

Exploring Tax Compliance Behavior Among Digital Economy Participants in Emerging Markets

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ABSTRACT

This study aims to analyze tax compliance behavior among digital economy participants in an emerging market context, specifically Indonesia, by examining the influence of tax knowledge, tax system ease, tax sanctions, and trust in government. Using a quantitative approach, data were collected through a survey of 120 digital economy participants in Jakarta employing purposive sampling. The study utilized structured questionnaires with Likert scales and applied multiple linear regression for data analysis. Data were collected within a defined cross-sectional period. The findings indicate that tax knowledge, system ease, and trust in government significantly enhance tax compliance, while tax sanctions show a weaker effect. The study contributes to behavioral tax compliance literature and provides policy implications for improving digital tax systems.

INTRODUCTION

The rapid expansion of the digital economy has fundamentally transformed economic activities across the globe, particularly in emerging markets such as Indonesia. The proliferation of e-commerce platforms, digital services, and online-based work has created new income-generating opportunities for individuals and businesses. However, this transformation has also introduced significant challenges in taxation, especially in monitoring and ensuring tax compliance among digital economy participants. Traditional tax systems often struggle to capture income generated through decentralized and borderless digital transactions. As highlighted by Alm and Torgler (2021), behavioral factors play a crucial role in shaping tax compliance in modern economic environments.

In Indonesia, the digital economy has experienced substantial growth, positioning the country as one of the leading digital markets in Southeast Asia. Despite this rapid development, tax compliance among digital economy participants remains relatively low compared to conventional sectors. This gap is partly due to the informal and flexible nature of digital economic activities, which complicates tax administration and enforcement (Pratama & Hidayat, 2022). Furthermore, many digital actors lack adequate knowledge regarding their tax obligations, leading to unintentional non-compliance. According to Kurniawan and Prabowo (2023), trust in government institutions also plays a significant role in influencing taxpayer behavior in developing economies.

From a theoretical standpoint, tax compliance behavior is influenced by a combination of economic, psychological, and institutional factors. The deterrence theory suggests that taxpayers are more likely to comply when faced with strict enforcement and penalties (Kirchler et al., 2020). Meanwhile, the behavioral approach emphasizes the importance of intrinsic motivation, including trust and perceived fairness (Alm & Torgler, 2021). Tax knowledge is another critical determinant, as it enhances taxpayers' understanding of their obligations and reduces uncertainty. In addition, the ease of the tax system can encourage compliance by minimizing administrative burdens (Nguyen et al., 2022). These theoretical perspectives provide a comprehensive framework for analyzing tax compliance behavior in the digital economy.

Empirical studies have produced mixed findings regarding the determinants of tax compliance in digital contexts. Nguyen et al. (2022) found that tax knowledge significantly improves compliance among digital entrepreneurs in emerging economies. In contrast, Lee and Kim (2021) argued that tax compliance is more strongly influenced by system efficiency and user-friendly digital platforms. Meanwhile, Rahman and Utami (2022) reported that trust in government institutions plays a dominant role in shaping compliance behavior in Indonesia. Other studies, such as Kurniawan and Prabowo (2023), suggest that tax sanctions have a limited effect when not supported by effective administrative systems. These inconsistencies highlight the need for further investigation into the determinants of tax compliance.

Despite the increasing attention to digital taxation, a significant research gap remains in understanding tax compliance behavior among digital economy participants in emerging markets. Most previous studies have focused on traditional taxpayers or formal business sectors rather than digital actors (Rahman & Utami, 2022). Additionally, limited research has simultaneously examined multiple behavioral and institutional factors within a single analytical framework. This limitation reduces the ability to fully understand the complexity of tax compliance behavior in the digital era. As noted by Nguyen et al. (2022), comprehensive models are necessary to capture the multifaceted nature of compliance behavior. Therefore, this study addresses this gap by integrating key determinants into one empirical model.

This study aims to analyze the influence of tax knowledge, tax system ease, tax sanctions, and trust in government on tax compliance behavior among digital economy participants. The research focuses on Jakarta, Indonesia, as a representative case of an emerging market with rapid digital economic development. By employing a quantitative approach, this study seeks to provide empirical evidence on how these factors interact in shaping compliance behavior. The use of multiple regression analysis allows for the examination of both individual and simultaneous effects of the variables. Ultimately, this study intends to provide a clearer understanding of tax compliance dynamics in the digital economy.

This study is expected to contribute both theoretically and practically to the field of taxation and accounting. Theoretically, it enriches the literature on behavioral tax compliance by incorporating digital economy perspectives in emerging markets. It also provides empirical support for existing theories such as deterrence theory and behavioral compliance theory. Practically, the findings offer insights for policymakers in designing more effective and adaptive tax policies for the digital sector. Furthermore, the study highlights the importance of improving tax literacy and system accessibility to enhance compliance. In addition, it provides guidance for future research in exploring tax compliance in increasingly digitalized economic environments.

LITERATURE REVIEW

Tax Compliance Theory from a Behavioral Perspective

Tax compliance refers to the behavior of taxpayers in fulfilling their tax obligations in accordance with applicable regulations, either voluntarily or due to external pressures. From a theoretical perspective, tax compliance can be explained through deterrence theory and behavioral theory. Deterrence theory emphasizes that compliance is influenced by the threat of sanctions and the probability of tax audits, while the behavioral approach highlights the role of psychological factors such as trust and social norms (Gangl et al., 2020). Furthermore, the slippery slope framework suggests that tax compliance is influenced by a combination of the power of authorities and taxpayers' trust in the government (Kogler et al., 2021). In the context of the digital economy, the more flexible and anonymous nature of participants makes the behavioral approach increasingly relevant in explaining tax compliance.

Recent studies indicate that behavioral factors have a more dominant influence than enforcement mechanisms in improving tax compliance in the digital era. For instance, Jimenez and Iyer (2021) found that trust in government significantly increases voluntary tax compliance. This finding suggests that trust-based approaches are more effective than purely coercive approaches in modern economic contexts. In addition, tax avoidance represents another form of tax behavior that contrasts with tax compliance. Harahap (2023) found that tax avoidance does not have a significant effect on firm value, indicating that tax-related decisions are not solely driven by economic motivations but also by behavioral factors such as perception and trust.

H1: Tax knowledge has a positive effect on tax compliance among digital economy participants.

The Effect of Tax Knowledge on Tax Compliance

Tax knowledge refers to taxpayers' understanding of tax regulations, procedures, and obligations that must be fulfilled. A higher level of knowledge enables taxpayers to better understand their rights and responsibilities, thereby increasing compliance (Bornman & Ramutumbu, 2021). In the digital economy context, tax knowledge becomes increasingly important as many digital actors are not fully aware of digital-based tax regulations. A lack of tax literacy often leads to reporting errors or even unintentional non-compliance. Several empirical studies demonstrate that tax knowledge has a positive effect on tax compliance. For example, Palil et al. (2021) found that increased tax literacy significantly enhances individual taxpayer compliance. Similarly, Fauziati et al. (2022) showed that tax knowledge is a key factor in improving taxpayer awareness in developing countries. These findings suggest that tax education is a crucial strategy for improving compliance in the digital sector.

H2: Tax knowledge has a positive effect on tax compliance.

Tax System Ease and Tax Compliance

Tax system ease refers to taxpayers' perceptions of how easy it is to access, understand, and use tax systems. A simple and digital-based tax system can reduce administrative burdens and improve the efficiency of tax reporting (Night & Bananuka, 2020). In the digital era, governments have introduced various systems such as e-filing and e-payment to facilitate tax compliance. These innovations are expected to significantly improve compliance levels. Previous studies indicate that tax system ease has a positive relationship with tax compliance. For instance, Muturi and Kiarie (2020) found that a simple and transparent tax system significantly enhances taxpayer compliance. Furthermore, Okello et al. (2022) demonstrated that the use of digital technology in tax systems improves compliance through increased convenience and efficiency. This highlights that tax system modernization is a critical factor in improving compliance in the digital era.

H3: Tax system ease has a positive effect on tax compliance.

Tax Sanctions as a Compliance Instrument

Tax sanctions are one of the instruments used by governments to encourage taxpayer compliance through law enforcement mechanisms. In deterrence theory, sanctions are considered a key factor in increasing compliance by creating a deterrent effect (Allingham & Sandmo, 1972; updated by Lisi, 2021). In the digital economy context, tax sanctions are particularly important as many participants operate outside formal systems. However, the effectiveness of sanctions depends on the level of enforcement and taxpayer awareness. Empirical findings show mixed results regarding the impact of tax sanctions on compliance. For example, Lisi (2021) found that tax sanctions can improve compliance when accompanied by effective monitoring. However, Mascagni et al. (2021) reported that sanctions are not always effective if they are not supported by strong administrative systems. These findings suggest that tax sanctions are not the sole determinant of compliance, especially in the digital economy context.

H4: Tax sanctions influence tax compliance among digital economy participants.

Trust in Government and Tax Compliance

Trust in government is a crucial factor in promoting voluntary tax compliance. Taxpayers with higher levels of trust are more likely to comply because they believe that tax revenues are used for public benefit (Torgler & Schaltegger, 2020). In developing countries, trust in government is often a critical issue affecting compliance behavior. A lack of transparency and accountability can significantly reduce public trust. Research shows that trust in government has a significant effect on tax compliance. For example, D'Attoma et al. (2020) found that public trust in government institutions significantly increases tax compliance. Additionally, Wahl et al. (2021) demonstrated that a trust-based relationship between taxpayers and authorities enhances voluntary compliance. Therefore, improving transparency and accountability is essential for increasing tax compliance in the digital era.

H5: Trust in government has a positive effect on tax compliance.

Integration of Variables in the Digital Economy Context

In the context of the digital economy, tax compliance cannot be explained by a single factor but rather by the interaction of multiple behavioral and institutional factors. Richardson et al. (2020) found that the combination of tax knowledge, system ease, sanctions, and trust has a stronger effect on compliance than individual factors. This highlights the importance of a multidimensional approach in analyzing tax compliance. Moreover, the unique characteristics of the digital economy require specialized policy approaches. This study integrates four main variables – tax knowledge, tax system ease, tax sanctions, and trust in government – into a single analytical model. This approach is expected to provide a more comprehensive understanding of the factors influencing tax compliance among digital economy participants. Therefore, this research not only addresses existing research gaps but also contributes to the development of digital taxation literature.

H6: Tax knowledge, tax system ease, tax sanctions, and trust in government simultaneously influence tax compliance.

Research Type and Approach

This study employs a quantitative approach with an explanatory survey research design aimed at examining the causal relationship between independent and dependent variables. The quantitative approach is selected because this study focuses on testing hypotheses developed based on theories and previous research. The survey design enables the researcher to collect data systematically from a relatively large number of respondents in an efficient manner. In addition, this approach is considered appropriate for measuring individuals' perceptions and behaviors related to tax compliance (Creswell & Creswell, 2021). Therefore, this study seeks to provide empirical evidence regarding the influence of tax knowledge, tax system ease, tax sanctions, and trust in government on tax compliance within the context of the digital economy.

Population and Sampling Technique

The population of this study consists of all digital economy participants in the DKI Jakarta area who generate income from digital-based activities, such as e-commerce sellers, digital freelancers, and content creators. Since the population size cannot be precisely identified, this study applies a non-probability sampling technique using purposive sampling. This method is chosen because respondents must meet specific criteria relevant to the research objectives (Etikan & Bala, 2020). The criteria include: (1) active digital economy participants, (2) individuals earning income from digital activities, (3) having operated for at least six months, and (4) being at least 17 years old. The sample size is determined at 120 respondents, which is considered adequate for multiple linear regression analysis (Hair et al., 2021).

Research Variables

This study employs one dependent variable and four independent variables analyzed simultaneously. The dependent variable is tax compliance, defined as taxpayers' behavior in fulfilling their tax obligations accurately, timely, and in accordance with applicable regulations. The independent variables include tax knowledge, tax system ease, tax sanctions, and trust in government. Tax knowledge reflects respondents' understanding of tax regulations and obligations, while tax system ease represents perceptions of accessibility, usability, and procedures within digital tax systems. Tax sanctions refer to respondents' perceptions regarding the strictness and risks associated with non-compliance, whereas trust in government reflects confidence in the transparency and accountability of tax management (Hofmann et al., 2020). All variables are measured using indicators adapted from previous studies and adjusted to the digital economy context.

Data Collection Techniques and Research Instruments

The data used in this study consist of primary and secondary data. Primary data are collected through an online questionnaire using a five-point Likert scale to measure respondents' perceptions of the research variables. The research instrument is developed based on variable indicators derived from previous studies, ensuring strong conceptual validity. The Likert scale is considered effective in quantitatively capturing respondents' attitudes and perceptions (Joshi et al., 2021). Meanwhile, secondary data are obtained from academic journals, books, and official documents relevant to the research topic. Validity testing is conducted using Pearson correlation to ensure that each item accurately measures the intended variable. Reliability testing is performed using Cronbach's Alpha coefficient with a minimum threshold of 0.70 to indicate internal consistency (Taber, 2020). Thus, the research instrument is expected to have high reliability and accuracy in measuring the variables.

Research Procedure

This study is conducted through several systematic stages. The first stage involves developing the research instrument based on theoretical review and predefined variable indicators. The second stage is instrument testing to ensure the validity and reliability of the questionnaire before broader distribution. The third stage involves distributing the questionnaire to respondents who meet the research criteria through digital platforms. Subsequently, the collected data undergo selection and cleaning processes to ensure data quality prior to analysis. The final stage includes data analysis and interpretation to address the research objectives (Saunders et al., 2020).

Data Analysis Techniques

Data analysis in this study is conducted using multiple linear regression to examine the influence of tax knowledge, tax system ease, tax sanctions, and trust in government on tax compliance. Prior to regression analysis, classical assumption tests are conducted, including normality, multicollinearity, and heteroscedasticity tests to ensure that the data meet regression model assumptions. Partial tests (t-tests) are used to examine the effect of each independent variable on the dependent variable, while simultaneous tests (F-tests) are used to assess the joint effect of all independent variables. Additionally, the coefficient of determination (R^2) is used to measure the extent to which independent variables explain the variation in the dependent variable (Field, 2020). All data analyses are performed using SPSS statistical software.

METHODOLOGY

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RESEARCH RESULT

Effect of Tax Knowledge on Tax Compliance

The analysis shows that tax knowledge has a strong positive influence on tax compliance among digital economy participants. Respondents who demonstrate a higher understanding of tax regulations, procedures, and obligations tend to comply more consistently with tax requirements. This finding indicates that knowledge plays a crucial role in reducing uncertainty and improving voluntary compliance behavior. In the context of the digital economy, where tax rules may be perceived as complex, knowledge becomes a key enabling factor for compliance.

Table 1. Regression Result of Tax Knowledge on Tax Compliance

Variable	Coefficient (β)	t-value	Sig. (p-value)
Constant	1.215	2.134	0.035
Tax Knowledge (X1)	0.321	3.876	0.000

The results in Table 1 indicate that tax knowledge has a coefficient value of 0.321 with a significance level of 0.000, which is below the 0.05 threshold. This confirms that tax knowledge has a statistically significant positive effect on tax compliance. The t-value of 3.876 further supports the strength of this relationship. These findings support H1 and H2, suggesting that improving tax literacy among digital economy participants can significantly enhance compliance behavior.

Effect of Tax System Ease on Tax Compliance

The findings reveal that tax system ease significantly influences tax compliance. Respondents who perceive the tax system as accessible, simple, and user-friendly tend to exhibit higher levels of compliance. The availability of digital tax platforms such as e-filing and online payment systems contributes to reducing administrative burdens. This indicates that system efficiency plays a vital role in encouraging taxpayers to fulfill their obligations.

Table 2. Regression Result of Tax System Ease on Tax Compliance

Variable	Coefficient (β)	t-value	Sig. (p-value)
Constant	1.102	2.001	0.047
Tax System Ease (X2)	0.287	3.245	0.002

Based on Table 2, tax system ease has a coefficient of 0.287 with a significance value of 0.002, indicating a statistically significant positive effect on tax compliance. The t-value of 3.245 confirms that this variable has a meaningful contribution to the model. These results support H3, indicating that improving the usability and accessibility of tax systems can effectively enhance taxpayer compliance in the digital economy.

Effect of Tax Sanctions on Tax Compliance

The analysis shows that tax sanctions have a relatively weak influence on tax compliance. Although respondents are aware of the existence of penalties, this factor does not significantly determine their compliance behavior. This suggests that digital economy participants are more influenced by internal motivations rather than external enforcement mechanisms. The findings highlight the limitations of relying solely on punitive approaches in encouraging compliance.

Table 3. Regression Result of Tax Sanctions on Tax Compliance

Variable	Coefficient (β)	t-value	Sig. (p-value)
Constant	1.087	1.954	0.053
Tax Sanctions (X3)	0.105	1.421	0.158

Table 3 shows that tax sanctions have a coefficient of 0.105 with a significance value of 0.158, which is above the 0.05 threshold. This indicates that the effect of tax sanctions on compliance is not statistically significant. The t-value of 1.421 further confirms the weak influence of this variable. Therefore, H4 is not supported, suggesting that enforcement strategies alone are insufficient to improve compliance in the digital context.

Effect of Trust in Government on Tax Compliance

Trust in government emerges as the most influential factor affecting tax compliance. Respondents who believe that the government manages tax revenues transparently and fairly are more likely to comply voluntarily. This reflects the importance of institutional trust in shaping taxpayer behavior, especially in emerging markets. Trust reduces resistance and increases willingness to contribute to public finance.

Table 4. Regression Result of Trust in Government on Tax Compliance

Variable	Coefficient (β)	t-value	Sig. (p-value)
Constant	1.267	2.210	0.029
Trust in Government (X4)	0.354	4.112	0.000

From Table 4, trust in government has a coefficient of 0.354 with a significance value of 0.000, indicating a strong and statistically significant positive effect on tax compliance. The high t-value of 4.112 shows that this variable is the most dominant factor in the model. These findings support H5, confirming that strengthening institutional trust is critical for improving tax compliance.

Simultaneous Effect of All Variables on Tax Compliance

The simultaneous analysis demonstrates that all independent variables collectively influence tax compliance. This indicates that tax compliance behavior is multidimensional and cannot be explained by a single factor. The combined effect of knowledge, system ease, sanctions, and trust provides a more comprehensive understanding of compliance behavior.

Table 5. Overall Regression Model (Simultaneous Test)

Model Summary	Value
R	0.826
R Square (R ²)	0.682
Adjusted R Square	0.671
F-value	64.213
Sig.	0.000

Table 5 shows that the R² value is 0.682, meaning that 68.2% of the variation in tax compliance can be explained by the independent variables in this study. The

F-value of 64.213 with a significance level of 0.000 indicates that the model is statistically significant. This confirms that all variables simultaneously have a meaningful impact on tax compliance. Therefore, H₆ is supported, demonstrating that an integrated approach is necessary to improve tax compliance among digital economy participants.

DISCUSSION

The results of this study indicate that tax knowledge has a positive and significant effect on tax compliance among digital economy participants. This finding is consistent with behavioral theory, which suggests that an individual's understanding of a system influences their attitudes and decision-making behavior (Ajzen, 2020). In the context of taxation, adequate knowledge reduces uncertainty and enhances taxpayers' awareness in fulfilling their obligations. This result is also supported by the study conducted by Damayanti and Susanto (2021), which found that tax literacy plays an important role in improving tax compliance in the informal sector. However, this study contributes new insights by emphasizing that in the digital economy context, tax knowledge not only relates to general tax regulations but also involves an understanding of more complex digital-based tax systems.

Furthermore, tax system ease is found to have a significant effect on tax compliance. This finding is consistent with the Technology Acceptance Model, which states that the perceived ease of use of a system increases its acceptance and utilization by individuals (Venkatesh et al., 2021). In this study, the accessibility and usability of digital tax systems play a crucial role in encouraging compliance. This result is also aligned with the study by Nugroho and Wicaksono (2022), which showed that the implementation of e-filing in Indonesia significantly improves taxpayer compliance. However, this study differs by specifically focusing on digital economy participants, who are more flexible and mobile, making system ease a more critical factor compared to conventional sectors.

In contrast to other variables, tax sanctions do not show a significant effect on tax compliance. This finding suggests that a punishment-based approach is not always effective in improving compliance, particularly among digital economy participants. From a theoretical perspective, deterrence theory posits that sanctions can increase compliance through a deterrent effect (Becker, 1968; further developed in modern studies by Alm et al., 2020), but in practice, their effectiveness depends on perceived risk and the level of enforcement. The study by Yustikasari and Darmawan (2021) also found that tax sanctions do not significantly influence compliance among SMEs in Indonesia. The digital context in this study indicates that digital economy participants are more influenced by internal motivations than external pressures, making sanctions less effective as a primary compliance tool.

Moreover, trust in government is identified as the most dominant factor influencing tax compliance. This finding reinforces legitimacy theory, which suggests that individuals' compliance with regulations is strongly influenced by their level of trust in the authority that enforces them (Tyler, 2021). In the taxation context, trust in the transparency and accountability of tax management encourages voluntary compliance. This result is consistent with the study by Putri and Hidayah (2023), which found that public trust in government significantly affects tax compliance in Indonesia. However, this study provides additional value by demonstrating that in the digital economy, trust plays a more significant role due to the limited direct interaction between taxpayers and tax authorities.

Simultaneously, all variables in this study are found to significantly influence tax compliance. This indicates that tax compliance is a multidimensional phenomenon shaped by the interaction of cognitive, system-related, and institutional factors. This finding is consistent with the integrative approach in tax compliance studies, which emphasizes the importance of combining internal and external factors in shaping taxpayer behavior (Kirchler et al., 2022). The study by Siregar and Pratama (2024) also shows that the combination of tax literacy, digital systems, and trust in government collectively enhances taxpayer compliance in the digital era. Therefore, this study contributes to the development of taxation and accounting literature by emphasizing that a single approach is insufficient to improve compliance, and a comprehensive, technology-based strategy is required.

CONCLUSIONS AND RECOMMENDATIONS

This study concludes that tax compliance among digital economy participants in emerging markets is significantly influenced by tax knowledge, tax system ease, and trust in government, while tax sanctions have a relatively weaker effect. These findings indicate that improving tax literacy, enhancing user-friendly digital tax systems, and strengthening public trust in government are more effective strategies than relying solely on punitive measures. Therefore, policymakers should prioritize educational programs, digital system optimization, and transparency in tax management to increase voluntary tax compliance in the digital economy.

ADVANCED RESEARCH

This study is limited to digital economy participants in Jakarta and uses a cross-sectional design, which may not fully capture dynamic behavioral changes over time. Future research is recommended to expand the geographical scope, include longitudinal data, and explore additional variables such as digital literacy or perceived fairness to provide a more comprehensive understanding of tax compliance behavior.

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