



Optimizing Taxpayer Compliance: The Role of Socialization, Audits, and Sanctions with the Voluntary Disclosure Program (PPS) as a Moderating Factor (Survey on Individual Taxpayers (WPOP) registered at KPP Badung Utara Bali)

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Tax compliance remains a critical issue in Indonesia despite various government initiatives, including tax socialization, tax audits, tax sanctions, and the Voluntary Disclosure Program (PPS). While prior research has explored these factors, findings remain inconsistent, particularly regarding PPS's role as a moderating variable. Some studies suggest PPS weakens tax enforcement, while others argue it strengthens compliance. This research gap highlights the need to reassess the relationships between these variables.

This study analyzes the effects of tax socialization, tax audits, and tax sanctions on individual taxpayer compliance, with PPS as a moderating variable. Using a quantitative approach, data were collected from individual taxpayers registered at KPP Badung Utara Bali. Structural Equation Modeling (SEM) using SmartPLS 4.0 was employed to test the proposed hypotheses.

The results reveal that tax socialization, tax audits, and tax sanctions significantly influence tax compliance, with tax sanctions having the most substantial effect. However, PPS exhibits a dual moderating effect—weakening the impact of tax socialization and tax audits while strengthening the influence of tax sanctions on compliance. These findings indicate that while PPS encourages voluntary disclosures, it may also create moral hazard, leading some taxpayers to delay compliance in anticipation of future amnesty programs.

This study contributes to the literature by integrating the theories of planned behavior, attribution, and compliance to explain taxpayer decision-making. Practically, the findings suggest that PPS should be strategically designed to prevent abuse while reinforcing enforcement mechanisms, ensuring sustained compliance and optimal tax revenue collection.

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INTRODUCTION

Taxes are the backbone of a nation's revenue, crucial in financing government programs, infrastructure development, and public services (Mukarramah & Nugroho, 2025; Wicaksono et al., 2024). A well-functioning tax system ensures the sustainability of national development by fairly distributing the tax burden among taxpayers (Adriansah et al., 2025; Rizki & Nugroho, 2024). However, one of the significant challenges faced by tax authorities in Indonesia is ensuring compliance among taxpayers. The government has introduced various initiatives to enhance compliance, including tax socialization, tax audits, and sanctions (Kurniawan et al., 2023; Nuraini et al., 2022). Despite these efforts, the compliance ratio among taxpayers remains below the government's target, raising concerns about the effectiveness of current strategies.

Indonesia implements a self-assessment system, where taxpayers are responsible for calculating, reporting, and paying taxes. While this system aims to foster voluntary compliance, empirical data suggest that compliance levels have fluctuated. According to the Directorate General of Taxes, the compliance ratio of tax filings in Indonesia improved from 73.06% in 2019 to 88% in 2023 (Widuri et al., 2024). However, this figure still falls below the target set by the government, indicating persistent challenges in tax compliance.

The government introduced the Voluntary Disclosure Program (PPS) under Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP) to address these challenges. This program, often called Tax Amnesty Phase II, was designed to encourage taxpayers to voluntarily disclose previously undeclared assets and comply with their tax obligations. PPS was implemented between January 1 and June 30, 2022, expecting to improve taxpayer compliance and boost tax revenue. However, its impact remains debatable, as some studies indicate that PPS weakens the effect of tax socialization and tax audits on compliance. In contrast, others suggest that it strengthens the impact of tax sanctions on compliance.

Despite various tax policies and reforms, taxpayer compliance remains an issue in Indonesia. Several key concerns contribute to this problem:

- **Effectiveness of Tax Socialization:** Tax socialization educates taxpayers about their obligations. While some studies indicate that socialization improves compliance, such as Natalina et al. (2024), and Putra et al. (2024), others suggest that it has little to no impact due to taxpayers' lack of engagement (Nurmalasari, 2023).
- **Impact of Tax Audits:** Tax audits are used as a law enforcement tool to deter tax evasion. However, research findings are mixed—while some studies show that audits positively influence compliance (Beer et al., 2019; Natalina et al., 2024), others argue that audits create resistance among taxpayers, leading to temporary rather than sustained compliance (Jagrič & Lešnik, 2017; Mittone et al., 2017).
- **Influence of Tax Sanctions:** Tax sanctions are imposed to discourage non-compliance. Some studies suggest that penalties effectively deter tax evasion, while others argue that excessive penalties may not necessarily translate into higher compliance rates (Górecki & Letki, 2020; Rahmayanti et al., 2020).
- **Moderating Role of PPS:** The impact of PPS on tax compliance is still unclear. Some researchers claim that PPS undermines tax enforcement measures by providing a temporary escape for non-compliant taxpayers, while others argue that it strengthens compliance by encouraging voluntary participation (Haysu & Khan, 2023; Langenmayr, 2015).

These inconsistencies highlight the need for further investigation into the relationship between tax socialization, tax audits, and tax sanctions on taxpayer compliance, with PPS as a

moderating factor. Based on the identified research gap, the following research questions are formulated:

- Does tax socialization affect individual taxpayer compliance?
- Does tax auditing influence individual taxpayer compliance?
- Do tax sanctions impact individual taxpayer compliance?
- Does the Voluntary Disclosure Program (PPS) moderate the effect of tax socialization on taxpayer compliance?
- Does the Voluntary Disclosure Program (PPS) moderate the effect of tax audits on taxpayer compliance?
- Does the Voluntary Disclosure Program (PPS) moderate the effect of tax sanctions on taxpayer compliance?

Regarding the research gap, this study aims to:

- Analyze the impact of tax socialization on individual taxpayer compliance.
- Examine the effect of tax audits on individual taxpayer compliance.
- Investigate the influence of tax sanctions on individual taxpayer compliance.
- Evaluate whether the Voluntary Disclosure Program (PPS) moderates the relationship between tax socialization and compliance.
- Assess whether the Voluntary Disclosure Program (PPS) moderates the impact of tax audits on compliance.
- Explore whether the Voluntary Disclosure Program (PPS) moderates the relationship between tax sanctions and compliance.

Furthermore, this research is anchored in several theoretical perspectives:

- Theory of Planned Behavior (TPB) - Suggests that attitudes, subjective norms, and perceived behavioral control influence an individual's compliance behavior. Tax socialization is crucial in shaping attitudes and norms toward tax compliance.
- Attribution Theory - Explains how individuals attribute their actions to internal or external factors. Compliance decisions may be influenced by perceived fairness of tax policies, sanctions, and audit procedures in taxation.
- Compliance Theory - Proposes that normative and instrumental motivations influence compliance. Taxpayers comply when they perceive tax policies as fair and when there is a credible threat of enforcement actions.

These theories provide a strong foundation for understanding how tax policies influence taxpayer behavior and the role of PPS in moderating these effects.

This study provides insights that can assist tax authorities in designing more effective tax policies:

- For the Directorate General of Taxes: Findings from this research can help policymakers refine tax socialization strategies, optimize audit procedures, and adjust sanction policies to improve compliance rates.
- For Individual Taxpayers: Understanding the role of PPS in moderating compliance determinants may encourage more proactive participation in voluntary disclosure programs.
- For Tax Consultants and Accountants: The study can offer valuable recommendations on advising clients about tax compliance strategies and risk management.

Nevertheless, theoretical contributions from this study are as follows:

- Extends existing research on tax compliance by incorporating PPS as a moderating factor.
- Provides empirical evidence on how tax socialization, audits, and sanctions interact with compliance behavior.

- Enhances the application of Theory of Planned Behavior, Attribution Theory, and Compliance Theory in taxation research.

This study presents a novel approach by examining the moderating effect of PPS on tax compliance determinants. Unlike previous research that focused separately on socialization, audits, and sanctions, this study integrates PPS into the compliance framework to assess whether it strengthens or weakens tax enforcement efforts. Additionally, the study focuses on Individual Taxpayers (WPOP) registered at KPP Badung Utara Bali, offering specific insights into taxpayer behavior in a region with unique economic characteristics. Given that Bali is a central tourism hub, this research fills a critical gap in understanding compliance behavior among taxpayers in such economic contexts.

LITERATURE REVIEW

The effectiveness of tax compliance strategies has long been a critical concern for governments worldwide, as tax revenues are fundamental to national development and public welfare. The government has implemented various policies in Indonesia to improve taxpayer compliance, including tax socialization, audits, sanctions, and voluntary disclosure programs. Despite these measures, compliance levels among individual taxpayers remain inconsistent, necessitating further exploration into the factors that influence taxpayer behavior.

Relevance of Theoretical Frameworks to the Research Topic

The theoretical foundation for this study is built upon three key theories: Theory of Planned Behavior (TPB), Attribution Theory, and Compliance Theory. These theories provide insights into taxpayer decision-making processes and how various interventions influence compliance behavior. Moreover, the relevance of theoretical frameworks to the research topic is as follows:

- **Theory of Planned Behavior (TPB):** Ajzen (1991) Theory of Planned Behavior (TPB) suggests that individual behavior is influenced by three main factors: attitude, subjective norms, and perceived behavioral control. In the context of taxation, tax socialization enhances taxpayers' attitude by increasing their understanding of tax obligations, which may lead to higher compliance. Subjective norms influence tax compliance through social pressure—when individuals perceive that their peers or society expect them to comply, they are more likely to do so. Finally, perceived behavioral control refers to the ease or difficulty taxpayers associate with fulfilling their obligations, which is affected by tax regulations, enforcement mechanisms, and audit procedures.
- **Attribution Theory:** Attribution Theory explains how individuals attribute causes to their actions (Kelley, 1973). In taxation, compliance behavior can be attributed to internal factors (e.g., ethical responsibility, trust in the tax system) or external factors (e.g., fear of penalties, enforcement measures). Tax audits and sanctions serve as external control mechanisms, influencing taxpayer decisions by increasing the perceived risk of non-compliance.
- **Compliance Theory:** Compliance Theory suggests that individuals comply with regulations due to a combination of normative commitment (moral obligation) and instrumental compliance (fear of legal consequences) (Nivette et al., 2021). Tax sanctions are crucial in reinforcing instrumental compliance, as taxpayers are more likely to fulfill their obligations when they perceive a credible threat of penalties. However, excessive sanctions may also lead to resistance or avoidance strategies.

By integrating these theories, this study assesses how tax socialization, audits, and sanctions influence compliance behavior and whether the Voluntary Disclosure Program (PPS) moderates these relationships.

Definition of Variables and Their Relationships

Definition and the relationships in this study are as follows:

- **Tax Socialization:** Tax socialization refers to efforts by tax authorities to educate and inform taxpayers about their obligations, rights, and tax regulations (Lianty et al., 2017). Effective socialization programs can increase taxpayer awareness, reduce misunderstandings, and improve voluntary compliance. However, the impact of tax socialization on compliance is debated—some studies suggest that information dissemination alone may not be sufficient if not accompanied by enforcement measures (Natalina et al., 2024; Putra et al., 2024)—so, the hypothesis is that tax socialization positively influences taxpayer compliance.
- **Tax Audit:** Tax audits are enforcement tools used by tax authorities to verify the accuracy of tax reporting and detect potential fraud (Alm et al., 2009). A well-implemented audit system can deter tax evasion by increasing the perceived risk of being caught. However, excessive audits may also create taxpayer resentment, leading to temporary rather than sustained compliance (Slemrod et al., 2001). Therefore, the hypothesis is that tax audits positively influence taxpayer compliance.
- **Tax Sanctions:** Tax sanctions, including fines and penalties, serve as deterrents against non-compliance (Ariel, 2012). The effectiveness of sanctions depends on their severity, consistency, and taxpayer perception of fairness. Research shows strict, fair sanctions encourage compliance (Gemmell & Ratto, 2018). In contrast, disproportionate penalties may lead to tax avoidance behaviors (Marshall et al., 2024), so the hypothesis is that tax sanctions positively influence taxpayer compliance.
- **Voluntary Disclosure Program (PPS) as a Moderating Variable:** The Voluntary Disclosure Program (PPS) was introduced to encourage taxpayers to declare previously undisclosed assets and settle tax obligations with reduced penalties (Marshall et al., 2024). While some studies suggest that PPS enhances compliance by incentivizing voluntary participation, others argue that it may weaken enforcement efforts by creating moral hazard, where taxpayers delay compliance in anticipation of future amnesty programs (Gould & Rablen, 2020; Mol et al., 2021). Therefore, the hypotheses are as follows:
 1. Hypothesis: PPS moderates the relationship between tax socialization and compliance.
 2. Hypothesis: PPS moderates the relationship between tax audits and compliance.
 3. Hypothesis: PPS moderates the relationship between tax sanctions and compliance.

Previous Research

Previous research in this study is:

- **Tax Socialization and Compliance:**
 1. Natalina et al. (2024) and Silaban et al. (2022) found that tax socialization significantly positively impacted compliance in urban areas where taxpayers had greater access to information.
 2. However, Nurmalasari (2023) reported that tax socialization had no significant effect in rural areas, where taxpayers were less engaged with outreach programs.
- **Tax Audits and Compliance:**

1. Rahmayanti et al. (2020) demonstrated that tax audits positively impact compliance transparently and fairly.
 2. Conversely, Mazzolini et al. (2021) found that frequent audits could lead to short-term compliance but did not necessarily change long-term taxpayer behavior.
- Tax Sanctions and Compliance:
 1. Zagoto et al. (2023) reported that strict sanctions effectively improved compliance.
 2. However, Mohdali et al. (2014) noted that excessive penalties could result in tax avoidance behaviors rather than increased compliance.
 - PPS as a Moderator:
 1. Ramadhan et al. (2023) found that PPS weakened the relationship between tax socialization and compliance, as taxpayers became less reliant on tax education when amnesty programs were available.
 2. Williams (2020) suggested that PPS strengthened the impact of tax sanctions by providing a structured path for non-compliant taxpayers to correct past mistakes.

Hypothesis Development

Based on theoretical foundations and previous studies, the following hypotheses are formulated:

- H1: Tax socialization has a positive effect on taxpayer compliance.
- H2: Tax audits have a positive effect on taxpayer compliance.
- H3: Tax sanctions have a positive effect on taxpayer compliance.
- H4: PPS moderates the relationship between tax socialization and taxpayer compliance.
- H5: PPS moderates the relationship between tax audits and taxpayer compliance.
- H6: PPS moderates the relationship between tax sanctions and taxpayer compliance.

Research Framework

The conceptual framework for this study is illustrated as follows:

- Independent Variables: Tax Socialization, Tax Audits, Tax Sanctions
- Dependent Variable: Taxpayer Compliance
- Moderating Variable: Voluntary Disclosure Program (PPS)

This framework provides a structured approach to analyzing the relationships between tax policies and taxpayer behavior, contributing to theoretical understanding and practical policy formulation.

RESEARCH METHODS

The study examines the influence of tax socialization, tax audits, and tax sanctions on taxpayer compliance, with the Voluntary Disclosure Program (PPS) acting as a moderating variable. The research employs a quantitative approach with a causal research design, allowing for an analysis of causal relationships among the variables. The research focuses on individual taxpayers (WPOP) registered at KPP Badung Utara Bali, as this region has shown fluctuating tax compliance rates over the years. The study aims to gain deeper insights into taxpayer behavior and the factors influencing compliance by targeting this population.

Data is collected using a survey method, a structured questionnaire distributed physically and via Google Forms. This approach ensures respondents' accessibility while maintaining data reliability. Determining the sample size follows the approach by Nugroho et al. (2023), resulting in 125 respondents. The sampling method used is purposive sampling, where respondents are

selected based on specific criteria, such as being registered individual taxpayers at KPP Badung Utara Bali and having experience in tax reporting.

The research employs SmartPLS Version 4.0 software for data analysis. This tool is particularly suited for Structural Equation Modeling (SEM), allowing for comprehensive hypothesis testing. The evaluation of the model includes outer and inner model assessments, ensuring validity and reliability. The outer model evaluation involves tests for convergent validity, discriminant validity, and composite reliability to assess the measurement model's robustness. The inner model evaluation includes R-Square, Q-Square, and F-Square tests, examining the structural relationships among variables. The hypotheses tested in the study are as follows:

- Tax socialization positively influences individual taxpayer compliance.
- Tax audits positively influence individual taxpayer compliance.
- Tax sanctions positively influence individual taxpayer compliance.
- The Voluntary Disclosure Program (PPS) moderates the relationship between tax socialization and individual taxpayer compliance.
- The Voluntary Disclosure Program (PPS) moderates the relationship between tax audits and individual taxpayer compliance.
- The Voluntary Disclosure Program (PPS) moderates the relationship between tax sanctions and individual taxpayer compliance.

This study's findings will contribute to theoretical advancements in tax compliance research and practical implications for tax authorities in designing more effective policies. By analyzing the moderating role of PPS, the study seeks to provide insights into whether voluntary disclosure programs enhance or weaken tax enforcement mechanisms.

RESULTS AND DISCUSSION

Result

Descriptive Analysis

The study involved 125 individual taxpayers (WPOP) registered at KPP Badung Utara Bali, selected using purposive sampling, and descriptive analysis, also supported by tables 1-4. The demographic distribution showed that 66% of respondents were male and 34% were female. In terms of age, the majority of respondents were below 30 years old (53.5%), followed by those aged 30–40 years (36.2%), while a smaller percentage fell into the 40–50 years (9.4%) and above 50 years (0.8%) categories. Regarding annual income, 43.3% of respondents earned below IDR 60 million, 46.5% between IDR 60 million and IDR 250 million, and 6.3% between IDR 250 million and IDR 500 million, while a minority had incomes exceeding IDR 500 million. Additionally, 30.7% of respondents participated in the PPS program, while 69.3% did not.

Table 1. Gender of Respondents

Gender	Sum	Percentage
1 Man	66	52%
2 Woman	61	48%
Total	127	100%

Source: Processed data

Table 2. Respondents' Identities Based on Age

No.	Age	Sum	Percentage
1	< 30 Years	68	53.5%
2	30 - 40 Years	46	36.2%
3	40 - 50 Years	12	9.4%
4	> 50 Years	1	0.8%
	Total	127	100.00%

Source: Processed data

Table 3. Identity of the Amount of Income Per Year

No.	Annual Income	Sum	Percentage
1	< 60 million	55	43.3%
2	60 million to 250 million	59	46.5%
3	250 million to 500 million	8	6.3%
4	500 million to 1 billion	5	3.9%
5	> 5 billion	0	0.0%
	Total	127	100.00%

Source: Processed data

Table 4. Voluntary Disclosure Program (PPS) Membership Status

No.	PPS Membership Status	Sum	Percentage
1	Participants	39	30.7%
2	Not	88	69.3%
	Total	127	100.00%

Source: Processed data

Measurement Model Analysis (External Model)

The results of measurement model analysis (external model) can be seen in Table 5 as follows:

Table 5. Measurement Model Analysis (external model)

Construct	Cronbach's Alpha	Composite Reliability (rho_c)	AVE
Tax Socialization (X1)	0.909	0.932	0.732
Tax Audit (X2)	0.895	0.923	0.705
Tax Sanctions (X3)	0.895	0.920	0.699
Taxpayer Compliance (Y)	0.889	0.918	0.692
Voluntary Disclosure Program (PPS)	0.876	0.909	0.668

Source: Processed data

According to table 5, the explanation as follows:

- Convergent Validity Test:

1. The factor loadings for all indicators exceeded 0.70, indicating strong validity.
 2. All constructs' Average Variance Extracted (AVE) values exceeded 0.50, confirming that each construct explained at least 50% of the variance.
- Discriminant Validity:
 1. The Fornell-Larcker criterion confirmed that each construct was distinct from others.
 2. The square root of AVE values was higher than the correlation between constructs, supporting good discriminant validity.
 - Composite Reliability & Cronbach's Alpha:
 1. All Cronbach's Alpha and Composite Reliability values exceeded 0.70, indicating the measurement model's internal consistency and reliability.

Structural Model (Inner Model)

To assess the structural relationships among variables, the R-Square, Q-Square, and F-Square values were examined:

- Coefficient of Determination (R-Square): The R-Square value for taxpayer compliance was 0.749, meaning that 74.9% of the variance in taxpayer compliance can be explained by tax socialization, tax audits, and tax sanctions, while other factors influence the remaining 25.1%.
- Predictive Relevance (Q-Square): The Q-Square value was 0.703, confirming the model has high predictive accuracy.
- Effect Size (F-Square):
 1. Tax Socialization: 0.120 (minor effect)
 2. Tax Audit: 0.217 (medium effect)
 3. Tax Sanctions: 0.347 (medium effect)

Hypothesis Testing (Path Coefficient)

The structural relationships were tested using T-statistics and P-values. The P value of <0.05 indicates statistical significance, which can be shown in Table 6 below:

Table 6. Hypothesis Test

It	Hypothesis	Path Coefficient/O	t	P value	Conclusion
1	Tax socialization => compliance of Individual Taxpayers	0,140	2.444	0.015	Accepted
2	Tax audit => compliance of Individual Taxpayers	0,185	3.975	0.000	Accepted
3	Tax sanctions => on the compliance of Individual Taxpayers	0,221	3.891	0.000	Accepted
4	Voluntary disclosure program (PPS) => tax socialization => compliance of individual taxpayers	-0.354	4.617	0.000	Rejected
5	Voluntary disclosure program (PPS) => tax audit => compliance of individual taxpayers	-0.163	2.564	0.010	Rejected

6	Voluntary disclosure program (PPS) => tax sanctions => compliance of individual taxpayers	0,185	4.377	0.000	Accepted
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Source: Processed data

Discussion

Taxpayer compliance is crucial in supporting national revenue, and governments employ various strategies to improve compliance rates. Among the key mechanisms studied in this research are tax socialization, tax audits, and tax sanctions, with the Voluntary Disclosure Program (PPS) acting as a moderating variable. By examining the effects of these factors on individual taxpayer compliance in Indonesia, this study provides insights into how different tax policies and enforcement measures influence taxpayer behavior.

The Effect of Tax Socialization on Individual Taxpayer Compliance

Tax socialization is an educational approach tax authorities use to increase awareness and understanding of tax obligations. The Theory of Planned Behavior (TPB) explains that individuals make decisions based on attitude, subjective norms, and perceived behavioral control (Ajzen, 2020). In this context, tax socialization fosters a positive attitude toward compliance by improving knowledge about tax regulations. The results indicate that tax socialization positively and significantly affects taxpayer compliance, suggesting that increased awareness leads to higher compliance levels. This finding aligns with previous studies by (Adam et al., 2021; Natalina et al., 2024), which found that regular tax socialization efforts enhance compliance by equipping taxpayers with the necessary knowledge. In addition, digital communication tools enhance tax socialization effectiveness, making it more accessible to a broader audience (Hardika & Suardani, 2023). However, tax socialization alone is insufficient to ensure full compliance despite its positive effect. (Putra et al., 2024) argued that while tax socialization improves taxpayer knowledge, it does not always translate into compliance, particularly when taxpayers perceive the tax system as unjust or inefficient. This finding underscores the need to complement socialization with other enforcement mechanisms, such as audits and sanctions.

The Effect of Tax Audits on Individual Taxpayer Compliance

Tax audits are a key enforcement tool to ensure taxpayers meet their obligations. Attribution Theory, developed by Heider in 1958, suggests that individuals make judgments based on external factors, such as the likelihood of detection and penalties (Kelley, 1973). This theory helps explain why tax audits influence compliance—taxpayers adjust their behavior based on the perceived risk of being audited. The study confirms that tax audits positively and significantly affect taxpayer compliance, reinforcing findings from previous research by Rahmayanti et al. (2020). These studies highlight that taxpayers comply more when they believe that audits are frequent and thorough and aim to avoid penalties and legal consequences. However, the effectiveness of tax audits depends on how they are conducted. Mazzolini et al. (2021) found that overly aggressive audits can lead to negative perceptions and resistance among taxpayers. Instead of fostering voluntary compliance, excessive audits may create short-term compliance behavior, where taxpayers follow the rules only when they expect an audit. Thus, a balanced approach combining regular audits with clear communication and education is more

effective.

The Effect of Tax Sanctions on Individual Taxpayer Compliance

Tax sanctions serve as a deterrent mechanism designed to enforce compliance. As described by Milgram (1963), compliance theory states that individuals follow rules when they perceive them as legitimate and fear punishment. In taxation, strict sanctions discourage non-compliance and ensure taxpayers fulfill their obligations. The study finds that tax sanctions have the most substantial positive impact on taxpayer compliance, confirming results from Zagoto et al. (2023). These studies indicate that effective penalties discourage tax evasion and reinforce compliance culture. When taxpayers recognize that violations lead to financial and legal consequences, they are more likely to comply. However, sanctions must be applied consistently and fairly. Mohdali et al. (2014) warn that excessive penalties can backfire, leading to tax avoidance strategies or a complete loss of trust in tax authorities. Therefore, tax authorities should ensure that sanctions are proportional, transparent, and consistently enforced.

The Moderating Effect of the Voluntary Disclosure Program (PPS) on the Relationship Between Tax Socialization and Compliance

The Voluntary Disclosure Program (PPS) was introduced to encourage taxpayers to disclose undeclared assets voluntarily. However, its impact on compliance is debated. Some argue that PPS enhances compliance, while others suggest it creates moral hazard, leading taxpayers to delay compliance in anticipation of future amnesty programs. The findings indicate that PPS weakens the effect of tax socialization on compliance, meaning that taxpayers may rely on PPS as an alternative to regular compliance. This supports studies by Riasning et al. (2021), and Ross & Buckwalter (2012), which found that repeated tax amnesty programs reduce taxpayers' incentives to comply voluntarily. This finding raises concerns about the sustainability of PPS. If taxpayers believe that future amnesty programs will be available, they may postpone compliance, waiting for another opportunity to legalize undeclared assets. To prevent this, tax authorities should limit PPS to a one-time measure and reinforce regular compliance efforts.

The Moderating Effect of PPS on the Relationship Between Tax Audits and Compliance

The study shows that PPS also weakens the impact of tax audits on compliance. This aligns with findings by Merawati et al. (2023), and Ramadhan et al. (2023) who noted that when PPS is available, taxpayers perceive a lower risk of penalties, making audits less effective as a deterrent. This suggests that PPS reduces taxpayers' fear of detection, particularly among those who believe they can disclose undeclared income later without facing severe consequences. To address this, tax authorities should ensure that PPS is not perceived as a permanent safety net but as a one-time opportunity with strict follow-up enforcement measures.

The Moderating Effect of PPS on the Relationship Between Tax Sanctions and Compliance

Unlike its impact on socialization and audits, PPS strengthens the effect of tax sanctions on compliance. This finding suggests that taxpayers respond positively to PPS when combined with strict sanctions. When taxpayers realize that non-compliance leads to penalties even within the framework of PPS, they are more likely to comply. This result is consistent with research by

Dunn et al. (2016) which argue that while tax amnesty programs encourage voluntary disclosure, they are most effective when combined with strong enforcement mechanisms. This suggests that PPS should be designed to support rather than replace sanctions, ensuring taxpayers do not misuse the program as an escape route from penalties.

CONCLUSION

The findings of this study highlight the crucial role of tax socialization, tax audits, and tax sanctions in shaping individual taxpayer compliance. The results confirm that tax socialization positively influences taxpayer compliance, emphasizing the importance of continuous education and awareness campaigns to instill tax obligations among taxpayers. However, socialization alone is insufficient, as taxpayers may still seek ways to avoid compliance without strict enforcement mechanisms. Similarly, tax audits significantly contribute to compliance, reinforcing the role of audits as a deterrence tool. When taxpayers perceive a high probability of detection, they are more likely to comply. However, excessive or intrusive audits may lead to resistance, making it essential for tax authorities to implement a balanced and fair audit system that fosters long-term compliance rather than short-term adherence.

Tax sanctions exhibit the most substantial influence on compliance among the three independent variables, confirming that legal consequences effectively deter non-compliance. Strict but fair penalties ensure taxpayers take their obligations seriously, discouraging tax evasion. However, disproportionate sanctions may have adverse effects, leading to avoidance strategies or a loss of trust in tax authorities. The Voluntary Disclosure Program (PPS) plays a dual role in moderating these relationships. While it weakens the effect of tax socialization and audits, indicating that some taxpayers rely on amnesty rather than proactive compliance, it strengthens the influence of tax sanctions, demonstrating that strict penalties within PPS frameworks encourage compliance. This suggests that PPS must be designed carefully to avoid moral hazard while promoting voluntary participation.

The study provides theoretical contributions by integrating Theory of Planned Behavior, Attribution Theory, and Compliance Theory into the taxation framework, offering empirical insights into taxpayer decision-making. Practical implications include recommendations for tax authorities to refine compliance strategies by balancing education, enforcement, and voluntary disclosure initiatives to enhance tax compliance sustainably..

LIMITATIONS AND SUGGESTION

Despite its contributions, this study has several limitations that should be acknowledged. First, the study focuses on individual taxpayers (WPOP) registered at KPP Badung Utara Bali, which may limit the generalizability of the findings to other regions in Indonesia with different economic and tax compliance characteristics. Future research could expand the scope by including multiple regions or conducting a comparative study between urban and rural taxpayers to capture more diverse compliance behaviors.

Second, this study relies on self-reported data collected through questionnaires. While this method provides valuable insights, it is susceptible to response bias, as some respondents may provide socially desirable answers rather than reflecting their compliance behavior. Future research could integrate secondary tax compliance data from tax authorities to validate findings and minimize biases.

Third, while the study incorporates the Voluntary Disclosure Program (PPS) as a moderating variable, it does not explore long-term behavioral changes post-PPS implementation. Future research could conduct a longitudinal study to examine whether PPS leads to sustained compliance or temporary adjustments in taxpayer behavior.

This study contributes to the literature on tax compliance by integrating the Theory of Planned Behavior (TPB), Attribution Theory, and Compliance Theory to explain taxpayer decision-making processes. The findings confirm that tax socialization, audits, and sanctions influence compliance behavior, with PPS moderating. The study extends previous research by demonstrating that PPS weakens the impact of tax socialization and audits but strengthens the influence of tax sanctions, providing a nuanced understanding of its role in compliance strategies.

For policymakers, the findings highlight the need for a balanced approach in tax enforcement. While tax socialization remains crucial, it should be complemented by strict but fair audits and sanctions. Moreover, PPS should not be used repeatedly, as its availability may encourage taxpayers to delay compliance in anticipation of future amnesties. Instead, tax authorities should strengthen enforcement post-PPS implementation to prevent moral hazard. Lastly, improved taxpayer education programs, mainly using digital platforms and personalized assistance, could enhance the effectiveness of tax socialization efforts and encourage sustained voluntary compliance.

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