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TAXPAYER COMPLIANCE: EXAMINING THE EFFECT OF THE ADMINISTRATION SYSTEM AND DIGITAL TAX LITERACY

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Abstract
This study aimed to examine the effects of digital tax literacy and the Coretax administration system on tax compliance among micro, small, and medium enterprise (MSME) taxpayers in Bandung City, West Java, Indonesia. Using a quantitative explanatory research design with variance-based structural equation modeling, data were collected through structured questionnaires from 129 MSME taxpayers selected through purposive sampling. The results indicate that digital tax literacy has a positive and significant effect on tax compliance, with a coefficient value of 0.610 and a probability value of 0.000. Taxpayers with higher digital literacy can calculate, remit, and report their taxes independently, reducing cost and time barriers and minimizing risks such as data entry errors and late reporting. In contrast, the Coretax administration system does not significantly affect tax compliance, with a coefficient value of 0.119 and a probability value of 0.170. The majority of respondents had limited experience with Coretax, with 43.41% having less than six months of experience, and the system is perceived as complex by taxpayers unfamiliar with technology. The model explains 50.1% of the variance in tax compliance, while the remaining 49.9% is explained by factors outside the model. These findings suggest that tax compliance among MSME taxpayers is primarily driven by digital tax literacy rather than by the digital administration system. The practical implication is that the Directorate General of Taxes should enhance digital tax literacy programs and ensure the Coretax system is free of technical issues to improve taxpayer compliance.

Keywords: Digital Tax Literacy, Coretax, Tax Compliance, MSME, Digital Administration System

1. Introduction

Improving public tax compliance remains a formidable challenge for fiscal authorities worldwide, including the Indonesian government (Inasius, 2019). A primary challenge in achieving this is minimizing tax non-compliance whether formal or material. Tax compliance is the situation in which taxpayers fulfill all their tax obligations and exercise their tax rights in accordance with applicable laws and regulations (Alm, 2019). Ideal compliance encompasses not only adherence to written law but also moral awareness of the essence or philosophical purpose of state financing (Oats & Tuck, 2019). Consequently, the greatest challenge for fiscal authorities is shifting taxpayer behavior from compliance driven by the fear of legal sanctions to voluntary compliance (Tryani & DP, 2026).

Studies on tax compliance have historically been dominated by large-scale corporations (Oladipo et al., 2022). However, in the economic landscape of developing nations like Indonesia, tax compliance has emerged as a critical issue for micro, small,

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and medium enterprises (MSMEs) (Dzulhijjah et al., 2025). Statistically, MSMEs constitute the backbone of the national economy, accounting for 99.9% of all business units in Indonesia approximately 65.5 million entities. This sector serves not only as a social safety net, absorbing 96.92% of the workforce (approximately 119 million people), but also contributes 61% to gross domestic product, with an economic value of IDR 9,300 trillion (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2023). Despite its significant contribution to the economy, the MSME sector's share of total national income tax remains below 1%. This low contribution is due to low tax compliance, limited tax literacy, and a negative perception of the tax administration system, which is viewed as complex and burdensome for small business owners (Dzulhijjah et al., 2025).

The importance of improving tax compliance is particularly relevant when considering West Java Province, which boasts the largest concentration of MSMEs in Indonesia exceeding 4.2 million business units (West Java Province Office of Cooperatives and Small Businesses, 2023). As a hub for the regional creative economy, Bandung and its surrounding areas serve as the epicenter of activity for millions of MSMEs. However, the evidence indicates that their compliance levels remain far below optimal targets (Arifin et al., 2026).

In line with technological advancements, the Directorate General of Tax (DGT) has digitized tax services to enhance taxpayer compliance. To support this objective, taxpayers require digital literacy (Fanani & Anggoro, 2025). Digital tax literacy refers to a taxpayer's ability to access, understand, evaluate, and utilize tax information and services available via digital platforms to fulfill their tax obligations effectively (Audia et al., 2026). Some studies indicate that digital tax literacy positively affects tax compliance (Audia et al., 2026; Shalihah et al., 2026; Sholihah & Nugroho, 2025). Another investigation reports that digital tax literacy does not influence taxpayer compliance (Mellisyah & Mira, 2025).

To enhance taxpayer compliance, the DGT has modernized digital tax reporting and payment systems through e-filing, e-forms, and e-withholding tax slips (Agun et al., 2022), as well as Coretax (Hafizd & Mujiyati, 2026; Oktaviani et al., 2025; Saputro et al., 2025). Regarding digital tax administration systems, several studies have confirmed that these systems positively influence taxpayer compliance (Fathani & Apollo, 2020; Oktari & Yulita, 2025; Saputro et al., 2025). Unfortunately, results from other studies indicate no such effect (Hafizd & Mujiyati, 2026; Oktaviani et al., 2025).

The urgency of this research is driven by several critical factors. First, MSMEs constitute the backbone of the Indonesian economy, accounting for 99.9% of all business units and contributing 61% to gross domestic product, yet their share of total national income tax remains below 1%. This disparity indicates a significant gap between the economic contribution of MSMEs and their tax compliance, requiring urgent investigation. Second, the Indonesian government has invested substantially in digitizing tax services through e-filing, e-forms, e-withholding tax slips, and Coretax, yet empirical evidence on the effectiveness of these systems in improving MSME tax compliance remains inconsistent. Third, digital tax literacy has emerged as a critical determinant of tax compliance in the digital era, yet studies on its effect have produced contradictory findings, leaving policymakers and tax authorities without clear guidance on whether compliance is primarily driven by taxpayers' digital readiness or by the quality of the digital tax administration systems provided by tax authorities. Fourth, West Java Province, with over 4.2 million MSMEs, represents the largest concentration of MSMEs in Indonesia, making it a strategic region for examining tax compliance dynamics. Fifth,

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most previous studies have focused on e-Filing or e-Billing, leaving a significant gap in understanding taxpayer compliance during the transition toward an integrated tax administration system via Coretax.

Previous research has shown significant but fragmented findings regarding the determinants of taxpayer compliance. Studies have demonstrated that digital tax literacy positively affects tax compliance, with digitally literate taxpayers more capable of accessing, understanding, and utilizing tax information and services (Audia et al., 2026; Shalihah et al., 2026; Sholihah & Nugroho, 2025). Research has shown that digital tax administration systems positively influence taxpayer compliance, with modernized reporting and payment systems simplifying tax obligations and reducing compliance costs (Fathani & Apollo, 2020; Oktari & Yulita, 2025; Saputro et al., 2025). However, other studies have reported contradictory findings, indicating that digital tax literacy does not influence taxpayer compliance (Mellisyah & Mira, 2025) and that digital tax administration systems do not affect taxpayer compliance (Hafizd & Mujiyati, 2026; Oktaviani et al., 2025). These inconsistencies suggest that the relationships among digital tax literacy, digital tax administration systems, and taxpayer compliance remain underexplored, particularly in the context of MSME taxpayers in Indonesia during the transition toward Coretax.

The research gap in this study lies in the limited understanding of how digital tax literacy and the digital tax administration system jointly influence taxpayer compliance among MSME taxpayers in Indonesia. While individual studies have examined the direct effects of digital tax literacy or digital tax administration systems on taxpayer compliance, the integrated framework connecting these factors remains underexplored (Audia et al., 2026; Hafizd & Mujiyati, 2026; Mellisyah & Mira, 2025; Oktaviani et al., 2025). Additionally, most previous studies have focused on e-Filing or e-Billing, leaving a significant gap in knowledge regarding taxpayer compliance during the transition toward an integrated tax administration system via Coretax. Furthermore, empirical evidence on the determinants of taxpayer compliance among MSME taxpayers in West Java Province remains limited, particularly in the context of increasing digitalization and evolving tax administration systems.

The novelty of this research lies in several aspects. First, this study focuses on MSME taxpayers in West Java Province, representing a unique context characterized by the largest concentration of MSMEs in Indonesia and the transition toward an integrated tax administration system via Coretax. Second, this study develops an integrative model that simultaneously examines the influence of digital tax literacy and the digital tax administration system on taxpayer compliance, providing a more comprehensive understanding of the determinants of tax compliance in the digital era. Third, this study contributes to the limited empirical evidence on taxpayer compliance during the transition toward Coretax, providing insights into how taxpayers' digital readiness and the quality of digital tax administration systems collectively influence compliance behavior. Fourth, this study extends the application of tax compliance theory and technology acceptance theory to the context of MSME taxation in emerging markets, validating theoretical predictions in an under-researched institutional context. Fifth, this study provides actionable insights for tax authorities and policymakers in designing digital tax services and digital literacy programs that effectively improve taxpayer compliance.

The purpose of this study is to analyze the influence of digital tax literacy and the digital tax administration system on the tax compliance of MSME taxpayers in West Java Province, Indonesia. The choice of this goal was driven by the limited understanding of

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how digital tax literacy and the digital tax administration system collectively influence taxpayer compliance and the need for empirical evidence that can inform tax authorities and policymakers in designing effective strategies to improve tax compliance in the digital era. With a comprehensive examination of these factors, this study aims to provide a deeper understanding of whether tax compliance is primarily driven by taxpayers' digital readiness and capabilities or by the quality of the digital tax administration systems provided by tax authorities.

The contribution of this research is multifaceted. From a theoretical perspective, this research contributes to the enrichment of literature on tax compliance and digital taxation by proposing and testing an integrative model that links digital tax literacy and the digital tax administration system with taxpayer compliance, extending the application of tax compliance theory and technology acceptance theory to the context of MSME taxation in Indonesia. The findings contribute to the understanding of how specific digital tax literacy dimensions and digital tax administration system elements influence taxpayer compliance, providing a more nuanced theoretical framework for analyzing taxpayer behavior in the digital era. From a practical perspective, this study provides actionable insights for tax authorities, policymakers, and MSME taxpayers in designing digital tax services and digital literacy programs that effectively improve taxpayer compliance. For tax authorities, the findings provide guidance on which digital tax administration system elements should be prioritized in enhancing taxpayer compliance. For policymakers, the results offer insights into the importance of digital literacy programs and the quality of digital tax services in improving tax compliance among MSME taxpayers. For MSME taxpayers, this study provides empirical evidence on the benefits of digital tax literacy and the use of digital tax administration systems in fulfilling tax obligations effectively. For academics, this study contributes to the growing body of literature on tax compliance in the digital era, providing a foundation for future research on digital taxation and taxpayer behavior.

2. Theoretical Background

2.1 Theory of Planned Behavior

The theory of planned behavior posits that behavior is influenced by intention, which is shaped by attitude toward the behavior, subjective norms, and perceived behavioral control (Ajzen, 1991). This theory explains that individuals are more likely to perform a behavior when they have a favorable attitude toward it, perceive social pressure to perform it, and believe they have the necessary resources and capabilities to perform it successfully. In the context of taxpayer compliance, the theory of planned behavior provides a foundational framework for understanding how taxpayers form intentions to comply with tax obligations. Perceived behavioral control is particularly relevant in the digital era, as taxpayers must possess the necessary digital capabilities to fulfill their tax obligations independently through digital platforms. When taxpayers believe they have the necessary knowledge, skills, and access to fulfill their tax obligations digitally, their perceived behavioral control strengthens, thereby increasing their intention to comply (Shalihah et al., 2026). The relationships between behavior, intention, and these three determinants are illustrated in Figure 1.

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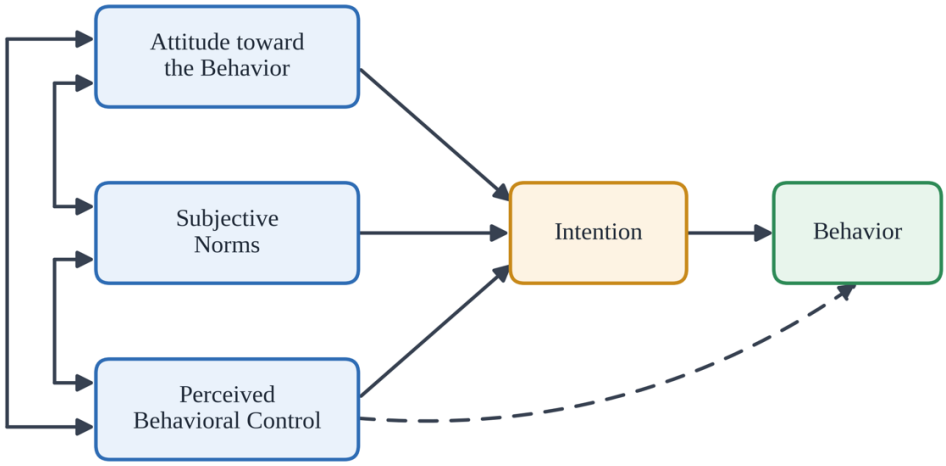


Figure 1. Theory of Planned Behavior
Source: Ajzen (1991)

2.2 Technology Acceptance Model

The technology acceptance model was developed by Davis et al. (1989) based on Ajzen's (1991) theory. According to Davis et al. (1989), an individual's acceptance of technology is influenced by perceived usefulness and perceived ease of use (see Figure 2). Perceived usefulness refers to the extent to which an individual believes that using a particular system would enhance their performance, while perceived ease of use refers to the extent to which an individual believes that using a particular system would be free of effort. In the context of digital tax administration, perceived usefulness refers to the extent to which taxpayers believe that digital tax systems such as e-filing, e-forms, e-withholding tax slips, and Coretax enhance their ability to fulfill tax obligations effectively. Perceived ease of use refers to the extent to which taxpayers believe that using these digital systems requires minimal effort. Together, these two constructs determine taxpayers' acceptance of digital tax administration systems and, consequently, their willingness to comply with tax obligations through digital platforms (Anggraeni & Susilowati, 2025).

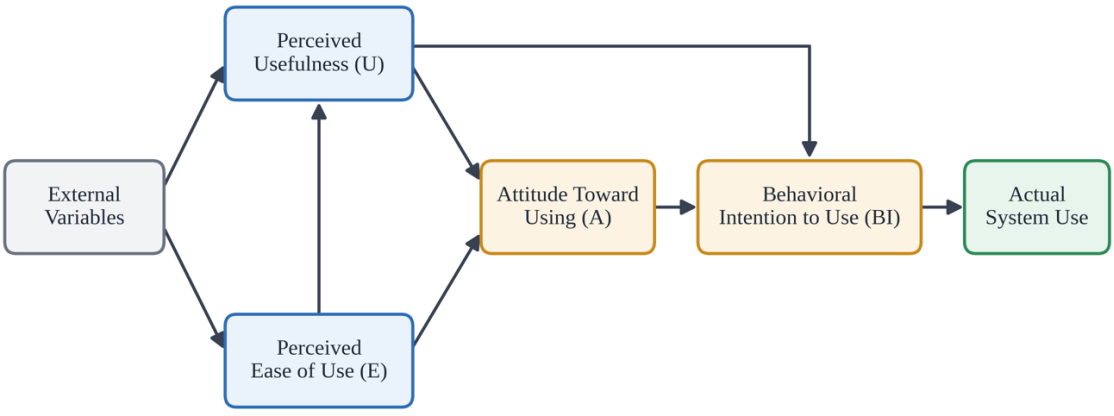


Figure 2. Technology Acceptance Model
Source: Davis et al. (1989)

2.3 Digital Tax Literacy

Digital tax literacy refers to a taxpayer's ability to access, understand, evaluate, and utilize tax information and services available via digital platforms to fulfill their tax

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obligations effectively (Audia et al., 2026). Digital tax literacy encompasses the knowledge, skills, and competencies required to navigate digital tax systems, interpret tax regulations, and complete tax obligations independently through digital platforms. According to Shalihah et al. (2026), digital tax literacy strengthens perceived behavioral control, defined as the taxpayer's subjective belief in their ability to fulfill all administrative tax obligations digitally and independently. Higher levels of digital tax literacy enable taxpayers to access tax information more efficiently, understand tax regulations more accurately, and utilize digital tax services more effectively, thereby improving their ability to comply with tax obligations. Empirical studies have demonstrated that digital tax literacy positively affects taxpayer compliance, indicating that higher levels of digital tax literacy contribute to more effective and reliable tax compliance outcomes (Audia et al., 2026; Shalihah et al., 2026; Sholihah & Nugroho, 2025; Oladipo et al., 2022).

2.4 Digitalized Administration System

A digitalized administration system refers to an integrated tax administration system that digitizes tax reporting, payment, and withholding tax slip receipt processes through a single platform (Anggraeni & Susilowati, 2025). The digitalized administration system aims to simplify tax obligations, reduce compliance costs, and improve taxpayer compliance by providing more efficient, transparent, and accessible tax services. According to Fathani and Apollo (2020), the implementation of modern tax administration systems can enhance taxpayer compliance by reducing the complexity of tax procedures and improving the accuracy of tax reporting. According to Saputro et al. (2025), the digitalized administration system particularly Coretax integrates reporting, payments, and withholding tax slip receipt into a single system, thereby fostering taxpayer compliance. Empirical evidence supports this relationship, with previous studies demonstrating that the digitalized administration system has a positive and significant effect on taxpayer compliance (Afiah et al., 2025; Fathani & Apollo, 2020; Oktari & Yulita, 2025; Saputro et al., 2025).

2.5 Tax Compliance

Tax compliance is the situation in which taxpayers fulfill all their tax obligations and exercise their tax rights in accordance with applicable laws and regulations (Alm, 2019). Ideal compliance encompasses not only adherence to written law but also moral awareness of the essence or philosophical purpose of state financing (Oats & Tuck, 2019). Tax compliance refers to the willingness of taxpayers to comply with tax laws and regulations, including the accurate reporting of income, the timely payment of tax obligations, and the complete fulfillment of administrative requirements. According to Inasius (2019), improving public tax compliance remains a formidable challenge for fiscal authorities worldwide, including the Indonesian government. Tax compliance is influenced by various factors, including tax literacy, the quality of tax administration systems, and the taxpayer's perception of the tax authority.

2.6 Hypothesis Development

2.6.1 The Effect of Digital Tax Literacy on Tax Compliance

Digital tax literacy refers to a taxpayer's ability to access, understand, evaluate, and utilize tax information and services available via digital platforms to fulfill their tax obligations effectively (Audia et al., 2026). From the perspective of the theory of planned

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behavior, the stronger the digital tax literacy, the stronger the perceived behavioral control defined as the taxpayer's subjective belief in their ability to fulfill all administrative tax obligations digitally and independently (Shalihah et al., 2026). Taxpayers with higher digital tax literacy are better able to access tax information, understand tax regulations, evaluate the credibility of tax information, and utilize digital tax services effectively. Consequently, they are more capable of fulfilling their tax obligations accurately and timely, thereby improving their tax compliance. Moreover, Sholihah and Nugroho (2025) and Shalihah et al. (2026) demonstrate that digital tax literacy positively affects taxpayer compliance at tax offices in Cirebon and Kediri, respectively. This evidence is supported by Audia et al. (2026), who state that higher digital tax literacy correlates with higher levels of taxpayer compliance at the Yogyakarta tax office. Consistent with these studies, Oladipo et al. (2022) document that tax literacy positively influences taxpayer compliance among manufacturing companies in Nigeria. Based on the theoretical explanation and empirical findings, the following hypothesis is proposed:

H1: Digital tax literacy has a positive effect on tax compliance.

2.6.2 The Effect of the Digitalized Administration System on Tax Compliance

A digitalized administration system refers to an integrated tax administration system that digitizes tax reporting, payment, and withholding tax slip receipt processes through a single platform (Anggraeni & Susilowati, 2025). To align with user technology acceptance models, Coretax integrates reporting, payments, and withholding tax slip receipt into a single system (Anggraeni & Susilowati, 2025). The digitalized administration system simplifies tax obligations, reduces compliance costs, and improves the accuracy of tax reporting, thereby encouraging taxpayers to comply with tax regulations. Consequently, this digital administration system fosters taxpayer compliance, as evidenced by Afiah et al. (2025) and Saputro et al. (2025). Regarding non-Coretax systems, Fathani and Apollo (2020) and Oktari and Yulita (2025) demonstrate that implementing modern tax administration systems can enhance taxpayer compliance. Based on the theoretical explanation and empirical findings, the following hypothesis is proposed:

H2: The digitalized administration system has a positive effect on tax compliance.

2.7 The Studied Model

Based on the two formulated hypotheses, the research model is presented in Figure 3.

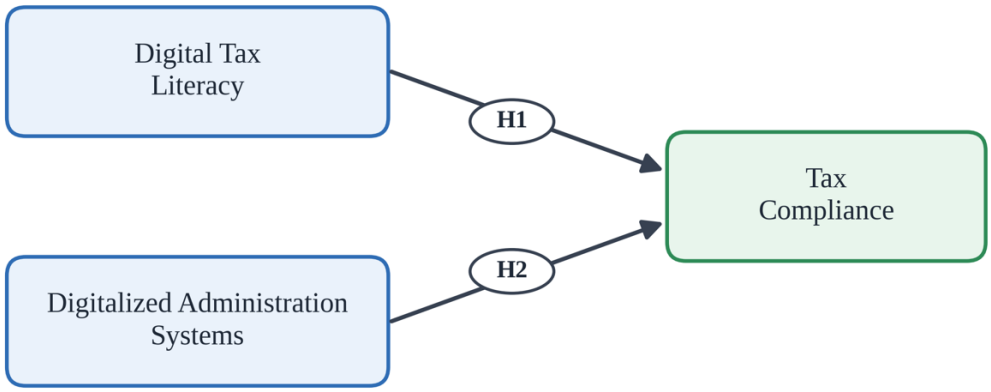


Figure 3. Studied Model

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3. Methods

3.1 Research Design

This study employed a quantitative explanatory research design to examine the effects of digital tax literacy and the Coretax digitalized administration system on tax compliance among micro, small, and medium enterprise (MSME) taxpayers. The explanatory research design enables the examination of causal relationships between independent variables (Digital Tax Literacy and Digitalized Administration System) and the dependent variable (Tax Compliance). The quantitative approach is considered appropriate because the study aims to empirically test the proposed hypotheses using statistical analysis of numerical data collected from MSME taxpayers in Bandung City, West Java.

3.2 Population and Sample

The research was conducted in Bandung City, West Java, Indonesia. The unit of analysis consisted of MSME taxpayers registered and operating within the city. The population comprised all MSMEs registered and operating in Bandung City. Because the exact number of taxpayers actively utilizing digital systems is unknown, a non-probability sampling method specifically purposive sampling was employed. The sample selection was based on criteria relevant to the research objectives, including: (1) MSME owners domiciled and maintaining a place of business in Bandung City; (2) registered taxpayers; and (3) individuals who have used or are currently actively using the digital administration system (Coretax). The sample size determined for theory testing was 200 respondents. However, after distributing the questionnaires, only 129 responses were received.

3.3 Data Collection Techniques

Data were collected through a structured questionnaire distributed directly to respondents. The questionnaire was designed based on operational definitions of research variables and adapted from validated measurement scales from previous studies, tailored to the context of MSME taxation in Indonesia. The data collection procedure involved several sequential steps: (1) questionnaire development based on operational definitions of research variables and adaptation of validated measurement scales from previous studies; (2) content validity assessment through expert judgment to evaluate the clarity, relevance, and comprehensiveness of questionnaire items; (3) distribution of questionnaires directly to MSME taxpayers in Bandung City; (4) collection and compilation of completed questionnaires; (5) data screening and cleaning to identify and remove incomplete or invalid responses; and (6) coding and tabulation of valid data for statistical analysis. All measurement items were assessed using a six-point Likert scale. The six-point scale is intended to prevent respondents from selecting a neutral response (i.e., point 3). By eliminating point 3, respondents were expected to be more decisive in making their choices.

3.4 Operational Definition of Variables

Table 1. Operational Definition and Measurement of Variables

Variable	Indicators	Scale	References
Digital Tax Literacy (DTL)	Keeping up with the latest tax system-related digital technology development; collaborating or	Likert 1–6	Avinç and Doğan (2024)

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Variable	Indicators	Scale	References
	discussing matters online regarding the use of Coretax; familiarity with the rules for using digital tax systems; ability to resolve simple technical issues; capability of working independently when using digital systems; possession of sufficient skills to use digital technology; ability to find information or guidance on using Coretax via the internet; improvement of understanding of tax reporting through digital systems; habit of using digital applications; confidence when using Coretax		
Digitalized Administration System (DAS)	Simplification of taxpayer registration; streamlining of administration through a single portal; flexibility of tax payments; minimization of potential errors; provision of data transparency; acceleration of tax services with real-time process monitoring	Likert 1–6	Saputro et al. (2025)
Tax Compliance (TC)	Reporting of all tax obligations through the applicable tax system; reporting of all income subject to tax; timely submission of tax returns; payment of the correct amount of tax; payment of taxes before the due date; fulfillment of all tax obligations in accordance with applicable regulations; avoidance of actions that could lead to tax violations	Likert 1–6	Saptono et al. (2023)

Source: Developed for this research (2026)

3.5 Data Analysis Techniques

This study employs a variance-based structural equation model. This model was selected because the research variables are latent, and the sample size approaching 100 but remaining under 200 meets the recommendation for variance-based structural equation modeling. The equation model in question is presented in Equation 1.

$$TC = \gamma 1DTL + \gamma 2DAS + \xi 1 \text{ (Equation 1)}$$

Where:
TC= Tax Compliance
DTL = Digital Tax Literacy
DAS = Digitalized Administration System
γ1–γ2 = Path coefficients
ξ1 = Error term

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Subsequently, the analysis is conducted in three stages. First, the measurement model is evaluated to assess the validity and reliability of the indicators used to measure the research variables. Specifically, factor loadings and the average variance extracted (AVE) must exceed 0.7 and 0.5, respectively, to satisfy validity requirements. Meanwhile, Cronbach's alpha and composite reliability must exceed 0.7 to satisfy reliability requirements. Secondly, the structural model is evaluated using fit indices; for instance, the standardized root mean square residual (SRMR) should ideally be less than 0.10. R-squared and adjusted R-squared values are assessed against benchmarks of 0.25, 0.50, and 0.75, representing small, medium, and high contributions, respectively. Additionally, the Q-squared value should ideally exceed 0 to demonstrate the model's predictive capability. Thirdly, the research model is estimated using the bootstrapping method. The resulting information specifically, the t-statistic and its probability is then used to test the hypotheses. A research hypothesis is accepted if the probability is less than the 5% significance level (α).

4. Results and Discussion

4.1 Results

Table 2. Respondent Profiles

Profile	Description	Total	Ratio
Duration of taxpayer status	Below 1 year	10	7.75%
	Between 1 and 5 years	21	16.28%
	Between 6 and 10 years	29	22.48%
	Above 10 years	69	53.49%
Monthly income	From IDR 5 to 10 million	45	34.88%
	From IDR 10 to 20 million	19	14.73%
	From IDR 20 to IDR 50 million	41	31.78%
	Beyond IDR 50 million	24	18.60%
Experience using Coretax	Less than 6 months	56	43.41%
	Between 6 and 12 months	48	37.21%
	More than 1 year	25	19.38%
Punctuality status to report	On time	111	86.05%
	Has been late	15	11.63%
	Always late	3	2.33%

Source: Data processed by researchers (2026)

Table 2 presents the respondent characteristics of this study. Based on survey results from June 26 to July 1, 2026, data were collected from 129 MSME operators, yielding a response rate of 129/160 (80.06%). These 129 respondents were subsequently categorized by the duration of their taxpayer status, monthly income, experience using Coretax, and tax return (SPT) filing status. The majority had been taxpayers for over 10 years (53.49%), earned between IDR 5 million and IDR 10 million per month (34.88%), had less than 6 months of experience using Coretax (43.41%), and consistently filed their tax returns on time (86.05%). Conversely, a minority had been taxpayers for less than one year (7.75%), earned between IDR 10 million and IDR 20 million per month (14.73%), had over one year of experience using Coretax (19.38%), and frequently filed their tax returns late (2.33%). These characteristics indicate that the respondents generally had adequate experience as taxpayers and were directly involved in utilizing the digital tax administration system, enabling them to provide relevant information regarding the variables examined.

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Table 3. Instrumental Testing Results for Digital Tax Literacy, Digitalized Administration Systems, and Tax Compliance

Variable	Indicator	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability
Digital Tax Literacy	DTL1	0.833	0.730	0.959	0.964
	DTL2	0.823			
	DTL3	0.836			
	DTL4	0.875			
	DTL5	0.850			
	DTL6	0.878			
	DTL7	0.890			
	DTL8	0.823			
	DTL9	0.860			
	DTL10	0.874			
Digitalized Administration Systems	DAS1	0.891	0.735	0.928	0.943
	DAS2	0.928			
	DAS3	0.838			
	DAS4	0.892			
	DAS5	0.796			
	DAS6	0.789			
Tax Compliance	TC1	0.935	0.880	0.977	0.981
	TC2	0.932			
	TC3	0.938			
	TC4	0.965			
	TC5	0.931			
	TC6	0.940			
	TC7	0.923			

Source: Data processed by researchers (2026)

Table 3 presents the validity and reliability test results for digital tax literacy (DTL), the Coretax digital administration system (DAS), and tax compliance (TC). For DTL, the factor loadings for DTL1, DTL2, DTL3, DTL4, DTL5, DTL6, DTL7, DTL8, DTL9, and DTL10 exceeded 0.7: 0.833, 0.823, 0.836, 0.875, 0.850, 0.878, 0.890, 0.823, 0.860, and 0.874. Thus, the respondents' answers were accurate, a finding supported by an AVE exceeding 0.5 (specifically, 0.730). Regarding reliability, the respondents' answers met the criteria, as indicated by Cronbach's Alpha and composite reliability values exceeding 0.7: 0.959 and 0.964, respectively. For DAS, the factor loadings for DAS1, DAS2, DAS3, DAS4, DAS5, and DAS6 exceeded 0.7: 0.891, 0.928, 0.838, 0.892, 0.796, and 0.789. Thus, the respondents' answers were accurate, a finding supported by an AVE exceeding 0.5 (specifically, 0.735). Regarding reliability, the respondents' answers met the criteria, as indicated by Cronbach's Alpha and composite reliability values exceeding 0.7: 0.928 and 0.943, respectively. For TC, the factor loadings for TC1, TC2, TC3, TC4, TC5, TC6, and TC7 exceeded 0.7: 0.935, 0.932, 0.938, 0.965, 0.931, 0.940, and 0.923. Thus, the respondents' responses were accurate, a finding further supported by an AVE exceeding 0.5 (specifically, 0.880). Regarding the reliability test, the respondents' responses also met the criteria, as indicated by Cronbach's Alpha and composite reliability values exceeding 0.7: 0.977 and 0.981, respectively. These results indicate that all measurement

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items demonstrate strong internal consistency and are capable of producing stable and reliable measurements. Therefore, all variables satisfy the validity and reliability requirements and are suitable for further statistical analysis.

Table 4. The Estimation Result of the Structural Equation Model: TC = f(DTL & DSA)

Hypothesis	Direction	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	p-value (1-tailed)
1	DTL → TC	0.610	0.115	5.318	0.000
2	DSA → TC	0.119	0.124	0.954	0.170
SRMR	0.064		Adjusted R-squared		0.493
R-squared	0.501		Q-squared		0.420

Source: Data processed by researchers (2026)

Table 4 presents the model evaluation results. Based on an SRMR of 0.064, the model fit criterion is met. With R-squared and adjusted R-squared values of 0.501 and 0.493, the contribution of DTL and DSA in explaining the variation in tax compliance falls into the moderate to near-moderate category. A Q-squared value of 0.420 exceeding zero indicates that the model possesses relevant predictive capability. Furthermore, Table 4 shows a one-tailed t-statistical probability of 0.000 and a coefficient of 0.610 for DTL. Given that the coefficient is positive and the probability is less than 5%, the first hypothesis is accepted, indicating that digital tax literacy positively affects tax compliance. Meanwhile, the one-tailed probability for DSA is 0.170. Since this value exceeds 5%, the second hypothesis is rejected, indicating that the tax administration system does not affect tax compliance. The model explains 50.1% of the variance in tax compliance ($R^2 = 0.501$), while the remaining 49.9% is explained by factors outside the model.

4.2 Discussion

4.2.1 The Effect of Digital Tax Literacy on Tax Compliance

The findings indicate that digital tax literacy has a positive and significant effect on tax compliance, with a coefficient value of 0.610 and a probability value of 0.000, indicating that H1 is accepted. This result supports previous studies conducted by Sholihah and Nugroho (2025), Audia et al. (2026), and Shalihah et al. (2026), which consistently found that higher digital tax literacy leads to better tax compliance. Taxpayers with digital literacy can calculate, remit, and report their taxes independently, without the need for tax consulting services. This reduction in cost and time barriers automatically enhances formal compliance. Furthermore, digitally literate taxpayers can minimize risks such as data entry errors, incorrect tax account codes, and late system reporting. In the context of MSME taxation, digitally literate taxpayers are better equipped to navigate the Coretax system, interpret tax regulations accurately, and fulfill their tax obligations in a timely manner. These findings are consistent with the Theory of Planned Behavior, which suggests that perceived behavioral control defined as the taxpayer's subjective belief in their ability to fulfill tax obligations digitally and independently strengthens the intention to comply (Ajzen, 1991). Therefore, enhancing digital tax literacy through continuous education, technical training, and digital literacy programs is essential for improving tax compliance among MSME taxpayers.

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4.2.2 The Effect of the Digitalized Administration System on Tax Compliance

The results reveal that the digitalized administration system does not significantly affect tax compliance, with a coefficient value of 0.119 and a probability value of 0.170, indicating that H2 is rejected. This finding is consistent with the studies of Hafizd and Mujiyati (2026) and Oktaviani et al. (2025), which also reported an insignificant relationship between the digitalized administration system and tax compliance. This outcome is attributed to the fact that the majority of business owners participating in the survey had limited experience with the Coretax system specifically, 43.41% had less than 6 months of experience, while the remaining 37.21% had between 6 and 12 months of experience (see Respondent Profile in Table 2). Moreover, for taxpayers unfamiliar with technology, the modernization of tax systems such as Coretax is perceived as complex. Although the digitalized administration system is designed to simplify tax obligations, reduce compliance costs, and improve the accuracy of tax reporting, its effectiveness depends largely on the taxpayer's ability to utilize the system effectively. Consequently, variations in tax compliance are more likely to be influenced by factors such as digital tax literacy, taxpayer experience, and technical readiness rather than by the digitalized administration system itself. These findings suggest that well-designed digital tax administration systems alone are insufficient to improve tax compliance without adequate taxpayer readiness and digital literacy.

5. Conclusion

This study aimed to examine the effects of digital tax literacy and the Coretax administration system on tax compliance among MSME taxpayers in Bandung City. Using a quantitative explanatory research design with variance-based structural equation modeling on 129 MSME taxpayers selected through purposive sampling, the study successfully tested the direct relationships among the research variables and evaluated the proposed hypotheses through statistical analysis.

The results indicate that digital tax literacy has a positive and significant effect on tax compliance, with a coefficient value of 0.610 and a probability value of 0.000, indicating that H1 is accepted. Taxpayers who possess adequate digital tax literacy are more likely to comply with their tax obligations. Digitally literate taxpayers can calculate, remit, and report their taxes independently, without the need for tax consulting services. This reduction in cost and time barriers automatically enhances formal compliance. Furthermore, digitally literate taxpayers can minimize risks such as data entry errors, incorrect tax account codes, and late system reporting. In contrast, the Coretax administration system does not have a significant effect on tax compliance, with a coefficient value of 0.119 and a probability value of 0.170, indicating that H2 is rejected. The majority of business owners participating in the survey had limited experience with the Coretax system specifically, 43.41% had less than 6 months of experience, while the remaining 37.21% had between 6 and 12 months of experience. Moreover, for taxpayers unfamiliar with technology, the modernization of tax systems such as Coretax is perceived as complex. The model explains 50.1% of the variance in tax compliance, while the remaining 49.9% is explained by factors outside the model.

The theoretical implications of this study extend the application of the Theory of Planned Behavior and the Technology Acceptance Model to the context of MSME taxation in Indonesia. The finding that digital tax literacy significantly influences tax compliance supports the Theory of Planned Behavior's emphasis on perceived behavioral control, defined as the taxpayer's subjective belief in their ability to fulfill tax obligations

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digitally and independently (Ajzen, 1991). The finding that the Coretax administration system does not significantly influence tax compliance challenges the Technology Acceptance Model's assumption that perceived usefulness and perceived ease of use always lead to technology adoption and improved outcomes (Davis et al., 1989). This study also contributes to the limited empirical evidence on tax compliance among MSME taxpayers in Bandung City, providing insights into the operational challenges and digital readiness factors that influence tax compliance during the transition toward an integrated tax administration system via Coretax.

Based on these findings, several recommendations can be proposed. Since the Coretax system does not affect business owners' tax compliance, the government through the Directorate General of Taxes (DGT) must ensure the system is free of technical issues during use. Furthermore, account representatives need to educate and assist MSME owners in using the Coretax system by establishing support desks at traditional markets and shopping centers. For entrepreneurs unable to utilize the Coretax system optimally, the DGT should waive administrative penalties for late annual tax return (SPT) filings. In addition, the DGT should continue to enhance digital tax literacy among MSME taxpayers through continuous education, technical training, and digital literacy programs to improve tax compliance.

This study has several limitations that should be acknowledged. First, the study focuses only on MSME taxpayers in Bandung City, which may limit the generalizability of the findings to other regions or taxpayer segments. Second, the study uses a cross-sectional design, which limits the ability to establish causal relationships between variables. Third, the study relies on self-reported data from respondents, which may be subject to social desirability bias and common method bias. Fourth, the model's explanatory power is moderate, with an R-square value of 0.501, but other factors not included in the model may still influence tax compliance. Fifth, the study examines only two determinants of tax compliance, namely digital tax literacy and the Coretax administration system.

For future research, it is recommended to expand the scope of study by involving MSME taxpayers in other regions or taxpayer segments to improve the generalizability of the findings. Future studies may also incorporate additional determinants such as sanctions, service quality, and tax stereotypes into their research models to provide a more comprehensive understanding of the factors affecting tax compliance. Additionally, qualitative or mixed-method approaches may be employed to gain deeper insights into the challenges and effectiveness of Coretax implementation in the MSME sector. Researchers should also employ longitudinal designs to examine how tax compliance evolves over time as digital tax administration systems and taxpayer readiness develop.

In conclusion, this study contributes to the growing body of literature on taxation and digital governance by providing empirical evidence on the determinants of tax compliance among MSME taxpayers in Bandung City. The findings suggest that digital tax literacy is the primary determinant of tax compliance, while the Coretax administration system does not significantly influence tax compliance. As Indonesia continues to strengthen its digital tax administration systems, understanding these factors becomes increasingly important for developing effective strategies to enhance tax compliance, strengthen taxpayer engagement, and promote sustainable fiscal governance in the MSME sector.

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