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Do Modern Tax Administration Systems and Tax Audits Enhance Taxpayer Compliance? Evidence on the Moderating Effect of Tax Socialization

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A B S T R A C T

With tax socialization acting as a moderator, this study attempts to investigate the impact of a contemporary tax administration system and tax audits on taxpayer compliance (A Study on Corporate Taxpayers Registered at the Cibinong Pratama Tax Office in 2023). This work employs a quantitative methodology using SmartPLS 4.0 for structural equation modeling (SEM). Corporate taxpayers serve as the analytical unit. Purposive sampling was used to choose 99 corporate taxpayers from the population of 10,524 corporate taxpayers. A questionnaire was used to collect data. The study's findings show that taxpayer compliance is positively and significantly impacted by a contemporary tax administration system, tax audits, and tax socialization. Additionally, the impact of a contemporary tax administration system and tax audits on corporate taxpayer compliance reported with the Cibinong Pratama Tax Office in 2023 is positively and significantly moderated by tax socialization.

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INTRODUCTION

A primary contributor to government financing, taxes are essential for funding government spending and national development (Pradhitya & Kurnia, 2022). axation constitutes not merely the primary revenue stream for development but also a way for the general population to get involved in the country's progress. Additionally, because taxes are mandatory, citizens must actively fulfill their tax duties, which might improve overall taxpayer compliance.

Indonesia's Ministry of Finance highlights that the low tax ratio is the nation's primary problem at the moment, not public debt. Indonesia has one of the lowest tax percentages among Asian nations, according to the Director of Government Securities at the Directorate General of Financing and Risk Management (DJPPR), Ministry of Finance. In order for Indonesia to attain finance capacity on par with other Asia-Pacific nations and even members of the Organization for Economic Co-operation and Development (OECD), the government must enhance the tax ratio (Ramadhani, 2021).

Between 2019 and 2023, Indonesia's tax ratio fluctuated. Due to the COVID-19 epidemic, the tax ratio dropped from 9.76% in 2019 to 8.33% in 2020. The tax ratio started to improve in 2021, rising to 9.11% and then 10.38% in 2022. However, Indonesia's tax ratio dropped little to 10.21% in 2023. Given that it has been around 11% in recent years, Indonesia's tax ratio trend can be regarded as generally static. In the meantime, according to the OECD's Revenue Statistics in Asian and Pacific Economies 2019, Indonesia recorded a tax ratio of only 11.5%, which was released on July 25, 2019. This is far lower than the OECD average tax ratio of 34.2% (Pajakku.com, 2022).

Tax compliance remains a major obstacle to maximizing tax revenue. During the 2019–2023 period, tax compliance among Indonesian taxpayers exhibited a fluctuating pattern. Based on statistical records released by the Ministry of Finance, tax revenue growth during this period also showed fluctuations. In 2019, tax revenue amounted to IDR 1,332.67 trillion, with a growth rate of 1.5%. In 2020, tax revenue declined to IDR 1,072.11 trillion, reflecting a contraction of 19.6% due to the consequences of the COVID-19 crisis. Nevertheless, tax revenue returned to positive growth in 2021, reaching IDR 1,278.63 trillion with a growth rate of 19.3%, and increased significantly in 2022 to IDR 1,716.77 trillion, with a growth rate of 34.3%. In the most recent fiscal year, 2023, tax revenue reached IDR 1,869.23 trillion, with a growth rate of 8.9% (Ramadhani, 2021).

An effective tax administration system is one that is supported by efficient tax institutions, competent tax personnel, and well-designed tax procedures. A well-developed and modern tax administration system is a crucial factor in achieving taxpayer compliance. Tax administration is a dynamic and continuous process of tax collection that involves cooperation between tax authorities and taxpayers, utilizing available human resources (Rahayu, 2017, p. 91). This perspective is supported by several previous studies, including those by Pradhitya and Kurnia (2022), Nofrianti (2020), Indrayanthi A., Mendra, and Saitri (2021), and Supriatiningsih, Darwis, and Ramadhanti (2023), which found that the implementation of a modernized tax administration system has been shown to significantly enhance taxpayer compliance.

Tax audits represent another determinant of taxpayer compliance. In practice, audit activities are predominantly carried out by tax officials with specialized expertise in examining taxpayers' Annual Tax Returns (SPT) and are applied to both individual and corporate taxpayers. Beyond their enforcement role, tax audits function as instruments of supervision and taxpayer guidance. Prior empirical studies have addressed this issue with mixed findings. Pradhitya and Kurnia (2022) reported that, when assessed individually, tax audits did not exert a significant effect on taxpayer compliance. In contrast, Nofrianti (2020) documented a significant positive influence of tax audits on individual taxpayer compliance.

The research object of this study is KPP Pratama Cibinong, where the realization ratio of tax revenue is lower than that of KPP Pratama Cileungsi. Similarly, the level of taxpayer compliance at KPP Pratama Cibinong is also lower than that at KPP Pratama Cileungsi. Therefore, the author is interested in selecting KPP Pratama Cibinong as the research object to examine the factors contributing to the lower tax revenue realization ratio and corporate taxpayer compliance ratio at this tax office.

Building on the identified issues and research gaps in prior studies, this study seeks to reassess the impact of a modern tax administration system and tax audits on taxpayer compliance. The novelty of this research is reflected in the incorporation of tax socialization as a moderating variable to examine whether it strengthens or weakens the relationship between these factors and taxpayer compliance.

LITERATURE REVIEW

Grand Theory

Attribution Theory

Attribution theory was introduced by Fritz Heider in 1958, positing that individual behavior is shaped by both internal and external determinants. Internal determinants encompass personal characteristics, attitudes, and traits, whereas external determinants refer to situational pressures that influence individuals' actions (Heider, 1958). In the context of taxation, attribution theory provides a relevant theoretical foundation for understanding taxpayers' attitudes in forming subjective evaluations of the tax system, thereby explaining various factors that may affect taxpayer compliance (Mulyani, 2020).

Taxpayer Compliance

Siahaan and Halimatusyadiah (2019) define taxpayer compliance as the fulfillment of tax obligations by taxpayers as a form of contribution to national development, which is expected to be undertaken voluntarily through the submission of accurate and complete annual tax returns. In line with this view, compliant taxpayers are those who adhere to prevailing tax laws and regulations (Kusumawati, 2018).

Modern Tax Administration System

Tax administration is defined as administrative and service-related activities carried out by individuals within an organization in exercising their tax rights and obligations (Sasmita, 2019). In the tax administration system, changes in management outcomes significantly influence and support the fulfillment of demands from various stakeholders who bear responsibility for tax-related interests (Ariesta, 2017). Therefore, a modern tax administration system refers to tax-related administrative activities implemented by the government to maximize tax revenue within a country.

RESEARCH HYPOTHESES

The Effect of the Modern Tax Administration System on Taxpayer Compliance

A modern tax administration system aims to improve efficiency, transparency, and simplicity in the fulfillment of tax obligations through the integration of information technology and enhanced service procedures. The implementation of such a system is expected to promote voluntary taxpayer compliance and improve the overall quality of tax services (Putri, 2019; Pradhitya & Kurnia, 2022; Silaban et al., 2022). Based on this rationale, the following hypothesis is proposed:

H1: The Modern Tax Administration System has a positive effect on Taxpayer Compliance.

The Effect of Tax Audits on Taxpayer Compliance

Tax audits function as supervisory mechanisms employed by tax authorities to ensure compliance with prevailing tax regulations. When effectively implemented, tax audits can enhance taxpayers' awareness and level of compliance, while concurrently curbing practices of tax avoidance and tax evasion (Sucandra & Supadmi, 2016; Pradhitya & Kurnia, 2022; Judijanto et al., 2024). Accordingly, tax audits are expected to exert a positive influence on taxpayer compliance.

H2: Tax Audits have a positive effect on Taxpayer Compliance.

The Effect of Tax Socialization on Taxpayer Compliance

Tax socialization plays a crucial role in enhancing taxpayers' understanding of their rights and obligations. By providing clear and easily comprehensible information, tax socialization can foster positive attitudes and raise taxpayer awareness to fulfill tax obligations in a timely manner and in compliance with applicable regulations (Siahaan, 2018; Putri & Saleh, 2018; Pradhitya & Kurnia, 2022). Accordingly, tax socialization is expected to affect the level of taxpayer compliance.

H3: Tax Socialization has a positive effect on Taxpayer Compliance.

The Role of Tax Socialization in Moderating the Effect of the Modern Tax Administration System on Taxpayer Compliance

Tax socialization does not merely exert a direct influence but also has the potential to enhance the effectiveness of a modern tax administration system. A comprehensive understanding of tax systems and procedures enables taxpayers to make optimal use of modern administrative mechanisms, which in turn leads to higher levels of compliance (Boediono et al., 2019; Silaban et al., 2022;

Pradhitya & Kurnia, 2022). Accordingly, tax socialization is expected to moderate the relationship between the modern tax administration system and taxpayer compliance.

H4: Tax Socialization moderates the effect of the Modern Tax Administration System on Taxpayer Compliance.

The Role of Tax Socialization in Moderating the Effect of Tax Audits on Taxpayer Compliance

Within the context of tax audits, tax socialization can enhance taxpayers' objective understanding of the purpose and procedures of audit activities. Such understanding is expected to increase taxpayers' acceptance of tax audits and amplify their effect on compliance (Sucandra & Supadmi, 2016; Boediono et al., 2019). Accordingly, tax socialization is anticipated to moderate the relationship between tax audits and taxpayer compliance.

H5: Tax Socialization moderates the effect of Tax Audits on Taxpayer Compliance.

METHODOLOGY

This study adopts an explanatory research design. Sugiyono (2022:6) defines explanatory research as a type of study aimed at elucidating causal relationships among the variables examined. Such research seeks to clarify how and why a particular phenomenon occurs by identifying its causal factors and explaining the relationships between them. Similarly, Nugroho and Mahendra (2020) describe explanatory research as an approach that examines relationships and effects among variables through hypothesis testing. Based on these conceptualizations, the present study seeks to analyze the effects of a modern tax administration system and tax audits on taxpayer compliance, with tax socialization serving as a moderating variable.

RESEARCH RESULTS

Description of Research Object Characteristics

The purpose of the data description derived from the research findings is to give a broad picture of data dispersion. The descriptive analysis is provided for four (4) variables, namely: (1) Modern Tax Administration System (X1), (2) Tax Audit (X2), (3) Tax Socialization (M), and (4) Taxpayer Compliance (Y), based on the research difficulties and the number of variables evaluated in this study. The descriptive analysis's findings are shown as follows.

1. Modern Tax Administration System (X1)

In general, the description of the research results for this variable is presented in the following table.

Table 4.1 Descriptive Analysis of the Modern Tax Administration System (X1)

No.	Indicator	Mean Score	TCR	Category
1.	X1.01	2.61	52.20%	Fair (Moderate)
2.	X1.02	2.73	54.60%	Fair (Moderate)
3.	X1.03	2.78	55.60%	Fair (Moderate)
4.	X1.04	2.69	53.80%	Fair (Moderate)

No.	Indicator	Mean Score	TCR	Category
Average		**2.70**	**54.00%**	**Fair (Moderate)**

Source: Data Analysis Results

With a Total Criteria Rating (TCR) value of 54.00%, which is in the reasonably good category, Table 4.1 shows that the Modern Tax Administration System (X1) is regarded as fairly good. Among the four (4) indicators with four (4) corresponding statements, indicator X1.03 (Improvement of human resource management) obtained the highest perception score, with a TCR value of 55.60%, classified as fairly good. In the meantime, X1.01 (Organizational structure), which had a TCR value of 52.20% and was similarly classified as fairly excellent, has the lowest perception score.

2. Tax Audit (X2)

In general, the description of the research results for this variable is presented in the following table.

Table 4.2 Descriptive Analysis of Tax Audit (X2)

No.	Indicator	Mean Score	TCR	Category
1.	X2.01	2.69	53.80%	Fair (Moderate)
2.	X2.02	2.68	53.60%	Fair (Moderate)
3.	X2.03	2.74	54.80%	Fair (Moderate)
4.	X2.04	2.71	54.20%	Fair (Moderate)
Average		**2.70**	**54.00%**	**Fair (Moderate)**

Source: Data Analysis Results

Table 4.2 indicates that Tax Audit (X2) is perceived as fairly good, as reflected by an average TCR value of 54.00%, which falls into the fairly good category. Among the four (4) indicators with four (4) corresponding statements, indicator X2.03 (Tax returns not submitted or submitted late) received the highest perception score, with a TCR value of 54.80%, categorized as fairly good. Meanwhile, the indicator with the lowest perception score is X2.02 (Loss tax return), which recorded a TCR value of 53.60%, also classified as fairly good.

3. Tax Socialization (M)

In general, the description of the research results for this variable is presented in the following table.

Table 4.3 Descriptive Analysis of Tax Socialization (M)

No.	Indicator	Mean Score	TCR	Category
1.	M.01	2.76	55.20%	Fair (Moderate)
2.	M.02	2.69	53.80%	Fair (Moderate)
3.	M.03	2.69	53.80%	Fair (Moderate)
4.	M.04	2.67	53.40%	Fair (Moderate)
5.	M.05	2.68	53.60%	Fair (Moderate)
6.	M.06	2.80	56.00%	Fair (Moderate)
Average		**2.71**	**54.20%**	**Fair (Moderate)**

Source: Data Analysis Results

Table 4.3 shows that Tax Socialization (M) is perceived as fairly good, as indicated by an average TCR value of 54.20%, which falls within the fairly good category. Among the six (6) indicators with six (6) corresponding statements, indicator M.06 (Outreach activities) obtained the highest perception score, with a TCR value of 56.00%, categorized as fairly good. Meanwhile, the indicator with the lowest perception score is M.04 (Quality of information sources), which recorded a TCR value of 53.40%, also classified as fairly good.

4. Taxpayer Compliance (Y)

In general, the description of the research results for this variable is presented in the following table.

Table 4.4 Descriptive Analysis of Taxpayer Compliance (Y)

No.	Indicator	Mean Score	TCR	Category
1.	Y.01	2.72	54.40%	Fair (Moderate)
2.	Y.02	2.70	54.00%	Fair (Moderate)
3.	Y.03	2.71	54.20%	Fair (Moderate)
4.	Y.04	2.62	52.40%	Fair (Moderate)
Average		**2.68**	**53.60%**	**Fair (Moderate)**

Source: Data Analysis Results

Table 4.4 shows that Taxpayer Compliance (Y) is perceived as fairly good, as indicated by an average TCR value of 53.60%, which falls into the fairly good category. Among the four (4) indicators with four (4) statements, indicator Y.01 (Timeliness aspect) received the highest perception score, with a TCR value of 54.40%, categorized as fairly good. Meanwhile, the indicator with the lowest perception score is Y.04 (Other aspects), which recorded a TCR value of 52.40%, also classified as fairly good.

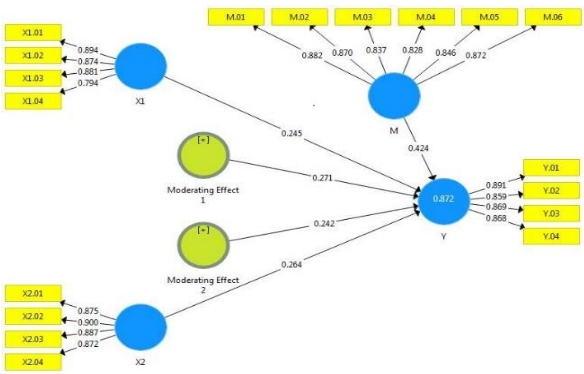
Data Analysis

The data analysis in this study was conducted using SEM-PLS analysis with the SmartPLS 4 application. The results are presented as follows.

Outer Model Analysis (Measurement Model)

The following figure presents the calculation results of the SEM-PLS model.

Figure 4.2 Results of SEM-PLS Model Calculation



Source: SmartPLS Ver. 4.0 results

Outer Model Analysis

Construct validity testing, which includes the convergent validity test and the discriminant validity test, was used to do the outer model analysis. The following is a progressive presentation of these tests.

Test of Convergent Validity

In this study, loading factor values served as the foundation for the convergent validity test. For a loading factor to be deemed genuine, it must be more than the standard value of 0.50. Table 4.5 displays the outer loading computation results using SmartPLS 4.0 software.

Table 4.5 PLS Outer Loading Model

Variable	Indicator	Loading Factor	Rule of Thumb	Remarks
Modern Tax Administration System (X1)	X1.01	0.894	0.50	Valid
	X1.02	0.874	0.50	Valid
	X1.03	0.881	0.50	Valid
	X1.04	0.794	0.50	Valid
Tax Audit (X2)	X2.01	0.875	0.50	Valid
	X2.02	0.900	0.50	Valid
	X2.03	0.887	0.50	Valid
	X2.04	0.872	0.50	Valid
Tax Socialization (M)	M.01	0.882	0.50	Valid
	M.02	0.870	0.50	Valid
	M.03	0.837	0.50	Valid
	M.04	0.828	0.50	Valid
	M.05	0.846	0.50	Valid
	M.06	0.872	0.50	Valid
Taxpayer Compliance (Y)	Y.01	0.774	0.50	Valid
	Y.02	0.702	0.50	Valid
	Y.03	0.734	0.50	Valid
	Y.04	0.744	0.50	Valid

Source: Data Analysis Using SmartPLS Version 4.0

Based on Table 4.5, all indicator loading factor values across the four variables exceed 0.50. This indicates that all indicators are valid and can be used to measure their respective latent variables.

The convergent validity results are further supported by the Average Variance Extracted (AVE) values. An AVE value must be greater than the rule of thumb of 0.50 to indicate adequate convergent validity. The AVE calculation results obtained using SmartPLS software are presented in Table 4.6.

Table 4.6 Construct Reliability and Validity (AVE)

Latent Variable	AVE	Rule of Thumb	Remarks
Taxpayer Compliance (Y)	0.760	0.50	Supported
Tax Socialization (M)	0.733	0.50	Supported
Modern Tax Administration System (X1)	0.742	0.50	Supported
Moderating Effect 1 (M × X1)	0.784	0.50	Supported
Tax Audit (X2)	0.781	0.50	Supported
Moderating Effect 2 (M × X2)	0.786	0.50	Supported

Source: Data Analysis Using SmartPLS Version 4.0

All latent variables had AVE values larger than 0.50, according to Table 4.6's findings. As a result, it can be said that every indication is reliable and accurately reflects the latent structures that each indicator forms.

Discriminant Validity Test

Discriminant validity is intended to assess whether each reflective indicator is strongly associated with its respective construct, while exhibiting weak correlations with other constructs. In other words, indicators should not demonstrate high correlations across different constructs. In this study, discriminant validity was evaluated using the Fornell–Larcker criterion, which compares the square root of the Average Variance Extracted (AVE) for each construct with the inter-construct correlations within the model. Discriminant validity test results indicate the extent to which a latent construct is empirically distinct from other constructs. High discriminant validity values suggest that a construct is unique and capable of adequately representing the phenomenon under investigation. The outcomes of the discriminant validity assessment based on the Fornell–Larcker criterion are presented in Table 4.7.

Table 4.7 Discriminant Validity Test Results (Fornell–Larcker Criterion)

	Y	M×X1	M×X2	X2	X1	M
Taxpayer Compliance (Y)	0.872					
Moderating Effect 1 (M×X1)	0.581	0.885				
Moderating Effect 2 (M×X2)	0.555	0.860	0.886			
Tax Audit (X2)	0.790	0.548	0.540	0.884		
Modern Tax Administration System (X1)	0.804	0.585	0.559	0.810	0.862	
Tax Socialization (M)	0.817	0.586	0.557	0.879	0.831	0.856

Source: Data Analysis Using SmartPLS Version 4.0

Based on the SmartPLS analysis presented in Table 4.7, the square root of the AVE for each construct exceeds its correlations with other latent variables in the model. These results indicate that the discriminant validity requirement based on the Fornell–Larcker criterion has been satisfied.

Structural Model Analysis

The next stage is the structural model analysis, which includes the following evaluations:

1. Coefficient of Determination (R^2)
2. Predictive Relevance (Q^2)
3. Direct Effect Analysis
4. Indirect Effect (Moderation) Analysis

The results of the structural model analysis are presented in the following sections.

Coefficient of Determination (R^2)

The R-square (R^2) value represents the extent to which exogenous latent variables explain the variance of the endogenous latent variable. The R^2 value ranges from 0 to 1. The criteria used for evaluating the inner model are as follows:

a. **$R^2 > 0.75$** indicates a **substantial (strong)** model.
b. **$R^2 > 0.50$** indicates a **moderate** model.
c. **$R^2 > 0.25$** indicates a **weak** model.

The results of the coefficient of determination (R^2) analysis are presented in Table 4.8.

Table 4.8 R^2 (R-Square) Values

Variable	R-Square	Adjusted R-Square	Model Indication
Taxpayer Compliance	0.872	0.865	Substantial (Strong)

Source: Data Analysis Using SmartPLS Version 4.0

As shown in Table 4.8, the R-square value for Taxpayer Compliance (Y) is 0.872, which exceeds the threshold of 0.75. This indicates that the model is classified as substantial (strong). Accordingly, 87.2% of the variance in Taxpayer Compliance (Y) can be explained by Tax Socialization (M), Tax Audit (X1), and the Modern Tax Administration System (X2) included in the model.

The results of the coefficient of determination test indicate that the proposed model is **robust**.

Predictive Relevance (Q^2 – Stone–Geisser Value)

The next step in the inner model analysis is assessing predictive relevance using the Q^2 value. A model is considered to have good predictive relevance if **$Q^2 > 0$**, indicating that the model has adequate predictive capability. Conversely, a Q^2 value less than 0 indicates a lack of predictive relevance.

The criteria for evaluating predictive relevance are as follows:

- **$Q^2 = 0.02$** indicates **small/low predictive accuracy**,
- **$Q^2 = 0.15$** indicates **moderate predictive accuracy**,
- **$Q^2 = 0.35$** indicates **large/high predictive accuracy**.

The Q^2 values obtained in this study are presented in Table 4.9.

Table 4.9 Q² (Predictive Relevance) Values

Variable	Q² (Predictive Relevance)	Interpretation
Taxpayer Compliance (Y)	0.642	High Predictive Accuracy

Source: Data Analysis Using SmartPLS Version 4.0

According to Table 4.9, the Q^2 value of 0.642, which is higher than 0.35, shows that the model has good predictive relevance and can accurately predict Taxpayer Compliance (Y).

1. **Analysis of Direct Effects**

Based on the previously created study model, the direct effect analysis results utilizing the PLS algorithm are shown as follows:

Table 4.10 Results of Direct Effect Analysis

Path	Original Sample (Path)	T-Statistics	P-Values	Decision
Tax Audit → Taxpayer Compliance	0.264	3.041	0.002	Supported
Modern Tax Administration System → Taxpayer Compliance	0.245	2.444	0.015	Supported
Tax Socialization → Taxpayer Compliance	0.424	3.852	0.000	Supported

Source: Data Analysis Using SmartPLS Version 4.0

All structural routes exhibit supported (positive) correlations, according to Table 4.10. This shows that there are unidirectional (positive) and statistically acceptable links between the exogenous latent variables and the endogenous latent variable.

2. **Analysis of Indirect Effects (Moderation)**

The following are the findings of the indirect effect (moderation) analysis utilizing SmartPLS 4.0 and the preset path diagram model:

Table 4.11 Results of Moderation Effect Analysis

Path	Original Sample (Path)	T-Statistics	P-Values	Decision
Moderating Effect 1 → Taxpayer Compliance	0.201	2.765	0.044	Supported
Moderating Effect 2 → Taxpayer Compliance	0.323	2.469	0.039	Supported

Source: Data Analysis Using SmartPLS Version 4.0

As shown in Table 4.11, the indirect paths also exhibit supported positive relationships. This finding indicates the presence of positive and significant associations between the exogenous latent constructs and the endogenous latent variable through the moderating variables.

Analysis of Structural Model Results

The results of the structural model analysis can be interpreted as follows:

1. Testing of the First Hypothesis (H1)

Hypothesis 1 posits that a modern tax administration system has a positive and significant effect on taxpayer compliance. The empirical results indicate a p-value of 0.015 and a t-statistic of 2.444. Since the p-value is below the 0.05 significance threshold, it can be concluded that the modern tax administration system exerts a positive and statistically significant influence on taxpayer compliance. Accordingly, H1 is supported.

2. Testing of the Second Hypothesis (H2)

Hypothesis 2 proposes that tax audits have a positive and significant effect on taxpayer compliance. The analysis reveals a p-value of 0.002 and a t-statistic of 3.041. Given that the p-value is lower than 0.05, the results confirm that tax audits significantly and positively affect taxpayer compliance. Thus, H2 is supported.

3. Examining the Third Hypothesis (H3)

Hypothesis 3 states that tax socialization positively and significantly influences taxpayer compliance. The findings show a p-value of 0.000 and a t-statistic of 3.852. As the p-value falls well below the 0.05 significance level, tax socialization is demonstrated to have a positive and significant effect on taxpayer compliance. Therefore, H3 is supported.

4. Testing of the Fourth Hypothesis (H4)

Hypothesis 4 examines the moderating role of tax socialization on the relationship between the modern tax administration system and taxpayer compliance. The results indicate a p-value of 0.039 and a t-statistic of 2.469. Since the p-value is less than 0.05, tax socialization is found to positively and significantly moderate the effect of the modern tax administration system on taxpayer compliance. Hence, H4 is supported.

5. Testing of the Fifth Hypothesis (H5)

Hypothesis 5 tests whether tax socialization moderates the relationship between tax audits and taxpayer compliance. The analysis yields a p-value of 0.044 and a t-statistic of 2.765. As the p-value is below the 0.05 significance level, the findings indicate that tax socialization positively and significantly moderates the effect of tax audits on taxpayer compliance. Accordingly, H5 is supported.

DISCUSSION

The Effect of the Modern Tax Administration System on Taxpayer Compliance

The hypothesis testing results obtained using SmartPLS 4.0 demonstrate that the modern tax administration system exerts a positive and significant effect on taxpayer compliance. This finding aligns with the policy direction of the Directorate General of Taxes (DGT), which has implemented comprehensive reforms in tax administration with the primary objective of enhancing taxpayer compliance.

Moreover, the findings empirically support the theoretical perspective that improvements in tax administrative management substantially influence outcomes and play a crucial role in meeting the expectations of various stakeholders involved in tax-related interests (Ariesta, 2017). In this context, a modern tax administration system reflects a set of government-led administrative initiatives aimed at optimizing tax revenue through improved levels of taxpayer compliance.

A well-structured and modern tax administration system thus emerges as one of the key determinants of taxpayer compliance. The integration of efficient procedures, transparency, and technology-based services reduces administrative complexity and fosters greater trust in the tax authority, thereby encouraging voluntary compliance among taxpayers.

These results are consistent with prior empirical studies conducted by Pradhitya and Kurnia (2022), Nofrianti (2020), Indrayanthi et al. (2021), Supriatiningsih et al. (2023), Wijaya (2022), and Silaban et al. (2022), all of which reported a positive and significant relationship between the modern tax administration system and taxpayer compliance.

Overall, the findings underscore the importance of optimizing the implementation of a modern tax administration system. An effective system enhances taxpayer satisfaction, improves service quality, and facilitates compliance, which ultimately contributes to increased tax revenue—particularly among corporate taxpayers registered at KPP Pratama Cibinong.

The Effect of Tax Audits on Taxpayer Compliance

The hypothesis testing results generated using SmartPLS 4.0 indicate that tax audits exert a positive and statistically significant effect on taxpayer compliance. This finding is consistent with the government's objectives as stipulated in Law No. 28 of 2007, which defines tax audits as a systematic and objective process of collecting and evaluating data, information, and evidence to assess the fulfillment of tax obligations in a professional manner.

This result also aligns with scholarly views emphasizing that tax audits function as a law enforcement mechanism within the self-assessment system (Sucandra & Supadmi, 2016). Through the implementation of audits, opportunities for tax evasion can be minimized, while taxpayers are encouraged to comply more accurately and honestly with prevailing tax regulations.

Furthermore, the findings corroborate prior empirical studies conducted by Pradhitya and Kurnia (2022), Judijanto et al. (2024), Asterina and Septiani (2019), and Siallagan (2021), all of which reported a positive and significant relationship between tax audits and taxpayer compliance.

Overall, these results highlight the critical role of tax audits in strengthening compliance. Consequently, audit implementation should be continuously enhanced through improvements in audit quality, auditor competence, and regulatory frameworks. Active cooperation from taxpayers is equally important to ensure the effectiveness of audit processes. In the absence of such cooperation, audits may lead to inefficient use of administrative resources. Conversely, well-executed audits provide constructive feedback that improves taxpayers' understanding of tax regulations and fosters sustained compliance.

The Effect of Tax Socialization on Taxpayer Compliance

The hypothesis testing results derived from SmartPLS 4.0 indicate that tax socialization exerts a positive and statistically significant effect on taxpayer compliance. This finding is consistent with governmental initiatives, particularly those undertaken by the Directorate General of Taxes, to disseminate information on tax regulations and activities through various socialization programs targeting both individual and corporate taxpayers (Boediono et al., 2019).

Effective tax socialization facilitates the dissemination of information that promotes changes in knowledge, skills, and attitudes among the public, business entities, governmental bodies, and non-governmental organizations. When taxpayers possess adequate understanding, awareness, and recognition of their tax obligations, they are more inclined to comply voluntarily with applicable tax regulations.

The results of this study are in line with previous empirical evidence reported by Pradhitya and Kurnia (2022), Judijanto et al. (2024), and Silaban et al. (2022), all of which demonstrated a positive and significant relationship between tax socialization and taxpayer compliance.

Overall, these findings underscore the importance of implementing intensive and effective tax socialization programs by tax authorities. As noted by Jannah (2016), comprehensive socialization initiatives enhance taxpayers' knowledge of taxation matters, thereby enabling them to fulfill their obligations more effectively. Conversely, insufficient tax socialization may hinder taxpayers' understanding of tax regulations and ultimately reduce compliance levels (Wardani & Wati, 2018).

The Moderating Effect of Tax Socialization on the Relationship between the Modern Tax Administration System and Taxpayer Compliance

The hypothesis testing results obtained using SmartPLS 4.0 demonstrate that tax socialization has a positive and statistically significant moderating effect on the relationship between the modern tax administration system and taxpayer compliance. This finding is in line with government initiatives aimed at disseminating comprehensive tax-related information through various communication channels (Boediono et al., 2019).

Effective tax socialization enhances taxpayers' knowledge, skills, and attitudes, thereby reinforcing the positive influence of a modern tax administration system on compliance behavior (Pradhitya & Kurnia, 2022). Through socialization efforts, taxpayers not only gain access to modern administrative facilities but also develop a clearer understanding of how to utilize these systems accurately and efficiently. These results are consistent with the empirical evidence reported by Silaban et al. (2022), who found that tax socialization moderates the relationship between the implementation of electronic filing systems and taxpayer compliance.

The Moderating Effect of Tax Socialization on the Relationship between Tax Audits and Taxpayer Compliance

The hypothesis testing results indicate that tax socialization positively and significantly moderates the relationship between tax audits and taxpayer compliance. This finding is consistent with the objectives outlined in Law No. 28 of 2007, which positions tax audits as an instrument for assessing compliance within the self-assessment system.

In line with expert perspectives (Sucandra & Supadmi, 2016), tax audits function as a mechanism of law enforcement. Tax socialization strengthens this mechanism by enhancing taxpayers' understanding of the objectives, procedures, and implications of tax audits, thereby reducing resistance to audit processes and limiting opportunities for tax evasion. As a result, tax socialization plays a pivotal role in reinforcing the effectiveness of tax audits in fostering taxpayer compliance.

CONCLUSION

Based on the results of this study, the following five conclusions can be drawn:

1. The modern tax administration system has a significant effect on the compliance of corporate taxpayers registered at KPP Pratama Cibinong in 2023.
2. Tax audits have a significant effect on the compliance of corporate taxpayers registered at KPP Pratama Cibinong in 2023.
3. Tax socialization has a significant effect on the compliance of corporate taxpayers registered at KPP Pratama Cibinong in 2023.
4. Tax socialization significantly moderates the effect of the modern tax administration system on the compliance of corporate taxpayers registered at KPP Pratama Cibinong in 2023.
5. Tax socialization significantly moderates the effect of tax audits on the compliance of corporate taxpayers registered at KPP Pratama Cibinong in 2023.

Overall, these findings indicate that improving tax administration systems, strengthening tax audits, and enhancing tax socialization programs play a crucial role in increasing corporate taxpayer compliance.

RECOMMENDATIONS

With tax socialization serving as a moderating variable, this study solely looks at how the current tax administration system and tax audits affect taxpayer compliance among business taxpayers registered at KPP Pratama Cibinong in 2023. In order to increase the body of knowledge in accounting and taxation studies, future research is therefore urged to broaden the scope by include additional aspects that were not looked at in this study. Taxpayer awareness, tax punishments as a moderating variable, tax knowledge, the quality of tax authority services, the self-assessment system's implementation, taxpayer moral obligations, and taxpayer attitudes toward compliance are all potential variables for further study. A more thorough knowledge of the factors influencing taxpayer compliance might result from incorporating these variables.

LIMITATIONS

Several limitations were encountered during the research process, which may have influenced the results of this study:

1. The study was constrained by limitations in time, resources, and the researcher's capacity.
2. The researcher was unable to fully control respondents while they were completing the distributed questionnaires. This limitation may have resulted in misunderstandings of questionnaire items, potentially leading to inaccurate responses.
3. The determination of the sample size was limited to corporate taxpayers with complete identification data only. As a result, the sample may not fully represent the overall population of corporate taxpayers.

These limitations should be considered when interpreting the findings, and they provide opportunities for improvement in future research.

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