

Driving Individual Taxpayer Compliance in the Coretax Era: The Mediating Power of Internal Motivation

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Abstract

This study examined the effects of the Coretax System, tax regulations, and tax sanctions on individual taxpayer compliance, with internal motivation serving as an intervening variable. A quantitative survey was conducted among 80 individual taxpayers in Sidoarjo Regency, Indonesia, selected through purposive sampling. Data were collected through questionnaires and analyzed using partial least squares structural equation modeling with SmartPLS 4.0. The Coretax System, tax regulations, tax sanctions, and internal motivation each had positive and significant effects on individual taxpayer compliance. Internal motivation also significantly mediated the effects of the three external variables on compliance, indicating partial mediation. Taxpayer compliance emerged from the interplay between external instruments, including digital administration, regulation, and enforcement, and the internal psychological forces that sustain voluntary compliance. The study was limited to 80 respondents in one regency and relied on cross-sectional perceptions collected at a single point in time. The study extends the tax compliance literature by demonstrating the mediating role of internal motivation and offers practical guidance for the Directorate General of Taxes in refining Coretax implementation, regulatory design, and sanction policies.

Keywords: Coretax System, Internal Motivation, Tax Regulations, Tax Sanctions, Taxpayer Compliance

1. INTRODUCTION

Taxation occupies a central place in Indonesia's national development. Tax revenue finances government administration, infrastructure, education, health services, and social protection, and the system also regulates the economy to support growth and welfare distribution. Successive administrations have therefore treated tax reform as a strategic priority, most recently through Law Number 7 of 2021 on the Harmonization of Tax Regulations, which sought to strengthen the system, broaden the tax base, and improve taxpayer compliance. However, the promise of every reform ultimately rests on ordinary people because each year, millions of individual taxpayers decide whether to report honestly and pay on time (Ndoen, 2025).

The practical urgency of strengthening individual taxpayer compliance is increasingly evident from the implementation of Indonesia's digital tax administration reform. The Directorate General of Taxes (DGT) reported that, as of March 5, 2026, more than 6 million annual income tax returns or locally *SPT Tahunan PPh* for the 2025 tax year had been submitted, including 5,872,158 returns from individual taxpayers. During the same period, 15,268,493 taxpayers had activated their coretax accounts, while 12,514,829 individual taxpayers had registered for the DGT Authorization Code or Electronic Certificate (KO/SE). These figures illustrate the substantial scale of the ongoing transition toward Coretax-based tax administration and the importance of individual taxpayers' ability and willingness to adapt to the new system. The DGT has also continued to introduce additional service channels, including coretax form and coretax mobile, to improve accessibility and facilitate taxpayer reporting during the transition.

Indonesia operates a self-assessment system in which taxpayers calculate, pay, and report their own tax liabilities, thus, its effectiveness depends on the willingness of citizens to comply voluntarily. Compliance has a formal dimension, timely filing and payment, and a material dimension, accurate and honest reporting (Hidayat, 2026). When either dimension weakens, the tax gap widens and the fiscal capacity of the state shrinks. Evidence from emerging economies confirms that individual compliance is shaped by a blend of economic calculations, knowledge, and trust rather than by any single lever (Appiah, Domeher, & Agana, 2024; Dev, Pathak, & Kumar, 2024).

The urgency has intensified with the launch of the core tax administration system, known as coretax, an integrated digital platform that unifies registration, reporting, payment, supervision, and enforcement. Annual income tax reporting for the 2025 tax year is conducted through coretax, marking an important shift from previous electronic filing arrangements toward a more integrated digital administration system. International experience suggests that such digitalization can materially improve compliance: electronic filing lowered individual noncompliance in the United States ([Gorman, McGuire, & Splinter, 2025](#)), digitalized tax collection improved enterprise compliance ([Yu & Li, 2024](#)), and mobile money is transforming tax collection across developing countries ([Azoa, Noah, & Nomo, 2026](#)). Early Indonesian studies of coretax report better efficiency, lower compliance costs, and growing voluntary compliance ([Agustinus, Jaya, & Setijaningsih, 2026](#); [Hidayat, 2026](#); [Saptono, Mahmud, Khozen, Saragih, Sari, Hendrawan, & Setyowati, 2026](#)).

A modern system, however, does not by itself guarantee compliant behavior. The technology acceptance model holds that people embrace technology only when they perceive it as useful and easy to operate by [Davis \(1989\)](#), and recent studies of electronic filing show that success hinges on system quality, satisfaction, data security, and trust ([Alshira, 2026](#); [Rabbi, & Chandra, 2026](#)). Behavior is also shaped by the regulatory environment and enforcement. Deterrence theory argues that taxpayers comply when the expected cost of evasion exceeds its benefit ([Becker, 1968](#)), a logic that continues to receive empirical support for penalties and audit strategies ([Alm, McClelland, & Schulze, 1992](#); [Wang, Li, Yang, & Liu, 2025](#); [Sun, & Song, 2026](#)).

What these external instruments cannot decide on their own is how taxpayers will interpret them. The theory of planned behavior proposes that behavior is preceded by intention, formed by attitudes, subjective norms, and perceived behavioral control by [Ajzen \(1991\)](#), an architecture repeatedly validated in tax settings ([Garg, Narwal, & Kumar, 2024](#); [Harinurdin, Safitri, & Kountur, 2024](#)). The tax morale literature adds that intrinsic motivation, moral values, and trust may matter more over time than fear of sanctions ([Cascavilla, 2026](#); [Castañeda-Rodríguez, 2025](#)). While the slippery slope framework describes how authority power and taxpayer trust jointly produce enforced and voluntary compliance ([Darmayasa, & Hardika, 2024](#); [Kirchler, Hoelzl, & Wahl, 2008](#)). Studies increasingly find that attitude, moral value, and tax morale carry external conditions into compliant behavior ([Adem, & Jerene, 2026](#); [Fitriandi, Marfiana, Wardana, & Zauki, 2026](#); [Oktavianti, Tibrani, & Salesti, 2025](#)).

Despite this growing literature, an important gap remains. Most studies examine the direct effects of digital systems, regulations, or sanctions, and far fewer examine how external policies are translated into behavior through taxpayers' internal psychological processes. Coretax research is still young, and existing studies have concentrated on tax professionals and enterprises rather than individual taxpayers ([Saptono et al., 2026](#)). To the best of our knowledge, a simultaneous model integrating the coretax system, tax regulations, and tax sanctions with internal motivation as an intervening variable among individual taxpayers has, to the best of our knowledge, not yet been tested. Therefore, this study positions internal motivation as the mechanism through which external tax policies become voluntary compliance. Drawing on the technology acceptance model, theory of planned behavior, deterrence theory, tax morale perspective, and slippery slope framework, it tests the direct and indirect effects of the coretax system, tax regulations, and tax sanctions on individual taxpayer compliance. The findings are intended to help the Directorate General of Taxes design reforms that people not only obey but genuinely accept.

2. LITERATURE REVIEW

2.1 Theory of Planned Behavior and Taxpayer Compliance

Taxpayer compliance is a behavioral phenomenon that cannot be reduced to economic arithmetic or the threat of legal punishment. In a self-assessment system, taxpayers carry substantial responsibility for calculating, paying, and reporting their own obligations, therefore, their perceptions, attitudes, and sense of control matter as much as the written rules. The theory of planned behavior explains that behavior is preceded by intention, which is shaped by attitudes, subjective norms, and perceived behavioral control ([Ajzen, 1991](#)). The model has been extended to goods and services tax

compliance, where attitudes shape reporting intentions by [Garg, Narwal, and Kumar \(2024\)](#), and to corporate taxpayers examining intentions to improve compliance ([Harinurdin, Safitri, & Kountur, 2024](#)). Indonesian evidence further shows that attitudes and moral values mediate the relationship between behavioral drivers and compliance ([Oktavianti, Tibrani, & Salesti, 2025](#)). The present study extends this tradition by positioning internal motivation as the psychological channel through which external policies operate.

2.2 Taxpayer Compliance

Taxpayer compliance refers to the willingness and actual behavior of taxpayers in fulfilling their obligations under prevailing regulations, spanning formal compliance, such as timely filing and payment, and material compliance, reflecting the accuracy and honesty of reported amounts ([Mahendra, Yaten, & Imantoro, 2026](#)). In the self-assessment environment, voluntary compliance deserves particular attention because the tax authority cannot monitor every economic act of every citizen ([Nugrahani, Soma, & Sitorus, 2025](#)). Recent work shows that compliance emerges from an interplay of knowledge, fairness, trust, and administrative convenience. Tax knowledge and trust in government strengthened voluntary compliance in an emerging economy by [Appiah, Domeher, and Agana \(2024\)](#), and perceived knowledge, education, fairness, and trust shaped compliance among small enterprises ([Ahmed, Abdulle, Ibrahim, & Omar, 2026](#)). Household studies report similar blends of deterrent and facilitative factors by [Dev, Pathak, and Kumar \(2024\)](#), company-level evidence across Southeast Asia links administrative quality with compliance by [Pratama and Muhammad \(2025\)](#), and Indonesian research shows that electronic filing amplifies the effects of services, awareness, and sanctions ([Safelia, Tiswiyanti, Olimsar, Hasanah, Hernando, & Eka, 2026](#)). Compliance is thus a human disposition, not merely an administrative outcome.

2.3 Coretax System and Taxpayer Compliance

The coretax system represents the most ambitious stage of Indonesia's tax administration digitalization because it integrates registration, reporting, payment, supervision, and enforcement within one platform. From the technology acceptance model perspective, a system perceived as useful and easy to use is more likely to be adopted ([Davis, 1989](#)), and adoption is the first step toward compliant behavior. International evidence supports the compliance value of digital administration: electronic filing cut individual noncompliance ([Gorman, McGuire, & Splinter, 2025](#)), digitalized collection improved enterprise compliance ([Yu & Li, 2024](#)), technology-based monitoring strengthened local tax outcomes ([Asmara, Ngatno, Ratmono, & Rina, 2025](#)), and mobile money widened collection capacity ([Azoa, Noah, & Nomo, 2026](#)).

Indonesian studies of coretax are accumulating. Tax professionals reported favorable perceptions of the new system, although compliance costs and adaptation challenges persist ([Saptono, Mahmud, Khozen, Saragih, Sari, Hendrawan, & Setyowati, 2026](#)). Digitalization, together with tax knowledge, significantly improved individual compliance under coretax by [Agustinus, Jaya, and Setjaningsih \(2026\)](#), and taxpayer adaptation to the reform has been linked with lower compliance costs and stronger voluntary compliance ([Hidayat, 2026](#)). [Darmayasa and Hardika \(2024\)](#) further show that the digital system engages both the power and trust dimensions of the slippery slope model. Because digital effects depend on user readiness and perceived usefulness, the first hypothesis is proposed.

H₁: The Core Tax System has a positive effect on individual taxpayer compliance

2.4 Tax Regulations and Taxpayer Compliance

Tax regulations provide the legal architecture that defines taxpayer rights and obligations. Regulations that are clear, stable, understandable, and consistently applied reduce uncertainty and compliance costs and strengthen perceived behavioral control ([Ajzen, 1991](#)). Fairness perceptions are close to the heart of this argument, fairness judgments shape moral licensing behavior in tax settings by [Bobek, Hageman, and Hausserman \(2024\)](#), and Ghanaian evidence ranks deterrent sanctions, fairness perceptions, personal norms, and fiscal exchange as joint predictors of compliance ([Adegbedzi, Gadzo, & Kportorgbi, 2025](#)). Research across Latin America links system perceptions

with tax morale, showing that experienced rules shape the inner willingness to comply ([Castañeda-Rodríguez, 2025](#)). When regulations are experienced as legitimate rather than arbitrary, taxpayers internalize their obligations more readily, and the second hypothesis is proposed.

H₂: Tax regulations have a positive effect on individual taxpayer compliance

2.5 Tax Sanctions and Taxpayer Compliance

Tax sanctions are external instruments that raise the expected cost of noncompliance. Deterrence theory argues that individuals comply when the probability of detection multiplied by the severity of punishment outweighs the gains from evasion ([Becker, 1968](#)), long supported by evidence on why people pay taxes ([Alm et al., 1992](#)). Contemporary studies continue to confirm this channel: administrative penalties influenced corporate compliance in China ([Wang et al., 2025](#)), and audits combined with cross-regional investigations curbed evasion ([Sun & Song, 2026](#)). At the same time, sanctions can do more than frighten. Evidence from Thailand shows that tax sanctions, alongside a taxpayer code of ethics, strengthened tax morale and voluntary compliance ([Sukmak & Panmarerng, 2025](#)), suggesting that well-administered sanctions may nurture rather than merely coerce the disposition to comply. The third hypothesis is as follows:

H₃: Tax sanctions have a positive effect on individual taxpayer compliance

2.6 Internal Motivation and Taxpayer Compliance

Internal motivation refers specifically to an individual's intrinsic willingness to perform a behavior because the behavior is personally valued and endorsed, rather than because of external rewards, monitoring, or sanctions. In the context of taxation, internal motivation represents the taxpayer's personal willingness to fulfill tax obligations based on an internally accepted commitment to comply. This construct should be distinguished from several related concepts. Tax morale is a broader evaluative orientation toward taxation that reflects a person's normative acceptance of paying taxes and perceptions of the social contract between citizens and the state. Attitude, as conceptualized in the theory of planned behavior, refers to an individual's overall positive or negative evaluation of performing a particular behavior ([Ajzen, 1991](#)). Moral responsibility is a normative sense of obligation concerning what one ought to do, whereas internal motivation concerns the intrinsic willingness that energizes the behavior itself. Finally, voluntary compliance refers to the actual behavioral outcome of fulfilling tax obligations without direct coercion, therefore, it is conceptually distinct from the psychological motivation that may contribute to such behavior.

This distinction is important because a taxpayer may possess positive tax attitudes or perceive paying taxes as morally appropriate without necessarily having a strong intrinsic willingness to comply. Likewise, tax morale may provide a broader normative foundation for compliance, whereas internal motivation captures an individual's internal readiness to act on that orientation. In this study, internal motivation is treated as a psychological mechanism linking external tax conditions to taxpayer compliance rather than as a synonym for tax morale, attitude, moral responsibility, or voluntary compliance.

The tax morale literature provides relevant theoretical support for this mechanism. Perceived social mobility and meritocracy shape tax morale, indicating that perceptions of the social contract can influence willingness to contribute by [Cascavilla \(2026\)](#), while perceptions of the tax system are associated with tax morale in Latin America ([Castañeda-Rodríguez, 2025](#)). Trust also operates as an important bridge between perceptions of governance and willingness to pay taxes ([Chayati, Sangka, & Probahudono, 2026](#)). Longitudinal evidence from Ethiopia shows that trust and tax morale contribute to compliance dynamics beyond deterrence by [Adem and Jerene \(2026\)](#), while Indonesian mediation research demonstrates that tax morale can transmit perceived fairness and trust in government into voluntary compliance ([Fitriandi, Marfiana, Wardana, & Zauki, 2026](#)). These findings suggest that internal psychological dispositions can help explain why external tax conditions are translated into compliant behavior. Building on this distinction, the present study examines whether internal

motivation, as a distinct intrinsic psychological mechanism, has a positive effect on individual taxpayer compliance.

H₄: Internal motivation has a positive effect on individual taxpayer compliance

2.7 The Mediating Role of Internal Motivation

Internal motivation is proposed as the psychological mechanism through which external tax conditions are translated into taxpayer compliance. For mediation to occur, the coretax system, tax regulations, and tax sanctions must first influence internal motivation, which in turn influences individual taxpayer compliance ([Pratama, Sidik, Asliana, Wijaya, & Astuti, 2026](#); [Trisnawati, Iek, & Hafizrianda, 2026](#)). Accordingly, the mediation model consists of both the direct relationships between the three external variables and internal motivation, and the subsequent relationship between internal motivation and compliance.

First, the coretax system may influence internal motivation through taxpayers' everyday experience with digital tax administration. When taxpayers perceive the system as useful, reliable, secure, and easy to use, positive experiences may strengthen confidence and willingness to engage with tax obligations. The acceptance of electronic tax systems has been shown to contribute to tax revenue through the mediation of tax compliance ([Inegbedion, 2025](#)). System success research also indicates that satisfaction and trust are important for the continued use of electronic filing ([Alshira, 2026](#)), while perceived data security affects the trust taxpayers place in online tax filing platforms ([Rabbi & Chandra, 2026](#)). From the technology acceptance model perspective, perceived usefulness and perceived ease of use are fundamental determinants of technology acceptance ([Davis, 1989](#)). Thus, a positive experience with Coretax may strengthen taxpayers' internal motivation and subsequently improve individual taxpayer compliance.

H₅: The Coretax System has a positive effect on individual taxpayer compliance through internal motivation

Second, tax regulations may influence internal motivation through perceived legitimacy, clarity, and fairness. Regulations that are understandable, stable, and fairly applied can reduce uncertainty and strengthen taxpayers' perception that tax obligations are legitimate and worthy of compliance. Fairness perceptions have been associated with moral behavior in tax settings ([Bobek, Hageman, & Hausserman, 2024](#)), while perceived tax knowledge, education, fairness, and trust jointly contribute to voluntary compliance ([Ahmed, Abdulle, Ibrahim, & Omar, 2026](#)). Perceptions surrounding the tax system are also associated with tax morale, suggesting that how taxpayers evaluate the regulatory environment can influence their internal disposition toward taxation ([Castañeda-Rodríguez, 2025](#)). Therefore, clear and fair regulations may strengthen taxpayers' internal motivation, which in turn encourages compliance based on internalized commitment rather than external pressure.

H₆: Tax regulations have a positive effect on individual taxpayer compliance through internal motivation

Third, tax sanctions may influence internal motivation when enforcement is perceived as certain, consistent, proportionate, and legitimate. Deterrence theory emphasizes the external pressure created by the expected cost of noncompliance; however, sanctions may also have an internalizing function when taxpayers perceive enforcement as fair and legitimate. The slippery slope framework proposes that legitimate authority power, particularly when accompanied by trust, can support voluntary rather than merely enforced compliance ([Kirchler, Hoelzl, & Wahl, 2008](#)). Empirical evidence further indicates that tax sanctions can strengthen tax morale and voluntary compliance when combined with ethical considerations by [Sukmak and Panmarerng \(2025\)](#), while administrative penalties have also been associated with stronger tax compliance ([Wang, Li, Yang, & Liu, 2025](#)). Thus, sanctions that are consistently and fairly administered may reinforce taxpayers' internal motivation, which subsequently contributes to individual taxpayer compliance.

H₇: Tax sanctions have a positive effect on individual taxpayer compliance through internal motivation

The preceding relationships establish the first stage of the mediation model. Internal motivation is expected to translate these external influences into taxpayer compliance. As established in Section 2.6, internal motivation represents the taxpayer's intrinsic willingness to fulfill tax obligations and is conceptually distinct from tax morale, attitude, moral responsibility, and voluntary compliance. When taxpayers internalize the importance of fulfilling their obligations, they are more likely to comply because compliance is personally endorsed rather than driven exclusively by external monitoring or sanctions.

Based on these direct relationships, internal motivation is expected to mediate the effects of the three external tax instruments on individual taxpayer compliance. The core tax system may therefore influence compliance partly by strengthening taxpayers' internal willingness to comply. Similarly, clear and legitimate tax regulations may foster internalized commitment to tax obligations, while fair and consistent tax sanctions may strengthen internal motivation alongside their direct deterrent effect. The resulting mediation hypotheses are formulated as follows:

The literature offers substantial evidence on digital administration, regulatory quality, enforcement, and taxpayer psychology, yet rarely connects these external conditions through a single psychological mechanism among individual taxpayers. The novelty of this study lies in positioning internal motivation as the intervening mechanism linking the coretax system, tax regulations, and tax sanctions with individual taxpayer compliance. Rather than examining whether external tax instruments directly affect compliance, this model explains how these external conditions may become internalized as an intrinsic willingness to comply, thereby providing a more complete explanation of taxpayer behavior in the coretax era.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study employed a quantitative explanatory design using a survey approach. The design was chosen because the study tested hypothesized relationships among five constructs using numerical data and statistical inference, and because a survey allowed the perceptions of individual taxpayers to be captured systematically during the early period of coretax implementation. The unit of analysis was individual taxpayers.

3.2 Participants and Data Collection

This study was conducted in Banjarkemantren Village, Buduran District, Sidoarjo Regency, East Java. The population consisted of private employees, civil servants, and entrepreneurs who were registered as individual taxpayers. Respondents were selected through purposive sampling based on four criteria, such as possession of an active taxpayer identification number, submission of an annual individual income tax return during the previous three years, at least three years of experience in their current employment or business activity, and direct experience using the coretax system for individual tax administration. The fourth criterion was included because the coretax system was a central explanatory variable in this study, therefore, respondents needed to have direct experience with the system to provide informed assessments of its usability, reliability, speed, and information clarity.

The three-year experience criterion was applied to ensure that respondents had sufficient and repeated exposure to individual tax administration, including the calculation, payment, and reporting of tax obligations, rather than merely being newly registered taxpayers. For private employees and civil servants, the criterion referred to their experience in their current employment, whereas for entrepreneurs, it referred to the duration of their current business activity. This ensured that the sampling criteria were applicable across the different categories of individual taxpayers included in the study. All 80 respondents who participated in the study had used the coretax system and, therefore, had direct experience with the system being evaluated. This criterion strengthened the relevance of the respondents' assessments of the coretax system and reduced the possibility that responses were based

solely on general awareness or second-hand information about the platform. A total of 80 respondents fulfilled all eligibility criteria and completed the survey, which was distributed online through Google Forms to preserve convenience and anonymity of the respondents.

3.3 Research Instrument

The questionnaire measured five constructs, such as individual taxpayer compliance, the coretax system, tax regulations, tax sanctions, and internal motivation. The measurement items were developed by the authors based on the conceptual definitions and dimensions established in the relevant tax compliance and behavioral literature. The individual taxpayer compliance items were designed to capture timely reporting, timely payment, and accuracy in tax calculation and reporting. The coretax system items were developed to assess taxpayers' perceptions of system usability, reliability, processing speed, and information clarity, consistent with the technology acceptance model and the literature on electronic tax system adoption ([Alshira'h, 2026](#); [Davis, 1989](#); [Inegbedion, 2025](#)). The tax regulations items assessed clarity, stability, and perceived fairness, reflecting the role of regulatory perceptions in taxpayer behavior ([Ajzen, 1991](#); [Bobek et al., 2024](#); [Castañeda-Rodríguez, 2025](#)). The tax sanctions items measured perceived severity, certainty, and consistency of enforcement, drawing on deterrence theory and recent empirical research on tax sanctions ([Becker, 1968](#); [Sukmak & Panmarerng, 2025](#); [Wang et al., 2025](#)). Internal motivation was measured through items reflecting intrinsic willingness to comply, awareness, internalized responsibility, and personal endorsement of tax obligations, while maintaining a conceptual distinction between internal motivation, tax morale, attitude, and voluntary compliance as discussed in Section 2.6.

Each construct was measured using five items on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Because the questionnaire was developed specifically for the context of individual taxpayers using coretax, the items were contextualized to Indonesian tax administration and coretax usage rather than directly transferring items from a single existing instrument. Before the main data collection, the questionnaire was reviewed for content relevance and clarity to ensure that the wording was understandable to the target respondents. The final questionnaire was administered to eligible individual taxpayers with direct experience using the coretax system.

The measurement structure consisted of five indicators for each construct. The compliance indicators covered timely reporting, payment, and accuracy in calculation, the coretax indicators captured usability, reliability, speed, and information clarity, the regulation indicators addressed clarity, stability, and perceived fairness, the sanction indicators measured severity, certainty, and consistency of enforcement, and the internal motivation indicators reflected intrinsic willingness, awareness, internalized responsibility, and personal endorsement of tax obligations. The resulting measurement model was subsequently evaluated using outer loadings, average variance extracted, discriminant validity, Cronbach's alpha, and composite reliability in SmartPLS 4.0.

3.4 Data Analysis

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0 in two stages. The measurement model was evaluated using outer loadings and average variance extracted for convergent validity, cross loadings, and the Fornell and Larcker criterion for discriminant validity, and Cronbach's alpha and composite reliability for internal consistency. The structural model was assessed using the variance inflation factors, coefficient of determination (R^2), predictive relevance measure (Q^2), effect size (f^2), and standardized root mean square residual. Hypotheses were tested with path coefficients, t -statistics, and p -values obtained through bootstrapping at a 5 percent significance level, and indirect effects were estimated to determine the mediating role of internal motivation.

4. RESULTS AND DISCUSSION

4.1 Respondent Characteristics

The study involved 80 individual taxpayers with diverse occupational, demographic and educational backgrounds. Private sector employees constituted the largest proportion of respondents (62.5%), followed by entrepreneurs (30.0%) and civil servants (7.5%). In terms of age, respondents aged 25–35 years represented the largest group (46.3%), followed by those aged 36–45 years (33.8%). Male respondents accounted for 67.5% of the sample, and 75.0% of respondents held a bachelor's degree. Regarding work experience, 48.8% of respondents had more than five years' work experience. Overall, the respondent profile indicates that the sample comprised predominantly working-age taxpayers with relatively high educational attainment and ongoing professional or business activities, providing relevant experience with recurring individual tax obligations and the tax administration environment examined in this study.

4.2 Measurement Model Evaluation

Table 1. Measurement model: Outer loadings, reliability, and convergent validity

Construct	Indicator	Outer Loading	Cronbach α	rho_A	Composite Reliability (rho_C)	AVE
Coretax System	$X_{1,1}$	0.911	0.974	0.976	0.977	0.811
	$X_{1,2}$	0.894				
	$X_{1,3}$	0.881				
	$X_{1,4}$	0.908				
	$X_{1,5}$	0.914				
	$X_{1,6}$	0.897				
	$X_{1,7}$	0.878				
	$X_{1,8}$	0.919				
	$X_{1,9}$	0.877				
	$X_{1,10}$	0.926				
Tax Regulations	$X_{2,1}$	0.922	0.978	0.983	0.980	0.833
	$X_{2,2}$	0.897				
	$X_{2,3}$	0.901				
	$X_{2,4}$	0.926				
	$X_{2,5}$	0.931				
	$X_{2,6}$	0.909				
	$X_{2,7}$	0.916				
	$X_{2,8}$	0.904				
	$X_{2,9}$	0.926				
	$X_{2,10}$	0.893				
Tax Sanctions	$X_{3,1}$	0.940	0.983	0.984	0.985	0.867
	$X_{3,2}$	0.927				
	$X_{3,3}$	0.942				
	$X_{3,4}$	0.943				
	$X_{3,5}$	0.919				
	$X_{3,6}$	0.903				
	$X_{3,7}$	0.951				
	$X_{3,8}$	0.917				
	$X_{3,9}$	0.943				
	$X_{3,10}$	0.922				
Taxpayer Compliance	Y_1	0.908	0.976	0.977	0.979	0.824
	Y_2	0.906				
	Y_3	0.895				
	Y_4	0.927				
	Y_5	0.920				
	Y_6	0.926				
	Y_7	0.935				
	Y_8	0.928				
	Y_9	0.866				
	Y_{10}	0.866				

Construct	Indicator	Outer Loading	Cronbach α	rho_A	Composite Reliability (rho_C)	AVE
Internal Motivation	Z1	0.911	0.975	0.976	0.978	0.817
	Z2	0.884				
	Z3	0.916				
	Z4	0.881				
	i5	0.910				
	Z6	0.930				
	Z7	0.865				
	Z8	0.892				
	Z9	0.920				
	Z10	0.928				

Table 1 shows the measurement model was evaluated using outer loadings, Cronbach alpha, rho_A, composite reliability (rho_C), Average Variance Extracted (AVE), and the Heterotrait-Monotrait Ratio (HTMT). All outer loading values exceeded the recommended threshold of 0.70, ranging from 0.865 to 0.951, indicating adequate indicator reliability. The reliability results also demonstrated satisfactory internal consistency, with Cronbach alpha values ranging from 0.974 to 0.983, rho_A values ranging from 0.976 to 0.984, and composite reliability values ranging from 0.977 to 0.985. Furthermore, all AVE values exceeded 0.50, ranging from 0.811 to 0.867, indicating adequate convergent validity.

Table 2. Heterotrait–Monotrait Ratio (HTMT)

Construct Pair	HTMT
Internal Motivation – Taxpayer Compliance	0.823
Tax Regulations – Taxpayer Compliance	0.440
Tax Sanctions – Taxpayer Compliance	0.610
Coretax System – Taxpayer Compliance	0.466
Tax Sanctions – Internal Motivation	0.717
Tax Regulations – Internal Motivation	0.308
Coretax System – Internal Motivation	0.387
Tax Sanctions – Tax Regulations	0.080
Coretax System – Tax Regulations	0.092
Coretax System – Tax Sanctions	0.091

Discriminant validity was assessed using the HTMT criterion. As shown in Table 2, all HTMT values were below the conservative threshold of 0.85, with the highest value of 0.823 between internal motivation and taxpayer compliance. The remaining HTMT values ranged from 0.080 to 0.717. These results indicate that the five constructs are empirically distinguishable from one another and that the measurement model demonstrates satisfactory discriminant validity. Overall, the measurement model meets the required criteria for indicator reliability, internal consistency reliability, convergent validity, and discriminant validity, therefore, it provides an adequate basis for subsequent structural model evaluation.

4.3 Structural Model Evaluation

The structural model showed no serious multicollinearity, most variance inflation factors were below 3.3, and the highest, 3.855 for internal motivation toward taxpayer compliance, remained below the tolerance limit of 5. The model demonstrated strong explanatory power, R^2 reached 0.772 for taxpayer compliance and 0.741 for internal motivation, meaning that the three external variables explained 77.2% of the variance in compliance and 74.1% in internal motivation. The Q^2 values of 0.731 and 0.719 confirmed strong predictive relevance, while the Standardized Root Mean Square Residual (SRMR) of 0.051 indicated a good fit.

Table 3. Hypothesis testing results

Hypothesis	Relationship	β	t	p value	Decision
H_1	Coretax System $\rightarrow$ Taxpayer Compliance	0.357	4.784	<.001	Accepted
H_2	Tax Regulations $\rightarrow$ Taxpayer Compliance	0.304	4.833	<.001	Accepted
H_3	Tax Sanctions $\rightarrow$ Taxpayer Compliance	0.406	4.220	<.001	Accepted
H_4	Internal Motivation $\rightarrow$ Taxpayer Compliance	0.289	2.514	.012	Accepted

Table 3 shows that all four direct-effect hypotheses were supported. Tax sanctions produced the strongest direct coefficient ($\beta = 0.406$, $p < .001$), followed by the coretax system ($\beta = 0.357$, $p < .001$), and tax regulations ($\beta = 0.304$, $p < .001$). Internal motivation also contributed significantly ($\beta = 0.289$, $p = .012$). Thus, external instruments and psychological dispositions operate side by side rather than in competition.

Table 4. Indirect effects through internal motivation

Hypothesis	Indirect Relationship	β	t	p value	Mediation
H_5	Coretax System $\rightarrow$ Internal Motivation $\rightarrow$ Taxpayer Compliance	0.121	2.404	.016	Partial mediation
H_6	Tax Regulations $\rightarrow$ Internal Motivation $\rightarrow$ Taxpayer Compliance	0.070	2.159	.031	Partial mediation
H_7	Tax Sanctions $\rightarrow$ Internal Motivation $\rightarrow$ Taxpayer Compliance	0.209	2.355	.019	Partial mediation

Table 4 shows that internal motivation significantly mediated all three relationships: each indirect effect was positive and significant, while the corresponding direct effects remained significant, a pattern of partial mediation. The strongest indirect effect ran from tax sanctions through internal motivation ($\beta = 0.209$), followed by the coretax system ($\beta = 0.121$) and tax regulations ($\beta = 0.070$). Because the practical magnitude of the mediated portions, assessed through effect size analysis, was modest, the direct mechanisms remained the dominant channels.

4.4 Discussion

4.4.1 The Effect of the Coretax System on Taxpayer Compliance

The positive relationship between the coretax system and taxpayer compliance indicates that digital tax administration can facilitate compliant behavior by reducing procedural barriers and making tax obligations easier to perform. From the perspective of the Technology Acceptance Model (TAM), the behavioral relevance of a digital platform depends not merely on its availability but on whether users perceive it as useful and manageable (Davis, 1989). In the context of this study, a centralized digital tax system may reduce the effort required to access information, complete administrative procedures, and report tax obligations. This interpretation is consistent with evidence that electronic tax systems can reduce reporting costs and administrative errors (Gorman et al., 2025; Yu & Li, 2024).

This finding also extends the application of TAM to the tax compliance context. Rather than viewing technology acceptance only as an outcome, such as system adoption or continued use, the present findings suggest that the perceived functionality of a tax system can form part of the behavioral conditions that facilitate compliance. In other words, technology can support compliance by reducing the gap between taxpayers' intention to comply and their practical ability to complete required procedures. This interpretation is particularly relevant during the transition to Coretax, when taxpayers may still experience adaptation difficulties. The descriptive result for the coretax system, with a mean of 3.103, indicates a moderate rather than a uniformly positive perception, suggesting that the contribution of digitalization may depend on continued improvements in usability, reliability, and information clarity (Saptono et al., 2026).

4.4.2 The Effect of Tax Regulations on Taxpayer Compliance

The significant relationship between tax regulations and taxpayer compliance indicates that regulatory conditions influence taxpayers' behavioral environment beyond their formal legal function.

Clear, stable, and fair regulations can reduce uncertainty regarding taxpayers' obligations and provide a basis for viewing those obligations as legitimate. From a behavioral perspective, taxpayers do not respond only to the existence of rules, they also interpret whether the rules are understandable, consistent, and fair. This interpretation is consistent with research showing that fairness perceptions and personal norms are relevant to tax behavior ([Adegbedzi et al., 2025](#); [Bobek et al., 2024](#)).

The relatively low mean for tax regulations (2.696) provides an important contextual explanation. Although regulatory perceptions were significantly associated with compliance, respondents did not perceive this dimension as particularly strong. This suggests that the formal existence of tax regulations does not necessarily guarantee that taxpayers perceive them as clear or fair in practice. Therefore, this finding points to a distinction between regulatory authority and regulatory accessibility. Improving the clarity of regulatory communication, consistency of implementation, and perceived fairness may strengthen the behavioral effectiveness of tax regulations. Thus, the contribution of regulation to compliance may operate not only through formal obligation but also through taxpayers' interpretation of the legitimacy of the tax system ([Castañeda-Rodríguez, 2025](#)).

4.4.3 The Effect of Tax Sanctions on Taxpayer Compliance

Tax sanctions demonstrated the strongest direct relationship with taxpayer compliance among the external tax instruments examined. This finding is consistent with the central proposition of deterrence theory that individuals are less likely to engage in prohibited behavior when the expected consequences of non-compliance are perceived as sufficiently certain, severe, and consistently enforced ([Alm et al., 1992](#); [Becker, 1968](#)). This mechanism may be particularly relevant in a self-assessment system because taxpayers are given substantial responsibility for determining, reporting, and fulfilling their own tax obligations. Credible sanctions therefore provide an external boundary that increases the perceived consequences of non-compliance.

More importantly, tax sanctions demonstrated the strongest relationship with internal motivation among the external predictors. This pattern provides a more nuanced interpretation than a purely deterrence-based explanation. The results suggest that sanctions may have psychological relevance in addition to their coercive function. When enforcement is perceived as predictable, consistent, and legitimate, sanctions may communicate that tax obligations are taken seriously and are applied as part of an established system of accountability. This may strengthen taxpayers' internal recognition of the importance of fulfilling their obligations. The interpretation is compatible with the Slippery Slope Framework, which emphasizes that compliance is shaped by the interaction between the power of tax authorities and the trust or legitimacy associated with the authority–taxpayer relationship ([Kirchler et al., 2008](#)).

However, this finding should not be interpreted to mean that stronger sanctions automatically create voluntary compliance or that punishment necessarily increases internal motivation over time. The cross-sectional design does not establish such a temporal causal process. Rather, the results indicate that taxpayers who perceive the sanction environment more positively are also more likely to report stronger internal motivation and compliance within the observed sample. The very large f^2 value for the Tax sanctions → internal motivation relationship should therefore be interpreted as a strong effect size within this particular structural model, rather than as evidence that sanctions alone determine taxpayers' internal motivation. Its interpretation should also be considered alongside the strong path coefficient observed for this relationship.

4.4.4 The Effect of Internal Motivation on Taxpayer Compliance

The significant relationship between internal motivation and taxpayer compliance demonstrates that compliance is not adequately explained by technological and regulatory mechanisms alone. Taxpayers also appear to respond to internal reasons for fulfilling their obligations. In this study, internal motivation represents the intrinsic willingness to comply because the behavior is personally accepted, valued, and supported by an internal sense of responsibility. It should not be treated as synonymous with tax morale, attitude, moral responsibility, or voluntary compliance.

Tax morale refers more broadly to an individual's normative orientation toward taxation and willingness to contribute to the collective system. Attitude refers to an individual's positive or negative evaluation of a particular behavior, while moral responsibility represents a perceived normative obligation to act appropriately. Voluntary compliance, in contrast, describes compliance behavior that occurs without immediate coercive pressure. Internal motivation occupies a more specific position as the psychological mechanism reflecting the individual's willingness to perform the compliance behavior. This conceptual distinction is important because it allows Internal Motivation to be examined as a mechanism rather than as a substitute label for several related constructs.

Therefore, the finding supports the tax morale perspective while extending it toward a more specific psychological mechanism. Previous research has emphasized the importance of trust, fairness, morale, and perceptions of the social contract in shaping tax behavior ([Cascavilla, 2026](#); [Chayati et al., 2026](#)). The present findings suggest that these broader psychological and normative conditions may be reflected behaviorally through taxpayers' internal willingness to fulfill their obligations. Internal motivation consequently provides a link between taxpayers' perceptions of the institutional environment and their reported compliance behavior.

4.4.5 The Mediating Role of Internal Motivation

The mediation results provide the central contribution of this study because they indicate that the relationship between external tax instruments and taxpayer compliance is not exclusively direct. Internal motivation represents an additional pathway through which the core tax system, tax regulations, and tax sanctions are associated with compliance. Because the direct relationships remained significant while the corresponding indirect relationships through internal motivation were also significant, the mediation pattern was classified as partial mediation. This indicates that internal motivation complements rather than replaces the direct influence of external tax instruments.

The strongest indirect relationship was associated with tax sanctions. This finding is theoretically meaningful because sanctions simultaneously provide an external deterrent and communicate the seriousness of tax obligations. When enforcement is experienced as consistent and legitimate, it may reinforce taxpayers' recognition that compliance is an expected and socially meaningful behavior. This interpretation extends deterrence theory by suggesting that the relevance of sanctions may not be confined to the avoidance of punishment. At the same time, the slippery slope framework provides a useful explanation for why enforcement may be associated with internal motivational processes when taxpayers perceive the authority as legitimate and the enforcement environment as fair ([Kirchler et al., 2008](#)). Nevertheless, because the data are cross-sectional, the study does not demonstrate that sanctions cause a gradual transformation from externally enforced behavior to internally motivated behavior.

The indirect relationship involving the core tax system indicates that the psychological consequences of digital tax administration may extend beyond simple system functionality. A usable and reliable system can reduce uncertainty and procedural difficulty, potentially making compliance easier to understand and perform. In this sense, the mediation result extends TAM by suggesting that the perceived quality of digital tax administration may be associated not only with practical system use but also with taxpayers' internal willingness to fulfill tax obligations. The present finding connects technological conditions with the psychological mechanisms of compliance.

The indirect relationship involving tax regulations, although smaller than the other indirect pathways, indicates that regulatory perceptions may also contribute to compliance through internal motivation. Clearer and fairer rules can provide taxpayers with stronger grounds for accepting their obligations as legitimate, rather than merely compulsory. This interpretation connects the regulatory dimension with the tax morale perspective, in which perceptions of fairness, legitimacy, and the broader social contract influence taxpayers' willingness to comply ([Ahmed et al., 2026](#); [Bobek et al., 2024](#)).

From a practical perspective, the mediation results imply that improving tax administration should involve more than simply increasing the formal strength of external instruments. Coretax improvements should make compliance easier and reduce unnecessary procedural obstacles. Regulatory reforms should emphasize clarity, consistency, and perceived fairness. Sanctions should be predictable, proportionate, and transparently implemented. These measures may support the psychological conditions under which taxpayers are more willing to fulfill their obligations to pay taxes. Therefore, the mediation findings provide a practical rationale for combining institutional reforms with tax education and communication that strengthens taxpayers' understanding and internal willingness to comply.

Overall, the findings support an integrated behavioral interpretation of taxpayer compliance. TAM explains how the functionality and usability of digital infrastructure can facilitate compliance-related behavior, deterrence theory explains the importance of credible enforcement, the tax morale perspective highlights normative and psychological orientations toward taxation, and the slippery slope framework provides a broader explanation of how authority power and perceived legitimacy can coexist in shaping compliance. Internal motivation contributes to this integrated framework by representing a psychological mechanism through which external tax conditions are associated with compliance. Therefore, the contribution of this study is not to argue that one theoretical perspective is sufficient on its own, but to demonstrate the value of examining technological, regulatory, enforcement, and psychological dimensions simultaneously.

4.5 Theoretical and Practical Implications

The study theoretically demonstrates that taxpayer compliance is best understood through an integrated behavioral framework in which technological, regulatory, enforcement, and psychological factors operate simultaneously, and the model's high explanatory power shows the integration is empirically productive. Practically, the results advise the Directorate General of Taxes to pursue three complementary fronts. The usability, reliability, security, and information clarity of coretax deserve continuous refinement because the system's effect depends on the everyday experience of taxpayers ([Saptono et al., 2026](#)). Regulatory communication should be simplified and made more consistent and fair, since perceived regulatory quality directly shapes compliance ([Adegbedzi et al., 2025](#)). Sanctions should be applied firmly, proportionately, and transparently, because enforcement perceived as legitimate strengthens both compliance and the motivation that sustains it ([Sun & Song, 2026](#)). Tax education that nurtures awareness and morale can accompany all three fronts ([Ahmed et al., 2026](#); [Mitu et al., 2026](#)).

5. CONCLUSIONS

5.1 Conclusion

This study examined the relationships between the coretax system, tax regulations, tax sanctions, internal motivation, and individual taxpayer compliance. The empirical findings indicate that the coretax system, tax regulations, tax sanctions, and internal motivation each have positive and statistically significant direct relationships with individual taxpayer compliance. Among the three external factors, tax sanctions demonstrated the strongest direct relationship with compliance ($\beta = .406$), followed by the coretax system ($\beta = .357$) and tax regulations ($\beta = .304$). Internal motivation also showed a positive and significant direct relationship with compliance ($\beta = .289$).

The findings further indicate that internal motivation plays a significant mediating role in the relationship between the three external factors and taxpayer compliance. The indirect effects of internal motivation were significant for the coretax system ($\beta = .121$), tax regulations ($\beta = .070$), and tax sanctions ($\beta = .209$). Because the corresponding direct effects remained statistically significant along with the indirect effects, the results support partial mediation. The strongest indirect relationship was observed for tax sanctions, suggesting that internal motivation is an important psychological pathway through which perceptions of external tax instruments are associated with tax compliance. However, given the cross-sectional design, these findings should be interpreted as statistical relationships rather than evidence that external tax instruments causally produce internalization or transform enforced compliance into voluntary compliance.

Overall, the findings suggest that sustainable taxpayer compliance may benefit from an integrated approach that combines reliable digital tax administration, clear and stable regulations, consistent and proportionate sanctions, and the development of taxpayers' internal motivation to comply. Therefore, the study highlights internal motivation as a relevant psychological mechanism that complements, rather than replaces, institutional and administrative instruments in explaining individual taxpayer compliance in the Coretax era.

5.2 Research Limitations

Several limitations should be considered when interpreting these findings. First, the study employed purposive sampling with a relatively small sample of 80 individual taxpayers from a single region. The limited sample size and geographical coverage restrict the extent to which the findings can be generalized to individual taxpayers in other regions, occupational groups, or institutional contexts. The composition of the respondents, which was concentrated among private-sector employees and relatively well-educated taxpayers, may also limit the representativeness of the findings.

Second, the cross-sectional design captured taxpayer perceptions and reported compliance at a single point in time. Consequently, although the hypothesized relationships and mediation effects were statistically significant, the findings do not establish a temporal order or causal relationships among the variables. In particular, the results cannot demonstrate that external tax instruments cause changes in internal motivation or that internal motivation develops over time as a consequence of taxpayers' experiences with Coretax, regulations, or sanctions.

Third, the study relied on self-reported questionnaire responses, including measures of taxpayer compliance. Such measures may be affected by social desirability bias, particularly because tax compliance is a sensitive behavioral issue. Respondents may have reported their compliance more positively than their actual behaviors. In addition, because the predictor, mediator, and outcome variables were collected from the same respondents using the same survey method, the possibility of common method bias cannot be completely excluded from the study.

Fourth, the model focused on three external factors and one psychological mediator. Although the model explained a substantial proportion of the variance in taxpayer compliance ($R^2 = .772$), other relevant psychological, institutional, and contextual factors were not included in the study. Variables such as trust in tax authorities, tax literacy, service quality, tax morale, perceived fairness, and socioeconomic characteristics may further explain the differences in taxpayer compliance. Finally, the significant indirect effects were relatively smaller than the corresponding direct effects, indicating that internal motivation represents one of several mechanisms through which external tax instruments are associated with compliance. Therefore, the mediation results should not be interpreted as evidence that internal motivation fully explains the relationship between external tax instruments and taxpayer compliance.

5.3 Suggestions and Directions for Future Research

These findings provide several directions for future research and policy development. For the Directorate General of Taxes, the continued improvement of the coretax system should prioritize accessibility, reliability, processing efficiency, data security, and clarity of information. Regulatory communication should emphasize clarity, stability, and fairness, and tax sanctions should be implemented consistently, transparently, and proportionately. Such measures may help create an administrative environment that supports both effective enforcement and taxpayers' internal willingness to comply.

For future research, the limitations of the present study should be addressed through larger and more diverse samples covering multiple regions, occupational groups and socioeconomic backgrounds. Probability-based or other sampling approaches that improve representativeness may

also strengthen the generalizability of future studies. Broader geographical coverage would be particularly useful for determining whether the relationships identified in this study remain consistent across different regional tax-administrative contexts.

Longitudinal research is also recommended to examine how taxpayer perceptions and internal motivation develop over time as taxpayers gain experience with coretax implementation, regulatory changes, and enforcement practices. A longitudinal design would provide stronger evidence regarding temporal relationships and would allow researchers to examine whether changes in digital service experiences, regulatory perceptions, or sanctions are followed by changes in internal motivation and taxpayer compliance.

Future studies should incorporate additional psychological and institutional variables, including trust in tax authorities, tax morale, tax literacy, perceived fairness, service quality, institutional legitimacy, and socioeconomic characteristics. These variables can provide a more comprehensive explanation of taxpayer compliance and help clarify the conditions under which internal motivation becomes more or less important. In addition, future research could employ mixed-method approaches to complement quantitative findings with taxpayers' own accounts of their experiences with Coretax, tax regulations, and enforcement. Finally, researchers should consider combining self-reported measures with more objective indicators of tax behavior, where ethically and practically feasible, thereby reducing potential social desirability and common method biases.

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AUTHOR CONTRIBUTIONS

WJ contributed to conceptualization, instrument development, data collection, and the initial drafting of the manuscript. SAA was responsible for methodology, data analysis supervision, and validation of the results. GA contributed to literature synthesis, interpretation of the findings, and critical revision of the manuscript. All authors have read and approved the final version of the article.

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