

The Influence of Modernization of Tax Administration System and Trust in Government on Taxpayer Compliance with Taxpayer Morale as a Moderating Variable

Danu Fabian¹ and Eva Herianti²

^{1,2} Faculty of Economic and Business, Universitas Muhammadiyah Jakarta
Kampus B, Jl. KH. Ahmad Dahlan, Cirende, Ciputat Timur, Tangerang Selatan 15419, Banten, Indonesia

Abstract

This study examines the impact of tax administration system modernization and trust in government on taxpayer compliance, with taxpayer morale as a moderating variable. Primary data was collected through questionnaires distributed to MSME taxpayers at Block A, Tanah Abang Market, Central Jakarta. Using a quantitative approach, the research applied purposive sampling with the Slovin formula and analyzed data via SEM Partial Least Square using SmartPLS 4. Findings reveal that tax administration modernization and trust in government significantly and positively influence taxpayer compliance. However, taxpayer morale weakens the effect of tax administration modernization on compliance and does not moderate the impact of trust in government. Limitations include time constraints, varied respondent characteristics, and potential biases in questionnaire responses. This research contributes to tax authorities by emphasizing the need for efficient systems and trust-building policies to enhance compliance. It addresses a gap by introducing taxpayer morale as a moderating factor.

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Corresponding Author:

Eva Herianti

Faculty of Economic and Business,
Universitas Muhammadiyah Jakarta
Kampus B, Jl. KH. Ahmad Dahlan,
Cirende, Ciputat Timur,
Tangerang Selatan 15419, Banten,
Indonesia
Email: eva.herianti@umj.ac.id

INTRODUCTION

The phenomenon depicted in the results of the Katadata-Insight-Center (KIC) survey in June 2020 which measured the impact of Covid-19 on 206 MSMEs in Jabodetabek showed that around 56.8% of conditions during the pandemic were in difficult conditions, while only 14.1% were in good condition. Only around 5.9% of business actors experienced a positive impact, the majority experienced a negative impact from this pandemic 82.9%. As a result of this pandemic, 63.9% of MSMEs were affected by a 30% decrease in income. The increase in turnover was only experienced by 3.8%. Based on the results of the Asia Development Bank (ADB) survey in 2020 entitled "impact of Covid-19 on MSMEs" showed that around 48.6% of MSMEs experienced closure. Impacted by a 30.5% decrease in domestic demand, 14.1% contract cancellations, 13.1% delivery delays, and 19.8% production and distribution obstacles. Of course, this will have a major impact if it is not handled immediately and will threaten the Indonesian economy (Chaerani et al., 2020).

The government has also launched programs to help small businesses during the Covid-19 pandemic. Such as direct assistance in the form of cash, pre-employment cards for MSMEs that are classified as vulnerable and poor, providing tax incentives to MSMEs, mitigation and restructuring of MSME credit, deferral of interest and interest cuts for KUR recipients, ultra-micro credit, and so on, making BUMN and BUMD ministries/institutions to support the business ecosystem and courses with e-learning (Islami et al., 2021). Mitigation and recovery solutions are needed to revive the businesses of MSME actors. In addition to through supply, the government also facilitates from demand, so that small business actors can continue to develop their businesses even during the pandemic (Oliviandy et al., 2021). The Ministry of Finance is taking special action to reduce the impact and decline of the economy through the National Economic Recovery (PEN) plan, aimed at protecting, maintaining, and improving the performance of entrepreneurs during the pandemic and improving the performance that has helped the developing economy (Marginingsih, 2021).

Reported from the official website of KEMENKOPUKM, the quantity of MSME actors in 2019 reached 65.465.497 units. When compared to the previous year, this number increased by 1,98% from 64.194.057. The number of MSMEs reached 99,99% of all recorded actors. Therefore, only 5,637 or 0,01% of large businesses are included. Micro, Small, and Medium Enterprises are able to absorb 119,562,843 human resources or 96.92% of the national workforce. Contribution to GDP is 8,573,895 billion (61,07%). Contribution to Non-Oil and Gas Exports reached 293,840 billion (14,37%). And the contribution to investment or capital investment is 2.564.549 billion (60,42%) (Central Statistics Agency, 2020).

The increasing number of MSMEs every year does not meet the perception of MSME owners that they also pay tax obligations. Government efforts have been made to increase the level of tax compliance by setting simplified tax rates through PP Number 23 of 2018. Income tax is imposed at 0.5% and is final with an annual turnover below IDR 4.8 billion. The simplified tax rate is intended to encourage MSMEs to carry out economic activities by providing convenience in fulfilling tax obligations (Olivandy et al., 2021). Because the focus of tax collection so far has only been on large companies, the authorities have taken steps to encourage business actors to report taxes. Although the turnover and profits of MSMEs are increasingly lower than those of large-scale business actors, their existence is often found, allowing them to contribute significantly to economic growth. However, the existence of MSMEs in large numbers is not comparable to their contribution to tax revenue (Fadilah et al., 2021).

In order to overcome and restore the economic situation, the Government through the Minister of Finance Regulation No. 44/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Pandemic which was later updated with PMK No. 110/PMK.03/2020. The regulation clearly states the stimulus for MSME Taxpayers with tax relief in PP No. 23 of 2018 (Marginingsih, 2021). In 2021, the government issued an MSME Final Income Tax incentive which is borne by the state throughout the February tax period to the June 2021 tax period. This policy is stated in PMK No. 9/PMK.03/2021 (Olivandy et al., 2021).

In 2021, the Directorate General of Taxes (DGT) noted that 84.07% of taxpayers complied with the rules in reporting Annual Tax Returns. The number of Tax Returns reported reached 15.97 million out of a total of 19 million Taxpayers. Referring to five years ago, namely in 2017, the percentage of participation reached 72.58%. In 2018, there was a decrease in the tax payment ratio of 71,1%, where only 12,55 million out of a total of 17,65 million Taxpayers had paid taxes. In 2019, the percentage of compliance increased again to 73,06%. Many residents submitted Annual Tax Returns as many as 13,39 million out of a total of 18,33 million registered Taxpayers. After that, in 2020, the percentage increased again to 77,63%. According to the data, it appears that the implementation of annual tax reporting and payment rules in Indonesia has increased over the past five years. However, there is a discrepancy between the number of Taxpayers reporting Annual Tax Returns and the increase in the number of Taxpayers as a whole. So, it is known that the level of Taxpayer compliance is still lacking and they do not understand the changes in the tax administration system and will cause them to be disobedient.

There are several factors that have an impact on taxpayer compliance to be improved, including the modernization of the implementation of the tax administration system (Damayanti & Martono, 2018). The Directorate General of Taxes (DGT) is an institution responsible for improving services by implementing comprehensive tax reforms (Pernamasari & Rahmawati, 2021). Tax reform has been carried out since 1983, providing changes to the provisions of tax laws and regulations that changed colonial tax regulations such as the 1925 PP's ordinance and the 1944 PPd ordinance. The tax payment assessment system has been changed from the previous Official Assessment system to the Self-Assessment system (Damayanti & Amah, 2018). The implementation of this provision aims to ensure justice, improve the provision of services to taxpayers, strengthen legal certainty and courts, anticipate the development of information technology and changes in substantive provisions in laws and regulations. In addition, improving the professionalism of the tax authorities, better transparency of tax administration, and voluntary efforts for Taxpayers to fulfill their obligations (Astuti & Panjaitan, 2018).

The Directorate General of Taxes (DGT) has initiated a tax administration reform that will be reflected through the use of a modern tax administration system. This change includes several things, such as organizational restructuring and the implementation of concepts that focus more on service and supervision. One of the changes made is the addition of a new authority called Account Representative (AR), with the task of being a tax consultant, providing information on the latest tax regulations, and supervising taxpayer compliance. In addition, the change also involves the use of Information Technology. The implementation of full automation

is expected to be able to grow a more efficient and effective business because the administration system will run easily, quickly, and accurately. Competency mapping of all DGT employees to determine the distribution of employee competencies quantitatively and qualitatively is a step in managing human resources. Good governance, such as having insight into the future, transparency, involving community participation, and having accountable, professional, and competent employees (Kurniawan, 2018).

Tax administration has evolved over time. The self-assessment system requires Taxpayers to observe and examine the development of tax administration. Currently, Taxpayers can utilize e-SPT, e-Billing, e-Filing, and e-Faktur (Ayem et al., 2018). It is hoped that through increased modernization in this system, the level of compliance will also increase. Taxpayer accuracy can be seen from compliance in the registration process, re-sending of notification letters (SPT), and settlement and payment of remaining tax arrears (Lilisen et al., 2018). Modernization of the administration system has played a crucial role in the transformation by the Directorate General of Taxes. It is hoped that the reform of the tax system will deepen public understanding of taxation and provide an increase in the level of taxpayer compliance (Kusumadewi & Dyarini, 2022). The results of the study by Hapsari & Kholis (2020) show that the modernization of the tax administration system has a positive and significant impact on taxpayer compliance. This finding is supported by the research of Ayem et al. (2018), Kusumadewi & Dyarini (2022), Kurniawan (2018), and Pernamasari & Rahmawati (2021) which concluded that the modernization of the tax administration system partially has a positive and significant impact on taxpayer compliance. However, the findings of this study contradict the research of Damayanti & Amah (2018), and Sarasawati et al. (2018) which concluded that the modernization of the tax administration system had no impact on taxpayer compliance.

In addition, taxpayer compliance is also influenced by the level of trust in government performance (Ratnawati et al., 2022). According to Karwur et al. (2020), tax authorities are trusted by individuals and social groups as entities that have good intentions and aim for the benefit of society at large. There are five aspects used to measure public trust in the government. First, whether the taxes that have been reported will be a source of income for the state. Second, whether the government system that is currently in place is considered good and credible. Third, whether the legal system is now considered good and trustworthy. Fourth, whether the tax apparatus has worked properly and is trusted. And fifth, has the government allocated tax funds properly for the benefit of the people (Sari et al., 2022).

There are many cases of misuse related to the use of tax funds. The involvement of tax officer's results in a decrease in public trust in the authorities or officers. They believe that the taxes that have been paid are only used for the personal benefit of the tax authorities. As a result, they think about considering the option of avoiding taxes by not registering as Taxpayers (Zulkarnain & Iskandar, 2019). If public trust in the government system is weak, they will be reluctant to pay taxes. However, when the public is not given clear information about how the tax is used, they will be reluctant to fulfill their tax payment obligations (Deo et al., 2022). According to the Slippery Slope Theory, if Taxpayers have a strong sense of trust in the government, their level of compliance with tax obligations will increase (Zainudin et al., 2022).

The research results of Sari et al. (2022), Stevanny & Prayudi (2021), Olivandy et al. (2021) and Deo et al. (2022) stated that taxpayer compliance is positively influenced by the level of trust in the government. This is different from the research of Zulkarnain & Iskandar (2019) which revealed that trust in the state does not affect the level of taxpayer compliance. The increase in taxpayer compliance is not only determined by a number of factors that have been mentioned previously, but also considering the morals of taxpayers in order to obtain an optimal level of tax compliance (Lilisen et al., 2018). Morality is generally accepted as a teaching about good and bad related to attitudes, behavior, obligations, morals, manners, ethics, or awareness of the state (Mahmudah & Iskandar, 2018). If the level of awareness in carrying out responsibilities as citizens of the state increases, then the morals in paying taxes will also increase. Taxpayers who have high morals will be obedient and have little intention of avoiding tax obligations (Kemme et al., 2020).

According to research by Joe et al. (2018), tax morale is an inner drive that drives someone to comply with the obligation to pay taxes, either because of a sense of morality or a sense of trust in voluntarily contributing to society in paying taxes. In its application, tax morale has an influence on three main factors, namely the morality of regulations, the fairness of the tax system, and the interaction between taxpayers and the government (Khomariyah, 2022). Lilisen et al. (2018) stated that increasing good morale will encourage taxpayers to fulfill their obligations. This can increase the level of taxpayer compliance. Previous research by

Asih et al. (2020) revealed that morality partially has a positive and significant impact on taxpayer compliance. The results of research by Astuti & Panjaitan (2018), Nabila & Isroah (2019), Dharmawan & Adi (2021), and Kusumadewi & Dyarini (2022) found that there was a partial influence of taxpayer morale on taxpayer compliance. Meanwhile, the results of research by Lilisen et al. (2018) taxpayer morale can be considered as an important factor in moderating the influence of the tax system on the level of taxpayer compliance. However, Putri's findings (2023) show that tax morale does not moderate the level of taxpayer compliance. Here, taxpayer morale will moderate the increase in the influence of the relationship between the modernization of the tax administration system and trust in the state regarding taxes.

This study is a replication of previous studies, so the researcher re-tested the previous research variables by referring to the research results of Lilisen et al. (2018) which uses the modernization of the tax administration system as an independent variable and tax morale as a moderating variable. The difference lies in the variables studied, the time dimension and the place where the research was conducted. This study adds trust in the government as the second independent variable. The difference in the time dimension in question is that the previous study was conducted in 2018 while the researcher conducted the research in 2023/2024. And this research was conducted at Tanah Abang Market, Central Jakarta. Tanah Abang Market, which is the largest textile wholesale center in Southeast Asia, is interesting to study. The object is centered on taxpayers who are business actors. A growing business will have the potential to increase the income tax rate and this requires an attitude of compliance from taxpayers.

Based on the exposure of phenomena that occur in the field, the problems that have been mentioned previously and the existence of inconsistent research results, the researcher intends to carry out research entitled "The Influence of Modernization of the Tax Administration System and Trust in the Government on Taxpayer Compliance with Taxpayer Morale as a Moderating Variable."

LITERATURE REVIEW

Slippery Slope Theory

Kirchler et al. (2008) in Zulkarnain & Iskandar (2019) explained that the Slippery Slope theory can be explained through the slippery slope framework which consists of two main aspects, namely the power of authority, and trust in authority. The dimension of trust in authorities affects the level of voluntary taxpayer compliance, while the dimension of authority power causes forced compliance (Ratnawati et al., 2022).

Taxpayer Compliance

Asih et al. (2020) explained that tax compliance is a condition when a person pays all tax obligations and implements his/her tax rights. There are two categories that deal with taxpayer compliance, including (1) formal compliance refers to a situation where an individual or entity that is bound has fulfilled their tax responsibilities based on regulations, and (2) material compliance is a condition where the taxpayer, in essence, has fulfilled all material tax requirements from the applicable regulations.

Taxpayer Morale

Tax morality refers to the inner drive to fulfill the responsibility of paying taxes or the belief in contributing to the country through paying taxes (Mahmudah & Iskandar, 2018). In relation to taxation, tax morality is related to the way the government regulates taxes and allocates funds obtained from these taxes. Kemme et al. (2020) and Musgrave (1959) explain that there are two factors that need to be considered, namely allocation and distribution. The allocation factor has an influence on the enthusiasm for paying taxes through the efficient use of resources. Allocation plays an important role because how expenditures in tax revenues affect ethical judgments. In terms of distribution, the related factors are equity and fairness in influencing tax morale. The distribution function has important significance because it is related to justice and morality in terms of tax imposition.

Modernization of Tax Administration System

Modernization of the tax administration system is based on the provisions of Permenkeu No.132/PMK.01/2006 (Sarasawati et al., 2018). The aim is to ensure fair revenue, provide improvements in voluntary compliance by

providing quality services and implementing consistent legal protection, build administrative efficiency through the implementation of credible systems and administration and utilizing appropriate technology, create a positive image and build public trust which does not cause losses to the state and there is no fear of taxes (Pernamasari & Rahmawati, 2021).

Trust in Government

Stevanny & Prayudi (2021) explained that trust in the government and tax laws motivates them to comply with their tax responsibilities. Based on the previous definition, the author concludes that the concept of trust in the government is public trust in the ethics, behavior, attitudes, and morals of the government as reflected in government policies.

Modernization of Taxation System and Taxpayer Compliance

The level of taxpayer compliance can be known through the registration process, re-submission of tax returns (SPT), and compliance with the calculation and payment of tax arrears (Kusumadewi & Dyarini, 2022). Hapsari & Kholis (2020) showed that the modernization of the tax administration system has a positive and significant impact on taxpayer compliance. The results of this study are in line with the results of research by Ayem et al. (2018), Kusumadewi & Dyarini (2022), Kurniawan (2018), and Pernamasari & Rahmawati (2021) which state that the modernization of the tax administration system partially has a positive and significant impact on taxpayer compliance. Based on this description, the hypothesis of this study is as follows.

H₁: Modernization of the tax system has an impact on taxpayer compliance.

Trust in Government and Taxpayer Compliance

It is believed by taxpayers that the government has the ability to manage development well and regulate the use of tax funds effectively, determine efforts to choose programs that can improve the welfare of the people, and seriously fight to eradicate corruption and feel confident in the performance of the current government (Karwur et al., 2020). If taxpayers show great confidence in the government, their willingness to pay taxes will increase (Zainudin et al., 2022). This is supported by the research results of Sari et al. (2022), Stevanny & Prayudi (2021), Oliviandy et al. (2021), and Deo et al. (2022) which state that trust in the government has a positive impact on taxpayer compliance. Based on this description, the hypothesis of this study is as follows.

H₂: Trust in government influences taxpayer compliance.

Modernization of Taxation System, Taxpayer Morale, and Taxpayer Compliance

Batrancea et al. (2019) explained that the importance of paying taxes arises from an internal drive called tax morale which includes a sense of obligation, morality, and the belief to voluntarily contribute to tax compliance. In its implementation, tax morale is determined by a number of factors, namely the moral ethics applied, fairness in the tax system, and the interaction between taxpayers and the government (Khomariyah, 2022). The findings of Lilisen et al. research (2018) suggest that it is important to consider taxpayer morale as a factor that can influence the relationship between the tax system and taxpayer compliance. Taxpayer morale moderates the influence of the tax system on taxpayer compliance. Based on this description, the hypothesis of this study is as follows.

H₃: Taxpayer morale moderates the influence of tax system modernization on taxpayer compliance.

Trust in Government, Taxpayer Morale, and Taxpayer Compliance

Tax morale is considered an important part of tax compliance, but the courts of law still encourage compliance (Astuti & Panjaitan, 2018). The results of the study by Asih et al. (2020) indicate that moral obligations have a positive impact on taxpayer compliance. In an effort to improve tax compliance, the state needs to implement a number of monitoring programs and sanctions and through a number of considerations regarding the behavior of taxpayers (tax morale) in the country. Chong & Arunachalam (2018) explain that tax morale is considered the dominant key that encourages honest behavior. Individuals who demonstrate honest behavior will not carry out tax evasion. The results of the study by Lilisen et al. (2018) show that taxpayer morale does not moderate the correlation between accountability and taxpayer compliance. This is because taxpayers are skeptical about the management of tax money. The public has not fully felt the benefits of the tax payments they make. This

can be seen from the fact that there are still many damaged roads, infrastructure development that is still unequal, and the increasing cases of corruption which have resulted in decreasing taxpayer trust in the government. Based on this description, the hypothesis of this study is as follows.

H₄: Taxpayer morale moderates the influence of trust on taxpayer compliance.

RESEARCH METHODS

The population of this study is Individual Taxpayers of MSMEs in Tanah Abang Market, Central Jakarta who already have a NPWP. This study uses a purposive sampling method and the Slovin formula to determine the number of samples. The criteria for determining the sample in this study are (a) respondents are Individual Taxpayers of MSMEs located in Block A in Tanah Abang Market, Central Jakarta, (b) respondents are WPOP MSMEs who meet the objective requirements, namely having a NPWP. Based on the calculation results, the minimum number of samples used is 98 respondents according to certain criteria. The data used are primary data and are obtained directly by distributing questionnaires via Google Form to respondents, namely Taxpayers in Tanah Abang Market, Block A, Central Jakarta. This study uses the variables of taxpayer compliance, modernization of the tax administration system, trust in the government, and taxpayer morale. The following are the operational definitions and measurements of the variables.

1. Taxpayer Compliance

Taxpayer compliance in fulfilling their obligations in paying taxes, along with the emergence of tax evasion or tax evasion which affects state revenues (Judhanto et al., 2021). This study uses 9 statement items to measure taxpayer compliance.

2. Modernization of Tax Administration System

Covering the implementation of an open and accountable tax administration system, through the utilization of developments in science and technology (Saputra, 2020). This study uses 9 statement items to measure the modernization of the tax administration system.

3. Trust in Government

Trust in government is the level of expectation of taxpayers towards the government system based on prevailing norms and values (Latief et al., 2020). This study uses 9 statement items to measure trust in government.

4. Taxpayer Morale

Astuti & Panjaitan (2018) explained that the taxpayer morale raised is the motivation of individuals or taxpayers to pay tax obligations voluntarily. This study uses 7 statement items to measure taxpayer morale.

The analysis method applied is Partial Least Squares (PLS) which is run with the help of the SmartPLS 4.0 program to manage questionnaire data. PLS is a statistical calculation that analyzes a series of correlations that are difficult to measure simultaneously (Danks et al., 2020). This study uses an outer model and an inner model. Therefore, before the inner model test is carried out, the outer model test (measurement model) is carried out first.

RESULTS AND DISCUSSION

The respondents of this study were MSMEs who already had a NPWP. The researcher distributed questionnaires to 100 MSMEs in Tanah Abang Market according to the results of the Slovin formula and purposive sampling calculations. The population was 4,936 with a leniency rate of 10%, so the minimum sample size was 98 respondents. Furthermore, the researcher distributed questionnaires to 100 respondents who were assessed according to the applicable criteria. Of the 100 respondents distributed, the researcher received 100 responses. The distribution of data samples is shown in the questionnaire distribution table below. The characteristics of the respondents are as follows.

Based on the table 1, it can be seen that female respondents are more dominant than male respondents who have MSMEs in Tanah Abang Market, Central Jakarta. Furthermore, the most dominant age of respondents in this study is around 26-35 years. Followed by the most dominant last education of respondents is high school/equivalent.

This study further tests the outer model, namely convergent validity, discriminant, and reliability tests. The following are the results of the convergent validity test through the loading factor.

Table 1. Respondent Profile

Description	Total	Percentage (%)
Gender:		
- Male	36	36%
- Female	64	64%
Age:		
- < 17 year	2	2%
- 17 s/d 25 year	38	38%
- 26 s/d 35 year	50	50%
- 36 s/d 45 year	7	7%
- 46 s/d 55 year	1	1%
- > 55 year	2	2%
Last Education:		
- SD/MI	3	3%
- SMP/MTs	17	17%
- SMA/Sederajat	68	68%
- Diploma	4	4%
- Sarjana	8	8%
Total	100	100%

Source: Primary data processed by researchers (2024)

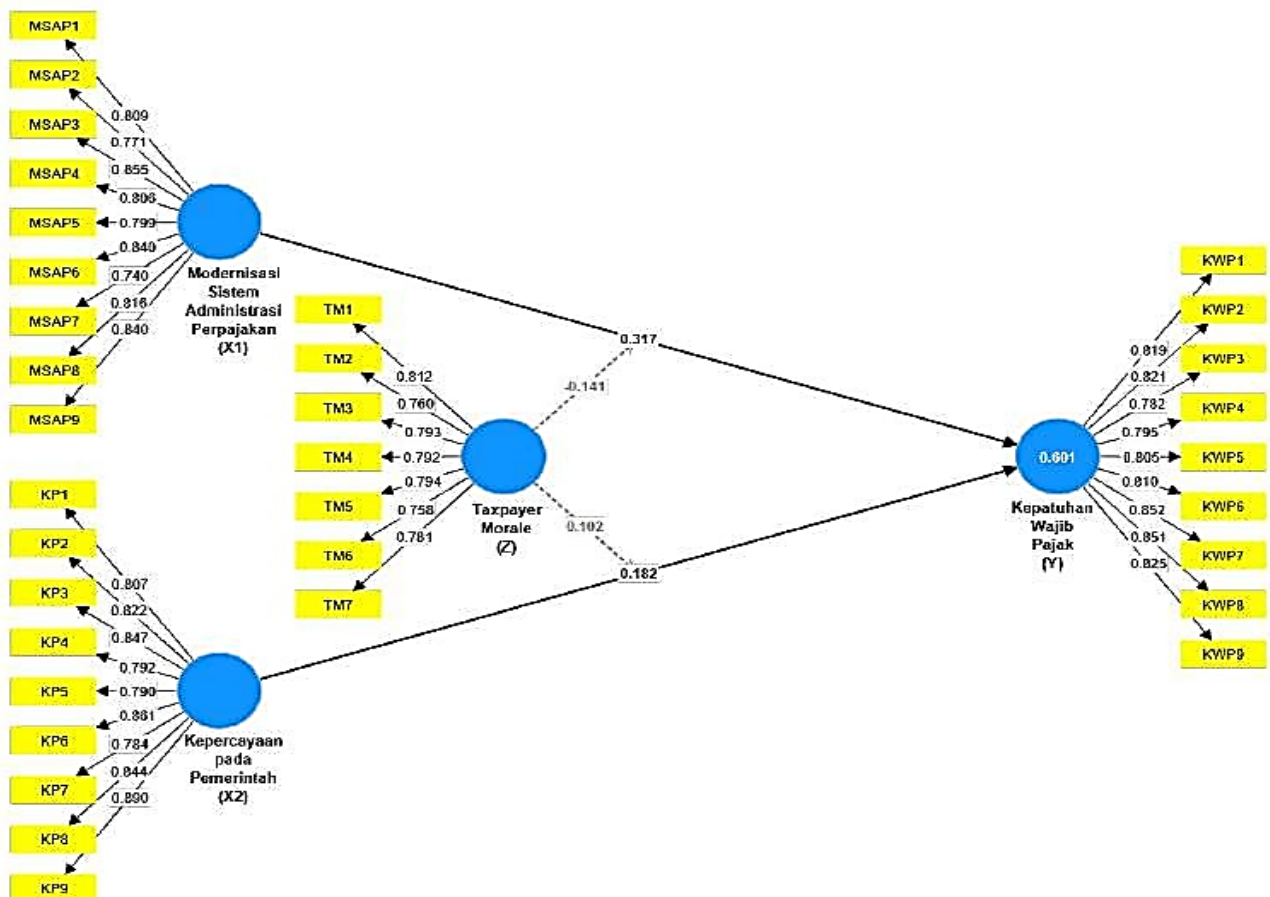


Figure 1. Convergent Validity Test Results

Based on the figure 1, it can be seen that the loading factor value of all indicators that explain the variables is $> 0,70$. In addition, table 3 shows the AVE value $> 0,5$. This condition indicates that the convergent validity of this study has been met. Furthermore, the results of the discriminant validity test (cross loading) are as follows.

Based on the table 2, it can be seen that the correlation value of the construct against its indicators is above the correlation value of other constructs. Thus, this study shows that the results of the discriminant validity test are met.

This study tests reliability to determine the accuracy of the variables used in this study. The following is a table of reliability test results and AVE values.

Table 2. Results of Discriminant Validity Test (Cross Loading)

	Taxpayer Compliance (KWP)	Trust in Government (KP)	Modernization of Tax Administration System (MSAP)	Taxpayer Morale (TM)
KWP1	0,819	0,411	0,422	0,530
KWP2	0,821	0,436	0,448	0,545
KWP3	0,782	0,350	0,391	0,498
KWP4	0,795	0,384	0,416	0,544
KWP5	0,805	0,481	0,538	0,555
KWP6	0,810	0,492	0,544	0,581
KWP7	0,852	0,524	0,571	0,586
KWP8	0,851	0,529	0,641	0,583
KWP9	0,825	0,408	0,658	0,581
KP1	0,496	0,807	0,338	0,456
KP2	0,419	0,822	0,380	0,403
KP3	0,399	0,847	0,319	0,461
KP4	0,324	0,792	0,267	0,396
KP5	0,416	0,790	0,302	0,402
KP6	0,440	0,861	0,408	0,418
KP7	0,400	0,784	0,365	0,411
KP8	0,468	0,844	0,393	0,456
KP9	0,625	0,890	0,553	0,560
MSAP1	0,467	0,360	0,809	0,417
MSAP2	0,590	0,328	0,771	0,549
MSAP3	0,608	0,390	0,855	0,502
MSAP4	0,473	0,280	0,806	0,463
MSAP5	0,506	0,319	0,799	0,441
MSAP6	0,527	0,464	0,840	0,434
MSAP7	0,396	0,377	0,740	0,343
MSAP8	0,490	0,378	0,816	0,462
MSAP9	0,541	0,445	0,840	0,415
TM1	0,643	0,523	0,549	0,812
TM2	0,430	0,293	0,369	0,760
TM3	0,482	0,432	0,486	0,793
TM4	0,525	0,507	0,446	0,792
TM5	0,609	0,414	0,443	0,794
TM6	0,427	0,369	0,237	0,758
TM7	0,557	0,382	0,470	0,781

Source: Primary data processed by researchers (2024)

Table 3. Reliability and AVE Test Results

Variables	Cranbach's Alpha	Composite Reliability	AVE
Taxpayer Compliance	0,938	0,948	0,670
Trust in Government	0,942	0,951	0,684
Modernization of Tax Administration System	0,934	0,945	0,655
<i>Taxpayer Morale</i>	0,897	0,918	0,616

Source: Primary data processed by researchers (2024)

The results of the first hypothesis test (H_1) that the influence of modernization of the tax administration system on taxpayer compliance has a coefficient value of 0,317, t-statistics of 3,943 and p-values of $0,000 < 0,05$. This shows that modernization of the tax administration system has a positive and significant effect on taxpayer compliance. *Thus, H_1 is supported.*

This shows that the better the implementation of the modernization of the tax administration system, the better the taxpayer compliance will be. With the existence of a modern administration system in taxation, the compliance of MSME actors in Tanah Abang Market has increased, so that MSME actors in Tanah Abang Market do not engage in tax avoidance or tax evasion. These results support the attribution theory that the

modernization of the tax administration system will help Taxpayers in the process of submitting tax reports. An example is the implementation of an e-system that includes e-registration, e-filing, and e-billing which is supported by online internet which makes it easier for Taxpayers to carry out their tax obligations. Through the ease of modernizing the tax administration system, it will provide efficiency in the costs and time of tax reporting and payment. This finding is also supported by the results of research by Anggraeni and Lenggono (2021), Kusumadewi & Dyarini (2022), Hapsari & Kholis (2020), Ayem & Nofitasari (2019), and Faisal (2019) that the modernization of the tax administration system has a positive and significant impact on taxpayer compliance.

Table 4. Hypothesis Test Results

Hypothesis	coef.	t-stat.	p-value
Modernization of Tax Administration System → Taxpayer Compliance	0,317	3,943	0,000
Trust in Government → Taxpayer Compliance	0,182	2,140	0,032
Modernization of Tax Administration System* <i>Taxpayer Morale</i> → Taxpayer Compliance	-0,134	2,043	0,041
Trust in Government* <i>Taxpayer Morale</i> → Taxpayer Compliance	0,102	1,248	0,212

Noted:

The R^2 value of taxpayer compliance is 60,1% (moderate). Furthermore, the f^2 value of compliance with the government is 0,054 (small), modernization of the tax administration system is 0,139 (small), taxpayer morale*modernization of the tax administration system is 0,041 (small), and taxpayer morale*compliance with the government is 0,018 (small). The predictive relevance value of Q^2 is 0,547.

Source: Primary data processed by researchers (2024)

The results of the second hypothesis test (H_2) show that the influence of government compliance on taxpayer compliance has a coefficient value of 0,182, a t-statistic of 2,140 and p-values of $0,032 < 0,05$. This shows that government compliance has a positive and significant effect on taxpayer compliance. **Thus, H_2 is supported.**

This shows that if the level of trust in the government is high, it will increase the compliance of taxpayers of MSME traders in Tanah Abang Market. The high level of taxpayer trust is related to believing that the government is able to carry out the development process because the people are diligent in fulfilling their tax obligations, the government will be able to manage the results of tax collection well, the government runs various programs that prosper the community and will eradicate the problem of corruption and re-trust the performance of the current government.

This result is also in accordance with the slippery slope framework theory that the authority of tax officers and this sense of trust will increase tax compliance and reduce tax reporting avoidance in communities with different cultural, political, economic, and social backgrounds. Taxpayer trust in the tax authority plays a role in encouraging voluntary taxpayer compliance. At the same time, the power of tax officers in carrying out tax collection and making taxpayers comply with it is forced. The results of this study are consistent with research conducted by Karwur et al. (2020), Zainudin et al. (2022), Sari et al. (2022), Stevanny & Prayudi (2021), and Sari (2020) which state that trust in the government has a positive effect on taxpayer compliance.

The results of the third hypothesis test (H_3) that the influence of modernization of the tax administration system on taxpayer compliance moderated by taxpayer morale has a coefficient value of -0,134, t-statistics of 2,043 and p-values of $0,041 < 0,05$. This shows that taxpayer morale can moderate the influence of modernization of the tax administration system on taxpayer compliance. **Thus, H_3 is supported.**

This shows that the interaction of taxpayer morale can weaken the influence and means that taxpayers with low morality tend to have less influence. If taxpayer morale shows distrust or dissatisfaction with the system, taxpayers can see modernization as an effort to improve supervision and tax collection without improving service or fairness. Modernization of the tax administration system often involves changes in regulations and procedures. If these changes are not explained properly or are not followed by effective socialization. This can lead to confusion and decreased morale in complying with tax regulations. To provide an increase in taxpayer compliance, modernization of the tax administration system must also be accompanied by efforts to increase trust, fairness, transparency, and service to taxpayers. Good socialization, tax counseling, and involvement of taxpayers in the change process can help reduce the negative impact on taxpayer morale, especially UMKM actors in Tanah Abang Market so that UMKM actors in Tanah Abang Market do not avoid taxes or embezzle tax funds. This finding is supported by the results of research by Lilisen et al. (2018) which states that taxpayer morale can moderate the relationship between the tax system and taxpayer compliance.

The results of the fourth hypothesis test (H_4) that the influence of government compliance on taxpayer compliance moderated by taxpayer morale has a coefficient value of 0,102, t-statistics of 1,248, and p-values of 0,212 > 0,05. This shows that taxpayer morale cannot moderate the influence of government compliance modernization on taxpayer compliance. **Thus, H_4 is not supported.**

This shows that the interaction of taxpayer morale cannot moderate the effect of trust in the government on taxpayer compliance, which means that trust in the government on taxpayer compliance does not always involve considerations of ethics and moral values. In this context, although trust in the government can have an impact on the level of taxpayer compliance, taxpayer morale does not moderate or strengthen this influence. In other words, the understanding that the moral aspect or personal values of individuals do not always directly affect the level of compliance with tax obligations, especially in the context of trust in the government. Thus, other factors may be more dominant in influencing the relationship between trust in the government and taxpayer compliance. The results of this study are also in line with the results of Lilisen et al. (2018) which showed that taxpayer morale did not moderate the relationship between accountability and taxpayer compliance. This condition can occur because taxpayer trust in the government has decreased because the people do not enjoy the benefits of tax funds and the impact of the many cases of corruption committed by high-ranking officials in this country.

CONCLUSIONS

The purpose of this study is to test and analyze the effect of modernization of the tax administration system and trust in the government on taxpayer compliance with taxpayer morale as a moderating variable. This study uses primary data obtained through the distribution of questionnaires to respondents of MSME taxpayers in Block A, Tanah Abang Market, Central Jakarta City. The research method used is a quantitative method with a sampling technique of purposive sampling and the slovin formula. Testing of this research data uses the SEM Partial Least Square analysis method processed using SmartPLS 4. The results of this study indicate that modernization of the tax administration system has a positive and significant effect on taxpayer compliance, trust in the government has a positive and significant effect on taxpayer compliance, taxpayer morale weakens the effect of modernization of the tax administration system on taxpayer compliance, and taxpayer morale cannot moderate the effect of trust in the government on taxpayer compliance.

It is expected to contribute to the taxation agency in Central Jakarta, so that it can provide trust in making tax policies and not burden some parties. In addition, it is expected that the government can implement an effective and efficient taxation system in its procedures to facilitate taxpayers to fulfill their obligations in order to create an increase in taxpayer compliance in reporting their taxes.

Time constraints and also the variety of characteristics of research respondents and the non-participation of research respondents who are interested in filling out the questionnaire due to one reason or another. In addition, this study uses a quantitative method with the use of primary data obtained through the results of questionnaire answers, where this study is very dependent on the results of the respondents' answers that have been given. Sometimes respondents do not give honest answers. This is because there are differences in thinking, responses, understanding and other factors from each respondent in filling out the questionnaire.

As a follow-up to the conclusions, implications, and limitations above, several suggestions are proposed, namely (1) this study can add independent variables or other moderating variables that influence taxpayer compliance so that it can improve and perfect this study, (2) for subsequent researchers, they can increase the sample and research time span or use different taxpayer objects in describing broader taxpayer compliance, (3) subsequent researchers can also elaborate on data collection methods with interviews or observations to make the results more effective and efficient, (4) for taxpayers, it is highly recommended to obey and have trust and awareness in carrying out their tax obligations as decided by the Directorate General of Taxes so that it can increase the number of taxpayer compliance in Indonesia, and (5) for the Directorate General of Taxes, it is expected to continue to provide socialization about the benefits obtained if they comply with their tax obligations. So as to increase taxpayer trust and awareness of their tax compliance.

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