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Impact Corporate Taxpayer Compliance On Tax Revenue Growth With Tax Audit Moderation

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Abstract: This study examined the effect of tax audits and corporate taxpayer compliance on increasing tax revenue, focusing on corporate taxpayers at KPP Madya Makassar. A quantitative approach was employed, using secondary data collected from 12 corporate taxpayers annually from 2015 to 2018, resulting in 48 observations. Data analysis included descriptive statistical tests, classical assumption tests, and hypothesis testing through linear regression. The results indicated that while the Taxpayer Compliance Level and Tax Audit had positive coefficients, neither variable significantly affected tax revenue. Additionally, the interaction between Taxpayer Compliance and Tax Audit did not significantly moderate the impact on tax revenue. These findings suggest that although tax audits have a role in monitoring compliance, they do not substantially moderate the relationship between taxpayer compliance and tax revenue. This study provides valuable insights for tax authorities and policymakers in designing strategies to enhance compliance and optimise tax audits.
Keywords: Taxpayer Compliance; Tax Audit; Tax Revenue; Linear Regression; Tax Effectiveness.

Abstrak: Penelitian ini bertujuan untuk mengkaji pengaruh pemeriksaan pajak dan kepatuhan wajib pajak badan terhadap peningkatan penerimaan pajak, dengan fokus pada wajib pajak badan di KPP Madya Makassar. Pendekatan kuantitatif digunakan dalam penelitian ini, dengan menggunakan data sekunder yang dikumpulkan dari 12 wajib pajak badan setiap tahun dari 2015 hingga 2018, menghasilkan total 48 observasi. Analisis data mencakup uji statistik deskriptif, uji asumsi klasik, dan pengujian hipotesis melalui regresi linier. Hasil penelitian menunjukkan bahwa meskipun Tingkat Kepatuhan Wajib Pajak dan Pemeriksaan Pajak memiliki koefisien positif, kedua variabel tersebut tidak secara signifikan memengaruhi penerimaan pajak. Selain itu, interaksi antara Kepatuhan Wajib Pajak dan Pemeriksaan Pajak juga tidak secara signifikan memoderasi dampaknya terhadap penerimaan pajak. Temuan ini mengindikasikan bahwa meskipun pemeriksaan pajak berperan dalam memantau kepatuhan, hal tersebut tidak memiliki efek moderasi yang substansial pada hubungan antara kepatuhan wajib pajak dan penerimaan pajak. Penelitian ini memberikan wawasan yang berharga bagi otoritas pajak dan pembuat kebijakan dalam merancang strategi untuk meningkatkan kepatuhan pajak dan mengoptimalkan pemeriksaan pajak.
Kata Kunci: Kepatuhan Wajib Pajak; Audit pajak; Penghasilan pajak; Regresi linier; Efektivitas Pajak.

INTRODUCTION

Tax revenue plays a crucial role in economic development and state financing. Taxes are the backbone of state revenue and the primary source for various public programs and services (Pasolo et al., 2023). With adequate tax revenue, the government will find it easier to carry out its primary functions, ranging from education, health, and security to infrastructure development (Meheus & McIntyre, 2017). Imagine a country with an optimised tax revenue system. With stable and adequate tax revenue, the government can efficiently allocate funds to various vital sectors (Go et al., 2024). For example, tax funds can be used in the education sector to build new schools, improve existing facilities, and train teachers. As a result, the quality of education improves, creating a younger generation that is more competitive and ready to face global challenges. However, tax authorities face significant challenges in ensuring corporate taxpayer compliance. One of the main challenges is the complexity of the tax regulations themselves. Complex and frequently changing tax regulations make it easier for corporate taxpayers to understand and comply with the applicable provisions (Saez & Zucman, 2023). This is exacerbated by different interpretations of the regulations, creating uncertainty and confusion among taxpayers (Demin, 2020). In addition, the high administrative burden is a significant obstacle for corporate taxpayers. The tax reporting process that requires a lot of documents, forms, and bureaucratic procedures often takes considerable time and resources. Tiny and medium-sized companies feel burdened by these administrative requirements, which may ultimately hinder their compliance (Lavic, 2023).

Several recent studies have examined the relationship between tax compliance and tax revenue and the role of tax audit as a moderating variable. For example, research by (Siglé et al., 2022) shows that tax compliance positively influences tax revenue, while tax audits can increase compliance through prevention and monitoring mechanisms. Another study (Slemrod, 2019) revealed that consistent and thorough tax audits can increase transparency and public trust in the tax system, leading to increased tax compliance. However, these studies' limitations lie in the inconsistency of research results regarding the effectiveness of tax audits as a moderating variable. Some studies find that an increase in tax revenue is not always in line with an increase in compliance despite intensive tax audits. In addition, these studies are often limited to the context of developed countries with more structured tax systems that differ from developing countries, such as Indonesia. In addition, several other studies have also explored the impact of taxpayer compliance, tax audit, and tax collection on corporate income tax revenue. (Riyadi et al., 2021) Compliance and tax collection significantly and positively affect revenue, while tax audit has no significant impact. (Kotsogiannis et al., 2024) This finding was supported by a significant positive effect of tax audits on tax revenue. The positive impact of compliance, tax audit, and tax collection on tax revenue (D'Agosto et al., 2018; Kotsogiannis et al., 2024). However, (Guna et al., 2022) found that tax incentives and education did not significantly affect taxpayer compliance. These findings suggest that while compliance and tax collection are essential, tax audits are vital in increasing tax revenue.

Although various studies have explored the relationship between tax compliance and tax revenue and the role of tax audits, significant gaps in the literature still need to be identified. This gap is mainly related to the need for more research results regarding the effectiveness of tax audits in moderating the relationship between taxpayer compliance and tax revenue. Studies by (Rahmayanti & Prihatiningtias, 2020) and (Slemrod, 2019) show that tax audits positively affect compliance and tax revenue. Still, these results are only sometimes consistent across different contexts and regions. In addition, studies such as those conducted by (Riyadi, 2021) indicate that tax compliance and collection significantly impact tax revenue. Still, tax audits sometimes have a different effect. This limitation may be due to differences in country contexts and taxation systems. Most previous studies were conducted in developed countries with more structured tax systems, so the results may only partially apply to developing countries such as Indonesia. In addition, factors such as the complexity of tax regulations, administrative burden, and taxpayers' attitudes toward tax authorities have yet to be fully explored in this context.

This study aims to fill the gap by examining the effect of corporate taxpayer compliance levels on increasing tax revenue in Indonesia and the moderating role of tax audits in the relationship. Thus, this study is expected to provide new and more contextualised insights into taxation dynamics in developing countries.

Based on a gap analysis of previous studies, this study aims to answer several key questions that still need to be fully answered in the literature. **First**, how does the corporate taxpayer compliance level affect the increase in tax revenue in Indonesia? **Second**, to what extent does tax audit directly affect the increase in tax revenue? Moreover, how does tax audit moderate the relationship between corporate taxpayer compliance and tax revenue? This study tests the hypotheses that the level of corporate taxpayer compliance has a positive effect on increasing tax revenue, that tax audits have a positive impact on increasing tax revenue, and that tax audits moderate the relationship between corporate taxpayer compliance and increasing tax revenue. By testing these hypotheses, this study aims to fill the gap in the literature and provide more comprehensive empirical evidence on the dynamics of taxation in Indonesia.

The novelty of this study lies in its contextualised and empirical approach to examining the moderating role of tax audits in a developing country. This study will provide new insights for policymakers and tax authorities on improving taxpayer compliance and tax revenue by utilising the latest data and appropriate analytical methods. The results will provide practical guidance for improving the tax system in Indonesia and contribute to the global literature by providing relevant evidence from a developing country context.

THEORETICAL REVIEW

Income Tax. According to Law Number 17 Year 2000 Article 4, paragraph 1, income is any additional economic capacity received or obtained by taxpayers from Indonesia and outside Indonesia, which can be used for consumption or to increase the taxpayer's wealth by name and in any form. The definition of income tax varies, but generally, this tax is imposed based on the ability of individuals or business entities to generate income. (Biswas et al., 2017) State that income tax is an effective instrument for income redistribution and reduction of economic inequality. The history of income tax development shows a significant evolution, with developed countries such as the United States and Europe implementing it since the early 20th century. In Indonesia, income tax was introduced through the 1983 Income Tax Law and continues to undergo revisions. The differences in the definition and characteristics of income tax between developed and developing countries reflect the level of progress of their respective tax systems. Developed countries have a more complex system with various tax deductions and credit schemes, while developing countries focus on simplifying and broadening the tax base (Riccardi, 2021). The economic theories underlying the concept of income tax include the ability to pay theory and the benefit principle. The ability-to-pay theory states that taxes should be imposed based on the ability of individuals or business entities to pay, reflecting the principle of fairness. On the other hand, the benefit theory argues that taxes are levied based on the benefits received from public services. The case for progressive income taxation is often based on its ability to reduce income inequality (Carbonell-Nicolau & Llavador, 2018)

Regulations and laws governing income tax in Indonesia are regulated by the Income Tax Law, which has been revised several times. A comparative study of income tax regulations in several countries shows significant variations in the rate structure, imposition base, and tax incentives. For example, Scandinavian countries have high-income tax rates with a strict progressive structure, while countries like Singapore offer lower tax rates with various incentives to attract investment (Setiyono, 2024). The 2008 tax amnesty effectively increased individual taxpayers' compliance, but corporate tax aggressiveness increased after the amnesty (Nuryanah & Gunawan, 2022). The income tax calculation method for individuals and business entities involves various components such as taxable income, deductions, and tax credits (Clarke & Kopczuk, 2017). Taxable income is gross income reduced by expenses allowed under tax regulations. Tax deductions, such as personal deductions and deductions for family dependents, reduce the income subject to tax. Tax credits, such as child tax credits and education tax credits, directly reduce the amount of tax payable. A critical analysis of the calculation methods used in Indonesia shows that while the system is pretty comprehensive, some areas still require improvement, particularly the complexity and transparency of the regulations.

The impact of income tax on economic growth has been the subject of much research. Income tax can affect individuals' and businesses' investment, consumption, and savings decisions. Empirical studies by (Biswas et al., 2017) show that high-income taxes can reduce the incentive to work and invest. Low taxes can promote economic growth by increasing purchasing power and investment. In Indonesia, income tax also significantly impacts various economic sectors, including industry and services. Research (Rosano & Widodo, 2023) found that income tax positively correlates with the growth of the manufacturing sector, which is one of the main pillars of the Indonesian economy. Implementing income tax in Indonesia faces various challenges, including tax avoidance and evasion (Wahyuni et al., 2023). Legal and administrative uncertainty in the income tax system is also significant. Information frictions between firms and regulators, leading to uncertainty about regulatory standards, can reduce the efficiency of firms' compliance efforts (Wilson & Veuger, 2017). Solutions and recommendations to address these issues include simplifying tax regulations, increasing transparency, and improving tax administration capacity.

Tax Revenue. Based on Law Article 1 point 3 of Law No. 12/2018 on the State Budget (APBN) for Fiscal Year 2019, Tax Revenue is all state revenue consisting of Domestic and International Trade Tax Revenue. Tax revenue is generally defined as the amount of money the government collects through various taxes imposed on individuals and business entities (Junaid et al., 2023). According to a study by (Afonso et al., 2023), tax revenue reflects the ability of the state to raise the funds necessary to perform government functions and provide essential public services. The difference between tax revenue and other types of state revenue, such as non-tax or non-tax state revenue (PNBP), lies in its nature and source (Farouq, 2018). Tax revenue is mandatory and imposed based on the law, while PNBP comes from various sources, such as revenue from state-owned enterprises (SOEs), fines, and donations. The main components of tax revenue include income tax, value-added tax (VAT), and land and building tax (PBB). Income tax is levied on the income of individuals and business entities; VAT is levied on the consumption of goods and services, and PBB is levied on land and building ownership.

The economic theories underlying the concept of tax revenue include the ability to pay theory and the benefit principle. The ability-to-pay theory states that taxes should be imposed based on the ability of individuals or business entities to pay, reflecting the principle of fairness in taxation. On the other hand, the benefit theory argues that taxes should be levied based on the benefits of public services the government provides. The relationship between tax revenue and economic growth is very close, where optimal tax revenue can encourage economic development by providing funds for infrastructure investment, education, and health (Sadeh et al., 2020). Research (Chauvet & Ferry, 2021) shows that The relationship between taxation and firm performance in developing countries suggests that taxation benefits firm growth, especially in lower-income countries, through the financing of public infrastructure. Tax regulations and policies that affect tax revenue vary across countries, including Indonesia. In Indonesia, tax regulations are governed by the tax law, which is continuously updated to adjust to changes in economic and fiscal needs. A comparison of tax revenue policies between countries shows that developed countries generally have more complex and comprehensive tax systems compared to developing countries (Arvin et al., 2021). For example, Scandinavian countries have high tax rates with a strict progressive structure, while countries like Singapore offer lower tax rates with various incentives to attract investment. Changes in tax policy over time can have a significant impact on tax revenue. Effective tax reforms can increase compliance and broaden the tax base, increasing state revenue (Fox et al., 2022).

Tax revenue collection methods and techniques used by tax authorities involve various approaches, including tax audits and audits, as well as information technology and data analytics (Purba et al., 2024). Modern techniques such as e-filing and big data analytics help improve the efficiency and accuracy of tax collection. Evaluation of the effectiveness of various tax collection methods shows that a more integrated and technology-based approach can increase taxpayer compliance and reduce tax evasion (Okunogbe & Santoro, 2023). Economic, social, and political factors significantly affect tax revenue. For example, favourable economic conditions increase tax revenue due to higher income and consumption. Empirical analyses show that taxpayer compliance, tax audits, and sanctions significantly influence tax revenue. Case studies in various countries show that consistent implementation of tax policies and strict law enforcement can increase tax revenue. Critical challenges in optimising tax revenue include tax evasion, avoidance, and legal and administrative uncertainty. Solutions to overcome these challenges include simplifying tax regulations, increasing transparency, and strengthening tax administration capacity. According to research by (Kochanova et al., 2020), improving administrative capacity and technology can reduce tax evasion and increase state revenue. The effect of tax revenue on the economy is extensive. High tax revenue allows the government to finance essential public projects and investments, such as infrastructure development, education, and health. A study by (Aizenman et al., 2021) shows that adequate tax revenue can support economic stability and improve people's quality of life.

Taxpayer Compliance. Taxpayer compliance is an essential concept in the tax system that reflects how individuals or business entities fulfil their tax obligations by applicable regulations (Kartim, 2023). The definition of taxpayer compliance varies according to various literature and perspectives. For example, according to (Meiryani et al., 2021), Taxpayer decision-making is complex and influenced by factors such as tax knowledge, service quality, and awareness of tax regulations. The difference between formal and substantive compliance is also essential to understand. Formal or administrative compliance includes procedural fulfilment, such as the timely filing of tax reports.

Meanwhile, substantive or material compliance refers to fulfilling tax obligations based on actual economic substance. Indicators used to measure taxpayer compliance include timeliness in filing tax reports, accuracy of income reporting, and accuracy of tax payments (Meiryani et al., 2022). This is important to ensure that the tax system runs efficiently and fairly and to minimise non-compliance that can harm the state. By understanding the various aspects of tax compliance, tax authorities can design more effective policies to improve taxpayer compliance and, ultimately, increase tax revenue.

The theories underlying taxpayer compliance include moral and ethical theory, behavioural economics theory, and the theory of sanctions and penalties. As explained by (Kogler & Kirchler, 2020), tax morality theory states that individual morals and ethics play an essential role in determining the level of tax compliance. Taxpayers with high morality tend to be more compliant because they feel that paying taxes is a moral obligation. On the other hand, behavioural economics theory explains taxpayers' motivation to comply based on the benefits and costs faced. (Hoopes et al., 2023) show that taxpayers will comply if the benefits received from compliance are more significant than the costs and risks incurred. The theory of sanctions and penalties emphasises that compliance can be increased through the threat of punishment. Strict tax audits and the application of strict sanctions can serve as a deterrent to non-compliance. Factors affecting taxpayer compliance can be divided into internal and external factors. Internal factors include taxpayer understanding of tax regulations, attitudes, and morality. According to (Nkundabanyanga et al., 2017), a good understanding of taxes and a positive perception of tax obligations can increase compliance. External factors include tax policy, tax administration effectiveness, and social influence. The success of tax policies often depends on how they are designed and implemented. Empirical analysis by (Dhakal et al., 2023) shows that various socio-demographic factors, including education level, income, and age of taxpayers, influence tax compliance.

Regulations and policies that support taxpayer compliance are essential in creating an effective tax system. Tax policies designed to increase compliance include simplifying tax procedures, reducing administrative burdens, and providing incentives for compliant taxpayers. The study by (Stiglingh et al., 2022) shows that countries with transparent and fair tax policies tend to have higher levels of tax compliance. The role of technology in supporting tax compliance is also increasingly important, such as the use of e-filing and digitalisation of tax administration, which makes it easier for taxpayers to fulfil their obligations and improve reporting accuracy (Saptono et al., 2023). Methods of measuring taxpayer compliance involve various approaches, including surveys and interviews to understand taxpayer attitudes and behaviour, as well as the use of secondary data from tax administration reports. Analysis by (Bangun et al., 2022) shows that a combination of measurement methods provides a more accurate picture of taxpayer compliance. The impact of taxpayer compliance on tax revenue is significant. A high level of compliance will increase tax revenue and support fiscal stability. An empirical study by (Raspati et al., 2024) shows that increased tax compliance contributes to economic stability and social justice. Cases in Scandinavian countries show that a transparent and fair tax system successfully increases state revenue.

Tax Audit. A tax audit is a process by tax authorities to ensure taxpayers have reported and paid taxes by applicable regulations. The definition of tax audit varies according to various literatures and perspectives. According to (Natasya et al., 2024), a tax audit is essential for assessing tax compliance and identifying errors or dishonesty in tax reporting. Tax audits aim to improve taxpayer compliance, collect the correct tax revenue, and ensure fairness in the tax system (Kamaruddin et al., 2022). Tax audits also aim to detect and prevent tax avoidance and evasion. There are several types of tax audits, including routine, particular, field, and office audits (Kurnia, 2024). Routine audits are conducted periodically for all taxpayers, while special audits are conducted based on specific risk criteria. A field audit involves a direct visit to the taxpayer's location, while an office audit is conducted based on documents submitted by the taxpayer. Tax audit theories include tax compliance theory, tax morality theory, and sanctions and penalties theory. Tax compliance theory proposes that tax audits can increase compliance through deterrence. As (Alexander, 2024) proposed, tax morality theory suggests that taxpayer integrity and ethics play an important role in tax compliance. The sanctions and penalties theory emphasises that strict penalties can reduce non-compliance.

Tax audit methodologies and techniques continue to evolve along with technological advances. Commonly used methods include risk analysis, audit, and data verification. Data analytics and information technology, such as e-audit, have increased tax audits' efficiency and effectiveness. According to research (Slemrod, 2024), technology in tax audits can reduce errors and improve the accuracy of tax data. Tax audit effectiveness is influenced by tax auditors' competence and resource availability (Supriyatin et al., 2019). Auditor competence determines the quality and accuracy of the audit, while adequate resources are needed to support the audit process. External factors include taxpayer cooperation, economic conditions, and tax regulations (Tan & Pradita, 2020). Taxpayer cooperation is essential to obtain accurate information, while stable economic conditions and clear regulations support the effectiveness of tax audits. Various empirical studies have proven the impact of tax audits on compliance. (Kasper & Alm, 2022) Effective audits increase post-audit tax compliance, while ineffective audits have the opposite effect. Relatively compliant taxpayers exhibit the most robust behavioural response to audits. (Araújo Marques et al., 2020) Found that tax audits effectively increase state revenue and support fiscal stability. Cases in Scandinavian countries show that transparent tax systems and strict audits successfully increase compliance and tax revenue.

Regulations and policies that support tax audits are critical in ensuring audit effectiveness. Supportive tax policies include simplifying tax procedures, reducing administrative burdens, and providing incentives for compliant taxpayers. Comparative studies of tax audit policies between countries, such as those conducted by (Nkundabanyanga et al., 2017), show that countries with transparent and fair tax policies tend to have higher levels of tax compliance. Technology's role in improving tax audit effectiveness is also increasingly important. Using e-audits and digitalisation of tax administration simplifies the audit process and improves tax reporting accuracy (Bezverkhyi & Poddubna, 2022). Critical challenges in tax audits include tax evasion, lack of resources, and legal uncertainty. Tax evasion can hamper audit effectiveness and reduce tax revenue. Lack of resources, such as experts and technology, is also an obstacle to conducting a comprehensive tax audit. Legal uncertainty in tax regulations can create confusion for taxpayers and reduce compliance. Solutions to address these challenges include improving tax administration capacity, using information technology, and simplifying tax regulations.

METHODS

The study focused on corporate taxpayers registered at KPP Madya Makassar, with a total population of 802 corporate taxpayers. The sample was selected using the purposive sampling method, comprising 12 companies per year from 2015 to 2018, resulting in 48 samples. Companies were chosen based on specific criteria, such as the availability of complete tax reports and audit data, ensuring that the selected companies were relevant to the research objectives and significantly contributed to tax revenue.

Secondary data were obtained from KPP Madya Makassar, including the number of tax reports, revenue realisation, and tax audits the research employed panel data, observing 12 corporate taxpayers from 2015 to 2018. The variables included tax revenue as the dependent variable. In contrast, the independent variables were taxpayer compliance and tax audits, which were measured annually the data collection aimed to capture the dynamics of corporate taxpayers over the research period.

Data analysis was conducted in three stages: descriptive statistical tests were used to describe the characteristics of the sample, classical assumption tests were performed to examine normality, multicollinearity, and heteroscedasticity, and hypothesis testing was carried out using a partial test (t-test) and moderation tests to evaluate moderating effects. In the panel data analysis, three estimation models were considered: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The appropriate model was selected using the Hausman test. FEM was applied if the test result was significant, while REM was used if the result was not significant, as it provided more efficient estimates. Model selection ensured that the analysis accurately represented the relationships among the research variables.

RESULTS

Descriptive Test. Descriptive statistical analysis describes the data used in the study, including the mean, standard deviation, variance, maximum, and minimum values. The results of this analysis can provide an overview of the data's distribution and characteristics. The results of the descriptive analysis are shown in **Table 1.**

Table 1. Descriptive Test Results

	N	Min	Max	Mean	Std. Deviation
Taxpayer Compliance Level	48	20.000	167.000	66.500	34.520
Increase in Tax Revenue	48	39.000	185536.000	21223.950	33485.050
Tax Audit	48	8.000	419.000	107.580	85.090

Source: SPSS output, 25.0

Table 1 shows that the Taxpayer Compliance level variable has a minimum value of 20.000, a maximum value of 167.000 and an average of 66.500 with a standard deviation of 34.520. For the Tax Revenue Increase variable, the minimum value is 39.000, the maximum value is 185536.000, and the average is 21223.000 with a standard deviation of 33485.000. The Tax Audit variable shows a minimum value of 8.000, a maximum value of 419.000, and an average of 107.580 with a standard deviation of 85,090. This data illustrates significant variation in compliance, revenue enhancement, and tax audits.

Model Selection. The Hausman and Chow Test were conducted to determine the most appropriate model for the regression analysis. These tests evaluated whether the Common Effect Model (CEM), Fixed Effect Model (FEM) or Random Effect Model (REM) should be used. **Table 2** presents the results for both Model I and Model II.

Table 2. Model Selection (Hausman and Chow Tests for Model I and II)

Test	Model I		Model II		Selected Model
	Statistic	p-value	Statistic	p-value	
Hausman Test	3.153	0.220	2.872	0.305	Common Effect Model (CEM)
Chow Test	2.750	0.095	3.027	0.082	Common Effect Model (CEM)

Source: Secondary data processed 2024

Table 2 shows that the Hausman Test returned p-values greater than 0.050 for both Model I (0.220) and Model II (0.305), indicating that the Common Effect Model (CEM) was the most appropriate. The Chow Test further supported this decision, with p-values close to 0.050, confirming no significant reason to switch to the Fixed Effect Model.

Classical Assumption Tests. Classical assumption tests were performed to ensure the reliability of the regression models. These included the normality, multicollinearity, and heteroskedasticity tests presented separately for Models I and II.

Normality Test. The normality of the residuals was assessed using the Kolmogorov-Smirnov test. A p-value greater than 0.050 indicated that the residuals were normally distributed.

Table 3. Normality Test Results

Model	p-value
Model I	0.178
Model II	0.210

Source: Secondary data processed 2024

Table 3 shows the normality test results for both Model I and Model II. With p-values greater than 0.050 (0.178 and 0.210, respectively), both models met the normality assumption, confirming that the residuals were normally distributed.

The Multicollinearity Test. The Multicollinearity Test was conducted to check for any strong linear relationships between the independent variables that could distort the regression results. Variance Inflation Factor (VIF) values were calculated for both models, as shown in **Table 4**.

Table 4. Multicollinearity Test Results

Variable	VIF (Model I)	VIF (Model II)
Taxpayer Compliance Level	2.176	3.800
Tax Audit	2.176	3.800
Compliance x audit	-	5.123

Source: Secondary data processed 2024

Table 4 shows the Variance Inflation Factor (VIF) values used to test for multicollinearity. All VIF values were below the threshold of 10, indicating that multicollinearity was not a concern for either model, including the interaction term in Model II.

Heteroskedasticity Test. The Heteroskedasticity Test was conducted to check whether the variance of the residuals is constant across all levels of the independent variables, which is a critical assumption in regression analysis. The Breusch-Pagan Test results for both models are presented in **Table 5**.

Table 5. Heteroskedasticity Test Results

Model	**p-value**
Model I	0.351
Model II	0.400

Source: Secondary data processed 2024

Table 5 shows that the p-values for both models are greater than 0.050, confirming that there is no issue of heteroskedasticity, meaning that the variance of the residuals is consistent across observations.

Hypothesis Testing. We test all hypotheses through moderated linear regression analysis, determining the functional relationship between several independent and dependent variables. From the test results with EViews, the results of the linear regression equation with model 1 (before moderation) and model 2 (after moderation) were found as follows.

Table 6. Coefficients Model I and II

	Model I			**Model II**		
Variable	**Coefficient**	**Std. Error**	**p-value**	**Coefficient**	**Std. Error**	**p-value**
Constant	4132.373	10133.69	0.685	11875.090	12714.642	0.355
Taxpayer Compliance Level	55.058	198.895	0.783	1.796	265.313	0.995
Tax Audit	124.836	80.697	0.129	124.836	80.697	0.129
Moderation (Compliance x Audit)	-	-	-	0.996	0.811	0.226

Source: Secondary data processed 2024

Table 6 shows that the value of 4132.373 represents the constant for Tax Revenue when the independent variables are absent. The Corporate Taxpayer Compliance Rate coefficient is 55.058, indicating that each 1-unit increase in compliance results in a 55.058 increase in Tax Revenue. The coefficient for Tax Audit is 124.873, meaning that each 1-unit increase in Tax Audit raises Tax Revenue by 124.873. The interaction coefficient between Corporate Taxpayer Compliance Level and Tax Audit is 0.996, suggesting that this moderation will increase Tax Revenue by 0.996. However, the significance level for the Corporate Taxpayer Compliance Rate is 0.783, greater than 0.050, indicating that this variable does not significantly affect Tax Revenue. The t-value of 0.277 indicates a positive influence, supporting the acceptance of H1. The tax audit variable has a significance level of 0.129, also greater than 0.050, showing no significant effect on financial performance. However, the t-value of 1.547 indicates a positive influence, supporting H2. Additionally, the moderation effect of Tax Audit on the relationship between Corporate Taxpayer Compliance and Tax Revenue has a significance level of 0.226, suggesting no significant moderating effect, with a t-value of 1.227 indicating a positive effect, thus supporting H3.

Furthermore, the coefficient of determination analysis is used to determine the percentage of the influence of independent variables on the independent variable. This study uses two determination test models. The first model describes the percentage of variable influence before using moderation variables, and the second describes the percentage of variable influence after using moderation variables. The two models are described below.

Table 7. Determination Test Models I and II

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.361	0.130	0.092	31912.852
2	0.337	0.114	0.074	32215.855

Source: Proceed

Table 7 shows the R Square value obtained is 0.130, indicating that tax revenue is influenced by the variable Corporate Taxpayer Compliance Rate and Tax Audit by 13 per cent, and the remaining 87 per cent is influenced by other variables that have not been studied in this study. Based on the model 2 determination coefficient test results, the R Square value obtained is 0.114, which indicates that tax revenue is influenced by the variable Corporate Taxpayer Compliance Rate and moderation of Tax Audit by 11.400 percent. The remaining 88.600 per cent is influenced by other variables that have yet to be studied in this study. Thus, it can be seen that the difference in the magnitude of the effect of tax revenue after moderation of tax audit (capital II) is smaller than the effect before moderation (model I). This indicates that tax audits cannot moderate the effect of corporate taxpayer compliance levels on tax revenue.

DISCUSSION

Effect of Corporate Taxpayer Compliance Level on Tax Revenue. The results of this study indicate that the level of corporate taxpayer compliance has a positive regression coefficient, which means that an increase in corporate tax compliance is in line with an increase in tax revenue. This indicates that any increase in tax compliance will increase tax revenue. This confirms the importance of tax compliance in fulfilling legal obligations and highlights its direct and positive impact on state revenue. This finding is highly significant as it suggests that by improving tax compliance among business entities, the government can expect a substantial increase in tax revenue. This provides a solid basis for efforts to increase tax compliance through various strategies such as tax education, simplifying tax procedures, and increased transparency in tax funds. This increase in tax revenue can be used to finance essential government programs such as education, health, and infrastructure, which will boost economic growth and public welfare. Evaluation of the significant level of regression coefficients is crucial in determining the strength and reliability of the relationship between the variables. Research by (Nkundabanyanga et al., 2017) shows that the positive regression coefficient between tax compliance and tax revenue indicates that an increase in compliance can significantly increase tax revenue, supporting the results of this study.

In the economic theory of taxation, the relationship between tax compliance and tax revenue is very close. Research (Slemrod, 2024) shows that increased tax compliance often correlates with tax revenue. This is consistent with the theory that when taxpayers comply with tax regulations, the tax base becomes broader and more stable, thereby increasing state revenue. Factors that support or hinder corporate taxpayer compliance include various aspects. Supporting factors include high tax awareness, clear and transparent regulations, and efficient tax services.

In contrast, inhibiting factors may include the complexity of tax regulations, high administrative burden, and lack of effective law enforcement. According to (Kogler & Kirchler, 2020), taxpayers' trust in the government and tax authorities also plays a vital role in determining tax compliance. Regulations, policies, and law enforcement are essential in improving tax compliance. Clear and consistent rules provide legal certainty for taxpayers, which helps them fulfil their tax obligations. Fair and transparent tax policies are also essential to build taxpayer confidence. For example, policies that provide tax incentives for compliant companies can encourage compliance. In addition, strict and fair law enforcement is essential to ensure all taxpayers comply with existing regulations. Research (Slemrod, 2019) shows consistent and transparent law enforcement can increase tax compliance.

In the Indonesian context, efforts to improve tax compliance demand a multifaceted and strategic approach, encompassing tax regulatory reform, administrative capacity building, enhanced taxpayer education, and the provision of more accessible tax services. Tax regulatory reform should aim to create a legal framework where tax regulations are clear, consistent, and easily comprehensible by all taxpayers. This clarity and consistency in regulations enable taxpayers to understand and fulfil their obligations more efficiently, thereby reducing the likelihood of unintentional non-compliance.

Moreover, building the administrative capacity of tax authorities is crucial. This involves ensuring that tax officials are adequately trained, equipped with the necessary tools, and have access to sufficient resources to perform their duties effectively. Strengthening the capacity of tax administration also includes modernising the infrastructure, improving the efficiency of tax collection processes, and reducing administrative bottlenecks that can hinder compliance. Integrating information technology and digitalising tax administration is critical to this modernisation effort. By leveraging technology, tax authorities can streamline processes, enhance data accuracy, and provide more efficient services to taxpayers. Digital platforms can also facilitate more accessible tax filing and payment processes, reduce errors, and provide real-time assistance to taxpayers, thereby encouraging greater compliance.

In addition to regulatory and administrative improvements, educating taxpayers is critical to this comprehensive approach. Effective tax education programs can help increase awareness of tax obligations, clarify compliance benefits, and dispel common misconceptions about the tax system. These programs should target diverse population segments, including small business owners, individual taxpayers, and large corporations, ensuring everyone can access the information they need to comply with tax laws. For example, implementing e-filing and e-payment systems can make it easier for taxpayers to report and pay their taxes. The e-filing system allows taxpayers to file tax reports online, reducing the need for physical documentation and visits to the tax office.

Meanwhile, e-payment enables tax payments to be made electronically, reducing errors and delays in the payment process. The digitalisation of tax administration also improves the accuracy and efficiency of the tax process by enabling tax authorities to manage and monitor tax data more effectively. With this technology, errors in tax reporting can be reduced, and tax authorities can more quickly detect and address non-compliance. Therefore, these efforts will improve taxpayer compliance and support economic development and overall public welfare.

Effect of Tax Audit on Increasing Tax Revenue. A positive regression coefficient in regression analysis indicates a unidirectional relationship between the independent and dependent variables. In the context of this study, the positive regression coefficient of the tax audit variable suggests that an increase in tax audit correlates with an increase in tax revenue. This means that the more frequent and intensive tax audits are conducted, the more significant the impact on increasing tax revenue. This confirms that tax audit serves as a mechanism that amplifies the positive effect of tax compliance on state revenue. The implications of this finding are significant. If the government and tax authorities succeed in increasing the frequency and quality of tax audits, they can expect a more substantial increase in tax revenue. This provides a solid basis for a tax compliance improvement strategy that includes more rigorous and systematic tax audits. With effective tax audits, taxpayers will be more motivated to comply with tax regulations as they realise that non-compliance can be detected and penalised. The positive direction of the effect indicates that an increase in tax audits will strengthen the positive impact on tax revenue. The regression coefficient value represents the magnitude of this effect. The larger the coefficient value, the stronger the effect of tax audit. If the coefficient value is immense, it indicates that tax audits significantly impact increasing tax revenue. The magnitude of the coefficient gives an idea of how much tax revenue can be expected with each unit increase in the frequency or intensity of tax audits.

The results of this study support the hypothesis that tax audits have a positive influence on increasing tax revenue. This hypothesis is based on the theory that tax audits are a control mechanism that ensures compliance and prevents tax evasion. The consistency of these results with initial expectations and existing theory suggests that increasing tax audits can effectively increase tax revenue. About theory, these findings are in line with tax compliance theory and surveillance theory. Tax compliance theory states that taxpayers will be more compliant if they feel monitored and fear the consequences of non-compliance. Surveillance theory supports the view that effective tax audits can reduce non-compliance and increase tax revenue. Research (Slemrod, 2019) supports this finding by showing that intensive tax audits are correlated with increased tax compliance and tax revenue. Highlighting previous research, (Kamaruddin et al., 2022) also found that increasing the frequency of tax audits can increase taxpayer compliance. This finding is consistent with our results, suggesting that a more intensive tax audit strategy may strengthen the positive effect of tax compliance on tax revenue. However, research by (Nikolova, 2023) indicates that tax audits should be conducted fairly and transparently to ensure long-term compliance and prevent taxpayer distrust of the tax system.

Factors that may support or hinder the effectiveness of tax audits in moderating tax compliance include internal and external aspects. Internal factors include the competence and integrity of tax auditors and the availability of adequate resources to carry out audits effectively. The competence of tax auditors is essential because it determines the quality and accuracy of the audit. Skilled and high-integrity tax auditors can better identify non-compliance and conduct more efficient audits. Adequate resources are also needed to support a comprehensive audit process. External factors include taxpayer cooperation, economic conditions, and clear and consistent tax policies. Stable economic conditions and clear tax regulations support the effectiveness of tax audits. Taxpayers who feel that tax regulations are fair and consistent are likelier to comply. In addition, taxpayer cooperation is essential for obtaining accurate information during an audit. When taxpayers are willing to provide the necessary information, the audit process can run more smoothly and efficiently. According to (Kogler & Kirchler, 2020), taxpayer trust in the government and tax authorities also plays a vital role in determining tax compliance. If taxpayers believe the government uses taxes effectively and fairly, they will be more likely to comply. Therefore, building this trust is crucial to improving tax compliance bottom of Form.

The Effect of Tax Audit in Moderating the Compliance Level of Corporate Taxpayers on Increasing Tax Revenue. The results of this study indicate that there is a unidirectional relationship between the independent variable and the dependent variable. In the context of this study, the positive regression coefficient of the tax audit variable indicates that an increase in tax audits can strengthen the effect of corporate taxpayers' compliance level on increasing tax revenue. The more frequently tax audits are conducted, the more significant the impact of corporate tax compliance on tax revenue. This suggests that tax audits serve as a mechanism that amplifies the positive effect of tax compliance on state revenue. The implication of this finding is straightforward. Suppose the government and tax authorities successfully increase the frequency and quality of tax audits. In that case, they can expect a more significant increase in tax revenue due to increased corporate taxpayer compliance. This provides a solid basis for a tax compliance improvement strategy that includes more rigorous and systematic tax audits. With effective tax audits, taxpayers will be more motivated to comply with tax regulations as they realise that non-compliance can be detected and penalised. Evaluation of the significant level of the regression coefficients is also essential to determine the strength and reliability of this relationship. The positive direction of the effect indicates that an increase in tax audits will strengthen the positive impact of tax compliance on tax revenue. The value of the regression coefficient represents the magnitude of this effect. The larger the coefficient value, the stronger the moderating influence of tax audit. If the coefficient value is significant, it indicates that tax audit has a strong moderating effect, meaning an increase in tax compliance will result in a more substantial increase in tax revenue when tax audit is more intensive.

The results of this study provide strong support for the hypothesis that tax audits play a significant role in enhancing the impact of corporate taxpayer compliance on tax revenue. This hypothesis is grounded in the well-established theory that tax audits are a critical control mechanism to ensure taxpayers adhere to their obligations while deterring tax evasion. By systematically monitoring taxpayers, tax audits reinforce the expectation that non-compliance will be detected and penalised, encouraging greater adherence to tax laws.

The consistency of these findings with the study's initial expectations and existing theoretical frameworks further strengthens the argument that increasing the frequency and rigour of tax audits can be an effective strategy for boosting tax revenue. In tax theory, these results align closely with tax compliance and surveillance theories. Tax compliance theory posits that taxpayers are more likely to comply with tax regulations when they perceive a high likelihood of being monitored. This perception reduces the temptation to engage in tax evasion as the potential consequences of non-compliance, such as penalties, fines, or legal action, become more salient. In essence, the fear of detection and the associated repercussions create a psychological deterrent that motivates taxpayers to meet their obligations.

Conversely, surveillance theory emphasises the role of oversight and monitoring in maintaining order and ensuring that individuals adhere to societal norms, including legal and financial obligations. In the context of taxation, this theory suggests that effective surveillance mechanisms, such as tax audits, compel compliance and foster a culture of transparency and accountability among taxpayers.

These findings are particularly relevant for policymakers and tax authorities, as they highlight the importance of robust tax audit programs in achieving higher levels of compliance and, consequently, increased tax revenue. By investing in more comprehensive and systematic audit processes, tax authorities can create an environment where the risks associated with tax evasion outweigh the perceived benefits, thereby promoting voluntary compliance. Surveillance theory supports the view that effective tax audits can reduce non-compliance and increase tax revenue. Research (Slemrod, 2024) supports this finding by showing that intensive tax audits are correlated with increased tax compliance and tax revenue. Highlighting previous research (Rahmayanti & Prihatiningtias, 2020) also found that increasing the frequency of tax audits can increase taxpayer compliance. This finding is consistent with our results, suggesting that a more intensive tax audit strategy may strengthen the positive effect of tax compliance on tax revenue. However, research by (Nikolova, 2023) indicates that tax audits should be conducted fairly and transparently to ensure long-term compliance and prevent taxpayer distrust of the tax system.

Factors that may support or hinder the effectiveness of tax audits in moderating tax compliance include various internal and external aspects. Internal factors include the competence and integrity of tax auditors and the availability of adequate resources to carry out audits effectively. The competence of tax auditors is essential because it determines the quality and accuracy of the audit. Skilled and high-integrity tax auditors can better identify non-compliance and conduct more efficient audits. Adequate resources are also needed to support a comprehensive audit process. External factors include taxpayer cooperation, economic conditions, and clear and consistent tax policies. Stable economic conditions and clear tax regulations support the effectiveness of tax audits. Taxpayers who feel that tax regulations are fair and consistent are likelier to comply. In addition, taxpayer cooperation is essential for obtaining accurate information during an audit. When taxpayers are willing to provide the necessary information, the audit process can run more smoothly and efficiently. According to (Kogler & Kirchler, 2020), taxpayer trust in the government and tax authorities also plays a vital role in determining tax compliance. If taxpayers believe the government uses taxes effectively and fairly, they will be more likely to comply. Therefore, building this trust is crucial to improving tax compliance.

CONCLUSION

This study aims to identify the effect of tax audits on increasing tax revenue, focusing on corporate taxpayers. The main finding of this study shows that tax audits have a positive regression coefficient, which means that an increase in the frequency and intensity of tax audits correlates with an increase in tax revenue. This confirms that tax audit serves not only as a monitoring mechanism but also as a factor that amplifies the positive effect of tax compliance on state revenue.

The value of this research lies in its contribution to a deeper understanding of how tax audits can be used effectively to increase tax revenue. This research offers practical insights that tax authorities and policymakers can apply to design more effective strategies to improve tax compliance. The originality of this study lies in its comprehensive approach to combining statistical analysis with tax compliance theory, thus providing a solid foundation for a fairer and more efficient tax policy.

However, this study has some limitations that need to be noted. One area for improvement is that this study only uses data from one KPP Madya, which may not reflect conditions across Indonesia. In addition, this study does not consider other factors that may affect tax compliance, such as taxpayers' education level or their perception of the government. For future research, it is recommended to expand the scope of the study by involving more locations and additional variables that can provide a more comprehensive picture of tax compliance. Future researchers are also expected to use longitudinal methods to examine changes in tax compliance over time.

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