

THE IMPLEMENTATION OF ISAK 35 TO SUPPORT TRANSPARENCY, ACCOUNTABILITY, AND CONSISTENCY IN THE PREPARATION OF ANNUAL TAX REPORTS BY LAMDIK

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ABSTRACT

Nonprofit organizations in Indonesia, including educational accreditation bodies, are legally required to comply with annual corporate income tax reporting requirements despite their nonprofit status. The implementation of Financial Accounting Standards Interpretation (ISAK) 35, which replaces PSAK 45 and has been effective since January 2020, introduces a more comprehensive financial reporting framework for nonprofit entities; however, empirical studies examining its specific role in supporting transparency, accountability, and consistency in tax reporting, particularly within educational accreditation agencies, remain scarce. This study aims to investigate how the implementation of ISAK 35 contributes to transparency, fiscal accountability, and consistency in annual tax reporting at the Independent Educational Accreditation Agency (LAMDIK). Using a qualitative phenomenological approach and a participant-observer design, data were collected through semi-structured in-depth interviews with five key informants, including the Director of Finance, Head of the Finance Department, Chief Financial Officer, Finance Staff, and external auditors, supplemented by a review of documentation and limited observation of financial administration processes. Data validity was ensured through triangulation of sources, methods, and theory, as well as member verification procedures and audit trials. The findings indicate that the implementation of ISAK 35 has gradually strengthened LAMDIK's financial governance through three key contributions: increased reporting transparency through a clearer distinction between restricted and unrestricted net assets, enhanced fiscal accountability in upward, downward, and internal dimensions, and greater consistency in annual tax reporting through the integration of accounting and tax reporting workflows. These advancements simultaneously reduce fiscal reconciliation discrepancies and strengthen institutional legitimacy. This study concludes that ISAK 35 functions not only as a technical accounting standard but also as a strategic instrument linking transparency, fiscal accountability, and public legitimacy, forming a coherent accountability chain in line with the principles of good governance. These findings offer practical implications for the financial governance of nonprofit organizations and provide input for policy development aimed at strengthening the tax compliance framework for nonprofit organizations in Indonesia.

Keywords: Annual tax reporting, Accountability, ISAK 35, LAMDIK, Nonprofit organizations

1. INTRODUCTION

Indonesian tax laws stipulate that all entities, whether for-profit or nonprofit, are required to fulfill their tax obligations, including preparing and filing an annual Corporate Income Tax Return (SPT PPh Badan). According to Financial Accounting Standards (SAK), nonprofit organizations obtain resources from members and donors who do not expect any compensation, making transparency and accountability in financial reporting crucial, particularly in the preparation of the annual tax return. In this context, the Higher Education Self-Accreditation Agency (LAMDIK), as a nonprofit organization performing the function of ensuring higher education quality, remains subject to tax regulations as part of legal compliance and a commitment to good governance.

Good governance in nonprofit organizations demands accountability as a core principle. Mardiasmo (2009) emphasizes that accountability relates to the moral and legal obligation of those entrusted with managing resources to report on the results of such management. Bovens (2007) expands this concept within a relational framework, where responsibility does not end with reporting but also encompasses the process of justifying and evaluating those actions. Furthermore, Suhardjanto and Permatasari (2020) demonstrate that the level of accountability in nonprofit organizations is significantly influenced by the quality of financial reporting and board members' involvement in the reporting process, while Ebrahim (2003) asserts that accountability in the nonprofit sector is not merely financial but also encompasses the process, outcomes, and social impact dimensions of the organization's activities.

As the complexity of LAMDIK's activities increases, financial reports serve not only as a means of accountability to stakeholders but also as the basis for fulfilling tax obligations. This development demands financial reporting standards capable of accommodating the characteristics of nonprofit organizations while meeting tax regulatory requirements. The application of Financial Accounting Standards Interpretation (ISAK) 35 is relevant because it provides guidelines for financial statement presentation that are more aligned with the substance of nonprofit organizations' activities, thereby expected to support transparency, accountability, and consistency in the preparation of annual tax returns (Kurniawan, 2024; Setiawan, Pahala, & Wahono, 2025).

Current conditions indicate that discussions regarding financial reporting and tax compliance for nonprofit organizations are receiving increasing attention, both at the national and international levels. At the national level, the issuance of ISAK 35 by the Indonesian Financial Accounting Standards Board is a response to the need for more relevant reporting standards for nonprofit entities; however, its implementation in practice still faces significant challenges, particularly regarding technical understanding and organizational resource constraints (Kurniawan, 2024; Setiawan et al., 2025). Internationally, studies by Padot (2023) and Alm and Teles (2018) highlight the complexity of tax policies affecting nonprofit organizations, including tax exemption mechanisms and the impact of regulatory changes. Walker and Sipult (2011) also emphasize that regulatory pressure on nonprofit organizations

continues to increase alongside growing demands for transparency from the public and the government. Meanwhile, research by Ahdi et al. (2024) in the context of faith-based nonprofit organizations indicates that the application of transparency principles and accounting information systems in financial reports remains an issue that has not been fully resolved.

However, there is a significant research gap in existing literature. Most studies in the field of taxation focus on tax compliance among MSMEs or commercial enterprises (Sutanto & Febrianti, 2022), which identify factors such as tax knowledge, compliance costs, and perceptions of tax rates, yet fail to explore the complexities of the non-profit organizational context, which has distinct structures, resources, and objectives (Sadalia et al., 2024). Research on non-profit organizations also tends to focus on tax policies for large-scale organizations (Alm & Teles, 2018; Padot, 2023; Walker & Sipult, 2011), without distinguishing the specific characteristics of small non-profit organizations. Internal dimensions such as governance structures, managerial capacity, and strategic planning relevant to tax obligations in small non-profit organizations remain under-explored in the literature (Padot, 2023). Most critically, although some studies have explored the application of ISAK 35 to non-profit entities (Kurniawan, 2024; Setiawan et al., 2025), in depth empirical studies on how the implementation of ISAK 35 specifically supports transparency, accountability, and consistency in annual tax reporting within educational accreditation bodies such as LAMDIK remain scarce (Setiawan et al., 2025).

The research problem centers on two main issues. Firstly, in practice, the preparation of annual tax returns by LAMDIK faces complex challenges, ranging from ambiguities in tax regulations regarding non-profit income, limited staff understanding of technical tax aspects, to the sub-optimal implementation of ISAK 35 as a financial reporting guideline. Second, there are no empirical studies that specifically examine the real-world experiences of LAMDIK administrators in applying ISAK 35 to support transparency, accountability, and consistency in annual tax reporting. Yet, such understanding is crucial for formulating strategies for capacity building, regulatory simplification, and the development of a reporting system better suited to the characteristics of educational accreditation bodies.

Based on these issues and research gaps, this study aims to conduct an in-depth examination of the implementation of ISAK 35 in supporting transparency, accountability, and consistency in the preparation of annual tax reports by LAMDIK, using a phenomenological approach that explores the experiences and perceptions of administrators, including board members, the finance department, and tax consultants. The research questions posed are: (1) How is ISAK 35 applied in the process of preparing LAMDIK's financial reports?; (2) To what extent does the application of ISAK 35 contribute to the transparency, accountability, and consistency of LAMDIK's annual tax reporting?; and (3) What challenges does LAMDIK face in applying ISAK 35 as the basis for annual tax reporting? The implications of this research are expected to provide practical contributions to LAMDIK and similar non-profit organizations in optimizing financial governance, whilst also serving as input for tax authorities and

policymakers in formulating regulations that are more inclusive and applicable to the non-profit sector.

This research possesses scientific originality and authenticity rooted in its specific focus: examining the implementation of ISAK 35 in relation to transparency, accountability, and consistency in annual tax reporting within non-profit educational accreditation bodies, using a phenomenological approach that has not previously been applied in the context of LAMDIK. The combination of perspectives on accounting standards, tax compliance, and the subjective experiences of practitioners distinguishes this research from previous studies, which were more normative and technical in nature.

2. LITERATURE REVIEW

Interpretation of Financial Accounting Standards (ISAK) 35

On 11 April 2019, the Financial Accounting Standards Board adopted ISAK 35 (Interpretation of Financial Accounting Standards No. 35), which came into effect on 1 January 2020, replacing PSAK 45 as the financial reporting standard for non-profit organizations. Concurrently, PSAK 13 was also issued, specifically governing the financial reporting of non-profit organizations (Diviana et al., 2020).

The fundamental concept of ISAK 35 is based on the recognition that non-profit entities aim to achieve social/humanitarian missions without a profit orientation; therefore, their financial statements reflect how resources from donations are allocated to support these objectives. PSAK 45 clearly distinguishes between restricted and unrestricted net assets. Meanwhile, ISAK 35 presents a more comprehensive income statement with a more comprehensive classification of net assets (Awalia, Siregar, & Syarvina, 2023).

Table 1. Components of Financial Statements Based on ISAK 35

No	Component	Function
1	Statement of Financial Position	Presents assets, liabilities and equity for a specific period
2	Statement of Comprehensive Income	Shows surplus/deficit, income and expenses
3	Statement of Changes in Net Assets	Reports unrestricted and restricted net assets from donors
4	Cash Flow Statement	Presents cash receipts and disbursements (operating, investing, financing)
5	Notes to the Financial Statements	Additional explanations (footnotes) as an integral part

ISAK 35 aims to provide transparent and accurate information to donors, organisation members, the public, and supervisory bodies regarding financial performance and the use of funds. Its implementation is also supported by PSAK 1, which sets out minimum standards for the presentation of financial statements to ensure consistency in reporting across all non-profit entities in Indonesia.

Transparency

Transparency is a principle of openness that enables stakeholders to be aware of and access as much information as possible. In the context of the preparation of annual tax reports by LAMDIK, transparency serves as a vital foundation for ensuring that the entire reporting process is conducted in an open and accountable manner.

In accordance with Government Regulation No. 24 of 2005, transparency encompasses the open and honest disclosure of financial information to the public, based on the consideration that the public is entitled to receive complete and open information regarding the Government's accountability in managing the resources entrusted to it, as well as its compliance with laws and regulations. This means that LAMDIK, as an institution, is obliged to present its tax reports openly, honestly, and in a manner accessible to interested parties. According to Andrianto (2007), some of the key benefits of budget transparency include:

- 1) Preventing corruption
- 2) Making it easier to identify the weaknesses and strengths of policies
3. Enhancing accountability so that stakeholders can assess an institution's performance
4. Increasing confidence in an institution's commitment to implementing specific policies
5. Strengthening cohesion, as public trust in the institution will be fostered

In preparing its annual tax report, LAMDIK must adhere to several principles of transparency. Firstly, the principle of openness, which entails providing stakeholders with broad access to participate in the planning, preparation and implementation of financial and tax reporting. Secondly, the information contained in the tax report must be made available to the public, meaning it must be easily accessible to all interested parties without discrimination. Thirdly, every decision taken regarding tax reporting must be formulated through consultation with relevant parties. Fourth, LAMDIK must accommodate the aspirations of stakeholders, which are then used as the basis for decision-making in the annual tax reporting process. Referring to Lalola (2003), the transparency indicators applied by LAMDIK in the preparation of annual tax reports include:

- 1) Provision of clear information; tax reports are prepared in detail and are easy to understand
- 2) Easy of access to information; reports are openly accessible to stakeholders
- 3) Complaints mechanisms; channels are available should violations be found in the tax reporting process
- 4) Improved information flow, through cooperation with the media and relevant institutions

According to Lalola (2003), relevant transparency measures include the publication of tax reports via annual reports, websites, notice boards and other communication channels, as well as the provision of information in the form of activity reports, complaints procedures and service guidelines. Furthermore, the handling of complaints through clear response deadlines and satisfaction surveys is also a crucial aspect, alongside the involvement of relevant

institutions or organisations in the oversight of tax reporting. Finally, stakeholder meetings serve as a direct forum for transparency.

Thus, transparency in the preparation of annual tax reports by LAMDIK is not merely an administrative obligation, but a vital instrument for building trust, preventing irregularities, and ensuring the institution's accountability to all stakeholders.

Accountability

The term 'accountability' derives from the Latin word '*accomptare*', meaning 'to be reliable'. In an organizational context, accountability refers to the obligation of those entrusted with responsibility to manage, report on, and disclose all activities relating to the use of public resources (Nurjannah, 2018). Suginam (2020) explains that accountability is a principle that ensures every activity of an entity can be openly accounted for to the public, and is further enhanced when supported by an accounting system that produces timely, accurate, and verifiable information.

The meaning of accountability extends beyond the mere submission of accountability reports; it also encompasses ease of access to information for those who place their trust in the organization. Therefore, accountability will flourish optimally in an environment that upholds the principle of openness as the foundation of transparency (Athifah, Bayinah, & Bahri, 2018). This applies particularly to LAMDIK as a non-profit organization, which must not only account for the use of funds but also comply with ISAK 35.

Ebrahim (2003) distinguishes accountability in non-profit organisations into three main dimensions:

1. Upward Accountability

This refers to accountability to external parties with formal authority, such as the government and regulators. Mardiasmo (2009) views public accountability as the obligation of public sector organizations to report on the management of resources and the implementation of policies entrusted to them. Within this framework, financial statements based on ISAK 35 serve as the primary instrument, as they provide a systematic and informative presentation for regulatory evaluation.

Tax obligations are an implication of upward accountability. LAMDIK, as a non-profit organization with legal standing, is categorized as a corporate taxpayer under Law No. 36 of 2008 on Income Tax, covering PPh 21 on assessor fees, PPh 23 on third-party services, PPh 29 from annual fiscal reconciliation, and potential VAT on certain transactions. Financial statements based on ISAK 35 specifically the separation of restricted and unrestricted net assets form the primary basis for fiscal reconciliation and the preparation of annual tax returns.

2. Downward Accountability

Regarding accountability to beneficiaries and the public, O'Dwyer and Unerman (2007) emphasize that downward accountability is often voluntary, yet it is precisely this that

constitutes the primary determinant of an organization's social legitimacy. In the context of LAMDIK, transparency in the management of accreditation funds towards higher education institutions and the public is a crucial factor. Cordery and Baskerville (2011) emphasize that the separation of restricted and unrestricted net assets enables stakeholders to understand whether funds are being used in accordance with their intended purpose.

3. Internal Accountability

This covers accountability mechanisms between elements within an organization. Ebrahim (2003) identifies internal accountability as a fundamental element, as it determines the quality of decision-making before the organization reports on its performance to external parties. The implementation of ISAK 35 contributes directly through the segregation of net assets, which serves as an internal control mechanism, helping management to understand the limits on the use of funds. Pratama and Puspita (2019) demonstrate that a weak internal system is a dominant factor in the occurrence of fiscal reconciliation errors and tax disputes.

The challenges of fiscal accountability for non-profit organizations stem from both internal and external factors. Internally, limited human resources in the fields of accounting and taxation mean that fiscal reconciliation is often carried out in a simplistic manner, increasing the risk of tax adjustments. Externally, regulatory ambiguities such as the VAT status of accreditation costs lead to differing interpretations among institutions, auditors and tax authorities.

Within the framework of legitimacy theory, Suchman (1995) states that legitimacy is achieved when an organization's actions are perceived as aligned with societal norms and expectations. For LAMDIK, the preparation of financial statements based on ISAK 35 and the fulfilment of annual tax reporting obligations serve as strategic means to demonstrate compliance with regulations whilst simultaneously building social legitimacy. Failure to maintain transparency and compliance risks undermining the institution's legitimacy in the eyes of both regulators and the public.

Thus, the application of ISAK 35 within the context of LAMDIK is not merely a technical reporting obligation, but a strategic instrument linking transparency, fiscal accountability, and consistency in the preparation of annual tax returns three aspects that form the primary focus of this study.

Independent Education Accreditation Agency (LAMDIK)

LAMDIK (Independent Education Accreditation Agency) was established under Law No. 12 of 2012 on Higher Education and is authorized to accredit teacher training programmers. Established as a non-profit foundation/legal entity, LAMDIK remains obliged to implement accountable financial management and comply with tax regulations in accordance with Law No. 36 of 2008 on Income Tax. Its main sources of funding include accreditation fees, government grants, and donor contributions.

LAMDIK's structure comprises a Chairperson, Secretary, Treasurer, and three main directorates. The Directorate of Financial Resources and Administration is the most strategic unit as it produces two forms of formal accountability: (1) Financial Statements based on ISAK

35 (public accountability) and (2) Annual Tax Returns/SPT including PPh 29 (fiscal accountability).

Table 2. Chronology of LAMDIK Tax Compliance 2021–2023

Year	Case	Issue	Impact	Follow-up
2021	Internal Audit	Discrepancies in PPh 21 regarding assessor fees; incomplete withholding certificates	Potential tax adjustments by the DGT	Evaluation of the withholding system & administrative improvements
2022	Late tax returns	Limited human resources and manual systems	Administrative fines and reputational damage	Appointment of a temporary tax consultant
2023	System Improvements	Lack of financial digitalization	Acceleration of the fiscal reconciliation process	Adoption of accounting software and staff training

Source: Compiled by the author based on Law No. 36 of 2008, the Tax Administration Law, and LAMDIK's internal case interpretations.

The tax compliance issues at LAMDIK are systematic rather than incidental, stemming from two root causes: limited internal capacity (in terms of human resources and infrastructure) and the complexity of tax regulations.

- The 2021 case highlights weaknesses in internal controls. As Ebrahim (2003) emphasised, internal controls are vital for building the trust of donors and regulators; any failure in fiscal documentation undermines the institution's integrity.
- The 2022 case underscores the importance of procedural compliance. Within the framework of legitimacy theory (Suchman, 1995), a delay in submitting the annual report may be interpreted by the public as a sign of weak organisational discipline, even if the substance of the report is accurate — which is detrimental to LAMDIK's credibility as a quality regulator.
- The 2023 case demonstrates the existence of organizational learning. The systemic reforms undertaken are consistent with the principles of good governance, which emphasize transparency, accountability and responsiveness (Anheier, 2014).

Tax compliance at LAMDIK has four interrelated dimensions: technical (calculation and reporting), administrative (documentation and deadlines), structural (digital systems), and normative (institutional legitimacy). Failure in one dimension triggers a domino effect. Therefore, the consistent application of ISAK 35 serves not only as a technical accounting guide, but also as a bridge for reconciliation between public accountability and fiscal accountability.

3. METHODS

This study employs a qualitative approach using a participant-observer design, in which the researcher engages to a limited extent in LAMDIK activities whilst observing fiscal accountability practices and the implementation of ISAK 35. Data were collected through three

main techniques: semi-structured in-depth interviews with key informants (the Finance Director, accounting staff, and internal and external auditors); a documentary review (financial statements, tax returns, and audit reports); and limited observation of financial administration processes. To ensure data validity, this study applied source, method, and theory triangulation based on Legitimation Theory, supported by member checking and audit trails. Data analysis was conducted using a thematic approach comprising three stages: data reduction, categorization, and drawing conclusions in an iterative and reflective manner, considering the researcher's dual role as both a practitioner and a scientific observer within the LAMDIK environment.

4. RESULTS AND DISCUSSION

Application of Financial Accounting Standards Interpretation (ISAK) 35 in the preparation of financial statements for the Independent Education Accreditation Agency (LAMDIK)

The implementation of ISAK 35 at LAMDIK began in phases starting in 2021, in line with the requirement for nonprofit entities to present transparent and accountable financial statements. As explained by Diviana et al. (2020), ISAK 35 was adopted by the Financial Accounting Standards Board on April 11, 2019, and became effective on January 1, 2020, replacing PSAK 45 as the financial reporting standard for nonprofit organizations in Indonesia. This transition is not merely a technical format change but a paradigm shift in understanding financial statements as instruments of public accountability and as an embodiment of institutional legitimacy. Within the framework of legitimacy theory, Suchman (1995) asserts that legitimacy is the general perception that an entity's actions align with prevailing social norms, values, and systems. Thus, LAMDIK's adoption of ISAK 35 can be understood as a form of normative legitimacy a clear signal to stakeholders that the institution operates in accordance with standards recognized by the relevant authorities.

LAMDIK's Chief Financial Officer emphasized this paradigm shift in an interview:

"We realize that the transition from PSAK 45 to ISAK 35 is not just a matter of reporting format, but a shift in mindset. ISAK 35 requires a clear separation of net assets, and that helps us distinguish more accurately between restricted and unrestricted funds."

This statement aligns with the fundamental differences between the two standards. Awalia et al. (2023) explain that PSAK 45 clearly distinguishes between restricted and unrestricted net assets, while ISAK 35 presents a more comprehensive classification of net assets through five financial statement components, namely: Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Net Assets, Statement of Cash Flows, and Notes to the Financial Statements. In the context of LAMDIK as a non-profit foundation whose funding sources come from accreditation fees, government grants, and donor contributions, the separation of these funds is crucial. Previously, grant and accreditation revenue items were often commingled, making annual fiscal reconciliation difficult.

The Head of the Finance Section confirmed the tangible impact of the reclassification:

"In the past, we often mixed grant funds with operating revenue. Since we started using ISAK 35, every transaction must now be categorized, so we can't just lump them together anymore. This has made the audit process easier and our financial position more secure."

This statement reflects improvements in the technical and administrative dimensions of LAMDIK's tax compliance while also demonstrating how the institution responds to social and regulatory pressures. This aligns with the view of Chariri & Ghazali (2007) that legitimacy is built through a social contract between an organization and the community in which it operates and utilizes economic resources. As an institution that manages public funds from accreditation fees and grants, LAMDIK is obligated to demonstrate that every resource is managed responsibly and can be accounted for. The 2021 case, which revealed discrepancies in PPh 21 withholding tax on assessor honoraria and incomplete withholding documentation, serves as a concrete example of how weaknesses in internal controls can threaten an institution's legitimacy. As emphasized by Ebrahim (2003), any failure in fiscal documentation has the potential to undermine the institution's integrity in the eyes of donors and regulators.

The adoption of ISAK 35 took place through staff training, the redesign of report formats, and guidance from external auditors a process that reflects both organizational learning and LAMDIK's active efforts to communicate its institutional values and behaviors to the public. Dowling & Pfeffer (1975) explain that organizations that feel their legitimacy is threatened will seek to communicate their values and behaviors through information disclosure. In this case, LAMDIK's systemic reforms in 2023 through the adoption of accounting software and staff training constitute a concrete response to such pressures, aligning with the principles of good governance that emphasize transparency, accountability, and responsiveness (Anheier, 2014). In the 2023 audit, external auditors issued a positive assessment of the progress achieved:

"Compared to two years ago, the financial statements now follow the ISAK 35 framework. Restricted funds are now separately reported, and the notes to the financial statements are clearer which is important for an institution of LAMDIK's stature."

This auditor's assessment is relevant within the framework of legitimacy theory as formulated by Deegan, Rakin & Tobin (2002), who state that legitimacy is achieved when there is alignment between the results obtained and public expectations. Notes to the financial statements, which are now more comprehensive and structured, serve as an interpretive space to explain the context of transactions, accounting policies, and the basis for decision-making. This aligns with the view of Berthelot & Rober (2011) that organizations must communicate their activities openly to maintain their legitimacy. LAMDIK's financial reports are thus no longer understood merely as administrative tools, but as strategic documents that embody the values of transparency and accountability before universities, the government, and the broader public.

Overall, the implementation of ISAK 35 at LAMDIK has evolved from a mere formal obligation to the internalization of good governance values. Grey, Owen, & Adams (1996) assert that an organization's existence will continue as long as the public perceives that the organization operates in accordance with prevailing values. In this context, LAMDIK's

consistency in implementing ISAK 35 and fulfilling its tax reporting obligations in an orderly manner is how the institution maintains and strengthens its legitimacy as a professional accreditation body. Through the segregation of funds, more orderly classification of net assets, and more accurate fiscal reconciliation, LAMDIK not only improves its internal reporting mechanisms but also meets stakeholder expectations, making the implementation of ISAK 35 a tangible bridge between public accountability and fiscal accountability.

The Impact of Implementing ISAK 35 on Transparency, Accountability, and Consistency in LAMDIK's Annual Tax Reporting

The implementation of ISAK 35 at LAMDIK has made a tangible contribution that goes beyond mere technical accounting aspects. This standard is gradually establishing a financial and tax reporting system that is more transparent, accountable, and consistent, as reflected in the following three dimensions.

1. Transparency in Reporting

Transparency is a principle of openness that enables stakeholders to access information broadly and honestly. In accordance with Government Regulation No. 24 of 2005, transparency means providing open financial information to the public, who have the right to know about the accountability of public resource management. In the context of LAMDIK, the implementation of ISAK 35 directly embodies this principle through the separation of restricted and unrestricted net assets, which facilitates the open identification of the sources and uses of funds.

Based on Lalolo (2003) transparency indicators, LAMDIK has met the criteria for providing clear information and ensuring easy access to information. This is evidenced by the statement from the Finance Staff:

"Before this system was in place, we often had trouble determining which funds were subject to tax and which were not, especially when the funds came from grants. Now, the ISAK 35 format automatically helps us separate restricted funds, so there is no longer any overlap."

The benefits of transparency, as noted by Andrianto (2007), are also evident: the ISAK 35-based system not only prevents potential data overlap but also enhances public trust in the institution's commitment. External auditors have also confirmed this:

"Digitization has been a huge help. The audit process is faster, and data across departments can be synchronized without long delays. In addition, the reporting system we've developed follows the ISAK 35 framework, so the data trail is easier to verify."

Thus, transparency in LAMDIK's annual tax reporting is not merely an administrative obligation, but a strategic tool for building trust and preventing irregularities (Andrianto, 2007).

2. Fiscal Accountability

Accountability in an organizational context refers to the obligation to manage, report on, and disclose all activities involving the use of public resources (Nurjannah, 2018). Suginam (2020) adds that accountability is enhanced when supported by an accounting system that

produces timely, accurate, and reliable information a condition that LAMDIK directly achieves through the implementation of ISAK 35.

Referring to Ebrahim (2003) three dimensions of accountability, the contribution of ISAK 35 at LAMDIK can be described as follows:

- 1) Upward accountability is reflected in LAMDIK's fulfillment of its fiscal obligations to the state, including income tax under Articles 21, 23, and 29. The Director of Finance emphasized:

"We recognize that nonprofit status does not mean we are exempt from tax obligations. In fact, precisely because we are a public institution, honesty and transparency in tax reporting are part of our accountability to the public."

External auditors have validated this progress:

"LAMDIK has demonstrated a strong commitment to tax reporting. We have observed consistency between the ISAK 35-based financial statements and the annual tax returns filed with the DGT. This represents a positive development compared to the previous two years."

- 2) Downward accountability is achieved through transparency in the management of accreditation funds vis-à-vis higher education institutions and the public. As emphasized by Cordery and Baskerville (2011), the separation of restricted and unrestricted net assets allows stakeholders to understand whether funds are being used in accordance with their intended purposes. The External Auditor's Statement reinforces this point:

"Now, organizations like LAMDIK have a stronger standing in the public eye because their financial reports can be audited. It is this transparency that makes nonprofit organizations trustworthy."

- 3) Internal accountability is strengthened through administrative discipline that has been developed alongside the implementation of ISAK 35. The Chief of Staff stated:

"Whereas in the past, the collection of withholding tax documents was often delayed, now everything is scheduled through the system. This not only speeds up the process but also fosters a culture of discipline in reporting."

This finding is consistent with Pratama & Puspita (2019), who found that weak internal systems are a dominant factor in fiscal reconciliation errors and tax disputes.

3. Consistency in Annual Tax Reporting

Consistency is the third dimension that is further strengthened by the implementation of ISAK 35. Referring to the LAMDIK tax compliance timeline (2021–2024), it is evident that the institution has faced systematic issues: non-compliance with Article 21 Income Tax in 2021, late filing of tax returns in 2022, and insufficient digitalization in 2023. These issues stem from two root causes: limited internal capacity and the complexity of tax regulations.

The phased implementation of ISAK 35 addresses these challenges. The Head of the Finance Section explained:

"We've now started using a simple Excel-based application that has been converted to the DJP Online format. This means our financial reports can be directly adapted for tax filing. In the past, we had to prepare two separate versions of the reports, but now we can use a single data source."

The Head of the Finance Section also added:

"In the past, we often had trouble distinguishing between taxable and non-taxable income. Now, with the ISAK 35 system, all transactions are categorized appropriately, making the tax reporting process much easier."

This consistency reflects progressive organizational learning, consistent with the principles of good governance that emphasize transparency, accountability, and responsiveness (Anheier, 2014). LAMDIK's tax compliance now encompasses four interrelated dimensions: technical, administrative, structural, and normative, where failure in one dimension has the potential to trigger a domino effect on the others.

The three dimensions above form a mutually reinforcing accountability chain: **ISAK 35 → Transparency → Tax Compliance → Fiscal Accountability → Public Legitimacy**. This reflects the concept of accountability convergence (Ebrahim, 2003), in which financial, operational, and fiscal accountability are integrated into a single coherent governance framework.

From the perspective of legitimacy theory (Suchman, 1995), the implementation of ISAK 35 serves as a strategy for LAMDIK to maintain social acceptance through transparent and accountable reporting. As stated by the Director of Finance:

"Before ISAK 35 was introduced, financial reports were viewed merely as an annual obligation. Now we're starting to see them as part of governance. They're not just numbers, but a reflection of how this institution is managed."

Thus, the implementation of ISAK 35 at LAMDIK is not merely a technical administrative measure, but a strategic tool that links transparency, fiscal accountability, and consistency in annual tax reporting—three fundamental aspects that strengthen LAMDIK's position as a professional, credible, and ethical independent accreditation body in the eyes of both the public and regulators.

Challenges Faced by LAMDIK in Implementing ISAK 35 as the Basis for Annual Tax Reporting

The implementation of ISAK 35 at LAMDIK has not been without challenges. Based on interviews with five key informants and a review of the 2023 financial and audit reports, five major challenges were identified, stemming from both internal and external factors.

The first challenge is the limited availability of human resources. ISAK 35 introduces fundamental changes in the classification of net assets compared to the previously used PSAK 45, as ISAK 35 presents a more comprehensive classification of net assets that includes both unrestricted and restricted donor-provided net assets (Awalia et al., 2023). This change requires a higher level of technical understanding from finance staff. The Chief Financial Officer stated:

"At first, we were a bit confused because the terminology was different from PSAK 45. We had to relearn the material so we could adapt the report format to comply with ISAK 35."

Although LAMDIK has responded with internal training and consultations with external auditors, staff turnover and heavy workloads continue to hinder the maintenance of competencies.

The second challenge relates to technical complexity and system limitations. ISAK 35 requires the complete presentation of five components of financial statements, ranging from the statement of financial position, statement of comprehensive income, statement of changes in net assets, statement of cash flows, to the notes to the financial statements. Compliance with all these components demands an integrated and accurate accounting system. However, the LAMDIK accounting system is still semi-manual, relying on Excel templates, and is not yet integrated with the DJP Online tax system, making it prone to data inconsistencies. A Finance staff member explained:

"If there's even a slight change in the financial data in the main report, we have to update it in the tax filing as well. It doesn't happen automatically, so discrepancies are likely to occur."

This situation reflects the transition from compliance-based accounting to data-driven accountability.

The third challenge is the lack of coordination between units and poor reporting discipline. ISAK 35 requires consistency in the presentation of financial statements, as supported by PSAK 1, which sets minimum presentation standards to ensure consistency in reporting across all nonprofit entities in Indonesia. When some units still submit reports in non-uniform formats or with incomplete transaction evidence, the consistency required by these standards is difficult to achieve. The Head of the Finance Section stated:

"Some units submit reports in a different format, or sometimes the transaction documentation is incomplete. So, the finance department has to reorganize the data so it can be included in the ISAK 35 report."

This has caused delays in the audit process and made it difficult to reconcile the financial statements with the annual tax returns.

The fourth challenge stems from external factors, specifically the evolving landscape of tax regulations. ISAK 35, which took effect on January 1, 2020 (Diviana et al., 2020), requires nonprofit organizations to consistently align their financial reporting with applicable tax regulations. However, every update to tax regulations requires LAMDIK to readjust the structure of the reports it has prepared. The external auditor stated:

"Tax regulations in Indonesia are extremely dynamic. Sometimes we've just adjusted, but six months later there's a new rule. That's why the audit process has to be flexible."

Flexibility and adaptability are key to maintaining consistent reporting.

The fifth challenge is cultural in nature: the mindset of some staff members who still view tax reporting as merely an administrative obligation. In fact, one of the main objectives of ISAK 35 is to provide transparent and accurate information to donors, organization members, the public, and oversight bodies regarding financial performance and the use of funds. If reporting is viewed merely as a formality, then the spirit of transparency and accountability that is the essence of ISAK 35 will not be fully realized. The Finance Director emphasized,

"We have to start at the top. If management emphasizes the importance of neat and accurate reports, then the staff below will follow suit. But if it's seen as just a formality, the results will inevitably be lacklustre."

Therefore, a shift in organizational culture is an essential prerequisite for the comprehensive and sustainable implementation of ISAK 35.

5. CONCLUSION AND LIMITATION

This study concludes that the implementation of ISAK 35 at LAMDIK has made a tangible contribution to strengthening transparency, fiscal accountability, and consistency in annual tax reporting, while also marking a paradigm shift from mere formal compliance toward the internalization of good governance values. A more accurate separation of restricted and unrestricted net assets, minimal discrepancies in fiscal reconciliation, and the alignment of financial statements with reporting obligations to the DGT serve as tangible evidence of this progress. From the perspective of legitimacy and accountability theory, LAMDIK's consistency in applying ISAK 35 forms an accountability chain that coherently links reporting transparency, fiscal accountability, and public legitimacy, affirming that tax compliance by nonprofit organizations is an integral part of the principle of sustainable good governance.

This study has several limitations that should be noted. The focus on a single institution using a qualitative phenomenological approach limits the generalizability of the findings to other nonprofit organizations in Indonesia. The limited number of informants and the scope of the study, which covers only up to the 2023 fiscal year, do not fully represent the dynamics of long-term compliance. Additionally, limited access to certain fiscal reconciliation documents restricts the depth of the tax analysis. Further research is recommended using a comparative or longitudinal approach with a broader scope of institutions to yield a more comprehensive understanding of the relationship between nonprofit accounting standards and fiscal compliance in Indonesia.

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