

TAXATION STUDIES | RESEARCH ARTICLE

Financial Reporting Obligation and Tax Compliance among Professionals Taxpayers: Evidence from Indonesia

Kamadie Sumanda Syafis¹, Niken Kusumawardani², Diajeng Fitri Wulan³

^{1,2,3} Department of Accounting, Faculty Economics and Bussiness, Universitas Lampung, Bandar Lampung, Indonesia.
Email: kamadie.sumanda@feb.unila.ac.id¹, niken.kusumawardani@feb.unila.ac.id², diajengfitriw@feb.unila.ac.id³

ARTICLE HISTORY

Received: August 06, 2026
Revised: September 24, 2026
Accepted: October 05, 2026

DOI

<https://doi.org/10.52970/grts.v6i2.2591>

ABSTRACT

Tax compliance among professional taxpayers remains a significant challenge in self-assessment taxation systems due to information asymmetry and limited financial transparency. This study examines the relationship between financial reporting obligations and tax compliance among professional taxpayers in Indonesia, with financial transparency as a mediating variable and tax literacy as a moderating variable. A quantitative explanatory research design with a cross-sectional approach was employed using survey data collected from 214 professional taxpayers selected through purposive sampling. The proposed research model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate a significant positive relationship between financial reporting obligations and tax compliance, as well as between financial reporting obligations and financial transparency. Financial transparency is also positively associated with tax compliance and partially mediates the relationship between financial reporting obligations and tax compliance. Furthermore, tax literacy significantly moderates the positive relationship between financial reporting obligations and tax compliance, suggesting that taxpayers with higher levels of tax knowledge may be better positioned to translate systematic bookkeeping practices into compliant tax behavior. The study extends the Theory of Planned Behavior by integrating Agency Theory and Information Asymmetry Theory into a comprehensive behavioral framework for understanding professional taxpayers' compliance. The findings provide practical implications for tax authorities by emphasizing the importance of strengthening bookkeeping requirements, promoting financial transparency, and expanding tax literacy programs alongside digital tax administration initiatives to support voluntary tax compliance and contribute to a more transparent and sustainable taxation system. As the study employs a cross-sectional design, the findings should be interpreted as associations and predictive relationships rather than evidence of causal relationships.

Keywords: Financial Reporting Obligation, Tax Compliance, Financial Transparency, Tax Literacy, Professional Taxpayer.

JEL Code: E44, F31, F37, G15

I. Introduction

Tax compliance is fundamental for maintaining government revenue, particularly within the self-assessment system implemented in many countries, including Indonesia. Under this system, taxpayers are responsible for calculating, paying, and reporting their own tax obligations, which heightens the risk of non-

compliance. Professional taxpayers, such as doctors, consultants, notaries, and accountants, frequently possess flexible and less formally documented income streams, operating in contexts characterized by significant information asymmetry. This environment increases the likelihood of income underreporting and tax avoidance (McClure, 2023). Therefore, enhancing transparency and accountability mechanisms is crucial for improving tax compliance. Mandating the preparation of financial statements is an effective approach to enhancing tax compliance. Financial reporting serves not only to document economic activities but also to reduce information asymmetry and improve the quality of tax reporting (Dwitayanti & Armaini, 2024). Well-structured financial statements provide clarity regarding taxpayers' financial positions, thereby minimizing opportunities for manipulation and misreporting. Financial transparency mediates the relationship between reporting obligations and tax compliance by fostering trust and limiting opportunities for opportunistic behavior (Parji et al., 2024). Furthermore, tax literacy plays a significant role in shaping taxpayer behavior. Individuals with higher levels of tax knowledge are more likely to comply, as they possess a better understanding of relevant regulations and consequences.

While tax compliance has been extensively examined, most research focuses on corporate taxpayers, leaving limited empirical evidence on professional taxpayers. The combined effects of financial reporting obligations, financial transparency, and tax literacy within a single analytical framework remain underexplored. This study addresses these gaps by investigating the influence of financial reporting obligations on tax compliance among professional taxpayers, with financial transparency as a mediating variable and tax literacy as a moderating variable. The research contributes to the literature by integrating these factors into a unified empirical model and utilizing a mixed measurement approach to mitigate bias and enhance the robustness of findings. Additionally, the study advances understanding by simultaneously examining mediating and moderating mechanisms, offering a more nuanced perspective on compliance behavior. Recent studies underscore the significance of financial reporting quality in promoting transparency and reducing tax avoidance (Fitri et al., 2023). Tax literacy is also pivotal, as higher levels of tax understanding are associated with improved compliance, particularly among individuals. In Indonesia, enhancements in tax literacy, facilitated by digitalization, have been demonstrated to increase compliance (Aswat, 2024). Collectively, the literature indicates a transition from enforcement-based strategies to more comprehensive approaches that integrate transparency, literacy, and digitalization (Reischauer et al., 2024; Sari & Muslim, 2023).

Recent research indicates that tax compliance is increasingly conceptualized as a multidimensional phenomenon, shaped by economic factors, governance quality, and the nature of interactions between taxpayers and fiscal authorities. (S. A. Fitri et al., 2023) highlight that a service-oriented approach in tax administration can enhance compliance by fostering greater trust in tax authorities, representing a shift from enforcement-based to relationship-based compliance. Additionally, (Setyadi & Efendi, 2025) demonstrate that transparency and procedural fairness significantly influence tax compliance, as taxpayers are more likely to comply when they perceive fair treatment by tax authorities. These findings underscore the importance of transparency not only in financial reporting but also throughout the tax administration system. Within the domain of financial reporting, (Aswat, 2024) demonstrate that higher-quality financial information reduces fiscal uncertainty and enhances tax compliance, indicating that financial reports function as credibility signals that build trust with authorities. Richardson et al. (2023) further find that increased tax transparency is associated with lower levels of tax avoidance, particularly among entities with substantial disclosure. (S. A. Fitri et al., 2023) emphasizes the critical role of transparency and accountability in developing countries, where institutional weaknesses are a primary cause of low tax compliance. In parallel, recent literature has expanded the concept of tax literacy beyond rule comprehension to include the capacity for rational financial decision-making. (Munjeji & Schutte, 2025) corroborates this by showing that improved tax literacy leads to fewer reporting errors and greater voluntary compliance. Collectively, these studies suggest that tax compliance is shaped by structural, behavioral, and institutional factors, notably the quality of financial reporting, transparency, and tax literacy.

Although tax compliance has been widely studied, empirical evidence concerning professional taxpayers in Indonesia remains limited, particularly regarding how financial reporting obligations are associated with tax compliance. Previous studies have largely examined financial reporting, financial transparency, and tax literacy separately, providing limited explanation of the mechanisms through which reporting obligations may be related to compliance. Specifically, it remains unclear whether financial transparency serves as an intervening mechanism and whether tax literacy changes the strength of this relationship among professional taxpayers operating under Indonesia's self-assessment system. To address this gap, this study develops and tests a mechanism-based model that simultaneously examines the mediating role of financial transparency and the moderating role of tax literacy in the relationship between financial reporting obligations and tax compliance. This approach offers a more nuanced explanation of how reporting practices are associated with compliance and identifies the conditions under which this relationship may be stronger. The findings may support the Directorate General of Taxes in designing targeted bookkeeping and tax literacy policies for professional taxpayers and assist professional associations in developing programs that encourage voluntary tax compliance.

II. Literature Review and Hypothesis Development

Building upon the Theory of Reasoned Action, the Theory of Planned Behavior (Ajzen, 1988, 1991) incorporates the concept of perceived behavioral control (Ryan & Worthington, 2021). The framework posits that behavioral intention representing an individual's readiness to execute a specific action directly precedes actual behavior. This intention is jointly shaped by three core components: personal attitudes toward the behavior, subjective norms reflecting social expectations, and perceived behavioral control, which denotes an individual's confidence in possessing the requisite skills, knowledge, and resources. In taxation literature, the TPB has emerged as a prominent model for examining voluntary tax compliance, acknowledging that taxpayers' decisions are driven not solely by statutory rules and enforcement, but also by internal convictions, social pressures, and self-efficacy in fulfilling their obligations accurately. Substantial empirical data supports applying the TPB to tax compliance (Owusu et al., 2023). Owusu et al. found that taxpayers with strong perceived behavioral control are more inclined to comply, largely when tax processes appear straightforward and easy to navigate. Similarly, (Buzohera, 2025) demonstrated that positive attitudes toward taxation and favorable social expectations significantly strengthen taxpayers' intentions to comply. Extending these findings to developing economies, (Alimbudiono & Jie, 2024) confirmed that attitudes, subjective norms, and perceived behavioral control collectively exert a significant positive influence on taxpayer compliance behavior. These studies reinforce the relevance of TPB as a theoretical foundation for understanding compliance decisions across different institutional contexts.

Although TPB offers valuable insights into the behavioral dimensions of taxpayer compliance, it does not fully explain how financial reporting practices improve compliance through information quality. To address this limitation, the present study incorporates Agency Theory and Information Asymmetry Theory as complementary theoretical perspectives. These theories argue that transparent and reliable financial information reduces information asymmetry between taxpayers and tax authorities, lowers monitoring and enforcement costs, strengthens accountability, and limits opportunities for opportunistic behavior. By integrating these theoretical foundations, the proposed framework suggests that financial reporting obligations affect tax compliance through two interconnected pathways: a direct behavioral mechanism that enhances perceived behavioral control and an indirect informational mechanism operating through improved financial transparency.

Financial reporting obligations require taxpayers to maintain systematic bookkeeping that accurately reflects their economic activities. According to the Theory of Planned Behavior (TPB), structured bookkeeping enhances perceived behavioral control by equipping taxpayers with sufficient financial information to calculate tax liabilities accurately and submit tax returns confidently. Empirical research supports this

argument. (Rusli & Widjaja, 2026) concluded that high-quality financial reporting contributes significantly to tax reporting accuracy. Accordingly, the following hypothesis is proposed:

H1: Financial reporting obligation positively affects tax compliance.

Financial reporting obligations are also expected to improve financial transparency. Information Asymmetry Theory posits that transparent financial information reduces informational gaps between taxpayers and tax authorities by providing complete, reliable, and verifiable financial records. Systematic bookkeeping thus functions not only as an administrative requirement but also as a mechanism for enhancing disclosure quality and reducing opportunities for income manipulation. (Tuinsma et al., 2023) found that higher financial transparency significantly reduces aggressive tax behavior, emphasized that transparency strengthens fiscal accountability, particularly in developing countries. Therefore, mandatory financial reporting is expected to enhance financial transparency.

H2: Financial reporting obligation positively affects financial transparency.

Financial transparency is expected to promote higher tax compliance because transparent financial information improves accountability and strengthens trust between taxpayers and tax authorities. Agency Theory suggests that greater transparency reduces opportunities for opportunistic behavior arising from information asymmetry. Furthermore, transparent financial records facilitate tax audits and verification processes, thereby encouraging voluntary compliance with tax regulations. Empirical evidence from Tuinsma et al. (2023) demonstrates that transparency and procedural fairness significantly increase voluntary tax compliance. Therefore, the following hypothesis is proposed:

H3: Financial transparency positively affects tax compliance.

Tax literacy refers to the extent to which taxpayers possess the knowledge and skills required to understand tax legislation, determine tax liabilities accurately, and comply with filing and reporting requirements. Within the TPB, knowledge contributes to perceived behavioral control by strengthening individuals' confidence in performing a specific behavior correctly. In the taxation context, taxpayers with greater tax literacy are better equipped to interpret tax regulations, apply accounting information appropriately, and complete tax obligations with fewer errors. Empirical evidence supports this perspective. (Santosa et al., 2025) reported that higher levels of tax literacy improve compliance behavior while minimizing reporting mistakes. Accordingly, this study proposes that tax literacy enhances the effectiveness of financial reporting obligations, such that taxpayers with stronger tax knowledge are more capable of converting accurate bookkeeping practices into compliant tax reporting. Therefore, the following hypothesis is proposed:

H4: Tax literacy positively moderates the relationship between financial reporting obligations and tax compliance.

In addition to its direct influence, financial reporting obligation is expected to affect tax compliance indirectly through financial transparency. Systematic bookkeeping improves the accuracy, completeness, consistency, and credibility of financial information, making tax reporting more transparent and reducing opportunities for income concealment or other forms of non-compliance (Asrori et al, 2024). This indirect mechanism is consistent with Agency Theory, which argues that transparent information reduces information asymmetry between taxpayers and tax authorities, thereby strengthening accountability and facilitating more effective monitoring. Consequently, higher levels of financial transparency should translate the benefits of financial reporting obligations into improved compliance outcomes. Therefore, the following hypothesis is proposed:

H5: Financial transparency mediates the relationship between financial reporting obligation and tax compliance.

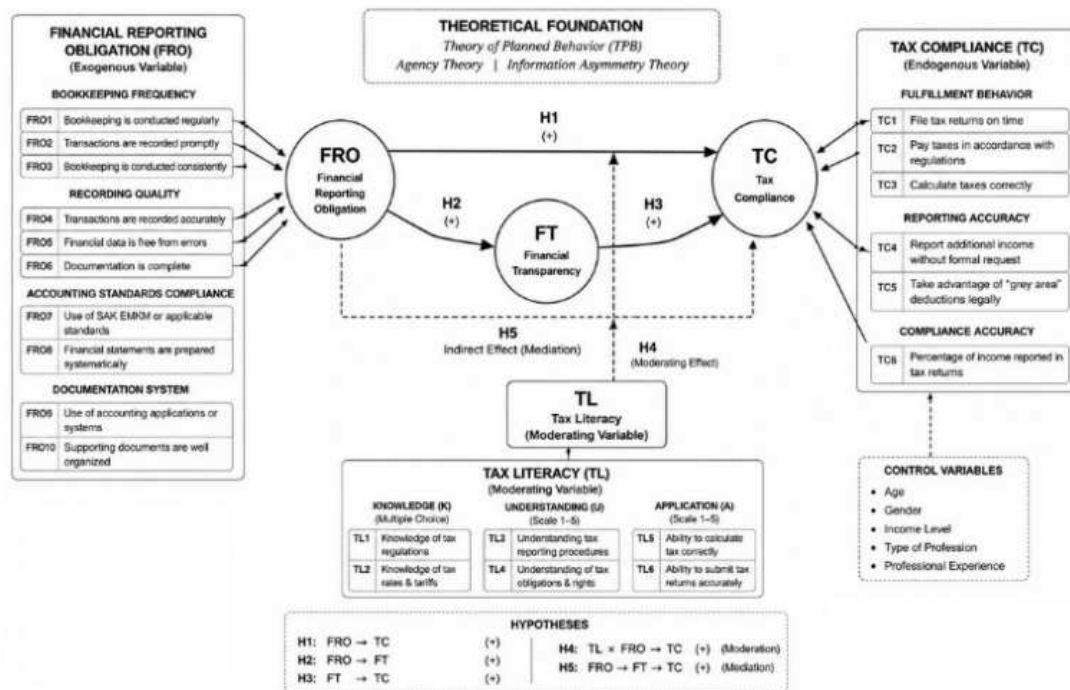


Figure 1. Research Model and Hypotheses Development.

III. Research Method

3.1. Research Design

This study adopted a quantitative research methodology to investigate the interrelationships among financial reporting obligation, financial transparency, tax literacy, and tax compliance among professional taxpayers in Indonesia. A quantitative approach was considered appropriate because it enables the empirical examination of theoretically specified relationships through objective statistical procedures. Specifically, the study sought to validate a structural model by assessing the magnitude and direction of causal associations among latent constructs using multivariate analytical techniques. Accordingly, the research was designed as an explanatory study, with the primary objective of identifying and explaining the underlying causal mechanisms that shape taxpayer compliance behavior within a comprehensive analytical framework (Md Daud & Mohamad Dzulkifli, 2024). The explanatory research design facilitated the simultaneous assessment of direct, indirect, and conditional relationships among the proposed variables. By incorporating mediating and moderating effects into a single conceptual model, the study provides a more comprehensive understanding of the complex factors influencing tax compliance. This integrated analytical perspective extends beyond simple bivariate relationships, allowing for the examination of how institutional requirements, information quality, and taxpayer capabilities jointly contribute to compliance outcomes under Indonesia's self-assessment taxation system.

The conceptual framework was grounded primarily in the Theory of Planned Behavior (TPB), while also drawing upon Agency Theory and Information Asymmetry Theory to strengthen its theoretical foundation (Widodo & Yusiana, 2021). These complementary perspectives explain taxpayer behavior by

emphasizing the influence of regulatory obligations, transparency in financial information, and individual knowledge on compliance decisions. Within the proposed framework, financial reporting obligation was specified as the exogenous variable, financial transparency functioned as the mediating variable, tax literacy served as the moderating variable, and tax compliance represented the endogenous outcome variable. Collectively, these constructs provide a robust theoretical basis for explaining the behavioral and institutional determinants of taxpayer compliance in Indonesia.

3.2. Population and Sample

The population of this study consisted of professional taxpayers registered with the Directorate General of Taxes (DGT) of Indonesia. This population was intentionally selected because professional taxpayers operate under Indonesia's self-assessment taxation system, which places primary responsibility for maintaining accounting records, determining taxable income, and fulfilling tax reporting obligations on the taxpayers themselves. In contrast to salaried employees, whose income taxes are generally administered through employer withholding mechanisms, individuals engaged in independent professional activities assume direct responsibility for financial recordkeeping and compliance with applicable tax legislation. Consequently, this group provides an appropriate empirical context for examining the determinants of tax compliance. A purposive sampling technique was adopted to ensure that participants possessed relevant professional experience and adequate exposure to financial reporting and tax administration practices. Respondents were required to satisfy four eligibility criteria: (1) holding an active Taxpayer Identification Number (Nomor Pokok Wajib Pajak/NPWP); (2) practicing an independent profession, including but not limited to physicians, notaries, consultants, accountants, lawyers, architects, or other licensed professionals; (3) having submitted an annual income tax return for the preceding fiscal year; and (4) possessing a minimum of two years of professional experience. These selection criteria were established to enhance the relevance and reliability of the collected data.

Sample size adequacy was evaluated prior to data collection via G-Power, adhering to variance-based SEM recommendations. Assuming a medium effect size ($f^2 = 0.15$), $\alpha = 0.05$, a power of 0.95, and five predictors, a minimum of 138 participants was required. Following the survey, 236 responses were gathered, and 214 valid questionnaires were retained after screening out incomplete data. After excluding 22 incomplete or ineligible responses, 214 valid questionnaires were retained for the analysis. This final sample exceeded the minimum sample size of 138 respondents determined using G*Power, indicating adequate statistical power for hypothesis testing. The study employed purposive sampling as a non-probability sampling technique to ensure that the respondents met the characteristics required by the research objectives. However, because respondents were not selected through probability-based sampling, the findings should be interpreted within the context of the sampled professional taxpayers and should not be assumed to be fully representative of all professional taxpayers in Indonesia. Accordingly, the use of purposive sampling limits the generalizability of the findings to the broader professional taxpayer population.

3.3. Data Collection Procedure

Primary data for this study were obtained through a structured questionnaire administered over a three-month period, from January to March 2026. The survey was disseminated electronically via professional associations, taxation networks, and various online communication platforms to facilitate broad geographical representation and enhance respondent accessibility. The survey was strictly voluntary, and participants were informed of the study's purpose before questionnaire completion. Ethical protocols were upheld by preserving anonymity and ensuring data confidentiality solely for academic use, which helped encourage candid responses and minimize social desirability bias. The survey instrument was constructed by adapting validated measurement scales reported in prior empirical studies and contextualizing them to reflect the characteristics of Indonesia's taxation system. To establish the instrument's suitability before full-scale data

collection, a pilot study involving 30 professional taxpayers was conducted to assess the clarity of questionnaire items, readability, and preliminary reliability.

3.4. Measurement of Variables

The proposed research model comprised four reflective latent constructs: Financial Reporting Obligation (FRO), Financial Transparency (FT), Tax Literacy (TL), and Tax Compliance (TC). Financial Reporting Obligation refers to the extent to which professional taxpayers systematically maintain accounting records, prepare financial statements, preserve supporting documentation, and implement applicable accounting standards in the preparation of financial information for taxation purposes. Financial Transparency represents the degree to which financial information disclosed for tax reporting is complete, accurate, reliable, and clearly presented. Tax Literacy reflects taxpayers' level of knowledge and comprehension regarding prevailing tax regulations, tax calculation procedures, filing requirements, and other statutory obligations. Meanwhile, Tax Compliance is conceptualized as the willingness and capability of taxpayers to accurately calculate, remit, and report their tax liabilities in accordance with applicable regulations and prescribed deadlines. The measurement of these constructs primarily employed perceptual indicators assessed using a five-point Likert scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"). To enhance measurement validity and mitigate the potential effects of common method bias, the questionnaire also incorporated objective knowledge assessments, behavioral frequency items, and scenario-based questions designed to capture actual taxpayer decision-making. The integration of subjective perception measures with objective and behavior-oriented indicators provides a more comprehensive assessment of taxpayer behavior, enabling the study to evaluate not only respondents' attitudes and perceptions but also their practical understanding and compliance-related behavioral tendencies.

3.5. Data Analysis Technique

The study hypotheses were tested using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. PLS-SEM was selected because the proposed research model involves multiple relationships among latent constructs and includes both a mediating mechanism and a moderating relationship. Specifically, the model examines the direct relationship between financial reporting obligation and tax compliance, the indirect relationship through financial transparency, and the moderating role of tax literacy in the relationship between financial reporting obligation and tax compliance. PLS-SEM enables these direct, mediation, and moderation relationships to be assessed simultaneously within a single structural model. In addition, its prediction-oriented approach is appropriate for examining the extent to which financial reporting obligation, financial transparency, and tax literacy can explain variations in tax compliance among professional taxpayers. The method is also suitable for models with relatively complex structural relationships and moderate sample sizes (Hair et al., 2022).

The analysis was conducted in two stages. First, the measurement model was evaluated to establish the reliability and validity of the constructs. Indicator reliability was assessed through outer loadings, with values of 0.70 or higher considered acceptable. Internal consistency reliability was assessed using Cronbach's alpha and composite reliability, with values above 0.70 indicating satisfactory reliability. Convergent validity was evaluated using the average variance extracted (AVE), with a minimum threshold of 0.50. Discriminant validity was assessed using the heterotrait-monotrait ratio (HTMT), with values below 0.90 indicating adequate discriminant validity (Hair et al., 2022). Second, the structural model was evaluated to assess the hypothesized relationships. Collinearity was examined before assessing the structural paths. The explanatory and predictive capabilities of the model were evaluated using the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2), while the standardized root mean square residual (SRMR) was used as an approximate measure of model fit. The significance of the direct and indirect relationships was assessed using bootstrapping with 5,000 resamples at a 5% significance level based on t-statistics and p-values. The

mediation hypothesis was evaluated by examining the significance of the indirect effect of financial reporting obligation on tax compliance through financial transparency. The moderation hypothesis was assessed through the interaction effect between financial reporting obligation and tax literacy on tax compliance. This approach allows the study to determine not only whether the proposed relationships are statistically supported but also whether financial transparency functions as a mechanism and tax literacy functions as a condition that changes the strength of the relationship between financial reporting obligation and tax compliance.

3.6. Assessment of Common Method Bias and Ethical Considerations

Because the research relied exclusively on self-administered questionnaires to measure all latent constructs, the possibility of common method bias (CMB) was examined before testing the proposed hypotheses. To strengthen the assessment, two widely accepted diagnostic techniques were applied: Harman's single-factor test and the full collinearity variance inflation factor (VIF) approach. The findings indicated that the first unrotated factor accounted for less than half of the total explained variance, suggesting that the observed relationships were not driven by a single underlying factor. Adhering to ethical guidelines for human research, participation was entirely voluntary following informed consent. To ensure privacy and confidentiality, no personally identifiable data were gathered through the survey. Participants were further informed that the information provided would be processed anonymously, reported only in aggregated form, and utilized exclusively for academic research. These ethical safeguards were implemented throughout the research process to ensure participant protection, maintain data confidentiality, and uphold the scientific integrity of the study.

IV. Results and Discussion

The study involved 214 professional taxpayers from five occupational groups. Medical doctors represented the largest proportion (33.6%), followed by consultants (23.8%), notaries (20.1%), accountants (13.1%), and legal practitioners (9.4%). This distribution indicates that the sample adequately represents professionals who are legally required to maintain financial records and submit annual tax returns.

Table 1. Demographic Characteristics of Respondents

Characteristics	Frequency	Percentage
Doctor	72	33.6
Consultant	51	23.8
Notary	43	20.1
Accountant	28	13.1
Lawyer	20	9.4
Total	214	100

The descriptive statistics indicate that respondents generally perceived a high level of financial reporting obligation and tax compliance. Financial reporting obligation exhibited the highest mean score (4.18). In contrast, tax literacy showed the lowest (3.92), suggesting that although professionals generally comply with bookkeeping requirements, their understanding of taxation regulations remains relatively heterogeneous.

Table 2. Descriptive Statistics

Variable	Mean	SD
Financial Reporting Obligation	4.18	0.56
Financial Transparency	4.05	0.61
Tax Literacy	3.92	0.67
Tax Compliance	4.10	0.58

Table 2 reports the descriptive statistics for the study variables. Financial reporting obligation has the highest mean score (4.18; SD = 0.56), indicating that respondents generally perceive a high level of compliance with financial reporting and bookkeeping requirements. Tax compliance also shows a relatively high mean

(4.10; SD = 0.58), followed by financial transparency (4.05; SD = 0.61). Tax literacy has the lowest mean score (3.92; SD = 0.67), suggesting relatively greater variation in respondents' understanding of tax regulations and procedures. Overall, the results indicate generally favorable perceptions across all constructs, while tax literacy represents the area with comparatively greater room for improvement.

Table 3. Reliability and Convergent Validity

Construct	Loading	Cronbach α	CR	AVE
FRO	0.811 – 0.902	0.903	0.926	0.716
FT	0.804 – 0.891	0.891	0.918	0.693
TL	0.792 – 0.884	0.884	0.911	0.673
TC	0.821 – 0.908	0.915	0.935	0.742

All HTMT values were below 0.85, indicating adequate discriminant validity. Consistent with current PLS-SEM recommendations, HTMT was used as the primary criterion for assessing discriminant validity.

Table 4. HTMT Ratio

Construct	FRO	FT	TL	TC
FRO	-			
FT	0.654	-		
TL	0.431	0.396	-	
TC	0.728	0.693	0.512	-

Table 5. Inner VIF and Hypothesis Testing

Hypothesis	Path	VIF	β	t	p	Decision
H1	FRO->TC	2.18	0.320	5.481	<0.001	Supported
H2	FRO->FT	1.62	0.650	12.317	<0.001	Supported
H3	FT->TC	2.41	0.401	6.827	<0.001	Supported
H4	TL x FRO -> TC	1.73	0.181	2.986	0.003	Supported

Table 5 presents the results of collinearity assessment and hypothesis testing. All VIF values range from 1.62 to 2.41, remaining below the recommended threshold of 3.3, indicating that multicollinearity is not a concern in the structural model. The results show that financial reporting obligation is positively associated with tax compliance ($\beta = 0.320$; $t = 5.481$; $p < 0.001$), supporting H1. Financial reporting obligation is also positively associated with financial transparency ($\beta = 0.650$; $t = 12.317$; $p < 0.001$), supporting H2. Financial transparency has a significant positive association with tax compliance ($\beta = 0.401$; $t = 6.827$; $p < 0.001$), supporting H3. Furthermore, the interaction between tax literacy and financial reporting obligation is significant and positive ($\beta = 0.181$; $t = 2.986$; $p = 0.003$), supporting H4. Overall, all hypothesized direct and moderating relationships are statistically supported.

Table 6. Result of R²

Endogenous Variable	R ²	Interpretation
Financial Transparency	0.423	Moderate
Tax Compliance	0.580	Moderate-High

Table 6 presents the coefficient of determination (R²) for the endogenous variables. Financial transparency has an R² value of 0.423, indicating that 42.3% of its variance is explained by financial reporting obligation, representing a moderate level of explanatory power. Tax compliance has an R² value of 0.580, meaning that 58.0% of its variance is explained by the predictors included in the model. This indicates moderate to relatively strong explanatory power and suggests that the model captures a substantial proportion of the variation in tax compliance.

Table 7. Effect Size

Relationship	f ²	Interpretation
FRO -> FT	0.724	Large
FT-> TC	0.243	Medium

FRO -> TC	0.134	Small-Medium
TL Moderation	0.051	Small

Table 7 presents the effect sizes of the structural relationships. The relationship between financial reporting obligation and financial transparency has a large effect size ($f^2 = 0.724$), indicating that financial reporting obligation makes a substantial contribution to explaining financial transparency. Financial transparency has a medium effect on tax compliance ($f^2 = 0.243$), while the direct relationship between financial reporting obligation and tax compliance shows a small-to-medium effect ($f^2 = 0.134$). The moderating effect of tax literacy has a small effect size ($f^2 = 0.051$), suggesting that although the interaction is statistically significant, its contribution to explaining tax compliance is relatively modest.

Table 8. Stone-Geisser Q^2

Variable	Q^2
Financial Transparency	0.281
Tax Compliance	0.394

Table 8 presents the Stone-Geisser Q^2 values, which assess the predictive relevance of the structural model. The Q^2 value for financial transparency is 0.281, while tax compliance has a Q^2 value of 0.394. Both values are greater than zero, indicating that the model has predictive relevance for the endogenous constructs. The higher Q^2 value for tax compliance suggests that the model demonstrates stronger predictive relevance for tax compliance than for financial transparency.

Table 9. Model Fit

Index	Value	Threshold
SRMR	0.062	<0.08
NFI	0.918	>0.90
RMS Theta	0.108	Acceptable

Table 9 presents the model fit results. The SRMR value is 0.062, which is below the recommended threshold of 0.08, indicating an acceptable level of model fit. The NFI value of 0.918 exceeds the recommended value of 0.90, providing additional evidence of an adequate model fit. The RMS Theta value of 0.108 is also reported as acceptable based on the criterion applied in this study. Overall, these results indicate that the proposed structural model demonstrates an acceptable level of fit with the observed data. The empirical analysis indicates that financial reporting obligation exerts a positive and statistically significant influence on tax compliance among professional taxpayers ($\beta = 0.320$; $p < 0.001$). This finding suggests that taxpayers who consistently maintain proper accounting records and prepare financial statements are more likely to fulfill their tax obligations accurately. Well-organized bookkeeping enables professionals to identify taxable income correctly, preserve supporting documentation, and minimize reporting errors, thereby facilitating compliance with tax regulations. Accordingly, financial reporting obligation should be viewed not merely as a statutory requirement but also as an institutional mechanism that strengthens accountability and supports voluntary tax compliance.

These findings are consistent with the TPB, which proposes that behavior is determined by intentions shaped by attitudes, subjective norms, and perceived behavioral control. Within the present study, systematic financial reporting enhances perceived behavioral control by increasing taxpayers' confidence in recording transactions, determining taxable income, and preparing accurate tax returns. As taxpayers become more capable of managing their financial information, they are more likely to comply with taxation requirements. Consequently, the results extend TPB by demonstrating that structured accounting practices reinforce compliance through improvements in taxpayers' perceived ability to fulfill their fiscal responsibilities. The findings are also compatible with Agency Theory, which argues that transparent financial information mitigates information asymmetry between taxpayers and tax authorities. Under Indonesia's self-assessment system, professional taxpayers possess substantially more information regarding their financial activities than tax administrators, creating opportunities for underreporting and aggressive tax planning. Requiring standardized financial reporting enhances the credibility and consistency of financial information, thereby reducing informational disparities and strengthening fiscal accountability. This conclusion is consistent with previous studies reporting that high-quality financial reporting contributes to greater tax certainty and encourages voluntary compliance.

In addition, the results reveal that financial reporting obligation has a strong positive effect on financial transparency ($\beta = 0.650$; $p < 0.001$), representing the largest direct relationship identified in the structural model. Mandatory bookkeeping significantly improves the completeness, reliability, consistency, and clarity of financial information, thereby reducing opportunities for income concealment and financial manipulation. This outcome supports Information Asymmetry Theory, which emphasizes that transparent information reduces uncertainty and improves decision-making by relevant stakeholders. In the taxation context, greater transparency enables tax authorities to evaluate taxpayers' financial positions more accurately while fostering trust and accountability. The findings are further supported by (Sumantri et al., 2024), who reported that financial transparency discourages tax avoidance, and by (Bischof et al., 2024; Octaviani et al., 2025) who highlighted its importance in jurisdictions characterized by relatively weak enforcement. Unlike earlier studies focusing primarily on corporate entities, the present research demonstrates that financial transparency can be enhanced through financial reporting obligations among professional taxpayers, thereby extending existing evidence to individual taxpayers operating within an emerging economy.

The findings demonstrate that financial transparency has become an increasingly important determinant of taxpayer compliance, particularly within Indonesia's rapidly evolving digital tax administration system. The widespread implementation of electronic tax filing, digital invoicing, online documentation, and integrated tax databases has fundamentally transformed the way professional taxpayers manage and report financial information. In this environment, maintaining transparent and well-documented financial records is no longer simply considered good accounting practice; rather, it has become an essential requirement for complying with modern tax regulations. Consistent with this institutional transformation, the structural model indicates that financial transparency has a positive and statistically significant effect on tax compliance ($\beta = 0.401$; $p < 0.001$). These results suggest that transparent financial information serves as a critical mechanism through which taxpayers are able to meet their fiscal obligations more accurately and consistently. When accounting records are complete, reliable, and systematically maintained, opportunities to conceal taxable income, misclassify transactions, or engage in opportunistic reporting are substantially reduced, thereby strengthening accountability throughout the taxation process.

The empirical evidence is consistent with previous studies emphasizing the importance of transparency in tax administration. (Tuinsma et al., 2023) reported that greater transparency and procedural fairness significantly improve taxpayer compliance, while (Rusli & Widjaja, 2026) demonstrated that tax systems emphasizing cooperative relationships and transparent administration generate stronger voluntary compliance than those relying primarily on enforcement measures. As tax authorities increasingly utilize integrated electronic reporting systems capable of cross-checking financial information from multiple sources, transparent bookkeeping has become a practical necessity rather than merely a regulatory expectation. Consequently, taxpayers who consistently maintain transparent financial records are more likely to perceive tax compliance as both achievable and beneficial. The moderating analysis indicates that tax literacy significantly strengthens the relationship between financial reporting obligation and tax compliance ($\beta = 0.181$; $p = 0.003$). This finding suggests that the association between systematic financial reporting and tax compliance is stronger among professional taxpayers with higher levels of tax literacy. Financial records alone may not be sufficient when taxpayers lack the knowledge required to interpret tax regulations, determine tax liabilities, and translate accounting information into appropriate tax reporting. From the perspective of the Theory of Planned Behavior, tax literacy can enhance perceived behavioral control by increasing taxpayers' confidence and capability in performing tax-related obligations.

The moderating result provides a more specific interpretation of the role of tax literacy than studies that examine literacy only as a direct determinant of compliance. While several studies have reported a positive relationship between tax literacy and compliance, the evidence is not entirely consistent. For example, Sunarti and Kurnianingsih (2025) found that tax literacy was not significantly associated with MSME taxpayer compliance in Yogyakarta. This difference may be related to differences in taxpayer characteristics and the analytical position of tax literacy. MSME taxpayers may have different levels of bookkeeping practices, tax complexity, and professional exposure compared with professional taxpayers. More importantly, examining tax literacy as a direct predictor does not capture whether its value depends on the availability of accurate financial information. In the present study, tax literacy is positioned as a moderator, suggesting that its contribution may emerge through its ability to strengthen the use of financial reporting practices rather than simply through increasing compliance independently.

The present finding is also broadly consistent with recent evidence showing that tax literacy is relevant to individual taxpayer compliance, although the strength and role of the relationship vary across contexts. For example, research on individual taxpayers in Surakarta found a significant positive association between tax literacy and tax compliance, while other recent studies have reported different results depending on taxpayer characteristics and institutional conditions. These differences indicate that tax literacy should not necessarily be treated as a universal determinant with an identical effect across taxpayer groups. Differences in tax knowledge, access to professional assistance, digital tax experience, complexity of tax obligations, and the extent to which taxpayers maintain their own financial records may influence how literacy translates into compliant behavior. The significant moderation identified in this study therefore provides an additional explanation: tax literacy may function as a contextual capability that determines how effectively professional taxpayers convert financial reporting practices into tax compliance. This is particularly relevant for professional taxpayers because their tax obligations may involve income generated from independent professional activities and require them to interpret tax rules and financial information with considerable autonomy. Accordingly, the finding extends previous research by demonstrating that the relevance of tax literacy lies not only in its direct association with compliance but also in its capacity to strengthen the relationship between financial reporting obligation and tax compliance.

The mediation analysis further indicates that financial transparency partially mediates the relationship between financial reporting obligation and tax compliance ($\beta = 0.261$; $p < 0.001$). This result suggests that the relationship operates through two pathways: financial reporting obligation is directly associated with tax compliance, while part of its association is transmitted through greater financial transparency. Systematic bookkeeping can improve the completeness, consistency, and verifiability of financial information, which in turn creates a clearer basis for accurate tax reporting and verification. The mediation finding is particularly relevant from the perspective of Information Asymmetry Theory. In a self-assessment system, taxpayers generally possess more detailed information about their financial activities than tax authorities. Financial transparency can reduce this information gap by making reported financial information more accessible and verifiable. However, the partial rather than full mediation is important. It indicates that financial transparency does not completely explain the relationship between financial reporting obligation and tax compliance, suggesting that other mechanisms may also contribute, such as tax knowledge, taxpayer attitudes, perceived behavioral control, trust, or perceived fairness.

This interpretation also helps distinguish the present findings from studies that emphasize transparency as a direct determinant of tax behavior. Differences in findings may arise because transparency does not operate independently from the quality of financial reporting and the taxpayer's ability to interpret the information. For professional taxpayers, financial transparency may be more meaningful when financial records are systematically prepared and taxpayers possess sufficient tax knowledge to use those records appropriately. Therefore, the results suggest that improving transparency alone may not be sufficient without simultaneously strengthening the underlying reporting practices and taxpayer capabilities. Taken together, the moderation and mediation results provide a more nuanced explanation of tax compliance among professional taxpayers. Financial reporting obligation is associated with compliance partly through the creation of a more transparent financial information environment, while tax literacy strengthens the extent to which reporting practices are associated with compliance. The findings therefore indicate that taxpayer compliance should not be approached solely through regulatory enforcement. Instead, effective tax administration may benefit from a combination of sound bookkeeping requirements, transparent financial reporting, and taxpayer education. This implication becomes increasingly relevant in Indonesia's ongoing digitalization of tax administration, including Coretax, electronic filing, and integrated reporting systems. However, digitalization should be accompanied by adequate taxpayer education and accessible guidance so that professional taxpayers can understand and appropriately use increasingly digitalized reporting systems. Such an integrated approach may provide a more sustainable basis for voluntary compliance while reducing informational and capability-related barriers to tax reporting.

V. Conclusion

This study investigated the relationship between financial reporting obligations and tax compliance among professional taxpayers in Indonesia by examining the mediating role of financial transparency and the moderating role of tax literacy. The findings obtained from the Partial Least Squares (PLS-SEM) analysis provide strong empirical evidence that financial reporting obligations positively influence taxpayers' compliance behavior. Professional taxpayers who consistently prepare financial statements, maintain complete accounting records, and implement systematic bookkeeping practices are better able to calculate taxable income accurately, maintain supporting documentation, and fulfill their reporting responsibilities in accordance with prevailing tax regulations. These results indicate that bookkeeping requirements should not be regarded solely as administrative procedures. Instead, they represent an important governance mechanism that promotes accountability, strengthens financial discipline, and encourages voluntary compliance within Indonesia's self-assessment taxation system. The findings indicate that financial reporting obligations improve tax compliance directly and indirectly through enhanced financial transparency. Tax literacy further strengthens this relationship by enabling professional taxpayers to apply financial information more accurately in fulfilling their tax obligations. The study extends the Theory of Planned Behavior while supporting Agency Theory and Information Asymmetry Theory by demonstrating that systematic financial reporting and transparency enhance accountability and voluntary compliance. Practically, the findings suggest that tax authorities should combine regulatory enforcement with improved bookkeeping practices, financial transparency, tax literacy programs, and digital tax administration initiatives to strengthen sustainable tax compliance in Indonesia.

This study has several limitations. First, the cross-sectional design captures taxpayer behavior at a single point in time and therefore cannot examine changes in compliance over time. Future research should use longitudinal designs to examine changes following tax policy reforms or digital tax administration initiatives. Second, the use of purposive non-probability sampling limits the generalizability of the findings. Future studies should apply probability sampling and compare different professional groups to determine whether the relationships vary across occupations. Third, the study relies on self-reported questionnaire data, which may be subject to response and social desirability bias. Future research should combine survey data with objective evidence, such as tax authority records, financial statements, tax returns, or audit records, to provide more robust measures of actual compliance. Finally, future studies could examine alternative theories and mechanisms, such as tax morale, perceived tax fairness, trust in tax authorities, and deterrence, to provide a broader explanation of professional taxpayers' compliance behavior..

References

- Alimbudiono, R. S., & Jie, M. (2024). The effect of taxpayers' attitudes, subjective norms and perceived behavioral control on individual tax compliance moderated by religiosity in Surabaya. *Journal of Economics*, 3(1). <https://doi.org/10.56943/joe.v3i1.472>
- Aswat, I. (2024). The critical role of tax literacy among Generation Z in supporting the Indonesia Emas 2045 vision. *Jurnal Sosial Dan Teknologi (SOSTECH)*, 4(11), 2987–2997. <https://doi.org/10.59188/jurnalsostech.v5i7.32315>
- Bischof, J., Gassen, J., Rohlfing-Bastian, A., Rostam-Afschar, D., & Sureth-Sloane, C. (2024). Accounting for transparency: A framework and three applications in tax, managerial, and financial accounting. *Schmalenbach Journal of Business Research*, 76(4), 573–611. <https://doi.org/10.1007/s41471-024-00200-7>
- Buzohera, M. I. (2025). The dynamics of tax compliance: How attitudes, social influence, and peer effects shape SME's compliance behavior in Tanzania. *Journal of Tax Reform*, 11(1), 200–220. <https://doi.org/10.15826/jtr.2025.11.1.198>

- Darmayasa, I. N., & Hardika, N. S. (2024). Core tax administration system: The power and trust dimensions of slippery slope framework tax compliance model. *Cogent Business & Management*, 11(1). <https://doi.org/10.1080/23311975.2024.2337358>
- Fitri, A. (2023). Karakteristik Luka Pada Korban Kecelakaan Lalu Lintas Yang Meninggal Dibawa Ke Rumah Sakit Umum Daerah Drs. H. Amri Tambunan. 7, 60–64.
- Fitri, S. A., Sudarmanto, E., Qothrunnada, N. A., & Wahyuni, P. (2023). Analysis of the effect of tax compliance, tax avoidance, and financial reporting quality on company financial performance: A case study on a manufacturing company in Indonesia. *West Science Accounting and Finance*, 1(3), 118–127. <https://pdfs.semanticscholar.org/c2cb/95f40da0c706617bd8ba6092ff2a3cb92f2f.pdf>
- McClure, C. G. (2023). How costly is tax avoidance? Evidence from structural estimation. *The Accounting Review*, 98(6), 353–380. <https://doi.org/10.2308/TAR-2020-0465>
- Md Daud, S. A. M., & Mohamad Dzulkifli, S. N. (2024). Reconceptualizing tax compliance behavior: A continuum perspective and theoretical matrix. *Accounting and Finance Research*, 13(1), 67–87. <https://doi.org/10.5430/afr.v13n1p67>
- Munjeji, E., & Schutte, D. P. (2025). Voluntary tax compliance determinants among small and medium enterprises in democratic societies: The role of tax literacy, tax amnesty, tax reward, and service delivery. *Cogent Business & Management*, 12(1). <https://doi.org/10.1080/23311975.2025.2526139>
- Octaviani, D. W., Fadjarenie, A., Widayati, C., & Tarmidi, D. (2025). Redefining corporate tax avoidance through strategic sustainability issues. *JIAKES: Jurnal Ilmiah Akuntansi Kesatuan*, 13(2), 327–343. <https://doi.org/10.37641/jiakes.v13i2.3036>
- Owusu, G. M. Y., Bekoe, R. A., & Mintah, R. (2023). Predictors of tax compliance intentions among self-employed individuals: The role of trust, perceived tax complexity and antecedent-based intervention strategies. *Small Enterprise Research*, 30(1), 49–70. <https://doi.org/10.1080/13215906.2021.1989622>
- Parji, P., Putra, A. R., Irfan, M., Wibowo, A. S., & Wijaya, K. (2024). Legal obligations and enforcement of financial transparency and tax reporting regulations in companies. *Journal of Social Science Studies*, 4(1), 249–260. <https://jos3journals.id/index.php/jos3/article/view/312>
- Reischauer, G., Hess, T., Sellhorn, T., & Theissen, E. (2024). Transparency in an age of digitalization and responsibility. *Schmalenbach Journal of Business Research*, 76(4), 483–494. <https://doi.org/10.1007/s41471-024-00203-4>
- Rusli, Y. M., & Widjaja, A. (2026). Determinants of financial reporting quality: Internal control effectiveness, IT utilization and tax compliance with human resource capability as moderator. *Greening International Journal of Economics and Accounting*, 4(2). <https://doi.org/10.38035/gijea.v4i2.970>
- Ryan, M. J., & Worthington, A. K. (2021). Theory of Planned Behavior. In *Persuasion Theory in Action: An Open Educational Resource*. University of Alabama Libraries. <https://ua.pressbooks.pub/persuasiontheoryinaction/chapter/theory-of-planned-behavior/>
- Santosa, A., Rahman, A., Fadillah, S., & Fadilla, S. (2025). The power of tax knowledge: Key factors to boost tax compliance. *Jurnal Borneo Administrator*, 21(2), 141–154. <https://doi.org/10.24258/jba.v21i2.1635>
- Sari, R., & Muslim, M. (2023). Accountability and transparency in public sector accounting: A systematic review. *Amkop Management Accounting Review (AMAR)*, 3(2), 90–106. <https://doi.org/10.37531/amar.v3i2.1440>
- Setyadi, M. G., & Efendi, T. F. (2025). Integrating tax fairness, government marketing strategy, and institutional trust: A moderated mediation model of tax compliance in Indonesia. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 9(4), 458–474. <https://doi.org/10.29040/ijebar.v9i4.19495>
- Sumantri, E., Samudra, A. A., & Suradika, A. (2024). Global tax avoidance and evasion: A landscape through insights from a systematic literature review and bibliometric analysis. *Journal of Infrastructure, Policy and Development*, 8(9). <https://doi.org/10.24294/jipd.v8i9.8073>

- Tuinsma, T., De Witte, K., Janský, P., Palanský, M., & Titl, V. (2023). Effects of Corporate Transparency on Tax Avoidance: Evidence from Country-by-Country Reporting. In IES Working Paper No. 4/2023. Charles University, Institute of Economic Studies. <https://hdl.handle.net/10419/286333>
- Widodo, A., & Yusiana, R. (2021). Metodologi Penelitian: Penentuan Metode dengan Pendekatan PLS-SEM. PT Refika Aditama.