West Science Interdisciplinary Studies
Vol. 03, No. 09, September and 2025: pp. 1521-1531

The Effect of Tax Planning Strategies and Compliance with Digital Tax Regulations on Effective Tax Burden and Financial Performance of Start-ups in Jakarta

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ABSTRACT

This study investigates the impact of tax planning strategies and compliance with digital tax regulations on the effective tax burden and financial performance of start-ups in Jakarta. Using a quantitative approach, data were collected from 130 start-up respondents through a structured questionnaire with a Likert scale ranging from 1 to 5. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS 3). The results show that tax planning strategies significantly reduce the effective tax burden and positively influence financial performance. Compliance with digital tax regulations also reduces the effective tax burden and enhances financial performance, highlighting the importance of aligning with Indonesia's digitalized tax system. Furthermore, the effective tax burden was found to have a significant negative effect on financial performance and mediates the relationships between tax planning, compliance, and financial performance. These findings suggest that start-ups can achieve fiscal efficiency and strengthen their competitiveness by integrating proactive tax planning with digital tax compliance.

Keywords: *Tax Planning, Digital Tax Regulations, Effective Tax Burden, Financial Performance, Start-ups*

1. INTRODUCTION

Start-ups play a vital role in driving innovation and economic growth in Indonesia, particularly in Jakarta, which has emerged as a hub for entrepreneurial activity in Southeast Asia. Despite their potential, start-ups often face substantial challenges in managing financial resources efficiently, with tax management being a critical area. Effective tax management is essential not only for regulatory compliance but also for reducing financial risks and improving overall performance, making tax planning strategies and compliance with digital tax regulations increasingly relevant for ensuring the sustainability and competitiveness of start-ups. Tax planning is crucial for optimizing tax burdens and improving cash flow management, where strategies such as purchasing taxable goods/services from registered taxpayers and delaying tax invoice reporting have been shown to enhance financial performance and regulatory compliance [1]. Proactive tax planning can minimize tax liabilities, thereby improving a start-up's financial health and reducing the risk of penalties [1]. However, many Indonesian companies, including start-ups, struggle with integrating effective tax management practices due to a lack of leadership commitment, employee training, and a robust tax culture [2]. Digital start-ups, in particular, face unique challenges in complying with tax regulations, especially with the rapid growth of the digital economy and evolving tax policies [3]. The modernization of tax systems and policy reforms tailored to digital businesses can enhance compliance by improving transparency and efficiency, while user-friendly digital tax systems with clear guidelines can simplify compliance and lead to better tax reporting [3]. In this regard, the Indonesian government is encouraged to develop strategies to increase tax revenue from the digital economy, such as implementing digital services taxes and expanding the VAT base [4], while policymakers are urged to provide regulatory support and incentives that encourage compliance and the adoption of innovative technologies [2].

Tax planning involves the strategic arrangement of financial activities to minimize tax liabilities within the legal framework, and for start-ups that typically operate with limited capital and resources, effective tax planning can significantly influence cash flow, profitability, and long-term viability. In Indonesia, the rapid digitalization of the tax system—through online tax reporting, e-filing, and the use of electronic invoices—aims to enhance transparency, efficiency, and compliance, but it also demands adaptability and digital readiness from start-ups. Optimization of tax incentives has been shown to reduce corporate income tax burdens significantly, as demonstrated by PT. Janu Putra Sejahtera, which improved its financial health through structured tax planning [5]. For VAT, strategies like purchasing from registered taxpayers and delaying tax invoice reporting can optimize tax burdens and improve cash flow management [1]. Similarly, for MSMEs, selecting the appropriate income tax rate based on net income can enhance profitability, such as personal MSMEs with net income over 6% that benefit from specific tax rates under PP 23 of 2018 [6]. Beyond traditional methods, the integration of AI in tax planning can enhance accuracy and efficiency by providing real-time analysis and predictive insights, allowing businesses to optimize tax strategies while ensuring compliance with evolving regulations [7]. Furthermore, adherence to regulatory frameworks such as PP No. 23/2018 can support tax efficiency, with cases like PT. X demonstrating that strategies of business splits under Law No. 40/2007 result in tangible tax liability reductions [8].

The effective tax burden is a key indicator reflecting how well businesses manage their tax obligations relative to their income, and for start-ups, adopting sound tax planning and adhering to digital tax regulations can lower this burden, thereby freeing up resources for reinvestment and growth. Financial performance—measured through profitability, revenue growth, and sustainability—is closely tied to how effectively companies navigate their tax responsibilities, meaning that start-ups that successfully integrate tax planning with digital compliance can strengthen financial performance and enhance competitiveness in dynamic markets. Effective tax planning involves utilizing tax incentives, selecting appropriate asset depreciation methods, and managing deductible expenses to significantly reduce tax burdens without violating regulations [5], while choosing the right tax planning tools at different stages of a company's development is also essential for legally lowering the tax burden [9]. On the compliance side, the use of digital documents for tax reporting, as permitted by regulations, enhances the efficiency of tax administration and aligns with the principle of efficiency in public administration [10]. Moreover, structured tax planning and compliance with regulations not only minimize tax burdens but also improve a company's financial health through increased liquidity and profitability [5], and when tax accounting is aligned with legal frameworks, it optimizes financial operations and enhances overall financial performance [11].

Prior studies have explored the role of tax planning in improving corporate financial outcomes, as well as the benefits of regulatory compliance in reducing legal risks and increasing trust among stakeholders; however, there is still limited empirical evidence on how tax planning strategies and digital tax compliance jointly affect the effective tax burden and financial performance of start-ups, particularly in the Indonesian context, making it essential to address this research gap in order to provide practical insights for entrepreneurs, policymakers, and regulators on optimizing tax management practices. Based on this background, the objectives of this study are threefold: (1) to analyze the effect of tax planning strategies on the effective tax burden and financial performance of start-ups in Jakarta, (2) to examine the impact of compliance with digital tax regulations on effective tax burden and financial performance, and (3) to assess the mediating role of effective tax burden in linking tax planning and compliance with financial performance.

2. LITERATURE REVIEW

2.1 Tax Planning Strategies

Effective tax planning is crucial for start-ups as it enables them to optimize limited resources and improve cash flow by minimizing tax liabilities within legal boundaries, thereby reducing the effective tax burden while enhancing financial flexibility and profitability. Tax planning plays a significant role in shaping the relationship between taxpayers and the Treasury, influencing the future development of economic projects and often determining the success or failure of businesses, particularly those with limited capital [12]. By legally reducing tax burdens, organizations can optimize financial performance and ensure long-term sustainability [9]. Strategies such as utilizing tax incentives and selecting appropriate asset depreciation methods help reduce corporate income tax burdens, improve liquidity, and boost profitability without violating regulations [5], while proper documentation and compliance with tax laws are essential components of tax accounting that allow businesses to strategically manage finances and minimize liabilities [11]. Moreover, the use of data envelopment analysis (DEA) offers a comprehensive measure of effective tax planning by capturing how efficiently firms maximize after-tax returns, linking effective practices to higher returns and lower tax and non-tax costs beyond traditional measures like cash effective tax rates (ETRs) [13].

2.2 Compliance with Digital Tax Regulations

The digitalization of tax administration in Indonesia, as part of a global trend, has significantly impacted tax compliance and efficiency, with the Directorate General of Taxes implementing systems such as e-filing, e-billing, and e-invoicing that have been shown to improve compliance and reduce administrative inefficiencies, thereby enhancing transparency, lowering the risk of penalties, and improving operational efficiency, which are crucial for better financial outcomes for businesses, including start-ups. The adoption of these digital technologies is a strategic move to optimize state revenue and support sustainable national development, as electronic systems simplify tax reporting and payment processes and have had a substantial positive effect on taxpayer compliance [14], [15], with businesses utilizing them tending to report and pay taxes more promptly [15]. Moreover, digital systems reduce compliance and administration costs, which is particularly beneficial for firms in their development phases [16], while tools like e-invoicing and prefilled returns enhance efficiency in tax administration by simplifying tracking and improving overall practices [16]. However, challenges remain, including low digital literacy and data security concerns, which hinder full adoption [15], [17], highlighting the need for improved digital literacy and strengthened technological infrastructure to fully realize the benefits of digital tax compliance [15].

2.3 *Effective Tax Burden*

Effective tax planning is crucial for start-ups to manage their effective tax burden, which directly impacts profitability and growth potential, as optimizing tax incentives and minimizing non-deductible expenses can enhance financial performance and ensure sustainable growth. Utilization of tax incentives is a key strategy, as demonstrated by PT. Janu Putra Sejahtera, which successfully improved liquidity and profitability through structured tax planning [5]. Similarly, selecting appropriate asset depreciation methods can reduce taxable income and lower the effective tax burden [5], while proper management of deductible expenses—ensuring all eligible costs are accurately documented and claimed—further supports tax efficiency [5]. Beyond reducing tax liabilities, effective tax planning leads to higher after-tax returns by enabling firms to maximize income through efficient operating, investing, and financing decisions [13], and also contributes to overall financial efficiency by lowering both tax and non-tax costs [13].

2.4 *Financial Performance*

Tax management strategies play a crucial role in enhancing the financial performance of start-ups by optimizing profitability, revenue growth, and return on assets, with effective tax planning leading to improved profit margins and long-term viability, particularly for start-ups that are sensitive to external factors. Studies have shown that tax planning has a significant positive impact on financial performance, such as research on Turkish firms which found that effective tax planning is associated with increased profitability, growth, and market value [18]. In the Indonesian consumer non-cyclicals sector, financial performance has been found to significantly influence tax aggressiveness, indicating that firms with stronger financial outcomes may engage in more aggressive tax strategies [19]. Similarly, a study on PT. Merapi Utama Pharmacy in Medan demonstrates that tax planning positively correlates with revenue management, suggesting that effective strategies can enhance financial management and profitability [20]. Beyond larger firms, tax management is also critical for microenterprises, as seen in Ecuador where proper implementation of tax planning strategies legally and ethically reduces the tax burden, improving liquidity and financial stability [21]. Broader implications for start-ups are highlighted in research on the Indonesian tobacco sub-sector, which shows that tax planning positively affects financial performance, reinforcing that start-ups can leverage strategic tax management to enhance their financial outcomes [22].

2.5 *Theoretical Framework*

This study is underpinned by two main theories: Agency Theory [23], which explains the conflicts of interest between managers and owners regarding resource allocation and compliance, where effective tax planning and compliance strategies can reduce information asymmetry, align interests, and enhance financial outcomes; and Legitimacy Theory [24], which emphasizes that firms seek to operate within societal norms and regulations to gain legitimacy, with compliance to digital tax regulations serving as evidence of adherence to government policies, thereby enhancing credibility, improving stakeholder trust, and ultimately strengthening financial performance.

Based on the literature and theoretical framework, the following hypotheses are proposed.

H1: Tax planning strategies have a significant effect on effective tax burden.
H2: Tax planning strategies have a significant effect on financial performance.
H3: Compliance with digital tax regulations has a significant effect on effective tax burden.
H4: Compliance with digital tax regulations has a significant effect on financial performance.
H5: Effective tax burden has a significant effect on financial performance.
H6: Effective tax burden mediates the relationship between tax planning strategies and financial performance.
H7: Effective tax burden mediates the relationship between compliance with digital tax regulations and financial performance.

3. METHODS

3.1 Research Design

This study employs a quantitative research design using a survey method to investigate the impact of tax planning strategies and compliance with digital tax regulations on effective tax burden and financial performance of start-ups in Jakarta. The research also examines the mediating role of effective tax burden in the relationship between independent and dependent variables. A cross-sectional design was adopted, collecting data at a single point in time to provide empirical evidence of the relationships among the variables.

3.2 Population and Sample

The population of this study consists of start-up companies operating in Jakarta across various sectors, including technology, retail, and services. Due to the dynamic nature of start-ups and limited accessibility to the entire population, a purposive sampling technique was applied, focusing on start-ups that have been operating for at least two years and are subject to tax obligations in Indonesia.

A total of 130 respondents, comprising financial managers, accountants, and entrepreneurs of start-ups, were selected as the sample. This sample size is considered sufficient for Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis, as recommended by Hair et al. (2019), which requires a minimum of 100 respondents for models with multiple constructs and paths.

3.3 Data Collection Methods

Primary data were collected using a structured questionnaire distributed both directly and via online platforms, with responses measured on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) to capture perceptions and practices related to tax planning, compliance with digital tax regulations, effective tax burden, and financial performance. The questionnaire was divided into four sections: Tax Planning Strategies (TPS), measured through indicators such as optimization of deductions, timing of income recognition, and utilization of tax incentives; Compliance with Digital Tax Regulations (DTR), measured through indicators such as e-filing usage, adherence to e-invoicing, and accuracy in digital reporting; Effective Tax Burden (ETB), measured through indicators such as tax-to-income ratio, perceived reduction of tax liabilities, and efficiency in tax payments; and Financial Performance (FP), measured through indicators such as profitability, revenue growth, and financial sustainability.

3.4 Data Analysis Techniques

The collected data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS 3), which is appropriate for predictive modeling, theory development, and handling relatively small sample sizes, with the analysis conducted in two stages: the Measurement Model (Outer Model), which assessed the reliability and validity of constructs using factor loadings, Cronbach's alpha, composite reliability, and Average Variance Extracted (AVE); and the Structural Model (Inner Model), which tested the hypothesized relationships among variables through path coefficients, R^2 values, effect sizes (f^2), and predictive relevance (Q^2), with hypotheses evaluated using bootstrapping procedures at a 95% confidence level, where a t-statistic greater than 1.96 indicated a significant effect.

4. RESULTS AND DISCUSSION

4.1 Descriptive Findings

This study collected data from 130 start-ups in Jakarta, all of which met the eligibility criteria of operating for at least two years and being registered taxpayers. Respondents consisted of financial managers (42%), accountants (28%), and business owners or founders (30%), ensuring that the perspectives were drawn from individuals directly responsible for financial management and tax compliance. In terms of business sectors, 45% of respondents represented technology-based start-ups, 32% were from service-oriented start-ups, and 23% operated in retail and trade. Most of the participating start-ups were still in their early growth phase (2–5 years of operation, 61%), while the rest were in the establishment phase (over 5 years, 39%).

Descriptive statistics were computed for each construct to provide an overview of the respondents' perceptions. For Tax Planning Strategies (TPS), the mean score was 4.02 (on a 1–5 scale), indicating that start-ups actively implement practices such as optimizing deductions, timing income recognition, and utilizing available tax incentives, with a relatively low standard deviation of 0.58 reflecting consistent responses. Compliance with Digital Tax Regulations (DTR) recorded a mean score of 3.95, suggesting that most respondents have adopted tools such as e-filing, e-billing, and e-invoicing, though a moderate standard deviation of 0.64 indicates variation in adoption, especially among smaller and younger firms. Effective Tax Burden (ETB) had a mean score of 3.78, showing that many start-ups perceive tax planning and compliance as moderately effective in reducing tax-to-income ratios, with a standard deviation of 0.61 suggesting differences based on firm size and sector. Finally, Financial Performance (FP) obtained the highest mean score of 4.10, reflecting that most start-ups in Jakarta are achieving satisfactory financial outcomes in terms of profitability, revenue growth, and financial sustainability, with a standard deviation of 0.55 indicating relatively stable performance across the sample.

4.2 Measurement Model Results

The measurement model (outer model) was assessed to evaluate the reliability and validity of the constructs used in this study, namely Tax Planning Strategies (TPS), Compliance with Digital Tax Regulations (DTR), Effective Tax Burden (ETB), and Financial Performance (FP). The evaluation covered four key aspects: indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The results showed that all indicator loadings were above the recommended threshold of 0.70, with values ranging from 0.72 to 0.89, which indicates that each indicator contributed significantly to its respective construct. Since all indicators met the reliability requirement, none were removed from the model.

For internal consistency reliability, Cronbach's alpha and composite reliability (CR) values were calculated. Cronbach's alpha values ranged from 0.82 to 0.88, while CR values ranged from 0.87 to 0.92, both exceeding the minimum threshold of 0.70. These results confirm that the constructs demonstrate good internal consistency and reliability. Regarding convergent validity, the Average Variance Extracted (AVE) values ranged from 0.62 to 0.74, surpassing the recommended threshold of 0.50 (Fornell & Larcker, 1981). This indicates that each construct explains more than half of the variance of its indicators, thus confirming convergent validity.

Discriminant validity was tested using the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT). The square root of the AVE for each construct was higher than its correlations with other constructs, satisfying the Fornell–Larcker criterion. Moreover, HTMT values ranged between 0.42 and 0.79, which is below the conservative threshold of 0.85, confirming that each construct was empirically distinct. Taken together, these results indicate that the measurement model fulfills the requirements for indicator reliability, construct reliability, and both convergent and discriminant validity. Therefore, the measurement model can be considered robust and appropriate for testing the structural relationships in the next stage of the analysis.

4.3 Structural Model Results

After confirming the validity and reliability of the measurement model, the next step was to evaluate the structural model (inner model), which focused on collinearity assessment, explanatory power (R^2), effect size (f^2), predictive relevance (Q^2), and hypothesis testing through path coefficients and bootstrapping. The collinearity assessment showed that the Variance Inflation Factor (VIF) values for all constructs were below 3.0, indicating no multicollinearity issues among the predictor variables. The coefficient of determination (R^2) demonstrated that Effective Tax Burden (ETB) was explained by Tax Planning Strategies (TPS) and Compliance with Digital Tax Regulations (DTR) with an R^2 value of 0.56, indicating moderate explanatory power, while Financial Performance (FP) was explained by TPS, DTR, and ETB with an R^2 value of 0.64, suggesting substantial explanatory power. Effect size (f^2) analysis revealed that TPS and DTR had a medium effect (f^2 between 0.15–0.35) on ETB, while ETB had a medium effect on FP, and TPS and DTR also showed small-to-medium effects directly on FP. Predictive relevance (Q^2) values obtained through blindfolding were positive for both ETB (0.33) and FP (0.41), indicating that the model has good predictive capability.

Path coefficients and hypothesis testing were conducted using bootstrapping with 5,000 resamples to assess the significance of the structural relationships. The analysis confirmed the hypothesized relationships, where tax planning strategies (TPS) and compliance with digital tax regulations (DTR) significantly influenced the effective tax burden (ETB), which in turn significantly impacted financial performance (FP). In addition, TPS and DTR were also found to have direct positive effects on FP, though of smaller magnitude compared to their indirect influence through ETB. These findings highlight the dual role of tax planning and digital tax compliance in directly and indirectly shaping financial performance, reinforcing the importance of integrating both strategies for start-ups to achieve sustainable financial outcomes.

H1: Tax Planning Strategies → Effective Tax Burden ($\beta = -0.41$, $t = 6.12$, $p < 0.001$). Significant negative effect.

H2: Tax Planning Strategies → Financial Performance ($\beta = 0.32$, $t = 4.89$, $p < 0.001$). Significant positive effect.

H3: Compliance with Digital Tax Regulations → Effective Tax Burden ($\beta = -0.36$, $t = 5.47$, $p < 0.001$). Significant negative effect.

H4: Compliance with Digital Tax Regulations → Financial Performance ($\beta = 0.28$, $t = 4.15$, $p < 0.001$). Significant positive effect.

H5: Effective Tax Burden → Financial Performance ($\beta = -0.27$, $t = 3.98$, $p < 0.001$). Significant negative effect.

H6: Tax Planning Strategies → Financial Performance mediated by Effective Tax Burden (indirect $\beta = 0.11$, $t = 3.25$, $p < 0.01$). Significant mediation.

H7: Compliance with Digital Tax Regulations → Financial Performance mediated by Effective Tax Burden (indirect $\beta = 0.10$, $t = 3.04$, $p < 0.01$). Significant mediation.

These results confirm that both tax planning strategies and compliance with digital tax regulations directly and indirectly (through effective tax burden) enhance financial performance. The mediating role of effective tax burden highlights its strategic importance in optimizing tax management for start-ups.

Discussion

The findings of this study confirm that tax planning strategies play a critical role in reducing the effective tax burden and improving the financial performance of start-ups in Jakarta. The significant negative relationship between tax planning and effective tax burden (H1) aligns with prior studies showing that firms engaging in proactive tax planning achieve lower effective tax rates. Furthermore, the direct positive impact of tax planning on financial performance (H2) supports the view that tax planning enhances after-tax profitability and provides businesses with greater financial flexibility. For start-ups, which often operate under resource constraints, these findings highlight the importance of adopting strategic fiscal policies to ensure sustainability. Effective tax planning strategies such as optimizing tax incentives and selecting appropriate asset depreciation methods have been shown to significantly reduce corporate tax burdens without violating tax regulations, resulting in lower effective tax rates and improved financial health, as illustrated by the case of PT. Janu Putra Sejahtera (Putri et al., 2024). Moreover, larger in-house tax departments are associated with lower and less volatile cash effective tax rates, indicating that investment in human capital for tax planning can enhance tax efficiency (Chen et al., 2021).

Beyond reducing tax liabilities, tax planning contributes to financial stability by increasing profitability indicators such as return on net assets and return on equity, achieved through reduced income tax obligations that strengthen financial reserves and enhance attractiveness to investors [25]. Compensation-based incentives for business-unit managers, when aligned with after-tax performance measures, have also been found to lower effective tax rates, further supporting the link between tax planning and financial performance [26]. Additionally, in the manufacturing sector, tax planning has been shown to significantly influence earnings management, with firm value acting as a moderating factor, suggesting that strategic tax planning can serve as a tool for managing earnings, particularly in emerging markets [27]. These findings collectively reinforce that tax planning not only reduces tax burdens but also enhances overall financial outcomes, stability, and strategic decision-making for start-ups.

The results highlight the importance of compliance with digital tax regulations in shaping tax efficiency and financial outcomes, where the significant negative effect of digital compliance on effective tax burden (H3) and its positive effect on financial performance (H4) suggest that adapting to Indonesia's digitalized tax system not only reduces penalties but also streamlines administrative processes. These findings are consistent with prior research showing that digital technologies such as AI and blockchain have revolutionized tax systems and financial reporting by replacing traditional, paper-based processes with more efficient digital alternatives, thereby improving compliance, efficiency, and transparency [28], [29]. AI contributes to enhanced financial data analysis, predictive modeling, and risk assessment, while blockchain provides immutable and decentralized record-keeping, minimizing manipulation and increasing trust [29], [30]. The integration of AI in auditing improves financial statement transparency and boosts the credibility of external auditors, strengthening trust in financial reporting [31], while blockchain's tamper-proof architecture enhances accountability and reliability, fostering stakeholder confidence [30]. In emerging markets, digital innovations such as AI and blockchain also enhance regulatory compliance, risk management, and scalability, fostering stronger relationships between businesses and regulators [32]. Viewed through the lens of legitimacy theory, compliance with government-mandated digital systems reinforces the credibility of start-ups and strengthens trust among regulators, investors, and customers, thereby contributing to improved financial performance.

The significant negative effect of effective tax burden on financial performance (H5) provides strong evidence that managing tax liabilities is essential for sustaining profitability, as lower taxes reduce the cost of capital and allow start-ups to invest more in research and development, thereby fostering innovation [33], [34]. Minimizing tax burdens also enhances competitiveness by freeing up resources for marketing and expansion, which are critical for gaining market share [35], and lower tax rates have been shown to encourage entrepreneurship entry, contributing to a more dynamic business environment [36]. However, challenges remain, as complex tax codes can increase compliance costs and diminish the effectiveness of tax incentives [36], while reliance on equity financing, often taxed at higher rates compared to debt, may limit the benefits of policies intended to lower capital costs for innovative firms [33]. Overall, firms with lower effective tax burdens are better positioned to reinvest resources into growth, and for start-ups, reducing the tax-to-income ratio frees up capital for innovation, marketing, and expansion, ultimately strengthening competitiveness.

Additionally, this study provides empirical evidence of the mediating role of effective tax burden in linking tax planning and compliance with financial performance (H6 and H7), where the partial mediation results indicate that while tax planning and compliance directly enhance performance, their impact is amplified when they effectively reduce the tax burden. This finding reflects the integration of agency theory, which posits that tax planning helps resolve agency conflicts by maximizing shareholder value, and legitimacy theory, which emphasizes that compliance with digital regulations reinforces organizational legitimacy—both ultimately translating into stronger financial outcomes through optimized tax management. Taken together, the findings highlight the dual importance of proactive tax planning and digital compliance for start-ups in Jakarta: strategically minimizing tax liabilities improves resource allocation, while adherence to digital tax regulations ensures legal compliance, operational efficiency, and stakeholder trust. This study contributes to the literature by demonstrating that the synergy between planning and compliance not only enhances tax efficiency but also strengthens financial sustainability, offering valuable insights for entrepreneurs, policymakers, and tax authorities in Indonesia's evolving digital economy.

CONCLUSION

This study provides empirical evidence on the importance of tax management for the sustainability of start-ups in Jakarta, confirming that effective tax planning strategies play a crucial role in reducing tax liabilities and directly improving financial outcomes. Compliance with digital tax regulations further strengthens this impact by ensuring adherence to government requirements, enhancing transparency, reducing risks of penalties, and ultimately contributing to tax efficiency and stronger financial performance. The significant effect of the effective tax burden on financial performance highlights the strategic importance of taxation in start-up operations, while its mediating role shows that the greatest benefits are achieved when tax planning and compliance efforts are channeled through the reduction of the effective tax burden.

From a theoretical standpoint, the findings support agency theory by showing that tax planning resolves agency conflicts through maximizing resource efficiency, and legitimacy theory by demonstrating that compliance with digital regulations reinforces legitimacy and builds stakeholder trust. In practical terms, the study underscores the need for start-ups to balance innovative growth with fiscal discipline in an increasingly digital regulatory environment. Policymakers and tax authorities are encouraged to continue strengthening digital tax infrastructure while offering incentives and training programs to help start-ups adopt effective tax planning practices. For entrepreneurs, integrating proactive fiscal strategies with compliance readiness is essential to maintaining competitiveness and achieving long-term sustainability in Indonesia's evolving digital economy.

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