

Determinants of Tax Compliance in Digital Tax Systems: The Roles of Readiness, Literacy, Ethics, and Trust

Ernie Riswandari¹, Theresia Olivia¹, Jennifer Enny Leticia¹, Rini Kus Tresno Ningsih¹

¹ Universitas Bunda Mulia, Indonesia

Received: 04/04/2026

Revised: 25/05/2026

Accepted: 29/06/2026

Abstract

Digital transformation in Indonesia's taxation system is essential to enhancing administrative effectiveness, transparency, and taxpayer compliance. However, the adoption of digital tax services continues to face challenges related to digital readiness, tax literacy, and ethical considerations. Although these elements have been studied separately in the past, little study has looked at their combined influence on trust in digital taxation systems and tax compliance. This investigation looks into the consequences of ethical perceptions, digital tax literacy, and digital readiness on taxpayers' trust in digital taxation systems and examines the mediating role of trust in promoting tax compliance. The study's novelty lies in integrating these factors into a single conceptual model with trust as a mediator. A quantitative approach was employed using an online survey of taxpayers utilizing digital tax services in Jakarta. The data were analysed using Structural Equation Modelling (SEM) with SmartPLS. The results reveal that digital readiness and digital tax literacy positively influence tax compliance, whereas ethical perceptions do not have a significant direct effect. Moreover, trust in the digital taxation system does not mediate the correlations between the tax compliance and the independent variables. These findings contribute to the development of digital models of tax compliance and provide useful information for legislators seeking to enhance taxpayers' digital capabilities.

Keywords

Digital Readiness; Ethical Perceptions; Tax Literacy; Trust in the System; Compliance digital taxation; behavioural taxation; TAM; TPB, trust theory

Corresponding Author:

Ernie Riswandari

Universitas Bunda Mulia, Indonesia; eriswandari@bundamulia.ac.id

1. INTRODUCTION

Digital transformation in the field of taxation has become a key component of public administration reform in many countries, including Indonesia. The Indonesian government has actively promoted the digitalisation of tax administration through systems such as e-Filing, e-Bupot and e-Billing in order to improve efficiency, transparency and accountability. Nevertheless, the uptake of digital tax systems by taxpayers remains relatively low. As of May 2025, more than 30% of taxpayers had not yet fully adopted digital tax systems, particularly among Micro, Small and Medium Enterprises (MSMEs) and self-employed individual taxpayers. A survey conducted by the Indonesian Tax Research Institute (LRPI)



revealed that 41.2% of respondents had little confidence in the security and accuracy of digital tax systems, whilst 36.5% found it difficult to understand the workflow of digital tax platforms (Tamba, 2025).

These findings indicate that technological implementation alone is insufficient to ensure successful digital transformation. Many taxpayers remain unprepared to adopt digital systems due to limited infrastructure, inadequate knowledge, and concerns regarding system complexity. Consequently, behavioural and psychological factors become critical determinants of successful digital tax adoption and tax compliance. Digital tax literacy plays an important role in enabling taxpayers to understand their rights, obligations, and digital procedures. Previous studies have shown that inadequate knowledge of digital taxation reduces trust and compliance, particularly among MSMEs and informal sector taxpayers (Suleman, Ngabito, Lazimatul, & Sholehah, 2024). Furthermore, ethical perceptions influence taxpayers' willingness to comply with tax obligations. Taxpayers who perceive digital tax systems as unfair, burdensome, or susceptible to manipulation are less likely to exhibit compliant behaviour (Riris Wardana, Nur Diana, 2024).

Having faith in the digital tax system serves as a crucial mechanism linking these factors to taxpayer compliance. Taxpayers' trust is reflected in confidence that the system is secure, reliable, accurate, and capable of protecting personal information while ensuring fairness. Prior studies suggest that trust is essential for encouraging voluntary compliance within digital tax environments (Appiah, Domeher, & Agana, 2024).

This study is grounded in several theoretical perspectives. How attitudes, subjective standards, and perceived behavioral control influence taxpayer behavior is explained by the Theory of Planned Behavior (TPB) (Ajzen, 1991). Perceived utility and perceived ease of use are crucial factors in technology acceptance, according to the Technology Acceptance Model (TAM) (Davis, 1989).

Trust Theory emphasises the role of confidence in institutions and systems in fostering compliance, while Deterrence Theory explains compliance through the perceived risks and consequences of non-compliance (Misra, 2019).

Although Indonesia has made significant investments in digitalising tax administration, taxpayer compliance remains constrained by behavioural and psychological challenges. A substantial proportion of taxpayers continue to experience difficulties in understanding and using digital tax systems, while concerns regarding security, reliability, and fairness persist. Existing evidence suggests that taxpayers' digital readiness, Knowledge of digital taxes, ethical perceptions, and trust in digital tax systems may influence compliance behaviour. However, the extent to which these factors interact and contribute to taxpayer compliance in the Indonesian digital taxation context remains insufficiently understood.

Previous studies have generally examined digital readiness, tax literacy, ethical behaviour, trust,

or tax compliance as separate constructs. While existing research confirms the importance of technological and educational factors in digital tax adoption, limited attention has been given to integrating behavioural, psychological, and technological perspectives within a single framework. Furthermore, few studies have investigated the mediating role of trust in explaining how digital readiness, digital tax literacy, and ethical behaviour influence tax compliance, particularly within the context of Indonesia's ongoing tax digitalisation initiatives. Therefore, there remains a need for empirical research that comprehensively examines the relationships among digital readiness, digital tax literacy, ethical behaviour, confidence in digital taxes systems, and taxpayer compliance.

This research advances theory as well as practice. From a theoretical perspective, it integrates the Theory of Planned Behaviour (TPB), Technology Acceptance Model (TAM), Trust Theory, and Deterrence Theory into a comprehensive framework for explaining taxpayer compliance in a digital environment. The study extends the literature by positioning trust in digital tax systems as a kind of mediation connecting digital readiness, digital tax literacy, and ethical behaviour to compliance outcomes.

Digital readiness refers to the extent to which taxpayers are prepared to utilise digital technology, encompassing their capabilities, understanding and attitudes towards the use of technology-based systems (Mahmudah & Kartikaningdyah, 2020). The level of digital readiness aligns with the digitalisation of tax administration and is a key component in improving tax compliance.

Digital tax systems such as e-filing and e-billing tend to make tasks easier for taxpayers who are highly digitally ready (Dewi, Riswandari, & Bwarleling, 2021). The perception that digital systems are easier to use and beneficial can increase the use of such systems, according to the Technology Acceptance Model (Davis, 1989). This ease encourages taxpayers to fulfil their tax obligations on time and reduces compliance costs. Furthermore, tax digitalisation improves tax compliance by enhancing transparency and trust in the tax system.

Digital tax literacy refers to taxpayers' ability to access, understand, evaluate, and utilize digital technologies in carrying out their tax obligations. Taxpayers with a high level of digital tax literacy tend to have a better understanding of tax reporting and payment procedures, enabling them to use digital tax services more effectively and reducing the likelihood of reporting errors. Higher digital literacy also increases taxpayers' confidence in using electronic tax systems, which can strengthen trust in tax administration and encourage voluntary compliance. Empirical studies support this relationship. For example, Saad (2014) found that greater tax knowledge contributes positively to taxpayer compliance behavior. Similarly, the Organisation for Economic Co-operation and Development (2019) reported that taxpayers who possess adequate digital capabilities are more likely to engage effectively with digital tax services and comply with their tax obligations. In the context of tax digitalisation, Dewi, Riswandari,

and Bwarleling (2021) also found that taxpayers who are capable of using electronic tax systems experience greater convenience in fulfilling their tax obligations, which ultimately supports compliance. Therefore, higher levels of digital tax literacy are expected to enhance tax compliance.

Ethical behaviour reflects moral principles, honesty, and a taxpayer's responsibility to fulfil tax obligations. Tax compliance is influenced not only by sanctions and audits but also by taxpayers' moral norms and ethical awareness. Taxpayers with strong ethical values tend to view paying taxes as a civic and social responsibility, leading to higher voluntary compliance. Empirical studies support this relationship. Tax morale positively influences tax compliance (Luttmer & Singhal, 2014), showed that individuals with higher moral values are more inclined to abide by tax laws. Therefore, ethical behaviour is expected to enhance tax compliance.

Previous studies have reported mixed findings regarding the effects of digital readiness, digital tax literacy, and ethical behaviour on tax compliance. While some studies find that technological capability, tax knowledge, and ethical values positively influence compliance, others suggest that these factors alone are insufficient to ensure compliant behaviour. This inconsistency indicates the presence of an underlying mechanism that explains how these factors translate into tax compliance (Gangl, 2020) Trust in the digital tax system has been identified as a critical factor in encouraging voluntary compliance because taxpayers are more likely to comply when they perceive the system as secure, transparent, and reliable (Kleber, Gangl, Kirchler, & Florack, 2025). Therefore, Higher levels of digital tax literacy and preparedness among taxpayers and ethical behaviour are expected to develop greater trust in the digital tax system, which subsequently enhances tax compliance.

H1a,b,c: There is a direct relationship between digital readiness, digital tax literacy and ethical behaviour in relation to taxpayer compliance.

H2a,b,c: There is an indirect relationship between digital readiness, digital tax literacy and ethical behaviour in relation to taxpayer compliance, mediated by the role of trust in digital tax systems.

While earlier research has looked at the roles of digital readiness, digital tax literacy, trust, and tax compliance, most have focused on technological adoption and regulatory aspects rather than explaining taxpayer compliance from a comprehensive behavioural and psychological perspective. Existing research generally investigates these factors separately and places greater emphasis on the direct effects of technology on compliance. As a result, limited attention has been given to how taxpayers' digital readiness, knowledge, ethical perceptions, and trust interact to shape compliance behaviour. In particular, the mediating role of trust as a psychological mechanism linking technological and ethical factors to tax compliance remains underexplored. This study fills this gap by creating an integrated behavioral and psychological model that looks at how digital readiness, digital tax literacy, and ethical behavior affect taxpayer compliance through trust in digital tax systems within Indonesia's digital

taxation environment. It does this by drawing on the Theory of Planned Behaviour (Ajzen, 1991), the Technology Acceptance Model (Davis, 1989), and Trust Theory.

The primary objective of this study is to examine the factors influencing taxpayer compliance in Indonesia's digital taxation environment. Specifically, this study aims to Examine the mediating role of trust in digital tax systems in the relationship between digital readiness, digital tax literacy, ethical behaviour towards taxpayer compliance.

2. METHODS

This study is a quantitative study employing an explanatory research approach, aimed at elucidating the causal relationships between variables within the research model. The research design used is cross-sectional, whereby data were collected at a single point in time through a survey of taxpayers in Indonesia, specifically individual taxpayers who have used digital tax systems such as e-Filing, e-Billing, and e-Bupot.

The population used in this study consists of taxpayers who use the digital tax system in Jakarta. The sampling technique employed non-probability sampling using a purposive sampling method based on specific criteria, namely taxpayers who hold a Taxpayer Identification Number (NPWP), have previously used digital tax systems, and have experience with online tax reporting. The sample size consisted of 72 individual taxpayers. The adequacy of the sample size was determined through an a priori power analysis using G*Power software. Assuming a medium effect size ($f^2 = 0.15$), a significance level of 0.05, a statistical power of 0.80, and three predictor variables, the analysis indicated a minimum required sample size of 68 respondents (Erdfelder, 2009). Therefore, the final sample of 72 respondents exceeded the minimum requirement and was considered adequate for hypothesis testing and structural model analysis.

Additionally, ethical issues were meticulously taken into account during the entire research procedure. The study's goals, the fact that participation was entirely voluntary, and the freedom to leave the study at any moment without facing consequences were all explained to the participants. Prior to the start of data collection, all respondents provided their informed consent. The confidentiality and anonymity of participants' information were strictly maintained, and all data were used solely for academic purposes. Before data collection began, the study received ethical approval from the appropriate institutional ethics committee.

Data were collected via a structured questionnaire using a Likert scale to measure digital readiness, digital tax literacy, ethical behaviour, trust in digital tax systems, and tax compliance. Data analysis was conducted using Structural Equation Modelling with a Partial Least Squares (PLS-SEM) approach, as this is suitable for complex models with mediating variables and does not require a normal distribution.

The analysis included testing the measurement model (validity and reliability) and the structural model to test direct and indirect relationships, as well as mediating effects, between variables in the research model. The data used consists of primary data obtained from a questionnaire survey employing a Likert scale. The questionnaire items were formulated based on indicators that describe each of these variables as shown in Table 1.

Table 1: Measurement of Variables

Variable	Indicator
Digital Readiness	<ul style="list-style-type: none"> a. digital skills b. access to technology c. attitudes or mindsets towards embracing innovation. (Gefrerer et.al, 2020)
Ethical Conduct	<ul style="list-style-type: none"> a. Belief that the use of digital tax systems is in line with ethical norms; b. Perception of fairness in the implementation of digital tax systems; c. Honesty in tax reporting via digital systems d. Concern for the transparency and accountability of digital tax systems. (Ferrell, O. C., Fraedrich, J., & Ferrell, L, 2019)
Literacy	<ul style="list-style-type: none"> a. Ability to use electronic tax systems; b. Awareness and attitudes towards digital tax obligations Nilamsari & Matitaputty(2020)
System reliability	<ul style="list-style-type: none"> a. Users' confidence in security b. Trustworthiness c. Digital tax systems' integrity (Ainsworth & Shact, 2022)
Tax Compliance	<ul style="list-style-type: none"> a. Timeliness in tax reporting and payment, b. Compliance in reporting all taxable income, c. Compliance with procedures for using the digital tax system, and d. Proactive attitude in following tax rules and regulations. (Agun et.al, 2022)

3. FINDINGS AND DISCUSSION

Findings

The following is a demographic profile of the respondents who made up the study's sample, based on the questionnaire survey findings.

Table 2: Respondents

Data Responden	Jumlah
Gender ;	
a. Male	30
b. Female	42
Age	
a. 17-25 year	20
b. 26-35 year	26
c. 36-45 year	13
d. > 45 year	13
Education	
a. SMA	14
b. S1	30
c. S2	25
d. S3	3
Job	
a. Student	6
b. State Officer	5
c. Private official	55
d. Entrepreneurship	6

Source: Data Processing Result, 2026

To understand the respondents' background and ensure that the data collected truly represents the group under study, the demographic table provides an overview of the respondents' demographics, including gender, age, educational level, and occupation. According to the data in Table 1, the respondents were predominantly female, numbering 42. The majority of respondents were aged between 26 and 35 years, indicating that most were of productive working age. This age group is generally more familiar with digital technologies and therefore more likely to adopt and use digital tax systems. In addition, respondents with higher educational backgrounds are expected to possess better digital literacy and a greater understanding of tax procedures, which may facilitate the effective use of digital tax services. Overall, these demographic characteristics indicate that the respondents are well suited to provide pertinent information about the uptake and application of digital tax systems.

Most of those surveyed held a bachelor's degree, indicating that they were sufficiently educated to comprehend the questions on the questionnaire. In contrast, Most of those who responded were employed in the private sector employees, reflecting the socio-economic characteristics of the respondents in this study. Overall, the demographic data of the respondents showed that the research sample covered relevant characteristics and could provide an adequate picture of the population under study.

The results of the common method bias (CMB) test indicate that all constructs have an inner VIF value below 3.3 (Collinearity & Approach, 2015) it can therefore be concluded that this study did not identify any CMB issues. Consequently, the relationships between the variables can be analysed further.

Using descriptive statistics, an initial understanding of the distribution of data and the trends in the values of each variable under study. Table 2 shows the minimum, maximum, mean and standard deviation.

Table 2: Descriptive Statistics

Variabel	Mean	Min	Max	Standard Deviasi
Digital Readiness	3,75	2	4	0,38
Ethical Conduct	3,51	1	4	0,43
Literacy	3,41	2	4	0,49
System reliability	3,05	1	4	0,68
Tax Compliance	3,50	2	4	0,47

Source: Data Processing Result, 2026

Table 2 shows the mean values for the research variables, indicating the general trends among respondents for each variable. The minimum and maximum values reflect the range of data collected, illustrating the variation among respondents. Meanwhile, the standard deviation indicates how closely the respondents' data cluster around the mean; a smaller standard deviation suggests that respondents tend to provide similar responses, whereas a larger standard deviation indicates greater variation in perceptions and behaviors.

Overall, the results of the descriptive statistics indicate that the research data exhibit sufficient variation and are suitable for further analysis. The data fall within a reasonable range and reflect the respondents' actual circumstances, as no conspicuous outliers were identified. Furthermore, the observed trends in the mean values generally align with the expected behavioral patterns proposed in the research framework. Higher mean scores on the study variables suggest that respondents tend to demonstrate favorable perceptions and behaviors toward the use of digital tax systems, indicating consistency between the empirical data and the theoretical expectations underlying the study. These findings provide preliminary support for the relationships examined in the proposed research model.

This study employed the Partial Least Squares–Structural Equation Modelling (PLS-SEM) method, utilising SmartPLS software, to analyse the data. The PLS method was chosen because it is capable of analysing relationships between latent variables simultaneously, does not require normally distributed data, and is suitable for smaller samples. Model testing was conducted in two stages: measurement model testing and structural model testing (J. F. Hair, Hult, Ringle, Sarstedt, & M., 2017).

Evaluation of the Measurement Model (Outer Model)

To determine the validity and dependability of the outer model, an assessment of the indicators in measuring the latent variable. The tests included: Convergent validity testing was carried out by assessing the outer loading values and the average variance extracted (AVE). An indicator was

considered valid if the outer loading value was greater than 0.70 and the AVE value was greater than 0.50, as shown in Table 3.

Table 3: Outer Loading Values

Variable	Outer Loading	AVE
Digital Readiness (DR)		0,689
• DR1	0,854	
• DR2	0,845	
• DR3	0,873	
• DR4	0,735	
• DR5	0,835	
Ethical Conduct (PE)		
• PE1	0,823	0,618
• PE2	0,763	
• PE4	0,843	
• PE5	0,715	
• PE6	0,837	
• PE7	0,724	
Literacy (LI)		0,703
• LI4	0,887	
• LI5	0,866	
• LI6	0,803	
• LI7	0,795	
System Trust (KS)		0,790
• KS2	0,880	
• KS3	0,883	
• KS4	0,928	
• KS5	0,882	
• KS6	0,871	
Tax Compliance (KP)		0,724
• KP2	0,793	
• KP3	0,787	
• KP6	0,809	
• KP7	0,838	
• KP8	0,903	
• KP8	0,908	
• KP9	0,908	
• KP10		

Source: Data Processing Result, 2026

Testing for discriminant validity involves comparing the square root of the AVE with either the cross-loading values or the correlation between constructs (J. Hair, Hult, M.Ringle, & Sarstedt, 2014). As indicated in Table 4, constructs having a greater square root of the AVE than the association with other constructs are thought to have good discriminant validity.

Table 4: Discriminant Validity Test

Variable	Digital Readiness	Tax Compliance	System reliability	Literacy	Ethical Perception
Digital Readiness	0,830				
Tax Compliance	0,632	0,851			
System reliability	0,228	0,478	0,889		
Literacy	0,426	0,694	0,543	0,838	
Ethical Perception	0,361	0,569	0,510	0,605	0,786

Source: Data Processing Result, 2026

Reliability testing, which calculates the Cronbach's alpha and composite dependability. According to Table 5, If both Cronbach's alpha and composite reliability are higher than 0.70, a construct is deemed reliable.

Table 5: Reliability Test

Variable	Cronbach Alpha	Composite Reliability	Max	Standard Deviation
Digital Readiness	0,886	0,917	4	0,38
Ethical Conduct	0,875	0,906	4	0,43
Literacy	0,858	0,904	4	0,49
System reliability	0,934	0,950	4	0,68
Tax Compliance	0,936	0,948	4	0,47

Source: Data Processing Result, 2026

Evaluation of the Inner Model (Structural Model)

Once the measurement model had been established as valid and reliable, a structural model evaluation using PLS-SEM was conducted to determine the relationships between the latent variables and the model's ability to explain the endogenous variables. To evaluate the structural model, the coefficient of determination (R^2) for the endogenous variables was examined. The R^2 value indicates the extent to which the exogenous variables are able to explain changes in the endogenous variables within the research model (J. F. Hair et al., 2017). In this investigation, the R^2 value for trust in the system was 0.35, whilst for tax compliance it was 0.65.

Next, the bootstrapping method was used to test the significance of the relationships between variables. The path coefficients were calculated. If the t-statistic was greater than 1.96 or the p-value was less than 0.05.

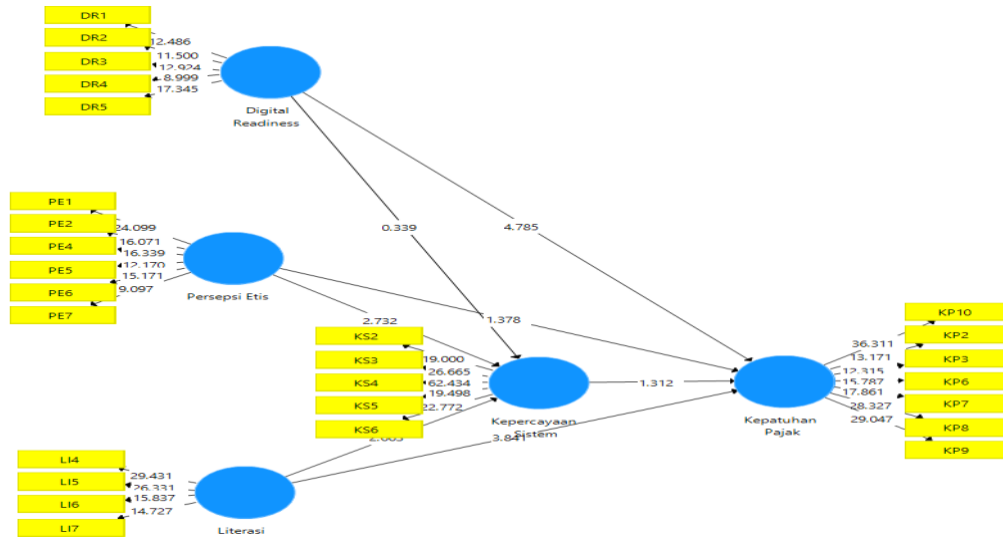


Figure 1. Research Model

Table 6 Hypothesis Testing

Hipotesis	Simbol	Original Sample	T Statistik	P Value	Kesimpulan
Direct Effect					
H1a	DR→KP	0,394	4,785	0,000	supported
H1b	LI→KP	0,382	3,841	0,000	supported
H1c	PE→KP	0,140	1,378	0,084	not supported
Indirect Effect					
H2a	DR→KS→KP	-0,004	0,250	0,401	not supported
H2b	LI→KS→KP	0,042	1,084	0,139	not supported
H2c	PE→KS→KP	0,032	1,038	0,150	not supported

Source: Data Processing Result, 2026

Table 6 presents the findings of the hypothesis testing digital readiness and tax literacy have direct effects on tax compliance, whereas ethical perceptions do not. Consequently, H1a and H1b are supported, whilst H1c is not supported. These findings suggest that the likelihood of taxpayer compliance increases when they possess adequate digital skills and a good understanding of tax regulations. Therefore, efforts to improve tax compliance should focus on enhancing digital readiness and tax literacy among taxpayers. Meanwhile, the indirect effects analysis indicates that digital readiness, tax literacy, and ethical perceptions do not influence tax compliance through confidence in the online tax system. This implies that trust does not play a significant mediating role, as taxpayers appear to rely more on their digital capabilities and tax knowledge than on trust in the system itself. Consequently, hypotheses H2a, H2b, and H2c are not supported.

Discussion

This study integrates the Theory of Planned Behavior (TPB), Technology Acceptance Model (TAM), Trust Theory, and Deterrence Theory to explain taxpayer compliance in Indonesia's digital tax system. From the TPB perspective (Ajzen, 1991), tax compliance is shaped by attitudes, subjective

norms, and perceived behavioral control. In this study, digital tax literacy and ethical behavior represent taxpayers' attitudes toward compliance, while digital readiness reflects perceived behavioral control. TAM (Davis, 1989) further explains that digital readiness and digital tax literacy influence perceived ease of use and usefulness of digital tax systems, which encourages system adoption and compliance. Trust Theory positions trust in digital tax systems (competence, integrity, benevolence, and security) as a key psychological mechanism that links technological capability and ethical perception to compliance behaviour. Meanwhile, Deterrence Theory (Misra, 2019) complements this framework by explaining that perceived risk of sanctions and system monitoring strengthens compliance behaviour. Overall, the model suggests that digital readiness, digital tax literacy, and ethical behaviour influence tax compliance both directly and indirectly through trust in digital tax systems.

Digital Readiness Influences Tax Compliance

The results of the hypothesis testing indicate that hypothesis H1a is accepted, meaning that there is a positive influence of digital readiness on tax compliance (Anggraeni, 2025; Suleman et al., 2024). This positive influence indicates that taxpayers with good digital readiness, which encompasses the ability to use digital devices, understand the electronic taxation system, and have access to information technology, tend to be more compliant in fulfilling their tax obligations (Natalia & Riswandari, 2021). By using digital devices, taxpayers can report and pay taxes on time and in accordance with applicable regulations, reducing the administrative challenges that previously led to non-compliance.

Research findings confirm that the shift to digital taxation requires user readiness (Joselin, Setiawan, & Riswandari, 2024). Although digital tax systems are available, a lack of digital readiness can lead to difficulties in usage, reliance on third parties, and errors in tax reporting. Conversely, taxpayers with high digital literacy can utilise digital tax systems independently and effectively, which makes them more inclined to comply. This suggests that digitally ready taxpayers perceive tax-related activities as less burdensome and more manageable, reducing the psychological and procedural barriers that often discourage compliance. As a result, compliance becomes a routine and convenient behaviour rather than an obligation that requires substantial effort.

These findings are consistent with the Technology Acceptance Model (TAM), which states that user-friendly and beneficial technology is a key factor in the acceptance of information systems (Arimbhi, Rahmi, Wulandari, Ramdan, & Rachmatulloh, 2021). Digitally ready taxpayers find the electronic tax system convenient and easy to use, which enhances their intention and behaviour regarding tax compliance. The findings further imply that when taxpayers feel confident in navigating digital platforms, they are more likely to complete tax-related tasks accurately and on time, thereby strengthening voluntary compliance.

The research findings thus indicate that digital readiness is a key factor in improving tax compliance. Improving compliance depends not only on legislation and law enforcement but also on enhancing taxpayers' digital capabilities through education, training, and the development of user-friendly digital tax systems.

Tax Compliance Is Affected by Digital Tax Literacy

The results of the hypothesis testing indicate that hypothesis H1b is accepted, namely that digital tax literacy influences tax compliance (Arimbhi et al., 2021; Wardani, Primastiwi, & Nistiana, 2023). This positive influence suggests that taxpayers with a better understanding of digital taxation tend to demonstrate higher levels of tax compliance. Digital tax literacy encompasses taxpayers' ability to understand digital-based tax regulations, use electronic services include digital billing and filing, and access tax information independently and accurately through digital media. With these capabilities, taxpayers can fulfil their tax obligations more effectively and in accordance with applicable regulations.

Research findings indicate that knowledge of digital taxation is crucial for reducing reporting errors and reliance on third parties in the process of fulfilling tax obligations. Taxpayers who are digitally literate tend to be more confident in using electronic tax systems, which reduces the likelihood of late submissions, filing errors, and non-compliance.

These findings can be explained through the complementary perspectives of the Technology Acceptance Model (TAM) and the Theory of Planned Behaviour (TPB). From the TAM perspective, greater digital tax literacy enhances taxpayers' opinions regarding the practicality and usability of digital tax systems, thereby increasing their willingness to adopt such systems. At the same time, TPB suggests that knowledge and competence strengthen perceived behavioural control, leading taxpayers to feel more capable of paying their taxes.

Together, these theories indicate that digital tax literacy not only promotes acceptance of digital tax technologies but also strengthens taxpayers' confidence and intention to comply, ultimately resulting in higher levels of tax compliance.

Therefore, digital tax literacy represents a key factor in improving tax compliance. Efforts to enhance compliance should focus not only on enforcement mechanisms but also on strengthening taxpayers' understanding of digital taxation through education, public awareness initiatives, and the development of accessible and user-friendly digital tax services.

Ethical Perceptions Have No Effect on Tax Compliance

The results of the test on hypothesis H1c indicate that ethical perceptions do not have a positive effect on tax compliance. The findings suggest that personal ethical or moral considerations are not the

sole factor influencing taxpayers' levels of compliance; other factors, such as the ease of the tax system, literacy, supervision, and tax penalties, have a greater influence. In the context of an increasingly digital contemporary tax system, taxpayers' decisions to comply are more likely to be based on pragmatic and rational reasons rather than moral ones. This study aligns with research (Mckerchar, Bloomquist, & Pope, 2013), which states that individual moral and ethical values are not always the primary determinants of tax compliance, particularly within formal and organised tax systems.

The findings may indicate a shift from moral compliance to rational compliance. Moral compliance occurs when taxpayers fulfil their obligations because they believe paying taxes is ethically right and contributes to the public good (Antasari & Laksito, 2025). In contrast, rational compliance is driven by practical considerations, such as the ease of complying, the likelihood of audits, potential penalties, and the costs associated with non-compliance (Brunns, Fochmann, Mohr, & Torgler, 2025). In a highly digitalised tax environment, taxpayers may focus more on the efficiency and consequences of their actions than on moral judgments. As a result, compliance becomes a calculated decision based on perceived benefits and risks rather than solely on ethical responsibility.

Furthermore, this study supports the findings of (Maggalatta & Adhariani, 2020), which showed that ethical perceptions do not significantly influence individual taxpayer compliance because perceptions of penalty risks and the effectiveness of tax administration systems exert a stronger influence. This suggests that compliance is shaped more by institutional and administrative factors than by personal moral values alone. Taxpayers may comply because digital systems simplify reporting and increase transparency, while audit mechanisms and penalties raise the costs of non-compliance.

This study found that the likelihood of audits and penalties has a greater influence on tax compliance than individual moral values. In a tax system with clear rules, effective monitoring, and enforceable sanctions, taxpayers are more likely to comply because of the legal and financial consequences of non-compliance. These findings imply that strengthening tax compliance requires not only fostering ethical awareness but also maintaining efficient digital tax systems, effective enforcement mechanisms, and clear regulatory frameworks that encourage rational compliance behaviour.

Digital Readiness, Digital Tax Literacy and Ethical Behaviour Do Not Influence Tax Compliance Through Trust in the Digital Tax System

Based on the results of the indirect effect (mediation) tests for hypotheses H2a, H2b, and H2c, it was found that digital readiness, understanding of digital taxation, and ethical behaviour do not have a significant impact on tax compliance via trust in the digital tax system. Consequently, trust in the digital tax system cannot mediate the relationship between these variables and tax compliance.

The findings suggest that taxpayers' digital readiness, tax knowledge, and ethical attitudes do not automatically translate into higher trust in the digital tax system. From a trust theory perspective, trust develops when users perceive a system to be reliable, secure, transparent, and capable of meeting their expectations (Wulandari & Djaddang, 2025). Therefore, even when taxpayers possess adequate digital skills and tax knowledge, trust may remain limited if the system is perceived as technically complex, unstable, or lacking responsiveness. In such circumstances, taxpayers may continue to comply because compliance is mandatory rather than because they trust the system.

This finding can also be explained from a system quality perspective. According to information systems success theory, user trust is strongly influenced by system quality, information quality, and service quality. If users experience technical difficulties, security concerns, or limited system responsiveness, trust may not develop sufficiently to influence behavioural outcomes. As a result, digital readiness and tax literacy may directly support compliance without necessarily operating through trust as an intermediary mechanism.

In Indonesia, tax compliance continues to be influenced primarily by regulatory obligations, monitoring mechanisms, and tax penalties (Damayanti & Martono, 2018). This may explain why trust failed to mediate the relationship between the independent variables and tax compliance. Taxpayers may comply with tax regulations because the costs of non-compliance outweigh the benefits, regardless of their level of trust in the digital tax system (Idrus, Lalo, Tenreng, & Syamsiah, 2020)

These findings are consistent with prior studies suggesting that compliance in highly regulated environments is often driven more by institutional factors than by psychological factors alone. While trust remains important for improving user experiences and long-term acceptance of digital services, it appears insufficient to explain tax compliance when strong enforcement and mandatory regulations are already in place. Therefore, improving tax compliance requires not only enhancing taxpayers' digital readiness and tax literacy but also strengthening system quality, reliability, security, transparency, and service responsiveness to foster greater trust in digital tax platforms.

Taken together, the findings suggest that digital readiness, digital tax literacy, and ethical perceptions influence tax compliance in different ways, yet none of these relationships are mediated by trust in the digital tax system. A comparative examination of the results reveals that digital readiness and digital tax literacy exert more practical and immediate effects on compliance because they directly enhance taxpayers' ability to use digital tax services and fulfil their obligations efficiently. In contrast, ethical perceptions represent an internal moral consideration that may shape attitudes toward taxation but does not necessarily translate into compliant behaviour in a highly regulated environment.

From a theoretical perspective, these findings indicate that functional capabilities appear to be more influential than psychological mechanisms in explaining tax compliance within the context of

digital taxation. Taxpayers who possess adequate digital skills and knowledge are able to navigate digital tax platforms, submit tax returns, and make payments regardless of whether they have a high level of trust in the system. This contrasts with the assumptions of trust theory, which suggests that trust acts as a key mechanism linking users' perceptions and behaviours (Arie Frinola Minovia, 2026). The present findings imply that trust may be less influential when taxpayers operate in a mandatory system where compliance is required by law and supported by monitoring and penalty mechanisms.

A critical interpretation of these results is that trust alone may be insufficient to drive compliance unless it is accompanied by high system quality, information quality, and service quality. Taxpayers may continue to comply despite limited trust because the costs of non-compliance are perceived to be greater than the effort required to comply. This suggests that compliance behaviour in digital taxation is shaped not only by psychological acceptance, as proposed by trust-based and behavioural theories, but also by rational evaluations of efficiency, convenience, and regulatory consequences (Alvian, 2025). Furthermore, the findings highlight a potential gap between technology adoption and trust formation. While digital readiness and digital literacy facilitate the use of digital tax systems, they do not automatically create trust in those systems. Trust appears to depend more strongly on users' experiences with system reliability, security, transparency, and responsiveness. Consequently, increasing taxpayers' digital capabilities alone may not be sufficient to strengthen trust unless accompanied by continuous improvements in the quality and performance of digital tax services.

Overall, the results suggest that tax compliance in the digital era is driven more by taxpayers' practical ability to use digital systems and by institutional enforcement mechanisms than by trust-based considerations. Therefore, efforts to improve compliance should adopt a balanced approach that combines digital capability development, system quality enhancement, and consistent regulatory enforcement. Such an approach is more likely to strengthen both taxpayers' willingness and their ability to comply with tax obligations in a sustainable manner.

4. CONCLUSION

The following conclusions can be made in light of the research's findings and the conversations that took place (1) Digital readiness has a significant positive effect on tax compliance, highlighting that taxpayers' digital skills and access enhance compliance behavior. This supports TAM, although system-related factors such as usability were not included. Future research should examine interactions between user capability and system characteristics. (2) Digital tax literacy significantly improves tax compliance, indicating that understanding digital tax procedures strengthens taxpayers' ability to comply. This supports TPB, but does not distinguish levels of literacy. Future studies should explore multidimensional digital literacy. (3) Ethical perceptions do not significantly affect tax compliance,

suggesting that compliance is driven more by regulation and enforcement than morality. This challenges tax morale theory, while future research should consider cultural and fairness-related moderators. (4) Trust in the digital tax system does not mediate the relationships between the variables and tax compliance, indicating that compliance occurs independently of trust in mandatory systems. This challenges Trust Theory, and future research should examine multidimensional trust and alternative mediators such as system quality.

The findings suggest that tax compliance in the digital era is shaped more by system strength, regulation, and enforcement than by internal taxpayer characteristics alone. This supports Deterrence Theory and extends information systems perspectives by highlighting the importance of institutional and system-level factors in shaping compliance behaviour. However, this study does not include macro-level policy variables such as audit probability or penalty intensity, which may further explain compliance behaviour. Future research should incorporate institutional and policy-related variables to provide a more holistic understanding of digital tax compliance.

Research findings indicate that taxpayers need to improve their digital readiness and knowledge of digital taxation to facilitate tax reporting and payment. The government, through the DGT, must refine the digital tax system to make it more user-friendly, secure and reliable, and expand digital tax education and awareness programmes. Furthermore, as ethical perceptions are not significant in terms of improving tax compliance, the focus must remain on regulation-based compliance and law enforcement. Additional factors, such as system usability, fiscal incentives, and public trust, may be the subject of further research as current system trust does not mediate the effects of taxpayers' readiness, literacy, and ethical behaviour; therefore, efforts to improve tax compliance should focus on improving the digital tax system, education, and regulatory enforcement.

This study is limited by its cross-sectional design, which restricts causal inference and the ability to capture behavioural changes over time. The focus on individual taxpayers in a specific context also limits generalisability. In addition, the model excludes key contextual factors such as system quality, usability, fiscal incentives, and enforcement intensity, while self-reported data may introduce common method bias. Future research should use longitudinal or mixed-method approaches and include broader contextual and institutional variables, such as system quality, perceived fairness, fiscal incentives, and government trust, to develop a more comprehensive model of digital tax compliance.

REFERENCES

- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50(2).
- Alvian, D. (2025). The Effect of Service Quality , Information Quality and System Quality on Compliance Taxpayer (Study on Taxpayers at the BPKAD of Karangasem Regency). *Business Management*, 4(3), 485–495.
- Anggraeni, W. A. (2025). Digital Readiness and Tax System Usability : A Structural Framework for MSME Compliance in Emerging Economies, (3), 209–218.
- Antasari, W., & Laksito, H. (2025). Impact of Tax Morals and Tax Culture on Taxpayer Compliance with Tax Inclusion as a Moderation, *xx(xx)*, 1–9.
- Appiah, T., Domeher, D., & Agana, J. A. (2024). Tax Knowledge , Trust in Government , and Voluntary Tax Compliance : Insights From an Emerging Economy, (June), 1–13. <https://doi.org/10.1177/21582440241234757>
- Arie Frinola Minovia, R. Y. M. (2026). Pengetahuan Perpajakan, Layanan Samsat Keliling dan Kepatuhan Wajib Pajak: Peran Moderasi Kesadaran Wajib Pajak. *JEA Jurnal Eksplorasi Akuntansi (JEA)*, 8(2), 630–645.
- Arimbhi, P., Rahmi, N., Wulandari, W., Ramdan, A., & Rachmatulloh, I. (2021). Peluang dan Tantangan Pajak Digital di Indonesia, 4(2), 148–154.
- Bruns, C., Fochmann, M., Mohr, P. N. C., & Torgler, B. (2025). Multidimensional tax compliance attitude ☆. *Journal of Economic Psychology*, 110(July), 102848. <https://doi.org/10.1016/j.joep.2025.102848>
- Collinearity, A. F., & Approach, A. (2015). Common Method Bias in PLS-SEM :, 11(December), 1–10. <https://doi.org/10.4018/ijec.2015100101>
- Damayanti, T. W., & Martono, S. (2018). Taxpayer Compliance , Trust , and Power, 22(2), 231–239.
- Davis, F. D. (1989). Information Technology Introduction, 13(3), 319–340.
- Dewi, C., Riswandari, E., & Bwarleling, T. H. (2021). DETERMINAN PENGGUNAAN E-FILING : SURVEY PADA WAJIB, 1(2), 1–12.
- Erdfelder, E. (2009). Statistical power analyses using G * Power 3 . 1 : *Behavior Research Methods*, 41(4), 1149–1160. <https://doi.org/10.3758/BRM.41.4.1149>
- Gangl, K. (2020). How to Achieve Tax Compliance by the Wealthy : A Review of the Literature and Agenda for Policy, 14(1), 108–151. <https://doi.org/10.1111/sipr.12065>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, & M. (2017). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM), 363. <https://doi.org/10.1017/CBO9781107415324.004>
- Hair, J., Hult, G. T. M., M.Ringle, C., & Sarstedt, M. (2014). *A Primer on Partial Least Squares Structural Equation Modeling. Long Range Planning*. <https://doi.org/10.1016/j.lrp.2013.01.002>

- Idrus, A., Lalo, A., Tenreng, M., & Syamsiah, B. (2020). TAX COMPLIANCE WITH TAXPAYER AWARENESS AS AN. *Humanities & Social Sciences Reviews*, 8(1), 586–594.
- Joselin, V. A., Setiawan, T., & Riswandari, E. (2024). Indonesia Core Tax System: Road Map to Implementation 2024. *International Journal of Economics, Business and Management Research*, 08(06), 46–56. <https://doi.org/10.51505/ijebmr.2024.8604>
- Kleber, J., Gangl, K., Kirchler, E., & Florack, A. (2025). Acta Psychologica Taxpayers do not always follow the crowd : The effects of regulatory focus and social norm on tax compliance ☆. *Acta Psychologica*, 259(June), 105288. <https://doi.org/10.1016/j.actpsy.2025.105288>
- Luttmer, E. F. P., & Singhal, M. (2014). Tax Morale, 28(4), 149–168.
- Maggalatta, A., & Adhariani, D. (2020). For love or money: investigating the love of money, Machiavellianism and accounting students' ethical perception. *Journal of International Education in Business*, 13(2), 203–220. <https://doi.org/10.1108/JIEB-09-2019-0046>
- Mahmudah, N., & Kartikaningdyah, E. (2020). The Effect of Perception of Utilization, Perception of Easy of Use and Taxpayer Satisfaction on E-Filing Use by Tax Payer, 298(iCAST 2018), 122–127. <https://doi.org/10.2991/assehr.k.200813.028>
- Mckerchar, M., Bloomquist, K., & Pope, J. (2013). eJournal of Tax Tax disputes system design, 11(1).
- Misra, F. (2019). tax evasion). *Accounting Research Journal of Sutaatmadja (ACCRUALS) Volume*, 03(2012), 189–204.
- Natalia, C., & Riswandari, E. (2021). Penerapan Sistem E-Filling, Kesadaran Perpajakan, Dan Sanksi Perpajakan Pada Kepatuhan Wajib Pajak Orang Pribadi. *CURRENT: Jurnal Kajian Akuntansi Dan Bisnis Terkini*, 2(2), 205–216. <https://doi.org/10.31258/jc.2.2.205-216>
- Riris Wardana, Nur Diana, D. A. R. (2024). Religiusitas Memoderasi Pengaruh Sifat Machiavellian dan Love Of Money pada Persepsi Etis Tax Evasion. *E_Jurnal Ilmiah Riset Akuntansi*, 13(02), 648–659.
- Suleman, N., Ngabito, D., Lazimatul, N., & Sholehah, H. (2024). Exploration of the Readiness of Indonesian MSMEs in Facing Digital Taxes and Their Implications for Tax Justice, 10(2), 221–241.
- Tamba, S. P. (2025). Dari Layar Lebar Menuju Era Perpajakan Digital. Retrieved from <https://www.pajak.go.id/id/artikel/dari-layar-lebar-menuju-era-perpajakan-digital>
- Wardani, D. K., Primastiwi, A., & Nistiana, L. D. (2023). As-Syirkah : Islamic Economics & Finacial Journal. *As-Syirkah: Islamic Economics & Finacial Journal*, 2(1), 99–114. <https://doi.org/10.56672/assyirkah.v2i1.47>
- Wulandari, W., & Djaddang, S. (2025). International Journal of Current Science Research and Review Digital Era Tax Compliance : A Systematic Review Integrating Behavioral , Technological , and Institutional Perspectives Corresponding Author : Winda Wulandari Corresponding Author : Winda Wulandari, 08(12), 6474–6493. <https://doi.org/10.47191/ijcsrr/V8-i12-58>

