Digitalization, Innovation Culture, and Tax Avoidance Behaviour: Examining the Moderating Effect of Corporate Governance

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ABSTRACT

Digital transformation has rapidly reshaped corporate operation in Indonesia, driven by technological advancement and regulatory reform. Companies increasingly implement integrated digital systems and data analytics to enhance efficiency and strategic decision-making. Simultaneously, the government has modernized tax administration through electronic reporting and the Core Tax Administration Systems to improve transparency and compliance. Despite these initiatives, Indonesia's tax ratio remains relatively low, and corporate tax avoidance continues to be a policy concern. Digitalization presents a strategic dilemma. On one hand, improved data integration and automated controls may reduce information asymmetry and limit aggressive tax practices (Chen et al., 2024). On the other hand, enhanced technological capabilities may enable firms to design more sophisticated tax planning strategies (Zhou et al., 2022). Thus, digital transformation may either constrain or facilitate tax avoidance, depending on managerial discretion and oversight. Innovation culture may also shape tax behaviour. Firms that emphasize risk-taking, experimentation, and flexibility may pursue aggressive tax strategies as part of performance optimization, yet they may also avoid such practices to protect long-term legitimacy and reputation. The relationship therefore remains theoretically inconclusive.While prior research has examined financial and governance determinants of tax avoidance, limited studies incorporate digital transformation and innovation culture as strategic drivers, particularly in emerging economies. Moreover, the moderating role of corporate governance in directing these capabilities toward either compliance or opportunism remains underexplored.

JEL Codes:

Keywords: *tax avoidance, digital transformation, innovation culture, corporate governance.*