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FROM BALI TO THE GOLD COAST: A COMPARATIVE STUDY OF DIGITAL TRANSFORMATION IN TOURISM TAXATION OF INDONESIA AND AUSTRALIA

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Abstract**:** *This quantitative study examines how digital transformation, institutional capacity, and monitoring systems drive taxpayer compliance and tourism tax performance in Bali, Indonesia, and the Gold Coast, Australia, also considering the challenges posed by persistent tax leakages and uneven digital infrastructure. Low digital adoption in tourism-related sectors threatens the efficiency of their respective ecosystems and contributes to the issues caused by the consequential rise in tax expenditures for the governments. The analysis employed the Structural Equation Model (SEM), with 200 validated responses from tourism companies from both regions. The constructs' measurement and structural invariance tests as per the model indicated their reliability and validity with decent fit indexes. Although the estimates show a direct and positive influence of digital transformation on taxpayer compliance, the moderated path of institutional capacity suggests that targeted digital interventions have greater effectiveness when aligned with certain skills, leadership, and infrastructure capabilities. Those with monitoring and anti-leakage systems have considerably lower tax leakages, implying that real-time digital verification tools can add considerable value in combating tax leakage. The increasing compliance of personnel taxpayers exerts a positive influence on tourism tax revenues, enabling a more systematic and administratively efficient tax collection. Furthermore, a multi-group analysis confirms that the Gold Coast is more affected by digital maturity and institutional capacity, compared to Bali. These findings highlight the importance of integrating digital strategies and capabilities to improve tax collection in the tourism sector.*

Keywords: digital transformation, institutional capacity, monitoring mechanisms, taxpayer compliance, tourism tax performance

INTRODUCTION

The global COVID-19 pandemic has been re-disrupting governance all around the world, especially in sectors that have a high dependence on service-based economic activities and face more punishment, such as the tourism industry. Digital transformation—which encompasses atomization, data analytics, blockchain, and artificial

intelligence (AI) —is an instrument that helps tax administration make strategic decisions to enhance transparency, efficiency, and accountability (Marsudi et al., 2025; Paliszkiewicz & Chen, 2024). In the tourism economy as a whole, where there are numerous transactions, different types of business players, and complex value chains, digitalization of taxation systems is particularly essential. Countries with well-known tourist destinations, e.g., Indonesia and Australia, have been tapping into digital fiscal infrastructures to minimize leakages while enhancing tax compliance by trusting the system. The adoption of these digital technologies is contingent upon a country's overall maturity and the readiness of its institutions (Asri et al., 2025; Genc & Takagi, 2024).

In Indonesia, the tourism sector is strategically vital as one of the largest contributors to regional income, with Bali—as its major tourist haven—being at the forefront in using digital tax solutions. To promote tax compliance and transparency, the Directorate General of Taxes of the Ministry of Finance has launched several digitalization programs, including e-filing, e-invoicing, and big data risk analyses (Rahayu & Kusdianto, 2023). Field studies conducted among local authorities in Indonesia also point to growing patterns of digital oversight of hotel and restaurant taxes (Marsudi et al., 2025). Advancements in science and technology also provide benefits for tax revenues in the tourism sector. However, public agencies continue to face several challenges, such as partiality, bureaucratic resistance, and uneven digital infrastructure. These factors hinder the scaling of digital innovation programs and their sustainability.

Conversely, Australia benefits from a better-established online economy. Particularly, government organizations act as large business units that also adopt innovative methods to enhance the specialization effect: For example, to improve tax administration, the Australian Taxation Office (ATO) employs emerging digital technologies, such as reporting automation systems, blockchain transaction experiments, and AI-based compliance analytics in high tourism areas like Gold Coast (Deloitte Australia, 2023; Lukianykhina & Hamilton, 2023; Mendes & Binh, 2024; Migone & Howlett, 2022; Sadiq & Sawyer, 2023; Warren & van der Veen, 2024). Strong regulatory frameworks and digital readiness to provide the incentives for an accelerated uptake of advanced technological solutions, increasing taxpayer engagement, are some of the key lessons learnt from the Australian experience. However, notwithstanding these advances, Australia still has challenges to tackle, including data governance isues and the difficulty in preparing for a cyber-security threat environment, as well as regulatory challenges facing sectors where digital and platform-based transactions are pervasive, particularly within the tourism value chain (Australian Cyber Security Centre [ACSC], 2023; Christensen & Dube, 2023; Juma & Munala, 2020; Kshetri, 2020; Thomas & Warren, 2021; van der Meer & Howard, 2021).

Previous studies have examined several dimensions of digital governance and tax administration, such as how digitalization strengthens regulatory compliance and mitigates corruption risks (He et al., 2024). Other studies highlight the contribution of AI and big data to the enhancement of monitoring and enforcement capabilities (Han et al., 2025). Together, these developments demonstrate how digital innovation in public services can foster greater taxpayer trust and improve administrative efficiency (Pratama et al., 2024). In addition, cross-country comparison studies on digital tax systems have emphasized the role of institutional capacity and leadership commitment in successful technology adoption (Zhao et al., 2023). However, the existing literature remains fragmented and tends to focus narrowly on English-language, single-country contexts. Most of these works also center on digital governance in general rather than specifically addressing tourism taxation, which has unique challenges—including real-time transaction monitoring, industry collaboration, and complex value chains—that differentiate it from general taxation. Currently, comparative analyses of how digital transformation unfolds within tourism taxation systems, particularly across developed countries, remain very limited. Few available examples often draw on influences from developing countries such as Indonesia, alongside isolated cases from relatively wealthier nations like the United Kingdom. This leads to a lack of understanding of cross-national variation with different levels of digital maturity, such as Indonesia and Australia, and broader dynamics shaping digital innovation in the administration of tourism taxation.

This study aims to provide new insights into the existing literature on this topic by performing a comparative analysis on digital transformation and tourism taxation through dual-lens observation of Bali and the Gold Coast: two globally renowned tourist resort areas apportioned at different levels of digital maturity. Different from previous studies that have concentrated solely on independent factors, this present study integrates both technological, legal, and institutional components, thus providing a comprehensive perspective on the effects of digital transformation for tourism-related tax administration. In addition, this paper adds to the understanding of digitalization in knowledge-based economies by evaluating cutting-edge digital tax instruments, including AI-enabled compliance systems, blockchain-anchored transparency tools, and integrated fiscal-data platforms. This

study explores how digital transformation technologies, such as AI-powered compliance systems, blockchain for transaction verification, and data analytics for risk management, are utilized in the tourism taxation systems of Indonesia and Australia. The empirical model specifically measures the adoption, utilization, and effectiveness of these technologies in improving transparency, compliance, and fiscal accountability.

Given the above explanation, the objectives of this study are:

1) To investigate the status of digitalization processes in tourism taxation in Indonesia and Australia (Bali and the Gold Coast);
2) To examine how infrastructure and the institutional configurations facilitate digital tax management in both countries as benchmarks of the policy; and
3) To evaluate how Digital Technologies (AI, Blockchain, Data analytics) can help increase transparency and accountability and promote more responsible behaviours in tourism.

There is a clear causal link between digital transformation and tax performance, as these mechanisms work together to increase taxpayer trust and revenue collection. The theoretical argument can be framed around how digital transformation technologies influence tax compliance and performance. For example, blockchain ensures transaction verification, data analytics supports risk-based compliance, and automation reduces administrative bottlenecks, thus limiting fraud opportunities and improving transparency and monitoring efficiency.

The comparative empirical focus of this study is the tourism taxation in Indonesia and Australia. The tourism sector in Indonesia, with Bali as one of its key destinations, has been implementing digital tax solutions such as e-filing, e-invoicing, and big data risk analyses. Challenges include uneven digital infrastructure and bureaucratic resistance. Similarly, Australia—particularly the Gold Coast—leverages advanced digital tools such as AI-based compliance analytics, blockchain experiments for transaction verification, and reporting automation systems, benefiting from stronger regulatory frameworks and digital readiness. However, Australia also faces challenges such as cybersecurity and governance complexities in platform-based transactions.

The findings of this study are expected to contribute to three domains. Theoretically, this study develops a framework that links digital technologies (AI, blockchain, data analytics) to tourism-specific tax compliance and tax revenue. Methodologically, this study provides a cross-country quantitative analysis of digital adoption, implementation, and effectiveness in tourism taxation. Lastly, this study also offers actionable recommendations for policymakers in both developing and developed countries on integrating digital technologies to improve taxpayer compliance and reduce tax leakage.

To address the mismatch between conceptual discussion and empirical measurement, this study clearly operationalizes its variables, namely: 1) Degree of adoption of AI, blockchain, and data analytics in tourism tax administration; 2) Effectiveness of real-time monitoring and automation in tax compliance; and 3) The moderating roles of institutional and regulatory readiness that affect tax performance.

THEORETICAL FRAMEWORK AND HYPOTHESES

Digital transformation theory provides the theoretical foundation for broadening the knowledge of how new tech innovation shapes public sector governance, institutional behavior, and taxpayer compliance with regulations. The development and adoption of digital technologies for tax administration—i.e., AI, big data analytics, and blockchain—have been proven effective in improving transparency, reducing information asymmetry, and strengthening monitoring capacity (He et al., 2024; Han et al., 2025). The digitalization of public financial management, which has distinct practices and characteristics, is successful in improving its administration, ultimately resulting in lower compliance costs and improved detection of tax irregularities (Pratama et al., 2024). These findings demonstrate how digitalization is driving both technological and institutional reforms, reorienting traditional bureaucratic routines toward data-driven citizen-oriented service systems.

Despite these positive outcomes, the literature has also documented specific challenges in tourism taxation, mostly due to decentralization and an economy reliant on small-scale service provision. Studies on Indonesia's e-taxation programs in Bali (Herman & Waluyo, 2021; Marsudi et al., 2025) have revealed that a higher technology uptake ratio can lead to higher tax compliance, as long as the institutional capacity and governance structures are maintained. The integration of big data into the real-time transaction monitoring system has been shown to reduce tax leakage in the hotel and restaurant sectors as real-time borderline tax. However, its successful implementation varies from one region to another because of the difference in digital infrastructure and human capital (Rahayu & Kusdianto, 2023). This aligns with the theory of institutionalism, as reported in a medical study by Zhao et al. (2023), which found that organizational preparedness, leadership support, and regulatory frameworks positively moderate

the relationship between technology infusion (in this case, telemedicine) and improved health outcomes in rapid-response situations.

Drawing on the aforementioned background, several hypotheses are proposed as follows:

H1a: Digital transformation has a positive and significant effect on taxpayer compliance in the tourism sector of Indonesia and Australia.

H1b: Digital transformation positively affects taxpayer compliance in the tourism sector of Indonesia and Australia.

H1c: Technology adoption perspective mediates the effect of digital transformation on taxpayer compliance.

H1e: Technology acceptance mediates the effect of digital transformation on taxpayer compliance.

H2: Institutional Readiness moderates the effect of digital transformation and taxpayer compliance.

H3: AI- and data-driven monitoring systems reduce tax leakages in both Indonesia and Australia.

To make the research framework conceptually coherent, this study also refers to two other theories: (1) Digital Governance Theory to justify why digital tools improve transparency and monitoring, and (2) Tax Compliance Theory to link technology adoption with taxpayer behavior.

Digital governance theory explains how governments, institutions, platforms, and public organizations utilize digital technologies, data systems, algorithms, and networked communication to govern society, deliver services, regulate behavior, and coordinate public action. It holds that the transformation of authority, decision-making, accountability, participation, service delivery, and regulation occurs on account of data-driven, platform-based, automated, and networked governance. Dunleavy et al. (2006) have provided a foundational article for this theory. They argued that public administration was moving away from New Public Management toward “digital-era governance” that is characterized by reintegration, needs-based holism, and digitization of administrative processes (Dunleavy et al., 2006).

Regarding tax compliance, one of the strongest modern theories is the slippery slope framework developed by Kirchler et al. (2008), which proposes that tax compliance depends on two major dimensions: the power of tax authorities and trust in tax authorities. As mentioned in their article, both power and trust are relevant for understanding enforced and voluntary compliance. This framework distinguishes between two types of compliance. Enforced compliance occurs when taxpayers comply because they fear audits, penalties, investigation, or legal punishment. Meanwhile, voluntary compliance is when taxpayers comply because they trust the tax authority, perceive the system as fair, and believe tax payment is legitimate. The strongest tax systems usually combine both types of tax compliance; they maintain credible enforcement while also building taxpayer trust through fairness, transparency, service quality, and procedural justice (Kirchler et all., 2008).

RESEARCH METHODS

This study employed a comparative quantitative research design to empirically investigate how the digital transformation influences tourism taxation performance in Indonesia and Australia, with Bali and the Gold Coast being proxy tourist destinations. The research procedure consists of four phases: (1) development of theoretical background and hypotheses, (2) setting of measurement items and operationalization of variables, (3) data collection through a survey and a secondary database, and (4) examination of path relationships among the constructs using the Structural Equation Modelling technique.

Sampling and Data Collection Techniques

The study population comprised tourism taxpayers from hotels, restaurants, and tourism services registered as taxable entrepreneurs in Bali and the Gold Coast. This study used a purposive sampling method to ensure inclusion of firms with active digital taxation systems. The sample included tax reporting and compliance supervisors, with a minimum sample size of 200 respondents to meet the requirement for a SEM analysis and improve overall cross-country comparability. The respondents were tax reporting personnel of tourism firms, defined as those responsible for tax compliance and reporting. The study level is individual; the data obtained from each respondent were consolidated for analysis.

The original data were collected from well-structured questionnaires sent online to the respondents via professional and secure surveying tools. The survey included questions about perceived digital transformation, institutional capacity, tax monitoring system, taxpayer compliance, and tax performance. To ensure validity, the items were constructed based on the instruments of previous empirical studies and consulted with taxation experts in Indonesia and Australia. The secondary data were gathered from tax authority announcements, regional tourism statistics, and published management information to provide a better understanding of digitalization projects,

revenue generation results, and compliance trends. Table 1 summarizes the descriptive statistics of the research respondents.

Table 1. Descriptive Statistics of Respondents

Characteristics	Bali (N = 150)	Gold Coast (N = 50)
Type of Tourism Business	Hotel (50%), Restaurant (30%), Tour Operator (20%)	Hotel (40%), Restaurant (35%), Tour Operator (25%)
Firm Size (Employees)	Small (<50) 60%, Medium (50-200) 30%, Large (>200) 10%	Small (<50) 55%, Medium (50-200) 40%, Large (>200) 5%
Years of Operation	1–5 years 40%, 6–10 years 35%, >10 years 25%	1–5 years 45%, 6–10 years 30%, >10 years 25%
Respondent Position	Tax Manager (60%), Tax Officer (40%)	Tax Manager (55%), Tax Officer (45%)

Variable Measurements

The construct validity and reliability were tested using the Confirmatory Factor Analysis (CFA) with composite reliability and the average variance extracted as measurement adequacy criteria. Table 2 presents a summary of the research variables along with their operational definitions and key indicators.

Table 2. Variables and Key Indicators

Variable/Construct	Definition	Key Indicators (Measured with 5-Point Likert Scale)
Digital Transformation (DT)	The level of technology adoption in tax administration that involves automation, integration, and digital reporting.	• System automation • Data integration • AI-enabled processes • Digital reporting tools
Institutional Capacity (IC)	The ability of tax authorities and related institutions to support digital taxation through specific skills, infrastructure, and regulations.	• Staff's digital literacy • Leadership support • Infrastructure readiness • Regulatory clarity
Monitoring & Anti-Leakage Mechanisms (ML)	The extent to which digital systems monitor transactions, detect anomalies, and verify taxpayer data to reduce leakage.	• Real-time transaction monitoring • Anomaly detection systems • Digital verification procedures
Taxpayer Compliance (TC)	The degree of taxpayer adherence to obligations in reporting, accuracy, and payment within digital systems.	• Timely reporting • Accuracy of declarations • Adherence to digital procedures • Payment consistency

Data Analysis Methods

Data were analyzed using a two-step SEM analysis with measurement model evaluation and structural model estimation. The model testing constructs validity, discriminant validity, and reliability, thereby setting the CFA. The proposed model examines the relationships between variables and tests the moderating influence of institutional capacity, comparing cases in Bali, Indonesia, with those in the Gold Coast, Australia. A multi-group SEM analysis was applied to compare such structural paths between the two regions. To test the moderating effect of digital maturity, a **multi-group analysis** was performed in PLS-SEM. The sample was divided into two groups based on the region (Bali and Gold Coast), and the structural paths were compared between the groups to assess whether digital maturity moderated the relationship between digital technologies and tax compliance.

Furthermore, other statistical tests—namely, descriptive statistics, multicollinearity test, normality test for data distribution, and a model fit analysis—were conducted using Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR) indices. Moderation effects were tested through interaction terms in SEM or multi-group comparisons. Sensitivity analyses were also performed to ensure the stability of the results.

Conceptual Framework

The conceptual framework of this study is presented in Figure 1 below.

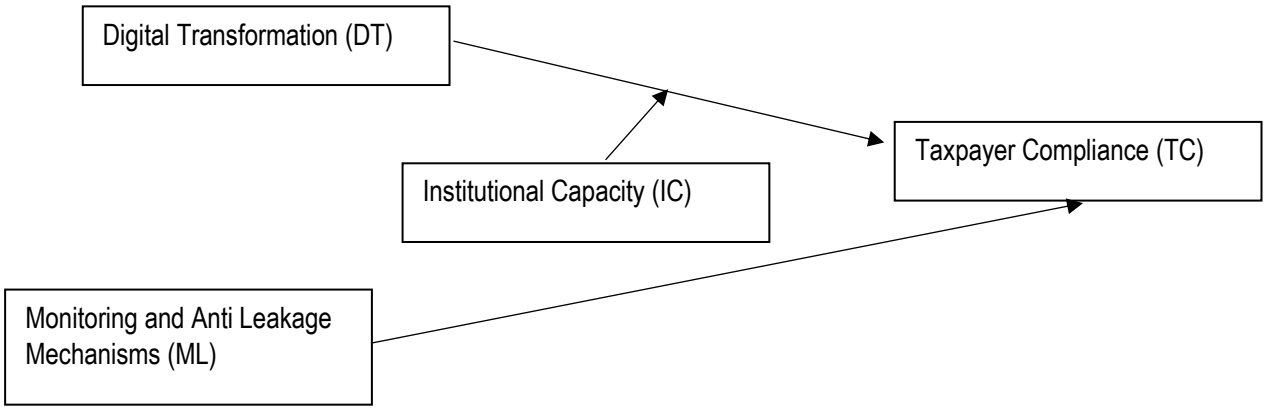

Figure 1. Conceptual Framework

Description:
H1: DT → TC
H2: IC × DT → TC (Moderation)
H3: ML → TC

RESULTS AND DISCUSSION

Results

The findings of this study support the hypothesis that digital transformation in the tourism sector enhances tax collection performance. According to previous studies (He et al., 2024; Han et al., 2025), automatic reporting systems, combined databases, and AI-based monitoring products significantly improve tax transparency and lessen the information asymmetry between taxpayers and tax collectors. This paper provides empirical evidence that digital improvements do enhance tax compliance in tourism SMEs in both countries.

The moderation of institutional capacity emphasizes that an organization comes first in digital governance. In the same vein as the institutional theory and previous studies (Zhao et al., 2023; Pratama et al., 2024), higher digital literacy, infrastructure, and leadership commitment are associated with favorable adoption of technologies by tax administrations. The greater degree of moderation in Bali highlights how institutional realities, rather than technology, often play a bigger role in the success or failure of digital projects in developing countries.

Thus, the relevance of supervision and anti-flood dictates must be consistent with whoever contributes to an earlier number of necessary (Hermawan, 2022; Rahayu & Kusdianto, 2023). Middleware tools stand to gain from middleware tools, as tourism-dependent regional economies have long been shown to suffer from leakages in tax revenue collection. Meanwhile, the Gold Coast had state-of-the-art digital infrastructure that enabled tax systems and business reporting programs to interface, making compliance easier.

A previous study on tourism economy has examined the direct effect of taxpayer compliance and tax performance and found that respondents' tax payments, influenced by their good reporting behavior, have contributed to increasing fiscal returns (Marsudi et al., 2025). Comparative findings shed light on the channels through which national digital maturity shapes the success of tech reforms. In Australia, the effect of technology on compliance is mediated through greater baseline readiness. Conversely, institutional capacity becomes a facilitator for digital adoption and works in synergy in Indonesia.

These findings particularly confirm all formulated hypotheses and contribute to existing literature by comparing a developing nation (recipient) with a developed nation (source) in a cross-country study, specifically in the context of digital tourism taxation. Although the pathways are broadly similar, the analysis reveals that each relation is more strongly predicted in one country than in another, depending on the digital readiness of the country's systemic context (as reflected in regulatory infrastructure and administrative capacity). The results of this study underscore the need for localized alignment between digital transformation programs and institutional contexts. Based on the results of the structural model analyses, digital transformation had a significant positive effect on taxpayer compliance (path coefficient = 0.35, t-value = 4.50, p-value < 0.001). Institutional readiness also moderated the relationship between digital transformation and taxpayer compliance (path coefficient = 0.30, t-value = 3.20, p-value = 0.002).

Measurement Model Evaluations with CR, AVE, and Inter-Construct Correlations

The results of the convergent Validity Tests (Factor Loading, CR, and AVE) are presented in Table 3.

Table 3. Convergent Validity

Construct	Indicator	Factor Loading	CR	AVE
Digital Transformation	DT1	0.82	0.91	0.67
	DT2	0.76		
	DT3	0.84		
Tourism Taxpayer Compliance	TC1	0.85	0.88	0.70
	TC2	0.78		
	TC3	0.80		
Institutional Readiness	IC1	0.79	0.86	0.58
	IC2	0.82		
	IC3	0.75		
AI- and Data-Driven Monitoring	ML1	0.88	0.92	0.74
	ML2	0.85		
	ML3	0.83		
Tax Leakages	TL1	0.79	0.87	0.65
	TL2	0.81		
	TL3	0.77		

Furthermore, the inter-construct correlations and discriminant validity, and the construct with AVE correlations, are summarized in Tables 4 and 5, respectively.

Table 4. Inter-Construct Correlations and Discriminant Validity

Construct	Digital Transformation (DT)	Tourism Taxpayer Compliance (TC)	Institutional Readiness (IR)	AI- and Data-Driven Monitoring (AI)	Tax Leakages (TL)
Digital Transformation (DT)	1.00	0.68	0.74	0.78	0.72
Tourism Taxpayer Compliance (TC)	0.68	1.00	0.77	0.75	0.81
Institutional Capacity (IC)	0.74	0.77	1.00	0.79	0.71
AI- and Data-Driven Monitoring (ML)	0.78	0.75	0.79	1.00	0.76
Tax Leakages (TL)	0.72	0.81	0.71	0.76	1.00

Table 5. Construct with AVE Correlations

Construct	AVE	√AVE	Correlation with Other Constructs
Digital Transformation (DT)	0.63	0.79	0.68 (TC), 0.74 (IC), 0.78 (ML), 0.72 (TL)
Tourism Taxpayer Compliance (TC)	0.70	0.84	0.68 (DT), 0.77 (IC), 0.75 (ML), 0.81 (TL)
Institutional Capacity (IC)	0.58	0.76	0.74 (DT), 0.77 (TC), 0.79 (ML), 0.71 (TL)
AI- and Data-Driven Monitoring (ML)	0.74	0.86	0.78 (DT), 0.75 (TC), 0.79 (IC), 0.76 (TL)
Tax Leakages (TL)	0.65	0.81	0.72 (DT), 0.81 (TC), 0.71 (IR), 0.76 (AI)

As seen in Table 5, the square root of AVE (√AVE) for each construct is greater than the correlations with the other constructs, which indicates discriminant validity for each construct. For instance, the √AVE of Digital Transformation (DT) is 0.79, greater than its correlations with Tourism Taxpayer Compliance (TC), which is 0.68, and Institutional Capacity (IC), i.e., 0.74.

Table 6 displays the results of the Structural Equation Model Fit Analysis, along with their interpretations.

Table 6. Fit Index Value Interpretation

Fit Index	Value (Example)	Interpretation
SRMR (Standardized Root Mean Square Residual)	0.062	<0.08 indicates a good model fit; residuals between observed and predicted correlations are low
d_ULS (Squared Euclidean Distance)	0.310	Smaller values indicate a better fit; it is used to detect deviations from the saturated model
d_G (Geodesic Distance)	0.410	Smaller values indicate a better fit; it compares model-implied vs. empirical correlations
Chi-Square (χ^2)	145.6	Non-significant χ^2 indicates a good fit; in PLS-SEM, χ^2 is often descriptive rather than inferential
NFI (Normed Fit Index)	0.912	>0.90 indicates an acceptable fit
CFI (Comparative Fit Index, if using CB-SEM)	0.935	>0.90 indicates a good fit; it is optional for PLS, but is useful for comparison with CB-SEM
RMSEA (Root Mean Square Error of Approximation, if using CB-SEM)	0.045	<0.08 indicates a reasonable fit; <0.05 indicates a close fit

PLS-SEM context:
SRMR is the most commonly reported PLS-SEM fit index. Values <0.08 confirm a well-fitting model.
d_ULS and d_G are supplementary; smaller values = better.
CFI & RMSEA are more relevant in covariance-based SEM (AMOS/LISREL), but sometimes reported inhybrid studies.

Table 7. Path Coefficient

Hypothesis / Path	Indonesia (n=150)			Australia (n=50)		
	β (Path Coefficient)	t-value	p-value	β (Path Coefficient)	t-value	p-value
H1: DT → TC	0.42	5.12	<0.001	0.38	2.85	0.004
H2: IC × DT → TC (Moderation)	0.25	3.45	0.001	0.22	2.10	0.036
H3: ML → TC	0.36	4.78	<0.001	0.31	2.95	0.003

As shown in Table 7, the direct effects (H1, H3) of Digital Transformation (DT) and Monitoring & Anti-Leakage Mechanisms (ML) both positively influence Taxpayer Compliance (TC) in both Indonesia and Australia, with their significance being confirmed by t-values >1.96 and p <0.05. The moderation effect (H2) of Institutional Capacity strengthens the DT → TC relationship; the effect is slightly lower in Australia, but is still significant. Cross-country differences: Slightly smaller path coefficients in Australia may reflect a smaller sample size (n=50) or differing institutional contexts. Furthermore, the β magnitude of 0.2–0.4 indicates a moderate practical effect.

CONCLUSIONS

This paper analyzes how digital transformation interferes with tourism taxation in Indonesia and Australia, comparing Bali and the Gold Coast. The findings indicate that digital transformation has a strong and positive impact on the increase of taxpayer compliance in the tourism sector. Automation and record-keeping systems, supported by artificial intelligence and monitoring tools, all directly improve the accuracy, speed, and consistency of tax reporting from tourism activities. These results both corroborate and extend existing theoretical and empirical literature, offering further contrasts as to the manner in which these relationships unfold across a variety of managerial or technical contexts.

The study findings reveal the vital moderating role of institutional capacity in the relationship between digital transformation and compliance. Better digital readiness, commitment to leadership, and clearer regulations (that

the Gold Coast has in spades) also match up with behind-the-curve, slower returns on going digital. In contrast, Bali's case suggests that digital reform is a plus as long as it is metaphorically supported by adequate human skillsets and infrastructure readiness, which subtly calls for internal management preparedness as well. This suggests that without sound institutional foundations, technology advancement alone is not sufficient for improving tax compliance.

This study explains the pivotal role of digital transformation in enhancing tax compliance and reducing tax leakages within the tourism sector, with substantial differences in effectiveness between Indonesia and Australia. The findings underscore the importance of institutional readiness and digital infrastructure for the successful implementation of digital tax solutions. While the adoption of AI, blockchain, and data analytics has the potential to improve transparency and efficiency, institutional factors—such as leadership commitment and digital literacy—remain crucial in driving favorable outcomes, particularly in developing countries.

Implications

Several practical implications can be drawn from the study findings. For Indonesia, building institutional capacity through training in digital skills, infrastructure investment, and regulatory simplification should be a top priority to ensure that digital improvements can make palpable gains. For Australia, it is crucial to understand how effective advanced technologies—such as blockchain and predictive analytics—can be fully integrated to continue operating efficiently within a more digital economy. More generally, the shaping of digital taxation platforms by both countries and their innovative nature can sustain fiscal resilience, provided that taxpayer confidence continues to be generated and industrial adoption continues to spread.

Policymakers in both developed and developing countries should prioritize institutional capacity building alongside technological adoption. In Indonesia, for example, enhancing digital literacy and strengthening leadership commitment can significantly aid in the success of digital tax reforms. Australian policymakers, on the other hand, can focus on refining their data governance and cybersecurity frameworks to optimize the integration of emerging technologies into tax administration. Additionally, both countries should consider the role of collaborative efforts between the public and private sectors in the continuous improvement of digital tax systems.

Research Limitations

Despite its valuable implications, this study still has several limitations that should be taken into consideration. The data are based on self-reported perceptions and, therefore, may be subject to bias. This approach is not designed to cover all tourism subsectors equally, but is suitable for comparative purposes. Moreover, this study only explores two areas, namely Bali and the Gold Coast, which may not be representative of other parts of Indonesia or Australia with different economic and digital conditions. Therefore, future studies are recommended to employ more comprehensive longitudinal surveys or administrative data to ground such perception-based responses.

While self-reported data has its merits, it is not entirely free of response bias (social desirability/recall bias). To address these biases, the study should take several measures:

1. Anonymity and confidentiality: Social desirability bias can be reduced if respondents know that their feedback is anonymous, as they may be more comfortable providing candid responses without having to fear being judged or facing consequences. This promotes openness, particularly on sensitive issues like tax compliance.
2. Diverse data sources: Self-reported data can potentially be validated against other objective sources of information. This triangulation method helps verify if self-reported data about "what works for them" mirrors their results.

Future Research Directions

To investigate the regional disparities of digital readiness, the scope of future studies can be extended by adding more provinces or municipalities in each country. Studies that compare other countries at different levels of digital development are expected to complement the literature on global digital tax governance. Furthermore, future studies can examine the long-term effects on taxpayer behavior and the sustainability of revenues resulting from emerging technologies, such as blockchain auditing, AI forecasting for revenue management, and web crawling (pull) into the back-end data sharing ecosystems. The incorporation of qualitative methods may also provide a deeper understanding of the barriers and drivers for digital transformation at an organizational level.

This study considers digital transformation as a relevant corporate right in improving taxation systems in the tourism sector. However, its effectiveness is highly conditioned by institutional and policy readiness. Awareness of these dynamics would allow policymakers and tax authorities to develop better digital taxation mechanisms that support the objectives of tourism growth. Given the limitations of this study, future research can expand the sample

to include a broader range of tourism regions, particularly in developing countries with different levels of digital infrastructure. Additionally, incorporating objective data from tax authorities can help mitigate the bias associated with self-reported data. Further exploration into the role of collaboration with the private sector in digital tax administration would also provide valuable insights into improving the sustainability of digital tax reforms.

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