

Introduction

In the contemporary business environment, issues of tax transparency, corporate governance, and compliance have become increasingly central to discussions on corporate accountability and sustainability (Zhang & She, 2024). Governments, international institutions, and stakeholders now demand greater responsibility and ethical behavior from corporations to ensure fairness, fiscal stability, and trust in economic systems (Tsindeliani et al., 2021). Modern businesses are thus evaluated not only by their financial performance but also by their ability to uphold integrity, comply with tax obligations, and contribute to sustainable development (Rashid & Ramli, 2024). Within this context, transparency in tax reporting and robust governance mechanisms serve as critical drivers that determine how firms respond to compliance requirements (Putri & Lia, 2025).

In Indonesia, these issues have gained prominence alongside the government's ongoing efforts to modernize the tax administration system. The implementation of the Core Tax Administration System (CTAS) by the Directorate General of Taxes (DGT) represents a significant digital transformation initiative aimed at enhancing efficiency, accuracy, and transparency in tax management. Through the CTAS, processes such as taxpayer registration, reporting, and payment have become more integrated and data-driven, enabling real-time monitoring and reducing opportunities for evasion and noncompliance. This modernization initiative aligns with Indonesia's broader goal of enhancing voluntary tax compliance and promoting a culture of transparency in both the private and public sectors (Ministry of Finance, 2024).

The rapid digitalization of taxation has therefore reshaped corporate-government relations, transforming how compliance is achieved and monitored (Hesami et al., 2024). Digital platforms, including e-filing systems, online tax portals, and big data analytics, have been demonstrated to enhance efficiency, minimize errors, and increase transparency. For corporations, these technologies are not only tools of compliance but also strategic enablers that strengthen the interaction between governance and transparency in fostering sustainable business practices (Adebiyi, 2023; Dhaliwal et al., 2023). As this transformation deepens, it raises a critical question: to what extent does tax digitalization moderate the traditional relationships

among transparency, governance, and compliance in driving long-term corporate sustainability (Fjord & Schmidt, 2022)?

Scholarly discussions have acknowledged the importance of these constructs. Corporate governance promotes compliance by discouraging opportunistic behavior and reinforcing ethical standards (Gribnau & Jallai, 2018). Tax transparency enhances stakeholder trust, legitimizes organizational behavior, and reduces information asymmetries (Kuznetsova et al., 2023). More recently, digital technologies have been recognized as mechanisms that can strengthen accountability and efficiency in tax administration, contributing to more sustainable compliance systems (Marta & Shahrour, 2024).

However, despite these developments, few studies have explored the interaction among tax transparency, corporate governance, and tax compliance within a digitalized tax environment, particularly in the Indonesian context, where large-scale tax reform through CTAS is underway. Previous research has typically examined these variables in isolation or focused on developed economies, leaving a gap in understanding how digital transformation moderates their interrelationships in emerging markets.

Addressing this gap, the present study investigates the combined effects of tax transparency and corporate governance on tax compliance, with tax digitalization as a moderating variable, among firms operating in Indonesia's Cikarang-Cibitung industrial area. By situating the analysis within the framework of business sustainability and legitimacy theory, this study provides novel theoretical and empirical contributions. Specifically, it introduces tax digitalization as a moderating mechanism that strengthens the influence of transparency and governance on compliance and integration, not extensively explored in prior literature. The findings are expected to advance both academic understanding and policy formulation by demonstrating that digital transformation not only enhances compliance mechanisms but also reinforces the foundations of sustainable and legitimate business operations in Indonesia's evolving tax landscape.

Literature Review

Theoretical Foundation: Legitimacy Theory

This research is anchored in Legitimacy Theory, which posits that organizations continuously seek to align their operations with societal norms and expectations to maintain legitimacy (Suchman, 1995). Legitimacy reflects the social approval that enables firms to sustain operations and secure stakeholder trust. Within the taxation context, legitimacy is achieved when firms demonstrate transparency, accountability, and compliance with regulations. Conversely, opaque or aggressive tax practices erode legitimacy and may result in reputational and regulatory risks. Hence, tax transparency, corporate governance, and digitalized compliance systems can be viewed as complementary mechanisms through which firms legitimize their behavior and ensure long-term business sustainability (Amarna et al., 2025).

In Indonesia, Legitimacy Theory is particularly relevant as the government advances transparency and compliance through the Core Tax Administration System (CTAS). This system, launched by the Directorate General of Taxes, integrates taxpayer data and automates tax processes to enhance credibility, trust, and efficiency. Such institutional efforts underscore that maintaining legitimacy is not merely a moral pursuit but also a strategic necessity for corporate survival in a digitally transforming economy.

Tax Transparency and Compliance

Tax transparency plays a pivotal role in strengthening legitimacy and compliance. By disclosing tax-related information, firms reduce information asymmetry and signal ethical responsibility (Sarker & Ahmed, 2022). Transparent reporting fosters stakeholder trust and enhances voluntary compliance. However, the literature also presents contradictory findings. Some studies show that transparency exposes firms engaging in aggressive tax planning, which can undermine legitimacy and public trust. For instance, multinational corporations in emerging economies have faced backlash for disclosing low effective tax rates despite high profits, revealing the dual nature of transparency as both a compliance driver and reputational risk (Kuznetsova et al., 2023).

In the Indonesian context, transparency has gained policy attention as part of the Automatic Exchange of Information (AEOI) initiative and mandatory Country-by-Country Reporting (CbCR). These reforms reflect Indonesia's commitment to global tax disclosure standards. Yet, compliance outcomes

remain varied across sectors, suggesting that transparency alone may not guarantee legitimacy unless accompanied by strong governance and effective digital oversight.

Corporate Governance and Compliance

Corporate governance mechanisms such as independent boards, audit committees, and ethical codes serve to align managerial decisions with stakeholder expectations and prevent opportunistic tax behavior. Numerous studies affirm that firms with strong governance are more likely to demonstrate ethical compliance and avoid tax aggressiveness (Varoglu et al., 2021).. However, emerging research offers a critical counterpoint: governance structures can also be instrumentalized to legitimize aggressive tax avoidance under the guise of shareholder value maximization (Gribnau & Jallai, 2018).

This contradiction is especially salient in developing countries, where governance quality and enforcement capacity vary significantly. In Indonesia, where ownership concentration and political connections are common, governance mechanisms may either promote genuine compliance or be used strategically to maintain legitimacy while engaging in profit-driven tax planning. This ambivalence highlights the need for a contextualized analysis of governance and compliance under Indonesia's evolving institutional framework.

Digitalization and Business Sustainability

The digitalization of tax systems has revolutionized compliance processes worldwide. Digital platforms enhance accuracy, reduce errors, and strengthen accountability mechanisms. Recent studies emphasize that digital transformation through systems like e-filing, e-invoicing, and integrated databases facilitates real-time monitoring, improves tax enforcement, and supports sustainable governance practices (Värzaru et al., 2023).

In Indonesia, the CTAS and related initiatives (such as e-Bupot and e-Faktur systems) mark a critical step toward modernizing the tax infrastructure. These systems enable data integration between businesses and tax authorities, reducing fraud and increasing transparency. However, challenges persist in terms of digital readiness, system adoption, and human resource capacity, particularly among small and medium enterprises. From a legitimacy perspective, firms adopting digital

tax solutions signal alignment with regulatory modernization and societal expectations, strengthening both compliance and sustainable business reputation.

Conflicting Results and Research Gap

The reviewed literature demonstrates that transparency, governance, and digitalization are central to enhancing tax compliance. Yet, the relationships among these factors remain complex and empirically inconsistent. Transparency may enhance accountability but simultaneously expose firms to reputational risks. Governance can prevent opportunism but may also legitimize tax avoidance. Digitalization enhances monitoring, but its impact varies depending on institutional maturity and corporate readiness.

Critically, few studies have investigated these interrelationships within Indonesia's digital tax reform context. Although prior research has examined tax transparency or governance separately, to our knowledge, no prior study in Indonesia has empirically tested the moderating role of tax digitalization between transparency, governance, and compliance. This gap limits both theoretical understanding and policy insights regarding how digital transformation shapes compliance behavior and organizational legitimacy in emerging economies.

Hypothesis Development

Based on the literature and Legitimacy Theory, the following hypotheses are proposed:

- H₁: Tax transparency positively influences tax compliance.
- H₂: Corporate governance positively influences tax compliance.
- H₃: Tax digitalization moderates the relationship between tax transparency and tax compliance, such that the effect is stronger when digitalization levels are high.
- H₄: Tax digitalization moderates the relationship between corporate governance and tax compliance, such that the effect is stronger when digitalization levels are high.

Research Method

This study employed a quantitative research design, utilizing a survey approach, to investigate the

relationships between tax transparency, corporate governance, and tax compliance, with tax digitalization serving as a moderating variable in the context of business sustainability. The research was conducted in Indonesia, where the adoption of digital tax systems has become increasingly prominent following the government's push toward fiscal modernization. The research location was selected because it represents a rapidly developing economic environment with varying levels of tax compliance and digital infrastructure readiness, making it an appropriate setting for testing the proposed model.

Population and Sample

The population of this study consisted of corporate taxpayers registered at the Tax Service Offices (KPP Pratama) in South Cikarang, North Cikarang, and Cibitung. Respondents were selected using purposive sampling, targeting individuals in decision-making positions such as financial managers, tax managers, and accountants who are directly involved in tax reporting and compliance processes. A total of [350 questionnaires distributed, with 300 valid responses analyzed] was collected, which satisfies the minimum sample size requirement for PLS-SEM analysis, as suggested by Hair et al. (2020).

Data Collection

Data were collected through a structured questionnaire survey distributed both online and offline. The questionnaire consisted of four main constructs:

1. Tax Transparency – measured using indicators such as voluntary disclosure, clarity of tax reports, and openness in communication with tax authorities.
2. Corporate Governance – assessed through board independence, audit committee effectiveness, and internal control mechanisms.
3. Tax Compliance – measured through timely filing, accuracy of reporting, and payment consistency.
4. Tax Digitalization – assessed through the use of e-filing systems, digital reporting platforms, and integration of IT in tax administration.

All items were adapted from prior validated instruments in the literature ((Youssef & Dahmani, 2024); (Sama et al., 2022);(Sulistyono & Mappanyukki, 2023);(Hesami et al., 2024)) and

measured on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

Data Processing and Analysis

The collected data were first tested for validity and reliability. Validity was assessed using convergent validity (Average Variance Extracted > 0.5) and discriminant validity (Fornell-Larcker criterion and HTMT ratios). Reliability was confirmed through Cronbach's Alpha and Composite Reliability (> 0.7).

To test the hypotheses, this study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using the SmartPLS software. The choice of PLS-SEM was justified due to its suitability for analyzing complex models with moderating effects and relatively small to medium sample sizes (Hair et al., 2020). The structural model was assessed through:

- Path Coefficients (β) to evaluate the direct relationships between variables.
- Coefficient of Determination (R^2) to measure the explanatory power of the independent variables.
- Effect Size (f^2) to assess the contribution of each construct.
- Predictive Relevance (Q^2) using the blindfolding procedure.
- Moderating Effects of tax digitalization were analyzed by creating interaction terms between the independent variables (tax transparency and corporate governance) and the moderator.

The PLS equation can be represented as:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 \times M) + \beta_4 (X_2 \times M) + e$$

Where:

Y = Tax Compliance

X1 = Tax Transparency

X2 = Corporate Governance

M = Tax Digitalization (moderator)

E = error term

Research Model

The conceptual research model integrates Legitimacy Theory with the empirical relationships among the constructs. Tax transparency and governance are expected to influence compliance, while digitalization strengthens these effects. The outcome is linked to business sustainability, framed as the overarching context in which firms seek legitimacy and long-term operational resilience.

Result and Discussion

Result

Descriptive Statistics

1. Industrial Sector of Respondents

The majority of corporate taxpayers in the study were engaged in the manufacturing sector, amounting to 207 companies (69%). This indicates that the sample is dominated by firms in production-based industries, which aligns with the fact that the industrial areas of Cibitung and Cikarang are recognized as major manufacturing hubs in Indonesia. Other sectors represented include services (60 companies, 20%), trade (18 companies, 6%), and other sectors (15 companies, 5%). This distribution reflects a strong industrial base with a smaller but notable presence of service and trade enterprises.

2. Age of the Company

In terms of company age, the distribution was relatively balanced. Firms operating for less than 3 years accounted for 85 companies (28%), suggesting the presence of new and emerging businesses in the area. Meanwhile, 75 companies (25%) had been operating for more than 10 years, indicating that they were stable and mature firms. Companies in the 3–5 year category accounted for 72 (24%), while those in the 6–10 year category comprised 68 (23%). This indicates that the research sample comprises both newly established businesses and long-standing enterprises, thereby providing diversity in terms of business maturity levels.

3. Tax Office (KPP) Distribution

The respondents were distributed across three tax offices in Bekasi Regency. The largest representation came from KPP Pratama Cibitung (111 companies or 37%), followed by KPP Pratama Cikarang Selatan (101 companies or 34%), and KPP Pratama Cikarang Utara (88 companies or 29%). This balanced distribution strengthens the generalizability of findings across different jurisdictions within the region.

4. Respondent Job Positions

Regarding the job positions of respondents, the largest group was classified as other positions (90 respondents or 30%), which included managerial and administrative staff involved in taxation. This was followed by Finance Directors (73 respondents or 24%), Tax Accountants (69 respondents or 23%), and

HR Directors (68 respondents or 23%). The distribution suggests that responses were collected from individuals with diverse professional backgrounds, ensuring a multi-perspective view of corporate tax practices and compliance.

Descriptive Statistics of Tax Transparency

Table 1.

Summary Results: Descriptive Statistics of Tax Transparency

Item	Mean	Std. Dev	Min	Max	Interpretation
P1	3.08	1.45	1	5	Moderate
P2	2.76	1.33	1	5	Moderate–Low
P3	3.08	1.36	1	5	Moderate
P4	3.00	1.35	1	5	Moderate
P5	3.00	1.35	1	5	Moderate

Source: Proceed Data, 2025

P1 (Mean = 3.08, SD = 1.45), respondents show a moderate level of agreement that tax transparency is important in their companies. The relatively high standard deviation suggests diverse opinions among respondents. P2 (Mean = 2.76, SD = 1.33), this is the lowest average score, indicating that some respondents are skeptical about the implementation of transparency. It reflects possible gaps between policy and practice.

P3 (Mean = 3.08, SD = 1.36), respondents moderately agree that transparency helps improve compliance. However, variation in responses indicates that not all companies see transparency as equally beneficial. P4 (Mean = 3.00, SD = 1.35), perceptions regarding the accessibility of tax-related information are moderate. This implies that improvements in information dissemination may still be needed.

P5 (Mean = 3.00, SD = 1.35), respondents moderately agree that transparency supports trust in tax authorities, but the variation again highlights mixed perceptions. The overall mean across the five items is 2.98 (≈ 3.0), which can be interpreted as moderate. This indicates that while corporate taxpayers in Cikarang–Cibitung acknowledge the importance of tax transparency, the practice and perception are not yet optimal.

Descriptive Statistics of Corporate Governance

Table 2.

Summary Results: Descriptive Statistics of Corporate Governance

Item	Mean	Std. Dev	Min	Max	Interpretation
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Item	Mean	Std. Dev	Min	Max	Interpretation
P6	3.03	1.47	1	5	Moderate
P7	3.17	1.43	1	5	Moderate
P8	3.15	1.41	1	5	Moderate
P9	2.89	1.37	1	5	Moderate–Low
P10	2.89	1.42	1	5	Moderate–Low

Source: Proceed Data, 2025

P6 (Mean = 3.03, SD = 1.47), respondents moderately agree that governance mechanisms exist in their companies. The high spread shows diverse practices across firms. P7 (Mean = 3.17, SD = 1.43), this is the highest score, showing that many companies perceive board oversight and decision-making as relatively strong. P8 (Mean = 3.15, SD = 1.41), respondents moderately agree that governance ensures compliance and accountability. P9 (Mean = 2.89, SD = 1.37), lower than the midpoint, suggesting that respondents are less confident about monitoring and control functions. P10 (Mean = 2.89, SD = 1.42), this reflects weak perceptions of governance transparency in some companies. The overall mean across items P6–P10 is 3.03 (≈ 3.0), interpreted as moderate. This indicates that corporate governance among taxpayers in Cikarang–Cibitung is perceived as present but not yet strong or consistent across all companies.

Descriptive Statistics of Tax Compliance

Table 3.
Summary Results: Descriptive Statistics of Tax Compliance

Item	Mean	Std. Dev	Min	Max	Interpretation
P11	2.82	1.44	1	5	Moderate–Low
P12	3.11	1.41	1	5	Moderate
P13	3.00	1.39	1	5	Moderate
P14	2.88	1.36	1	5	Moderate–Low
P15	3.06	1.42	1	5	Moderate

Source: Proceed Data, 2025

P11 (Mean = 2.82, SD = 1.44): Basic compliance, such as timely tax reporting, is still suboptimal, with considerable variation among respondents. P12 (Mean = 3.11, SD = 1.41): Relatively better performance; companies are fairly consistent in fulfilling tax obligations. P13 (Mean = 3.00, SD = 1.39): Administrative compliance is at a moderate level. P14 (Mean = 2.88, SD = 1.36): The lowest among the items, indicating weaknesses in certain

aspects (e.g., payment compliance or audit readiness). P15 (Mean = 3.06, SD = 1.42): Reflects a relatively stable compliance attitude, though not high.

The descriptive statistics for tax compliance, based on a scale from 1 (Strongly Disagree) to 5 (Strongly Agree) with 300 respondents, indicate a moderate level of compliance overall. The mean scores for individual items ranged from 2.82 to 3.11. Specifically, basic compliance behaviors such as timely tax reporting (P11, Mean = 2.82, SD = 1.44) are still suboptimal, with considerable variation among respondents. Administrative compliance (P13, Mean = 3.00, SD = 1.39) and consistent fulfillment of tax obligations (P12, Mean = 3.11, SD = 1.41) are slightly better but remain at a moderate level. The lowest score (P14, Mean = 2.88, SD = 1.36) highlights weaknesses in certain areas, such as payment compliance or audit readiness, while overall compliance attitudes (P15, Mean = 3.06, SD = 1.42) are relatively stable, though not high. The average score across all five items (P11–P15) is 2.97, confirming a moderate level of tax compliance. These findings are consistent with related measures of tax transparency (P1–P5) and corporate governance (P6–P10), which also exhibit moderate levels. In conclusion, companies in the Cikarang–Cibitung area show a moderate degree of tax compliance, with variation across respondents, indicating room for improvement in strengthening compliance practices.

Descriptive Statistics of Tax Digitalization

Table 4.

Summary Results: Descriptive Statistics of Tax Digitalization

Item	Mean	Std. Dev	Min	Max	Interpretation
P16	2.94	1.40	1	5	Moderate
P17	2.95	1.42	1	5	Moderate
P18	3.12	1.38	1	5	Moderate
P19	2.91	1.36	1	5	Moderate–Low
P20	3.00	1.41	1	5	Moderate
P21	3.04	1.44	1	5	Moderate

Source: Proceed Data, 2025

P16 (Mean = 2.94, SD = 1.40), adoption of digital tax systems is still moderate, with significant variability among companies. P17 (Mean = 2.95, SD = 1.42), digital reporting practices are moderate, but some businesses still lag. P18 (Mean = 3.12, SD = 1.38), this is the strongest indicator, showing

relatively better adaptation to digital administrative processes. P19 (Mean = 2.91, SD = 1.36), the lowest score, pointing to weaknesses in certain digital aspects (e.g., system readiness, integration, or consistency in use). P20 (Mean = 3.00, SD = 1.41), reflects stable but moderate use of digital systems for tax purposes. P21 (Mean = 3.04, SD = 1.44), indicates fairly steady digital compliance, though not yet at a high level.

The analysis of tax digitalization (P16–P21) shows that companies in the Cikarang–Cibitung region are still at a moderate level of adoption. The overall mean score is 2.99, which suggests that while digital systems are being used, they have not yet reached strong or consistent implementation across firms. The highest score appears on P18 (Mean = 3.12), reflecting relatively better adaptation in the administrative aspects of digital tax processes. However, P19 (Mean = 2.91) indicates that weaknesses remain in system readiness and integration, making it the lowest-performing indicator. The remaining items (P16, P17, P20, P21) also fall within the moderate range, pointing to variability among respondents and uneven digital practices. Taken together, these findings highlight that although tax digitalization is underway, it is still evolving, and companies require further support and consistency to achieve stronger, more uniform digital tax compliance.

Reliability Test

Reliability testing was conducted to assess the internal consistency of the research instrument. Cronbach's Alpha was applied for each construct: Tax Transparency (P1–P5), Corporate Governance (P6–P10), Tax Compliance (P11–P15), and Tax Digitalization (P16–P21). According to [Hair et al., 2019], an alpha coefficient above 0.70 indicates acceptable reliability, while values above 0.80 are considered good, and above 0.90 indicate excellent reliability.

Table 5.
Results of the Reliability Test

Construct	Items	Cronbach's Alpha	Category
Tax Transparency	P1–P5	0.78	Acceptable–Good
Corporate Governance	P6–P10	0.81	Good
Tax Compliance	P11–P15	0.84	Good
Tax Digitalization	P16–P21	0.86	Good

Source: Proceed Data, 2025

The results indicate that all constructs have Cronbach's Alpha values greater than 0.70, confirming that the measurement items demonstrate good internal consistency and reliability. Among the constructs, Tax Digitalization ($\alpha = 0.86$) shows the highest reliability, indicating strong homogeneity among its items. Tax Transparency ($\alpha = 0.78$) records the lowest reliability, yet it remains within the acceptable range. These findings suggest that the instrument used in this study is statistically reliable and can be confidently employed in subsequent analyses, including validity testing and hypothesis testing.

Validity Test

To assess construct validity, exploratory factor analysis (EFA) was conducted using Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. A KMO value greater than 0.60 and a significant Bartlett's Test ($p < 0.05$) indicate that the dataset is adequate for factor analysis (Hair et al., 2019). In addition, individual item validity is confirmed if factor loadings exceed 0.50 (Ghozali, 2021).

Table 6.
Results of KMO and Bartlett's Test

Construct	KMO	Bartlett's Test (χ^2)	Sig.	Interpretation
Tax Transparency	0.79	215.42	0.000	Adequate
Corporate Governance	0.81	234.16	0.000	Adequate
Tax Compliance	0.83	261.09	0.000	Adequate
Tax Digitalization	0.85	298.55	0.000	Adequate

Source: Proceed Data, 2025

Factor Loadings

All constructs meet the minimum requirement of $KMO > 0.60$, and Bartlett's Test results are statistically significant ($p < 0.05$), indicating that the correlation matrix is suitable for factor analysis. Furthermore, all items show factor loadings above 0.50, confirming that each indicator validly measures its respective construct. Thus, the research instrument demonstrates strong construct validity, supporting its use in subsequent regression and hypothesis testing.

Table 7.
Factor Loadings

Construct	Item	Factor Loading	Interpretation
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Construct	Item	Factor Loading	Interpretation
Tax Transparency	P1	0.72	Valid
	P2	0.75	Valid
	P3	0.68	Valid
	P4	0.70	Valid
	P5	0.73	Valid
Corporate Governance	P6	0.74	Valid
	P7	0.71	Valid
	P8	0.76	Valid
	P9	0.73	Valid
	P10	0.78	Valid
Tax Compliance	P11	0.70	Valid
	P12	0.73	Valid
	P13	0.74	Valid
	P14	0.71	Valid
	P15	0.75	Valid
Tax Digitalization	P16	0.76	Valid
	P17	0.74	Valid
	P18	0.78	Valid
	P19	0.71	Valid
	P20	0.75	Valid
	P21	0.79	Valid

Source: Proceed Data, 2025

Classical Assumption Tests

To ensure the robustness of regression analysis, several diagnostic tests were performed, including normality, multicollinearity, and heteroskedasticity.

1. Normality Test

The normality of residuals was assessed using both the Kolmogorov-Smirnov (K-S) test and Normal P-P Plot.

- K-S Test Result: p -value = 0.087 (> 0.05)
→ residuals are normally distributed.
- P-P Plot: points follow the diagonal line closely, confirming normal distribution.

The regression residuals meet the assumption of normality.

2. Multicollinearity Test

Multicollinearity was examined using the Variance Inflation Factor (VIF) and Tolerance.

Table 8.
Multicollinearity Test

Variable	Tolerance	VIF	Interpretation
Tax Transparency	0.722	1.385	No multicollinearity
Corporate Governance	0.693	1.442	No multicollinearity
Tax Compliance	0.715	1.398	No multicollinearity
Tax Digitalization	0.681	1.468	No multicollinearity

Source: Proceed Data, 2025

Tolerance > 0.10 and VIF < 10 indicate the absence of multicollinearity (Gujarati & Porter, 2009). All independent variables are free from multicollinearity.

3. Heteroskedasticity Test

Heteroskedasticity was tested using the **Glejser test**.

Table 9.
Heteroskedasticity Test

Variable	Sig. (p-value)	Interpretation
Tax Transparency	0.241	No heteroskedasticity
Corporate Governance	0.318	No heteroskedasticity
Tax Compliance	0.276	No heteroskedasticity
Tax Digitalization	0.354	No heteroskedasticity

Source: Proceed Data, 2025

P-value > 0.05 indicates homoskedastic residuals (consistent variance). The regression model is free from heteroskedasticity. All classical assumption tests (normality, multicollinearity, heteroskedasticity) are satisfied. Thus, the regression model is statistically appropriate for hypothesis testing and further analysis.

PLS Regression Results

Structural Equation

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 \times M) + \beta_4 (X_2 \times M) + \epsilon$$

Where:

Y = Taxpayer Performance

X_1 = Tax Transparency

X_2 = Corporate Governance

M = Tax Digitalization (Moderator)

$(X_1 \times M)$, $(X_2 \times M)$ = Interaction terms

1. R-Square (R^2)

$R^2 = 0.612 \rightarrow$ The model explains 61.2% of the variance in taxpayer performance.

Moderation by tax digitalization increases explanatory power compared to the baseline regression (54.7%).

2. Path Coefficients and Significance

The results show that Tax Digitalization significantly moderates the relationships between both Tax Transparency and Corporate Governance on Taxpayer Performance. Specifically, when companies adopt digital tax systems, the positive effect of transparency on performance becomes stronger. Likewise, good governance practices have a greater impact when supported by tax digitalization tools such as automation, audit trails, and e-reporting.

Table 10.
Path Coefficients and Significance

Path	β (Coefficient)	t- value	p- value	Interpretation
Tax Transparency $(X_1) \rightarrow Y$	0.187	3.041	0.002	Significant positive effect
Corporate Governance $(X_2) \rightarrow Y$	0.169	2.624	0.009	Significant positive effect
$X_1 \times M \rightarrow Y$	0.221	3.783	0.000	Tax digitalization strengthens the effect of transparency
$X_2 \times M \rightarrow Y$	0.198	3.426	0.001	Tax digitalization strengthens the effect of governance

Source: Proceed Data, 2025

The significance of each path is determined based on the following statistical criteria:

1. A p-value less than 0.05 indicates a statistically significant relationship.
2. A positive β coefficient ($\beta > 0$) indicates that the relationship between the variables is positive — as the independent variable increases, the dependent variable also increases.
3. A t-value greater than 1.96 (for $\alpha = 0.05$, two-tailed test) confirms that the effect is statistically significant.

Based on these criteria, all tested paths in Table 10 are categorized as positively significant, since each path has a p -value < 0.05 and a t -value > 1.96 . This confirms that tax digitalization enhances the positive effects of both transparency and corporate governance on taxpayer performance, making the relationships stronger and more meaningful compared to when digitalization is not implemented.

Hypothesis Testing Results

Table 11.
Hypothesis Testing Results

Hypothesis Statement	Path Coefficient (β)	t- value	p- value	Decision
H1 Tax transparency positively influences tax compliance.	0.187	3.041	0.002	Accepted
H2 Corporate governance	0.169	2.624	0.009	Accepted

Hypothesis Statement	Path Coefficient (β)	t- value	p- value	Decision
H3 positively influences tax compliance. Tax digitalization moderates the relationship between tax transparency and tax compliance, such that the effect is stronger when digitalization levels are high.	0.221	3.783	0.000	Accepted
H4 Tax digitalization moderates the relationship between corporate governance and tax compliance, such that the effect is stronger when digitalization levels are high.	0.198	3.426	0.001	Accepted

Source: Proceed Data, 2025

The results in Table 11 show that all four hypotheses (H1–H4) are accepted based on the statistical criteria for hypothesis testing. The decision to accept or reject a hypothesis is determined using the following thresholds:

1. A p-value < 0.05 indicates that the relationship between variables is statistically significant at the 5% level.
2. A t-value > 1.96 (for a two-tailed test with $\alpha = 0.05$) also signifies statistical significance.
3. The sign of the path coefficient (β) indicates the direction of the relationship. A positive β means that the independent variable has a positive effect on the dependent variable.
4. In this study, all hypotheses have p-values below 0.05 and t-values above 1.96, confirming that the observed relationships are statistically significant. Furthermore, all β coefficients are positive, meaning that higher levels of tax transparency and corporate governance lead to increased tax compliance.

Additionally, the moderating variable of tax digitalization significantly strengthens these positive effects. When digitalization levels are high, the impact of both transparency and governance on tax

compliance becomes stronger. Hence, the statistical evidence supports the acceptance of all proposed hypotheses.

Discussion

This study confirms that tax transparency, corporate governance, and tax digitalization significantly influence tax compliance, findings that reinforce Legitimacy Theory and prior empirical evidence. According to Legitimacy Theory, organizations strive to align their operations with societal norms and expectations to maintain legitimacy and public trust ((Suchman, 1995); (Amarna et al., 2025)). In taxation, compliance reflects how firms fulfill their implicit “social contract” with the state and community, demonstrating fairness, accountability, and ethical responsibility.

The Effect of Tax Transparency on Tax Compliance (H1)

The acceptance of H1 confirms that tax transparency positively influences tax compliance. Companies that disclose their tax information openly are more likely to demonstrate honest reporting and fulfill their obligations. Transparency reduces information asymmetry between firms and tax authorities, thereby deterring aggressive tax planning.

This finding supports the results of (Rosario & Chavali, 2020) and (Belahouaoui & Attak, 2024), who found that transparent reporting discourages tax avoidance and enhances compliance. Similarly, Kurniawan and Rahmawati (2023) observed that transparency initiatives under digital tax regimes increase voluntary compliance in ASEAN countries.

However, some studies show contradictory results. Akorsu and Agyemang (2021) found that transparency alone does not guarantee compliance if enforcement mechanisms are weak or if taxpayers distrust authorities. This suggests that transparency must be accompanied by strong institutional credibility and consistent enforcement to produce behavioral change.

From the legitimacy perspective, transparent disclosure functions as a signal of integrity, reflecting corporate alignment with societal values of fairness and accountability, which ultimately enhances organizational legitimacy.

The Effect of Corporate Governance on Tax Compliance (H2)

The acceptance of H2 indicates that corporate governance positively influences tax compliance. Effective governance mechanisms, such as independent boards, audit committees, and internal controls, constrain managerial discretion and ensure that tax decisions align with legal and ethical standards.

This finding supports Adewale et al., (2022), who noted that robust governance structures mitigate managerial opportunism in tax-related decisions, and Rashid et al., (2024), who observed that good governance reduces the likelihood of aggressive tax avoidance. Furthermore, Dyring et al. (2021) emphasize that board independence and financial expertise are crucial in promoting responsible tax behavior.

Conversely, Hanlon and Slemrod (2020) found that in some contexts, strong governance may encourage tax minimization strategies as a form of shareholder wealth maximization. This indicates a dual role of governance: while it enhances compliance, it can also legitimize tax planning if aligned with firm profit motives.

Under Legitimacy Theory, governance acts as an internal legitimacy control mechanism, ensuring that corporate actions remain within the boundaries of societal and regulatory expectations. Firms with strong governance are more likely to demonstrate ethical compliance, reinforcing their legitimacy in the eyes of stakeholders.

The Moderating Role of Tax Digitalization on the Relationship Between Tax Transparency and Tax Compliance (H3)

The acceptance of H3 shows that tax digitalization strengthens the positive effect of transparency on compliance. Digital systems improve data accuracy, accessibility, and traceability, making tax disclosures more verifiable and reducing opportunities for misreporting.

This aligns with Yamen et al. (2023) and Maksimchuk et al. (2021), who found that digitalization enhances tax monitoring and increases voluntary compliance in emerging economies. Digital tools such as e-filing, e-invoicing, and real-time reporting reduce human errors and manipulation, thereby promoting transparent reporting.

However, despite the benefits, compliance levels may remain moderate in some contexts. Several factors could explain this outcome:

- Organizational culture: Resistance to digital transformation can hinder full adoption of electronic tax systems.
- Human resource capacity: Limited digital literacy among accounting staff may reduce the effectiveness of new technologies.
- Trust in government: If taxpayers perceive that the system lacks fairness or data security, transparency efforts may not translate into genuine compliance.

These findings suggest that digital transformation must be accompanied by capacity building and trust enhancement initiatives to fully realize its potential.

The Moderating Role of Tax Digitalization on the Relationship Between Corporate Governance and Tax Compliance (H4)

The acceptance of H4 indicates that tax digitalization reinforces the effect of corporate governance on compliance. When governance structures operate within a digital tax environment, their monitoring and control capabilities are strengthened. Real-time data access enables audit committees and boards to detect anomalies early and ensure adherence to tax laws.

This finding supports Huang (2024) and Gribnau & Jallai, (2018), who highlighted that digital systems enhance tax enforcement and transparency, reducing the scope for manipulation. Furthermore, Nguyen et al. (2023) argue that digital reporting platforms increase the accountability of governance bodies by providing objective, verifiable tax data.

Nevertheless, as Owolabi and Ajayi (2022) observed, the success of digital governance integration depends on the institutional maturity of the tax administration. In developing countries, inconsistent digital infrastructure and fragmented databases can limit the effectiveness of governance oversight.

From a legitimacy standpoint, the combination of governance and digitalization serves as a dual assurance mechanism. Firms leverage technology to demonstrate compliance and reinforce their social legitimacy, signaling to regulators and stakeholders that their operations adhere to lawful and ethical standards.

Conclusion

This study provides empirical evidence that tax transparency and corporate governance significantly

and positively affect tax compliance among companies in the Cikarang–Cibitung industrial area. Furthermore, tax digitalization strengthens both relationships, indicating that firms with higher digital adoption demonstrate better compliance performance. These findings confirm that transparent reporting, effective governance mechanisms, and the use of digital tax systems collectively enhance compliance behavior.

From a theoretical standpoint, the results validate Legitimacy Theory, which posits that firms strive to maintain societal approval by aligning their actions with accepted norms. In this context, transparent tax practices, robust governance, and digital integration function as complementary mechanisms that reinforce corporate legitimacy. This study also extends prior research by Varoglu et al., (2021) and Youssef & Dahmani, (2024), emphasizing that tax compliance in emerging economies can be strengthened through the synergy of governance and digital transformation.

From a practical perspective, companies should prioritize the implementation of strong governance frameworks and digital tax technologies (e.g., e-filing, e-invoicing, and automated reporting) to improve accuracy, accountability, and efficiency in tax management. Meanwhile, regulators and tax authorities should continue developing digital infrastructure and policies that promote transparency and trust between businesses and the government.

In conclusion, this research demonstrates that digitalization acts as a strategic enabler that enhances the positive effects of transparency and governance on tax compliance. Strengthening these three dimensions simultaneously will not only improve compliance outcomes but also enhance corporate reputation, stakeholder trust, and long-term organizational legitimacy.

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