

# Legal Obligations and Enforcement of Financial Transparency and Tax Reporting Regulations in Companies

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## ABSTRACT

*This study analyses the legal obligations of companies in financial and tax transparency reporting in Indonesia using a normative legal approach based on all applicable national regulations. This study outlines the legal basis, corporate management responsibilities, and reporting and disclosure standards that must be met by companies under the Limited Liability Company Law, Capital Market Law, Financial Services Authority Law, and all the latest tax regulations, including regulations on transfer pricing documentation and beneficial ownership transparency. The study found that the legal basis has established a system of openness and integration of commercial and fiscal reporting based on digital technology through the Government Regulation on Financial Reporting and the Directorate General of Taxes' online ecosystem system. However, the effectiveness of regulatory enforcement still depends on the coherence of norms, coordination between supervisory agencies, and the readiness of administrative infrastructure and implementing resources. Regulatory enforcement is optimal when governance synergy, supervisory capabilities, and technology adoption are able to reduce loopholes for violations, facilitate audits, and strengthen a sense of fairness for all stakeholders. This study recommends technical rule refinement, cross-authority data harmonisation, and continuous education as pillars for future improvement. This study provides a theoretical contribution to the development of business law and practical encouragement for policymakers and business actors to interpret transparency and tax reporting as a manifestation of accountability and national competitiveness, thereby strengthening the credibility of the legal system and the business ecosystem in the era of digital globalisation.*

## INTRODUCTION

Financial transparency and tax reporting obligations have evolved into key pillars of integrity-based corporate governance on a global scale. This shift has accelerated, driven by heightened societal and regulatory demands for public accountability from business entities. Consequently, transparency is no longer a voluntary corporate social responsibility initiative but a fundamental legal mandate. This obligation applies universally, encompassing large multinational corporations as well as medium-sized enterprises particularly those listed on stock exchanges or operating with substantial capital placing their financial practices under necessary scrutiny.

This new paradigm is largely propelled by significant external pressures from regulators, international financial institutions, and the global community. These actors increasingly correlate the

quality of financial reporting and tax compliance directly with a company's overall image, credibility, and long-term sustainability. As noted by scholars such as Gribnau & Jallai (2019), this linkage firmly establishes transparent financial and tax conduct not merely as a compliance issue, but as a core strategic component of modern business reputation and operational continuity.

In the national business legal environment, regulations require companies to submit periodic financial reports in accordance with specified standards and to report their tax obligations correctly and accurately. These provisions aim to prevent financial data manipulation, tax evasion, and increase state revenue. Companies are faced with the complexity of ensuring that their reports are compatible with Financial Accounting Standards and tax regulations, where non-compliance can result in administrative or criminal sanctions. Proper

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reporting is not merely a procedural aspect, but also affirms legality and good governance in the eyes of regulators (Vokshi, 2019). The importance of compliance is also reflected in various studies examining taxpayers' responses to fiscal policy. For example, Darmawan (2021) analysed taxpayers' responses to a tax policy programme, showing that the effectiveness of regulation and compliance depends not only on the threat of sanctions but also on the design of the policy itself.

The obligation to report financial and tax transparency has been further strengthened following the emergence of various financial scandals with serious systemic impacts. The failure of a number of large corporations to disclose financial and tax data honestly has raised public doubts. In response, countries have undertaken massive regulatory reforms, including the application of the principle of openness and the reformulation of sanctions for reporting violations. In recent years, the challenges of transaction digitalisation and the complexity of investment instruments have also tested regulators' readiness to analyse company reporting in real time (Sushkova, 2023).

Corporate compliance with transparency and tax reporting regulations is not only driven by internal factors such as corporate ethics or culture, but also by increasingly extensive supervision from regulators. The Financial Services Authority, Directorate General of Taxes, and Stock Exchange have expanded their supervisory instruments. Data integration through online systems has also narrowed the space for corporations to manipulate their reporting. The obligation to include independent audit opinions in financial reports strengthens the validation aspect in managerial decision-making and regulatory compliance.

When financial and tax transparency reporting became a control instrument in the business sector, implementation challenges arose in the field. Creative accounting practices, tax evasion, and double reporting became major issues faced by regulators. Prevention and enforcement efforts have not fully reflected the effectiveness of the law enforcement system. Asymmetry of knowledge, the speed of business development, and human resource capacity create friction between regulatory expectations and the reality of corporate practices, which drives the need to update legal instruments.

The focus on the effectiveness of enforcing financial and tax reporting obligations in corporations deserves to be explored further due to its significant impact on economic stability, investor

confidence, and corporate reputation in the global market. A critical evaluation of legal components, institutions, and corporate behaviour opens up opportunities for regulatory reform. With the increasing decentralisation of supervision and the use of digital technology, analysing the nature and enforcement of reporting obligations is highly relevant research for strengthening the integrity of the national economic system. In addition to a strict approach to law enforcement and regulation, efforts to build a culture of compliance from within are equally important. In line with this, research by Lestari et al. (2021) on the evaluation of the effectiveness of tax education programmes shows that increasing taxpayer awareness and understanding is a crucial foundation for improving voluntary compliance.

Financial and tax transparency reporting by companies in Indonesia still faces a number of serious problems. One of the main issues is the inconsistency between financial reporting for investors and tax reporting for the state. Differences in standards and interests lead companies to modify their reporting techniques in order to gain fiscal and reputational advantages. Many public companies still engage in earnings management practices to reduce their tax burden or boost their profit image in front of shareholders. This aspect has implications for reducing state revenue and decreasing public trust.

Weaknesses in the supervisory system, both within companies and in external supervisory authorities, exacerbate vulnerability to financial statement manipulation. Many small and medium-sized companies find it difficult to meet comprehensive audit requirements due to limited resources. Weak supervisory discipline and limited enforcement of sanctions give rise to moral hazard, whereby some companies tend to report financial and tax data that has been processed in accordance with their short-term interests. As a result, there is ample room for violations as long as verification mechanisms remain weak.

Coordination between supervisory and regulatory enforcement agencies needs to be continuously improved so that the enforcement of financial and tax reporting laws can be carried out effectively and provide a sense of justice. Differences in platforms, database structures, and procedures between agencies do not yet fully support cross-sector information exchange. These obstacles then have implications for delays in taking action on reporting violations, as well as increasing the risk of disparities in legal treatment.

Accuracy in financial and tax transparency reporting is increasingly important in an era where digitalisation is revolutionising business transactions. Companies that fail to comply with financial and tax reporting regulations are vulnerable to serious legal problems and may even lose access to financing or public markets. The modern business legal system requires a new boldness in conducting compliance audits, in line with the development of dynamic transaction instruments and business models.

Furthermore, the findings of this study can improve the literacy of regulators and business actors regarding the latest challenges in the reporting sector. This is relevant to strengthening policy design that is not only based on sanctions, but also on prevention and education for business actors. If the best solution is found through scientific research, policy reforms will be more substantial and in line with the needs of the global economic system.

This study aims to identify and examine the legal obligations of companies to report financial and tax transparency in accordance with national regulations, as well as to analyse the effectiveness of regulatory enforcement. The results of this study are expected to contribute theoretically in the form of positive law mapping and practically in improving compliance and the quality of corporate governance.

## **RESEARCH METHOD**

This study uses a normative juridical approach with a qualitative literature review design as the main framework for examining the legal obligations of financial and tax transparency reporting by companies. A literature review was chosen in order to identify, explain, and synthesise legislation and court decisions relevant to the research topic. The literature search was conducted systematically in official sources such as university libraries, business law journal databases, and reference book collections discussing the topics of accountability, transparency, and tax regulation in corporate practice. The inclusion criteria included national legal documents, books, and scientific journal articles published in the last two decades, while unofficial documents and non-academic opinions were excluded to maintain data validity (Darmawan, 2015).

Thematic synthesis was used to categorise the search results based on the scope of the material, ranging from general reporting rules, sanctions, oversight mechanisms, to the challenges of implementing regulations. The coding stage was carried out by carefully reading all selected documents, noting the main legal issues, and

classifying the findings according to the research questions. The involvement of the author as an experienced academic also ensured that the interpretation of the data produced was in line with the principles of academic prudence. Each step of the analysis was based on procedural transparency, so that readers could trace the logic used in this study (Creswell, 2014).

Data quality assurance is carried out through source triangulation, cross-validation between primary literature, and clarification of the latest legal documents and regulations that are still valid in Indonesia. This process is combined with a critical reading of the narratives in the reference literature and testing the validity of the legal instruments. This study does not use empirical data or field observations, so all arguments presented are rooted in the analysis of legal texts, policy documents, and the latest academic literature (Bowen, 2009). With this strategy, the research results are expected to have validity and credibility that can be accounted for in the discourse of business law.

## **RESULT AND DISCUSSION**

### **Legal Obligations for Financial and Tax Transparency Reporting by Companies**

Transparency is a fundamental principle in corporate governance that requires openness of information to the public. Transparency can be defined as the disclosure of information by a company to the public or relevant parties (Safitri & Sari, 2021). The obligation of financial transparency and tax reporting in Indonesia is the foundation of corporate governance and the enforcement of national fiscal compliance (Gunadi, 2022). In the realm of governance, every company is required to prepare annual reports detailing their financial statements in accordance with applicable accounting standards. These reports are not only intended for administrative purposes, but also as a form of accountability of the directors to shareholders and external parties. For entities with access to public funds or those subject to sectoral regulations, this obligation includes the publication of reports so that financial information can be accessed by the public and other stakeholders. Meanwhile, in the fiscal field, companies are required to maintain neat bookkeeping, report tax returns (SPT) on time, provide transfer pricing documents for affiliate transactions, and ensure the identification of beneficial owners. The convergence of these two main pillars aims to prevent tax avoidance practices, strengthen the integrity of the taxation system, and maintain the smooth flow of

credible information for regulators and investors. Thus, financial disclosure and fiscal compliance serve as crucial instruments for maintaining corporate integrity and public trust. In essence, this commitment to transparency is a tangible manifestation of governance oriented towards public service and accountability (Rojak, 2021).

The legal basis for financial reporting and transparency in Indonesia is formed through various regulations that complement one another. The legal basis for financial reporting and disclosure is rooted in Law No. 40 of 2007 concerning Limited Liability Companies, which stipulates the obligation of the board of directors to prepare annual reports containing financial statements and submit them to the GMS with commitment to prudence and good faith (Pratama & Pratiwi, 2022). For companies that are issuers or public companies, this obligation is reinforced by Law Number 8 of 1995 concerning the Capital Market, Law Number 21 of 2011 concerning the OJK, and various OJK regulations concerning information disclosure and periodic reporting. Financial Accounting Standards (SAK/PSAK) and Public Accountant Professional Standards (SPAP) form the basis for recognition, measurement, disclosure, and audit practices, ensuring the integrity of the reported data. In recent years, the issuance of Law No. 4 of 2023 concerning PPSK has clarified the national reporting system regulations, outlining a standardised digital reporting model that must be complied with by all business actors in order to create consistency and credibility of financial data. With this comprehensive legal framework in place, the consistency and credibility of companies' financial data can be maintained for the sake of legal certainty and public trust.

High-quality financial reporting is the cornerstone of corporate transparency and accountability. The quality of financial reporting plays an important role in ensuring corporate transparency and accountability (Zelova et al, 2023). In corporate practice, the obligation to prepare annual reports includes details of financial performance, main business activities, and the disclosure of risk management and governance aspects (Yulianti, 2023). Public companies must publish interim and annual financial reports to the OJK and the public, disclosing material information that may influence investor decision-making. The OJK regulates the mandatory reporting content, including significant events, material transactions, corporate actions, and internal control provisions for financial reports. For certain sectors such as banking, insurance, or pension funds, financial reporting and

risk management must be more detailed in accordance with the nature of the risks and capital.

The obligation to publish publicly applies to companies that raise public funds, while for private companies, reporting requirements may be internal unless there are specific provisions. Failure to comply with disclosure obligations will result in administrative sanctions and even revocation of licences by regulators. Fulfilling disclosure obligations cannot be viewed merely as an administrative procedure, but rather as a fundamental prerequisite for business sustainability and the recognition and trust of companies in the eyes of regulators and the public. The principle that transparency and accountability are pillars of welfare and trust is universal, applying not only at the corporate level, but also in various contexts of resource management. In line with this, Rojak and Issalillah (2022) in their research emphasise that transparency and accountability in public fund management are determining factors that influence the level of trust and sustainability of a programme or institution. This principle lies in the capacity of individuals to utilise such transparent information. As shown in the research by Mardikaningsih and Darmawan (2023), the level of financial literacy and understanding of risk greatly influences the quality of economic decision-making. This means that good corporate reporting transparency as an information provider must be balanced with the ability of potential investors and stakeholders to understand, analyse, and critically assess this information.

The national legal system and tax compliance are among the main pillars of corporate governance. In the field of taxation, national regulations such as the KUP Law and its amendments with the HPP Law require every company to register for an NPWP, maintain accurate accounting records, and report all tax obligations through SPT correctly and on time. Reporting requirements for income tax withholding and collection, VAT payment and reporting (including through electronic mechanisms such as e-Invoicing), and other tax reporting have been digitally integrated and are implemented to high standards by the tax authorities. Administrative order is strongly emphasised; failure or negligence may result in penalties in the form of interest, administrative fines, and even criminal sanctions if manipulation or serious violations are found. Therefore, discipline in tax reporting not only protects companies from sanctions but also strengthens the legitimacy and sustainability of their business in the eyes of the authorities and the public.

Transfer pricing is an important instrument in

the modern taxation system that serves to maintain the fairness of transactions between related parties. According to Aslan, transfer pricing is defined as the price associated with the delivery of goods or services, thus covering business activities related to transactions, taxation, profit or cost accountability based on the arm's length principle (Ardila et al, 2022). Companies that conduct transactions with related parties must prepare transfer pricing documentation to ensure the application of the arm's length principle. These documents consist of a Master File, Local File, and Country-by-Country Reporting documents, all of which must be stored and submitted to the authorities upon request. The addition of these documents is a response by the fiscal system to business globalisation and the increasing complexity of cross-border transactions. In international transactions, the application of double taxation agreements and the implementation of automatic information exchange require companies to identify and verify beneficial owner status transparently. Complete documentation and disclosure of information regarding beneficial owners are key prerequisites for ensuring fiscal compliance and preventing cross-border tax avoidance practices. Complete documentation and disclosure of information regarding beneficial owners are key prerequisites for ensuring fiscal compliance and preventing cross-border tax avoidance practices.

Cross-sector regulations emphasise companies' obligation to be transparent in their ownership and transactions. All of the above obligations are further reinforced by cross-sector regulations. Presidential regulations on beneficial ownership and anti-money laundering require every company to identify and inform regulators of the actual owners, avoiding the risk of ownership manipulation or transaction abuse. Reports must also be submitted to institutions such as the Financial Transaction Reports and Analysis Centre (PPATK) when suspicious transactions are detected, either through internal company mechanisms or external regulators. Penalties for violations vary, ranging from administrative to criminal, depending on the degree of fault and the impact on the legal system or financial sector stability. This compliance is key to maintaining financial stability and public trust.

The directors have primary responsibility for the accuracy and completeness of the company's tax and financial reporting. The company's management in a directorial position has legal responsibility for the preparation, accuracy, completeness and reporting of all of the company's tax and financial obligations.

Their obligations include not only reporting to the authorities, but also ensuring that all information submitted is free from misrepresentation and manipulation. Commissioners are also required to exercise active supervision in the event of negligence in fulfilling reasonable supervision, and they may be held accountable if the company's reporting is legally flawed and results in losses to third parties or the state. The requirements of prudence, integrity, and procedural compliance are governance parameters measured by regulators and courts in the event of a dispute. Integrity and procedural compliance are benchmarks of governance assessed by regulators and courts.

Digital transformation has revolutionised the financial and tax reporting system in Indonesia. The digital era has brought major changes to the financial and tax reporting systems in Indonesia. Reporting, which used to be manual, has now shifted to integrated digital reporting. This will promote data interoperability, standardisation of report formats, and integration between commercial and fiscal reporting. All companies must adapt their reporting systems to national electronic devices, ensure data reconciliation, and reduce the risk of discrepancies between financial reporting and tax reporting. In this case, risk management and transparent transaction recording are imperative so that reporting is substantive, not merely a formality. This digital revolution requires the adaptation of tax regulations and policies that are capable of responding to the complexity of new transaction models. As part of this response, empirical studies such as those conducted by Nurhadi et al. (2023) are important for analysing the implications of implementing tax policies in the digital economy system. This study confirms that digital transformation creates new challenges and opportunities in tax enforcement and compliance, where the aforementioned principles of transparency, data integrity, and reconciliation are crucial to implement.

Financial and tax transparency are important instruments for protecting the interests of various stakeholders. The obligation of financial and tax transparency is normatively oriented towards protecting the interests of investors, creditors, the state, and the wider community. The applicable legal framework is integrated into the realm of enforcement with clear and proportional sanctions in order to uphold the principles of fairness, honesty in reporting, and the sustainability of the business ecosystem. When companies carry out these obligations with due care, they gain greater access to financing, obtain better risk assessments, and

strengthen their position in the national regulatory and business ecosystem. With consistent compliance, companies not only avoid sanctions but also strengthen their business legitimacy. This legitimacy building starts from a solid foundation of compliance. In line with this, research by Masithoh and Mardikaningsih (2022) reveals that taxpayer compliance is shaped by the interaction between awareness, sanctions, and service quality—factors that are also relevant in building a culture of corporate compliance. The same logic regarding the importance of a clear and protective legal framework for building trust is also evident in the evolution of digital financial systems. As examined by Oriento et al. (2023) regarding non-cash transactions through e-wallets, the successful adoption of financial innovations is highly dependent on adequate legal protection and risk management to protect consumers and maintain system integrity.

Modern reporting architecture is designed to ensure ongoing transparency and accountability. The entire reporting architecture will be designed to be traceable, testable, and correctable in real time, enabling simultaneous oversight between financial, fiscal, and auditing authorities. Thus, companies are required not only to comply with regulations, but also to truly implement the principles of information disclosure and accountability in all lines of business activities. With substantial compliance, companies can build trust with regulators while strengthening the legitimacy of their business.

Information disclosure is an important instrument in maintaining the transparency and accountability of business actors. Information disclosure is also mandatory for parties that, by their nature and position, receive public funds or have a systemic influence on the market, such as banks and insurance companies, which are required to publish their financial reports widely along with the results of independent audits. This is intended to strengthen market confidence and prevent information uncertainty that could undermine economic stability. Meanwhile, closed companies with limited access are also required to report certain strategic matters to the relevant ministries/institutions if specifically regulated in sectoral regulations. With such compliance, economic stability and market confidence can be maintained sustainably. In line with this, information disclosure contributes significantly to economic stability and market confidence.

The imposition of sanctions by financial authorities is an important mechanism for enforcing corporate compliance. In its implementation,

authorities such as the OJK, the Directorate General of Taxes, and other financial sector agencies are given the authority to impose sanctions in accordance with the severity of the violation. These sanctions not only encourage companies to comply, but also reinforce the need for reliable documentation and reporting that can be audited at any time. Compliance is not merely a form of loyalty to the law, but a fundamental instrument for business competitiveness and sustainability. With consistent compliance, competitiveness and business sustainability can be ensured on an ongoing basis.

Internal control within companies is the main foundation for maintaining the quality and accountability of financial reporting. Corporate internal control policies are further strengthened through the provisions of audit committees and independent auditors to ensure that the quality of financial information disclosed meets the highest standards of accountability. Cross-monitoring between internal organs, third parties, and regulators helps to ensure that all reporting governance is properly maintained. Human resource development and the renewal of corporate reporting information technology systems are prerequisites for being able to adapt to regulatory dynamics and anticipate the risk of violations. Through strengthened governance and continuous adaptation, the risk of violations can be minimised and public trust maintained. Mardikaningsih et al. (2022), in their analysis of individual taxpayers, found that information technology readiness is a significant factor affecting the effectiveness of the implementation of electronic reporting systems (E-Filing). This finding reinforces the proposition that even in a corporate context, the success of IT reporting system upgrades depends not only on hardware and software, but also on the readiness of human resources and organisational culture to adopt them.

Modern corporate governance, financial transparency and taxation are strategic legal obligations. The combination of all these provisions and policies has made financial transparency and taxation legal obligations not merely a means of fulfilling formalities, but a sustainable corporate strategy. Ignorance and disregard for regulations can no longer be used as an excuse for violations, given the increase in education, regulatory literacy, and technological surveillance. Companies that fulfil all these obligations will gain a competitive advantage in financing, risk assessment, and partnership relations. Compliance with these obligations not only prevents violations but also strengthens the competitiveness and sustainability of the company.

This understanding is in line with a broader perspective of corporate risk management. As stated by Irfan and Al Hakim (2022), optimising risk management serves to prevent losses and maintain company stability. In this case, compliance with transparency and taxation obligations can be viewed as an essential form of risk management, namely proactive mitigation of legal, reputational, and operational risks that could threaten stability and competitiveness.

Financial transparency and tax reporting obligations are the main pillars of modern business governance in Indonesia. These legal mandates form a robust ecosystem that emphasizes corporate accountability and progressive governance. By requiring companies to disclose accurate financial information and fulfill their tax liabilities, the framework ensures that businesses operate with integrity and contribute fairly to national development. This foundation is crucial not only for regulatory compliance but also for fostering a culture of trust and ethical conduct within the corporate sector.

To keep pace with the rapid evolution of the digital economy and global investment dynamics, Indonesia has responded with strategic enforcement measures. This includes the standardization of reporting procedures, the integration of sophisticated online reporting systems, and the implementation of rigorous multi-layered supervision. These steps are designed to enhance the accuracy, timeliness, and accessibility of financial and tax data, thereby closing loopholes for non-compliance and creating a more resilient and transparent business environment.

Ultimately, the concerted enforcement of standards and strict supervision equips the national business ecosystem to respond to contemporary challenges in a sustainable manner. A transparent and compliant corporate landscape attracts responsible investment, mitigates systemic risks, and strengthens Indonesia's position in the global market. Therefore, the continuous strengthening of financial transparency and tax reporting obligations is not merely a regulatory requirement, but a strategic imperative for building a sustainable, competitive, and trustworthy economy for the future.

#### **Legal Obligations for Financial and Tax Transparency Reporting by Companies**

Financial and tax transparency regulations depend on the consistency of norms and the strength of supervisory institutions. The effectiveness of

enforcing financial and tax transparency regulations on companies is achieved when there is norm coherence, strong supervisory institutions, and readiness of national digital infrastructure (Ahrens et al., 2020). In the realm of financial reporting and capital markets, fundamental regulations such as Law 40/2007 on Limited Liability Companies, Law 8/1995 on Capital Markets, and Law 21/2011 on the OJK regulate periodic reporting obligations, material information disclosure, and independent audits for issuers and entities in the financial sector. In the fiscal field, the General Provisions and Tax Procedures Law (KUP), which was refined through Law 7/2021 (Harmonisation of Tax Regulations), regulates comprehensive documentation obligations, ranging from bookkeeping, tax return reporting, to transfer pricing documentation in accordance with PMK 213/2016, alongside progressive sanctions that can be imposed for violations. This normative framework builds an ecosystem of openness and traceability of information that compels businesses to disclose data consistently, including the identification of beneficial owners and participation in cross-border fiscal information exchange mechanisms to close tax avoidance loopholes and reporting manipulation practices. With this ecosystem of openness in place, tax avoidance practices can be curbed and economic stability maintained.

The digitisation of tax administration is an important instrument in improving the transparency and efficiency of corporate reporting. Reforms to the digital tax administration system in Indonesia have led to increased transparency and ease of corporate reporting (Pramana & Hermawan, 2022). The implementation of platforms such as Coretax proves that digital infrastructure cuts red tape and enables real-time tracking of fiscal data. However, implementation in the early stages is often hampered by technical issues, system distortions, unsynchronised databases across agencies, and corporate user uncertainty. This situation shows that although the effectiveness of digital platforms is clear in conceptual and legal terms, their actual success still requires continuous improvement, increased user competence and seamless system integration. Only through continuous reform in technology and human resources can the ideals of transparency and legal effectiveness be truly realised in practice. Therefore, the success of digital tax reform requires continuous strengthening of technology, system integration, and human resource readiness. The demand for this approach is also reflected in various

empirical studies on tax reform, such as the research by Kusen et al. (2023), which confirms that the effectiveness of new tax policies is highly dependent on the alignment between regulatory, technological, and human resource capacity aspects. The digitisation of tax administration is not merely a matter of technology adoption, but rather a systemic transformation that requires the comprehensive readiness of all stakeholders.

Enforcement of transparency obligations is highly dependent on legal certainty and consistency. In terms of legal certainty, enforcement effectiveness still faces normative challenges in the form of overlapping regulatory complexity, differences in interpretation between authorities, and inconsistencies in enforcement between regions (Silalahi, 2023). Companies with group structures or cross-border transactions are often faced with dualism or multiplicity of reporting standards, which can cause uncertainty in execution. Legal theory asserts that without harmonisation and consistency in implementation, strict formal sanctions may not necessarily be effective in encouraging changes in business behaviour. Therefore, simplifying regulations and clarifying execution are urgent matters to ensure that transparency norms truly impact corporate reporting integrity and state revenue. Thus, regulatory harmonisation and clear enforcement are key prerequisites for effective transparency and corporate compliance.

The capital market plays an important role as a mechanism for raising long-term funds for the business world. The capital market can be simply defined as a means of mobilising public funds allocated for long-term investment (Suhardini, 2021). The effectiveness of regulatory enforcement in the capital market sector is not only reflected in administrative compliance, but also in changes in corporate perceptions and values. Empirical studies show that consistent and timely disclosure can reduce capital costs, improve external risk perceptions, and strengthen investor loyalty to companies. This market pressure presents a double incentive for corporations: in addition to avoiding formal sanctions from regulators, they are encouraged to build market trust, which in turn strengthens their position and business sustainability in the long term. Thus, information disclosure is key to maintaining investor confidence and corporate sustainability in the capital market.

Enforcing transparency obligations requires an integrated legal approach based on objective supervision. From a normative legal perspective,

effective enforcement must involve objective supervision, rationality in imposing sanctions, and data integration between commercial and fiscal reporting. The role of the OJK and the Directorate General of Taxes in enforcing transparency provisions covers three main channels: risk-based corporate governance supervision, external financial audits by certified accountants, and tiered administrative sanctions that are responsive to the severity of the violation. On the fiscal side, strengthening the e-Invoice, e-Bupot, and online tax return validation ecosystems is coupled with physical or online checks on commercial-fiscal reconciliation and transfer pricing substance testing. The oversight layer is reinforced by anti-money laundering mechanisms, which ensure that beneficial owners and suspicious transactions are monitored and verifiable at any time. Thus, the integration of supervision, proportional sanctions, and the use of technology are key to the effectiveness of enforcing financial and tax transparency.

The transformation of digital reporting requires harmony between technology, regulation, and law enforcement. The transformation of digital reporting systems requires coordination between authorities and consistent enforcement across jurisdictions; technological tools will not be effective without legal responsiveness to market dynamics and business practices. Even though the focus remains on digital transformation, the effectiveness of enforcement is not solely measured by the number of reports, but also by the system's ability to detect anomalies, reduce manipulative disclosure, and build a perception of fairness among market participants. Existing technical and normative gaps must be addressed through regulatory harmonisation, platform interoperability, human resource capacity building, and a shift towards a culture of compliance as a collective norm. Thus, the effectiveness of digital reporting systems can only be achieved through regulatory harmonisation, system interoperability, and the strengthening of a culture of compliance.

Corporate governance is the cornerstone of ensuring the sustainability and integrity of business activities. The importance of corporate governance lies in corporate governance that is always based on ethics so that business runs smoothly, safely and comfortably in accordance with applicable norms and regulations (Sari et al, 2022). Companies that make transparency the core of their governance strategy are relatively more resilient to inspections, audits, and potential disputes. Structured accounting policy documentation, adequate transfer pricing documentation, and synchronisation between

commercial and fiscal reports are natural barriers to the risk of sanctions, both administrative and criminal. Ultimately, such companies also tend to receive positive incentives in the form of better market perception, easier access to financing, and internal governance with minimal moral hazard. The implementation of ethical and transparent governance not only reduces legal risks but also strengthens market confidence and corporate sustainability (Rojak & Al Hakim, 2023). The discussion of ethics in governance finds its concrete and critical application in the financial management function of companies. As reviewed in a literature study by Putra and Arifin (2023), ethical principles are an integral foundation for investment decision-making and corporate financial risk management. This study reinforces the argument that ethics is not an abstract concept in governance, but rather an operational framework that guides strategic decisions such as capital allocation and risk mitigation to ensure that corporate growth and sustainability are achieved in a responsible and accountable manner.

Law enforcement in the areas of transparency and taxation in Indonesia is shifting towards a more adaptive and balanced approach. The law enforcement ecosystem for transparency and taxation in Indonesia is now entering an era of more rational incentives and sanctions. Not only through repressive measures, the OJK, DGT, and other authorities are also using digital monitoring to build reputational pressure and a culture of openness. Early warning systems, education, and the dissemination of digital applications continue to be promoted so that compliance does not arise from coercion, but rather from a collective awareness that openness is a company's reputation capital and strategic access. With this approach, compliance is expected to grow as a strategic awareness of companies, not merely a response to the threat of sanctions.

The effectiveness of modern law enforcement no longer relies solely on sanctions, but on the design of a comprehensive compliance system. Sanctions remain important, but an effective enforcement system does not depend exclusively on threats, but relies on an ecosystem of openness and integration of incentives. The combination of online reporting, internal audits, beneficial owner obligations, and corporate compliance training creates a double effect: on the one hand, it reduces the scope for violations, and on the other, it encourages the adoption of best practices and improves the quality of reporting. The integration

of openness, supervision, and incentives is key to building sustainable compliance.

Effective law enforcement requires a risk-based approach and optimal use of data. In practice, successful enforcement depends on the existence of a risk assessment system and targeted inspections rather than random checks. Digital data enables authorities to build risk profiles, identify red flag transactions, and tailor inspection policies based on reporting traceability. This leads to more selective, proportional, and responsive enforcement. Therefore, selective and data-driven inspection strategies strengthen the efficiency and legitimacy of law enforcement.

Modern regulatory enforcement requires an integrated and sustainable approach. Ultimately, the integration of digital infrastructure stability, regulatory harmonisation and simplification, consistent oversight, and a market culture that values transparency forms the foundation of modern and effective regulatory enforcement. When governance and reporting are driven not only by formal compliance motivations but also by financial and reputational incentives, transparency becomes a daily operational norm for companies. Thus, transparency develops into an operational standard that is inherent in corporate governance.

Indonesia's integration into the global fiscal transparency regime encourages higher standards of corporate transparency. Global dynamics and Indonesia's involvement in cross-border fiscal information exchange platforms (AEoI/CRS) strengthen external pressure for greater transparency. This applies not only to domestic fiscal and financial reporting, but also to the formation of group structures, cross-border reporting, and verification of beneficial owner status. The implementation of risk-based supervision and the use of modern analytical technology provide a new foundation for reporting to be not only a response to orders, but also an instrument of reconciliation of compliance and integrity. Thus, reporting has evolved from an administrative obligation to a strategic instrument for maintaining corporate compliance and integrity.

The enforcement of financial and tax transparency regulations is undergoing a transformation in line with technological developments and global standards. The effectiveness of enforcing financial and tax transparency regulations now demands more than just minimal compliance. Modern companies are competing to create a reporting ecosystem that is proactive, accurate, and easy to audit. Digital

pressure, data globalisation, and legal technology innovation are driving reforms to bring reporting practices in Indonesia in line with international standards and meet the expectations of today's business world. Therefore, updating the reporting system is a prerequisite for ensuring the competitiveness, credibility, and compliance of companies at the international level.

Sustainable law enforcement in the realms of finance and taxation requires more than just formal compliance with regulatory checklists. If enforcement efforts are limited to imposing rules without concurrent updates to supporting systems and a fundamental shift in organizational mentality, the result will only be nominal or superficial compliance. Such an approach fails to address the root causes of non-compliance and does not foster a genuine culture of integrity within the corporate sector.

Therefore, achieving effective and enduring enforcement demands a synergistic approach where normative systems and daily practices evolve together. This involves modernizing legal frameworks, integrating advanced digital monitoring tools, and most importantly, cultivating an ethical corporate mindset that views transparency as a core value rather than a burdensome obligation. Regulators and companies must collaborate to ensure that standards are not only established but are also practically operationalized within business processes.

Through this holistic integration, financial and tax transparency ceases to be a mere administrative task and transforms into a tangible manifestation of corporate ethics and legal integrity. It becomes the visible benchmark by which a company's commitment to lawful and responsible national business practices is measured. Consequently, true sustainability in law enforcement is achieved when transparency is reflexively embedded in corporate conduct, thereby strengthening the overall ecosystem of trust and accountability in the national economy.

## CONCLUSION

The enforcement of corporate legal obligations in financial and tax transparency reporting in Indonesia is based on positive legal norms, governance standards, and mutually supportive national digital instruments. A comprehensive regulatory framework has established reporting and auditing responsibilities, as well as beneficial owner disclosure and transfer pricing obligations to ensure data transparency and integrity in every business

entity. However, the effectiveness of enforcement is not only influenced by the structure of the rules, but also by the quality of implementation, the integration of online reporting systems, the consistency of supervision, and the readiness of the resources implementing the policies in the field.

The effective implementation of financial transparency and tax reporting regulations strengthens the business legal ecosystem, improves corporate compliance, and ensures corporate accountability to regulators and the public. Interoperable digital systems and harmonisation between regulators narrow the scope for violations and opportunities for reporting manipulation. The application of rational sanctions, reputation incentives, and the establishment of a culture of compliance are catalysts for transforming the behaviour of business actors, so that transparency becomes a value that is internalised in corporate governance practices.

Regulators, policymakers, and business actors must engage in continuous and collaborative efforts to modernize the ecosystem that underpins transparency and accountability. This entails a multi-faceted approach: proactively updating legal instruments to close loopholes and address emerging risks, streamlining complex administrative procedures to reduce compliance burdens, and heavily investing in resilient technological infrastructure. Concurrently, a parallel focus on enhancing human resource capacity through specialized training and ethical education is essential to ensure all parties can effectively navigate and implement these evolving systems.

To realize its full potential, the scope of reform must extend beyond infrastructure. Education strategies, systematic risk integration into governance models, and comprehensive administrative digitalization need to be scaled significantly. The ultimate goal is to transform financial and tax reporting from perceived administrative obligations into strategic instruments. When achieved, transparent reporting becomes a core driver of business competitiveness, fostering trust with investors and stakeholders, mitigating long-term risks, and securing a company's sustainable position in both national and global markets.

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