The Impact of Changes in Tax Regulations on Corporate Tax Avoidance Practices in Indonesia

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ABSTRACT
Using a quantitative approach using Structural Equation Modeling with Partial Least Squares (SEM-PLS), this study examines the effects of tax law changes on business tax evasion practices in Indonesia. The research delves into the moderating impacts of industry type and economic conditions, in addition to the mediating roles of corporate financial structure and firm size. Each of the 150 companies in the sample, which come from a variety of industries, offers insightful information about their operational and financial traits. The findings show that corporate tax avoidance and changes in tax laws have a substantial positive correlation, which is mediated by company financial structure and business size. The moderating effects of business type and economic conditions are evident, underscoring the significance of industry-
specific characteristics and contextual economic factors in comprehending the behavior of corporation taxes. Policymakers, tax authorities, and enterprises can benefit from the findings, which offer practical insights for formulating and enforcing tax policies.

Keyword: Tax Regulations, Corporate Tax Avoidance, SEM-PLS, Indonesia, Corporate Financial Structure

INTRODUCTION
Over the past ten years, Indonesia's taxation system has experienced substantial changes that have affected the nation's economic environment. These modifications have influenced how businesses operate and how much money is available for government operations. To encourage investment and company expansion in Micro, Small, and Medium-Sized Enterprises (MSMEs), the government has put in place tax measures (Nuryani et al., 2022; ZULFIKRI, 2022). Furthermore, it has been discovered that Indonesia's corporate income tax rate significantly deters international direct investment (Saptono & Ayudia, 2021). To raise tax collections, the government has also concentrated on broadening the tax base and enhancing tax administration (Atichasari & Marfu, n.d.). Moreover, it has been discovered that adjustments to the fiscal policy and the quantity of money in circulation affect Indonesia's economic growth (Gunadi, 2022). These results emphasize the significance of tax laws and how they affect Indonesia's economic growth.

Companies engage in corporate tax avoidance as a deliberate tactic to reduce their tax obligations while staying within legal bounds. Changes in statutory tax rates (Eichfelder et al., 2021), the introduction of Transfer Pricing Documentation and Country-by-Country Reporting (CbCR) laws (Kurniawan & Saputra, 2020; Mokodenseho & Puspitaningrum, 2022), and adjustments to corporate tax practices (Lee, 2022) are some of the variables that impact corporate tax evasion. Moreover, company risk, audit quality, executive incentives, and corporate governance may all have an impact on tax evasion (Dewi & Sari, 2015; Faiqoh et al., 2022; Hasan et al., 2023). Domestic economic requirements and international norms are driving these shifts in tax evasion tactics as nations adjust their budgets to meet their commitments. A commitment to tackling corporate tax avoidance and ensuring businesses fulfill their tax commitments while minimizing tax liabilities is reflected in the changing tax landscape. Legislators, tax authorities, and scholars must comprehend the intricate connection between changes in tax laws and corporate tax evasion measures.

In light of this, the goal of this study is to perform a thorough examination of how changes in tax laws have affected Indonesian business tax avoidance activities. The motivation behind this research stems from the realization that developing responsive and successful tax policies requires a thorough grasp of how modifications to the taxation system impact corporate behavior. The following are the study's particular goals:

Careful consideration must be given to how Indonesia's tax system improvements may affect corporate tax evasion strategies as it moves toward meeting domestic fiscal targets and international norms. The need to close the current gap in the research about the precise effects of changes in tax regulations on business tax avoidance in the Indonesian setting is what spurred this study. This study employs a quantitative methodology to contribute empirical information that surpasses theoretical frameworks and offers useful insights for enterprises, tax authorities, and policymakers navigating the challenging landscape of tax compliance.

LITERATURE REVIEW

Tax Regulations and Firm Behaviour
Corporate behavior is greatly influenced by tax laws, particularly in nations with dynamic fiscal environments. Corporate decision-making and tax planning techniques may be impacted by changes in tax laws. Companies must comprehend how these developments impact corporate behavior to effectively navigate the complex world of financial management. A few examples of the variables that affect a company's level of tax disclosure are tax evasion, excellent corporate governance, industry laws, and participation in tax amnesty (Ariwangsa et al., 2022; Rahamanudin & Sabi, 2022). Furthermore, applying computerized taxation systems and comprehending tax legislation might improve individual taxpayer compliance (Pratama & Pratiwi, 2022). Tax compliance is negatively impacted by financial secrecy at the national level, underscoring the significance of encouraging financial sector transparency (Kristanto & Kusumadewi, 2022). The regulatory role of taxes in the industrial sector is also influenced by tax rules, particularly in sanctioned nations (Nurhayadi et al., 2022; Perdana et al., 2023).

Corporate Tax Avoidance

In academic and policy circles, corporate tax avoidance—the lawful reduction of tax bills by strategic financial planning—has drawn attention. Concerns regarding aggressive tax avoidance tactics' effects on social justice and government revenue have been highlighted. Examining the legal tactics used by businesses to maximize their financial position in response to tax laws is vital to getting a greater knowledge of corporate tax evasion. Numerous characteristics, such as profitability (Elshifa et al., 2023; Lokanan, 2023; Putra & Zahroh, 2023), capital intensity (Nurdiansyah, 2023; Safitri & Widarjo, 2023; Yahya et al., 2023), inventory intensity, earnings management, solvency, transfer pricing, thin capitalization, and use of tax havens, have been studied about tax avoidance. These elements may have an impact on a business's capacity to cut expenses and minimize tax obligations. Corporate governance, political ties, profitability, corporate social responsibility, and earnings management are common characteristics linked to tax avoidance, according to research using quantitative approaches.

Indonesia's Taxation System

Indonesia has a complicated tax system with many different kinds of local and national levies. To increase revenue collection, comply with international standards, and adjust to the shifting economic environment, Indonesia has implemented many tax reforms (Dianova, 2023; Pasaribu, 2023) and (Apriani et al., 2023; Naim et al., 2022). The self-assessment system that underpins Indonesia's tax system relies on taxpayers' ability to compute, pay, and report their taxes (Cholily, 2023). Nonetheless, there are many obstacles to tax collection, such as tax arrears and low taxpayer awareness of taxes (Paramitha & Ramadhani, 2023). Effective tax collection in Indonesia is hampered by the absence of strict laws governing tax evasion. The government has tried to raise tax income by implementing policies including tax amnesty, conducting tax surveys, and actively recruiting new taxpayers. Further laws and reforms are nevertheless required to handle new problems like the income from digital financial assets like NFTs. Although prior research has examined several facets of the Indonesian tax system, there is a deficiency in the literature about the precise influence of modifications to tax laws on business tax evasion tactics.

Empirical Studies on Tax Law Changes

Empirical research has investigated how tax law changes affect business behavior. For instance, adjustments to the US tax code have provided light on the tactics used by businesses to adapt to changes in regulations (Harsono, 2023; Pasko et al., 2023). The connection between modifications to tax laws and corporate social responsibility (CSR) initiatives has been examined in other research (El Hajjar et al., 2023; HARSONO, 2023). Furthermore, studies have looked into how tax change affects company investment choices (Ya’u et al., 2023)
papers offer a range of perspectives on the different ways that modifications to tax laws can influence the actions of corporations.

**Conceptual Framework**

This study presents a conceptual framework that explains the important factors influencing how changes in tax regulations affect business tax avoidance tactics in Indonesia. It is based on the body of existing literature. Changes in tax regulations are one of the independent factors in this framework. Corporate tax avoidance practices are the dependent variable. Corporate financial structure and firm size are the mediating variables. To capture the contextual complexity that may influence the relationship, moderating variables like Industry Type and Economic Conditions are also incorporated.

Hypothesis 1: There is a significant and positive relationship between changes in tax regulations and corporate tax avoidance in Indonesia.

Hypothesis 2: Changes in tax regulations significantly affect the financial structure of companies in Indonesia.

Hypothesis 3: Corporate financial structure significantly mediates the relationship between changes in tax regulations and corporate tax avoidance in Indonesia.

Hypothesis 4: Changes in tax regulations significantly affect company size in Indonesia.

Hypothesis 5: Company size significantly mediates the relationship between changes in tax regulations and corporate tax avoidance in Indonesia.

Hypothesis 6: Industry type significantly moderates the relationship between changes in tax regulations and corporate tax avoidance in Indonesia.

Hypothesis 7: Economic conditions significantly moderate the relationship between changes in tax regulations and corporate tax avoidance in Indonesia.

**RESEARCH METHODS**

**Research Design**

This study analyzes the effects of tax law changes on Indonesian company tax evasion activities in-depth using a quantitative research design. The selected research design offers empirical support for the goals of the study and permits a methodical examination of the relationship between variables. By gathering data at a single point in time, the cross-sectional technique guarantees a representation of the current situation and linkages.

**Sample Selection**

150 Indonesian-listed firms make up the study's sample. To guarantee representation from a range of industries, a stratified random selection technique will be employed, considering the heterogeneity of company structure and behavior. To guarantee that the sample accurately represents the whole economic landscape, stratification will be based on industry type.

**Data Collection**

For a thorough examination, primary and secondary data sources will be consulted. A systematic survey will be used to gather primary data from the chosen firms. The survey questionnaire will ask about recent changes to tax law, the tax planning tactics used by enterprises, and pertinent financial data. Publicly accessible financial reports, tax records, and government publications will be the sources of secondary data.

**Variables**

The independent variable is "Tax Law Changes," measured by the introduction of new tax laws, amendments to existing laws, or changes in tax rates over the past decade.
Dependent Variable

The dependent variable is "Corporate Tax Avoidance Practices," measured by financial indicators such as effective tax rate, deferred tax assets, and other relevant metrics.

Mediating Variables

a. Corporate Financial Structure: Financial indicators such as debt-to-equity ratio, leverage ratio, and other relevant metrics will be used to assess the effect of financial structure on the relationship between tax law changes and corporate tax avoidance.
b. Firm Size: Firm size, as measured by total assets, revenue, or market capitalization, will be considered as a mediating factor, given its potential impact on tax planning strategies.

Moderating Variables

a. Industry Type: Firms will be categorized into industry types such as manufacturing, services, and finance to explore how different sectors respond to changes in tax regulations.
b. Economic Conditions: Overall economic conditions, including GDP growth and inflation, will be considered as moderating variables to understand their impact on corporate tax behavior.

Data Analysis

Structural Equation Modeling (SEM) along with partial least squares (PLS) path modeling will be used for data analysis. This study is ideally suited for SEM-PLS since it supports both measurement models and structural models and enables the examination of intricate correlations and interactions between variables. When working with smaller sample sets and prioritizing prediction over theory testing, this strategy is especially helpful.

RESULTS AND DISCUSSION

Demographic Analysis of the Sample

Understanding the background and applicability of the study findings requires an investigation of the demographic traits of the sample population. The demographic analysis's findings are shown in this section, offering details on the sample's makeup. Key company attributes for each of the 150 study-included firms are shown in Table 1.

Table 1. Company Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Manufacturing</td>
<td>50</td>
<td>33.33%</td>
</tr>
<tr>
<td>- Services</td>
<td>60</td>
<td>40.00%</td>
</tr>
<tr>
<td>- Finance</td>
<td>40</td>
<td>26.67%</td>
</tr>
<tr>
<td>Ownership Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Publicly Traded</td>
<td>70</td>
<td>46.67%</td>
</tr>
<tr>
<td>- Privately Held</td>
<td>80</td>
<td>53.33%</td>
</tr>
<tr>
<td>Years in Operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less than 5 years</td>
<td>30</td>
<td>20.00%</td>
</tr>
<tr>
<td>- 5 to 10 years</td>
<td>50</td>
<td>33.33%</td>
</tr>
<tr>
<td>- More than 10 years</td>
<td>70</td>
<td>46.67%</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)
Table 2. Financial Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets (in million IDR)</td>
<td>1500</td>
<td>500</td>
</tr>
<tr>
<td>Revenue (in million IDR)</td>
<td>750</td>
<td>300</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Debt-to-Equity Ratio</td>
<td>0.4</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)

Table 3. Tax-related Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization of Tax Incentives</td>
<td>Yes</td>
<td>60.00%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>40.00%</td>
</tr>
<tr>
<td>Engagement in Transfer Pricing Practices</td>
<td>Yes</td>
<td>45.33%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>54.67%</td>
</tr>
<tr>
<td>Adoption of Tax Technology Solutions</td>
<td>Yes</td>
<td>35.33%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>64.67%</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)

A diversified sample with representation from a range of industries, ownership structures, and operational durations is revealed by the demographic study. The distribution of businesses throughout the services, manufacturing, and financial sectors is consistent with Indonesia's economic variety. Furthermore, the combination of privately held and publicly traded businesses sheds light on the ownership patterns within the sample.

Financial metrics including debt-to-equity ratio, sales, net profit margin, and total assets highlight the variation in the financial setups of the organizations that are part of the analysis. The sample firms' varied tax-related strategies are demonstrated by their use of tax incentives, participation in transfer pricing, and adoption of tax technology solutions.

Measurement Model

The Structural Equation Modeling with Partial Least Squares (SEM-PLS) analysis's latent construct validity and reliability are assessed using the measurement model. The measuring model's findings, including reliability, convergent validity, and discriminant validity evaluations, are shown in this section. The internal consistency and stability of the measurement items used to operationalize each concept are evaluated using reliability analysis.

Table 4. Reliability Analysis

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of Items</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Tax Regulations</td>
<td>5</td>
<td>0.826</td>
<td>0.897</td>
</tr>
<tr>
<td>Corporate Tax Avoidance</td>
<td>4</td>
<td>0.758</td>
<td>0.864</td>
</tr>
<tr>
<td>Corporate Financial Structure</td>
<td>3</td>
<td>0.714</td>
<td>0.807</td>
</tr>
<tr>
<td>Firm Size</td>
<td>2</td>
<td>0.687</td>
<td>0.754</td>
</tr>
<tr>
<td>Industry Type</td>
<td>2</td>
<td>0.723</td>
<td>0.817</td>
</tr>
<tr>
<td>Economic Conditions</td>
<td>3</td>
<td>0.797</td>
<td>0.873</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)
The degree of correlation between items measuring the same construct is evaluated by convergent validity.

Table 5. Convergent Validity

<table>
<thead>
<tr>
<th>Construct</th>
<th>Average Variance Extracted (AVE)</th>
<th>Recommended AVE Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Tax Regulations</td>
<td>0.716</td>
<td>≥ 0.50</td>
</tr>
<tr>
<td>Corporate Tax Avoidance</td>
<td>0.638</td>
<td>≥ 0.50</td>
</tr>
<tr>
<td>Corporate Financial Structure</td>
<td>0.584</td>
<td>≥ 0.50</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.528</td>
<td>≥ 0.50</td>
</tr>
<tr>
<td>Industry Type</td>
<td>0.648</td>
<td>≥ 0.50</td>
</tr>
<tr>
<td>Economic Conditions</td>
<td>0.723</td>
<td>≥ 0.50</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)

Discriminant validity evaluates how different a construct is from another. Usually, this is ascertained by contrasting the correlations between constructs with the square root of the AVE for each construct.

Table 6. Discriminant Validity

<table>
<thead>
<tr>
<th></th>
<th>Changes in Tax Regulations</th>
<th>Corporate Tax Avoidance</th>
<th>Corporate Financial Structure</th>
<th>Firm Size</th>
<th>Industry Type</th>
<th>Economic Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Tax Regulations</td>
<td>0.846</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Tax Avoidance</td>
<td>0.413</td>
<td>0.798</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Financial Structure</td>
<td>0.306</td>
<td>0.214</td>
<td>0.764</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.256</td>
<td>0.187</td>
<td>0.307</td>
<td>0.726</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>0.192</td>
<td>0.225</td>
<td>0.245</td>
<td>0.133</td>
<td>0.802</td>
<td></td>
</tr>
<tr>
<td>Economic Conditions</td>
<td>0.287</td>
<td>0.166</td>
<td>0.298</td>
<td>0.194</td>
<td>0.256</td>
<td>0.850</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)

All constructs show excellent internal consistency in the reliability analysis, with composite reliability values and Cronbach's alpha values surpassing the suggested cutoff of 0.70. This suggests that the underlying constructs are reliably captured by the measurement items. As long as each construct's average variance extracted (AVE) is greater than the suggested cutoff of 0.50, convergent validity is verified. This implies that the corresponding measurement items for each construct account for a significant amount of the variance in those constructs. The square root of the AVE for each construct is greater than the correlations between that construct and the others, supporting discriminant validity. This suggests that the constructs are unique to each other and that they measure various underlying ideas.

Model Fit

To evaluate the overall goodness-of-fit of the Structural Equation Modeling with Partial Least Squares (SEM-PLS) model, the model fit assessment is essential. The results of the model fit study are covered in this part, along with important metrics like the standardized root mean square residual (SRMR) and the goodness-of-fit index (GoF). The GoF is a useful metric for assessing goodness-of-fit since it takes into account the connections between latent
components and explained variations. Table 10 displays the obtained GoF value of 0.72, which indicates a reasonably good match for the SEM-PLS model. This score provides a comprehensive assessment of model fit by accounting for the connections between latent constructs and the amount of explained variance. When analyzing the average difference between the model's anticipated and actual correlations, the standardized root mean square residual (SRMR) evaluation is essential. With an SRMR of 0.08, the model appears to match the data satisfactorily. When evaluating the average difference between observed and anticipated correlations, lower SRMR values indicate better model fit. All things considered, the GoF and SRMR values support the suitability of the SEM-PLS model in explaining the connections between modifications to tax laws, corporate tax evasion, and the mediating and moderating variables. When taking into account the average difference between the predicted and observed correlations as well as the overall model evaluation, the results show a good fit.

**Structural Model**

In the Structural Equation Modeling with Partial Least Squares (SEM-PLS) framework, the structural model analysis looks at the connections between latent constructs. The structural model's outcomes, including path coefficients, hypothesis testing, and the study's conclusions, are shown in this section. The linkages between corporate tax evasion tactics, changes in tax rules, and the mediating and moderating variables are represented by the path coefficients, which also show the strength and direction of these relationships.

**Table 7. Path Coefficients**

<table>
<thead>
<tr>
<th>Path</th>
<th>Path Coefficient</th>
<th>Standard Error</th>
<th>T-Value</th>
<th>P-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Tax Regulations → Corporate Tax Avoidance</td>
<td>0.426</td>
<td>0.084</td>
<td>5.258</td>
<td>&lt; 0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>Changes in Tax Regulations → Corporate Financial Structure</td>
<td>0.215</td>
<td>0.076</td>
<td>3.004</td>
<td>&lt; 0.01</td>
<td>Significant</td>
</tr>
<tr>
<td>Corporate Financial Structure → Corporate Tax Avoidance</td>
<td>0.455</td>
<td>0.104</td>
<td>4.507</td>
<td>&lt; 0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>Changes in Tax Regulations → Firm Size</td>
<td>0.153</td>
<td>0.066</td>
<td>2.503</td>
<td>&lt; 0.05</td>
<td>Significant</td>
</tr>
<tr>
<td>Firm Size → Corporate Tax Avoidance</td>
<td>0.128</td>
<td>0.053</td>
<td>2.403</td>
<td>&lt; 0.05</td>
<td>Significant</td>
</tr>
<tr>
<td>Changes in Tax Regulations x Industry Type</td>
<td>-0.099</td>
<td>0.034</td>
<td>-3.006</td>
<td>&lt; 0.01</td>
<td>Significant</td>
</tr>
<tr>
<td>Changes in Tax Regulations x Economic Conditions</td>
<td>-0.123</td>
<td>0.042</td>
<td>-3.504</td>
<td>&lt; 0.001</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processing data analysis (2024)

Based on the path coefficients and their significance levels, hypotheses are tested.

H1: Corporate tax evasion strategies and changes in tax rules are significantly correlated. Encouraged. With a path coefficient of 0.426, a strong and positive correlation is shown.

H2: The relationship between changes in tax laws and corporate tax evasion is mediated by business financial structure. Encouraged. There is a positive and significant path coefficient from corporate tax evasion to corporate financial structure (0.455) and from corporate financial structure to changes in tax rules (0.215).

H3: The relationship between corporate tax evasion practices and changes in tax rules is mediated by firm size. Encouraged. The substantial path coefficients from business size to
corporate tax evasion (0.128) and from changes in tax regulations to firm size (0.135) show this relationship.

H4: The association between business tax evasion strategies and changes in tax rules is moderated by industry type. Encouraged. The significant negative coefficient for the interaction factor "Changes in Tax Regulations x Industry Type" is -0.099.

H5: The association between changes in tax laws and corporate tax evasion is moderated by the state of the economy. Encouraged. The significant negative coefficient of -0.123 is found for the interaction term "Changes in Tax Regulations x Economic Conditions".

Discussion
The findings of the structural model shed light on the intricate relationships within the conceptual framework and validate the study hypotheses. The first hypothesis, which highlights how regulatory changes affect business behavior, is supported by the positive and significant path coefficient between changes in tax legislation and company tax avoidance techniques. The positive and significant path coefficients on the paths from changes in tax regulations to corporate financial structure and from corporate financial structure to corporate tax avoidance validate the mediating function of corporate financial structure. The relationship between corporate tax avoidance and changes in tax rules is also mediated by firm size, as shown by positive and significant coefficients in both directions. The significant interaction results clearly show that industry type and economic conditions have a moderating influence. The link is adversely moderated by industry type, indicating that distinct industries react to changes in tax laws in different ways. Additionally, the link is negatively moderated by the state of the economy, underscoring the contextual impact of larger economic concerns on business tax dodging activities.

This investigation validates earlier findings (Khan & Nawaz, 2023; Oktrivina, 2022). Positive and substantial path coefficients on the paths from changes in tax regulations to company financial structure and from corporate financial structure to corporate tax avoidance (Li et al., 2022) validate the mediating function of corporate financial structure. Similar to this, as shown by positive and significant coefficients in both routes (Setiawan et al., 2022; Sogheh et al., 2022), business size mediates the association between modifications to tax laws and corporate tax evasion. The significant interaction term clearly shows how industry type and economic conditions moderate each other. The link is adversely moderated by industry type, indicating that distinct industries react to changes in tax laws in different ways. Additionally, the link is negatively moderated by the state of the economy, underscoring the contextual impact of larger economic concerns on business tax dodging activities.

Practical Implications
The findings have applications for corporations, tax authorities, and legislators. While creating tax policies, policymakers must take into account both industry-specific reactions and overall economic circumstances. Based on the connections found, tax authorities can modify their enforcement tactics to guarantee successful compliance. In light of their distinct financial structures, industry settings, and current economic situations, businesses should modify their tax planning techniques in response to changes in tax legislation.

Recommendations for Stakeholders
Policymakers
Tax laws should be customized to the unique traits and practices of various businesses. When adopting changes to tax regulations, take into consideration the impact of larger economic conditions.

Tax Authorities

Put in place enforcement strategies that take into consideration how various industries react to tax laws. While creating plans for tracking and enforcing tax compliance, take the state of the economy into account.

**Businesses**

As tax laws change, adjust your tax planning tactics while keeping in mind the study's identified mediating and moderating elements. Examine the advantages of tax technology options to improve efficiency and compliance.

**Limitations and Future Research**

It is imperative to recognize some of the study's shortcomings, including its cross-sectional design and dependence on self-reported data. Subsequent investigations may utilize longitudinal methods and investigate supplementary contextual factors that impact business tax avoidance tactics.

**CONCLUSION**

In summary, this study advances knowledge of the complex relationships between modifications to tax laws and corporate tax evasion in Indonesia. A detailed understanding of the relationships under investigation is provided by the careful examination of the measurement model, the structural model, model fit, and demographic characteristics. The findings validate the impact of regulatory changes in influencing company tax practices and support the study's hypothesis. The understanding of tax-related decision-making is further complicated by the moderating effects of industry type and economic conditions, as well as the mediating functions of corporate financial structure and firm size. The practical ramifications highlight how crucial it is for firms, tax authorities, and legislators to adopt customized strategies depending on the particulars of each industry and the state of the economy. This study lays the groundwork for future investigation and improvement of methods to counteract corporate tax evasion in the ever-changing Indonesian corporate environment as the area of taxation develops.

**REFERENCES**


