

# Factors that Influence SMEs Taxpayer Compliance with Digitalization of Tax Services as a Moderating Variable at KPP Pratama Medan Belawan

Marnanda Boy Sinaga<sup>1</sup>, Narumondang Bulan Siregar<sup>2</sup>,  
Khaira Amalia Fachrudin<sup>3</sup>

<sup>1,2,3</sup>Department of Accounting, Faculty of Economics and Business Universitas Sumatera Utara, Indonesia

Corresponding Author: Marnanda Boy Sinaga

DOI: <https://doi.org/10.52403/ijrr.20231226>

## ABSTRACT

This research aims to determine the influence of Taxpayer awareness, tax socialization, tax collections, Account Representative supervision, and tax audits on SME taxpayer compliance at KPP Pratama Medan Belawan. Apart from that, this research also tests whether service digitalization can be used as a moderating variable in this research.

The type of research carried out is causal associative research. The sample used in this research were respondents from 100 SME taxpayers who were actively registered at KPP Pratama Medan Belawan. Slovin's calculations determined the number of research samples used. Meanwhile, the analysis technique used in this research uses structural equation analysis (SEM) with the help of the SmartPLS application.

The results of the research show that (1) Taxpayer awareness has a positive and significant effect on Taxpayer compliance, (2) tax socialization has no effect on Taxpayer compliance, (3) tax collections have a positive and significant effect on Taxpayer compliance, (4) Account Representative supervision has no effect on Taxpayer compliance, (5) tax audits have a positive and significant effect on Taxpayer compliance (6) digitalization of tax services has a significant effect in moderating the influence of Taxpayer awareness and tax audits on Taxpayer compliance, (7) digitalization of tax services has no significant effect in moderating the influence of tax socialization, tax collections and Account Representative supervision on Taxpayer compliance.

**Keywords:** taxpayer awareness, tax socialization, tax collection, account representative supervision, tax audit, digitalization of tax services, taxpayer compliance

## INTRODUCTION

The pandemic since 2020 has impacted the Indonesian economy. Slowing economic growth since 2020 has resulted in a decrease in state revenues, especially from taxes. Minister of Finance (Menkeu) Sri Mulyani Indrawati said state revenues in 2020 experienced a deep contraction while spending increased considerably when the COVID-19 pandemic hit Indonesia.

Realized state revenue in the 2020 APBN was IDR 1,647.7 trillion, or 96.9% of the revenue budget in the 2020 FY APBN, or a decrease of 15.9% from the 2019 budget (Ministry of Finance, 2021). The Minister of Finance further said that the performance of state revenues, especially taxes, will experience an increasing trend in 2022 despite unstable global economic conditions. Realized state revenue as of August 2022 was IDR 1,764.4 trillion, consisting of tax revenues of IDR 1,171.8 trillion, customs and excise revenues of IDR 206.2 trillion, and PNB of IDR 386 trillion (Ministry of Finance, 2022).

**Table 1. Realization of Tax Revenue 2016 – 2021**

Sources of APBN Revenue	Realization of State Revenue (Billions of Rupiah)					
	2016	2017	2018	2019	2020	2021
<b>I. Income</b>	1.546.947	1.654.746	1.928.110	1.955.136	1.698.649	1.742.746
Tax Revenue	1.284.970	1.343.530	1.518.790	1.546.142	1.404.508	1.444.542
Realization of Tax Revenue	81,6%	89,7%	92,5%	84,4%	91,5%	107,2%
Domestic Tax	1.249.500	1.304.316	1.472.908	1.505.088	1.371.021	1.409.581
International Trade Tax	35.471	39.214	45.882	41.054	33.487	34.961
Import duty	32.472	35.066	39.117	37.527	31.834	33.173
Export Tax	2.999	4.147	6.765	3.527	1.653	1.788
Non-Tax Revenue	261.976	311.216	409.320	408.994	294.141	298.204
<b>II. Grant</b>	8.988	11.630	15.565	5.497	1.300	903
<b>Total Income and Grant</b>	1.555.934	1.666.376	1.943.675	1.960.634	1.699.949	1.743.649

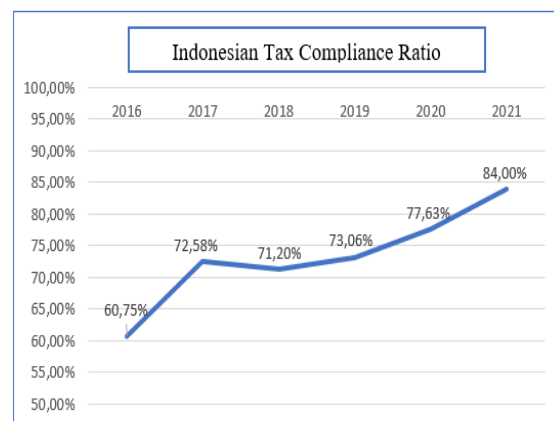
Source: Processed data from BPS and Annual Report of the Ministry of Finance

Based on the table above, it is known that the realization of tax revenues in 2021 reached 107.2% of the target set by the government. If we look at it from 2016 to 2020, national tax revenues have never reached the target. The increase in tax revenue in 2021 is influenced, in part, by the increase in the taxpayer compliance ratio, namely 84% or 15.97 million Annual Tax Returns submitted out of a total of 19 million Taxpayers who should report SPTs.

The pandemic in the world economy has put pressure on the ongoing achievement of tax revenues (Zhao, 2020). When viewed from a tax perspective, this economic condition influences the tax revenue obtained and the taxpayer's response to tax obligations. Kuokštis (2017) states that compliance can change depending on economic conditions. More specifically, taxpayer compliance will decrease during periods of economic crisis. When an economic recession occurs, more people will compensate for their loss of income from legal, economic activities through illegal or shadow economic activities (Fotiadis & Chatzoglou, 2021). In addition, the assumption that during an economic crisis, tax authorities will feel overwhelmed (increasing shadow economy, new challenges, limited resources) may reduce the likelihood of tax evasion being detected.

Problems related to tax compliance are reflected in the low tax ratio in Indonesia of 9.11%, which shows that people are still not obedient in paying taxes. According to the Organization for Economic Co-operation

and Development (OECD, 2022) report, the tax ratio for Asia Pacific countries reaches 19%, while for OECD member countries it reaches 33.5%. In 2021, the tax ratio increased slightly to 9.11% compared to 2020 at 8.33% of Gross Domestic Product (GDP). In general, the ratio of taxpayers' formal tax compliance levels over the last five years has tended to increase. The compliance ratio is a comparison between the number of annual Income Tax Returns (SPT) received in a particular tax year and the number of registered Taxpayers who are required to submit an Annual SPT at the beginning of the year:



Source: Processed 2020 DJP Performance Report  
Figure 1. Indonesian Tax Compliance Ratio

Based on the picture above, the decline in the compliance ratio for reporting Annual SPTs occurred in 2018. The compliance ratio in 2016 was 60.75% or reached 12.2 million in the number of Annual SPTs reported out of 20.1 million who had an obligation to report Annual SPTs. An increasing trend can be seen from 2018 to 2021, and the 2021 tax year reached 84.00% or 15.97 million Annual Tax Returns submitted out of 19 million Taxpayers who had the obligation to report SPT. The increase in the compliance ratio amidst the ongoing COVID-19 pandemic proves that there has been an increase in electronic reporting of Annual Tax Returns. Taxpayers submitting SPT electronic increased to 96% for the 2021 Annual SPT (DJP, 2021).

Small, and Medium Enterprises (SMEs) are the most essential pillars in the structure of

the Indonesian economy, which contribute to gross domestic product (GDP) and employment. The number of SMEs in Indonesia is 64.19 million, of which the composition of Micro and Small Enterprises is very dominant, namely 64.13 million or around 99.92% of the entire business sector (Limanseto, 2021). Survey results from several institutions (BPS, Bappenas, and World Bank) show that the pandemic has caused many SMEs to have difficulty paying off loans and business operational costs.

The weaknesses of SME business actors are reflected in limited capital and lack of access to financing from financial institutions because most SME actors operate in the informal sector, so they have high risks. Apart from that, SME entrepreneurs have limited mastery of technology and low-quality human resources, so they are susceptible to policy changes issued by the government, specifically in this research related to tax policy. (Lestary et al., 2021).

The Small Tax Office (KPP Pratama) of Medan Belawan is a work unit of the Directorate General of Taxes which carries out services in the field of taxation for people in the Medan Labuhan, Medan Marelan, Medan Deli and Medan Belawan sub-districts. Based on the performance report of KPP Pratama Medan Belawan 2021, it is known that the realization of SPT compliance was 101.75% of the set target for incoming SPT or 33,810 SPT Reports. Meanwhile, the compliance ratio specifically for SMEs in 2020 was only 88% or 2,526 taxpayers who reported annual tax returns out of the total number of taxpayers who made payments of 2,870 taxpayers.

**Table 2. Compliance Ratio of SMEs Taxpayers KPP Pratama Medan Belawan**

Fiscal Year	Amount Taxpayers Pay	Number of Taxpayers Reporting SPT	Compliance Ratio
2016	2.442	1.837	75%
2017	3.577	2.376	66%
2018	3.930	2.398	61%
2019	4.355	2.515	58%
2020	2.870	2.526	88%

Source: Processed data from the Medan Belawan KPP Pratama Performance Report

Based on Table 2 above, the specific compliance ratio for SME Taxpayers registered at KPP Pratama Medan Belawan is not optimal. There has been a downward trend from 2017-2019. The compliance ratio in 2019 experienced its lowest point at only 58%. Only 2,525 SMEs Taxpayers out of 4,355 filed Annual Tax Returns in 2019. The COVID-19 pandemic and the location of Taxpayers in industrial areas directly influence the negative impact of changes in society's social and cultural impact, especially the tendency to commit acts against the law (Rahayuningsih, 2017). Increased SPT reporting compliance in 2021 for SME Taxpayers at KPP Pratama Medan Belawan rose to 88% or as many as 2,526 Taxpayers out of 2,870 who reported their SPT. However, in Table 2 above, there has been a decrease of 34% or 1,485 from the number of active SME taxpayers of 4,335 taxpayers. The increase in the compliance ratio in 2020 is a response from taxpayers to the policies issued by the government.

**Table 3. Comparison of KPP Pratama Medan Belawan Tax Revenue**

Year	Receipt of KPP Pratama Medan Belawan	MSME Taxpayer Final Income Tax Deposit
2019	536.036.655.462	13.551.484.958
2020	487.076.868.015	10.638.508.717
2021	457.509.883.496	10.965.591.107

Source: Processed data from the Medan Belawan KPP Pratama Performance Report

Based on the table above, the increase in compliance in 2020 is not in line with the amount of Final PPh tax payments from SME taxpayers, which decreased by 21.50% or Rp. 2,912,976,241 compared to last year before the COVID-19 pandemic, which was Rp. 13,551. 484,958. Meanwhile, in 2021, the increase in jaka deposits will be insignificant, only 3.07%, so the total final income tax deposits for SMEs will only be IDR 10,965,591,107.

Issues related to tax compliance are more often associated with tax evasion, and compliance is essential. This approach was pioneered by Allingham & Sandmo in 1972, known as the Allingham-Sandmo Model

(Safitra & Djameluddin, 2019), which states that taxpayers, from an economic perspective, maximize their utility when they have the opportunity to evade taxes, measuring the benefits and losses from the possibility of being subject to sanctions. Furthermore, take tax benefits if the profits are deemed more significant. The concept of the Allingham-Sandmo Model, which only considers economic elements, has received opposition from other researchers. For example, research conducted by Richardson (2016) or Gobena and Dijke (2015) concluded that non-economic factors influence taxpayers' decisions to commit tax evasion. Bruno (2019) conducted research that succeeded in theoretically investigating the relationship between law enforcement and tax compliance through tax morals, a combination of economic and non-economic approaches.

The economic approach emphasizes the concept of economic rationality, for example, factors that influence tax compliance based on research by Safitra & Djameluddin (2019), namely using variables of the possibility of being audited, the possibility of being hit, and the number of sanctions, tax rates, and income levels. Other economic research includes tax rates, the possibility of inspection, sanctions, and perceptions of government spending (Bruno, 2019; Mazzolini et al., 2016). Meanwhile, non-economic approaches are based on concepts from scientific disciplines such as sociology and psychology. Research that uses a psychological approach that influences tax compliance includes taxpayer awareness, tax knowledge, socialization, and perceptions of equality and justice (Inasius, 2019; Le et al., 2021; Sidik et al., 2019). This research was developed by combining these two concepts, which measure that tax compliance is influenced by economic and non-economic factors.

The non-uniform results have caused research on tax compliance to continue to be carried out. An example of the diversity of research results can be seen from the economic concept used as a variable that

states that sanctions, inspections, and tariffs positively affect tax compliance. Hallsworth et al.'s research (2017) proves that sanctions can increase tax compliance, but the results differ from research (Dewi et al., 2020; Triandani & Apollo, 2020; Vitalis, 2019), proving that sanctions do not significantly influence tax compliance.

Tjen (2017) stated that taxpayer compliance is influenced by various factors, including knowledge about taxes, willingness, service, awareness, finance, inspection, socialization, environment, amount of tax to be paid, and tax collection. This research refers to research conducted by Tjen (2017). Researchers do not use the Taxpayer's knowledge and willingness variables because tax awareness is an inseparable part of the level of knowledge and understanding about taxes (Taing & Chang, 2021). So, with increasing tax awareness, taxpayers will pay taxes honestly. Researchers also do not use financial variables because Tjen's research (2017) states that finances do not affect taxpayer compliance. Apart from that, researchers added the independent variables Account Representative supervision and digitalization of tax services as moderating variables. Supervision carried out by Account Representatives has an essential role in the self-assessment tax system as an effort to detect taxpayer non-compliance early (Evi, 2017).

Researchers use the digitalization of tax services as a moderating variable in this research. One of the DJP's duties is to make tax administration easier. With the digitalization of tax services, researchers suspect that the digitalization of tax services moderates the influence of independent variables on taxpayer compliance. Tambun et al. (2020) stated that digitalizing tax services is one of the efforts to prevent tax avoidance, which impacts taxpayer compliance. Based on research conducted by Tjen (2017) and Tambun et al. (2020), researchers are interested in looking at the factors that influence taxpayer compliance from economic and non-economic approaches with the digitalization of tax services as a



moderating variable that can influence the level of taxpayer compliance.

## **LITERATURE REVIEW**

### **Taxpayer Compliance**

According to the Decree of the Minister of Finance Number 544/KMK.04/2000, tax compliance is taxpayers' actions in fulfilling their tax obligations following the provisions of the laws and tax-implementing regulations in force in a country. Rahayu (2020) explains that the types of compliance are divided into formal and material compliance. Formal compliance is a situation where the taxpayer fulfils its obligations formally following the provisions of the tax law. Meanwhile, material compliance is a situation where the Taxpayer substantively/essentially fulfils all material tax provisions following the letter and spirit of the tax law. Material compliance also includes formal compliance. For example, reporting an Annual Tax Return on time will fulfil formal compliance. However, if the reported contents do not match the actual situation, it will not be considered materially compliant.

In contrast to tax compliance, tax non-compliance is a taxpayer's failure to report the correct amount of tax, the cause of which may be due to complexity or contradictions in tax laws or tax administration procedures (Inasius, 2019). OECD (2016), in its report, emphasizes that the tax compliance climate can improve if tax authorities accurately enforce taxpayers according to their level of compliance. Compliant Taxpayers who continue to be suspected and treated the same as non-compliant Taxpayers will be at risk of losing trust and causing a decrease in their level of compliance. Therefore, strategies to increase taxpayer compliance must be differentiated based on the taxpayer's behaviour. The grouping treatment based on taxpayer compliance starts with taxpayers who comply with all tax regulations and oppose every form of

fraud or arguments that rationalize tax non-compliance to completely non-compliant taxpayers, have a negative perception of taxes and consider fraud acceptable.

### **Taxpayer Awareness**

Taxpayer awareness can be interpreted as a form of moral attitude that contributes to the state to support the country's development and tries to comply with all regulations set by the state that can be imposed on taxpayers. Taxpayer awareness can also be interpreted as the Taxpayer's attitude toward understanding the meaning, function, and purpose of tax payments. A high level of tax awareness will make taxpayers aware of fulfilling their tax obligations. It is what causes taxpayer awareness to influence taxpayer compliance.

In determining compliant or non-compliant behaviour in fulfilling their tax obligations, each individual will be influenced by rationality in considering the benefits of taxes and the influence of other people who influence decisions regarding tax compliance (Taing & Chang, 2021). So that before an individual does something, the individual will have confidence regarding the results that will be obtained from his behaviour. Then, the person concerned will decide whether to do it or not.

This high awareness means that paying taxes is not a burden but rather an obligation and responsibility as citizens so that they can pay their taxes voluntarily. Because Indonesia adheres to a self-assessment system in its taxation, individual awareness of taxes is essential in determining taxpayer compliance in paying their tax obligations. So the higher the level of taxpayer awareness, it is thought to increase mandatory compliance (Mahfud et al., 2017; Nurlis & Ariani, 2020; Le et al., 2021). Meanwhile, several studies show different results where there is no significant relationship between taxpayer awareness and compliance

(Tabrani & Rahardjo, 2019; Taing & Chang, 2021).

### **Tax Socialization**

Tax socialization is essential in increasing the public's understanding and knowledge of taxes. This activity is an effort and process to provide tax information changes to tax regulations or policies so taxpayers understand, are aware, care, and contribute to carrying out their tax obligations. Tax outreach or education activities are a form of tax education.

The tax education strategy aims to achieve behavioural changes that originate from knowledge, persuasion, decision, implementation, and confirmation and also to increase tax awareness (self-awareness) (DJP, 2019). The change in socialization methods from face-to-face to webinars since the COVID-19 pandemic is one part of tax reform in Indonesia. Improving business processes using information technology is expected to improve the quality of tax services, including tax socialization activities. Research conducted by Sari & Santoso (2021) found that using technology, namely webinars as a medium for tax socialization, significantly influenced taxpayer participation. It means these activities are running effectively, as seen from increased compliance and understanding of taxation with this method.

It is hoped to increase taxpayer compliance through intensive tax socialization, as indicated by increased tax revenues and ratios. Without adequate socialization, taxpayers will experience difficulties in fulfilling their tax obligations. So, taxpayers are required to understand or comprehend the latest information or policies. According to Boediono et al. (2019), tax socialization carried out by the DJP shows a positive relationship with tax compliance. Thus, the better and more effective the tax socialization carried out by the DJP, the more taxpayers will understand their tax

rights and obligations, and the level of taxpayer compliance will also tend to increase. Therefore, tax socialization is thought to influence taxpayer compliance. It differs from research by Yulia et al. (2020), which states that tax socialization does not affect taxpayer compliance.

### **Tax Collections**

The active tax collections implemented by the DJP aim to save state revenues by encouraging taxpayers to pay off their tax debts and provide a deterrent effect, thereby increasing taxpayer compliance. A series of active tax collections start with a letter of warning and a letter of coercion, followed by other actions such as confiscation and continuing to implement an auction. The DJP can also take other tax collections such as account blocking, prevention, and hostage-taking, which is the final step taken if there is no good faith from the Taxpayer to pay off the tax debt.

According to the Theory of Planned Behavior (TPB), each individual sometimes cannot fully control his actions, behaving under his control due to government demands to obey. External factors in tax collection can cause taxpayers to comply with the implementation of their tax obligations. One of the motives that every person wants to pay taxes is fear of punishment if they do not carry out their tax obligations (Swistak, 2016b). Threats of confiscation, account blocking, prevention, and hostage-taking can be seen as punishment so taxpayers pay their tax arrears and provide a deterrent effect, thereby increasing tax compliance. It is in line with research conducted by Hallsworth et al., 2017 and Nguyen et al., 2020 which states that tax collections have strong implications for taxpayers' voluntary compliance so that taxpayers carry out their tax obligations on time and correctly.

### **Supervision of Account Representatives**

The Account Representative uses an end-to-end planning, implementation, follow-up, and supervisory monitoring and

evaluation approach, providing a more comprehensive approach to realizing Taxpayer compliance. The results of the research on supervisory activities will produce a normative list of which Taxpayers will be issued SP2DK, proposed for audit, issued a Tax Bill (STP), issued a Warning Letter, or proposed changes to the administration of Taxpayer taxation services and facilities by position.

The supervisory activities carried out will have an impact on Taxpayer compliance. The higher the supervisory activities carried out by the Account Representative, the higher the level of taxpayer compliance will be. This is in line with research conducted by (Basrowi, 2019; Mallarangi et al., 2019), which states that monitoring material compliance affects taxpayer compliance. This result does not align with Amilin (2017) and Evi (2017).

### **Tax Audit**

A tax audit is a series of activities to search for, collect, and process data and other information to test compliance with tax obligations and other purposes to implement statutory provisions (Mardiasmo, 2018). In Indonesia's self-assessment tax collection system, tax compliance is the central pillar in implementing the system. Without compliance from taxpayers, the self-assessment tax system will not be able to run optimally. Inspection is one of the ways carried out by the DJP to increase taxpayer compliance.

The tax audit will influence taxpayers' behaviour in fulfilling their tax obligations. It is in line with the Theory of Planned Behavior, which explains that subjective norms influence a person's behavior in behaving. This perception explains that individuals cannot fully control the behaviour under their control because there are obligations in the form of demands from the government which influence their perception of behavior. The consequence of non-compliance by

taxpayers in carrying out their tax obligations is that a tax audit will be carried out, which is a form of law enforcement in testing taxpayer compliance.

Previous research states that tax audits influence taxpayer compliance (Nguyen et al., 2020; Niu, 2011; Olaoye & Ekundayo, 2018). Differences in results were found in research conducted by Madjid (2015) and Ratnawati et al. (2021), which stated that tax audits did not significantly influence tax reporting compliance.

### **Digitalization of Tax Services**

Service digitalization is an online platform that allows taxpayers to access tax services via the Internet (Le et al., 2021). The challenge in the current public administration model, mainly triggered by the COVID-19 pandemic, is the implementation of e-government or an electronic-based government system (SPBE) according to Presidential Regulation (PP) of the Republic of Indonesia Number 95 of 2018. SPBE is a government administration that utilizes technology information and communication to provide services to the community.

Digitalization of tax services through information technology (IT) is one of the pillars of tax reform implemented by the Directorate General of Taxes (DJP) to increase the tax ratio. The renewal of the tax administration system (the new core tax system), which the DJP is currently carrying out, is not just a change in information technology but also a redesign of business processes to shorten the tax administration process and cut unnecessary phases. Digitization of the tax system is expected to increase taxpayer compliance (Bellon et al., 2021; Le et al., 2021). Increasing tax compliance and payments is one of the government's efforts to secure state revenues.

**Framework**

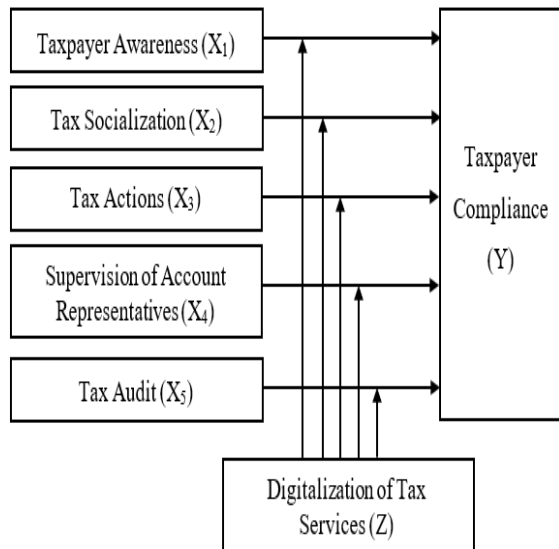


Figure 2. Framework

H1: Taxpayer Awareness positively and significantly affects Taxpayer Compliance at KPP Pratama Medan Belawan.

H2: Tax socialization positively and significantly affects Taxpayer Compliance at KPP Pratama Medan Belawan.

H3: Tax collections positively and significantly affect Taxpayer Compliance at KPP Pratama Medan Belawan.

H4: Account Representatives' Supervision positively and significantly affects Taxpayer Compliance at KPP Pratama Medan Belawan.

H5: Tax audits positively and significantly affect Taxpayer Compliance at KPP Pratama Medan Belawan.

H6: Digitalization of tax services significantly moderates the influence of Taxpayer awareness on Taxpayer compliance at KPP Pratama Medan Belawan.

H7: Digitalization of tax services significantly moderates the influence of Tax socialization on Taxpayer compliance at KPP Pratama Medan Belawan.

H8: Digitalization of tax services significantly moderates the influence of tax collections on Taxpayer compliance at KPP Pratama Medan Belawan.

H9: Digitalization of tax services significantly moderates the influence of Account Representative supervision on

Taxpayer compliance at KPP Pratama Medan Belawan.

H10: Digitalization of tax services significantly moderates the influence of tax audits on Taxpayer compliance at KPP Pratama Medan Belawan.

**MATERIALS & METHODS**

This type of research is included in the type of causal associative research, namely research that identifies causal relationships between various variables (Erlina & Mulyani, 2017). This research aims to discover more about the factors influencing taxpayer compliance with tax digitalization as a moderating variable.

The population in this research is active SME taxpayers in 2021 at the KPP Pratama Medan Belawan, namely 2,870 Taxpayers. A sample is part of the number or characteristics possessed by a population, which must be able to represent that population (Sugiyono, 2017). In determining the number of samples from the research population, namely active SME taxpayers in 2021 at the KPP Pratama Medan Belawan of 2,870 Taxpayers, the Slovin formula is used as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Information:

n = Sample size

N = Relatively large population size

e = Allowance for inaccuracy due to tolerable sampling error (\*)

(\*) The sampling error rate in this study is 10%

The sample in this study is based on the Slovin formula:

$$n = \frac{2.870}{1 + 2.870 (10\%)^2}$$

$$n = \frac{2.870}{29,7}$$

$$n = 96.63 \text{ (rounded to 100)}$$

The sampling technique used in this research was nonprobability sampling,



namely incidental sampling. Sugiyono (2017) states that incidental sampling is a technique for determining samples based on chance. Anyone who meets the researcher by chance can be used as a sample if the person they are deemed to have met by chance is suitable as a data source. Thus, Taxpayers who meet researchers by chance can be used as samples if the Taxpayers who are deemed to be met by chance are suitable as data sources.

The types of data used in this research consist of primary and secondary data. Primary data is a type of data using a questionnaire given to respondents who are research samples. The questionnaire preparation in the research used a measurement scale with an interval scale with weighting scores using a Likert scale. Data management from questionnaire results is quantitative and processed using Partial Least Square (PLS) software tools. Secondary data was obtained directly from official publications such as the Ministry of Finance website, Directorate General of Taxes, KPP Pratama Medan Belawan data, State Revenue Module, Portal Application of the Directorate General of Taxes, etc. Sources of print media include books, journals, and other research.

## RESULT

### A. Outer Model Evaluation

The outer model analysis in this research aims to define how each indicator is related to the latent variable.

#### 1. Convergent Validity Test

Convergent validity testing in this research was carried out using outer loading or loading factor. Convergent validity is measured by determining whether each estimated indicator validly measures the concept's dimensions. An indicator shows significant convergent validity if each construct's loading factor value exceeds 0.7. The following research model is presented using SmartPLS software with loading factor values for each variable.

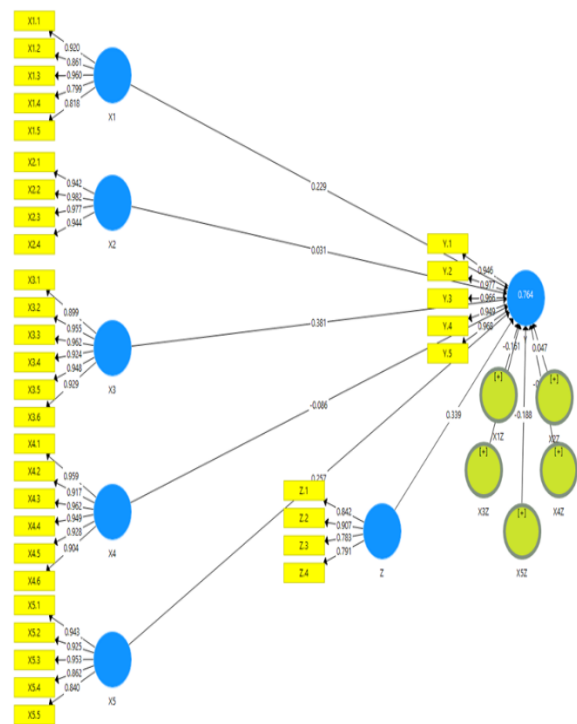


Figure 3. Full Research Model

Convergent validity testing is carried out to determine the validity of the relationship between the indicators used and the construct or latent variable. The outer loading or loading factor value for each indicator is presented in the following table.

Table 4. Loading Factor Value

	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	Z	Y
X1.1	0.920						
X1.2	0.861						
X1.3	0.960						
X1.4	0.799						
X1.5	0.818						
X2.1		0.942					
X2.2		0.982					
X2.3		0.977					
X2.4		0.944					
X3.1			0.899				
X3.2			0.955				
X3.3			0.962				
X3.4			0.924				

	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	Z	Y
X3.5			0.948				
X3.6			0.929				
X4.1				0.959			
X4.2				0.917			
X4.3				0.962			
X4.4				0.949			
X4.5				0.928			
X4.6				0.904			
X5.1					0.943		
X5.2					0.925		
X5.3					0.953		
X5.4					0.862		
X5.5					0.840		
Y.1						0.946	
Y.2						0.977	
Y.3						0.966	
Y.4						0.949	
Y.5						0.968	
Z.1							0.842
Z.2							0.907
Z.3							0.783
Z.4							0.791

Source: Data processing results (2023)

The loading factor value is a coefficient that explains the level of relationship between the indicator and the latent variable. The higher the value, the better. Based on Table 5.3 above, it can be seen that the results of data processing with SmartPLS produce loading factor values greater than 0.7 for all indicators for the research variables used. It shows that the research model has good validity to meet the convergent validity value and can be continued with

discriminant validity testing.

## 2. Discriminant Validity Test

Discriminant validity testing was done by paying attention to the cross-loading value. Testing is carried out to see whether each indicator estimated by each latent model differs from other variables. The following are the results of discriminant validity testing in this study.

Table 5. Cross Loading Value

	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	Z	Y
X1.1	<b>0.920</b>	0.101	0.276	-0.359	0.169	0.394	0.054
X1.2	<b>0.861</b>	0.161	0.377	-0.525	0.287	0.507	0.039
X1.3	<b>0.960</b>	0.181	0.276	-0.409	0.212	0.439	0.054
X1.4	<b>0.799</b>	0.317	0.356	-0.257	0.145	0.415	0.027
X1.5	<b>0.818</b>	0.112	0.267	-0.250	0.128	0.333	-0.090
X2.1	0.257	<b>0.942</b>	0.212	-0.249	0.095	0.242	0.057
X2.2	0.196	<b>0.982</b>	0.259	-0.179	0.085	0.252	0.019
X2.3	0.167	<b>0.977</b>	0.263	-0.171	0.082	0.266	0.035
X2.4	0.152	<b>0.944</b>	0.169	-0.197	0.049	0.186	0.033
X3.1	0.490	0.307	<b>0.899</b>	-0.279	0.468	0.772	0.239
X3.2	0.249	0.178	<b>0.955</b>	-0.166	0.426	0.617	0.181
X3.3	0.241	0.176	<b>0.962</b>	-0.165	0.452	0.649	0.192
X3.4	0.427	0.286	<b>0.924</b>	-0.244	0.517	0.724	0.138
X3.5	0.241	0.165	<b>0.948</b>	-0.146	0.518	0.607	0.164
X3.6	0.325	0.203	<b>0.929</b>	-0.186	0.569	0.662	0.269
X4.1	-0.429	-0.200	-0.190	<b>0.959</b>	-0.264	-0.446	-0.330
X4.2	-0.448	-0.207	-0.172	<b>0.917</b>	-0.299	-0.444	-0.333
X4.3	-0.422	-0.193	-0.171	<b>0.962</b>	-0.319	-0.456	-0.310
X4.4	-0.406	-0.196	-0.246	<b>0.949</b>	-0.285	-0.469	-0.295
X4.5	-0.336	-0.253	-0.201	<b>0.928</b>	-0.272	-0.386	-0.205
X4.6	-0.341	-0.111	-0.235	<b>0.904</b>	-0.287	-0.407	-0.217
X5.1	0.234	0.105	0.427	-0.352	<b>0.943</b>	0.619	0.236
X5.2	0.120	0.058	0.490	-0.283	<b>0.925</b>	0.556	0.185
X5.3	0.245	0.083	0.443	-0.397	<b>0.953</b>	0.642	0.283
X5.4	0.129	0.043	0.520	-0.167	<b>0.862</b>	0.503	0.213
X5.5	0.281	0.081	0.534	-0.148	<b>0.840</b>	0.502	0.048
Y.1	0.452	0.251	0.677	-0.465	0.533	<b>0.946</b>	0.421

	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	Z	Y
Y.2	0.457	0.207	0.668	-0.447	0.576	<b>0.977</b>	0.410
Y.3	0.480	0.219	0.626	-0.511	0.592	<b>0.966</b>	0.394
Y.4	0.486	0.285	0.737	-0.426	0.646	<b>0.949</b>	0.407
Y.5	0.463	0.236	0.765	-0.396	0.660	<b>0.968</b>	0.434
Z.1	-0.061	-0.000	0.151	-0.201	0.185	0.373	<b>0.842</b>
Z.2	0.017	0.111	0.186	-0.382	0.210	0.398	<b>0.907</b>
Z.3	0.044	0.067	0.160	-0.304	0.038	0.297	<b>0.783</b>
Z.4	0.093	-0.055	0.209	-0.122	0.273	0.353	<b>0.791</b>

Source: Data processing results (2023)

Based on the table above, it is known that the numbers in bold are the cross-loading values of all indicators for each variable, which have cross-loading values greater than the values of the other variables. It shows that the indicators used in this research have met the discriminant validity requirements, as evidenced by the largest cross-loading value found on the variable compared to other variables.

The next test to determine discriminant validity is by comparing the root value of Average Variance Extracted (AVE) with the correlation between constructs. A good AVE value is required to have a value greater than 0.50. The following is the AVE value from SmartPLS application processing.

Table 6. Average Variance Extracted (AVE) Value

Variable	AVE
Taxpayer Awareness (X1)	0.763
Tax Socialization (X2)	0.924
Tax Actions (X3)	0.877
Account Representative Supervision (X4)	0.878
Tax Audit (X5)	0.820
Taxpayer Compliance (Y)	0.924
Tax Digitalization (Z)	0.693

Source: Data processing results (2023)

Based on Table 6, it is known that the AVE value for each variable is greater than 0.50, with the smallest value being 0.693 for the tax digitalization variable (Z), so it can be said that the model in this research has good Discriminant Validity.

### 3. Composite Reliability Test

Reliability testing can be done by looking at the Composite Reliability and Cronbach's Alpha values. Composite Reliability functions to measure the actual value of the reliability of a construct, while Cronbach's Alpha measures the lower limit of the

reliability value of a construct. The values used for Composite Reliability and Cronbach's Alpha are greater than 0.7. SmartPLS output results for Composite Reliability and Cronbach's Alpha values can be shown in the table below.

Table 7. Composite Reliability and Cronbach's Alpha values

Indicator	Composite Reliability	Cronbach's Alpha
Taxpayer Awareness (X1)	0.941	0.922
Tax Socialization (X2)	0.980	0.973
Tax Actions (X3)	0.977	0.972
Account Representative Supervision (X4)	0.977	0.972
Tax Audit (X5)	0.958	0.945
Taxpayer Compliance (Y)	0.984	0.979
Tax Digitalization (Z)	0.900	0.851

Source: Data processing results (2023)

Table 7 above shows that the composite reliability value produced by all constructs (indicators) is above 0.70. It indicates that all the indicators used in this research are reliable or meet the reliability test. The highest composite reliability value is shown by the Taxpayer Compliance indicator of 0.984, while the lowest is shown by the service digitization construct of 0.900. The Cronbach's alpha test results based on Table 6 for all constructs are greater than 0.70. The highest Cronbach's alpha value is shown by the Taxpayer Compliance construct of 0.979, and the lowest value is shown by the tax digitalization construct of 0.851. Based on these results, it can be concluded that all construct indicators are reliable or meet the reliability test.

### 4. Evaluation of Inner Model (Structural Model)

The inner model is evaluated by looking at the R-square for the dependent construct and the t-statistic value from the path coefficient

test. The higher the R-square value, the better the prediction model of the proposed research model, while the path coefficient value states the significance level in testing the hypothesis being developed.

**a) Path Coefficient Test**

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable is on the dependent variable. Meanwhile, the determination coefficient (R-Square) measures how much other variables influence endogenous variables.

**Table 8. Path Coefficient Value**

Variable	Coefficient
Taxpayer Awareness (X1)	0,229
Tax Socialization (X2)	0,031
Tax Actions (X3)	0,381
Account Representative Supervision (X4)	-0,086
Tax Audit (X5)	0,381

Source: Data processing results (2023)

**b) R-Square Test**

The R-Square results are 0.67 and above for endogenous latent variables in the structural model, indicating that the influence of exogenous variables on endogenous variables is in a suitable category. Meanwhile, if the result is 0.33-0.67, it is included in the moderate category, and if the result is 0.19-0.33, it is included in the weak category (Ghozali, 2016). Based on the data processing that has been carried out, the R-Square values are obtained as follows:

**Table 9. R-Square Value**

Research variable	R-Square	R-Square Adjusted
Taxpayer Compliance	0.764	0.735

Source: Data processing results (2023)

Based on Table 9 above, it is known that the Adjusted R-Square value obtained is 0.735. It can be interpreted to mean that the independent variable can explain 73.5% of taxpayer compliance, while the other 26.5% is influenced by other variables not used in this research. The R-Square value in this study is included in the high category because the value is greater than 0.698.

**c) Hypothesis Testing**

Based on the data processing results that have been carried out, the results can be used to answer the hypothesis in this research. Hypothesis testing in this research was carried out by looking at the P-values of each independent variable on the dependent variable. The research hypothesis can be declared accepted if the P-value < 0.05. The following are the results of hypothesis testing obtained from evaluating the structural model with bootstrapping in the SmartPLS application (Boediono et al., 2019b).

**Table 10. Bootstrapping Results On The Structural Model**

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Taxpayer Awareness -> Taxpayer Compliance	0.229	0.231	0.058	3.944	0.000
Tax Socialization -> Taxpayer Compliance	0.031	0.039	0.046	0.677	0.499
Tax Actions -> Taxpayer Compliance	0.381	0.378	0.074	5.121	0.000
Account Representative Supervision -> Taxpayer Compliance	-0.086	-0.089	0.068	1.273	0.204
Tax Inspection -> Taxpayer Compliance	0.381	0.378	0.074	5.121	0.000

Source: Data processing results (2023)

Table 10 tests the interaction between the moderating variable and the independent variable on the dependent variable. The regression equation obtained is as follows:  
 $Y = 0.229X_1 + 0.031X_2 + 0.381X_3 - 0.086X_4 + 0.381X_5$

**d) Moderation Test (Interaction Test)**

**Table 11. Moderation Test Results**

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Taxpayer Awareness & Digitization Of Services -> Taxpayer Compliance	-0.161	-0.158	0.066	2.424	0.016
Tax Socialization & Service Digitalization -> Taxpayer Compliance	0.047	0.047	0.051	0.919	0.358
Tax Actions & Service Digitization -> Taxpayer Compliance	0.041	0.035	0.050	0.813	0.416
Account Representative Supervision & Service Digitization -> Taxpayer Compliance	-0.123	-0.112	0.073	1.675	0.095
Tax Inspection & Service Digitization -> Taxpayer Compliance	0.257	0.255	0.069	3.716	0.000

Source: Data processing results (2023)



Table 11 tests the interaction between the moderating variable and the independent variable on the dependent variable. The regression equation obtained is as follows:

$$Y = 0,229X_1 + 0,031X_2 + 0,381X_3 - 0,086X_4 + 0,381X_5 - 0,161X_1 Z + 0,047X_2 Z + 0,041X_3 Z - 0,123X_4 Z + 0,257X_5 Z$$

## CONCLUSION

The results of this research provide several conclusions that can be drawn based on the test results on the influence of Taxpayer awareness variables, tax socialization, tax collections, Account Representative supervision, and tax audits on Taxpayer compliance with the digitalization of tax services as a moderating variable. The following are the conclusions produced in this research:

1. Taxpayer awareness positively and significantly influences SME taxpayer compliance at KPP Pratama Medan Belawan.
2. Tax socialization does not significantly influence SME taxpayer compliance at KPP Pratama Medan Belawan.
3. Tax collections positively and significantly influence SME taxpayer compliance at KPP Pratama Medan Belawan.
4. Account Representatives' Supervision does not significantly influence SME Taxpayer compliance at KPP Pratama Medan Belawan.
5. Tax audits positively and significantly influence SME taxpayer compliance at KPP Pratama Medan Belawan.
6. Digitalization of tax services significantly moderates the influence of Taxpayer awareness on SME Taxpayer compliance at KPP Pratama Medan Belawan.
7. Digitalization of tax services has no significant effect in moderating the influence of tax socialization on SME taxpayer compliance at KPP Pratama Medan Belawan
8. Digitalization of tax services has no

significant effect in moderating the influence of tax collections on SME taxpayer compliance at KPP Pratama Medan Belawan.

9. Digitalization of tax services has no significant effect in moderating the influence of Account Representative supervision on SME taxpayer compliance at KPP Pratama Medan Belawan.
10. Digitalization of tax services significantly moderates the influence of tax audits on SME taxpayer compliance at KPP Pratama Medan Belawan.

## LIMITATIONS

This research has limitations, including the following:

1. The object of this research only includes SME taxpayers registered at KPP Pratama Medan Belawan, so the results in this research cannot be generalized to all other research objects that are different from the object of this research.
2. The technology-based tax service variable in this research is a digital service that already existed during this research period, so it only describes conditions during the research period.

## SUGGESTION

Based on the results of this research, several suggestions that researchers can convey are as follows:

1. Based on the results of this research, it is known that the influence of tax socialization and Account Representative supervision does not affect taxpayer compliance. This right needs to be carried out whether this effect occurs because the level of trust of SME taxpayers in KPP Pratama Medan Belawan is low or there are problems with inappropriate communication by the public in the delivery of education or legal products issued by KPP Pratama Medan Belawan
2. The research results also show that the

use of technology as part of tax administration reform has not been able to provide a moderating influence on SME taxpayer compliance at KPP Pratama Medan Belawan. KPP Pratama Medan Belawan must continuously provide technical guidance regarding the use of technology-based services to benefit taxpayers in terms of facilitating the fulfillment of their tax obligations.

3. For future researchers, it is hoped that they can combine other approaches in examining the level of taxpayer compliance. A broader approach regarding the research object includes the type of Taxpayer's business and the characteristics of tax service offices based on the type of Taxpayer.

#### **Declaration by Authors**

**Acknowledgement:** None

**Source of Funding:** None

**Conflict of Interest:** The authors declare no conflict of interest.

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How to cite this article: Marnanda Boy Sinaga, Narumondang Bulan Siregar, Khaira Amalia Fachrudin. Factors that influence SMEs taxpayer compliance with digitalization of tax services as a moderating variable at KPP Pratama Medan Belawan. *International Journal of Research and Review*. 2023; 10(12): 213-228. DOI: <https://doi.org/10.52403/ijrr.20231226>

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