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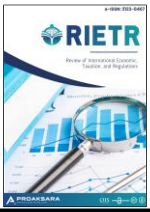

The Role of Tax Law and Tax Sanctions on the Level of Taxpayer Compliance

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ARTICLE INFO

Article History
Received : 17.12.2025
Revised : 26.12.2025
Accepted : 02.01.2026

Article Type :
Research Article

ABSTRACT

Taxpayer compliance remains a critical determinant of national revenue performance, yet persistent gaps between regulatory provisions and their actual enforcement continue to constrain optimal tax collection. The purpose of this study is to examine the influence of tax regulations and tax sanctions on taxpayer compliance. Compliance among taxpayers is a key factor for increasing national revenue derived from taxation. In reality, however, compliance has not yet reached optimal levels. Tax regulations serve as a legal basis that outlines taxpayer duties and rights, while tax sanctions function as a controlling tool that fosters compliance through fear of punishment. A quantitative research method was adopted, featuring both descriptive and verificative elements. Data came from questionnaires distributed to taxpayers and were subjected to statistical analysis. According to the results, tax regulations and tax sanctions together produce a positive and meaningful effect on compliance. This finding suggests that improved knowledge and enforcement of tax rules, combined with rigorous penalties, correspond with higher compliance rates. To conclude, well defined tax laws and properly functioning sanctions are highly important for raising taxpayer compliance. Consequently, the government needs to strengthen the dissemination of tax information and enforce sanctions consistently, thereby creating a taxation system that is both fair and optimal.

Keywords: Deterrence Theory, Tax Law, Tax Sanctions, Taxpayer Compliance, Quantitative Study

1. INTRODUCTION

As a legally enforced financial obligation, a tax gives no direct benefit to those who pay it. Instead, the state allocates these required contributions toward its objectives, with the ultimate goal of securing the highest level of wellbeing for the people (Mardiasmo, 2018). In its implementation, the taxation system requires taxpayer compliance so that state revenue can run optimally (Kustri & Jati, 2025; Putri & Sari, 2025). According to Resmi (2022), The ability of taxpayers to follow applicable regulations when reporting and paying their taxes reflects their level of compliance. In today's taxation framework, achieving optimal tax collection is shaped by two factors. One is the fiscal policies set by the government. The other is the extent to which taxpayers demonstrate compliance in fulfilling their tax related duties (Samsiah et al., 2026). Therefore, one important way to judge the effectiveness of a country's taxation system is by looking at how compliant its taxpayers are.

Although taxes make a large contribution to state revenue, the level of taxpayer compliance in Indonesia still faces various problems. The phenomenon of low compliance is reflected in the fact that there are still taxpayers who are late in reporting their Annual Tax Returns (SPT), submit incomplete reports, and have outstanding tax payments. This condition causes state tax revenue to be suboptimal. Data published by the Directorate General of Taxes shows that tax reporting compliance, particularly among non-employee taxpayers, still fluctuates and tends to experience decline in certain periods.

A key factor affecting taxpayer compliance levels is the degree to which individuals understand tax law. This area of law includes all regulations outlining what taxpayers must do and what they are entitled to, and it also acts as the groundwork for tax administration processes. Greater comprehension of tax law leads taxpayers to perform their obligations properly, punctually, and in line with existing rules. In contrast, insufficient understanding of taxation frequently causes errors in tax calculations, payments, and filings. Such inaccuracies consequently reduce the overall rate of taxpayer compliance (Ardianti & Sari, 2023).

Sunarto and Liana (2020) in their research stated that a good comprehension of tax regulations leads to higher levels of taxpayer compliance. Those who understand taxation clearly are more likely to follow their obligations in a compliant manner. In addition, Prayoga et al. (2021) also found that the level of compliance shown by restaurant taxpayers in DKI Jakarta rises when their understanding of tax regulations is strong. These results indicate that familiarity with tax law is a fundamental driver for improving taxpayer awareness and encouraging compliant behavior.

Apart from knowing tax law, enforcing tax penalties also serves as a key tool for boosting taxpayer compliance. Tax penalties refer to legal repercussions, whether administrative or criminal, that apply to taxpayers who break tax rules. The purpose of imposing these penalties is to generate a deterrent effect, which then motivates taxpayers to become more disciplined when meeting their tax duties. Within tax compliance theory, penalties are considered a type of external control capable of shaping taxpayer behavior.

Tan and Pradita (2020) found that tax sanctions impact the compliance levels of corporate taxpayers, particularly when supported by modernized tax administration. Additionally, Hani and Furqon (2021) explain that both tax penalties and tax knowledge work together to affect compliance in paying taxes. In line with this, Rahmawati and Rustiyaningsih (2022) state that taxpayer compliance does not depend on a single element. Instead, it is shaped by multiple factors including tax sanctions, taxpayer consciousness, and the quality of tax related services.

However, a research gap exists in the findings of prior studies when it comes to the impact of tax penalties on taxpayer compliance. Saputra and Pramukti (2021) also Sriniyati (2020) found that tax penalties appear to have no meaningful impact on how compliant individual taxpayers are. These contradictory findings may stem from differences in the characteristics of the taxpayer populations examined, the consistency and intensity of sanction enforcement across regions, and variations in taxpayers' perceptions of the actual likelihood of being penalized for non-compliance. Because previous studies have produced contradictory results, further examination is required into how tax law and sanctions influence compliance. This examination must take into consideration the diverse situations and traits of different taxpayers.

In light of what has been presented, conducting this research is essential for analyzing the partial and simultaneous effects of tax law and tax sanctions on taxpayer compliance. This work is expected to make a theoretical contribution to the development of tax science. Additionally, it can serve as a reference point for the government in crafting better targeted tax policies that boost compliance among taxpayers.

2. LITERATURE REVIEW

2.1. Theoretical Review

The grand theories underlying this research are Compliance Theory and Deterrence Theory. These two theories are applied to understand why taxpayers act the way they do in fulfilling obligations. The reasons include both a person's own sense of awareness and the fear of facing tax sanctions.

Compliance Theory was developed from a compliance behavior approach which explains that individuals will tend to comply with rules if they have awareness, understanding, and a positive perception of the applicable legal system. In the context of taxation, this theory is widely explained by Alm et al. (2006) who stated that beyond economic influences, taxpayer compliance is affected by several other elements. These include psychological aspects, personal morality, confidence in government institutions, and views on the fairness of taxation. Furthermore, Devos (2013) explains that taxpayer compliance is influenced by moral factors, tax ethics, fairness, and the level of trust in the tax authority.

Compliance theory states that tax law provides certainty by outlining what taxpayers are entitled to and what they must do. Improved understanding of tax regulations leads to higher levels of voluntary compliance. This observation supports Ken Devos's argument that a combination of economic, social, and psychological factors shapes how taxpayers behave with respect to compliance.

Meanwhile, Deterrence Theory was first introduced by Gary Becker through the Economics of Crime Theory in 1968, then developed in the context of taxation by Allingham and Sandmo (1972) through the economic deterrence model. This theory explains that individuals will consider the benefits and risks before committing a violation. Taxpayers tend to comply if there is a possibility of a tax audit and firm sanctions for tax violations.

In deterrence theory, tax sanctions function as a control instrument to create a deterrent effect. The higher the probability of an audit and the heavier the sanctions imposed, the less likely taxpayers are to engage in tax avoidance or tax evasion. Becker (1968) asserted that the threat of punishment is an important factor in shaping law-compliant behavior. Subsequently, Allingham and Sandmo (1972) adapted this concept to tax compliance behavior by emphasizing that taxpayers will act rationally based on the calculation of the benefits and costs of tax avoidance.

Based on both theories, this study views tax law as a normative instrument that shapes the awareness and understanding of taxpayers regarding their tax obligations. Meanwhile, tax sanctions are positioned as a control instrument that strengthens compliance through a punishment mechanism and deterrent effect. Thus, the combination of understanding tax law and the firm application of tax sanctions is expected to optimally increase the level of taxpayer compliance.

2.2. Hypothesis Development

2.2.1. The Effect of Tax Law on Taxpayer Compliance

According to Waluyo and Ilyas (2002), tax law is a collection of regulations that governs the relationship between the government as the tax collector and taxpayers as the party with tax obligations. The existence of tax law aims to create legal certainty, fairness, and order in the implementation of the taxation system. In compliance theory, individuals will tend to comply with rules if they understand the applicable provisions and are aware of the consequences of violations committed. Therefore, understanding of tax law is one of the important factors in increasing taxpayer compliance.

A good comprehension of tax regulations makes it easier for taxpayers to meet their obligations, covering the correct and punctual calculation, payment, and reporting of taxes. By contrast, limited knowledge of tax law frequently gives rise to administrative errors and violations of tax rules. These issues then contribute to a decline in the overall level of taxpayer compliance.

A study by Sunarto and Liana (2020) found that taxation knowledge positively and significantly affects taxpayer compliance. Taxpayers with a strong level of taxation understanding are generally more obedient when meeting their tax duties. Supporting this outcome, Prayoga et al. (2021) also reported that for restaurant businesses in DKI Jakarta, comprehension of tax regulations exerts a meaningful influence on compliance. Given these previous findings, the present study puts forward the following hypothesis:

H1: Tax law has a positive and significant effect on taxpayer compliance

2.2.2. The Effect of Tax Sanctions on Taxpayer Compliance

Taxpayers who do not carry out their obligations in line with applicable laws face legal consequences known as tax sanctions. Meanwhile, Sari (2013) describes these sanctions as a mechanism that guarantees adherence to tax regulations, thus keeping violations to a minimum. Sanctions come in two main forms. Administrative sanctions include fines and interest, while criminal sanctions are reserved for specific types of infractions. According to deterrence theory, the goal of imposing sanctions is to create a fear of punishment that prompts individuals to follow the rules. A firm and consistent approach to applying tax sanctions can enhance taxpayer discipline. If taxpayers understand the risks of punishment or the losses they will incur from non compliance, they will generally choose to avoid violations.

A study by Tan and Pradita (2020) demonstrated that tax sanctions affect how compliant corporate taxpayers are. Furthermore, research conducted by Hani and Furqon (2021) reported that tax penalties significantly influence taxpayer compliance when it comes to paying taxes. Additional support comes from Rahmawati and Rustiyaningsih (2022) who found that tax sanctions produce a positive effect on taxpayer compliance. In light of these findings, the present study advances the following hypothesis:

H2: Tax sanctions have a positive and significant effect on taxpayer compliance

2.2.3. The Effect of Tax Law and Tax Sanctions on Taxpayer Compliance

One indicator of a successful taxation system is the degree of taxpayer compliance, which contributes to higher state revenue. This compliance level is shaped by two main factors. One factor is individual awareness of tax duties. The other factor is the effectiveness of both tax rules and their enforcement. From the perspective of compliance theory, taxpayer compliance is formed because of an understanding of the applicable tax regulations, while in deterrence theory, compliance is influenced by the threat of sanctions that can provide a deterrent effect for tax violations. Therefore, tax law and tax sanctions are two important factors that are interrelated in shaping taxpayer compliance behavior.

As a normative foundation, tax law sets out taxpayer rights and obligations in an orderly and transparent manner. This clarity provides legal certainty, enabling taxpayers to perform their duties such as accurately calculating what they owe, making timely payments, and submitting reports in line with regulations. The more thoroughly taxpayers understand the law, the more aware and compliant they tend to become. In contrast, a weak understanding of tax law frequently causes errors in tax administration and violations of legal requirements.

Taxpayer compliance also depends heavily on tax sanctions, in addition to tax law. Tax sanctions refer to the legal outcomes imposed on those who do not follow applicable rules when fulfilling their tax duties. Applying these sanctions with firmness and regularity increases how much taxpayers perceive the risks of breaking tax laws. As a result, taxpayers are encouraged to behave more obediently. The presence of tax sanctions means that taxpayers must consider the legal penalties and monetary losses that come from failing to comply.

Tax law and tax sanctions share a mutually supportive relationship when it comes to increasing taxpayer compliance. Understanding of tax obligations comes from tax law, while tax sanctions serve as a tool of oversight that ensures taxpayers follow those obligations in line with existing regulations. The belief is that pairing a good grasp of tax law with the effective enforcement of sanctions can optimally improve how aware, disciplined, and compliant taxpayers become. Based on the foregoing, this study proposes the hypothesis stated below:

H3: Tax law and tax sanctions simultaneously have a positive and significant effect on taxpayer compliance

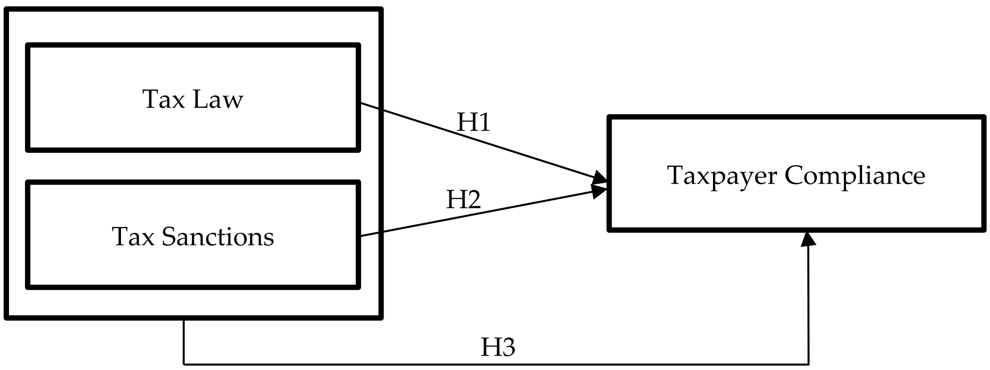

Figure 1. Conceptual Framework

Figure 1 illustrates that taxpayer compliance depends on two major factors. They are tax law and tax sanctions. Tax law (H1) acts as a regulatory foundation that provides regulatory clarity so as to encourage taxpayers to comply in fulfilling their tax obligations. Meanwhile, tax sanctions (H2) function as an enforcement instrument that provides a deterrent effect, thereby increasing taxpayer compliance. In addition, H3 indicates that taxpayer compliance is influenced by the combined action of both variables simultaneously. Therefore, a stronger implementation of tax law paired with firmer sanctions will tend to produce higher compliance rates among taxpayers.

3. RESEARCH METHODS

3.1. Type of Research

This research employs a quantitative methodology featuring a verificative design. By using the verificative approach, the study tests whether hypotheses about the impact of tax law and tax penalties on taxpayer compliance hold true, based on statistical analysis of collected data. Data came from respondent questionnaires. To measure the effect of the independent variables on the dependent variable, both individually and simultaneously, a multiple linear regression analysis was subsequently conducted.

3.2. Research Object

This study focuses on the role that tax law and tax sanctions play in determining taxpayer compliance levels. The investigation aims to measure how much each independent variable, tax law (X1) and tax sanctions (X2), influences the dependent variable of taxpayer compliance (Y). The subjects of the research consist of taxpayers who are officially registered and who must meet their tax duties according to current legal provisions. These taxpayers act as respondents, providing data on their understanding of tax law, the enforcement of sanctions they experience, and their overall compliance with tax obligations.

3.3. Operational Variables

Operational variables are the breakdown of research variables into indicators that can be measured using research instruments (questionnaires).

Table 1. Operational Variables

Variable	Operational Definition	Dimension	Indicator	Scale
Tax Law (X1)	Regulations that govern the rights and obligations of taxpayers and provide legal certainty in the implementation of taxation	Legal certainty; Understanding of rules; Tax fairness	Clarity of tax rules; Ease of understanding tax regulations; Consistency in the application of tax law; Sense of fairness in the tax system	Interval
Tax Sanctions (X2)	Consequences imposed on taxpayers for violations of tax regulations	Administrative sanctions; Criminal sanctions; Deterrent effect	Amount of tax fines; Firmness in the application of sanctions; Risk of tax violations; Deterrent effect of tax sanctions	Interval
Taxpayer Compliance (Y)	The degree to which taxpayers follow applicable regulations when meeting their tax duties.	Formal compliance; Material compliance	Timely reporting of SPT; Accuracy in filling out SPT; Timely tax payment; Compliance with tax regulations	Interval

Table 1 indicates that the two independent variables in this research are tax law and tax sanctions. The dependent variable is taxpayer compliance. Measurement of each variable involves multiple dimensions and indicators. These cover understanding of tax regulations, enforcement of tax penalties, and how compliant taxpayers are when meeting their obligations. An interval scale is used to measure all variables in this research.

3.4. Population and Sample

The study population consists of a subset of taxpayers who are registered clients at the Samsiah Tax Consultant Office. These individuals also hold tax duties as required by the current legal provisions in the research area. Because these taxpayers are directly involved in meeting tax obligations, they serve as an appropriate source of data for the study on tax law, tax sanctions, and taxpayer compliance.

The researcher determined the sample by applying a purposive sampling approach. In this technique, sample collection relies on predetermined criteria set by the researcher (Sugiyono, 2022). The sample criteria in this study are taxpayers who are actively registered, taxpayers who have tax reporting obligations, and taxpayers who have previously submitted an SPT. Based on these criteria, the sample used in this study consists of 19 respondents.

3.5. Data Collection Technique

Data gathering in this research involved handing out questionnaires to respondents. The questionnaire items were developed from the indicators associated with the three variables: tax law, tax sanctions, and taxpayer compliance. To measure respondent agreement levels, the study employed a Likert scale with values from 1 to 5.

3.6. Data Analysis Technique

With assistance from a statistical data processing program (Ghozali, 2013), the study employs statistical analysis as its data analysis technique. This analysis aims to determine the impact of tax law and tax penalties on taxpayer compliance. The analytical process includes several steps. Instrument testing is conducted first through validity tests and reliability tests. The next step is to conduct multiple linear regression analysis. To test the hypotheses, the study applies a t test for assessing each independent variable's separate influence. An F test is used for assessing the joint influence of the independent variables. Additionally, the coefficient of determination (R squared) quantifies the explanatory power that the independent variables have over the dependent variable. The following section outlines the data analysis techniques employed in this research.

3.6.1. Descriptive Analysis

To describe the features of each research variable (tax law, tax sanctions, and taxpayer compliance), the study employs descriptive analysis. Through this analysis, the mean value, percentage distributions, and rating categories are calculated based on how respondents answered the questionnaire items. A five point Likert scale serves as the measurement instrument in this study. Theoretically, this scale is classified as ordinal. Below is the interval calculation for the Likert scale that ranges from 1 to 5.

$$\text{Interval} = \frac{5-1}{5} = 0{,}8$$

Table 2. Mean Score Interpretation Categories

Mean	Category
1.00 – 1.80	Very Low
1.81 – 2.60	Low
2.61 – 3.40	Moderate
3.41 – 4.20	High
4.21 – 5.00	Very High

3.7. Multiple Linear Regression Analysis

The regression equation model is as follows:

$$Y = a + b1X1 + b2X2 + e$$

Description:

Y = Taxpayer Compliance
a = Constant
b1, b2 = Regression coefficients
X1 = Tax Law
X2 = Tax Sanctions
e = Error

3.8. Hypothesis Testing

A. The t test, also known as a partial test, is employed to examine how each independent variable individually affects the dependent variable.

B. The F test, or simultaneous test, is used to assess the collective effect of all independent variables on the dependent variable.

C. The coefficient of determination, denoted as R squared, measures the extent to which tax law and tax sanctions contribute to explaining the variation observed in taxpayer compliance.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Profile of the Unit of Analysis

This study focuses on Corporate Taxpayers who are clients of the Samsiah Tax Consultant Office as its unit of analysis. The selection was made due to the observation that these taxpayers exhibit diverse compliance levels regarding tax reporting and payment. Such conditions warrant deeper investigation to determine which factors influence taxpayer compliance, with particular attention to how tax law and tax sanctions function. According to the research findings, the breakdown of business sectors among the Corporate Taxpayers under analysis is as follows.

Table 3. Profile of the Unit of Analysis by Business Type

No	Business Sector	Percentage
1.	Services	36 %
2.	Trade	26%
3.	Industry	15%
4.	Mixed / Other	23%
	Total	**100%**

Source: Results of Questionnaire Distribution (Processed Data, 2026)

From Table 3, it can be seen that the services sector is the dominant sector supporting economic activity, with a percentage of 36%. This sector is followed by the trade sector at 26%, which indicates a high intensity of business activity and economic transactions. Meanwhile, the industry and other sectors show a smaller contribution, but remain important in supporting local economic growth.

4.1.2. Respondent Profile

The researcher collected data by distributing questionnaires to respondents via Google Form to 25 respondents. The number received by the researcher was 19 respondents, so that a total of 19 respondents were studied via Google Form. From the data captured by Google Form, the following respondent profile analysis was obtained:

Table 4. Respondent Profile Based on Gender

Indicator	Total	Percentage
Gender		
Female	11	57%
Male	8	43%
Total	**19**	**100%**
Age		
< 30 years	16	84%
>30 years	3	16%
Total	**19**	**100%**
Length of Employment		
0-5 years	9	47%
> 5 years	10	53%
Total	**19**	**100%**

Source: Results of Questionnaire Distribution (Processed Data, 2026)

According to the data in Table 4, female respondents dominate the study sample. There are 11 females, which equals 57 percent, compared to 8 males or 43 percent. When looking at age, the largest group consists of respondents younger than 30 years old. This group includes 16 individuals or 84 percent of the sample. Those aged over 30 total only 3 people or 16 percent. This age breakdown indicates that most respondents are in a productive life stage and are fairly young.

Looking at length of employment, the majority of respondents have been employed for over five years. This group includes 10 people or 53 percent of the sample. Respondents with zero to five years of experience total 9 people or 47 percent. Such a distribution suggests that most participants have substantial professional experience, which should enable them to offer well informed responses and evaluations. In short, the dominant respondent profile in this research is female, young, and possesses more than five years of employment history.

4.1.3. Descriptive Analysis

Table 5. Respondent Responses

No	Variable	Mean	Category
1.	Tax Law	3.8	High
2.	Tax Sanctions	4.2	Very High
3.	Taxpayer Compliance	4.3	Very High

Source: Processed Data, 2026

Based on Table 5, respondents' responses to the tax law variable obtained a mean value of 3.8 with the category of high. This indicates that tax law is considered quite effective in supporting and enforcing taxpayer compliance. Taxpayers are encouraged to meet their obligations properly when tax regulations are clearly stated and supported by an understandable written legal basis. Clear rules help the public grasp both their tax rights and their duties. This improved understanding can then raise the level of tax payment awareness.

Furthermore, the tax sanctions variable obtained a mean value of 4.2 with the category of very high. This result indicates that tax sanctions are considered effective in increasing taxpayer compliance. The firmness and consistency in the application of sanctions make taxpayers more careful in fulfilling their tax obligations. In addition, taxpayers' understanding of the consequences received for violating tax regulations also influences their level of compliance.

With a mean value of 4.3, the taxpayer compliance variable falls into the very high classification. Such a high degree of compliance reflects that the public understands well why paying taxes on time and according to the rules matters. This favorable condition also receives support from two factors, namely unambiguous tax regulations and the rigorous application of sanctions, which together push taxpayers toward greater compliance with their obligations.

4.1.4. Verificative Analysis

This research applies verificative analysis, an analytical technique that tests the truth of hypotheses and variable relationships based on real world data. The goal is to confirm whether an influence is present. Specifically, the analysis tests hypotheses concerning the impact of tax law and tax penalties on taxpayer compliance. The study employs multiple linear regression analysis using SPSS. Testing proceeds through three steps. A t test identifies partial effects of individual variables. An F test examines the combined simultaneous effect. R squared, known as the coefficient of determination, quantifies the extent to which the independent variables account for the dependent variable.

Table 6. Results of Partial Test (T-test)

Model	Unstandardized B	Std. Error	Beta	t	Sig.
(Constant)	1.800	0.500	-	3.600	0.002
Tax Law (X1)	0.350	0.120	0.400	2.900	0.009
Tax Sanctions (X2)	0.500	0.100	0.550	5.000	0.000

a. Dependent variabel: Taxpayer Compliance

As shown in Table 6, the partial test reveals a regression coefficient of 0.350 for Tax Law (X1). The t value is 2.900, and the significance level is 0.009, which is smaller than 0.05. These results indicate that Tax Law has a positive and significant effect on Taxpayer Compliance. Thus, improved comprehension and stricter enforcement of tax rules lead to greater compliance among taxpayers.

The Tax Sanctions variable (X2) shows a regression coefficient of 0.500, a t count of 5.000, and a significance value of 0.000. A significance value lower than 0.05 confirms that Tax Sanctions positively and significantly influence Taxpayer Compliance. Put differently, the firmer and more efficient the enforcement of tax penalties, the higher the level of compliance among taxpayers.

Based on the standardized beta coefficient (Beta), the Tax Sanctions variable has a beta value of 0.550, which is greater than that of Tax Law at 0.400. This indicates that Tax Sanctions is the variable that most dominantly influences Taxpayer Compliance. Thus, the firm application of tax sanctions is a stronger factor in increasing taxpayer compliance compared to the aspect of tax law.

Table 7. Results of Simultaneous Test (F-test)

ANOVA					
Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	120.500	2	60.250		
Residual	50.200	17	2.953	15.300	0.000
Total	170.700	19			

Table 7 presents the F test outcomes. The F count is 15.300, and the significance level is 0.000. This significance level falls below 0.05, so the conclusion is that Tax Law and Tax Sanctions together exert a significant influence on Taxpayer Compliance. Therefore, the synergy between applying tax law and imposing tax sanctions is important for improving how compliant taxpayers become.

A Sum of Squares value of 120.500 for the regression portion indicates the extent to which Taxpayer Compliance variation can be explained by Tax Law and Tax Sanctions. The remaining residual value of 50.200 reflects variation arising from external factors outside the study's model. Consequently, the regression model used here is considered appropriate and capable of accounting for the simultaneous effect of the independent variables on the dependent variable.

Table 8. Coefficient of Determination (R^2)

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error**
1	0.750	0.563	0.540	0.320

Based on the coefficient of determination test in Table 8, the R value of 0.750 suggests a strong correlation between Tax Law, Tax Sanctions, and Taxpayer Compliance. With an R Square of 0.563, this means that 56.3 percent of the variation in Taxpayer Compliance is explained by the two independent variables used in this research. Thus, these two independent variables have a notable influence on compliance levels. The other 43.7 percent of variation comes from external variables not included in the regression model. Consequently, factors other than Tax Law and Tax Sanctions also play a role in determining Taxpayer Compliance.

The model's Adjusted R Square is 0.540, which reflects a greater precision in explaining the impact that the independent variables have on the dependent variable. This adjustment is especially important given that the study employs multiple independent variables. Taking everything into account, the coefficient of determination of 0.563 indicates that the research model has sufficient strength to clarify how Tax Law and Tax Sanctions relate to Taxpayer Compliance.

4.2. Discussion

4.2.1. Tax Law Has a Positive and Significant Effect on Taxpayer Compliance

According to the regression test results, the tax law variable (X1) yields a regression coefficient of 0.350 with a significance level of 0.009, which falls under the 0.05 threshold. This evidence confirms that tax law exerts a positive and significant effect on taxpayer compliance. Better comprehension of tax law provisions directly corresponds with higher compliance when taxpayers meet their obligations. This positive influence suggests that tax law does more than regulate. It also helps create legal certainty, fairness, and order in the tax system. When tax regulations are clear, tax provisions are easy to grasp, and the law is applied consistently, taxpayer awareness improves. As a result, taxpayers fulfill their obligations both correctly and on time.

Empirically, the results of this study indicate that taxpayers tend to be more compliant if they understand the procedures, rights, and tax obligations regulated in tax regulations. Understanding of tax law will minimize errors in tax reporting and payment so as to increase the formal and material compliance of taxpayers (Fitria, 2017; Indrawan & Binekas, 2018). In addition, the perception of fairness in the taxation system is also a factor that strengthens taxpayer compliance because taxpayers feel that tax provisions are applied fairly and do not disadvantage any particular party. The beta value of 0.400 indicates that tax law has a fairly strong contribution in explaining changes in the level of taxpayer compliance, although its influence is still below that of the tax sanctions variable.

Compliance theory receives support from the results of this study. According to the theory, the degree to which a person complies with a rule is shaped by their comprehension of that rule. When applied to taxation, a solid grasp of tax law tends to produce higher legal awareness among taxpayers, which in turn encourages voluntary fulfillment of tax obligations. Furthermore, these findings reinforce the conclusions of previous studies, including those by Prayoga et al. (2021); Salimudin (2022); also Sunarto and Liana (2020) which found a positive and significant relationship between taxation understanding and taxpayer compliance.

Therefore, these findings confirm that taxpayer compliance can be improved by strengthening the tax law aspect. Specific measures include simplifying tax regulations, intensifying public outreach on tax matters, and providing ongoing education for taxpayers. Such efforts will enable taxpayers to grasp tax provisions more effectively.

4.2.2. Tax Sanctions Have a Positive and Significant Effect on Taxpayer Compliance

According to the regression test, the tax sanctions variable (X2) yields a regression coefficient of 0.500 with a significance value of 0.000 ($p < 0.05$). These findings demonstrate that tax sanctions exert a positive and significant influence on taxpayer compliance. In other words, stricter and more uniform enforcement of tax penalties leads to higher compliance. The positive coefficient value shows that the presence of tax sanctions can push taxpayers toward greater discipline in meeting their tax duties, covering both reporting and payment. Additionally, the beta value of 0.550 indicates that tax sanctions play a more dominant role compared to tax law in enhancing taxpayer compliance.

When taxpayers recognize the potential penalties resulting from non compliance, they generally avoid breaking tax rules. The imposition of administrative penalties, such as fines, along with criminal sanctions, generates a deterrent effect. This effect makes taxpayers more cautious when meeting their tax obligations. The strictness shown by tax authorities when enforcing sanctions also shapes how taxpayers perceive the significance of compliance. As the perceived risk of committing tax violations rises, taxpayers become more inclined to follow tax provisions. Their goal is to avoid financial harm and other legal repercussions (Elsani & Tanno, 2023).

The results of this study are in line with deterrence theory, which explains that individual compliance behavior is influenced by the threat of punishment or consequences for violations committed. In the context of taxation, the application of tax sanctions functions as a control instrument to reduce the level of tax violations and increase taxpayer discipline. The findings of this study support the research of Hani and Furqon (2021); Rahmawati and Rustiyaningsih (2022); as well as Tan and Pradita (2020) which states that tax sanctions affect how compliant corporate taxpayers are. Hence, these study outcomes validate that firm, consistent, and deterrent sanctions are highly important for improving taxpayer compliance. Accordingly, sanction enforcement should be applied not only strictly but also transparently, so that taxpayers perceive the system as predictable rather than arbitrary, which in turn reinforces voluntary discipline over time.

4.2.3. Tax Law and Tax Sanctions Simultaneously Have a Significant Effect on Taxpayer Compliance

Table 5 shows that the F test produces an F count of 15.300 with a significance value of 0.000, which is below 0.05. This finding indicates that tax law and tax sanctions jointly exert a positive and significant influence on taxpayer compliance. Therefore, the hypothesis stating that both variables together affect taxpayer compliance is supported.

This finding indicates that the increase in taxpayer compliance is not only influenced by one factor alone, but is the result of a combination of understanding of tax law and the effectiveness of the application of tax sanctions. Tax law plays a role in providing legal certainty, regulatory clarity, and understanding of tax rights and obligations, while tax sanctions function as a control instrument to prevent tax violations through the deterrent effect they create. When combined, tax law and tax sanctions help shape taxpayer awareness and discipline regarding tax obligations. These findings also reveal that improved application of tax regulations and more rigorous penalty enforcement correspond with increased compliance from taxpayers (Dumadi et al., 2020).

Compliance theory and deterrence theory receive support from the findings of this research. Both theories hold that how likely an individual is to comply depends on two factors: how well they understand applicable rules and how threatened they feel by potential sanctions for breaking those rules. This study also supports the conclusions of Hani and Furqon (2021); coupled with Sunarto and Liana (2020) whose research demonstrated that taxation understanding and tax sanctions jointly have a significant impact on taxpayer compliance. Thus, efforts to increase taxpayer compliance demand a coordinated strategy. Rather than relying on either factor in isolation, sustained compliance is more likely achieved when regulatory clarity and credible enforcement reinforce one another, since taxpayers who understand the rules are also better positioned to recognize the consequences of disregarding them.

5. CONCLUSIONS

Drawing from the research findings and discussion on how tax law and tax sanctions influence taxpayer compliance, one conclusion is that tax law exerts a positive and significant impact on taxpayer compliance. These results indicate that the better the taxpayer's understanding of tax regulations, regulatory clarity, consistency in the application of law, and the sense of fairness in the taxation system, the higher the level of taxpayer compliance will be. Taxpayers who understand tax law are motivated to carry out their duties accurately, punctually, and in line with applicable regulations. Additionally, tax sanctions are proven to exert a positive and significant impact on taxpayer compliance. This suggests that firm, steady, and fear inducing application of tax penalties enhances taxpayer discipline in meeting obligations. A greater tendency toward compliance emerges when taxpayers understand both the risk of sanctions and the legal consequences tied to tax violations. The research also shows that tax sanctions influence taxpayer compliance more strongly than tax law.

Tax law and tax sanctions jointly prove to have a positive and significant effect on taxpayer compliance. This finding indicates that higher compliance levels are shaped by two elements. One is knowledge of tax rules. The other is the effectiveness of enforcement carried out via tax sanctions. Consequently, a combination of strong tax law understanding and well applied sanctions is essential for increasing how compliant taxpayers become.

This study still has several limitations, including the fact that the study only uses two independent variables, namely tax law and tax sanctions, so it has not been able to explain all the factors that influence taxpayer compliance. In addition, the number of samples used is relatively limited and the research data were obtained through the distribution of questionnaires so that respondents' answers depend on the perception and level of honesty of each respondent in filling out the research instrument. This study was also conducted in a certain time period so it has not been able to describe changes in taxpayer compliance behavior in the long term.

In light of these constraints, future research ought to include other factors that may influence taxpayer compliance. These factors could be taxpayer awareness, the quality of tax related services, modernization within the taxation system, and the degree of trust that citizens hold toward the government. Additionally, researchers should aim for larger sample sizes and wider geographical scope. Broader coverage will result in findings that are more generalizable. The government, particularly the Directorate General of Taxes, is also expected to intensify tax socialization activities targeted at specific taxpayer segments, such as MSME owners and individual taxpayers, through accessible channels including digital tax education platforms, community tax clinics, and direct outreach programs, and apply sanctions strictly and uniformly. Such measures will contribute to higher taxpayer compliance.

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