

Digital Transformation, Media Attention, and Tax Avoidance: A Study of Indonesian Multinationals

Taufiq Hidayatulloh^{1*}, Nanny Dewi Tanzil², Agus Puji Priyono³

Universitas Padjadjaran, Jawa Barat^{1,2&3}

taufiq22002@mail.unpad.ac.id^{1*}, nanny.dewi@unpad.ac.id², agus.priyono2023@unpad.ac.id³



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Abstract

Purpose: The objective of this research is to determine the influence of corporate digital transformation and media attention on tax avoidance practices by multinational corporations (MNC) in Indonesia.

Methodology/approach: This quantitative study utilizes panel data regression to examine the influence of corporate digital transformation and media attention on tax avoidance. The sample consists of 97 multinational corporations listed on the Indonesia Stock Exchange. Data was sourced from annual reports and Google News search results, covering the period from 2019 to 2023.

Results/findings: Counterintuitively, the findings reveal a positive correlation between corporate digital transformation and tax avoidance, while media attention exerts no significant influence. This suggests that companies are leveraging technology to develop more sophisticated tax planning strategies, maximizing potential tax savings. Meanwhile, media scrutiny appears to be a secondary consideration in corporate tax strategy formulation.

Limitations: The study is constrained by its focus on IDX-listed multinational corporations and the exclusion of unprofitable firms. Furthermore, the reliance on Google News for media attention data and the lack of sentiment analysis limit the scope of the findings.

Contribution: This research advances the understanding of the complex relationship between digital transformation, media attention, and tax avoidance. By exploring the empirical evidence and offering policy recommendations, this study contributes to both the theoretical and practical dimensions of tax research.

Novelty: This study provides a pioneering analysis of the relationship between digital transformation, media attention, and tax avoidance among multinational corporations operating in Indonesia.

Keywords: *digital transformation, media attention, tax avoidance, MNC*

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1. Introduction

Tax avoidance is a pressing global issue, affecting both developed and developing countries. At the 2023 G20 summit, tax avoidance remained a significant topic of discussion among member countries. The increasing interdependence of the global economy and the ease of cross-border capital movement have made it increasingly difficult for countries to effectively combat tax avoidance (Hidranto, 2023).

Multinational corporations are identified as companies that frequently engage in tax avoidance practices (Bowler, 2009; Otusanya, 2011). Multinational corporations often exploit loopholes in tax laws and inconsistencies between different countries' tax systems to minimize their tax liabilities (Gérard & Gillard, 2002). One common method of tax avoidance is profit shifting to low-tax or tax-free jurisdictions through complex corporate structures (Riedel, 2018). This practice allows companies to

significantly reduce their overall tax burden. Another method of tax avoidance is the use of tax havens, which are countries or territories with favorable tax laws and regulations (Slemrod & Yitzhaki, 2002).

Both developed and developing countries utilize taxation as a primary source of revenue (Chika, Oshiohwemoh & Promise, 2022). However, tax avoidance has resulted in potential tax losses for many countries, including Indonesia. A 2023 Tax Justice Network report revealed that Indonesia could potentially lose US\$2.7 billion in state revenue each year due to tax avoidance. This figure is equivalent to Rp 42.2 trillion (US\$2.7 billion multiplied by the exchange rate of Rp 15,646 per US\$). This condition is also in line with the trend of declining tax ratios since 1980 (Nugroho, 2024). This data demonstrates that tax avoidance is a significant problem in Indonesia.

Tax avoidance is influenced by a complex interplay of factors at both the firm and country levels. Company characteristics, such as size, leverage, and profitability, significantly impact tax avoidance behavior. Profitable companies, driven by the desire to maximize after-tax profits, often engage in aggressive tax planning strategies (Amah, Puspitasari, & Syaifia, 2022). Interestingly, even loss-making companies may participate in tax avoidance to position themselves for future profitability (Schwab, Stomberg, & Xia, 2023).

Companies with high leverage may also be more likely to engage in tax avoidance practices as a way to reduce their financial burden (Damayanti & Wulandari, 2021). In addition, companies with larger total assets are generally more productive, generate higher profits, and have lower effective tax rates (ETR) due to advantages in tax planning and accounting (Ardyansah & Zulaikha, 2014; Ernawati, Chandrarin, & Respati, 2019; Mulyati, Juni, Subing, Fahthonah, & Prameela, 2019).

A country's tax policy, law enforcement capacity, and political stability also shape the prevalence of tax avoidance. Countries with high taxes provide opportunities for companies to exploit loopholes and engage in profit shifting (Tørsløv et al., 2020). In addition, weak tax law enforcement can empower companies to implement aggressive tax strategies (Wang, 2015). Political stability is also a determining factor, as it strengthens the negative relationship between political freedom and tax avoidance (Ma, Guo, & Yu, 2020).

Digital transformation offers new opportunities to curb tax avoidance. This potential is amplified by the accelerating pace of global digitalization. According to Statista (2023), global spending on digital transformation has surged, increasing from USD 0.96 trillion in 2017 to USD 1.85 trillion in 2022, nearly doubling over this period. Indonesia follows this trend of increasing digital transformation by being recorded as a country with the greatest innovation progress over the past ten years. According to Santika (2023) on katadata.co.id, Indonesia shows significant progress in global innovation, ranking 61st in the world and 12th in Southeast Asia in 2023. This indicates that the adoption of digital technology in Indonesia is increasing every year.

Digital transformation can impede tax avoidance practices by enhancing the quality of accounting information (Fang, Yu, & Xu, 2023). AI-powered accounting systems can mitigate internal control weaknesses and generate high-quality financial data (Askary, Abu-Ghazaleh, & Tahat, 2018). By leveraging digital tools, companies can streamline their tax reporting processes, reducing the risk of errors or inconsistencies that could be exploited for tax avoidance. Additionally, digital transformation can alleviate financial constraints and increase information transparency, further hindering tax avoidance (Tiantian, Hailin, Zhou, Ai, & Siyao, 2023). Moreover, companies that undergo digital transformation may experience increased valuation as tax avoidance is mitigated. Xie and Huang (2023) further argue that digital transformation can reduce information asymmetry and align managerial and shareholder interests through improved internal controls, thereby curbing tax avoidance.

Digital transformation is closely linked to the development of the internet and the widespread adoption of online media. A study by Newman, Fletcher, Eddy, and Robertson (2023) from Reuters Institute reveals that a significant majority of Indonesians (84%) access news through online platforms, surpassing traditional media consumption. This aligns with the country's high internet penetration rate,

reaching 76%. Consequently, it is unsurprising that, according to indonesia.go.id, out of 1,711 media companies in Indonesia, over half (53%, or 907 companies) are digital media outlets. The prevalence of online media has fundamentally reshaped how people access information. In this environment of increasingly widespread information dissemination, the media plays a crucial role in shaping the public information sphere and influencing corporate behavior through public oversight (Qi, Li, & Zhang, 2023). Therefore, media attention has the potential to act as a deterrent for companies considering tax avoidance practices.

Media attention can deter tax avoidance practices, as evidenced by several studies. Menicacci and Simoni, (2024) found that negative media coverage of tax avoidance can influence companies to reduce such practices. The media acts as an external monitor of corporate behavior. Cheng and Weng (2023) demonstrated that companies may adjust their tax avoidance levels in response to negative media sentiment. Moreover, Qi et al. (2023) concluded that increased media attention and surveillance can improve corporate governance and reduce tax avoidance.

Digital transformation and increased media attention are reshaping the corporate landscape, particularly for multinational corporations (MNCs). While these forces are expected to curb tax avoidance practices, the complex interplay between them remains largely unexplored. Given the potential of tax avoidance to harm a country's fiscal health and hinder its development, this study aims to empirically examine the influence of digital transformation and media attention on the tax avoidance behavior of Indonesian MNCs. By understanding these factors, policymakers can develop effective strategies to mitigate tax avoidance and ensure fair tax contributions from MNCs.

2. Literature review and hypotheses development

2.1. Tax Avoidance

Hanlon and Heitzman (2010) broadly define tax avoidance as any attempt to reduce explicit tax liabilities. In other words, any transaction that has any effect on reducing a company's explicit tax liabilities can be considered tax avoidance. Hoseini, Safari, and Valiyan (2019) also state that tax avoidance is defined as the ability to pay a lower amount of tax than pre-tax income.

Tax avoidance is an accepted and expected element of corporate tax planning, and it is reasonable to structure affairs to minimize the tax burden by taking advantage of loopholes (Payne & Raiborn, 2018). Although legal, tax avoidance can raise questions about a company's ethics and social responsibility (Dowling, 2014). Furthermore, Payne and Raiborn (2018) note that extreme international tax avoidance, not based on ethical considerations for affected stakeholders, is not morally sound business behavior.

Bowler (2009) explains that tax avoidance practices are common among multinational corporations due to their diverse locations, which give them opportunities to manage their finances to benefit from countries with more favorable tax systems. The complexity of tax laws in various countries where multinational corporations operate can provide opportunities for finding and exploiting loopholes.

2.2. Corporate Digital Transformation

Digital transformation is a response to evolving digital technologies, increased digital competition, and shifting consumer behaviors (Verhoef et al., 2021). It involves disruptions across social, industrial, and organizational domains, driven by advancements in technologies such as IoT, big data analytics, and AI (Feroz, Zo, & Chiravuri, 2021). As Vial (2019) explains, digital transformation is a process where digital technology disrupts businesses, compelling them to adapt their operational strategies and corporate governance. These organizational changes are a result of these disruptions (Hanelt, Bohnsack, Marz, & Antunes, 2021).

Improved IT capabilities drive digital transformation, leading to enhanced company performance (Nwankpa & Roumani, 2016). Digital transformation contributes to cost reduction, revenue growth, operational efficiency, and innovation, thereby supporting supply-side structural reform, promoting high-quality development, and driving innovation in business operations (Peng & Tao, 2022). Companies undergoing digital transformation tend to exhibit lower levels of earnings management and

higher-quality accounting information. This is because digital transformation can reduce agency costs, strengthen internal controls, and increase analyst scrutiny (Fang et al., 2023).

2.3. Media Attention

Agenda-setting theory, originally proposed by Lippmann (1922) and further developed by McComb and Shaw (1972), suggests that the media can shape public opinion by selecting and prioritizing certain issues. By determining which topics receive media coverage, the media can influence public perceptions and priorities. Efendi, Taufiqurrohman, Supriadi, and Kuswananda (2023) identify two core assumptions of agenda-setting theory: 1) the media not only reflects reality but also constructs it through selective reporting, and 2) increased media coverage of an issue leads to increased public attention and concern.

The media plays a significant role in shaping public perceptions of companies, including in the context of tax avoidance. Media coverage can influence public sentiment and a company's reputation, prompting companies to reduce tax avoidance practices to avoid negative publicity (Menicacci & Simoni, 2024). This can effectively reduce tax avoidance levels (Qi et al., 2023).

Companies with strong consumer reputations are more likely to engage in lower levels of tax avoidance to avoid negative public scrutiny and potential damage to their brand image (Austin & Wilson, 2017). Public scrutiny can directly influence corporate tax avoidance behavior by increasing public awareness of tax avoidance activities and indirectly by requiring greater disclosure of tax-related information, thereby increasing the costs of tax avoidance (Dyreg, Hoopes, & Wilde, 2014). Baloria and Heese (2018) also demonstrate that the media plays a crucial role in shaping corporate reputation and encouraging companies to avoid negative publicity. Companies with higher public visibility tend to report less negative financial information during periods of increased media scrutiny.

2.4. Relationship between variables

2.4.1. The Influence of Corporate Digital Transformation on Tax Avoidance

Corporate managers, acting as agents for company owners, strive to maximize profits and dividends. However, higher profits often translate to higher tax liabilities, potentially hindering managers' ability to meet personal objectives of maximizing after-tax profits. As Kirchler and Hoelzl (2017) suggest, companies often perceive taxes as a burden, motivating management to seek tax avoidance strategies. According to the theory of planned behavior, if tax avoidance is perceived as beneficial and feasible, managers may engage in various legal and illegal methods to minimize tax liabilities. However, tax avoidance, regardless of its legality, raises ethical concerns, particularly when it conflicts with the interests of company owners. Therefore, owners and shareholders must ensure that management does not engage in aggressive tax avoidance that could damage the company's reputation and value.

One strategy to mitigate tax avoidance is through digital transformation. Digital transformation can lead to significant strategic changes, both operationally and governance-related (Vial, 2019). These organizational changes can enhance company performance (Nwankpa & Roumani, 2016). The performance gains from digital transformation are not offset by increased agency costs, as digital transformation can improve information transparency and strengthen internal controls (Fang et al., 2023). Strong internal controls play a crucial role in suppressing tax avoidance (Bimo, Prasetyo, & Susilandari, 2019). Companies with robust internal controls tend to exhibit lower levels of tax avoidance (Chang, Dai, He, & Wang, 2020). As demonstrated by Tiantian et al. (2023) and Xie and Huang (2023), digital transformation can effectively reduce tax avoidance practices.

H₁: Corporate digital transformation has a negative impact on tax avoidance

2.4.2. The Influence of Media Attention on Tax Avoidance

Agenda-setting theory posits that the media can shape public opinion by selecting and prioritizing certain issues (McComb & Shaw, 1972). In the context of tax avoidance, the media plays a crucial role in shaping public perception of companies. The media serves as a vital source of information for the public and government and acts as an external watchdog.

Companies seeking to engage in tax avoidance often strive to avoid media scrutiny, as it can damage their reputation (Austin & Wilson, 2017). Companies that receive increased media attention are more likely to have their tax avoidance practices exposed (Dyrend et al., 2016; Qi et al., 2023). Consequently, companies are incentivized to reduce tax avoidance practices as a legitimate course of action (Menicacci & Simoni, 2024).

H₂: Media attention has a negative impact on tax avoidance

3. Methodology

3.1. Sample Selection and Data Source

The population of this quantitative study comprises multinational companies listed on the Indonesia Stock Exchange (IDX) for the five-year period of 2019 to 2023. Companies categorized as multinational are those with foreign subsidiaries or foreign parent companies owning more than 50% of their shares. As of April 25, 2024, 267 companies met these criteria. The sample companies were screened: (1) excluding companies with incomplete annual reports; (2) excluding companies that incurred losses; (3) excluding companies that still have deferred tax assets, resulting in a sample of 97 companies. This study uses secondary data, which is data that has been collected and is available in a ready-to-use form for researchers from existing sources (Sekaran & Bougie, 2016). Secondary data sources will be obtained from the Indonesia Stock Exchange (IDX) website, the company's official website, and Google News search results.

3.2. Variable Settings

3.2.1. Dependent Variable

This study measures corporate tax avoidance using GAAP ETR. GAAP ETR was chosen for its ability to reflect the overall tax avoidance practices, both from temporary and permanent differences in tax calculations (Hanlon & Heitzman, 2010). GAAP ETR is calculated by dividing income tax expense by income before tax. A higher value indicates a lower level of tax avoidance, and vice versa. To address the issue of heteroscedasticity, the GAAP ETR data in this study was transformed using natural logarithm before further regression analysis.

3.2.2. Independent Variables

3.2.2.1. Corporate digital transformation

Corporate Digital Transformation refers to a company's digital transformation through the adoption of cutting-edge technologies such as artificial intelligence, blockchain, cloud computing, big data, and digital technology applications. This transformation is measured using an indicator known as the degree of digital transformation (DT). DT is measured through content analysis by counting the frequency of words related to "digital transformation" in annual reports to determine the level of digital transformation of the studied companies. The identification and counting of words related to "digital transformation" were conducted manually with the assistance of NVivo 12 software. To aid in constructing a dictionary of words or phrases related to digital transformation, the author referred to the word map created by Chen and Meng (2024). These words and/or phrases were used as keywords in a word search query within NVivo 12 to calculate their frequency of occurrence. Before statistical analysis and testing, the tabulated data for the DT variable was transformed using the natural logarithm plus one ($\ln(\text{word frequency} + 1)$) to address the issue of heteroscedasticity.

3.2.2.1. Media Attention

Media attention (MA) was measured by counting the number of local online news articles published annually about the target companies on Google News, following the methodology of Qi et al. (2023) and Li, Xin, Chen, and Ren (2017). To streamline the data collection process, a Google Chrome add-on, "Instant Data Scraper," was used to extract relevant news articles from 2019 to 2023. News sources not registered with the Press Council were excluded from the analysis.

3.2.3. Control Variables

The control variables used in this study are profitability, firm size, and leverage. Profitability is measured by return on asset (ROA), calculated as net income divided by total assets (Handayani & Aulia, 2024). Firm size (SIZE) is measured by the natural logarithm of total assets (Primita & Rolanda, 2024). Leverage is measured by the ratio of total debt to equity (Mudjalifah et al., 2024). These three variables have also been used as control variables in previous studies.

3.3. Model Setting

Building upon the work of Tiantian et al. (2023) and Qi et al. (2023), this study employs a regression model to investigate the influence of corporate digital transformation and media attention on tax avoidance. The model is specified as follows:

$$Y = \alpha + \beta_1 DT_{it} + \beta_2 MA_{it} + \sum_k \beta_k Controls_{it} + \varepsilon_{it}$$

where i and t denote individual firms and time periods, respectively. The term Controls refers to control variables and the error term is represented by $\varepsilon_{i,t}$.

The primary focus of the regression analysis is the coefficient β_1 and β_2 . A positive and significant coefficient suggests that corporate digital transformation or media attention discourages tax avoidance. Conversely, a negative and significant coefficient indicates that digital transformation or media attention is associated with increased tax avoidance behavior. Eviews 12 was used to conduct this regression analysis.

4. Results and Discussion

4.1. Descriptive Statistic

Descriptive statistics of the entire sample are presented in Table 1. The GAAP ETR data for multinational companies in Indonesia reveals a significant variation in tax avoidance levels. Although the average GAAP ETR is 23.52%, the range between the lowest and highest company values is quite wide, indicating that some companies pay significantly below the average. This is further supported by the high standard deviation.

Table 1. Descriptive Statistic

	GAAP ETR	DT	MA	ROA	SIZE	LEV
Mean	0.235214	75.68247	80.42268	0.077072	30.17762	1.569487
Median	0.223973	22.00000	32.00000	0.052261	30.36429	0.869292
Maximum	1.354343	987.0000	835.0000	0.602586	35.31545	9.692790
Minimum	0.000719	0.000000	0.000000	0.000148	18.83351	0.001523
Std. Dev.	0.124441	141.1134	126.3012	0.083116	2.219915	1.709542

Source: Data processed by Eviews 12 (2024)

The degree of digital transformation (DT) among multinational companies in Indonesia varies significantly, with a minimum value of 0 and a maximum of 987. The overall average DT is 75, but the median is only 22, indicating the presence of several companies with much higher levels of transformation, particularly in the financial services sector, especially banking. Furthermore, the high standard deviation (141.1134) reinforces the significant gap between companies that are highly advanced in digitalization and those that are lagging behind.

Media attention (MA) varies significantly among multinational companies in Indonesia, ranging from 0 (no news coverage) to 835 (very frequent news coverage). The average MA is 80.42, but the median is only 32. This indicates that most companies receive relatively little media attention, although a few companies attract significantly higher levels of media attention, such as banking company. Several factors, such as strong financial performance, product innovation, or social issues, may contribute to a company being frequently featured in the media. Conversely, other companies may receive less media coverage due to lower popularity or being perceived as less newsworthy.

Given the substantial differences in DT and MA values between banking and non-banking sectors, a separate sub-sample analysis was conducted, the results of which are presented in Table 2. The banking sector has an average DT of 327.89, far above the overall average and the average for non-banking companies (33.14). Like DT levels, 14 banking companies in the sample receive a significantly higher level of media attention (average MA 203.57) than the 83 non-banking companies (average MA 59.65). This can be attributed to the high public interest in the banking sector and the extensive economy of the banking sector.

Table 2. The average value of variables by sector

Sector	Total Sample	DT	MA
Banking	14	327.89	203.57
Non- Banking	83	33.14	59.65

Source: Data processed (2024)

4.2. Regression Result

Table 3 presents the results of the regression analysis using a fixed effect model (FEM) on the variables tested. Prior to the analysis, the natural logarithm was applied to both GAAP ETR and DT variables to address heteroscedasticity. Based on Table 3, the coefficient for DT is negative at -0.114541507258, indicating that a 1% increase in DT (after adding 1 to the frequency of the word and then transforming it into the natural logarithm) leads to an elastic decrease of 0.1145% in GAAP ETR, holding other variables constant. In other words, the more frequently the word appears, the lower the GAAP ETR. Consequently, higher DT values imply higher levels of tax avoidance. Conversely, the negative and insignificant coefficient for media attention (-0.000343318631795) indicates that there is no meaningful relationship between MA and GAAP ETR.

Table 3. Regression Result of corporate digital transformation, media attention, and tax avoidance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.706828	3.839489	0.444546	0.6569
LOG_DT	-0.114542	0.041850	-2.736921	0.0065**
MA	-0.000343	0.000381	-0.900442	0.3685
ROA	-1.072299	0.498535	-2.150900	0.0321*
SIZE	-0.098560	0.128699	-0.765817	0.4443
LEV	0.064597	0.043795	1.474986	0.1410
R-squared				0.743252
Adj. R-squared				0.675546

Note: * $p < 0.05$, ** $p < 0.01$

Source: Processed data by Eviews 12 (2024)

4.3. Further Analysis

The banking sector exhibited extreme average values for both DT and MA variables compared to the non-banking sample. These extreme values in the banking sector sample could potentially bias the regression results. Consequently, further analysis was conducted to compare the regression results from the full sample to those obtained using only the non-banking sample.

Table 4. Comparative Regression Results

Variable	All Sample		Non-banking Sector		Banking Sector	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	1.706828	0.6569	1.820342	0.6663	-1.480616	0.0822
LOG_DT	-0.114542	0.0065**	-0.113430	0.0134*	0.034171	0.4367
MA	-0.000343	0.3685	-0.000309	0.5208	-0.000392	0.0599

ROA	-1.072299	0.0321*	-0.980523	0.0685	-3.604341	0.0465*
SIZE	-0.098560	0.4443	-0.107937	0.4524	0.003466	0.9081
LEV	0.064597	0.1410	0.132037	0.0402*	-0.028445	0.1530

Note: * $p < 0.05$, ** $p < 0.01$

Source: Processed data (2024)

The negative relationship between DT and GAAP ETR is robust across both the full sample and the non-banking sample (Table 4). Meanwhile, MA variable remains insignificant. However, there is a difference in the pattern of influence of control variables, where leverage becomes significant in this model, unlike the previous model which showed significance for the ROA variable. The consistency of the regression results for both the full sample and the non-banking sample suggests that banking firms do not drive the relationship between DT and MA variables on the GAAP ETR variable.

However, the regression results for the banking sample indicate a change in the direction of the DT coefficient (+0.034171), although it is not statistically significant. This condition suggests that the banking sector has the potential to reduce tax avoidance through digital transformation. This finding is also consistent with Gawehn and Mueller (2019), which indicates that banking firms have a higher cash ETR compared to non-banking firms. The highly regulated nature of banks increases the opportunity to enhance transparency and internal controls, thus reducing tax avoidance. Given the limited sample size of banking firms in this study, further research is needed to understand how digital transformation in the banking sector can affect tax avoidance practices.

4.3. Discussion

4.3.1. The Impact of Corporate Digital Transformation on Tax Avoidance

The first hypothesis was whether corporate digital transformation negatively impacts tax avoidance. It means, as multinational corporations (MNCs) increasingly adopted digital transformation, their tax avoidance practices would decrease. Contrary to the hypothesis, the statistical analysis of 97 Indonesian MNCs from 2019 to 2023 revealed a significant positive correlation between corporate digital transformation and tax avoidance. This suggests that Indonesian MNCs in the sample tended to increase their tax avoidance after adopting digital transformation. Further analysis on non-banking firms supports the main finding. The regression results indicate a positive relationship between corporate digital transformation and tax avoidance in this sub-sample. While the banking sector shows potential for a different relationship, the relatively small sample size limits the statistical significance of this finding. Despite having almost ten times higher average level of digital transformation, the banking sector's data is insufficient to draw definitive conclusions about the relationship between digital transformation and effective tax rate.

The results of this study do not align with those of Tiantian et al. (2023) and Xie and Huang (2023). Their research found evidence that corporate digital transformation can reduce tax avoidance by improving internal controls and transparency. However, this research supports the findings of Zhou et al. (2022) and Chen and Meng (2024), suggesting that corporate digital transformation can encourage more aggressive tax avoidance, especially in companies with weak internal controls and low tax enforcement.

Several mechanisms were proposed to explain the positive relationship between digital transformation and tax avoidance. First, digital transformation facilitates real-time access to information, allowing multinational corporations to more easily manipulate their tax avoidance levels. Digital technology can also help identify previously overlooked tax reduction opportunities and predict tax consequences of strategic decisions (Zhou et al., 2022). Second, the digital economy has provided multinational corporations with new opportunities for tax avoidance. Chen and Meng (2024) highlight the complexities of revenue recognition in the digital realm as a key factor. Furthermore, traditional tax laws, as noted by Mpofu (2022), are struggling to keep pace with the digital economy, creating a fertile ground for unchecked tax avoidance. Thirdly, multinational corporations are typically technology-intensive and heavily reliant on intangible assets (Contractor, 2016). Digital transformation further fuels

this trend, requiring substantial technology investments. These characteristics enable companies to engage in tax avoidance through mechanisms like increased royalty payments to low-tax affiliates.

This study demonstrates that digital transformation has equipped companies with new tools to avoid taxes more effectively. Companies can leverage technology to design more sophisticated tax avoidance strategies that are difficult for tax authorities to detect. The theory of planned behavior explains why managers are motivated to engage in tax avoidance. They believe that this action benefits the company and feel capable of doing so thanks to technology. Besides operational efficiency, another desired benefit is that tax avoidance can stimulate increased investment, ultimately leading to a higher company valuation (Suwaldiman & Rheina, 2023). However, agency theory is also relevant, especially in the relationship between companies and tax authorities. Digital transformation reinforces information asymmetry and provides companies with an advantage in avoiding tax obligations.

The implications of this research are far-reaching. Tax authorities must adapt quickly to address these new challenges, such as strengthening oversight and international cooperation. Companies, on the other hand, need to consider the legal and ethical consequences of tax avoidance practices. Further research is needed to gain a deeper understanding the mechanism of how digital transformation influences tax behavior.

4.3.2. The Impact of Media Attention on Tax Avoidance

The findings indicate that the initial hypothesis suggesting a negative correlation between the two was not supported by the data. This implies that while media is theoretically expected to deter tax avoidance, other factors seem to have a more significant impact in the context of the multinational corporations studied. These results diverge from previous studies conducted by Qi et al. (2023) dan Cheng and Weng (2023). These discrepancies may be attributed to several factors, such as differences in variable definitions and measurement methods. Moreover, further analysis revealed that media coverage of tax issues in Indonesia tends to be normative and non-specific, thereby exerting minimal pressure on corporations to modify their tax practices.

Nevertheless, this research underscores the crucial role of the media as a watchdog. While the media may not always be effective in directly altering corporate behavior, its presence serves as a form of social control that can constrain corporations from engaging in harmful practices. Consequently, tax authorities should consider alternative strategies to address tax avoidance, given the limitations of media influence. This study has several limitations that should be addressed in future research. One limitation is the restricted access to media sentiment data in Indonesia. Additionally, the reliance on online news data as the sole source also limits the study's scope. Future research is encouraged to expand the data sources and conduct more in-depth sentiment analysis. A qualitative approach, such as case studies, could also provide a more comprehensive understanding of this phenomenon.

5. Conclusion

5.1. Conclusion

This study aimed to investigate the influence of corporate digital transformation and media attention on tax avoidance practices of multinational corporations in Indonesia. Our findings indicate that corporate digital transformation undertaken by multinational corporations in Indonesia has a significant impact on tax avoidance levels. However, this research reveals a contradiction between theoretical expectations and empirical findings regarding the influence of digital transformation on tax avoidance. Although digital transformation can enhance efficiency and transparency, these findings indicate that technology can also be exploited by multinational corporations for tax avoidance purposes.

Additionally, media attention, while potentially a deterrent, may not be sufficient to fully mitigate tax avoidance risks. This research lacks significant empirical evidence regarding the influence of media attention on the tax avoidance practices of multinational corporations. The findings indicate that multinational corporations in Indonesia do not consider media attention as a factor to be considered in their corporate tax strategies. The scarcity of media coverage on tax issues in Indonesia signifies a low level of public oversight of corporate tax practices.

5.2. Limitation

This research is limited to multinational corporations listed on the Indonesia Stock Exchange (IDX) and does not include loss-making companies. Moreover, data on media attention is solely based on online news articles sourced from Google News and does not account for news sentiment.

5.3. Suggestion

The findings in this study highlight the need for a comprehensive approach to address tax avoidance. Tax authority needs to proactively adapt to the digital age to deter tax avoidance by multinational corporations. This involves modernizing technology for efficient tax surveillance, equipping tax officials with expertise in complex cross-border transactions, updating tax regulations to keep pace with technological advancements, and strengthening international cooperation to prevent digital-based tax avoidance. Simultaneously, corporations should prioritize ethical practices and implement strong internal controls to mitigate tax risks.

This counterintuitive result suggests a need for further research to identify the underlying mechanisms of the complex relationship between digital transformation and tax practices, particularly among multinational corporations. While this study did not find a direct link between media attention and tax avoidance, the media's role as a watchdog remains important. To further explore this relationship, future research should complement the analysis with sentiment analysis, employ qualitative methods to understand the nuances of media influence, and consider the impact of social media on public opinion about tax avoidance. Additionally, the future research can encompass a wider range of companies, including public, private, and loss-making entities.

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