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The Complexity of the Tax System and Quality Financial Reporting: The Case of Unlisted Companies in Cameroon

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Abstract

The complexity of the tax system dramatically affects the efficiency of corporate structures and strategy. This study examines the impact of the complexity of the fiscal system on the quality of financial reporting in unlisted companies in Cameroon. Employing a quantitative approach, data were collected from 65 unlisted public limited companies in the western, central, and the littoral regions of Cameroon. Data analyses using five points rated Likert scale and ordinary least square method, source of data analysis using SPSS. The result shows that rapid change of the tax code have a positive and a significant impact on the quality of financial reporting across both models emphasising that change in tax codes without biased eradicate tax evasion consequently reducing fewer audit and fiscal adjustments, reflecting better reporting quality. Based on these results, it is recommended that the fiscal system should be simple and less complex to make it acceptable at level of compliance amongst tax payers. Taxation should be taught at all levels of education, starting from primary schools to secondary schools, up to university level, with an emphasis of promoting voluntary tax compliance.

Key words: tax complexity, financial reporting quality, unlisted companies and Cameroon

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1. INTRODUCTION

Accounting and tax remain a particularly complex area of business with continuously increasing requirements at both local and global levels placing additional pressure on businesses that operate in multiple jurisdictions. The global shift towards digitalisation in a contributing factor to the administrative burden and rising cost that companies most shoulder, as the transitional period brings new and unfamiliar processes that place a string on existing resources as well as more long-standing examples, including Enron (McGill & Outslay, 2004); Tyco (Wilson, 2009) have given the impression that tax complexity in its most aggressive forms as a widespread phenomenon in today's business world. As penalties on non-compliances become more severe, companies face the risk of fines and

closure and cannot afford any errors. Environmental factors significantly influence companies' sustainability and growth. A number of variables including complexity of the tax system and fiscal pressure affects the quality of financial reports (Dwitayanti & Armaini, 2024). This is because this companies work in a complicated regulatory environment that have adhere to stick financial reporting guidelines and tax laws. As a result, regressively of the tax compliance costs is due to the small size of the business, poor record-keeping practices, tax law complexity, and the pace and volume of legislative changes and reforms (Tran-Nam, 2014; Djalo, 2024). There considers tax complexity as the time it takes to prepare income tax returns including tax planning or the time it takes to give tax advices and consultancies.

Cameroon is among the ten African countries where the tax pressure on medium sized companies is the highest, as revealed "paying taxes 2017" report published on 17 November by the audit and consultancy firm Price Water Cooper (PWC) and the world bank. In their report, which lists 53 countries based on the pressure on medium sized companies, Cameroon is ranked the 44th, with the tax pressure rate of 57.7% of the turnover of the above mention companies, against 48.8% "paying taxes 2016" report. Some studies have failed to support the hypothesis that higher penalty rates encourage compliance. Ngantchou (2008) viewed that those fiscal penalties of 21% imposed on tax payer is a clear indication of misstatement in the financial reporting. Marcuss et al., (2013); Son (2024), that the multitude of taxes, duties and sudden contributions, the complexity of the tax code and modifications appeared in the legislation is a good reason that pushes actors to manipulate accounting information.

Furthermore, political costs are costs of transferring wealth from the business to other outsiders of the business's normal operations. These costs can include higher taxes Djoumesi (2015), higher reporting costs or higher tariffs. Similarly, most developing countries fiscal system are complex (as measured by Tax guidance, Tax law enactment, Tax filing and payments, Tax audits and Tax appeals) which hinders compliance mostly. Reason this study focusses on the complexity of fiscal system and the quality of financial reporting in unlisted companies in Cameroon.

1.1 The Problem Statement

Researchers have examined how individual compliance is affected by financial self-interest, social sanctions, legal sanctions, and social commitment. Cognitive processes of the individual taxpayer have been examined using expected utility theory, behavioural decision theory, and prospect theory to explain results. Researchers have contemplated the role of complexity and uncertainly in taxpayer behaviours.

However, to date, there has been little research directed toward the complexity of the fiscal system and the quality of financial reporting. Perhaps reform to the provision of directors' duties regarding diligence (care and skill) so that either a working knowledge of tax law or the compelling of directors to seek tax advise could therefore be included. Research shows that one of the factors leading to non-compliance in self assessing environment is tax complexity (Saad, 2014). Meanwhile song (2022) posit that high (low) levels of effective tax rates are associated with low (high) levels of tax uncertainty. Empirical studies have examined the effects of tax law changes on corporate behaviours and the interplay between tax and accounting standards in shaping reporting practices (Muslim, 2024}. Perhaps, given the evidence that the corporate tax gap is substantial and is increasing at an ever-growing rate, it is surprising that this area of complexity of the fiscal system and the quality of financial reporting, has not much been written on. Similarly, couple with the fact that the average number of hours it takes to comply with tax obligation is globally average. This paper field the gap to assess the impact of the complexity of the fiscal system on the quality of financial reporting of unlisted companies in Cameroon. This study is group under four sections; section one; literature review, methodology and data analysis

2. Literature Review

This section capitalises the theoretical review, conceptual and development of hypotheses.

2.1 The signal theory

The signaling theory is a theory that indicates every sign that arises in the market or enterprise. Djoumesssi (2015); Sari & Anggraeni (2015) point out that non declaration of taxes can be suspected as a signal to be admitted by the fiscal administration that there is manipulation of accounting information on that enterprise.

All signals' addresses by the enterprise are always interpreted by her partners (fiscal administration, shareholders, potential investors and banks). All declaration of all business activities can be declared as a signal for non-manipulation of accounting information. While non-declaration of taxable business activities is form of dubious activities and therefore you are playing over the intelligent of the fiscal administration leading to sanctions. That is while, Ngantchou (2008) stresses as a result of invading from taxes you may end up paying penalties to the fiscal administration. Signaling theory offer valuable frameworks for understanding the dynamics of tax accounting decisions and their impact on financial reporting practices. Choudhury (2024) use the effective framework for dealing with situations I which two parties operate with asymmetric information during market interaction. Others

researchers have also examined managerial incentives and monitoring mechanisms influence firms' disclosure strategies and the credibility of tax-related information. For example, Desai et al. (2006) find that firms with more muscular governance structures are more likely to engage in transparent tax reporting practices, signalling their commitment to shareholder interests and enhancing the credibility of financial statements

2.2 Conceptual and Literature Review

The quality of tax accounting can be defined as the relationship between the annual tax expense reported in firms' financial statements and future tax cash flows. Two major concepts have been identified to explain quality accounting like the complexity of the fiscal system and the fiscal pressure impose by the tax administration on companies

2.2.1 Quality of financial reporting

The quality of financial reporting is fundamentally concerned with the accuracy and reliability with which financial information reflects a firm's operations. Biddle et al. (2009) define it as the precision with which financial reports convey information about a company's activities. Similarly, Verdi (2006) describes financial reporting quality as the faithful representation of business activities and expected cash flows, aimed at informing shareholders about the company's performance. While definitions of accounting quality vary across the literature, this study emphasizes the timeliness of annual reports as a critical dimension. Uwuigbe et al. (2016) highlight timeliness as a qualitative characteristic of financial reports, noting its significant influence on users' decision-making. Lennox and Wu (2022) further define timeliness as the duration between the fiscal year-end and the date of the auditor's report signature, typically measured by the natural logarithm of the number of days elapsed.

Tax accounting, or the role of tax controllers, pertains to the relationship between the annual tax expenses reported in financial statements and the firm's future tax cash flows (Sari & Anggraeni, 2015). Given that corporate income taxes constitute a substantial portion of earnings, evaluating tax quality is crucial for financial statement users to assess future commitments to internal funds. However, the complexity of tax disclosures can create challenges for external users, potentially enabling managerial bias. Managers may limit tax disclosure to reduce the risk of intervention by tax authorities, thereby complicating the transparency of financial reporting (Kinney & Martinez, 1994; Diana & Florentina, 2015; Foka et al., 2018). These dynamic highlights the importance of scrutinizing both audit and fiscal adjustments to fully understand financial reporting quality.

2.2.2 Complexity of the fiscal system

The relationship between the complexity of the fiscal system and the quality of financial reporting is still debated, with some researchers suggesting a more complex interaction influenced by various contextual factors**.** Tax complexity has been defined from different perspectives by Tran-Nam & Evans (2014). To a tax accountant, tax complexity refers to the time it takes to prepare income tax returns including tax planning or the time it takes to give tax advices and consultancies. To a taxpayer, tax complexity is viewed from the point of time taken and cost incurred in complying with the relevant tax legislations

As the tax system becomes complex, it follows that more taxpayers will opt for an assisted tax preparation method which include self-preparation with tax software and using tax consultants, and this has indeed increased over the years (Marcuss et al., 2013). To date, tax authorities around the world are using electronic tax administration systems to interact with taxpaying public in tax collection, administration and compliance settings (Ling & Nawawi, 2010). The complexity external user's face in interpreting tax disclosures (Francis et al., 2019; Blankespoor et al., 2021) can act to facilitate management bias. Further, the tendency of managers to restrict tax disclosures to reduce the likelihood of inadvertently aiding or prompting intervention by a tax administration (Balakrishnan et al., 2019) may exacerbate user difficulties. Song (2022) finds a negative relationship between earnings management pressure and tax accounting quality. Increasing pressure to meet an earnings target may result in biased tax accounting leading to lower tax accounting quality. This implies that the taxpayers must be knowledgeable about these developments including having the competence to prepare returns that conform to the law requirements using these systems. With the introduction of the self-assessment system, mobile money tax on transactions and introduction of withholding agents for value added tax, require to have human resources capable of understanding and interpreting the systems and the new tax laws accurately to avoid noncompliance (Musimenta, 2020). Furthermore, O'g'li et al**. (2024)** show how the effect of tax laws on business reporting practices, and highlights the ever-changing global economic environment.

However, study of Son (2024) did not examine the relationship between complexity and tax compliance directly, her study only revealed the results of the relationship between complexity and perceived behavioural control. His research demonstrate that high (low) levels of effective tax rates are associated with low (high) levels of tax uncertain. In another study, Saad (2014) suggests that the

future research can consider the investigation of tax complexity as possible determinant of tax non-compliance. The researcher thus hypothesised that;

H1: Change in the tax code has a positive and a significant impact on the quality of financial reporting

H2: Increase in tax rates has a negative impact on financial reporting quality.

2.2.2 Multiplicity of Tax Laws and the Quality of Financial Reporting

Multiplicity of tax laws and regulations have profound implications for the quality of financial reporting practices, shaping the tax obligations and incentives of businesses and influencing their reporting outcomes. One area of recent research focus is the impact of tax law changes on corporate investment decisions. Jansky, (2022) examined how alterations in depreciation rules and investment incentives affect firms' capital expenditure patterns and investment strategies. Moreover, research by Desai (2006) suggests that changes in corporate tax rates can influence firms' investment decisions, with lower tax rates stimulating investment activity and economic growth. Furthermore, recent studies have explored the effects of tax law changes on earnings management practices and financial reporting quality. For instance, research by Hanlon et al. (2021) finds that changes in tax regulations can affect firms' reported earnings through adjustments to deferred tax assets and liabilities, leading to variations in financial performance metrics and investor perceptions.

H3: Too many obligations in the tax codes have a negative impact on financial reporting quality.

3. Methodology and Data Approach

Emphasizing on this section is based on the sampling, operational definition of variables and method of data analysis.

3.1 Sample and data collection

This study examines the impact of the complexity of the fiscal system on the quality of financial reporting of unlisted companies in Cameroon by using the quantitative research design. The study particularly used primary data through structural questionnaires on quality of financial reporting, while five points Likert scale and 07 items to seek respondents view on the quality of tax accounting (complexity of the fiscal system). The population of the study consist 65 unlisted public limited companies in the littoral, central and western regions of Cameroon. The primary data pertains to survey data that is obtained through a 5-point Likert scale questionnaire. The type of questionnaire used contains both structured questions and a rating scale of 5-point Likert (SA; Strongly Agreed); 4 (A; Agreed); 3 (AV; averagely agree); 2 (D; Disagree); 1 (SD; strongly disagree). Using a purposive sampling technique, the 65 questionnaires returned are used as sample size for analysis.

The study model established the relationship between independent variables which are quality of tax accounting proxies (complexity of the fiscal system) while quality of financial reporting proxies by fiscal corrections and audit adjustments in the financial statement. The regression model is specified below

AUDADJUST = $\beta 0 + \beta 1$TXCODES + $\beta 1$TXRATES + $\beta 1$ *OBLIGATIONS TX* + $\sum_t$ **……. *(1)***

FISADJUST = $\beta 0 + \beta 1$TXCODES + $\beta 1$TXRATES + $\beta 1$ *OBLIGATIONS TX* + $\sum_t$ **……. *(2)***

Aud-adjust= audit adjustment, FISADJUST= tax adjustments

ε = Error Term, Parameters= b1, ..., Constant Parameter= b0

3.2 Operational Definitions and Measure of Dependent Variables.

Dependent variables that is quality of financial reporting has been measurable using two proxies and the independent variable (complexity of the fiscal system) as summarises in the table below.

Table 01. Justification of dependent variables on the Quality of financial reporting.

Code	Variables	Proxies	MEASURE	Theoretical justification
QUAL-REPORT	**Quality of accounting and financial reporting** -	Audit adjustment	It takes the variable 1 if the company has any audit adjustment in the previous years, o, otherwise	**Kinney & Martin (1994), Foka et al., (2018)** Fossung and Saurellle (2019)
		Fiscal adjustment or fiscal corrections	It takes a dummy variable 1if the company has any fiscal corrections in the previous year's o, otherwise	**Kinney and Martin (1994), Diana and Florentina (2015)**
Complexity of the Fiscal System				
COM FISC	**Complexity of fiscal system**	**seven items**	Five points Likert scale	Djoumessi (2015), Francois, Maryléne and Charles (2015)

Source: Author's compilation

a. Method of data analysis

This study employs descriptive analysis, the principal component analysis and the ordinary least squares regression model to explained the impact of binary independent variable across explained variables.

4. RESULTS AND DISCUSSION

This section explains the descriptive analysis, analysis of the various models and interpretation

4.1 Descriptive Analysis of Quality Financial Reporting

The table analysis two variables to explain financial reporting quality as measured by audit adjustment and fiscal adjustment.

Table 02; Quality Financial Reporting

Variables	Proxies	Number of respondents	%
Adjustment of financial statement or correction of financial statement.	0-N0 1- Yes **Total**	20 45 **65**	3.77 69.23 **100**
Fiscal adjustment	0-No 1-Yes **Total**	27 38 **65**	31.54 58.46 **100**

Source; Conceived by the Author

To apprehend the behaviour of companies in Cameroon against the non-reliability of financial statement, we have two proxies to measure creative accounting (re-correction of the financial statement by the external auditors and fiscal adjustment by the fiscal administration) the quality of financial reporting. More than half of companies' questions (60.23 percent) have corrected their financial statements based on the observation of some external auditor during the past years, 68.1 percent of respondent confirms that they have undergone fiscal adjustment during the past years. These statistics comes into conclusion with the study of Foka et al., (2018), Fossung & Saurelle (2019) which they estimate that more than 60.7 percent of some Cameroonian companies have been ask to correct their financial statement by external auditors and 33.9 percent of fiscal adjustment in the same fiscal year. In the same light, we can observers that Djoutsa et al., (2015) confirms that the probability to choose a company on the non-reliability of financial reporting is 0.79.

4.2 Analysis of the Model and its Interpretation.

These analyses help study the reliability measure of different elements and the properties on each scale that constitute the sample. Each item in the questionnaires is used to capture the respondent point of view. The tools on the trust worthiness are based on the following.

- **Measuring of Sampling Adequacy (MSA) or Kaiser-Meyer-Olkin (KMO), helps to** know the proportion of variables that can hold through to measure the effectiveness or the coherency of a concepts. It tests whether the totality of variables is weak or not. MSA value between 0.3 and 0.7 represents acceptable factorial analysis. These test whole throughout for each and every variable in its totality (Hair and Al., 2006).

- The spherical test of Bartlett examines the correlation coefficient in totality and the null hypothesis which the correlation is zero.
- The Alpha Cronbach and the Likert scale that is the confidence coefficient which measures the internal scale constructed from the totality of items. The practical situations emphasised on the number of items that will be scale to eliminate the coefficients whose have an alpha value of one stronger on the internal scale. Finally, we reject items that reduce the result and keep those that increase the results. The test of the Alpha Cronbach and the Likert scale helps to avoid a situation where majority of questionnaires falls where the question cannot be answer.

4.3 Principles use in the interpretation of analysis.

Names have been attributed to each factor. Before attributing names on each factor, we identify all the factors that correspond to each variable belonging to each of the factors (from the matrices coefficient component). Each variable corresponds to each factor which has a correlation coefficient between the axis and the rotation factor greater than 0.5. In cases where there are up and down values between two or more variables, it is necessary to referred to the principal component analysis with the axis of the rotation been the variance matrices; after identify the rotation, each factor can be identified step by step and a name given to each step. The rotation is defined as a mathematical procedure that helps to facilitate the interpretation by maximising the stronger saturation by minimising the weaker factor that belongs to each and every item. This procedure is done by the rotation and the effective axis of the repositioning.

4.4. Factor analysis

This section explains the reliability of each item on the complexity of the fiscal system which measures elements and properties on each scale that constitute the sample. It measures elements of the questionnaires that can be used to capture complexity of the fiscal system or not on it totality. In the context of this study, SPSS is the appropriate tool used to calculate and measure many scale elements as concern the reliability of accounting information.

The alpha value which takes value between zero and one. The more the alpha Cronbach value is higher, the more the items follow the same phenomenon. The accepted Cronbach value lies between 0.6 and 0.8, this helps to measure the reliability of each item on the total scale as seen on the statistics table below.

Table03: Reliability of statistical items

The Alpha Cronbach	Numbers of elements
0,516	07

Source: primary data

This scale presents a weak acceptable internal reliability scale of information because the alpha value is less than 0.6 and it cannot well measure the scale since the alpha value is 0.516. No matter this weak mobilisation of items, the factor analysis can be used on the variables

The factorial analysis helps us to identify factors that will explain the correlation ship of each item. Before considering the factor analysis, the coefficient of Kaiser-Meyer-Olkin (KMO) need to be measure. This explains the total relation of items and the test of Bartlett which helps to reject or accept the result analysis of this factorial analysis. It equally shows the correlation and reliability between each variable of the item. The explain the total variance table explains the different dimension or factors of each variable of this study.

4.5 Determination of the dimensional complexity of the fiscal system

This table presents the sampling inadequacy by the KMO coefficient and the Bartlett test:

Table04: KMO index and Bartlet test

The precise sampling measure of Kaiser-Meyer-Olikin		0.512
	Khi-2 approximation	53.804
Spherical test of Bartlet	Ddl	21
	Signification of Bartlet	0.000

Source: Conceived by the Authors

The index value is 0.512 which shows that the items between the variables of the complexity of the fiscal system are too weak as compare to the literature above. The literature stipulates those items can be used as a good analysis if the KMO value that is between 0.3 and 0.6, when the value is high the more the number of variables become weaker. As such, the factorial analysis will be used to carry a good test. Similarly, with a total Bartlett test acceptable at the probability of 0.000, indicating that the correlation matrices are unit matrix. This can be explained by the variances of the complexity of the fiscal system from the extraction method of the principal component analysis as seen below.

Table 05: **explain variance for the complexity of the fiscal system**

Components	Initial eigin values			Extraction of acceptable sum of squares of factors			Factors sum of squares for rotation		
	Total	% of variance	Cumulated %	Total	% of Variance	Cumulated %	Total	% of Variance	Cumulated %
1	2,066	29,510	29,510	2,066	29,510	29,510	2,045	29,218	29,218
2	1,632	23,315	52,825	1,632	23,315	52,825	1,576	22,510	51,728
3	1,151	16,449	69,274	1,151	16,449	69,274	1,228	17,545	69,274
4	,855	12,214	81,488						
5	,636	9,089	90,576						
6	,387	5,529	96,105						
7	,273	3,895	100,000						

Source: Conceived by the Authors

The results above show a one-dimensional solution to explain the cumulated variance value of 69.274% no matter the weak alpha Cronbach value of 0.512. These three factors show a total variance of 69.274%. According to Hair et Al., (2006) advise us to extract factors whose values is more than 50% and 60% of the extracted cumulated variance. These cumulated variances indicate three variable component reductions which help us to keep essential variable out of the seven eigen values. It can also be explained by the graph below

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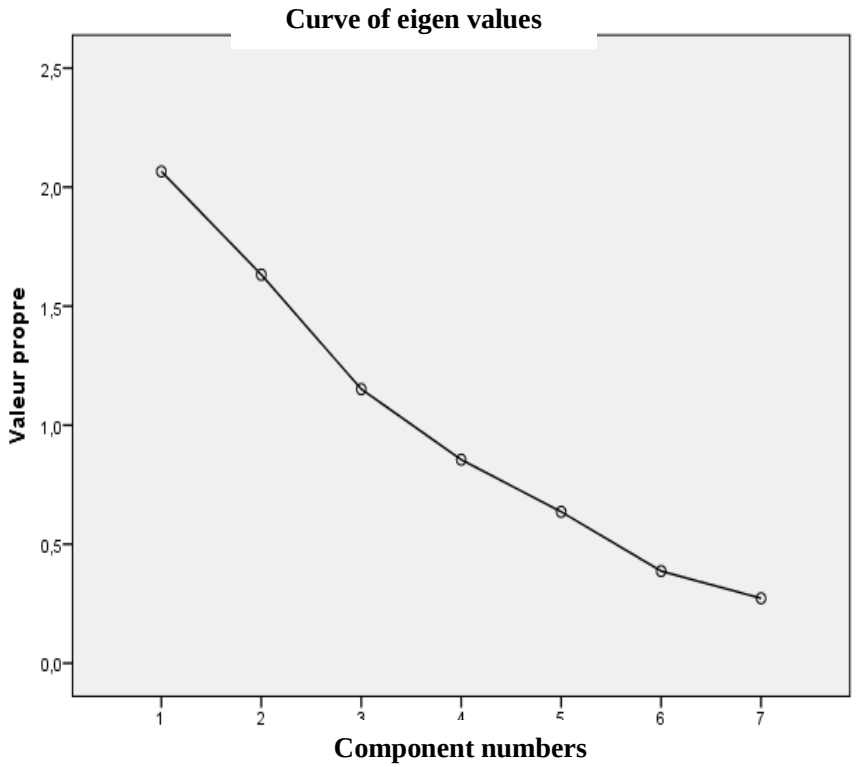

This graph represents three first factors which have value of more than one in terms of eigen values. While the remaining four eigen values have less the one. A name is given to each items factor by the component matrices after the rotation axis by the method of varimax which is presented below.

Table 06: component matrix after rotation

	Component		
	Rapid change of the system	High amount of taxes	The complexity of the system
Ignorance of text	,111	.872	,.105
Rapid fiscal mutation	.738	.100	.256
Inaccessibility of text	.052	,590	.582
High amount of tax	,804	,114	-,582
Too much taxes	.890	-,158	-,102
Incomprehension of the fiscal text	,216	.644	-,355
Too many fiscal obligations	,029	-,073	.819

Source: Conceived by the Authors

Extraction method: principal component analysis, Rotation method: varimax with normalization of Kaiser

A: the rotation has been covered with five iterations

The above table explains that rotation has extracted three independent factors with respects to the first three items that is the first three components above. To name this factor, all the factors that compose these items have been taken into consideration. As concern rapid change of the Cameroon tax system (rapid fiscal mutation, high amount of taxes and too many taxes) this factor has three items which has 29.5% of initial information. Moreover, as concerns the rapid change of the Cameroon fiscal system based on the following three items we have (ignorance of the text, inaccessibility of text and incomprehension of fiscal texts) these items also has 23.315% of the initial information. The last factor which is the complexity of the system constitute two items which are too many fiscal obligations occupied 16.449% of initial information.

4.6 The bivariate result analysis: test of correlation.

It is recall that a correlation matrix is a matrix of the coefficient of correlation calculated on many variables taking two by two. Generally, this is the Pearson linear correlation coefficient matrix and the covariance matrix of the reduce variable. A matrix is equally symmetric and it diagonals always one because the correlation of a single matrix is always perfects. That is always equals to the numbers of variables. A correlation matrix can help to detect rapidly the correlation between two variables. When the numbers of variable become important, it becomes very difficult to interpret them. Therefore, we turn towards factor analysis for easy interpretation. All answers and questions are important but it depends on the correlation matrix that is the cause of the problem. These matrixes are the essential correlation test use in many domains. Multiple regressions for example necessitate co linearity between the independent variable. It will be necessary to present the result of correlation and that of regression by the ordinary least square

4.7 The analysis of the correlation matrix of the complexity of the fiscal system

The table below shows the relationship between the explained variable and the explanatory variable as seen below

Table 07: The complexity of the fiscal system and the numbers of control

	Re correction	Numbers of control	FISCAL adjustments	REGR factor of rapid change of the system	REGR factor of Large amount of taxes	REGR factor of the complexity of the system
Re correction	1	-,026	,357**	,401**	,086	,085
Numbers of control		1	-,336**	-,272	-,079	-,284
Fiscal adjustment			1	,158	,211	,362**
REGR factor of rapid change of the system				1	,000	,000
REGR factor of Large amount of taxes					1	,000
REGR factor for complexity of the system						1

Source: Conceived by the Authors **.the correlation is always significant at 0.05(bilateral)

The table above explains the correlation ship between the explicative variable and the complexity of the fiscal system. We also realize that, the complexity of the fiscal system is associated positively at the significant level of 5% when the audit asks for readjustment in the enterprise by external audit. This furthers measure by the first factor which is the high numbers of different tax rates. This is an indicator that, there is manipulation of accounting information in the enterprise this also apply seem for factor three which also has a correlation between tax adjustment and a positive relation with the complexity of the fiscal system and consequently effects decision making in the enterprise.

As concern the last variable which is the numbers of control, that is the numbers of times the enterprise has been control in the course of the study period, we discover that there is a negative relation between the numbers of control by the fiscal administration and the complexity of the fiscal system. Therefore, this variable does not hold true with our objectives and our hypothesis as stipulated by different writers. This goes astray with the works of Ngantchou (2008), Djoumessi (2015) which point out that all assorted spot verification or sit control correspond to the absence of the tax feel by the enterprise at the level of the circuit and the hierarchical level is always a sign of incompetence leading to accounting manipulation in the enterprise. We therefore reject the H1 hypothesis

4.8 Multivariate explanatory analysis result: parameters estimation using the OLS

It would be necessary that we present the result of the regression model of the two model. The table below estimate the parameters for both models.

Table 08: parameters of the coefficient

Model	**Financial reporting quality**								
Model	**audit adjustments (model 1)**			**Fiscal adjustments (model 2)**			**overall (model 3)**		
	T	**Sig.**	**B**	**T**	**Sig.**	**B**	**T**	**Sig.**	**B**
(constant)	-,029	-,045	0,964	-,480	-,678	,502	-,247	-,373	,712
Rapid change of tax codes	,558	0,010**	2,715	,018	,078	,938	,448	0,089	1,850
large tax rates	-,241	-1,876	0,069*	-,009	-,063	,950	-,148	-1,101	,278
Too many obligations in the tax code	-,132	-,555	0,583	,289	1,085	,285	,448	1,796	0.081*
	R^2= 0,236, R^2 adjusted=0,172 F = 3,697 P = 0,020**			R^2= 0,045 R^2 adjusted =0,035 F = 0,560 P =0,645			**R^2=0,162 R^2 adjusted=0,092 F = 2,315 P =0,092***		

Source; Conceived by the Authors **Significant level of 5% and *: Significant level of 10%

The interpretation of the table above shows that three models correspond to the three factors. The non-specify factor which is a constant value has a negative and non-significant influence across both models.

The results shows that **rapid change of tax codes** has a strong and statistically significant positive effect on financial reporting quality across all models. This means tax payers vividly understand the rapid change of tax laws without biased, there by having a free personal or external influences of external auditors and tax controllers that are likely to produce accurate and reliable financial reports. These **codes** help to ensure that financial information is presented fairly, reducing the need for corrections or adjustments during audits or fiscal reviews. This explains why change of tax codes eradicate tax evasion consequently reducing fewer audit and fiscal adjustments, reflecting better reporting quality.

Similarly, **large tax rates** also negatively and significantly affect financial reporting quality with model one and insignificantly affects financial reporting quality with model two and three. This implies that increase in tax rates will push tax payers to involve in tax evasion and unwillingness to provide verifiable and truthful information. This will lead to misstatements and consequently not producing false financial statement. This unethical commitment increases errors and penalties for subsequent adjustments to increase the overall reporting quality leading to untrust worthiness of the financial statement.

The same scenario applies to rapid change of tax obligations that have a negative and an insignificant impact on financial reporting quality. This is because tax payers are not likely notified of their obligations leading to reluctances and unawareness of their tax obligations leading to errors and misstatements in the financial reports.

The FISHER value is significant at 5% for model one and 10% for model three and non-significant for model 2. In effects, the models explain a substantial portion of the variation in financial reporting quality, with R-squared values ranging from 23,6%, 4,5% and 16,2% for both models respectively. The low variance inflation factor confirm that the predictors do not suffer from multicollinearity, ensuring the reliability of the estimates.

This study investigates the impact of three key variables of the complexity of the fiscal system (rapid change of tax codes, large tax rates and too many obligations in the tax code) and financial reporting quality as measured by fiscal corrections and audit adjustments. The findings suggests that rapid change of the tax codes has a positive and a significant influence across both models. This

signifies that rapid change of tax codes are likely to produce accurate and reliable financial reports thereby presenting fairly, reducing the need for corrections or adjustments during audits or fiscal reviews. The hypothesis shows that rapid change of tax codes significantly improves financial reporting quality, (H1) was accepted across all models. These results are in line with the studies of Djalo (2024); Dwitayanti & Armaini (2024) which analysis shows that changes in tax regulations, especially tax rates and deferred tax policies, have a positive significant impact on the elements of financial reporting. The hypothesis is accepted based on the three models.

Also, large interest rates and too many obligations of the tax laws have a negative and a non-significant influence on hypothesis H2 and H3 across both models. This implies that increase in tax rates will push tax payers to involve in tax evasion, unwillingness to provide verifiable and truthful information. This unethical commitment increases errors and penalties for subsequent adjustments to increase the overall reporting quality leading to untrust worthiness of the financial statement. This hypothesis is rejected across the results of the three models. These results are not inconsistent with the studies of Halon (2021); Song (2022); Djalo (2024) demonstrate that, high (low) levels of effective tax rates are associated with low (high) levels of tax uncertainty in financial reporting quality and consequently manipulation of accounting data. The results reject H2 and H3 across both models.

CONCLUSION

The result of this study shows that rapid change of tax code has a significant impact on the quality of financial reporting, meanwhile, large tax rate and too many obligations in the tax codes has a negative and non-significant impact on the quality of financial reporting across both models

In order to cover gap of the complexity of the fiscal system, the government through its taxing agencies should continue to educate the potential and prospective taxpayers on tax laws and regulations through direct-free symposium and seminars, give them tax incentives, and door to door sensitisation. Also, taxation should be taught at all levels of education, starting from primary schools to secondary schools, up to university level, with an emphasis of promoting voluntary tax compliance.

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