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Business Strategy, Financial Distress and Environment Uncertainty on Tax Avoidance (Case Study on Asean Countries)

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Abstract: Tax avoidance can reduce state revenue and interfere with the efficient allocation of resources. Tax avoidance is a special challenge for developing countries, especially in the ASEAN region, which has a large tax potential but has not been optimally utilized. This research is a quantitative study that aims to test empirically the effect of business strategy, financial distress and environmental uncertainty on tax avoidance proxied by using book tax different (BTD). The research population is ASEAN countries and Indonesia and Thailand as research samples during the 2018-2022 period. The analysis technique used is multiple linear regression analysis with panel data regression using the STATA program. The results of this study obtained that (1) business strategy has no significant effect on tax avoidance, (2) financial distress has a significant negative effect on tax avoidance and (3) environmental uncertainty has no significant effect on tax avoidance.

Keywords: Business Strategy, Financial Distress, Environmental Uncertainty, Tax Avoidance, ASEAN.

INTRODUCTION

One way the state can carry out its role as a provider of public services to the community is by collecting revenue from various sources (Wahyuningsih & Setyowaty, 2020). The government has two main categories of sources of income, namely from the tax sector and from the non-tax sector. Taxes are the most important and crucial income in governance in both developed and developing countries (Miskam et al., 2013). The implementation of effective and efficient tax policies in developing countries is a difficult challenge and has been the subject of theoretical and empirical studies around the world (Zhang et al., 2022).

A country not only measures its tax revenue based on its nominal amount, but also by comparing it against its Gross Domestic Product (GDP) as an indication of its tax potential. The calculation is carried out by dividing the total tax revenue by the nominal value of the Gross Domestic Product (GDP) of a country. Tax ratios provide an overview of a country's tax revenue and its potential for the economy. It is an important tool for governments to determine the effectiveness of their tax policies and administration and to compare the performance of tax collection in different countries. A higher tax ratio indicates a better financial position of

the country and allows the government to spend more funds on public infrastructure. In contrast, a lower tax-to-GDP ratio limits government spending on infrastructure and puts pressure on the government to meet its fiscal deficit targets. In 2021, the tax-to-GDP ratio in developed countries was almost three times that of developing countries, at 34.1% and 9.7%. A high tax ratio indicates that developed countries have a large enough source of funds to support the development and welfare of their communities (International Monetary Fund, 2019).

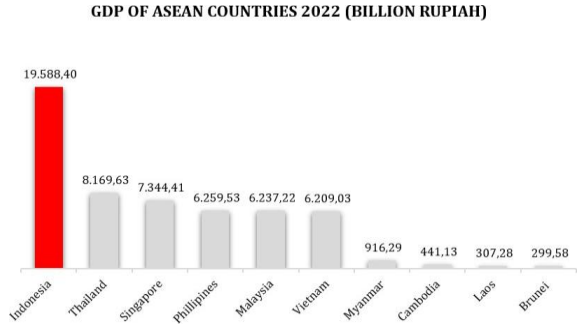


Figure 1. GDP of 10 ASEAN countries
Source: International Monetary Fund (2022)

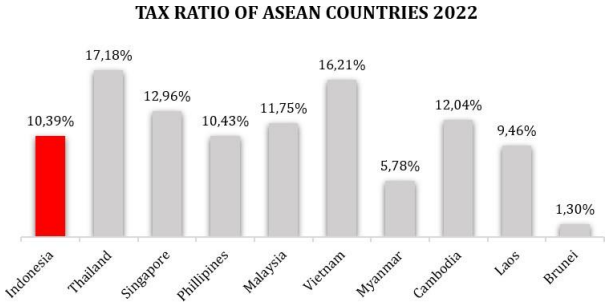


Figure 2. Tax ratios of 10 ASEAN countries
Source: OECD Revenue Statistics (2022)

Despite being the largest economy in ASEAN, Indonesia's tax revenues are not comparable to other countries in the region. Indonesia's tax-to-GDP ratio is below average and even ranks in the bottom four in ASEAN at 10.39%.

The high Gross Domestic Product (GDP) in Indonesia, which is not balanced with the level of tax ratios that should be, indicates the persistence of tax avoidance practices (Wardhana et al., 2021). Managers always strive to minimize tax payments so as not to negatively affect the company's net profit (Fauzan et al., 2021). Corporate management generally takes advantage of vagueness in tax regulations to reduce the high tax burden, which is referred to as a “gray area”.

To reduce the tax burden that must be paid, taxpayers look for gaps by implementing tax avoidance strategies, namely adjusting business processes and making business decisions that can reduce the impact of tax costs (Kusuma Putri & Syafruddin, 2021). The chosen business strategy will have an impact on the total transaction costs, including tax costs, so different business strategies will incur different tax rates (Scholes., et al 1992). (Higgins et al., 2015) classifies business strategies into two categories, namely prospectors and defenders. Prospector business strategy prioritizes innovation, seeks to maintain a competitive advantage by pursuing opportunities to continue to grow and develop, so it tends to be bolder in avoiding taxes. Meanwhile, defender's business strategy puts forward accurate budgets, determines strategies and focuses on maintaining the company's market share, so it is less likely to be bold in avoiding taxes. This strategy takes into account the high cost of tax avoidance because it is

oriented towards low costs (Arieftiara., et al 2015). Several previous studies have produced varying results, as seen in the study conducted by Khan., et al (2021) and Aryotama & Firmansyah (2020) stated that business strategies have a positive effect on tax avoidance. While Sadjiarto, A., et al (2020), Hanif., et al (2023) and Zhang., et al (2022) concluded that only prospector-type business strategies had a positive effect on tax avoidance practices, while defender-type business strategies did not. Using similar independent variables Heryana., et al (2022) and Nurlis, S. (2023) states that business strategy negatively affects tax avoidance.

In addition to business strategy, financial difficulties are also other internal factors that can influence a company's decision to do tax avoidance. When a company faces financial challenges due to economic conditions and the possibility of bankruptcy, the company tends to carry out tax avoidance strategies, whatever risks it may face (Dhamara & Violita, 2017). In previous studies, an analysis of the relationship between the independent variables of financial difficulties that affect tax avoidance practices has been conducted by Fadhila & Andayani (2022), Swandewi & Noviari, (2020), Jevita & Siregar, (2023), Dhawan, et al., (2020) and Dang & Tran (2021). While research conducted by Nurdiana, (2021) and Julianty, et al., (2023) states that financial hardship has no effect on tax avoidance.

Tax avoidance by management is not only driven by internal factors but can also be influenced by external conditions of the company (Annida & Firmansyah, 2022). One example of external conditions is the presence of environmental uncertainty. According to Yu, et al. (2016), environmental uncertainty occurs when a company lacks adequate information about its internal and external situation. This makes the environment unstable and unpredictable, thus preventing companies from estimating their costs and revenues (Purnomo & Eriandani, 2023). Some of the factors that increase environmental instability are globalization, technological change and intense competition (Lin et al., 2014). Previous research conducted by Purnomo & Eriandani, (2023), Januardi, et al., (2022), Nurdiana, (2021), Laksono & Firmansyah, (2020), and Putri & Syafruddin, (2021) stated that environmental uncertainty influences avoidance. While Akbar & Meiryani, (2023), McGuire, et al. (2014) and Wardhana, et al. (2021) states that environmental uncertainty has no effect with avoidance.

This study aims to examine the effect of business strategies, financial difficulties and environmental uncertainties on tax avoidance practices in ASEAN member states. This research is motivated by the phenomenon of tax evasion which is a global issue and has a negative impact on the country's economy. Tax evasion can reduce state revenue from the tax sector and interfere with the efficient allocation of resources. Therefore, this study is important to identify the factors that influence tax evasion practices in the five ASEAN countries. This research is expected to provide theoretical and practical contributions to academics, practitioners, regulators and policy makers in the field of taxation.

Literature Review

Agency Theory

Agency theory is a contractual agreement in which one or several actors delegate decision-making authority to the agent for the operation of the company (Jensen & Meckling, 1976). Shleifer and Vishny (1997) stated that, there are two problems that arise in agency relations when management is assigned as an administrator of the company, namely: (1) information asymmetry, which occurs because management as an administrator of the company has more complete information about the condition of financial statements than the owner; and (2) conflict of interest, which occurs because management and stakeholders have misaligned objectives and management does not act in accordance with stakeholder expectations. Agency theory explains how companies try to do tax avoidance to meet the interests of the parties involved, namely principals and agents. Tax avoidance is the action of a company or an agent to lower taxable income by increasing deductible expenses, so that taxes

paid are lower. This action is intended so that the company can attract shareholders or principals by showing large corporate profits, and the agent will get high performance results (Wardhana, et al., 2021).

Tax Avoidance

Tax avoidance refers to the strategic management of tax affairs while still complying with tax regulations, as defined by Herfiana (2022). This practice aims to reduce the tax burden of an enterprise without violating existing tax regulations. A company's profit is greatly affected by its tax burden, a higher tax burden will decrease profits, while a lower tax burden will increase profits. Companies implement this strategy to maximize their profits (Panjalusman, et al., 2018). As a result, the company implements tax management strategies to ensure efficient tax payments while still complying with relevant tax laws.

Business Strategy

Business strategy is a choice made by managers before running a company's business processes (Nurrahmi & Rahayu, 2020). The company's business strategy decisions affect the entire activities of the company, since all business decisions, activities in business processes, operations and transactions carried out must be aligned with the business strategy (Arieftiara, 2015). Business strategies can include a variety of approaches such as geographic expansion, acquisition, diversification, market penetration, product development, divestment, liquidation and venture partnerships. Miless and Snow identified two main strategies, namely defender and Prospector, which are both opposite and have very different characteristics and strategies (Wardani & Khoiriyah, 2018). Defender strategy is a strategy executed by the company by prioritizing cost efficiency as the basis of competition. Defender strategies tend to have limited products, a focus on efficiency and a stable organization, whereas prospector strategies have very diverse products, a focus on innovation and change and a more flexible organization (Higgins, et al., 2012). Companies with a prospector business strategy have flexible technology to produce and distribute their products or services. This technology companies to optimize the taxes they pay legally. Thus, the company can keep costs down and increase profits and market share. Meanwhile, the defender and tax avoidance business strategies have the same goal of saving costs. Cost efficiency in defender's business strategy is to reduce production costs, operating costs and tax costs derived from the company's revenue. The amount of income tax to be paid by the company is positively correlated with the company's profit, so the company does the company does tax planning on financial transactions that affect the company's tax burden. Based on these arguments, the study formulated the following hypotheses:

H_1: Business Strategy has a positive effect on Tax Avoidance.

Financial Distress

Financial distress is a condition when a company faces a crisis, where the company's finances are not healthy so that it cannot fulfill its obligations (Rani, 2017). Financial distress can also be interpreted as an early sign before the company goes bankrupt (Siburian & Siagian, 2021). According to Listyarini (2020) there are two criteria that indicate financial distress conditions in a company, namely: (1)Stock-based insolvency is a state when equity in the statement of financial position shows a negative value (negative net worth); and (2) Flow-based insolvency, is a condition where operating cash flow cannot cover the company's current liabilities. Financial distress is a condition that must be avoided by the company because it will cause a negative reaction from stakeholders. When companies face financial distress, companies have a tendency to adopt bolder measures to avoid taxes. Poor financial conditions within the company will encourage shareholders and management teams to take riskier actions, such as implementing tax avoidance strategies. Based on previous research, the hypotheses proposed in this study are as follows:

H_2: Financial Distress has a positive effect on Tax Avoidance.

Environmental Uncertainty

Environmental uncertainty is how well management can understand external environmental conditions, which are often difficult to predict and adapt to environmental conditions simultaneously (Dwyer and Welsh, 1985). In addition, environmental uncertainty is the manager's view of the environment that is being faced and will have an impact on company performance. Environmental uncertainty has three components, namely uncertainty in the market related to consumer tastes, uncertainty in technology due to rapid development and uncertainty in competition in the market. These components can lead to asymmetric fluctuations in income and information between companies and governments, allowing managers to mitigate those fluctuations through revenue management, including tax avoidance measures (Akbar & Meiryani, 2023). According to the agency theory, when a company experiences uncertainty, there will be conflicts between managers and shareholders. This conflict is seen when companies strive to meet the expectations and interests of shareholders. One of the ways that managers do this is by managing taxes and avoiding taxes legally, so as to reduce tax costs and increase company profits. This large profit can attract shareholders and increase the value of the company in the market. Based on the analysis that has been done before, the hypothesis can be prepared as follows:
H_3: environmental Uncertainty has a positive effect on Tax Avoidance.

METHODS

This study applies a quantitative approach with the aim to examine the relationship between the independent variable and the dependent variable in a population group and the sample used in the study (Babbie, 2010). This study uses panel data which is a combination of cross section and time series data, which covers the analysis period from 2018 to 2022 and involves a number of countries in the ASEAN region through the use of secondary data. The population in this study refers to a group of countries that are in the same region, namely ASEAN. Meanwhile, the research sample was chosen to focus more on the object of research. Therefore, the population involved in the study consists of countries such as Singapore, Malaysia, Indonesia, the Philippines, Thailand, Brunei Darussalam, Vietnam, Cambodia, Myanmar and Laos. While the countries selected as a sample of research are Indonesia and Thailand as countries with the highest GDP in the ASEAN region. Sampling techniques using purposive sampling that has certain characteristics, namely:

1. The company is not engaged in the financial sector.
2. The company was listed on the Indonesia Stock Exchange (IDX) and the Stock Exchange of Thailand (SET) in 2018 – 2022.
3. The Company presents financial and annual reports regularly and consistently from 2018 – 2022.

According to Creswell (2014), the independent variable is a variable that has an influence on the results of research. Independent variables in this study involve business strategy, financial distress and environment uncertainty. Meanwhile, the dependent variable is the result of the impact of these independent variables (Creswell, 2014). The dependent variable in this study is tax avoidance. The Data used in this study is secondary data obtained from the annual report of each country.

Operationalization of variables and measurements

Tax Avoidance

In this study, book tax different (BTD) is used as a method to measure tax avoidance practices that result in differences between commercial profits listed in the company's financial

statements and fiscal profits reported for tax purposes. This method has been used by various previous researchers, such as Hulu & Santosa (2023), Tarigan, et al., (2024) and Dhiyaulhaq & Fadjarenie (2023). The formula used to calculate tax avoidance is as follows:

$$BTD = Book\ Income - Taxable\ Income\ /\ Average\ Assets$$

Business Strategy

According to Higgins et al. (2011), business strategy can be measured by several proxies, namely as follows:

a. Ratio of Employees to Sales (EMPS)

$$EMPS = \frac{Number\ of\ Employees}{Sales}$$

b. Market to Book Ratio (MoTB)

$$MoTB = \frac{Stock\ Market\ Price}{Total\ Equity}$$

c. Market to Sales Ratio (MTS)

$$MTS = \frac{Advertising\ Expenses}{Sales}$$

d. Fix Assets Intensity (FAI)

$$FAI = \frac{Fix\ Assets}{Total\ Assets}$$

Measurement of business strategy using four indicators. The first three indicators, namely EMPS, MtoB and MTS, will give a score of 5 for samples ranked in the highest quintile, a score of 4 for samples ranked below it and so on. The FAI score is the opposite of the first three indicators. The sample that is in the highest quintile gets a score of 1, the sample that is in the rank below it gets a score of 2 and so on. The Total score of each sample is calculated by summing the scores of all indicators. The highest score is 20 (prospector) and the lowest score is 4 (defender). The range of scores in the sample with the defender business strategy is 4-8, while the range of scores in the sample with the Prospector business strategy is 11-20. After determining whether the sample is indicated using the prospector or defender business strategy based on the score range that has been set, then to include it in the research model, the prospector and defender business strategy variables using dummy measurements. With a condition of 0 if the sample is indicated using the defender business strategy and 1 if the sample is indicated using the Prospector business strategy.

Financial Distress

In this study, the level of financial distress was determined using the Altman Z-Score formula which was first introduced by Altman (1968) and has been used by other researchers such as Cita & Supadmi (2019), Fauzan, et al., (2021), Nugroho & Firmansyah (2017), Januardi, et al., (2022) and Swandewi & Noviari (2020). The Altman Z-Score formula used in this study is as follows:

$$Z = 1{,}2X1 + 1{,}4X2 + 3{,}3X3 + 0{,}6X4 + 0{,}999X5$$

Description:
X1 = *Working Capital/Total Assets*
X2 = *Retained Earnings/Total Assets*
X3 = *EBIT/ Total Assets*
X4 = *Market Value of Shareholder Equity/Total Liabilities*

X5 = *Revenue/ Total Assets*

The Altman Z-Score Model is used to assess and monitor a company's financial health. By assigning specific categories, the model provides a clear picture of the company's position in the financial spectrum. If the value of Z < 1.1, then the company is categorized as bankrupt or distress. Conversely, if the value of Z > 2.60, then the company is categorized as healthy or non-distress. However, if 2.60 > Z > 1.1, then the company is in a gray zone or gray area. With the provision of 0 if the sample is indicated to be healthy or non-distress, and 1 if the sample is indicated to be bankrupt or distress.

Environment Uncertainty

In this study, environmental uncertainty assessment involves the utilization of sales volatility ratio, and Late used in previous studies by Bimo et al. (2019), Huang, et al., (2017), Januardi, et al., (2022), Purnomo, H., & Eriandani, R. (2023) and Laksono & Firmansyah (2020) . The formula used to calculate environment uncertainty is as follows:

$$CV\ (S_i) = \frac{@\sqrt{\sum \frac{(Si - Smean)^2}{3}}}{Smean}$$

Description:
CV = *Coefficient of Sales Variation*
S_i = *Total Sales in The Year i Divided by Total Assets in The Year i*

Research Model

The research Model was analyzed using statistical tools STATA MP64 version 13. In accordance with the hypothesis that has been described in the previous section, the research model that will be used to analyze the effect of business strategy, financial distress and environment uncertainty on tax avoidance is presented as follows:

$$TA = \alpha + \beta 1\ BS_{it} + \beta 2\ FD_{it} + \beta 3\ EU_{it} + e_{it}$$

Description:
TA = *Tax Avoidance*
α = Konstanta
β1 – β3 = Regression coefficient
BS = *Business Strategy*
FD = *Financial Distress*
EU = *Environment Uncertainty*
e = Error rate (*error*)
i = Country
t = Period

RESULTS AND DISCUSSION

Results

Descriptive Statistical Test

Descriptive statistical analysis refers to the representation or explanation of data through observation of the maximum value, minimum value, average value and standard deviation. For dichotomous dummy variables, the descriptive statistic used is the frequency distribution. Measures applied in this analysis include frequency (number of occurrences) and percentage of each category. In this study, the variables described through descriptive analysis include environment uncertainty and tax avoidance. The results of descriptive statistics are processed using STATA v.13 is as follows :

Chart 1. Results Of Descriptive Statistical Analysis

Variabel	Obs	Mean	Std. Dev.	Min	Max
TA	508	0. 0742227	0. 1523991	-1.217457	0.9266989
EU	508	0. 3538399	0. 2576084	0. 0006438	1.739584

Source: output STATA 13.0, data processed author

Chart 2. Results Of Descriptive Statistical Analysis Of Dummy Variables-Frequency Distribution

		Business Strategy		Financial Distress	
		Frequency	Percent	Frequency	Percent
Valid	.00	504	99.21	346	68.11
	1.00	4	0.79	162	31.89
	Total	508	100.00	525	100.00

Source: output STATA 13.0, data processed author

Descriptive statistical test results in Table 1 shows the value of standard deviation book tax difference (BTD) of 0.1523991 and 0.2576084 for environment uncertainty variables. The standard deviation of the environment uncertainty variable that is lower than its average value indicates that the distribution of data has been evenly distributed and tends to be homogeneous, because the standard deviation is close to zero. Tax avoidance variable as a dependent variable has an average value of 0.0742227, indicating that the level of tax avoidance tendency in the sample studied is relatively low. In Table 2, two independent variables using dummy variables are shown. Out of a total of 508 samples, 4 companies or 0.79% used the Prospector business strategy. While 99.21% or 504 companies use defender business strategy. In addition, as many as 162 companies or 31.89% indicated bankruptcy or distress. While 346 companies or 68.11% indicated in healthy or non-distress condition.

Panel Data Regression Model Test

This study uses panel data regression analysis because the data used has special characteristics that include a combination of cross section and time series. There are three model options in this panel data regression, namely Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To test the panel data regression model, performed CHOW Test, Lagrange Multiplier Test and Hausman Test.

Chart 3. Uji Chow

Probability Restricted
0.0000 A
0.05

Source: output STATA 13.0, data processed author

Chow test is used to determine the most optimal research model between CEM and FEM. Based on the STATA output seen in Table 3 above, it can be explained that the value of Prob. F value < α, which means that the results indicate that the panel data regression model optimally in this study using FEM.

Chart 4. Lagrange Multiplier Test

Probability Restricted
0.0000 A
0.05

Source: output STATA 13.0, data processed author

Lagrange Multiplier test is used to determine the optimal research model between CEM and REM. Based on the STATA output in Table 4 previously, it can be explained that if the

value of the P value < α, the results indicate that the panel data regression model optimally in this study using REM.

Chart 5. Uji Hausman

Probability Restricted	0.8124
A	0.05

Source: output STATA 13.0, data processed author

Hausman 1670 tis1670s used to determine the most optimal research model between FEM and REM. Based on the STATA output in Table 5, it can be explained that if the value of P value > chi squares, so the Random Effect Model (REM) is the best model that can be used.

Classical Assumption Test

This study involved testing classical assumptions, which include normality test and multicollinearity test. The normality test aims to assess the extent to which the distribution of data follows a normal pattern, while the multicollinearity 1670 tis 1670 s used to identify whether there is a strong relationship between the independent variables.

Chart 6. Skewness/Kurtosis Test

Variabel	Obs	Pr (Skewness)	Pr (Kurtosis)	Adj chi2(2)	Prob>chi2
Data_Residual	508	0.8940	0.3918	0.76	0.6853

Source: output STATA 13.0, data processed author

Based on Table 6, normality test results using skewness/kurtosis test have normal distribution with probability 0.6853 > 0.05. Therefore, the results of the normality test show that there is not enough evidence to reject the null hypothesis stating that the data come from the normal distribution for the four variables.

Chart 7. Multicollinearity Test

Variabel	VIF	1/ VIF
FINANSIAL	1.02	0.984772
FD	1.47	0.678570
EU	2.90	0. 344690

Source: output STATA 13.0, data processed author

In this study, 1670 tis known that the value of VIF and Tolerance have a value of Vif, respectively, 10 and 0.10. The VIF value of all independent variables is 1.00 and the tolerance value of business strategy, finansial distress and environment uncertainty is 0.984772, 0.678570 and 0.344690, respectively. This indicates that in this study, each independent variable does not show any correlation.

Hypothesis Test

In the following table, there are detailed explanations and analyzes adapted to the hypotheses that have been formulated.

Chart 8. Panel data regression test Random Effect Model (REM)

Variabel	Coefficient	Prob>[z]	Hasil
Cons.	0. 0938316	0.000	-
BS	-0.0064158	0.923	H1 Ditolak
FD	-0.0359396	0.041	H2 Diterima
EU	-0.0254481	0.458	H3 Ditolak

R-Squared	0.0276
F- Statistik	4.69
Prob (F-Statistik)	0.1963

Source: output STATA 13.0, data processed author

The results of F statistical test revealed the value of F is 4.69 with probability F (prob-F) is 0.1963. Since prob-F is smaller than 0.05, the null hypothesis is rejected. Thus, it can be concluded that simultaneously, the variables business strategy, financial distress and environment uncertainty have a significant effect on tax avoidance. The coefficient of determination test results show that the value of the coefficient of determination (R^2) obtained in this study is 0.0276. This means that the independent variable in this study was able to explain 2.76% of the variation of the dependent variable, while the remaining 97.24% were influenced by other factors that were not studied.

The results of the statistical t-test showed that the business strategy variable has a probability value (prob > [z]) of 0.923, which exceeds the significance limit of 0.05, and the coefficient value of -0.0064158. These findings indicate that business strategy has no significant effect on tax avoidance, so hypothesis 1 was rejected. In contrast, the financial distress variable showed different results. The probability value (prob > [z]) for this variable is 0.041, which is smaller than 0.05, with a coefficient value of -0.0359396. These results indicate a significant influence between financial distress and tax avoidance, so hypothesis 2 is accepted. In addition, the environment uncertainty variable has a probability value (prob > [z]) of 0.458, which is greater than 0.05, and a coefficient value of -0.0254481. This shows that environment uncertainty has no significant effect on tax evasion, so hypothesis 3 is rejected.

Discussion

Impact Of Business Strategy On Tax Avoidance

Business strategy cannot affect tax evasion. With any business strategy adopted by a company, it will still be able to comply with its tax obligations on a regular basis. Companies that are already listed on the stock exchange, especially those that seek to achieve a competitive advantage, will have a tendency to be cautious in every step of their activity. In particular, caution with regard to financial responsibility in order to be able to maintain a positive image of the company. Aspects of taxation as one of the measures of Social Responsibility and good corporate governance. All this is in line with agency theory, where management tends to separate tax avoidance practices from the business strategy framework due to the difference in goal orientation between the two. Business strategies are designed with a focus on achieving long-term goals, such as market growth, product innovation, or competitive advantage. On the other hand, tax avoidance is oriented towards saving short-term financial burdens, so it is often not integrated in the company's business strategy. As a result, although management has the freedom to reduce the tax burden, they do not necessarily use business strategy as the main tool to realize these goals. The results of this study contradict the classification proposed by Miles, R. E., et al (1978) and Zhang., et al (2022) stating that prospectors ' business strategies are more aggressive in tax avoidance practices. This research also contradicts Higgins, et al (2015), who argue that companies seek to minimize the tax burden by utilizing the cost of their activities. The business strategy used by the company, both prospectors and defenders, has no influence on the company's decision to avoid tax. Instead, companies with these two types obey the amount of tax that has been set and obey the rules. This finding is consistent with Heryana's previous research., et al (2022), and Nurlis, S. (2023) who also found that the chosen business strategy is not related to the tax payment behavior of a company.

The Impact Of Financial Distress On Tax Avoidance

Financial distress can affect tax avoidance practices. The observed negative relationship indicates that as financial distress increases, the rate of tax evasion decreases. The findings of this study are consistent with the agency theory, which states that the higher the level of monitoring of the agent, the more likely the agent will act in accordance with the interests of the principal. In conditions of financial distress, supervision of managers increases, both from creditors, regulators, and shareholders. Creditors who make loans to companies will be stricter in monitoring managerial policies, including tax evasion. Companies that commit tax evasion are seen by creditors as risky actions that will increase the cost of debt from the company. In situations like this, managers will be focused on managing debt and other financial obligations rather than committing to tax evasion, which can exacerbate negative perceptions about the company.

A company's reputation is one of the most valuable assets, especially when the company is facing financial distress. A good reputation not only helps the company attract investment and rebuild market confidence, but also allows the company to obtain loans at more favorable interest rates. However, aggressive tax avoidance practices can damage that reputation, particularly in the eyes of regulators, investors, and consumers, hampering a company's efforts to restore its financial stability. Given this, managers are encouraged to take more conservative decisions in their accounting policies, with the aim of demonstrating transparency and commitment to meeting tax obligations. By complying with tax obligations, the company aims to gain the trust of stakeholders, so as to ensure the survival of the company in the midst of existing financial challenges. The results of this study support the findings of Pratiwi et al. (2021) and Sari, K. D. R., & Wahyuni, M. A. (2023). However, these findings differ from those of Fadhila & Andayani [17], Jevita & Siregar and Dang & Tran, who concluded that financial hardship had a positive effect on tax avoidance.

Impact Of Environmental Uncertainty On Tax Avoidance

Environmental uncertainty cannot affect tax evasion. When faced with a high level of environmental uncertainty, the company's main focus is not on developing tax avoidance strategies. Instead, the company will focus more on developing other strategies, including survival and innovation strategies. In an effort to protect the value of corporate profits affected by environmental uncertainty, managers will tend to adopt profit management strategies through aggressive financial statements. The purpose of profit management measures is to increase the profits of companies that have decreased due to environmental uncertainty. This step is taken with the consideration of maintaining the company's image in the eyes of stakeholders and at the same time ensuring that the performance of managers remains positive and professional in the eyes of the principal.

Agency theory explains that one of the goals of managers in a situation of uncertainty is to maintain their reputation in the eyes of principals and other stakeholders. Managers who have more access to company information and understand the impact of environmental uncertainty, often manage profits to create a positive image of the company's financial health. However, these efforts run the risk of making tax evasion less than optimal. Under these conditions, managers tend to focus more on imaging the company's performance than paying attention to detailed tax calculations, so tax aspects are often ignored in order to maintain a positive perception in the midst of uncertainty. The results of this study are not in line with the findings of Purnomo & Eriandani, (2023), Januardi, et al., (2022) and Huang et al. (2017) which states that environmental uncertainty has a positive influence on tax avoidance practices. Nonetheless, these findings are in line with the research of Akbar & Meiryani, (2023), McGuire, et al. (2014) and Wardhana, et al. (2021) which shows that the uncertainty of the

environment in a company can make managers face difficulties in determining the actions to be taken related to tax issues.

CONCLUSION

This study aims to analyze the impact of business strategies, financial distress, and environmental uncertainty on tax avoidance behavior in ASEAN countries. This study is based on the phenomenon of tax evasion which is a global problem and harms the country's economy, especially in the ASEAN region. Using the purposive sampling technique, this study took samples from companies outside the financial sector listed on the Indonesia Stock Exchange (IDX) and the Stock Exchange of Thailand (SET) during the period 2018-2022, provided that the company consistently presents financial and annual reports. The results showed that business strategy had no significant effect on tax avoidance, as companies that focus on competitive advantage tend to be more careful in their financial management. In contrast, financial difficulties have a significant negative effect on tax avoidance, as financially stressed companies are more likely to comply with their tax obligations in order to avoid additional risks. Meanwhile, environmental uncertainty does not have a significant effect on tax avoidance, as companies prefer aggressive profit management strategies to protect the value of their profits in conditions of uncertainty.

This study has limitations, mainly related to the availability of information in the annual report of the company used as a source of data. Therefore, researchers give some advice. For further research, it is recommended to use alternative indicators such as** effective tax rate (ETR) * * in measuring tax avoidance and add other variables that could potentially affect the practice. For companies, financial managers need to be more proactive in developing tax strategies that are in accordance with financial conditions, ensuring tax avoidance practices are carried out ethically and in accordance with regulations so as not to lead to tax evasion actions that can harm the company.

In addition, for the government, the results of this study indicate the need for greater scrutiny of tax evasion practices, especially in companies that are not experiencing financial difficulties. The government could also consider more flexible fiscal policies or tax incentives for financially struggling companies, to reduce their drive for tax evasion. Thus, tax regulation can be more effective in balancing the needs of state revenue and maintaining the stability and economic sustainability of the company.

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