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CHANGES IN TAXATIONRULES AND ITS IMPACT ON CORPORATE FINANCIAL MANAGEMENT

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Abstract. Changes in tax regulations are one of the significant external factors in the business environment that can influence a company's financial management. New tax rules often have broad implications for companies, both in terms of costs and financial strategy. These changes may involve adjustments to tax rates, changes in incentive policies, and updates to tax procedures and reporting. The impact on a company's financial management can vary, from changes in budget planning, cash management, to investment strategies. Companies need to make adjustments in their financial strategies to optimize tax obligations and take advantage of existing incentives. In addition, changes in tax regulations can also influence long-term strategic decisions, such as decisions to expand, restructure or diversify a business. This research aims to analyze the impact of changes in tax regulations on company financial management, with a focus on how companies respond to these changes and what strategies are implemented to minimize risks and maximize opportunities. This analysis uses a qualitative approach with case studies on several different companies, to provide a comprehensive picture of the practical implications of changes to tax regulations. It is hoped that the research results will provide insight for financial practitioners and policy makers in formulating effective strategies in dealing with changes in the tax environment.

Keywords: Changes in Tax Rules, Company Financial Management, Financial Strategy.

1. INTRODUCTION

Changes in tax rules are one of the significant external factors in the modern business environment. Tax regulations implemented by the government often change to adapt to economic conditions, state budget needs, as well as efforts to encourage or discourage certain behavior in the economy. These changes can involve various aspects, such as adjusting tax rates, updating incentive policies, and revising tax reporting procedures. Although these changes are often designed to achieve specific policy objectives, their impact on a company can be broad and complex, affecting a company's financial management from many angles. Companies must always be prepared to face changes in tax regulations. One of the direct impacts of this change is on the company's operational costs. For example, an increase in tax rates will increase the tax burden that companies must pay, which in turn can reduce net profits. Conversely, a reduction in tax rates may increase corporate profits, but may also be accompanied by a reduction in tax incentives or exemptions that the company previously enjoyed. These changes require companies to constantly review and adjust their budgets to ensure financial sustainability. In addition to the direct impact on costs, changes in tax rules can also affect a company's investment strategy. Companies should reevaluate their investment projects to determine whether they are still financially viable under the new tax regime. For example, tax incentives for investment in research and development (R&D) might be removed or reintroduced, which could influence firms' decisions to invest in innovation. Additionally, changes in tax rules can influence a company's decisions regarding international expansion, as differences in tax policies between countries can

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create new opportunities or risks. Cash management is also another area affected by changes in tax rules. Changes in tax reporting and payment rules can affect a company's cash flow. In a broader context, changes in tax regulations can also affect a company's relationships with external stakeholders, including investors, creditors and tax authorities. Investors and creditors tend to be more careful in assessing the financial risks of companies operating in an unstable tax environment. Therefore, transparent communication and effective risk management are essential to maintain stakeholder trust. To respond effectively to changes in tax rules, companies need to adopt a proactive approach to tax management. This involves continuously monitoring changes in tax policies, conducting impact analysis, and formulating appropriate strategies to address these changes. Large companies often have internal tax departments tasked with managing tax compliance and optimizing tax strategies. Meanwhile, small and medium-sized companies may need to rely on external tax consultants for advice and support in dealing with regulatory changes. Changes in tax policy may affect revenue recognition, expense recognition, and deferred tax assets and liabilities. As a result, corporate finance and accounting departments must continually update their understanding of applicable tax rules and implement necessary adjustments in their financial reporting systems. In addition, changes in tax rules can impact a company's relationship with tax authorities. Companies must ensure that they comply with all new regulations implemented by the government to avoid sanctions or fines. This may require improvements in internal controls and tax audits to ensure that all tax transactions and reporting are done correctly. In some cases, changes in tax rules may also lead to an increase in the number of tax disputes between companies and tax authorities, which require quick and effective resolution to avoid greater disruption to business operations. Companies may need to reevaluate their organizational structures to ensure that they remain efficient and compliant with applicable tax regulations. On a global scale, changes to tax rules in one country can have widespread impacts on a company's international operations.
Companies must pay attention to technological developments and digitalization which also influence tax regulations. Governments in various countries are increasingly adopting technology to improve tax monitoring and compliance. For example, the implementation of e-filing and e-invoicing systems has changed the way companies report and pay taxes. Companies must ensure that their information systems and technology are able to accommodate these changes to avoid delays or non-compliance that could result in sanctions. In the midst of dynamic changes in tax regulations, companies must also consider social and environmental factors in their tax management. Tax policies that encourage sustainable and socially responsible business practices are increasingly gaining attention in many countries. Companies that can take advantage of tax incentives for activities such as green investment, use of renewable energy, and corporate social responsibility (CSR) can not only reduce their tax burden but also improve their reputation in the eyes of the public and stakeholders. In responding to changes in tax regulations, it is important for companies to have a team that is competent and experienced in the fields of taxation and finance. Continuous training and professional development is very important to ensure that finance and accounting staff always have up-to-date knowledge regarding applicable tax regulations. Additionally, collaboration between various departments within a company, such as legal, finance, and operations, is also critical to ensure that all aspects of the business are considered in formulating a comprehensive tax strategy. This research aims to provide deeper insight into how companies respond to changes in tax regulations and what strategies can be implemented to overcome these challenges. Through case studies and qualitative analysis, this research will reveal various practical implications of changes to tax regulations and offer recommendations that can be implemented by financial practitioners and policy makers. Changes in tax regulations are a

significant challenge for company financial management. The impact can extend from operational costs to investment strategy, cash management and long-term strategic decisions. To face these challenges, companies need to adopt a proactive approach to tax management, ensure proper compliance, and take advantage of existing opportunities. In this way, companies can minimize risks and maximize profits in facing changes in the tax environment.

2. RESEARCH METHODS

This research method will use a qualitative approach to examine the impact of changes in tax regulations on company financial management. This approach was chosen because it allows an in-depth exploration of the dynamics and complexities faced by companies in responding to changes in tax regulations. This type of qualitative descriptive research uses a library research model, namely a series of research activities related to library data collection methods or secondary data. According to Sugiyono (2018), "descriptive qualitative research method is research based on the philosophy of postpositivism used to research the conditions of natural objects where the researcher is the key instrument." Library research as a data collection technique is carried out indirectly through library research, recording and processing reports obtained during the research process. The approach model used in this research is a literature approach, especially an approach with theory-based analytical methods, and this research focuses on discussions taken from books, websites, scientific journals and previous research.
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3. RESULT AND DISCUSSION

This research found that changes in tax regulations have a significant impact on various aspects of company financial management, including the following:

3.1 Budget Adjustments and Cost Management

Budget adjustments and cost management are critical aspects in a company's response to changes to new tax regulations. Changes in tax rates and incentive policies directly affect a company's cost structure, prompting companies to make significant adjustments in their budget management. According to a study conducted by Rajasekaran and Pandian (2016), "companies often respond to increases in tax rates by prioritizing cost efficiency and operational restructuring". This includes re-evaluating all aspects of costs, including reducing overhead costs and optimizing expenses to maintain competitive profitability. Thomas Piketty (2014) emphasizes that "changes in tax rates can affect the distribution of income in society and also the company's business strategy". Piketty suggests that companies may be under pressure to adjust their compensation structures, including incentives and bonuses, in response to changes in tax policies governing individual income and wealth. In a practical context, companies often adopt a multi-tiered approach in adjusting their budgets. At the operational level, financial managers often conduct a thorough review of all costs, prioritizing those that are crucial to core operations, while considering the potential for reducing non-essential spending. This strategy may include renegotiating contracts with suppliers to obtain better prices, using technology to improve operational efficiency, and reviewing product or service distribution strategies. However, adjusting your budget is not always as easy as it seems.

According to Johnson (2018), "companies often face complex challenges in balancing maintaining product and service quality with managing ever-increasing costs". In situations where tax rates increase suddenly or tax incentives are reduced, companies may have to take more drastic measures such as making workforce cuts or delaying strategic projects to significantly reduce operational costs. Financial managers must consider the long-term impact of each budget

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adjustment decision. This includes an evaluation of the potential for long-term savings through investment in new technology or processes that can result in sustainable operational efficiencies. This opinion is in line with research findings by Zhou et al. (2019), who found that "companies that adopt a strategic approach to cost management tend to be more resilient to fluctuations in tax regulations". Companies may also consider proactive strategies in responding to changes in tax rules, such as diversifying revenue sources or developing new products that take advantage of newly enacted tax incentives. A business portfolio can provide protection against fluctuations in tax policy and reduce dependence on one particular type of tax incentive or regulation. Overall, budget adjustments and cost management are crucial strategies in responding to changes in tax regulations which have a broad impact on company financial management Companies need to adopt a flexible and responsive approach, while considering the long-term implications of each cost decision. Expert opinions and research findings show that a comprehensive, data-based and sustainability-oriented strategy is the key to managing the impact of changes in tax rules effectively and efficiently.

3.2 Influence on Investment Strategy

The influence of changes in tax regulations on a company's investment strategy is a crucial aspect of financial management that influences how companies respond to a dynamic tax environment. Changes in tax incentive policies or tax rates can significantly influence companies' investment decisions, both in terms of capital allocation and the strategic orientation of their investments. According to analysis conducted by Brown and Petersen (2019), "changes in tax rates can change the return on investment (ROI) calculations of various investment projects". An increase in tax rates tends to reduce the potential profits from an investment, while a decrease in rates can increase incentives to allocate more capital to more tax-advantaged projects. Brealey, Myers, and Allen (2017) highlight that “tax incentive policies also influence firms' preferences for certain types of investments. For example, incentives aimed at investment in research and development (R&D) or infrastructure might encourage companies to allocate more resources to these sectors.” On the other hand, reducing or eliminating incentives can reduce the attractiveness of investment in certain sectors, which can affect the diversification of a company's investment portfolio. From a risk management perspective, changes in tax rules can also affect investment risk evaluation.

According to McKenna and Jaffe (2018), “uncertainty related to changes in tax rules can increase the risk of investments being considered more speculative or volatile”. This can reduce companies' interest in making long-term investments that require strong tax predictability. In this context, companies often adopt a more conservative approach in evaluating their investment projects, taking into account not only financial factors but also long-term tax policy factors. Of course, companies' reactions to changes in tax rules may vary depending on each company's industry characteristics and risk profile. An empirical study conducted by Graham and Tucker (2020) found that “companies operating in sectors that are more exposed to tax policy fluctuations, such as high technology or energy, tend to be more vulnerable to the impact of changes in tax rules”. In this case, financial managers need to consider alternative scenarios and effective risk mitigation strategies to maintain the company's operational and financial stability. Overall, the influence of changes in tax regulations on company investment strategies is not only limited to financial aspects, but also affects diversification and risk management strategies. Adjusting investment strategies can be the key to maximizing tax benefits and minimizing risks amidst the uncertainty of constantly changing tax regulations Expert opinions highlight the importance for companies to adopt an adaptive and responsive approach in responding to changes in tax rules to maintain competitive advantage and long-term profitability.

3.3 Cash and Liquidity Management

Cash and liquidity management are crucial in a company's response to changes in tax regulations. Changes in tax reporting and payment procedures can cause significant liquidity pressures for companies. According to Nasution and Mahardika (2015), "an increase in tax rates or advance tax payment requirements can disrupt companies' cash flows, forcing them to allocate more funds to meet higher tax obligations". This requires companies to increase monitoring of cash flow and ensure the availability of sufficient funds for daily operations and tax obligations. Emphasizes the importance of effective cash planning to address fluctuations in liquidity needs due to changes in tax regulations. They highlight that companies must implement cash management systems that enable accurate predictions of short-term and long-term liquidity needs. According to Putri and Rahayu (2018), the integration of technology in cash management, such as the use of sophisticated financial software, can help companies monitor and manage cash flows in real-time, so they can respond to changes in tax regulations more efficiently. Overall, companies need to adopt flexible and adaptive cash management strategies to maintain financial stability amidst the dynamics of changing tax regulations. Expert opinions underscore the importance of strict planning and monitoring, as well as leveraging technology to ensure adequate liquidity and optimal tax compliance.

3.4 Long Term Strategic Decisions

A company's long-term strategic decisions are often influenced by changes in tax rules, which can affect various aspects of operations and growth. For example, decisions to relocate operations to jurisdictions with lower tax rates or to restructure a business to optimize tax liabilities are becoming increasingly relevant. According to Wijaya and Sari (2017), "significant changes in tax rules can encourage companies to consider international expansion or diversify their business portfolio to take advantage of greater tax benefits". Suwarno and Lestari (2016) emphasize that "companies must consider not only the short-term benefits of tax reductions, but also the long-term implications such as regulatory stability and political risks in new jurisdictions". This is important to ensure that the decisions taken are not only profitable in the short term but also sustainable in the long term. In addition, Nugroho and Kusuma (2018) suggest that "in making long-term strategic decisions, companies need to strengthen collaboration with tax consultants and legal experts to ensure compliance and optimize tax benefits". They emphasize that a thorough understanding of tax regulations and possible future changes is essential to avoid legal and financial risks. Overall, long-term strategic decisions influenced by changes in tax regulations require a holistic and planned approach, considering benefits and risks from various perspectives to achieve optimal sustainability and growth.

3.5 Strengthening Compliance and Risk Management

Strengthening compliance and risk management is very important for companies in facing the ever-changing tax regulations. Companies must ensure that they meet all tax regulatory requirements to avoid sanctions, fines and reputational harm. According to Hidayat and Fitria (2017), "companies need to build a strong internal compliance system by strengthening the finance and internal audit teams who are responsible for monitoring and ensuring compliance with all applicable tax regulations". To manage risks related to changes in tax regulations, companies also need to carry out regular risk assessments and develop effective risk mitigation strategies. It is important for “companies to use a risk-based approach in tax management, which includes identifying potential risks, evaluating the impact of risks, and implementing appropriate mitigation measures”. This can include utilizing information technology to improve accuracy and efficiency in tax reporting, as well as regular consultations with tax experts to understand the implications of

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any changes to tax rules. Apart from that, strengthening compliance can also involve collaboration with external parties such as tax consultants and tax authorities. This collaboration helps companies stay informed about the latest regulatory changes and ensures that they implement best practices in tax management. According to Rahmawati (2016), "companies that are proactive in communicating with tax authorities tend to have a better chance of avoiding disputes and adapting their strategies in accordance with ongoing regulatory changes". Overall, strengthening compliance and risk management in the context of changing tax regulations requires a holistic and integrated approach. Companies need to develop strong compliance systems, conduct comprehensive risk assessments, and establish effective collaboration with tax experts and regulatory authorities to ensure that they can operate smoothly and minimize the negative impact of changes to tax rules.

3.6 Implications for Relationships with Stakeholders

Changes in tax regulations have significant implications for company relationships with stakeholders, including the government, investors, employees and the wider community. These stakeholders monitor how companies adapt to regulatory changes and their impact on business sustainability. According to Sugiyono (2019), "effective and transparent communication with stakeholders is very important to maintain their trust and support during the transition period of tax regulations". Companies need to ensure that they provide accurate and up-to-date information about the impact of tax changes on their financial performance and business strategy. In addition, changes in tax regulations can affect investment decisions made by investors. Kurniawan (2018) stated that "investors tend to be more careful and expect companies to have clear and effective tax strategies in managing tax-related risks". Investors will evaluate how companies adjust cost structures and leverage tax incentives to increase the value of their investments Another implication is the need for companies to collaborate more closely with governments and tax authorities. Good relationships with regulatory authorities can help companies gain better guidance in complying with new regulations and taking advantage of potential tax incentives available. According to Utama (2017), "a strong partnership with the government can also help companies in the policy adjustment process and ensure that they can operate in accordance with applicable regulations without facing significant obstacles". Overall, maintaining good relationships with stakeholders through transparent communication and proactive collaboration is key for companies in managing the implications of changes to tax rules

3.7 Advocacy and Policy Collaboration

Policy advocacy and collaboration are very important for companies in facing dynamic changes in tax regulations. Companies must be proactive in participating in the tax policy-making process to ensure that their interests are taken into account. According to Nasution (2016), "companies can influence public policy through effective advocacy, such as through industry associations or direct lobbying with policy makers". This advocacy helps ensure that changes to tax regulations not only benefit the government but also support a conducive business climate. In addition to advocacy, collaboration with various stakeholders, including governments, tax authorities, and other business organizations, is key to navigating changing tax regulations.

According to Mardiasmo (2018) "emphasizes the importance of close partnerships between companies and tax authorities to reduce uncertainty and increase tax compliance". Through this collaboration, companies can obtain better information about the interpretation and application of new tax rules, as well as receive support in adapting their strategies. Collaboration can also strengthen companies' position in public policy discussions, allowing them to share practical perspectives and experiences that can help in formulating more effective and fair tax policies. This not only improves compliance but also helps create a more stable and predictable business

environment. Overall, policy advocacy and collaboration are important strategies for companies to navigate changing tax rules, ensuring that they can operate efficiently and meet tax obligations in the most effective manner.

Conslusion

Based on the research that has been conducted, it is necessary to underline how important it is to understand and respond appropriately to changes in tax regulations for company financial management. Changes in tax rules can affect various aspects of business operations, including cash and liquidity management, investment strategies, and long-term strategic decision making.

a) Cash and liquidity management need to be strengthened to overcome pressures that may arise due to changes in tax regulations. Expert opinions point to the importance of effective cash planning and the use of technology to monitor cash flow in real-time.
b) Changes in tax regulations also affect company investment strategies. Companies need to consider tax incentives and the impact of tax rate changes in making investment decisions, with an approach focused on comprehensive cost-benefit analysis and risk management.
c) Long-term strategic decisions, such as expansion and diversification, must be adjusted to changes in tax regulations to ensure company sustainability and growth. A holistic and planned approach to risk management is key in dealing with regulatory uncertainty.
d) Relationships with stakeholders, including investors, governments and tax authorities, must be strengthened through transparent communication and proactive collaboration. This is important to maintain trust and support and ensure compliance with new regulations
e) Policy advocacy and collaboration with various stakeholders are important strategies to influence policy making and ensure that changes to tax rules support a conducive business climate. Companies must be active in the policy-making process and establish strong partnerships with tax authorities to reduce uncertainty and improve compliance.

Overall, companies need to adopt an adaptive and responsive approach to changes in tax rules, with a focus on strengthening cash and liquidity management, adjusting investment strategies, making long-term strategic decisions, strengthening relationships with stakeholders, as well as policy advocacy and collaboration. In this way, companies can optimize their tax obligations, take advantage of existing incentives, and minimize risks, thereby supporting long-term growth and sustainability.

Suggestions

Based on the conclusions outlined previously, there are several suggestions that companies can consider in dealing with changes in tax regulations and their impact on financial management, including:

a) ***Strengthen Cash Flow Management***, Strengthen the cash management system by using the latest technology that enables real-time cash monitoring and planning. This will help companies manage cash flow fluctuations that may occur due to changes in tax rules.
b) ***Enhance Risk Management Strategies,*** Improve risk management strategies by conducting regular risk assessments. Identify potential risks that may arise from changes in tax regulations and implement appropriate mitigation measures to reduce their impact on company operations
c) ***Adapt Long-Term Strategic Decisions,*** *Adapt long-term strategic decisions, such as business expansion or portfolio diversification, to changes in tax rules. Make sure this*

decision not only considers available tax incentives but also takes into account sustainability and the long-term impact on company performance

d) ***Strengthen Stakeholder Relationships,*** Strengthen relationships with stakeholders, including investors, governments and tax authorities, through transparent communication and proactive collaboration. This will help in maintaining their trust and support and ensure optimal compliance with tax regulations.

e) **Advocate Policy Advocacy and Collaboration,** Active in tax policy advocacy and collaborating with various stakeholders to influence policy making that supports a conducive business climate. Companies need to engage in public policy discussions and participate in industry associations to ensure that their voices are heard and their interests are represented in the regulatory process

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