value, stock market prices, and other variables that have been studied previously.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 Theoretical Background

Signaling theory has four components: signaler, signal, receiver, and feedback. Anyone can be a signaler as long as they have information that is not owned by other people, for example, a manager or company executive. The signaler obtains information, both positive and negative, for example, about the initial stages of research on a product or service. Receivers are from any party as long as there is a lack of information, resulting in what is called information asymmetry (Connelly et al., 2011). This theory is relevant to explain the impact of street earnings on tax avoidance for three reasons. First, there is a signaling provider, namely a security analyst who provides street earnings. Second, receivers are parties related to information on tax avoidance practices, for example, investors and other stakeholders. Third, the signal itself is information about whether the companies actually do tax avoidance.

Second, positive accounting theory. Previously, accounting was based on a normative approach, but Watts and Zimmerman published an article titled "Towards a Positive Theory of the Determination of Accounting Standards" in 1978, which became the basis for justifying a new accounting approach in line with reality (Setijaningsih, 2012). This theory is relevant to explain street earnings arise as alternative measurement beside accounting earnings which based on accounting standard.

Securities analysts, as signalers, provide street earnings that are calculated without following any standard rules (Sadique & Sheikh, 2013), by subtracting net income from financial statements with transitory items / non-recurring items, for example restructuring costs, acquisition expenses, gains on asset sales, realized investment gains (Gu & Chen, 2004), write-off and revaluation costs, research and development expense,

amortization of goodwill and certain returns from subsidiaries (Bradshaw & Sloan, 2002). In this study, three accounts are considered as transitory / non-recurring items, namely amortization, research and development expense and unusual / exceptional items because three items are considered irrelevant (Z. I. Pane, 2021a). Unusual / exceptional items are also part of non-recurring items (Howard et al., 2019; Nagar & Sen, 2016).

Tax avoidance is a legal effort for taxpayers because it does not conflict with tax regulation, where the methods and techniques used tend to take advantage of the weaknesses of laws and tax regulations themselves to minimize the amount of tax owed (Anggraeni & Octaviani , 2021 as cited Barid & Wulandari, 2021). Tax avoidance is calculated by comparing the current year's tax expense with the total income before tax, also known as the effective tax rate (ETR). A low ETR value indicates tax avoidance occurs because a low ETR value can be interpreted as a low amount of the tax expense borne in that period (Firmansyah & Ardiansyah, 2021). Street earnings is calculated by reducing net income in the financial statement with transitory item (Gu & Chen, 2004).

Street earnings is initiated by financial analyst (Rachmawati & Susilawati, 2008) or analyst tracking services (Baik et al., 2009) or sell-side analyst because their function as intermediaries between company and investor (Barker & Imam, 2008) related fair price accordance with exisiting information in market (Asquith et al., 2005; Barron et al., 2002). Street earnings is calculated without specific regulation like accounting earnings (Sadique & Rahman, 2013). Street earnings also called as I/B/E/S earnings (Entwistle, 1999) or analyst consensus earnings forecast (Barth et al., 2012). In this paper, street earnings calculated by subtracting net income based on accounting standard and transitory item including unusual / exceptional item.

2.2 Hypothesis Development

Increased street earnings indicate companies are valuable, according to analysts. Four studies explain it as follows: first, the correlation between street earnings and financial distress states that

financial distress is lower when street earnings increase. This shows companies that are recommended by analysts have a low potential for financial distress (Z. I. Pane, 2021b). Second, the correlation of street earnings with firm value states that an increase in street earnings is in line with firm value (Z. ikhsan Pane et al., 2021). Third, the correlation of street earnings with stock market value states that an increase in street earnings will increase in line with the stock market price (Rachmawati & Susilawati, 2008). Last, correlation between street earnings and research and development expenses shows that the greater research and development expenditure caused a higher revision of street earnings because analysts see uncertainty in the future from this expenditure (Ho et al., 2007).

Meanwhile, tax avoidance practices can be sought from the Effective Tax Rate (ETR), where a lower value is interpreted as a lower tax expense borne by the companies, which means a higher practice of tax avoidance (Firmansyah & Ardiansyah, 2021) by reducing companies profits or increase corporate debt (Wardana & Wulandari, 2021).

From the explanation above, it can be concluded that higher street earnings indicate companies will be recommended by analysts. The higher the value of the effective tax rate (ETR), the lower tax avoidance is. This study attempts to link street earnings and tax avoidance, which have never been studied before, so hypotheses are proposed as follows:

H1 : street earnings positive significant to tax avoidance.

The control variables used in this study are firm size and total debt/debt ratio, in accordance with three previous studies. First, the bigger companies indicate greater resources for managing their tax burden (Darmawan & Sukartha, 2014 cited by Sparta & Purnama, 2021). Second, companies size also has a significant positive impact to street earnings (Z. ikhsan Pane et al., 2021). Third, the greater the leverage in line with the amount of third-party funding, the higher the interest expense will be. As a result, companies will use it to reduce corporate tax calculations (Kurniasih & Sari, 2013 cited by Sparta & Purnama, 2021). Regression model of this study as follow :

$$PP = \alpha + \beta1\, STREET + \beta2\, TA + \beta3\, TD + \varepsilon$$
(1)

where,
PP	= Tax Avoidance
STREET	= Street Earnings
SIZE	= Firms size proxied by Total Aset
TD	= Debt ratio to total asset.

3. RESEARCH METHODOLOGY

This study examines the impact of street earnings on tax avoidance in consumer goods companies listed on the Indonesia Stock Exchange from 2015 to 2020. The manufacturing sector was chosen because it experienced significant declines similar to those in property, financing, and tourism (Esomar, 2021; Esomar & Chritianty, 2021; Hanoatubun, 2020; Lowardi & Abdi, 2021). Companies also have complete financial reports from 2015 to 2020. In addition, the company has been operating for more than 20 years because it
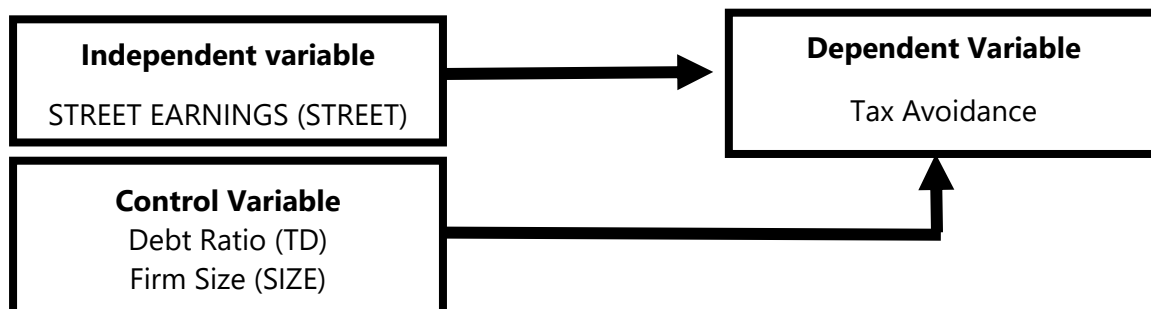

Figure 1 Conceptual Framework

is assumed to have a better ability to produce output (Kotha et al., 2011).

Company financial statements are obtained from the OSIRIS database. The OSIRIS database is a fully integrated public company database and analytical information solution. The OSIRIS database is produced by Bureau van Dijk Electronic Publishing, SA. Bureau van Dijk Electronic Publishing, SA (BvDEP) is a company and business information provider based in Brussels. BvDEP's marketing center is in London and has branch offices all over the world, such as in Amsterdam, Bahrain, Beijing, Bratislava, Brussels, Chicago, Copenhagen, Edinburgh, Frankfurt, Geneva, Lisbon, London, Madrid, Manchester, Mexico City, Milan, Moscow, New York, Paris, Rome, San Francisco, Seoul, Shanghai, Singapore, Stockholm, Sydney, Tokyo, Vienna, and Zurich. The OSIRIS database provides financial reports, ownership, news, ranking, earnings, and stock-quoted data from publicly traded companies around the world, including banking and insurance companies. The OSIRIS database has information on more than 45,000 companies from 140 countries, consisting of 34,000 companies listed on the stock exchange and 11,000 companies that are not listed or are no longer listed on the stock exchange (Wardani & Hermuningsih, 2011).

Financial reports obtained by the OSIRIS database are downloaded in Excel format with the World Vest Base (WVB) analyst report format. This format is a financial data report intended for portfolio managers and researchers (Intelligence, n.d.).

There are 4 variables in this study, one dependent variable, one independent variable and two control variables. The four measurement variables are described in table 1.

Table 1 Variable Measurement

Variable	Measurement
Tax Avoidance (PP)	Tax Expense / earnings before tax (EBT)
Street earnings (STREET)	Net profit – transitory item / total asset
Firm Size (SIZE)	Log Total Asset
Debt ratio (TD)	Total debt / Total Asset

4. RESULTS AND DISCUSSION
4.1 Descriptive test

Manufacturing companies used as samples are 53 companies from 2015–2020, with 213 observations excluding outliers. All valid companies are in the food and beverage sub-sector, the basic chemical industry, ceramics and porcelain, automotive, and other sectors.

Descriptive statistics are explained in table 2. First, street earnings. This variable has a minimum value of -0.337 and a maximum of 0.1913. The minimum value provided by the loss of PT Beton Jaya Manunggal, Tbk. in 2016 was Rp. 5,974,737,984, while the maximum value provided by the profit of PT Selamat Sampurna, Tbk, in 2015 was Rp. 427,628,000,000. The average street earnings are 0.080690 (8.0690%) of the company's total assets. The standard deviation (0.0460), which is smaller than the average value (0.0806), indicates there is no significant gap from the lowest street

Table 2 Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
Street Earnings (STREET)	213	-.0337	.1913	.080690	.0460089
Debt ratio (TD)	213	.0917	.7715	.369958	.1677579
Firms Size (SIZE)	213	2.9303	3.2804	3.093831	.0781875
Tax Avoidance (PP)	213	.1707	.4937	.332063	.0650326
Valid N (listwise)	213				

earnings value. This shows street earnings data as homogeneous.

Second, debt ratio. This variable has a minimum value of 0.0917 and a maximum of 0.7715. The minimum debt value provided by PT Indospring, Tbk, in 2020 is Rp. 262,519,771,935 while the maximum value provided by PT Indal Aluminum Industry, Tbk, in 2017 is Rp. 936,511,874,370. The average debt owned by the companies is 0.369958, or 36% of the total assets. The standard deviation is 0.1677579, which is smaller than the average of 0.369958, indicating there is no sizable gap from the lowest debt value. This shows the debt value data as homogeneous.

Third, firm size. This variable has a minimum value of 2.9303 and a maximum of 3.2804. The minimum total asset provided by PT Alakasa Industrindo, Tbk, in 2016 was Rp. 136,618,855,000, and the largest total asset provided by PT Astra International, Tbk, in 2019 was Rp. 351,958,000,000. The average total asset is 3.093831, or Rp. 3,812,052,678. The standard deviation is 0.0781875, which is smaller than the average of 3.093831, indicating there is no sizable gap from the lowest asset value. This shows the asset value data as homogeneous.

Fourth, tax avoidance. This variable has a minimum value of 0.1707 and a maximum of 0.4937. The lowest tax avoidance provided by PT Astra International, Tbk, in 2020 was 17% of profit before tax, and the highest tax avoidance provided by PT Gajah Tunggal, Tbk, in 2020 was 49% of profit before tax. The average value of tax avoidance is 0.332063, or 33% of profit before tax. The standard deviation is 0.0650326, smaller than the average of 0.332063, indicating there is no significant gap from the lowest tax avoidance. This shows that tax avoidance data is homogeneous.

4.2 Classic Assumption Test
4.2.1 Normality test

The normality test aims to determine whether the regression model has a normal distribution between independent variables and dependent variables using Kolmogorov-Smirnov. The results are shown in table 3 which is 0,200 > 0,05, means data was normal distribution.

4.2.2 Multicollinearity Test

The multicollinearity test aims to determine the correlation between independent variables through tolerance and variance inflation factor (VIF) values. The results are shown as in table 4.

The results in table 4 show that the tolerance of street earnings, debt ratio, and firm size is greater than 0.1 and the VIF value is less than 10. This indicates no correlation between variables or no multicollinearity problems.

Table 4 Multicollienarity Test Result

Variable	Tolerance	VIF
Street Earnings (STREET)	0,812	1,231
Debt ratio (TD)	0,831	1,204
Firms Size (TA)	0,926	1,079

4.2.3 Autocorrelation Test

The autocorrelation test aims to determine the correlation between the current t-period error and the previous t-1 period error in a regression model using Durbin Watson. The results are shown as in table 5.

The table 5 shows Durbin Watson is 0.102 < 1.7382, which means there is still an autocorrelation problem, but this study has continued because autocorrelation is more suitable for time series data. (Basuki & Prawoto, 2017).

Table 5 Autocorrelation Test Result

	dL	dU
	1,7382	1,7990
Durbin Watson		
	0,102	

4.2.4 Heteroscedastisity Test

The heteroscedastisity test aims to determine the inequality of variance from one observation to another using a scatterplot graph where the points formed must spread randomly, spread above or below the number 0 on the Y axis. The scatterplot graphic shows in figure 2.

Graphic in figure 2 show the points on the scatterplot graph spread randomly and are spread both above and below number 0 on the Y axis, means no heteroscedasticity problem.
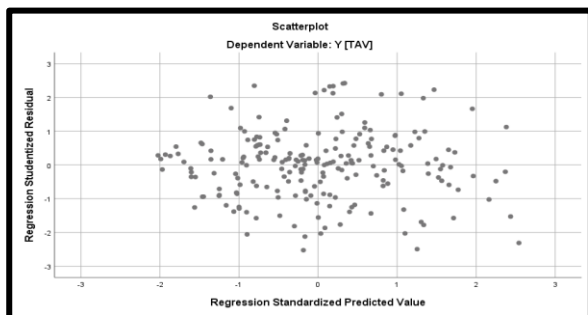

Figure 2 Scatterplot Graphic

4.3 Hypothesis Test
4.3.1 Simultaneous Test (F-test)

The F-test is conducted to determine if all independent variables have an impact on the dependent variable. The F-test can be done by looking at the significance value of F at the output of the regression results using SPSS with a significance level of 0.05 (α = 5%). The test results from table 6 shows significant value 0.017 < 0.05, means model is fit.

Table 6 F-test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.043	3	.014	3.472	.017 b
	Residual	.854	209	.004		
	Total	.897	212			

a. Dependent Variable: Y [TAV]

b. Predictors: (Constant), X3 [TA], X2 [TD], X1 [STREET]

4.3.2 Individual Test (T-test)

T-test is used to determine how significant independent variable to dependent variable partially. The T-test is done by looking at the significance level of each variable with a significance level of <0.05. Table 7 shows total debt has a significant positive effect on tax avoidance (Sig 0.030 <0.05).

4.3.3 Determination coefficient (R^2)

This test aims to determine how close combination point between dependent variable looking R square value. The result appear as in table 8.

Table 7 T-test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.437	.177		2.468	.014
	Street earnings (SE)	-.130	.106	-.092	-1.224	.222
	Debt Ratio (TD)	.063	.029	.162	2.186	.030
	Firms size (TA)	-.038	.058	-.046	-.651	.516

a. Dependent Variable: Y [TAV]

Table 8 R^2 Test Result

Mo del	R	R Squa re	Adjus ted R Squa re	Std. Error of the Estim ate	Dur bin- Wat son
1	.218a	.047	.034	.0639 242	.102

a. Predictors: (Constant), X3 [TA], X2 [TD], X1 [STREET]

b. Dependent Variable: Y [TAV]

The table 8 shows adjusted R - Square 0.034 or 3.4%, which means all independent variables—street earnings, debt ratios, and firm size—only explain 3.4% of tax avoidance, while 96.6% are explained by other variables. These results show two indications. First, street earnings initiated by analysts and two control variables are not adequate to explain tax avoidance in Indonesia, especially in manufacturing companies. Then, there are many other variables outside the companies that need to be studied further, for example, audit opinions from public accounting firms. Second, excluding transitory items from the street earnings calculation is not adequate, indicating tax avoidance.

Table 9 Hypothesis Test Result

Variable	Koefisi en	Prediction	Signific ant	Resul t
Constant a	0,437			
Street Earnings	-0,130	(+)	0,222	rejec ted
Debt Ratio	0,063	(-)	0,030**	acce pted
Firms size	-0,038	(+)	0,516	rejec ted

R square			0,034	
F–test	F –Statistic		0,017	
	Significant		0,00000	

Dependent Variable : Tax Avoidance

Significant Level : 1% (*), 5% (**) and 10% (***)

4.3.4 Hypothesis Test

Hypothesis tests determine direction and significant impact independent of dependent variables through multiple regression analysis. The results appear as in table 9.

Table 9 arise three discussion as follow :

a. Street earnings to tax avoidance. The results show street earnings have no effect on tax avoidance (p-value 0.222 > 0.05), which means H1 is rejected. This result shows the value proposed by the analyst is not adequate to determine tax avoidance practice. Transitory items excluded in the calculation of street earnings are not enough to produce reliability, like previous studies when determining firms value (Z. ikhsan Pane et al., 2021), financial distress (Z. I. Pane, 2021b) and stock market prices (Rachmawati & Susilawati, 2008).

b. Debt ratio. The test results show the debt ratio has a significant positive effect on tax avoidance (p-value 0.030 <0.05), which means a higher debt impact to avoid tax avoidance. This result is contrary to previous studies, which stated that higher leverage would reduce tax calculations (Kurniasih & Sari, 2013 as cited by Sparta & Purnama, 2021). On average, companies have 36% of their total assets in debt, but this debt does not generate tax burdens, for example, payables to third parties and related parties, customer advances, and accrued expenses, namely transportation, promotion, utilities, and audit expenses.

c. Firms size. The test results show that firm size has no significant effect on tax avoidance (significance 0.516 >0.05). This result is contrary to previous studies where the greater the company's assets, the higher the tax expense (Darmawan & Sukartha, 2014 as quoted by Sparta & Purnama, 2021). This study uses manufacturing companies where the majority of assets are trade receivables, land, machinery, vehicles, and office inventory, which do not necessarily have a significant tax expense, while the average

significant tax expense results from net profit multiplied by a certain percentage according to Article 17 paragraph 1 part b of Law Number 26 of 2008 concerning PPh.

4.4 Expansive Test

This test will drive alternative results by eliminating two control variables and confirming whether street earnings and tax avoidance have no effect as well as previous results. The result is as in table 10.

Table 10 Expansive Test with and without Control Variable

Variable	With control variable		Without control variable	
	Coefficient	Significant	Coefficient	Significant
constanta	0,437		0,350	
Street earnings	-0,130	0,222	-0,226	0,020 **
Debt ratio	0,063	0,030 **		
Firms size	-0,038	0,516		
R square	0,034		0,021	

Dependen Variable : Tax Avoidance
Significant level : 1% (*), 5% (**) and 10% (***)

Table 10 arise three discussion as follow:
a. Adjusted R square. Tests without two control variables show a smaller adjusted R square value compared with the control variable (0.021 < 0.034). It shows the control variable only contributes 0.013 (1.3%) to the explanation of tax avoidance practice. These results also show that street earnings still play a greater role in explaining tax avoidance (0.021 or 2.1%) compared with control variables (0.013 or 1.3%).
b. Street earnings. An extensive test proves that without control variables, street earnings have a significant negative effect on tax avoidance, meaning greater street earnings will increase tax avoidance. The

higher street earnings reflect that companies are profitable and are recommended by analysts for investment. As a result, the company has the opportunity to avoid tax. The results also show transitory items excluded in the calculation will produce relevant earnings, in accordance with previous studies.
c. Control variable. The expansion test proves the presence control variable does not have a significant impact on street earnings, although it can be useful to add explanations in research through the adjusted R square value.

5. CONCLUSION

This study aims to examine the effect of street earnings on tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange from 2015 to 2020. This research is also completed with an expansive test by removing two control variables to explore the role of street earnings on tax avoidance in depth. Based on the results, there are two conclusions.

First, street earnings have a significant negative impact on tax avoidance without two control variables. This shows the earnings proposed by securities analysts can determine tax avoidance practices.

Second, a higher debt ratio reduces tax avoidance. This shows that company debt is not always related to tax burdens; for example, debt to third parties and related parties, customer advances, and accrued costs such as freight, promotion, utilities, and audit expense.

6. IMPLICATIONS AND LIMITATIONS

Based on the results and conclusions, there are two research implications. First, the practical implications regarding the role of analysts through street earnings. Besides tax authorities, security analysts also participate in monitoring. Analysts are considered to play a more independent role because they do not have a professional interest in companies but only act as an intermediary between companies and investors, free from

company pressure to protect them against tax regulations. Second, the theoretical implications regarding the value of street earnings. Besides being able to determine a firm's value, financial distress, and stock market prices, street earnings are also relevant to determining a company's achievement. Then, further research is needed to expand street earnings, for example, the correlation between street earnings and corporate governance, to ensure analyst valuation is in line with good corporate governance.

Limitations of this study regarding the formulation of tax avoidance include the insufficiency of comparing tax expense and income before tax alone. Therefore, additional methods are required, such as the Cash Effective Tax Rate (CETR) or annual report disclosure. For instance, director's comprehension of tax regulations can be assessed through the number of tax training sessions and seminars attended.

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