E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Tax Treaty Scrutiny, Proprietary Costs, and Offshore Disclosure in Emerging Markets

Bangkit Dwi Prasetyo [a], **Diana Puspitasari** [b]

[a.] *Department of Management, Faculty of Economics and Business, Dian Nuswantoro University, Semarang, Indonesia, 50131*
[b.] *Department of Management, Faculty of Economics and Business, Dian Nuswantoro University, Semarang, Indonesia, 50131*

ARTICLE INFO

Article history:
Received 18 January 2025
Revised 5 February 2025
Accepted 20 March 2025
Available online 10 April 2025

Corresponding with authors;
Dwi Prasetyo, Bangkit

Keyword:
Treaties, offshore disclosure, exchange of information, tax incentives, voluntary disclosure

ABSTRACT

Purpose – We investigate how tax treaty–related governance mechanisms affect firms' disclosure of offshore activities, considering the different incentives they have to avoid taxes.
Design/methodology/approach – We examine structural relationships using a theory-based survey design and partial least squares structural equation modelling.
Findings – Individuals who are knowledgeable about tax treaties are more likely to disclose offshore information. However, they are less likely to do so if they believe that this will result in information exchange, higher costs, or stricter scrutiny by tax authorities. There is also reason to believe that people are motivated to avoid sharing information, which may exacerbate the negative impact of the perception of information sharing on offshore information disclosure. This suggests that people make strategic decisions about transparency in the face of higher enforcement risk. However, the moderating impact of tax avoidance motives varies depending on the type of enforcement pressure, suggesting that firms at opposite ends of the spectrum respond differently to disclosure.
Originality/value – This study integrates disclosure, tax avoidance, and enforcement theories, revealing how managerial treaty perceptions shape offshore disclosure incentives.
Research Implications – The results suggest that working together on taxes might accidentally stop people from sharing information, especially when companies want to avoid taxes. This means we need to pay more attention to making sure people follow the rules, being open about what we're doing, and how managers behave, if we want to have a better global system.

1. Introduction

As business becomes increasingly internationalised, corporate taxation has become more complex. International tax planning is no longer solely the responsibility of the tax authorities; it is also subject to scrutiny by multiple parties, such as investors, regulators, and non-governmental organisations (NGOs). Tax transparency is increasingly included by investors in ESG assessments. This is according to Balakrishnan et al. (2019). Offshore activities, such as tax policy and tax practices, are considered to be indices or indicators for the quality of governance and long-term risk. This is according to Diamond & Verrecchia (1991). Non-compliance and systemic risks associated with intricate international tax planning structures can be detected by regulators, who rely on corporate disclosures (OECD, 2019). The need to investigate how firm disclosure is driven by international tax regimes is underscored by the growing awareness among stakeholders of such issues.

The significant role of double taxation treaties (DTTs) in international taxation is undeniable. The primary function of DTTs is to eliminate the taxation of cross-border income through exemption and credit mechanisms, thereby promoting international trade and investment (OECD, 2017). In addition to their allocative function, current DTTs place greater emphasis on administrative assistance and the exchange of information between tax administrations to address issues of tax evasion and aggressive tax planning (Glass & Newig, 2019; Li & Ranieri, 2013; Organisation for Economic Co-operation and Development (OECD), 2024). The purpose of this promulgation is to enhance transparency and compliance. However, the full scope of the regulations' impact on corporate disclosure of offshore operations is yet to be clarified. The perceived costs and benefits of firms voluntarily disclosing foreign operations can be changed by information exchange that is agreed upon by all member states.

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

The consequences can be elucidated by reference to extant literature pertaining to corporate disclosure. The idea behind voluntary disclosure theory is that managers do not report private information unless the perceived benefits, in terms of reduced information asymmetry or lower cost of capital, exceed the costs of proprietary, regulatory and litigation issues (Goh et al., 2016; Grossman & Stiglitz, 1980; Milgrom & Roberts, 1986; D. & Verrecchia, 1991; R. E. Verrecchia, 1983). Information that was not shared equally among tax collectors in different legal areas meant that companies could take advantage of the lack of clarity in reporting foreign operations (Eniowo et al., 2026; Khoruzhy et al., 2026; Lowenstein, 1996). However, the exchange of information under treaties is reducing this opacity, and so it may increase the perceived costs of enforcement and of disclosing more information about offshore activities (Azémar & Dharmapala, 2019; Deleidi et al., 2020; Glass & Newig, 2019; D. & Verrecchia, 1991).

The tax planning literature suggests that companies actively choose to balance the savings from taxation with the risks of audit and the potential consequences (Allingham & Sandmo, 1972; Hanlon & Heitzman, 2010; Mills, 1998). As the ways multinational corporations share information improve, they might respond in a strategic way by limiting the public disclosures they make voluntarily. This could result in closer regulation of their offshore affiliates. Early research supports this perspective, showing that lower geographic disclosure, including offshore disclosure, is linked to higher tax aggressiveness (Akamah et al., 2018; Hope & Wang, 2018). New archival evidence has revealed a link between the introduction of DTTs and a decline in the level of offshore disclosure among US multinationals, particularly in areas where tax avoidance incentives are in place. This finding supports the notion that stronger enforcement may, counterintuitively, lead to reduced transparency.

Notwithstanding these observations, the current literature suffers from some relevant limitations, which must be addressed. Firstly, most of the existing research uses archival disclosure data from developed markets and indirectly infers managerial behaviour based on mandatory filing requirements. This approach provides little insight into how Brazilian managers view treaty-related enforcement, information sharing and disclosure. Secondly, our knowledge of how these mechanisms function in emerging markets is limited due to the vastly different institutional setting, enforcement capacity and reporting practices in these countries when compared to those in advanced countries. Thirdly, there is a lack of research on why tax treaty awareness and perceived enforcement pressure are deemed factors, even though these perceptions are fundamental to the taxpayer's decision to disclose (Al-Hiyari et al., 2024; Radulović & Savić, 2025).

To fill these gaps, this article proposes a perception-based model to understand how offshore disclosure is handled in an emerging market. We test how awareness of the tax treaty network, perceived information exchange and enforcement, the cost to a multinational enterprise (MNE) of disclosing taxes paid abroad to its parent country (i.e. disclosure costs), and scrutiny pressure from a specific host-country vs. home-country tax authority affect offshore activity reporting behaviour. This is based on voluntary disclosure theory, tax avoidance explanations and institutional enforcement reasoning. We also investigate whether tax avoidance incentives moderate the relationship. This paper offers new perspectives on the micro-level determinants of cross-border disclosure behaviour by building upon archival findings and utilising survey data and structural equation modelling.

The literature is impacted by this article in a number of ways. Firstly, it provides behavioural insights into the impact of international tax stimuli on disclosure beyond advanced economies. Secondly, it adds the dimensions of treaty awareness and perceived enforcement to the relationship between disclosure and tax avoidance. Finally, it provides policymakers with guidance by shedding light on unintended disclosure reactions to enforcement-driven international tax cooperation.

2. Critical Review

2.1 Theoretical background

This paper is based on Voluntary Disclosure theory that argues that managers disclose when the expected benefits of doing so outweigh proprietary and litigation or enforcement costs (Grossman & Stiglitz, 1980; Milgrom & Roberts, 1986; Verrecchia, 1983). In cross-jurisdictional environments, Information Asymmetry between jurisdictions affects firms' reporting incentives: treaty-induced information exchange can decrease jurisdictional opacity and change disclosure payoffs (Diamond & Verrecchia, 1991; OECD, 2019). The model is also related to Tax Avoidance/Tax Risk perspectives in which firms balance tax savings against the risks of detection and penalty (Allingham & Sandmo, 1972; Hanlon & Heitzman, 2010; Mills et al., 1998). Third, Institutional enforcement logic suggests that the stronger the intergovernmental cooperation, the higher level of scrutiny and potentially enhanced proprietary costs of disclosure (OECD 2017, 2023; Arena et al., 2021).

2.2 Awareness of tax treaties and reporting to offshore activities

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Tax Treaty Awareness (TTA) measures knowledge of treaty purposes (avoiding double taxation, administrative cooperation) and the effects of treaty instruments on the option to report. In connection with this, one of the underlying assumptions of disclosure theory is that well-informed managers are better positioned to reconcile voluntary disclosure with stakeholders needs and reduce the level of ambiguity in reporting so that a greater degree of uniformity in terms of quality and quantity may be achieved if perceived benefits (e.g., credibility, reduced capital costs) predominate.(Verrecchia, 1983: Diamond & Verrecchia:1991). In the context of international taxation, consideration also can be given to treaty terms and information sharing that may lead to a more formalized internal documentation requirement or reporting discipline (OECD, 2017, 2019, 2023). Yet, when in line with tax-disclosure tradeoff decisions, the overall effect can be a function of whether awareness is leveraged to positively impact transparency or mitigate exposure; the former would be associated with governance and reporting expertise (Grossman & Stiglitz, 1980; Milgrom & Roberts, 1986).

H1: There is a positive relationship between TTA and OAD.

2.3 Perceived information exchange & enforcement and offshore activity disclosure

PIEE simulates mangers' perceptions that sharing treaty-based information raises the perceived probability of detection and the perceived consequences for enforcement. Cao et al. clear, introduction of DTTs lowers the reporting of foreign assets as information-exchange provisions enhance the likelihood that operational footprints which are likely to catch tax authority attention will be disclosed. This is consistent with the predictions of disclosure theory: as proprietary or regulatory costs increase, firms optimally decrease voluntary disclosure (Goh et al., 2016; R. E. Verrecchia, 1983). The tax avoidance literature also posits that as the information asymmetry between jurisdictions diminishes, firms will become more constrained and may choose to selectively reduce public signals about offshore activity (Brennan et al., 2020; Dyreng et al., 2019; Hanlon & Heitzman, 2010; Hope et al., 2013). OECD guidelines also emphasise that information sharing provisions are meant to enable enforcement, but this can heighten perceived risk as well as inhibiting granular offshore reporting (OECD, 2017; OECD, 2019).

H2: PIEE is negatively related to OAD.

2.4 Costs of proprietary disclosure and offshore activity disclosure

Proprietary Disclosure Cost (PDC) is an index of perceived competitive, strategic, reputation and regulatory losses incurred from the disclosure of off-shore operations. The voluntary disclosure theory explicitly predicts reduced disclosure when proprietary costs are high (Kim & Pae, 2025; Mura et al., 2025; R. E. Verrecchia, 1983), and there can be a decrease in equilibrium disclosure as managers expect negative actions from competitors or regulators (Grossman & Stiglitz, 1980; Milgrom & Roberts, 1986). Disclosure Disclosure can play the role of a signal that attracts greater attention; previous studies find less geographic disclosure is associated with more aggressive tax outcomes (Hope et al., 2013), and transparency is typically negatively associated with tax aggressiveness (Chen et al., 2025; Joshi et al., 2025). Accordingly, companies with greater proprietary costs are expected to reduce offshore disclosure intensity and detail, especially for emerging market countries where perceived enforcement ambiguity may amplify cost perceptions.

H3: OAD is negatively related to PDC.

2.5 Pressure from tax authorities, scrutiny and disclosure of offshore activities

The amount of audit attention and monitoring around cross-border activity is known as perceived TASP. It is documented by Cao et al. that disclosure reductions are consistent with a firm response to being in a treaty-induced enforcement environment among firms with provisionally enforced BITs. It is suggested by their cross-section evidence that information is more protected by firms when they reside in stronger legal/enforcement environments. In a more general tax environment, increased attention from the authorities can raise the perceived tax risk and may lead to changes in taxpayers' reporting and documentation behaviours (Hanlon & Heitzman, 2010; Mills et al., 1998). Research related to audits and litigation also suggests that increased regulatory scrutiny can change disclosure incentives by raising the perceived cost of public statements (Arena et al.). In addition, when examination pressure increases, firms may choose to voluntarily disclose offshore in order to mitigate potential scrutiny triggers in a rational manner (Verrecchia, 1983; OECD, 2019).

H4: TASP is negatively related to OAD.

2.6 The moderating effect of incentive of tax avoidance

The key idea of Cao et al. is that tax avoidance incentives are partly responsible for why treaty creation decreases offshore disclosure: Offshore disclosure falls in the locations where there are stronger incentives to

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

avoid tax (e.g., high statutory taxes, low income mobility, high likelihood of a shelter). This is consistent with tax-risk frameworks: firms have greater incentive to suppress signals that ease detection when the benefit of avoiding taxes is high (Allingham and Sandmo, 1972; Hanlon and Heitzman, 2010). The disclosure-tax avoidance literature also supports this premise by indicating that nondisclosure may obfuscate aggressive tax behavior (Hope et al., 2013; Joshi, 2020; Joshi et al., 2020; Balakrishnan et al., 2019). Accordingly, we expect that TAI amplifies the negative influences of (i) experience-based information exchange/enforcement and (ii) pressure from scrutiny on offshore disclosure.

H5: TAI moderates (negative) the relationship between PIEE and OAD.
H6: TAI moderates the relationship between TASP and OAD.

2.7 Research model framework

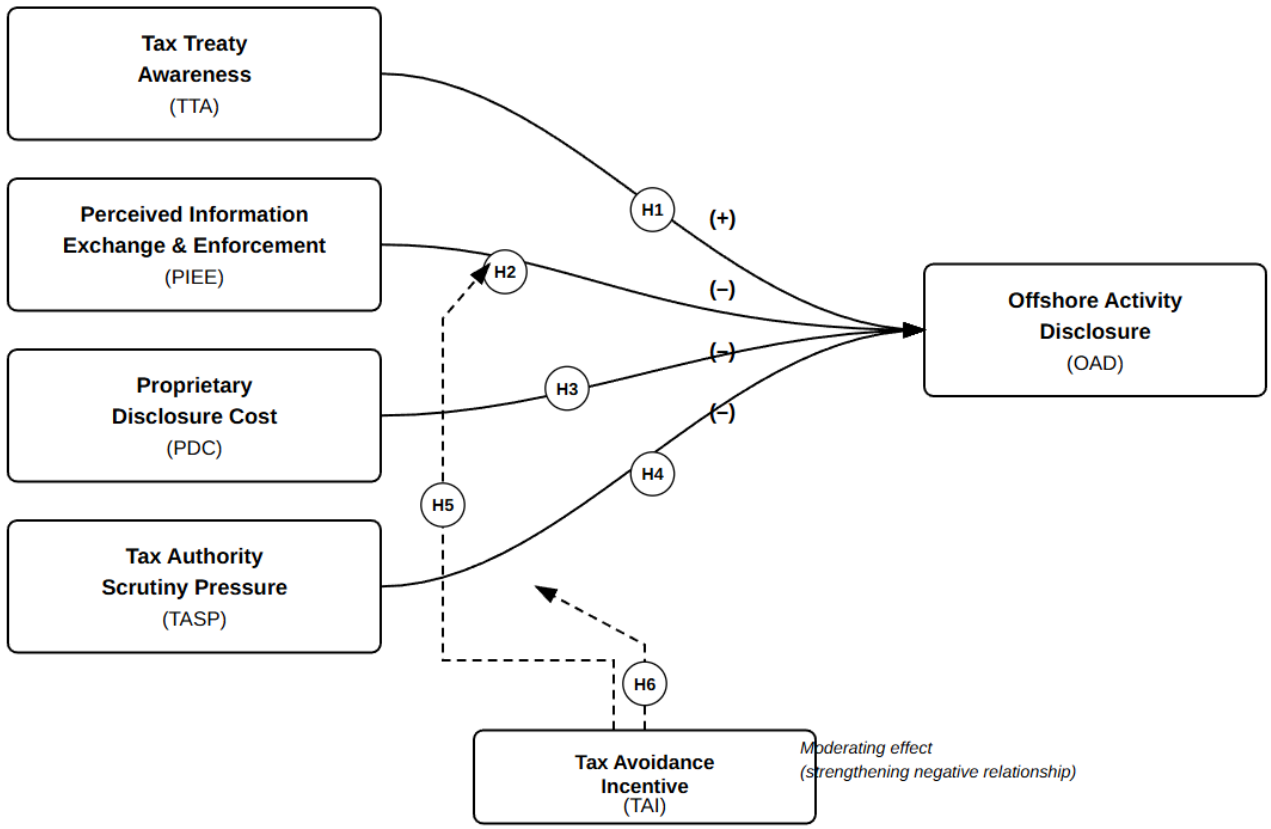

Figure 1. Research model

3. Methods innovation

3.1 Research design

Utilizing a quantitative explanatory research design, this paper examines how treaty-induced governance mechanisms influence offshore disclosure behaviour within an emerging economy. Building on Cao et al. (2026), that rely on a quasi-experimental difference-in-differences method with archival data, the present study introduces a survey-based behavioral experiment design in order to address managerial perceptions and decision-making that are unobserved on public filings. The design is based on Voluntary Disclosure Theory and tax avoidance frameworks that stress managerial discretion in response to regulation (Verrecchia, 1983; Hanlon & Heitzman, 2010). A cross-sectional survey enables testing of latent constructs, including perceived

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

information exchange motives, proprietary disclosure costs and tax avoidance incentives that underpin previous archival evidence at the micro level (Hope et al., 2013; Joshi, 2020; OECD, 2019).

3.2 Research object and sample

The research target is Indonesian multinational enterprises (MNEs) that have international activity through operation of subsidiaries, foreign sales or international supply chain. Consistent with Cao et al. (2026) in a study of firm–subsidiary disclosure decisions, we emphasize that this study uses manager-level survey responses from respondent organizations which are responsible for tax planning or financial reporting such as tax managers, finance managers and corporate secretaries. PURPOSE OF SAMPLE A purposive sample is used to ensure that respondents have adequate information on international tax and disclosure arrangements. Survey-tax research shows that managerial perceptions are reliable proxies for organizational tax conduct (Hanlon and Heitzman, 2010; Joshi et al., 2020). We have 360 valid responses, which is also higher than the minimum PLS-SEM sample size and sufficiently powered for moderation analysis (Hair et al., 2019).

3.3 Variable instruments

All constructs are operationalized by multi-item reflective indicators borrowed from previous high-quality research and international tax literature. The construction of the instrument conforms to established scale validation principles in accounting and tax-related research (Verrecchia, 1983; Hair et al., 2019). Perceptions of information exchange, inspector pressure and offshore transfer are theoretically consistent with Cao et al. (2026), who focus on disclosure in response to treaty-induced enforcement levels. The incentive on tax avoidance Taleb and Abdi (2015) is premised on the previous related literature which connects opacity of disclosure to aggressive tax activities (Hope et al., 2013; Joshi, 2020; Balakrishnan et al., 2019). Each item is rated on a five-point Likert scale and the complete instrument is presented in Appendix B for transparency in reporting, and to enable replication.

3.4 Data analysis

The data will be analyzed with Partial Least Squares based Structural Equation Modeling (PLS-SEM) using SmartPLS 4, which is suitable for prediction-focused models that have latent variables and moderation effects. The use of PLS-SEM over other structural equation models in tax and disclosure research is that it can handle complex model structures and non-normal data distributions (Hair et al., 2019). Following Cao et al. (2026), which focuses on structural connections and mechanism examination instead of causal estimation. On the measurement model, reliability, convergent and discriminant validity are considered and on the structural model path coefficients effect sizes predictive relevance. The moderating effects of tax avoidance incentives are examined with interaction terms, as in recent disclosure and tax behavior literature (Hope et al., 2013; Joshi et al., 2020).

4. Results and Discussion

4.1 Measurement model assessment (Outer Model)

The results in Table 1 show that all the reflective indicators are in line with their respective constructs. In PLS-SEM, the conventional benchmark for indicator reliability is a loading greater than 0.70. All items within the OAD (0.796–0.829), PDC (0.778–0.834), PIEE (0.797–0.843), TAI (0.763–0.838), TASP (0.790–0.848) and TTA (0.752–0.858) constructs exceed this threshold. This confirms strong indicator reliability and demonstrates that each item shares a significant proportion of its variance with its respective latent variable. The lowest recorded loading (TTA3 = 0.752) is on the lower end, but it is still acceptable and does not affect the reliability of the measurement. This is especially true since there is a consistent performance across the TTA indicators. Additionally, the interaction terms are represented by loadings of 1.000. These are single-indicator constructs. They are established for moderation purposes. This is a standard procedure within the framework of interaction-term models. The overall pattern of outer loadings indicates the presence of substantial evidence supporting a well-defined measurement model that is appropriate for subsequent structural analysis.

Table 2 provides strong evidence of both internal consistency reliability and convergent validity for all the constructs examined. The Cronbach's alpha values range from 0.859 to 0.898 and surpass the threshold of 0.70, indicating reliable correlations between the items. In addition, the construct reliability estimates (ρA) ranging from 0.862 to 0.901 further support the concept of consistent reliability in PLS-SEM settings. The composite reliability (ρ_C) scores are also notably high, ranging from 0.898 to 0.922 well above the 0.70 criterion, but below the conservative upper limit of typically less than 0.95. This indicates that the measurement scales are consistent without being unnecessarily redundant, which is important for accurate measurement. The Average Variance Extracted (AVE) values support this further, with all of these falling between 0.639 and 0.684. This means they all surpass the 0.50 benchmark. This suggests that each construct accounts for more than half of the variance in its respective indicators. Essentially, this means that we have statistically validated the

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

measures for treaty awareness, perceived information exchange, proprietary disclosure costs, scrutiny pressure, tax avoidance incentives, and offshore disclosure. These measures effectively represent the intended latent constructs. The measurement model has been shown to meet the necessary quality standards, allowing for valuable insights to be gained into the structural relationships involved.

According to the HTMT procedure, as shown in Table 3, discriminant validity is well supported. In PLS-SEM, if HTMT is < 0.85 (or 0.90 in less stringent settings), constructs can be considered to be empirically distinct and not measuring the same entity. Every single reported HTMT value is below 0.85, with the strongest offensive relationship being observed between TASP and PDC (0.528), followed by TASP and PIEE (0.489), and OAD and PDC (0.497). These magnitudes are substantively plausible in that scrutiny pressure and proprietary disclosure costs should jointly exist for many international tax situations, but well below worrisome levels, consistent with the notion that the constructs continue to measure distinct components of the larger disclosure–enforcement environment. The weak HTMT measures which include TTA (e.g., TTA–OAD = 0.128; TTA–TAI = 0.093) also suggest that the awareness is conceptually and empirically distinct from avoidance motivation as well as disclosure behavior. Overall, the results of HTMT provide evidence in favor of distinctiveness among measurement constructs and bolster confidence in interpretation for structural paths.

From Table 4 multicollinearity does not appear to be a threat in both the measurement and structural model. At the indicator level (outer VIF), all elements are close to each other and far below usual thresholds (usually VIF < 5, or sometimes more conservatively <3.3). The largest VIF outside the range is 2.343 (PIEE2), which still requires no correction and suggests that predictors bring in some unique information instead of being redundant with each other. At the design level (inner VIF), for all OAD predictors, values of the VIF lie in the range between 1.107 and 1.466, signifying that independent variables as well as interaction terms exhibit a mean low collinearity effect. This is of special concern in testing moderation because the interaction variables will largely increase collinearity, but inner VIFs are 1.249 and 1.257 for the interaction predictors (TAI×PIEE and TAI×TASP) respectively, indicating a stable estimation. Thus we can rely on the path-coefficients as reported without fearing that multicollinearity is influencing direction, strength, or significance.

Table 1. Outer Loadings

Construct	Indicator	Loading
OAD	OAD1	0.814
	OAD2	0.796
	OAD3	0.806
	OAD4	0.829
	OAD5	0.826
	OAD6	0.812
PDC	PDC1	0.778
	PDC2	0.814
	PDC3	0.834
	PDC4	0.782
	PDC5	0.806
PIEE	PIEE1	0.84
	PIEE2	0.843
	PIEE3	0.8
	PIEE4	0.835
	PIEE5	0.797
TAI	TAI1	0.763
	TAI2	0.795
	TAI3	0.782
	TAI4	0.838
	TAI5	0.817
TASP	TASP1	0.79
	TASP2	0.825
	TASP3	0.848

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Construct	Indicator	Loading
	TASP4	0.837
	TASP5	0.835
TTA	TTA1	0.8
	TTA2	0.858
	TTA3	0.752
	TTA4	0.81
	TTA5	0.783
Interaction	TAI×PIEE	1
	TAI×TASP	1

Table 2 Reliability and Convergent Validity

Construct	Cronbach's Alpha	ρA	(ρC)	AVE
OAD	0.898	0.901	0.922	0.662
PDC	0.862	0.862	0.901	0.645
PIEE	0.881	0.883	0.913	0.678
TAI	0.859	0.863	0.898	0.639
TASP	0.885	0.899	0.915	0.684
TTA	0.864	0.898	0.899	0.642

Table 3 HTMT Criterion

	OAD	PDC	PIEE	TAI	TASP	TTA
OAD	—					
PDC	0.497	—				
PIEE	0.466	0.417	—			
TAI	0.226	0.331	0.165	—		
TASP	0.409	0.528	0.489	0.277	—	
TTA	0.128	0.247	0.319	0.093	0.279	—

Table 4 VIF Values

Predictor → OAD	Inner VIF
PDC → OAD	1.391
PIEE → OAD	1.33
TAI → OAD	1.107
TASP → OAD	1.466
TTA → OAD	1.111
TAI×PIEE → OAD	1.249
TAI×TASP → OAD	1.257

Table 5 Path coefficients for direct effects

Hypothesis	Path	β (O)	t-value	p-value	95% CI	Decision
H1	TTA → OAD	0.321	5.587	0.000	(0.213, 0.407)	Supported
H2	PIEE → OAD	-0.321	6.949	0.000	(-0.410, -0.229)	Supported
H3	PDC → OAD	-0.305	6.548	0.000	(-0.395, -0.212)	Supported
H4	TASP → OAD	-0.156	3.218	0.001	(-0.250, -0.057)	Supported

Table 6 Coefficient of determination (R^2) and effect size (f^2)

Endogenous Construct	R^2	Adjusted R^2	Predictor	f^2	Effect Size
OAD	0.401	0.389	TTA → OAD	0.155	Medium
			PIEE → OAD	0.129	Small–Medium
			PDC → OAD	0.112	Small–Medium
			TASP → OAD	0.028	Small
			TAI → OAD	0.004	Negligible
			TAI × PIEE → OAD	0.021	Small
			TAI × TASP → OAD	0.004	Negligible

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Table 7 Predictive relevance (Q^2) results

Construct	Model Role	SSO	SSE	Q^2	Predictive
OAD	Endogenous (Structural)	2160	1608.678	0.255	Medium
OAD	Measurement (Communality)	2160	1031.054	0.523	High
PDC	Exogenous (Communality)	1800	966.05	0.463	High
PIEE	Exogenous (Communality)	1800	879.872	0.511	High
TAI	Exogenous (Communality)	1800	987.156	0.452	High
TASP	Exogenous (Communality)	1800	862.201	0.521	High
TTA	Exogenous (Communality)	1800	978.417	0.456	High

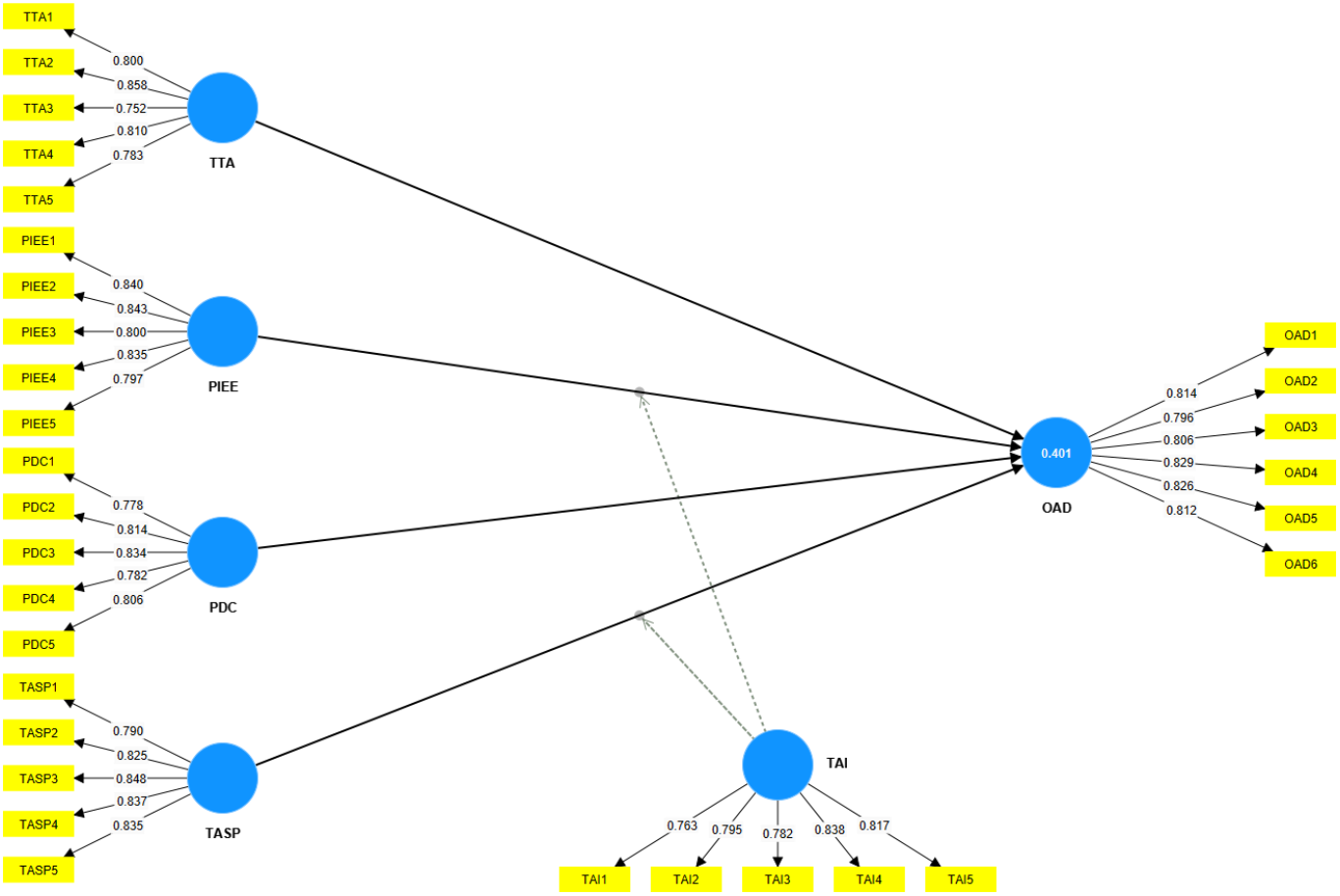

Figure 2 Measurement model (outer model)

4.2 Structural model assessment (direct effects)

Table 5 presents the direct effects of the governance mechanisms related to the treaty on the disclosure of offshore activity. The findings provide robust evidence for all four direct-effect hypotheses. The relationship between TTA and OAD is positive (β = 0.321, *t* = 5.587, p < 0.001), suggesting that managers who better understand the treaty provision and the consequences of reporting are more likely to disclose offshore activity/plans. A lower perceived enforcement environment is also linked with lower disclosure. It is indicated that perceived information exchange and enforcement (PIEE) has a negative impact on OAD (β = −0.321, t = 6.949, p < 0.001), which supports the view that higher perceived information exchange increases the cost of disclosing offshore activities. The disclosure theory-driven trade-off is indicated by the negative effect of PDC on OAD (β = −0.305, t = 6.548, p < 0.001), which occurs when firms disclose under competitive disadvantage or regulatory costs. Finally, TASP is negatively associated with OAD (β = −0.156, t = 3.218, p

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

= 0.001), suggesting that heightened scrutiny deters disclosure. All confidence intervals are non-zero, strengthening statistical significance.

Table 6 presents the explanatory power of the structural model and the proportionate contribution of each predictor to OAD. The R^2 in the model shows that a significant portion of the change in OAD is accounted for by the model (R^2 = 0.401; adjusted R^2 = 0.389). This indicates that in the Indonesian multinational context, treaty-related awareness, enforcement perceptions, disclosure costs and scrutiny pressures collectively contribute substantial explanatory power. When we look at generic PLS-SEM benchmarks, we can see that the amount of explained variance achieved is moderate to strong for behavioural and governance-related studies. Analysis of effect size (f^2) also clarifies the relative importance of these predictors. The strongest effect (f^2 = 0.155) is observed for tax treaty awareness (TTA), indicating the medium relevance of managers' knowledge of tax treaties in explaining disclosure practices. PIEE and PDC have small-to-medium effects, indicating that the intensity of enforcement and proprietary concerns effectively deters disclosure. Tax Authority Scrutiny Pressure (TASP) has a weak, though significant, effect. On the other hand, a weak main effect was exhibited by the Tax Avoidance Incentive (TAI), and its interaction with PIEE was found to be insignificant. This suggests that the incentive to avoid tax is likely to work as a contingent variable rather than as a pure main source to explain voluntary disclosure.

The cross-validated model with blindfolding has poor functionality. This is evident from Table 7. The model has low cross-validation (CV) redundancy and suitability. Our Q2 value for OAD confirms that the structural model is somewhat relevant to new observations (although this relevance is reduced). This is because for an endogenous latent variable it equals 0.255, which is above zero. According to the PLS-SEM standard, a Q^2 value greater than 0.25 indicates moderate predictive relevance. This means that the joint impact of tax treaty awareness, enforcement perceptions, proprietary disclosure costs, scrutiny pressure effects and moderation effects are all significantly influential in predicting the DIA of Indonesian MNCs in this study. The sheer Q^2 value for all constructs ranges from 0.4528 to 0.523, emphasising the substantial predictive relevance observed at the measurement level. These findings suggest that there are valid indicator blocks for each construct in reconstructing the missing link during blindfolding, providing evidence of stringent measurement properties. Consequently, it is not anticipated that the less robust relationships between these constructs and the enforcement and disclosure constructs used as the basis for our theoretical models (see Brown et al., 2013) will be obscured by the high-order factors from TASP and OAD. The predictive validity of both the structural and selection models is strongly supported by the blindfolding results, which enhances trust in them.

4.3 Moderation effects and model fit

Table 8 shows the moderating effects of TAI on the relationship between enforcement-related factors and disclosure of offshore activity. The interaction between PIEE and TAI is negative and significant (β = −0.126, t = 2.559, p < 0.011), and the confidence intervals do not cover zero. This suggests that greater motivations for tax avoidance exacerbate the negative impact of perceived information sharing on offshore disclosure. In other words, the deterrent effect of cross-border information exchange on tax disclosure is stronger when managers have greater incentives to minimise taxes. Conversely, TASP*TAS is not statistically significant (β = −0.056, p = 0.253), which suggests that motives for discretion do not consistently moderate the effect of scrutiny pressure. The unevenness of this situation indicates that mechanisms designed to promote transparency of information in tax treaties are more likely to be influenced by attempts to avoid or evade taxes than traditional methods of enforcement. This finding is in line with previous research on the impact of information exchange provisions on the disclosure strategies employed by management, suggesting that these provisions have a more direct influence on such strategies compared to the overall intensity of scrutiny.

Simple slope analysis across levels of tax avoidance incentive Table 9 shows the results of simple slope analysis which demonstrates whether the relationship between PIEE and offshore disclosure changes at different levels of tax avoidance incentive. In addition, in the context of a low TAI setting, the negative slope for PIEE and OAD is moderate, which suggests that managers with less avoidance motivation are not primarily influenced by the dissemination mechanism. At intermediate TAI, the slope becomes significantly negative indicating that enforcement-driven transparency starts to limit disclosure behavior at higher levels of avoidance thoughts. When TAI is at a high level, this negative association is the most pronounced, suggesting that managers with incentives to lower their tax risk response to perceived information sharing by hiding some of their offshore activity. This trend also confirms the moderation effect of TAI and offers a direct interpretation more than interaction coefficient. The

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

visual and analytical results of the simple slope are all consistent with that tax avoidance incentive moderates the effect of treaty-based information environment on disclosure choices, providing further evidence for the behavioral mechanism underlying moderation.

The overall goodness-of-fit indices and multicollinearity diagnosis for structural model are given in Table 10. Standard root mean squared residual (SRMR) at 0.046 is also below 0.08, indicating close approximation to the model fit. The NFI value 0.884 is above the commonly accepted cut-off of 0.80, indicating that the estimated model can be considered adequate compared with a null-model. further confirming model robustness Other discrepancy measures (d_ULS and d_G) were also within acceptable limits. Crucially, the mean inner variance inflation factor (VIF) of 1.107 to 1.466, are far below the conservative cut-off value for VIF at 5.0 which suggests no predictor or interaction term suffers from multicollinearity issues. Taken as a whole, these diagnostics indicate that the structural estimates are stable and trustworthy, and that including moderation terms is not suffused with excessive levels of collinearity or mis-specification in the model.

Table 11 summarises the hypothesis testing outcomes using PLS-SEM based structural model. The results provide considerable empirical support for all four of the direct effects posited (H1–H4). Tax Treaty Awareness (TTA) is positively associated significantly with Offshore Activity Disclosure (OAD), indicating that better comprehension of the provisions of treaties by management will lead to greater practice in disclosure. On the other hand similarly PIEE, PDC and TASP all have negative significant effects on OAD in line with voluntary disclosure theory and enforcement-based deterrence arguments.

As for moderation, the negative and significant interaction between PIEE and Tax Avoidance Incentive (TAI) provides evidence in support of H5 which implies that avoidance incentive will magnify the deterrent effect information exchange has on disclosure. On the other hand, H6 is rejected, as the interaction between TASP and TAI is statistically non-significant. This asymmetry indicates that transparency institutions based on treaties are more susceptible to managerial avoidance incentives than routine pressure for scrutiny. In sum, the hypothesis testing results support the hypotheses based on theory and give us more insight into how tax avoidance incentives may influence offshore disclosure behavior.

Table 8 Moderating Effects of Tax Avoidance Incentive (TAI) on Offshore Disclosure

Path	β (O)	t-value	p-value	95% CI	Effect
PIEE × TAI → OAD	-0.126	2.559	0.011	(-0.225, -0.032)	Significant
TASP × TAI → OAD	-0.056	1.142	0.253	(-0.148, 0.044)	Not significant

Table 9 Simple slope analysis of moderation effects

Moderator Level (TAI)	PIEE → OAD Slope	Interpretation
Low TAI	Weak negative	Limited avoidance motive
Medium TAI	Moderate negative	Conditional deterrence
High TAI	Strong negative	Amplified concealment

Table 10 Model fit indices and collinearity Ddiagnostics (Inner VIF)

Fit / Diagnostic	Value	Threshold	Assessment
SRMR	0.046	< 0.08	Good fit
NFI	0.884	> 0.80	Acceptable
Chi-square	698.4	—	Descriptive
d_ULS	1.046	—	Acceptable
d_G	0.329	—	Acceptable
Inner VIF (min–max)	1.107 – 1.466	< 5.0	No collinearity

Table 11 Summary of hypotheses testing results

Structural Relationship	Expected Sign	(β)	t-value	p-value	95%	Decision
TTA → OAD	+	0.321	5.587	0	[0.213, 0.407]	Supported

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

PIEE → OAD	–	−0.321	6.949	0	[−0.410, −0.229]	Supported
PDC → OAD	–	−0.305	6.548	0	[−0.395, −0.212]	Supported
TASP → OAD	–	−0.156	3.218	0.001	[−0.250, −0.057]	Supported
PIEE × TAI → OAD	–	−0.126	2.559	0.011	[−0.225, −0.032]	Supported
TASP × TAI → OAD	–	−0.056	1.142	0.253	[−0.148, 0.044]	Not Supported

4.4 Discussion

This paper contributes to the international tax and disclosure literature by investigating how treaty-related governance features and tax avoidance incentives interactively influence offshore activity disclosure in an emerging-market setting. The results generate a number of important implications for both the behavioral and institutional mechanisms by which tax treaties impact corporate disclosure choices, supplementing and extending current evidence that is predominantly limited to developed markets.

The predictions of voluntary disclosure theory are supported by the significant relation that arises between awareness of tax treaties and disclosure of offshore activity. Our findings support (Goh et al., 2016; D. & Verrecchia, 1991). They found that increased awareness of reporting standard treaty obligations captures uncertainty. It also lowers perceived disclosure costs. And it leads to more transparent reporting. As long as the increased level of disclosure benefits exceeds its cost, managers who are well-informed tend to voluntarily disclose value-relevant information, as evidenced by this result (Hanlon & Heitzman, 2010). In the context of tax treaties, it appears that awareness acts as a domestic governance mechanism that facilitates compliance-based rather than strategic-based disclosure. This result aligns with (Cao et al., 2026; Kuo et al., 2025; Xu, 2025), who emphasise that organisational structures generate incentives for reporting. However, our study adds to this by focusing on managerial perception and learning in a transitional environment.

Secondly the effects of perceived information exchange and enforcement on offshore disclosure are negatively signed the results further buttress the proposition that treaty-embedded transparency-improving safeguards may well deter voluntary disclosure in situations where companies are prone to respond to incentives for tax avoidance. Earlier research suggests that information sharing across tax administration helps to alleviate information asymmetry and constraints aggressive tax planning (Beck et al., 2014; Beuselinck et al., 2015). Nevertheless, in agreement with (Akamah et al., 2018; Hope et al., 2013), firm might strategically react by curtailing public disclosures that encourage regulators to scrutinize their operations. The results mirror (Cao et al., 2026; Kuo et al., 2025; Xu, 2025), who provide evidence on a reduction of disclosure subsequent to the signing of double taxation treaties, and propose the existence of similar behavioral reactions in developing countries, where enforcement capacity is strengthening but still far from homogenously implemented.

Third, the negative relationship between the proprietary costs of disclosure and cross-listed firms' foreign disclosures is consistent with the familiar cost–benefit trade-off that underlies voluntary disclosure theory. Multi-national firms often have proprietary knowledge of supply chains, transfer pricing and intercompany transactions. Companies can be put to a competitive disadvantage, or may face regulatory issues, when they release such details (Harris, 1998; Balakrishnan et al., 2019). These results support those of Hoberg and Moon (2017) that identify that offshore operational information is strategically withheld, as well as Ayers et al. (2009) that emphasize reporting incentives of tax planning motives. In the Indonesian environment, ownership issues are particularly interesting because of capacities for multinational competition as well as shifting tax agendas on an equal footing.

Fourth, tax authority audit pressure is shown to decrease offshore disclosure, providing support for deterrence-based theoretical frameworks of tax compliance. The literature shows that increased attention, like audit probability or regulatory scrutiny implies a change in firms' reporting behavior and tax planning strategies (Bozanic et al., 2017; Arena et al., 2021). Yet, instead of leading to more transparency, monitoring can cause firms to withhold voluntary information in a bid for risk reduction when disclosure is not mandatory. This result is consistent with Allingham and Sandmo (1972) theoretical model of firm behavior under risk of enforcement, and empirical work indicating that firms react to the threat of enforcement through changes in information environments rather than actually changing practices.

Lastly, moderation analysis shows that the impact of perceived information exchange on offshore disclosure is negatively enhanced by tax avoidance incentives while the effect did not significantly depend on scrutiny pressure. This asymmetry is theoretically important. Tax treaties with information exchange mechanisms undermine the effectiveness of cross-border tax planning

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

by narrowing the jurisdictional'discontinuities in information (Cantley, 2004; Chen et al., 2017). Managers also seem particularly attuned to the mechanisms mentioned above and respond by further dampening disclosure when incentives for evasion are large. By contrast, general scrutiny pressure might have already be incorporated as a baseline risk and thus constrain the incremental effect of avoidance incentives. This finding extends a study by Cao et al. (2026) by showing that the behavior and outcomes of treaties depend on more than institutional design, as well as providing that firm target incentives play a role.

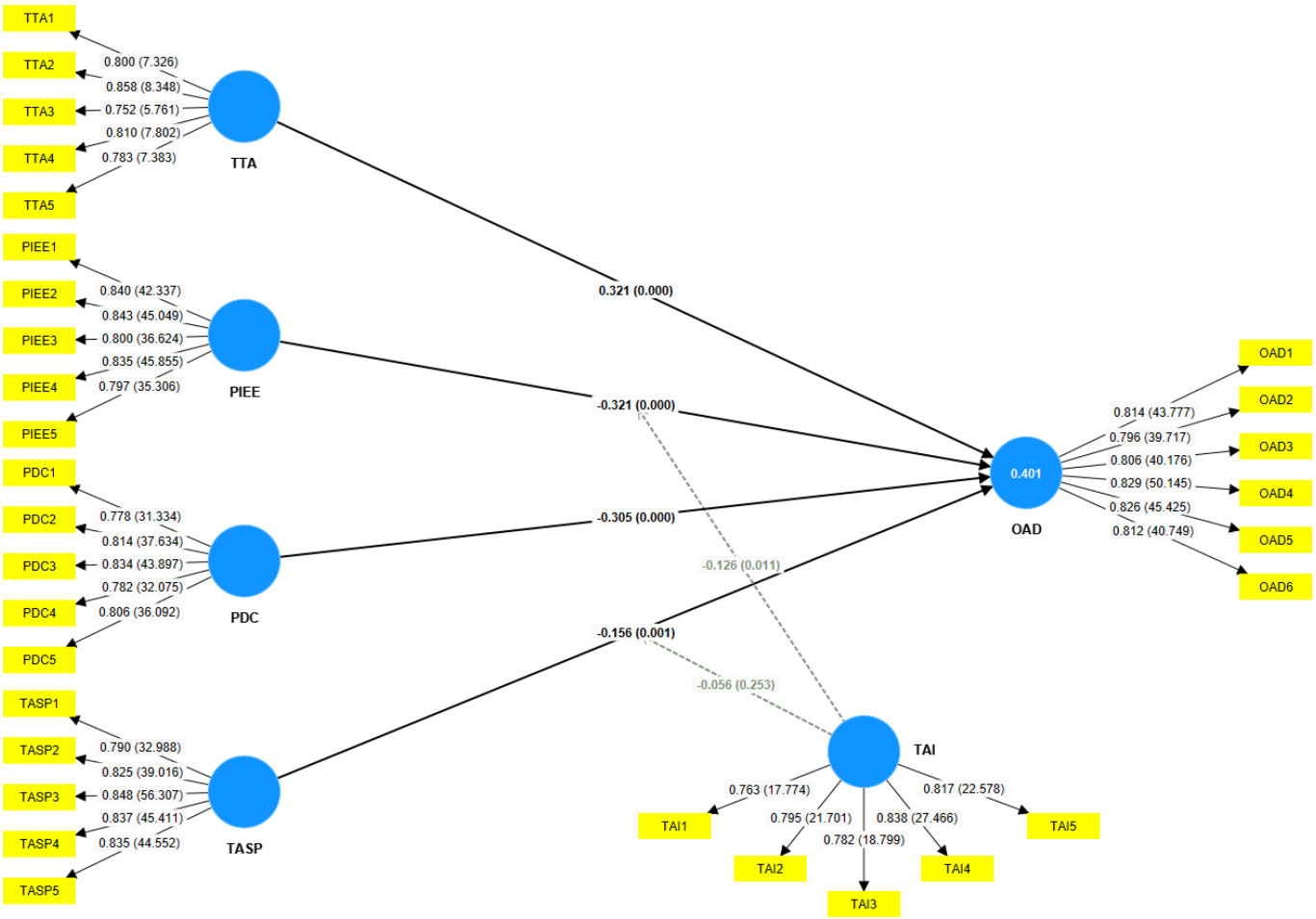

Figure 3. Structural model (inner model)

In sum, the findings imply a flip-side of tax treaties where whilst they represent an accessory to transparency and cooperation, firms with strong tax minimisation incentives may be prompted to strategically shy away from such access. T here are important implications for emerging market policy makers, which indicate that efforts to facilitate the dissemination of information should be matched with mandatory disclosure in order to avoid unintended decreases in transparency.

5. Conclusion

The focus of this paper is on tax treaty-based governance mechanisms and how they influence the degree of voluntary disclosure of offshore activities. We go beyond the traditional approach to studying voluntary disclosure behaviour constrained by taxable income and offer a new theoretical framework. This incorporates both voluntary disclosure theory and motives for tax avoidance, as well as institutional enforcement logic in a developing country setting. Using a perception-based PLS-SEM approach, our results suggest that awareness of tax treaties promotes offshore disclosure, while perceived information exchange, proprietary disclosure costs, and pressure from the tax authority inhibit it. What's more, the negative effect of perceived information exchange on offshore reporting is

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

exacerbated by tax avoidance motives, which suggests that firms strategically reduce transparency when enforcement jeopardises opportunities for tax savings. The results generally support the idea that international tax cooperation could possibly lead to a so-called crowding out effect on voluntary disclosure, especially when there is a strong incentive to avoid taxes. The paper's contribution to the existing body of research on the disclosure of treaties is twofold. Firstly, it provides empirical evidence from a developing country, which is an important addition to the field. Secondly, it puts forward a key suggestion that disclosure mandates are more effective when there is coherence between enforcement mechanisms and these mandates.

Theoretical implications

The implications of our study for voluntary disclosure are twofold: firstly, it provides evidence of the role of proprietary costs in cross-border disclosure decisions; secondly, it explores managers' perceptions of treaty-induced enforcement. It also contributes to the literature on tax avoidance, demonstrating that disclosure behaviour is an endogenously determined response to enforcement risk, as well as general planning considerations. Furthermore, the results expand on an institutional enforcement perspective by demonstrating that increased intergovernmental collaboration can lead to unanticipated outcomes concerning disclosure motivations, notably in less developed nations.

Practical implications

The findings raise tax planning priorities against disclosure and governance concerns for managers and companies. A more in-depth understanding of tax treaties and internal directives can result in more consistent offshore reporting. However, uncontrolled avoidance incentives may increase the risk associated with disclosure. In order to minimise uncertainty in information exchanges, companies are advised to reform their internal tax governance and update their books and records.

Policy implications

For policymakers and tax authorities, the findings suggest that international cooperation on tax enforcement alone may not lead to increased transparency. Compulsory or uniform offshore disclosure mechanisms of this kind could be necessary to protect against strategic non-disclosure. It is vital for policymakers in emerging economies to strike a balance between treaty-based information exchange and the establishment of a transparent reporting framework. This will eliminate ambiguity and speed up compliance.

Limitations

We based this analysis on subjective survey data, which is susceptible to perception bias and social desirability effects. Moreover, we are unable to draw causal conclusions due to the cross-sectional design of our studies. Additionally, they were conducted in only one country, which could potentially influence the generalisation of our results to other institutional settings.

Future research directions

Further work could also merge survey data with archival disclosure indicators to confirm behavioural results. Further examination of how the quality of institutions moderates treaty-disclosure associations can be undertaken through comparative cross-country work. Changes in firms' disclosure behaviour over time could also be considered by longitudinal studies, following changes to tax treaties or enforcement regimes.

Credit authorship contribution statement

Bangkit Dwi Prasetyo: Conceptualization, literature review, research design, instrument development, data collection and analysis, interpretation of results, writing – original draft. **Diana Puspitasari:** Supervision, Methodology, Theoretical validation, Writing – review & editing,Critical revision of the manuscript, Validation.

Declaration of Competing Interest

The authors have no competing financial interests to disclose or personal relationships with other people that could influence the work reported in this paper.

Acknowledgments

The authors would like to acknowledge the academic support by Department of Management, Faculty of Economics and Business, Dian Nuswantoro University. The authors would also like to extend their thanks to the colleagues and anonymous reviewers for providing useful comments and suggestions that contributed to perfecting the quality and clarity of this manuscript. Any errors that may remain are entirely the authors.

Data availability

The data used to support the findings of this study are available from the corresponding author upon request. The data is not available to the public due to

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

survey response confidentiality issues, but can be made accessible for academic or research purposes based on an appropriate user agreement.

Appendix Table Data

Appendix A. Population and Sample Characteristics

Category	Classification	Frequency	(%)
Position / Role	Tax manager / Tax staff	98	27.2
	Accounting / Finance manager	121	33.6
	Auditor / Internal audit	64	17.8
	Senior management (CFO, controller)	77	21.4
Educational Background	Bachelor's degree	152	42.2
	Master's degree	181	50.3
	Doctoral / Professional certification	27	7.5
Years of Professional Experience	≤ 5 years	74	20.6
	6–10 years	146	40.6
	> 10 years	140	38.8
Firm Type	Publicly listed company	134	37.2
	Large private company	146	40.6
	Multinational enterprise (MNE)	80	22.2
Industry Sector	Manufacturing	118	32.8
	Services	141	39.2
	Trade & logistics	61	16.9
	Other sectors	40	11.1
Total Valid Responses		360	100

Appendix B. Measurement Instruments and Construct Operationalization

Variable	Code	Dimension	Measurement Item	Source
Tax Treaty Awareness (TTA)	TTA1	Awareness	I understand the primary objective of tax treaties (DTTs) in preventing double taxation.	OECD (2017, 2023); Hanlon & Heitzman (2010)
	TTA2	Awareness	I understand that tax treaties include provisions for the exchange of tax information between countries.	OECD (2019); Cao et al. (2026)
	TTA3	Knowledge	I am aware of the key treaty partner countries relevant to our firm's cross-border operations.	OECD (2017); Davies (2003); Blonigen & Piger (2014)
	TTA4	Knowledge	I understand the compliance implications of cross-border transactions conducted under tax treaty arrangements.	OECD (2019); Hanlon & Heitzman (2010)
	TTA5	Preparedness	Our firm has internal guidelines or procedures to monitor and manage tax treaty provisions.	OECD (2017, 2019); tax governance literature
Perceived Information Exchange & Enforcement (PIEE)	PIEE1	Information exchange	I believe that tax authorities across countries are able to exchange information on cross-border transactions.	OECD (2019); Cao et al. (2026)
	PIEE2	Enforcement risk	Information exchange increases the likelihood that aggressive tax practices will be detected.	Hanlon & Heitzman (2010); Hope et al. (2013)

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Variable	Code	Dimension	Measurement Item	Source
	PIEE3	Detection likelihood	The probability of tax audits increases when international information exchange frameworks are in place.	Bozanic et al. (2017); OECD (2019)
	PIEE4	Compliance pressure	We experience higher compliance pressure for offshore activities due to information exchange mechanisms.	OECD (2019); Diamond & Verrecchia (1991)
	PIEE5	Reporting impact	Information exchange influences how our firm adjusts its offshore activity reporting strategy.	Cao et al. (2026); Hope et al. (2013)
Proprietary Disclosure Cost (PDC)	PDC1	Competitive harm	Disclosing detailed offshore activities may harm our firm's competitive position.	Verrecchia (1983); Harris (1998)
	PDC2	Strategic sensitivity	Information about offshore locations and partners is strategically sensitive and not always suitable for disclosure.	Verrecchia (1983); Milgrom & Roberts (1986)
	PDC3	Regulatory risk	Detailed offshore disclosure may increase exposure to regulatory scrutiny or litigation risk.	Diamond & Verrecchia (1991); Arena et al. (2021)
	PDC4	Reputational cost	Disclosure of cross-border tax activities may generate reputational or political risks.	Balakrishnan et al. (2019)
	PDC5	Internal cost	Providing detailed offshore disclosures increases internal administrative and coordination costs.	Verrecchia (1983)
Tax Authority Scrutiny Pressure (TASP)	TASP 1	Audit scrutiny	We expect tax authorities to closely scrutinize our offshore transactions.	Hanlon & Heitzman (2010); Bozanic et al. (2017)
	TASP 2	Documentation burden	Our firm is required to prepare more extensive documentation for cross-border activities.	Hanlon & Heitzman (2010)
	TASP 3	Reporting caution	Due to heightened scrutiny, we are more cautious in presenting offshore-related information.	Cao et al. (2026); Hope et al. (2013)
	TASP 4	Governance escalation	Offshore tax issues are frequently escalated to top management or the audit committee.	Mills et al. (1998); Hanlon & Heitzman (2010)
	TASP 5	External monitoring	Investors and regulators increasingly monitor firms' cross-border tax practices.	Balakrishnan et al. (2019)
Tax Avoidance Incentive (TAI) (Moderator)	TAI1	Tax-saving motive	Our firm has explicit objectives to reduce its effective tax burden.	Hanlon & Heitzman (2010); Mills et al. (1998)
	TAI2	Aggressiveness	Management is open to aggressive tax strategies as long as they remain within legal gray areas.	Hanlon & Heitzman (2010); Balakrishnan et al. (2019)
	TAI3	Shelter propensity	Our firm considers structures or arrangements to minimize cross-border tax liabilities.	Cao et al. (2026)
	TAI4	Risk–return trade-off	Tax savings are considered worth the potential risk of audits or penalties.	Allingham & Sandmo (1972); Hanlon & Heitzman (2010)
	TAI5	Income shifting	Our firm has incentives to shift income across jurisdictions to achieve tax efficiency.	Hope et al. (2013); international tax avoidance literature

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Variable	Code	Dimension	Measurement Item	Source
Offshore Activity Disclosure (OAD) (Dependent Variable)	OAD1	Voluntary disclosure	Our firm is willing to adequately disclose offshore subsidiaries and foreign operations.	Hope et al. (2013); Verrecchia (1983)
	OAD2	Disclosure granularity	Our firm is willing to disclose detailed country-level offshore activity information.	Cao et al. (2026); disclosure granularity literature
	OAD3	Consistency	Offshore disclosures are reported consistently over time rather than strategically reduced.	Hope et al. (2013)
	OAD4	Tax transparency	Our firm supports transparent reporting of cross-border tax-related information.	Balakrishnan et al. (2019); Joshi (2020)
	OAD5	Stakeholder orientation	Offshore disclosure considers the information needs of investors and regulators.	Diamond & Verrecchia (1991); Balakrishnan et al. (2019)
	OAD6	Compliance alignment	Offshore disclosures are designed to reduce misinterpretation and enhance tax compliance.	OECD (2019, 2023); Hanlon & Heitzman (2010)

References

Akamah, H., Hope, O.-K., & Thomas, W. B. (2018). Tax havens and disclosure aggregation. *Journal of International Business Studies*, *49*(1), 49–69. https://doi.org/10.1057/s41267-017-0084-x

Al-Hiyari, A., Kolsi, M. C., & Mas'ud, A. (2024). Antecedents and consequences of automated VAT solution adoption in Gulf cooperation countries: the case of the United Arab Emirates. *Journal of Financial Reporting and Accounting*, *23*(2), 721–741. https://doi.org/10.1108/JFRA-10-2023-0617

Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, *1*(3–4), 323–338.

Azémar, C., & Dharmapala, D. (2019). Tax sparing agreements, territorial tax reforms, and foreign direct investment. *Journal of Public Economics*, *169*, 89–108. https://doi.org/https://doi.org/10.1016/j.jpubeco.2018.10.013

Brennan, M., Scott, S., & Bergin, P. (2020). Sudden unexpected death in epilepsy (SUDEP) in New Zealand; A retrospective review. *New Zealand Medical Journal*, *133*(1508), 65–71.

Cao, W., Ding, R., & Hsieh, C.-C. (2026). Double taxation treaties and disclosure of offshore activities: evidence of tax avoidance incentive. *Journal of International Accounting, Auditing and Taxation*, *60*, 100742. https://doi.org/https://doi.org/10.1016/j.intaccaudtax.2025.100742

Chen, C., Liu, H., & Lu, F. (2025). Tax Avoidance and Information Disclosure: Evidence From Income Tax Expense Reconciliations in China. *Accounting & Finance*, *n/a*(n/a). https://doi.org/https://doi.org/10.1111/acfi.70147

Deleidi, M., Iafrate, F., & Levrero, E. S. (2020). Public investment fiscal multipliers: An empirical assessment for European countries. *Structural Change and Economic Dynamics*, *52*, 354–365. https://doi.org/https://doi.org/10.1016/j.strueco.2019.12.004

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2019). When Does Tax Avoidance Result in Tax Uncertainty? *The Accounting Review*, *94*(2), 179–203. https://doi.org/10.2308/accr-52198

Eniowo, O. D., Grobler, H., Mulaba-Bafubiandi, A. F., Onifade, M., Makinde, O., & Daramola, S. O. (2026). Plugging the gaps: Sustainable resource policy and revenue leakages in Nigeria's small-scale lithium mining. *The Extractive Industries and Society*, *25*, 101788. https://doi.org/https://doi.org/10.1016/j.exis.2025.101788

Glass, L.-M., & Newig, J. (2019). Governance for achieving the Sustainable Development Goals: How important are participation, policy coherence, reflexivity, adaptation and democratic institutions? *Earth System Governance*, *2*, 100031. https://doi.org/https://doi.org/10.1016/j.esg.2019.100031

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Goh, B. W., Lee, J., Lim, C. Y., & Shevlin, T. (2016). The effect of corporate tax avoidance on the cost of equity. *Accounting Review*, *91*(6), 1647–1670. https://doi.org/10.2308/accr-51432

Grossman, S. J., & Stiglitz, J. E. (1980). On the Impossibility of Informationally Efficient Markets. *The American Economic Review*, *70*(3), 393–408.

Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, *50*(2), 127–178. https://doi.org/https://doi.org/10.1016/j.jacceco.2010.09.002

Hope, O.-K., Ma, M. (Shuai), & Thomas, W. B. (2013). Tax avoidance and geographic earnings disclosure. *Journal of Accounting and Economics*, *56*(2), 170–189. https://doi.org/https://doi.org/10.1016/j.jacceco.2013.06.001

Hope, O.-K., & Wang, J. (2018). Management deception, big-bath accounting, and information asymmetry: Evidence from linguistic analysis. *Accounting, Organizations and Society*, *70*, 33–51. https://doi.org/https://doi.org/10.1016/j.aos.2018.02.004

Joshi, A., Kangave, J., & van den Boogaard, V. (2025). Furthering a feminist fiscal agenda: Engendering tax and development. *Development Policy Review*, *43*(3), e70005. https://doi.org/https://doi.org/10.1111/dpr.70005

Khoruzhy, V., Kolesnikov, Y., Zakharova, A., & Malenkin, A. (2026). Tax Residency in the European Union and the Problems of Implementing Anti-Tax Avoidance Legislation in the Frames of Digital Competition: A View From Non-Residents. *Journal of Public Affairs*, *26*(1), e70106. https://doi.org/https://doi.org/10.1002/pa.70106

Kim, E., & Pae, S. (2025). Voluntary Disclosure When Information Quality Is Unknown. *The Accounting Review*, *100*(2), 269–297. https://doi.org/10.2308/TAR-2023-0540

Kuo, N.-T., Du, Y.-G., & Lee, C.-F. (2025). Does Tax Enforcement Have a Spillover Effect on Qualitative Disclosure? Evidence From Tone Management in the MD&A. *The International Journal of Accounting*, *60*(03), 2550002. https://doi.org/10.1142/S1094406025500027

Li, Y., & Ranieri, M. (2013). Educational and social correlates of the digital divide for rural and urban children: A study on primary school students in a provincial city of China. *Computers & Education*, *60*(1), 197–209. https://doi.org/https://doi.org/10.1016/j.compedu.2012.08.001

Lowenstein, L. (1996). Financial Transparency and Corporate Governance: You Manage What You Measure. *Columbia Law Review*, *96*(5), 1335–1362. https://doi.org/10.2307/1123407

Milgrom, P., & Roberts, J. (1986). Relying on the Information of Interested Parties. *The RAND Journal of Economics*, *17*(1), 18–32. https://doi.org/10.2307/2555625

Mills, L. F. (1998). Book-Tax Differences and Internal Revenue Service Adjustments. *Journal of Accounting Research*, *36*(2), 343–356. https://doi.org/10.2307/2491481

Mura, A., Piras, F., & Valentincic, A. (2025). When voluntary reporting choices are credible: the case of upward revaluations in private firms. *Accounting and Business Research*, 1–43. https://doi.org/10.1080/00014788.2025.2529296

OECD. (2017). *Costa rica 2017*.

Organisation for Economic Co-operation and Development (OECD). (2024). *Harmful Tax Practices – 2023 Peer Review Reports on the Exchange of Information on Tax Rulings: Inclusive Framework on BEPS: Action 5*.

Radulović, B., & Savić, M. (2025). Accounting practitioners and small business clients' tax compliance: evidence from the survey of Serbian accountants. *European Journal of Law and Economics*, *59*(2), 277–305. https://doi.org/10.1007/s10657-024-09798-9

Verrecchia, D. &. (1991). Disclosure, Liquidity, and the Cost of Capital. *The Journal of Finance*, *46*(4), 1325–1359. https://doi.org/https://doi.org/10.1111/j.1540-6261.1991.tb04620.x

Verrecchia, R. E. (1983). Discretionary disclosure. *Journal of Accounting and Economics*, *5*, 179–194. https://doi.org/https://doi.org/10.1016/0165-4101(83)90011-3

Xu, L. (2025). Beyond Borders: The Unexpected Effects of Domestic Digital Tax Enforcement on International Tax

E-ISSN: 3047-8774, P-ISSN: 3048-3794
Jurnal Inovasi Pajak Indonesia (JIPI), Vol. 2, No. 1, April 2025, Page. 01-18
https://doi.org/10.69725/jipi.v2i1.326

Avoidance. *Emerging Markets Finance and Trade*, 1–16. https://doi.org/10.1080/1540496X.2025.2556882