PSAK 45 to ISAK 35 and its implications for tax compliance of non-profit organizations

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ABSTRACT

The revocation of PSAK 45 and the enactment of ISAK 35 were undertaken as a refinement of accounting standards to ensure that financial statements of nonprofit organizations are presented transparently, accountably, and in accordance with generally accepted accounting standards. This study aims to discuss the transition from PSAK 45 to ISAK 35 and to examine its implications for tax compliance in nonprofit organizations using a literature study approach. The method employed is a literature review of sixteen reputable national and international journal articles addressing PSAK 45, ISAK 35, financial reporting quality, and taxation aspects of nonprofit organizations. The findings indicate that PSAK 45 implementation faces challenges, particularly regarding consistency and suitability of financial statement presentation. ISAK 35 is considered easier to apply and capable of enhancing transparency and accountability. However, implementation remains suboptimal due to limited human resource competencies and inadequate understanding of accounting standards. Improved reporting quality supports compliance.

Keywords: *ISAK 35; PSAK 45; Non-Profit Organizations; Tax Compliance; Financial Statements*

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INTRODUCTION

Non-profit organizations are established as entities that do not aim to generate profits or financial income but rather focus on providing social services or public services to the community to meet the interests and welfare of the community (Subaeda et al., 2023). Since 1997, nonprofit organizations in Indonesia have been regulated by PSAK No. 45 concerning the presentation of financial statements of nonprofit entities, which serves as the basic reference for the presentation of financial statements of nonprofit organizations so that the financial information presented by nonprofit organizations can be easily understood by internal and external users (Subaeda et al., 2023). However, in response to evolving financial reporting needs, PSAK 45 on Financial Reporting for Non-Profit Entities was revoked through PPSAK 13 and replaced by ISAK 35 on the Presentation of Financial Statements of Non-Profit-Oriented Entities, which became effective on January 1, 2020. Issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI), ISAK 35 interprets paragraph 05 of PSAK 1 on Presentation of Financial Statements by providing guidance on adjusting the descriptions used for certain financial statement items and the financial statements themselves, and is accompanied by illustrative examples and a basis for conclusions that does not form part of ISAK 35 (IAI, 2019). As part of entities subject to regulation, changes in financial reporting standards for nonprofit organizations also have the potential to affect the fulfillment of other administrative obligations, particularly in the context of taxation.

In practice, nonprofit entities in Indonesia, even though they are not profit-oriented, still have certain tax obligations. These obligations may include withholding or collecting income tax on specific transactions, as well as fulfilling tax administration requirements in accordance with applicable laws and regulations. Tax compliance is not only a legal obligation but also an integral part of good governance, particularly in promoting public accountability and fiscal transparency (Asmonah et al., 2025). Given these conditions, nonprofit entities are required to prepare financial reports that not only meet accounting standards but also provide information relevant to taxation needs. Therefore, the quality and structure of financial reports are important factors in supporting the accuracy of tax calculations and reporting (Setiawan et al., 2025).

The need for high-quality and structured financial reports highlights the importance of changing the financial reporting standards for nonprofit organizations. These changes are important because financial reports play a crucial role in promoting transparency and accountability in nonprofit organizations, particularly in providing information to donors and other stakeholders (Tanjaya et al., 2024). With the implementation of ISAK 35, it is expected that the presentation of nonprofit organizations' financial statements will be more complete with key components such as financial position statements and CALK, thereby increasing transparency and accountability (Julyana et al., 2024).

In line with this theoretical perspective, several previous studies have examined the application of ISAK 35 in nonprofit entities, particularly in relation to transparency and accountability in financial reporting. However, most existing studies still focus more on the aspects of financial reporting and quality, without directly linking them to the tax compliance of nonprofit organizations. Therefore, discussions on how the application of ISAK 35 affects the tax reporting process and the level of compliance with the tax reporting process have not been discussed in depth. This condition indicates a gap in research. Therefore, this topic is relevant for further study, particularly regarding how the change in standards from PSAK 45 to ISAK 35 can affect the tax compliance of non-profit organizations in Indonesia.

Therefore, this study aims to examine the implications of the change from PSAK 45 to ISAK 35 on the tax compliance of nonprofit organizations, both in terms of financial statement presentation and its impact on reporting and compliance with relevant tax regulations. This analysis is important in providing recommendations and best policies and practices to improve the quality of nonprofit organization reporting and tax compliance. In addition, the results of this study are also expected to be used as practical considerations for nonprofit organization managers, regulators, and tax authorities in formulating policies, guidelines, and strategies for more effective assistance in supporting the implementation of ISAK 35 and in improving tax compliance in a sustainable manner.

LITERATURE REVIEW

Non-Profit Organizations

Referring to PSAK No. 45, a non-profit organization can be defined as an organization that obtains its funding from contributions/donations from its members or other parties without any expectation of reward (IAI, 2011). Therefore, based on this description, a nonprofit organization can be defined as an entity that is oriented towards serving the public interest and does not aim to generate profits for certain parties. The main focus of this organization lies in efforts to improve the welfare of the wider community, not in business interests or financial gains (Badu et al., 2024).

In Indonesia, according to Tanjaya et al. (2024), non-profit organizations can be classified based on their founding objectives or funding sources. First, a foundation is an organization established to achieve social, religious, or humanitarian goals with a focus on serving the community. It is established by one or more founders and is not exclusive in nature. Second, associations are membership-based organizations formed around the shared objectives of their members. These include both incorporated and unincorporated associations. According to Tanjaya et al. (2024), many associations in Indonesia remain unincorporated, and those seeking legal protection or legal entity status must prepare registration documents to be submitted to the head of the relevant district court. Third, institutions are organizations that pursue objectives in education, social affairs, culture, and the humanities. Although their organizational levels may vary, they share the common goal of providing knowledge to the public.

PSAK 45 on Financial Reporting for Non-Profit Organizations

PSAK 45 is an accounting guideline previously used by non-profit organizations in Indonesia in the process of preparing their financial statements, PSAK 45 stipulates the types of financial statements that must be prepared, including the Statement of Financial Position (Balance Sheet), Statement of Activities (Statement of Changes in Net Assets/Statement of Financial Performance), Cashflow Statement, and CALK (IAI, 2011). This standard aims to ensure that the information presented in financial statements can be understood and used by interested parties, especially donors and funders, to see how funds are managed by nonprofit organizations. However, with the development of financial reporting systems, PSAK 45 is considered not yet fully in line with the form of financial statements of entities in general. This condition has prompted the need for other standards that are more adapted and aligned with PSAK, which refers to IFRS (Setiadi, 2021) I.

ISAK 35 as a Replacement for PSAK 45

ISAK 35 was issued as an interpretation of PSAK 1, which serves as a guideline for presenting the financial statements of nonprofit organizations (IAI, 2019). Unlike PSAK 45, ISAK 35 no longer uses the term "activity report," but instead aligns it with the income statement and other comprehensive income, although the substance remains tailored to the characteristics of nonprofit organizations. The application of ISAK 35 can improve the quality of financial statement presentation and strengthen accountability. Transparent and accountable financial reporting is also important for maintaining stakeholder and donor confidence (Fadilla et al., 2025). Several studies show that the application of ISAK 35 can improve the transparency of financial statements for foundations and social organizations compared to PSAK 45 (Julyana et al., 2024).

Nisa et al (2023) state that according to DSAK IAI (Indonesian Accounting Standards Board), ISAK 35 is a guideline for non-profit entities in preparing their financial statements, which emphasizes the need for terminology adjustments and preparation in accordance with the characteristics of non-profit companies. ISAK 35 contains information on the presentation of financial statements for non-profit entities, consisting of paragraphs 1-13, namely (1) PSAK 1: PSAK 1 basically uses the terminology of profit entities, but its scope only covers non-profit entities, as this requires adaptation for its presentation. (2) PSAK 1: PSAK 1 does not yet provide specific guidelines for entities that have non-profit activities. (3) The characteristics of nonprofit entities differ from those of business entities, the most notable difference being that they obtain power from funders without expecting economic rewards. (4) Financial statements for nonprofit entities serve to assess the accountability of resource management and help provide information on financial position, performance, and cash flows. (5) The interpretation applies to nonprofit entities regardless of their legal form. (6) ISAK 35 also applies to non-profit entities that use the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). (7) The interpretation applies specifically to the presentation of financial statements. (8) ISAK 35 explains how nonprofit entities adapt descriptions, both in certain items in the financial statements and in the financial statements themselves. (9) PSAK 1 regulates the requirements for the presentation of financial statements, the structure of reports, and the minimum requirements for the content of financial statements, which must also be observed by non-profit entities. (10) Adaptation by grouping certain items, for example, by grouping resources based on their nature, namely those with restrictions and those without restrictions from the resource provider. (11) Non-profit entities may also adjust the title of financial statements, such as using the term "statement of changes in net assets" instead of "statement of changes in equity," as long as the title is consistent with the content of the financial statements. (12) In presenting financial statements, including CALK, nonprofit entities are required to consider all relevant facts and conditions so that the quality of the information presented is not diminished. (13) Entities shall apply this standard for financial years beginning on or after January 1, 2020.

The Relationship between ISAK 35 and Tax Compliance

As a form of accountability, nonprofit organizations are certainly not immune to various issues, one of which relates to tax management and fiscal reconciliation. Taxes have often been associated with profit-oriented entities, but in reality, nonprofit organizations are also affected by taxation regulations (Setiawan et al., 2025). This is mainly related to the management of surpluses, grant receipts, and the recording of assets that require special treatment in financial statements (Setiawan et al., 2025). In Indonesia, the application of

ISAK 35 to nonprofit organizations is still relatively new, so in practice, not all organizations are able to implement it properly. As a result, adjustments are needed in the process of preparing and presenting financial statements to remain in line with applicable tax regulations, as this condition can affect the level of tax compliance of nonprofit organizations.

METHOD

In this study, the approach applied is the Systematic Literature Review (SLR) method. SLR can be defined as a systematic literature review approach to identify, review, and interpret various findings of studies related to the topic being studied in an effort to answer the research questions that have been formulated (Melia, 2022).

The Systematic Literature Review research process is divided into three main stages, namely planning, implementation, and reporting (Kitchenham & Charters, 2007). (1) The initial stage is the planning stage, which is carried out by developing a strategy for searching and selecting literature relevant to the research topic. At this stage, search keywords related to nonprofit organizations, PSAK 45, ISAK 35, and tax compliance are determined. The literature search process is carried out through reputable national and international journal databases, such as Google Scholar, Scopus, and other scientific journal portals, in order to obtain publications that are in line with the research focus. (2) The implementation stage is the stage of applying the Systematic Literature Review based on predetermined criteria. The criteria used in this study were original research articles rather than review articles, articles published between 2020 and 2025, and articles discussing nonprofit organizations, PSAK 45, and ISAK 35, as well as aspects of tax compliance. The selected articles that met the criteria were then analyzed to identify the relationship between changes in accounting standards and their implications for tax compliance. Based on this selection process, 16 articles were obtained to be used as material for this study. (3) The reporting stage, in which the research results will be presented in the form of a scientific narrative. The selected articles were then summarized and presented in a table containing the author's name, year of publication, and main findings of each study.

After that, a comparison was made between the research results to see the similarities and differences, particularly those related to the application of PSAK 45 and ISAK 35 and their relationship with the tax compliance of nonprofit organizations. The results of this comparison were then used as consideration in drawing conclusions and formulating recommendations for nonprofit organizations and related parties.

RESULTS AND DISCUSSION

The following presents research data grouped by author name, year of publication, and journal name. These articles will be further analyzed and discussed.

Table 1
Review of Previous Studies

No	Author (Year)	Title	Findings
1	(Setiadi, 2021)	Implementation of ISAK 35 (Non-Profit) in Non-Profit Organizations (Mosques, Schools, Courses)	In Indonesia, there are still many nonprofit organizations that have not implemented ISAK 35 due to limited understanding of financial reporting standards, even though financial reporting standardization is very important to reduce weaknesses in recording nominal turnover.

2	(Julyana et al., 2024)	Analysis of the Application of ISAK 35 on the Presentation of Financial Statements of Non-Profit Entities in Foundations: A Case Study of the Al-Ikhlas Raudlatul Athfal "Al-Ikhlas" Islamic Education Foundation in Sukabumi	In 2022, the foundation had not yet implemented ISAK 35 as a reporting standard because the reports presented were still not comprehensive, as they were still limited to recording cash receipts and expenditures using the cash basis. At the end of the period, these records were only summarized to determine the total income, expenses, and remaining operating cash. The main obstacle for implementing ISAK 35 stemmed from limited human resources, as the financial reports were not handled by personnel with expertise in accounting.
3	(Sianturi & Purba, 2024)	Implementation of ISAK 35 Regarding Financial Reports of Non-Profit Organizations of Non-Profit Organizations at HKBP Aloban Church	The results of the study indicate that the implementation of ISAK 35 in the financial reports of HKBP ALOBAN has not been optimal, as the reports prepared are still limited to income and expenditure reports only.
4	(Nisa et al., 2023)	Comparison of the Complexity of Financial Statement Presentation for Non-Profit Entities Using PSAK 45 Compared to ISAK 35	The results of the study indicate that PSAK 45 has a higher level of complexity than ISAK 35 in terms of understanding, provisions, account variations, and preparation time. Conversely, ISAK 35 is considered easier to implement because it is flexible according to the needs of the entity, has a simpler asset classification, and allows for a faster report preparation process, especially when assisted by the use of software.
5	(Subaeda et al., 2023)	Financial Statements of the Central Sulawesi Province PMI UTD: Are They in Compliance with ISAK No. 35?	This study concludes that the 2021 financial statements of the Central Sulawesi Province PMI UTD have been prepared in accordance with ISAK No. 35, as reflected in the completeness of the financial statements as stipulated in ISAK 35. However, the PMI UTD is still expected to continue to follow developments and updates to ISAK 35, recruit human resources with an accounting education background, and actively participate in training activities.
6	(Meiliana et al., 2023)	Analysis of the Implementation of PSAK No. 45 on Financial Reporting for Non-Profit Organizations (Case Study at Aminah General Hospital in Blitar)	Based on the results of the study, PSAK No. 45 at Aminah General Hospital in Blitar has not been optimally implemented. This is evident in the fact that activity reports have not been prepared as a supplement to financial reports, while CALK is only prepared for annual financial reports.
7	(Rizqi & Nurfadiliyah, 2020)	Preparation of Financial Statements for Non-Profit Organizations Based on Financial Accounting Standards (PSAK) No. 45 (Study at Al-Iman Mosque in Bukit Tinggi)	The findings show that at the Al-Iman Mosque in Bukit Tinggi, financial reports are still prepared in a simple manner, as they only focus on recording cash income and expenditure, including the final balance of the mosque's cash. In addition, the mosque administrators have not conducted an adequate inventory of assets. Given these conditions, the financial reports are considered to be not in accordance.

			with PSAK No. 45.
8	(Yandira et al., 2021)	PKM Evaluation of the Implementation of Financial Reporting for Non-Profit Organizations (PSAK 45) at the Foundation for All Nations and the Pondok Akar Foundation	The presentation of financial statements at Yayasan Untuk Segala Bangsa is still limited to financial position reports and activity reports. while Yayasan Pondok Akar only records cash inflows and outflows due to limited human resources. Yayasan Untuk Segala Bangsa's financial statements also do not fully comply with PSAK 45. Meanwhile, Yayasan Pondok Akar has not implemented PSAK 45 at all.
9	(Nurdiani et al., 2025)	Financial Transparency and Accountability in Nonprofit Organizations: A Systematic Literature Review	The findings of the study indicate that the financial transparency and accountability of nonprofit organizations can be improved through the use of digital technology, but there are still challenges in implementing effective transparency mechanisms and adjusting to stakeholder expectations.
10	(Chen et al., 2025)	How do entrepreneurial directors shape financial reporting quality in nonprofit organizations?	The findings show that in nonprofit organizations, the presence of directors with an entrepreneurial background improves the quality of financial reporting. This effect is stronger if the board actively supervises, maintains reputation, includes female entrepreneurs, has more mature directors, and has a high level of organizational transparency, but it weakens if there are government officials on the board.
11	(Auliah et al., 2025)	The Application of ISAK 35 as a Strategy to Improve Transparency and Accountability in Financial Reporting at the Ath-Thayyibah Mosque	The results of the study reveal that the financial reporting conducted by the administrators of the mosque is still not comprehensive and limited because it only focuses on cash inflows and outflows and does not yet meet the five main components in accordance with ISAK 35. The main obstacle lies in the limited understanding and ability of human resources in preparing financial reports in accordance with standards. However, mosque administrators have shown a commitment to improving the quality of financial reporting if they receive training and technical assistance. These findings emphasize the importance of training and support from external parties in encouraging the implementation of financial reporting standards in community mosques.
12	(Barus et al., 2024)	Implementation of Isak 35 on Financial Statements Non-Profit Organization: Case Study of GBKP Pontianak Church	This study concludes that GBKP Pontianak has implemented fund accounting and ISAK 35 accounting standards, as evidenced by the completeness of its financial statements as stipulated in ISAK 35. This implementation is supported by budget planning, routine financial reporting, and the availability of competent human resources, resulting in more effective and efficient fund management. However, the recording is still cash-based and does not fully cover the depreciation of fixed assets.
13	(Anjani & Bharata, 2022)	Analysis of the Application of ISAK No. 35 on the Presentation of Financial Statements	In preparing its 2020 financial statements, Yayasan Hati Gembira has complied with ISAK No. 35, as it has presented complete reports in accordance with ISAK 35 provisions. The use of

		of Non-Profit Organizations at Yayasan Hati Gembira Indonesia (Happy Hearts Indonesia)	ISAK 35 makes the financial statements more complete and easier to understand and improves the quality of accountability and responsibility to donors.
14	(Salamah & Nasrullah, 2023)	Implementation of Financial Statements for Non-Profit Organizations Based on ISAK 35 (Case Study at Az-Zabur Islamic Boarding School, Kajen, Pekalongan Regency)	The application of ISAK 35 in the financial statements of the Az Zabur Islamic Boarding School Kajen is not yet fully compliant, as it is limited to recording cash expenditures and income. However, the ISAK 35-based financial statements prepared by the researcher are complete, such as the statement of financial position, and are considered applicable and easy to understand by various parties.
15	(Munte et al., 2024)	Design of Church Financial Statements Based on Interpretation of Financial Accounting Standards (ISAK) 35	Research findings show that the implementation of ISAK 35 in churches can improve the accountability and transparency of financial reports, thereby enabling better evaluation of financial management performance and increasing congregational trust. The implementation of ISAK 35 at HKBP Bandar Klippa also enables financial reports to present the financial condition clearly, including the deficit in 2022, changes in fixed assets, changes in net assets, and cash flows from operating and investing activities.
16	(Setiawan et al., 2025)	The Implementation of ISAK 35 and Annual Tax Reports at Non-Profit Legal Entities: A Case Study of LAMDIK	ISAK 35 in LAMDIK's financial statements has been implemented in accordance with the provisions, thereby increasing transparency in the financial statements. However, there are still obstacles in tax reporting, particularly related to fiscal reconciliation and administrative efficiency.

Transition from PSAK 45 to ISAK 35 in Financial Reporting for Non-Profit Organizations

Based on various studies reviewed, the application of PSAK 45 in the financial reporting of nonprofit organizations still faces a number of obstacles. In practice, the financial statements prepared are often simple and do not fully meet the components that should be presented, such as activity reports, cash flow statements, and notes to financial statements (Rizqi & Nurfadiliyah, 2020; Meiliana et al., 2023; Yandira et al., 2021).

This situation generally occurs because organizational managers do not yet have adequate accounting knowledge, compounded by a lack of human resources with a background in accounting.

This situation has led to the need to improve financial reporting standards for nonprofit entities. ISAK 35 was introduced as an effort to address this issue by aligning the financial reporting of nonprofit organizations with the commonly used PSAK framework. ISAK 35 does not simply replace PSAK 45 but also offers a simpler approach to financial statement presentation without compromising the basic principles of accountability and transparency. Through a more flexible reporting structure, ISAK 35 allows nonprofit entities to present financial statements that can be tailored to the conditions, characteristics, and needs of each entity.

In its application, ISAK 35 is easier to use and understand by nonprofit entities compared to PSAK 45. This is because ISAK 35 does not impose rigid rules on the format

of financial statements but still emphasizes accountability and transparency of information (Nisa et al., 2023). In addition, account grouping and report presentation can be adjusted to the conditions of each organization. Non-profit organizations, from those with simple activities to those with complex activities, can still apply ISAK 35 without encountering many obstacles. Therefore, the change from PSAK 45 to ISAK 35 can be seen as a step to make financial reporting for non-profit organizations in Indonesia more organized and easier to understand.

Implementation of ISAK 35 and Increased Transparency of Financial Reports

From several studies that have been reviewed, it appears that most of them state that the implementation of ISAK 35 has a positive impact, especially in terms of transparency and accountability of nonprofit organizations' financial reports. Several organizations that have fully implemented ISAK 35 are able to present more complete and organized financial reports, making them easier to understand by stakeholders. The reports produced are not limited to recording cash receipts and expenditures but also include financial position reports and notes to financial statements (Subaeda et al., 2023; Anjani & Bharata, 2022; Munte et al., 2024). The presentation of these more comprehensive reports contributes to increased transparency in fund management and strengthens the accountability of nonprofit organizations to donors, the public, and regulators.

On the other hand, several studies have also found that many nonprofit organizations still experience difficulties in optimally implementing ISAK 35. Common obstacles include limited human resource competency, a lack of knowledge of applicable accounting standards, and rudimentary, cash-based financial recording practices (Setiadi, 2021; Julyana et al., 2024; Auliah et al., 2025; Salamah & Nasrullah, 2023). These conditions result in financial reports that do not fully comply with ISAK 35 requirements, both in terms of structure and the completeness of the information presented. These findings indicate that the effectiveness of ISAK 35 implementation is not solely determined by the existence of standards but is strongly influenced by the internal readiness and financial management capacity of the nonprofit organization itself.

Therefore, efforts to improve the transparency of nonprofit organizations' financial reports through ISAK 35 need to be accompanied by strengthening the internal capacity of the organization, accounting training for financial managers, technical assistance from external parties, and the use of an appropriate accounting information system, which can be strategic steps to encourage the more effective implementation of ISAK 35. Thus, ISAK 35 not only serves as a normative guideline but also has a real impact on improving the quality and transparency of an organization's financial reports.

Overall, this transition to the new standard is expected to encourage improvements in the financial management of nonprofit organizations and increase stakeholder confidence. However, the successful implementation of ISAK 35 remains highly dependent on the internal readiness of organizations, particularly in terms of human resource competencies and management commitment to the application of good accounting standards.

Quality of Financial Reporting, Governance, and Accountability of Nonprofit Organizations

In addition to technical accounting aspects, the quality of financial reporting by nonprofit organizations is also greatly influenced by governance and the character of the organization's managers. Chen et al (2025) shows that financial reports tend to be of better quality when the supervisory board actively performs its supervisory function and

pays attention to the organization's reputation. These findings are in line with Nurdiani et al (2025), which states that financial transparency and accountability are very important for building stakeholder trust. However, in practice, there are still many challenges to be faced. The study also shows that the implementation of ISAK 35 not only helps with the technical aspects of preparing financial reports but also contributes to improving the overall governance of nonprofit organizations.

Implications of ISAK 35 Implementation on Tax Compliance of Non-Profit Organizations

This study focuses on the implementation of ISAK 35 and how it affects the tax compliance of nonprofit organizations. Financial statements that are prepared transparently and systematically are the main basis for organizations to fulfill their tax obligations, particularly in the process of calculating, reporting, and accounting for taxes. Through ISAK 35, nonprofit organizations are encouraged to present more complete financial information. The implementation of ISAK 35 has the potential to improve tax compliance because better quality financial reports can make it easier for entities to identify taxable items, group transactions, and prepare tax reports in accordance with tax regulations. Clear and well-documented financial information can also reduce the risk of recording errors and increase accountability in tax reporting. Thus, ISAK 35 can serve as a supporting instrument in achieving better tax compliance for nonprofit entities.

However, according to Setiawan (2025), the application of ISAK 35 to nonprofit legal entities can indeed improve the transparency of financial reports, but in practice there are still obstacles in terms of taxation, particularly related to the fiscal reconciliation process, which is still not running optimally, and the low efficiency of tax administration. The differences between accounting treatment based on ISAK 35 and tax provisions mean that nonprofit organizations must make fiscal adjustments that are not always easy, especially for organizations with limited human resources and tax knowledge.

This shows that, although ISAK 35 has the potential to support tax compliance through the presentation of more accurate financial information, its application does not automatically guarantee tax compliance. Good accounting standards need to be balanced with an adequate understanding of applicable tax regulations. Without sufficient tax competence, financial statements prepared in accordance with ISAK 35 have the potential to cause errors in tax reporting. Therefore, nonprofit organizations need sufficient understanding of taxation and good integration between financial reporting and tax reporting so that the benefits of ISAK 35 can be optimally felt in the context of taxation.

Synthesis of Literature Study Findings

Overall, from the various literature studies that have been reviewed, it appears that the transition from PSAK 45 to ISAK 35 is a significant step toward improving the quality of financial reports of nonprofit organizations. The implementation of ISAK 35 provides a more systematic, clear, and easy-to-understand framework for presenting financial reports, thereby increasing the transparency and accountability of financial management in nonprofit organizations. Financial reports prepared based on ISAK 35 also have the potential to become a more reliable basis for fulfilling tax obligations, as the financial information presented is more complete and structured.

However, the literature reviewed also shows that the success of ISAK 35 implementation is not solely determined by the existence of new accounting standards. Internal organizational factors, such as the readiness and competence of human

resources, the effectiveness of organizational governance, and the level of understanding of tax regulations, play a very significant role in determining the effectiveness of ISAK 35 implementation. Without the support of these factors, accounting standards that have been designed to improve the quality of financial reporting have the potential to not provide optimal impact in practice.

With ISAK 35, financial reports can be clearer, neater, and easier to understand, thereby helping organizations fulfill their tax obligations. However, the successful implementation of this standard cannot rely solely on regulations. Many factors determine the successful implementation of ISAK 35. For example, how prepared the management team is, how the organization is governed, the strengthening of human resource capacity, improvements to the financial management system, and how well they understand the applicable tax regulations. So, even though ISAK 35 does provide a better framework than PSAK 45, its implementation still requires adequate attention and preparation from within the organization.

CONCLUSION AND SUGGESTION

Based on various literature studies that have been reviewed, several conclusions can be drawn. First, the decision to revoke PSAK 45 and implement ISAK 35 is a strategic step to improve the quality of financial reports of nonprofit organizations. Second, ISAK 35 provides flexibility and is more in line with general accounting standards, making financial reports more transparent, accountable, and easier to compare. Third, when compared to PSAK 45, ISAK 35 is indeed easier to apply in daily practice. However, there are still challenges, such as limited human resources and uneven understanding of accounting standards. With the implementation of ISAK 35, financial reports have improved, and this has the potential to help nonprofit organizations fulfill their tax administration obligations. However, its impact on tax compliance is not yet fully maximized, as there are still differences between accounting rules and tax regulations, especially when performing fiscal reconciliation. Therefore, for ISAK 35 to truly provide benefits, its implementation needs to be supported by good governance and clear synergy between accounting standards and tax policies.

Based on the conclusions of the study, several recommendations can be made, namely (1) nonprofit organizations are advised to improve the competence of human resources in the fields of accounting and taxation through continuous training so that ISAK 35 can be implemented optimally. (2) The Financial Accounting Standards Board and tax authorities are expected to improve coordination in order to minimize differences in interpretation between accounting standards and tax provisions applicable to nonprofit organizations. (3) Further research is recommended to use empirical methods with primary or secondary data from nonprofit organizations to directly test the effect of ISAK 35 implementation on the level of tax compliance. In addition, an in-depth study of the tax treatment of nonprofit organizations' activities also needs to be developed, given the limited literature that specifically discusses taxation aspects of the nonprofit sector in Indonesia.

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