

Digital Tax Administration Reform and Tax Compliance in Transfer Pricing

Ely Kartikaningdyah^{1*}, Putu Dian Pradnyanitasari²

¹ Business Management Department, Politeknik Negeri Batam, Indonesia

² Faculty Economics, and Business, Universitas Warmadewa, Indonesia

Email: ely@polibatam.ac.id; dianpradnya@gmail.com

* Corresponding Author

Abstract

Background: Global economic integration has driven the expansion of multinational corporations and increased the intensity of transactions between cross-border affiliates. In this context, transfer pricing has become a common mechanism for determining internal transaction prices. Although legal, this practice is often associated with profit shifting that can reduce the tax base in the country where the economic activity takes place, thus posing challenges for tax authorities, particularly in developing countries with limited oversight capacity and the complexity of cross-jurisdictional transactions. **Purpose:** This research seeks to examine how digital tax administration reforms, the integrity of tax consultants, tax socialization efforts, taxpayer awareness, and understanding of tax regulations influence the compliance of multinational corporations in transfer pricing, while also taking into account the moderating impact of tax sanctions. **Method:** The study uses an explanatory sequential mixed methods approach, combining qualitative and quantitative analysis. The qualitative stage was conducted through interviews with tax authorities, tax consultants, and corporate practitioners to validate the research constructs. The quantitative stage was conducted through a survey of 250 respondents from multinational companies in Indonesian industrial areas, analyzed using SEM-PLS. **Result:** The results show that taxpayer awareness and tax understanding have a positive and significant effect on taxpayer compliance with transfer pricing. In contrast, digital tax administration reform, tax consultant integrity, and tax socialization were insignificant. Tax sanctions were found to enhance the effect of taxpayer awareness and comprehension on compliance. **Conclusion:** The novelty of this research lies in the development of a tax compliance model that integrates digital administration reform, taxpayer behavioral factors, and law enforcement mechanisms. The findings indicate that taxpayer behavior and the effectiveness of sanctions play a more dominant role than administrative reform in encouraging tax compliance in the transfer pricing activities of multinational companies in developing countries.

Keywords: Digital tax administration; Taxpayer awareness; Tax compliance; Transfer pricing; Tax sanctions

JEL Classification: H25, H26, F23, M48.

Article History: Received: February, 6th 2025 Revised: August, 20th 2025 Accepted: September, 20th 2025
Published: April, 1st 2026

How to cite: Kartikaningdyah, E & Pradnyanitasari, P.D. (2026). Digital Tax Administration Reform and Tax Compliance in Transfer Pricing. *AKRUAL: Jurnal Akuntansi*, 17(2). DOI: 10.26740/jaj.v17n2.p.203-216

Conflict of Interest Statement: here is no conflict of interest in the articles resulting from this research

INTRODUCTION

Economic globalization has increased the mobility of capital, goods, services, and corporate activities across borders, thereby expanding the operations of multinational corporations (MNCs). In conducting business activities across jurisdictions, multinational corporations engage in transactions between affiliated entities, necessitating internal transaction pricing known as transfer pricing. In principle, transfer pricing is a legal business mechanism for determining the price of transactions of goods, services, and intangible assets between entities within a business group. However, in practice, this mechanism is often associated with profit

shifting from countries with high tax rates to those with lower tax rates, posing significant challenges to the international tax system (Eden & Byrnes, 2018; OECD, 2022).

This issue is crucial because profit shifting practices can reduce the tax base of the countries where economic activity takes place. Research by Cobham et al., (2020) estimates that global corporate tax avoidance practices result in lost tax revenues of approximately USD 500 billion annually, with a greater impact felt by developing countries with more limited tax oversight capacity. This situation demonstrates that transfer pricing practices are not only related to the technical aspects of taxation but also to issues of fiscal fairness and the sustainability of state revenues.

In addition to the complexity of transfer pricing regulations, another challenge facing tax authorities is low levels of taxpayer compliance. Tax compliance is shaped by various behavioral factors, including perceptions of the fairness of the tax system, taxpayers' level of tax knowledge, and their trust in tax authorities (Alm et al., 2006). This behavioral perspective is further elaborated in the Slippery Slope Framework, which posits that compliance emerges from the dynamic interaction between the authority's power and the taxpayer's trust in that authority (Kirchler et al., 2008).

As the complexity of global economic activity increases, various countries are also implementing tax administration reforms through the digitization of their tax systems. The transformation to digital tax administration enables more real-time transaction data management, increases reporting transparency, and strengthens compliance risk analysis capabilities through the use of technologies such as tax information systems and digital data analytics (OECD, 2023; Gupta et al., 2022). This digitalization is believed to reduce information asymmetry between tax authorities and taxpayers and increase the effectiveness of oversight of tax avoidance practices, including in the reporting of transfer pricing transactions.

Although various studies have addressed the factors influencing tax compliance, most studies have focused on taxpayer behavior or tax administration reform separately. Research integrating digital-based tax administration reform with the behavioral perspective of taxpayer compliance in the context of multinational corporations' transfer pricing practices remains relatively limited, particularly in developing countries. Therefore, This study seeks to examine the effects of digital tax administration reform on multinational corporations' tax compliance by considering taxpayer behavior.

This research makes several contributions. First, it examines tax compliance in the context of multinational corporations' transfer pricing practices, which are more complex than those of domestic taxpayers. Second, it integrates a tax administration technology perspective with a taxpayer behavior approach through the variables of Digital Tax Administration Reform, tax socialization, tax awareness, and tax understanding. Third, it uses an explanatory sequential mixed methods approach with SEM-PLS analysis, enabling it to quantitatively explain causal relationships while deepening understanding through the perspectives of practitioners and tax authorities.

The theoretical framework of this research integrates the Theory of Planned Behavior (TPB) proposed by Ajzen (1991), the Slippery Slope Framework developed by Kirchler et al., (2008), and the Economic Deterrence Theory by Allingham (1972) to interpret taxpayer



compliance behavior. According to Ajzen (1991), the TPB posits that an individual's behavior is shaped by their attitudes, subjective norms, and perceived control over the behavior. In taxation, this means that taxpayers' awareness of taxes' role in national development, social influences such as tax education, and their perceived ability to comply collectively shape their compliance behavior.

In this study, digital tax administration reform is seen as a factor that increases perceived behavioral control because an integrated digital system can simplify the reporting process, increase information transparency, and reduce administrative errors (Cachalia, 2021; Grundel et al., 2021; Anomah et al., 2024). Furthermore, tax socialization plays a role in shaping subjective norms by providing information and social pressure that encourage compliance behavior (Dewi et al., 2021; Appah et al., 2024). Meanwhile, tax awareness reflects attitudes toward behavior related to taxpayers' moral attitudes toward tax obligations (Alm et al., 2006)

In addition to the TPB, this study also uses the Slippery Slope Framework to explain the dynamics of tax compliance, which is influenced by the interaction between taxpayer trust in the tax authority and the authority's power to enforce regulations (Kirchler et al., 2008). Within this framework, factors such as tax socialization, tax understanding, and tax awareness contribute to building taxpayer trust in the tax system. Conversely, the application of tax sanctions reflects the power dimension of the tax authority that encourages compliance through law enforcement mechanisms.

This study also refers to Economic Deterrence Theory, which states that taxpayers' decisions to comply are influenced by rational considerations regarding the probability of audit and the magnitude of sanctions imposed in the event of a violation (Allingham, 1972). In this context, tax sanctions function as a law enforcement instrument that increases the perceived risk of non-compliance, thereby encouraging compliant behavior.

Various empirical studies have shown that institutional and behavioral factors significantly influence tax compliance. Tax knowledge, tax socialization, and taxpayer awareness have been shown to contribute to increased voluntary tax compliance (Bobek & Hatfield, 2003; Hofmann et al., 2008; Indrawan et al., 2018). Furthermore, tax administration reform through the digitization of information systems has also been shown to increase transparency and effectiveness of tax oversight (Cachalia, 2021; Grundel et al., 2021). However, the integration of digital transformation of tax administration with behavioral factors of taxpayer compliance in the context of multinational corporations' transfer pricing practices remains relatively limited in the literature.

Therefore, this study develops a tax compliance model that integrates the technological dimensions of tax administration, taxpayer behavioral factors, and law enforcement mechanisms through tax sanctions. This integrative approach is expected to provide a more comprehensive understanding of the determinants of multinational corporation tax compliance in transfer pricing practices.

Although the tax literature has extensively discussed the determinants of taxpayer compliance, most studies still separate the behavioral approaches from institutional reforms of the tax system. Behavioral studies generally emphasize psychological factors such as tax awareness, social norms, and tax knowledge as determinants of compliance (Alm, 2019), while research on tax administration reform focuses more on the impact of information system

modernization and digitalization on the efficiency of tax administration and oversight (Cachalia, 2021; Grundel et al., 2021). Furthermore, most research on tax compliance still focuses on individual taxpayers or small businesses, resulting in relatively limited studies on the compliance behavior of multinational corporations in the context of transfer pricing transactions (Klassen, 2016; Mpofu et al., 2021). Thus, there is a research gap in integrating digital tax administration reform with taxpayer behavioral factors in explaining multinational corporate tax compliance, particularly in the context of transfer pricing practices in developing countries.

This study's originality stems from the creation of a tax compliance model that integrates digital-based tax administration reform with taxpayer behavioral factors and law enforcement mechanisms within a single, integrated conceptual framework. Unlike previous research, which generally analyzes the determinants of tax compliance partially, this study simultaneously examines the role of Digital Tax Administration Reform, tax consultant integrity, tax socialization, taxpayer awareness, and tax understanding on multinational corporations' taxpayer compliance. Furthermore, this study introduces tax sanctions as a moderating variable that strengthens the relationship between these factors and tax compliance. This approach provides a new perspective in the tax compliance literature by positioning the digital transformation of tax administration as a structural determinant that interacts with behavioral factors and law enforcement mechanisms in the context of multinational corporations' transfer pricing practices in developing countries.

This study makes a theoretical contribution by developing a tax compliance model that integrates three major theoretical perspectives: the Theory of Planned Behavior (Ajzen, 1991), the Slippery Slope Framework (Kirchler et al., 2008) and the Economic Deterrence Theory (Allingham, 1972). This integration enables a more comprehensive understanding of tax compliance behavior by linking the psychological dimensions of taxpayers, institutional factors of the tax system, and law enforcement mechanisms. Within this framework, digital tax administration reform is positioned as a structural determinant that increases perceived behavioral control, while tax socialization, tax awareness, and tax understanding reflect the behavioral dimensions that shape compliance intentions. On the other hand, tax sanctions function as deterrence instruments that strengthen the influence of these factors on compliance. Thus, this study extends the tax compliance literature by integrating the technological, behavioral, and law enforcement dimensions within a single conceptual framework relevant to analyzing multinational corporations' tax compliance.

Practically, this research provides policy implications for tax authorities in designing more effective strategies to improve tax compliance, particularly in monitoring the transfer pricing practices of multinational corporations. The results of this study indicate that improving tax compliance depends not only on strengthening tax regulations and sanctions but also requires digital-based tax administration reforms that can increase transparency and integrity of tax data. Furthermore, tax outreach activities, increasing tax literacy, and strengthening the role of professionals such as tax consultants are also important factors in building sustainable tax compliance. By integrating technological approaches, tax education, and law enforcement, tax



authorities can develop tax administration policies that are more adaptive to the complexity of cross-border transactions and the risk of tax evasion by multinational corporations.

Drawing on the combination of the theoretical framework and prior empirical evidence, this study proposes the following hypotheses:

- H1: Digital Tax Administration Reform has a positive effect on taxpayer compliance.
- H2: Tax consultant integrity has a positive effect on taxpayer compliance.
- H3: Tax socialization has a positive effect on taxpayer compliance.
- H4: Taxpayer awareness has a positive effect on taxpayer compliance.
- H5: Tax understanding has a positive effect on taxpayer compliance.
- H6: Tax sanctions moderate the effect of Digital Tax Administration Reform on taxpayer compliance.
- H7: Tax sanctions moderate the effect of tax consultant integrity on taxpayer compliance.
- H8: Tax sanctions moderate the effect of tax socialization on taxpayer compliance.
- H9: Tax sanctions moderate the effect of taxpayer awareness on taxpayer compliance.
- H10: Tax sanctions moderate the effect of tax understanding on taxpayer compliance.

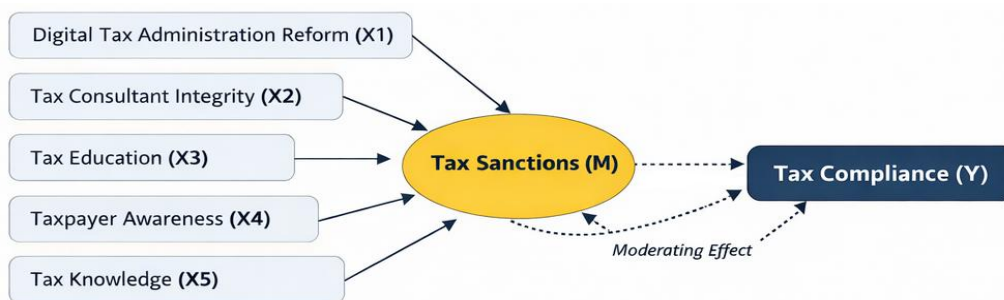


Figure 1. Research Model

RESEARCH METHODS

This research utilized an explanatory sequential mixed-methods design, beginning with a qualitative phase and subsequently followed by a quantitative phase (Creswell & Plano Clark, 2018). The qualitative phase was conducted through interviews with stakeholders related to transfer pricing practices, including Directorate General of Taxes employees, tax consultants, and company managers, to explore and validate conceptual indicators. Qualitative findings were used to strengthen the variable construction prior to testing the quantitative model.

The quantitative stage was conducted through a survey of tax and accounting employees at multinational companies operating in Special Economic Zones in Indonesia in the metal and machinery, plastic and packaging, electronics and electrical, and shipping industrial sectors. The study population comprised 752 individuals representing 376 companies. A purposive sampling technique was used to select the sample and the Krejcie and Morgan (1970) formula, resulting in 254 respondents, with 250 questionnaires that could be processed. The research instrument used a five-point Likert scale, and the data were analyzed using SEM-PLS through SmartPLS. The variables were measured based on the following indicators:

Table 1. Definition of Variables and Indicators

Variable	Operational Definition	Indicators
Digital Tax Administration Reform (X1)	Digital technology-based tax administration reform that increases transparency, reporting efficiency, and the ability of tax authorities to monitor tax transactions, including documentation and reporting of affiliated transactions in the transfer pricing practices of multinational companies.	1) Ease of use of the digital tax system 2) Transparency of tax data 3) Efficiency of electronic tax reporting 4) Integration of information systems for monitoring affiliate transactions
Tax Consultant Integrity (X2)	The level of professionalism, independence and integrity of tax consultants in providing tax consultations, including in preparing transfer pricing documentation in accordance with the arm's length principle .	1) Compliance with the professional code of ethics 2) Honesty in providing tax recommendations 3) Professionalism in preparing tax documentation 4) Commitment to transfer pricing compliance
Tax Socialization (X3)	Tax education and information dissemination activities carried out by the tax authorities to increase taxpayers' understanding of tax regulations, including transfer pricing regulations and affiliate transaction documentation obligations.	1) Intensity of tax socialization 2) Clarity of information regarding tax regulations 3) Access to transfer pricing policy information 4) Taxpayer understanding after socialization
Taxpayer Awareness (X4)	The level of moral awareness of taxpayers in viewing tax payments as an obligation to the state, including awareness to report affiliated transactions and transfer pricing practices transparently.	1) Awareness of tax obligations 2) Perception of the importance of taxes for development 3) Willingness to report affiliate transactions correctly 4) Positive attitude towards tax compliance
Tax Understanding (X5)	The level of taxpayer understanding regarding tax rules, procedures and obligations, including understanding of transfer pricing regulations, the arm's length principle and documentation obligations for affiliated transactions.	1) Understanding tax regulations 2) Understanding tax reporting procedures 3) Understanding transfer pricing rules 4) Understanding the consequences of tax violations
Tax Sanctions (M)	Administrative or financial sanctions imposed on taxpayers in the event of tax violations, including non-compliance in reporting affiliated transactions and transfer pricing documentation. This variable serves as a moderating variable in the research model.	1) Perception of strictness of tax sanctions 2) The amount of the tax fine 3) Risk of tax audit 4) Effectiveness of law enforcement regarding transfer pricing
Taxpayer Compliance (Y)	The level of taxpayer willingness to fulfill tax obligations correctly, completely and on time, including compliance in reporting affiliated transactions and determining transfer prices according to the arm's length principle.	1) Tax reporting compliance 2) Tax calculation compliance 3) Tax payment compliance 4) Transfer pricing documentation compliance

Source: from any resource

RESULTS AND DISCUSSION

Outer Model measurement for reflective indicators is carried out through Convergent Validity (outer loading and AVE), Discriminant Validity (cross loading and Fornell-Larcker), and Reliability (Composite Reliability and Cronbach's Alpha). The results show that all items have



higher cross loading and outer loading on their respective variables compared to other variables, and the Fornell-Larcker value (AVE root) of each construct is greater than its correlation with other variables, indicating good validity and reliability.

Table 2. Fornell-Larcker Criterion Table

	M Tax Penalties	X1 Digital Tax Administration Reform	X2 Tax Consultant Integrity	X3 Tax Socialization	X4 Tax Awareness	X5 Understanding Taxes	Y Tax Compliance
M Tax Sanctions	0.796						
X1 Digital Tax Administration Reform	0.485	0.848					
X2 Tax Consultant Integrity	0.507	0.320	0.857				
X3 Tax Socialization	0.503	0.385	0.436	0.855			
X4 Tax Awareness	0.531	0.393	0.444	0.440	0.823		
X5 Tax Understanding	0.568	0.365	0.433	0.417	0.441	0.781	
Y Tax Compliance	0.652	0.388	0.417	0.440	0.521	0.460	0.749

Data source: Processed

Construct reliability

All variables have Cronbach's Alpha values above 0.7, confirming their high reliability.

Table 3. Measurement Results for The Outer Reflective Indicator Model

Variables	Cronbach's Alpha	Composite Reliability	Information
X1 Digital Tax Administration Reform	0.957	0.962	Reliable
X2 Tax Consultant Integrity	0.960	0.965	Reliable
X3 Tax Socialization	0.947	0.956	Reliable
X4 Tax Awareness	0.953	0.959	Reliable
X5 Tax Understanding	0.929	0.940	Reliable
M Tax Sanctions	0.935	0.945	Reliable
Y Tax Compliance	0.959	0.962	Reliable

Data source: Processed

Inner Model Structural Model

Based on Figure 2, the following structural model equation is obtained.

$$Y = 0.035 X1 + 0.064 X2 + 0.094 X3 + 0.222 X4 + 0.096 X5 + 0.422 M + 0.021 X1 * M - 0.055 X2 * M + 0.033 X3 * M + 0.074 X4 * M + 0.102 X5 * M + \epsilon_{i2}; R^2 = 0.504.$$

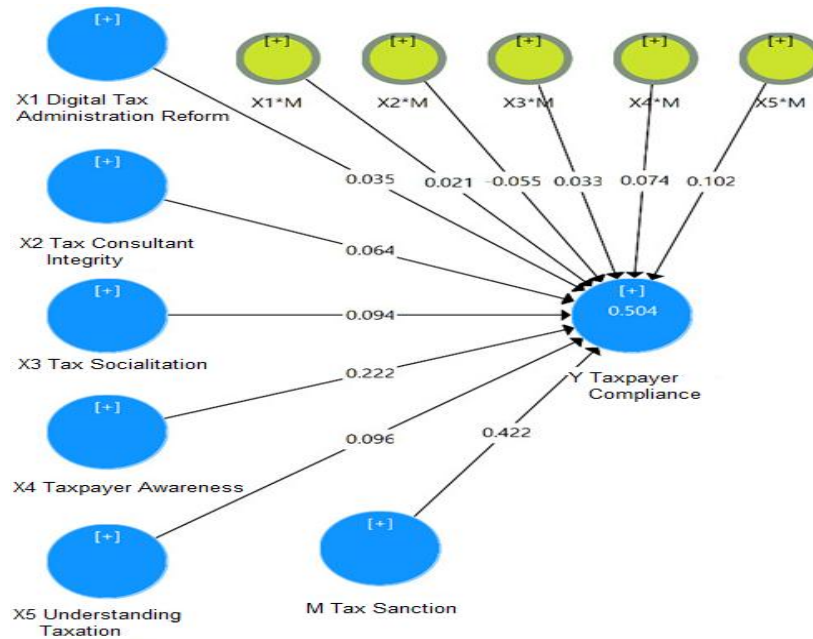


Figure 2. Structural Model Diagram after Data Analysis

Hypothesis testing

Hypotheses were tested in SmartPLS by examining path coefficients between latent variables, with significance set at $p < 0.05$, as shown in the table below.

Table 4. Table of Influence Results with T-statistics

Influence	Path coefficient	T statistics	p-values	Information
X1 → Y	0.035	0.776	0.438	Not significant
X2 → Y	0.064	1,401	0.162	Not significant
X3 → Y	0.094	1,875	0.061	Not significant
X4 → Y	0.222	4,491	0.000	Significant
X5 → Y	0.096	2,055	0.040	Significant
M → Y	0.422	7,587	0.000	Significant
X1*M → Y	0.021	0.624	0.533	Not significant
X2*M → Y	-0.055	1,508	0.132	Not significant
X3*M → Y	0.033	0.836	0.404	Not significant
X4*M → Y	0.074	1,982	0.048	Significant
X5*M → Y	0.102	3,004	0.003	Significant

Data source: Processed

The SEM-PLS analysis reveals that Digital Tax Administration Reform has no significant effect on taxpayer compliance ($\beta = 0.035$; $T = 0.776$; $p = 0.438$), thus hypothesis H1 is not supported. This finding indicates that digital-based tax administration modernization has not directly improved taxpayer compliance behavior. Interview findings indicate that the implementation of the digital tax system still faces technical obstacles, limited digital literacy, and a lack of taxpayer understanding in utilizing the electronic reporting system. This condition indicates that the existence of administrative technology has not been fully followed by user readiness. Theoretically, modernizing tax administration through digital technology does have



the potential to increase efficiency and reduce compliance costs if implemented optimally (Bird et al., 2011). However, in practice, digital transformation in the public sector often faces a design-reality gap, namely the gap between policy design and implementation conditions in the field (Heeks, 2006). Furthermore, from the perspective of the Slippery Slope Framework, tax compliance is not only influenced by administrative ease, but also by the level of taxpayer trust in the tax authorities and the strength of law enforcement (Kirchler et al., 2008). Therefore, digital tax administration reform needs to be integrated with increased tax literacy, policy dissemination, and strengthening institutional trust to be able to encourage taxpayer compliance more effectively.

The results of the SEM-PLS analysis indicate that Tax Consultant Integrity does not significantly influence taxpayer compliance ($\beta = 0.064$; $T = 1.401$; $p = 0.162$), so hypothesis H2 is not supported, the variable does not have sufficient empirical power to explain variations in taxpayer compliance in the structural model, a positive path coefficient indicates that conceptually an increase in tax consultant integrity tends to be related to an increase in compliance, although the effect is relatively weak. Interview findings indicate that not all taxpayers use the services of tax consultants to fulfill their tax obligations, especially with the increasing development of digital tax administration systems that allow for independent tax reporting. Furthermore, in tax practice, tax consultants generally act as technical advisors in interpreting regulations and managing tax obligations, while the final decision regarding compliance remains with the taxpayer as the party with legal responsibility. In line with previous research, tax compliance is largely influenced by internal factors such as tax awareness, perceptions of system fairness, and trust in the government (Alm et al., 2006), while the Slippery Slope Framework emphasizes the interaction between taxpayer trust and the strength of law enforcement (Kirchler et al., 2008). Therefore, the role of tax consultants is more often related to tax planning and efficient management of tax obligations than directly increasing voluntary taxpayer compliance. This finding suggests that taxpayer behavioral factors and the institutional quality of the tax system tend to have a stronger influence on compliance than external factors such as the integrity of tax consultants.

The results show that Tax Socialization has no significant effect on transfer pricing compliance, ($\beta = 0.094$; $T = 1.875$; $p = 0.061$), thus hypothesis H3 is not supported at the 5% significance level. This suggests that the tax socialization variable does not yet provide a substantial empirical contribution in explaining differences in taxpayer compliance within the structural model. Nonetheless, the positive coefficient implies that increased tax socialization may lead to higher compliance, albeit with a modest effect. Interview findings indicate that the limited influence of tax socialization is mainly due to the complexity of transfer pricing regulations, which require a technical understanding of the arm's length principle, transfer pricing documentation, and comparative analysis of transactions between companies within multinational groups. In practice, general tax socialization activities often do not fully address the specific needs of taxpayers involved in transfer pricing transactions (OECD, 2022). Therefore, multinational companies tend to gain regulatory understanding through professional consultations, technical training, or internal company policies. From a tax compliance theory perspective, compliance is influenced not only by regulatory knowledge but also by institutional factors and corporate strategy. The literature shows that transfer pricing decisions

often lie at the intersection of regulatory compliance and the global tax management strategies of multinational corporations (Yonah et al., 2022). Therefore, while tax socialization plays a role in increasing policy transparency and regulatory awareness, its impact on transfer pricing compliance tends to be limited without the support of more specific technical education and effective oversight mechanisms.

The results of the analysis show that Taxpayer Awareness has a positive and significant influence on tax compliance in transfer pricing practices ($\beta = 0.222$; $T = 4.491$; $p = 0.000$), thus the H4 hypothesis is accepted. The positive coefficient indicates that the higher the level of taxpayer awareness, the higher their level of compliance in fulfilling tax obligations, including in preparing documentation and reporting transfer pricing transactions. Interview findings also show that companies with a high level of tax awareness tend to better understand the obligation to apply the arm's length principle and prepare transfer pricing documentation in accordance with applicable regulations. In the tax literature, tax awareness is an internal factor that plays an important role in shaping voluntary tax compliance, where compliance is not only driven by law enforcement but also by taxpayer awareness and understanding of their fiscal obligations (Alm et al., 2006). In addition, the concept of tax morale explains that tax compliance is influenced by moral values, social norms, and perceptions of fairness in the tax system (Frey & Torgler, 2007). In the context of multinational companies, high tax awareness encourages companies to be more transparent in their transfer pricing policies and minimize the risk of tax disputes, thereby strengthening compliance with international tax regulations (OECD, 2022).

The results show that Tax Understanding (X5) has a path coefficient of 0.096 on Taxpayer Compliance in Transfer Pricing (Y), with a T-statistic value of 2.055 and a p-value of 0.040. Hypothesis H5 is accepted. The positive coefficient indicates that increased tax understanding is followed by increased compliance, although the effect is moderate. Qualitatively, knowledge of tax regulations, reporting procedures, and transfer pricing documentation obligations helps taxpayers recognize the risk of non-compliance and understand the legal consequences. Taxpayers with a good understanding tend to be more able to prepare transaction affiliation documentation appropriately and adjust transfer pricing policies according to applicable regulations. This finding is in line with the Theory of Planned Behavior proposed by Ajzen (1991), which states that knowledge and understanding influence individual attitudes and behavioral intentions in determining the actions contained therein. In the context of transfer pricing, regulatory understanding is important to ensure the application of fairness principles and business practices according to OECD guidelines, so that companies are more likely to comply with tax obligations transparently (OECD, 2022).

The interaction between Digital Tax Administration Reform and Tax Sanctions on transfer pricing compliance is not significant ($\beta = 0.021$; $T = 0.624$; $p = 0.533$), so H6 is not supported. Quantitatively, the very small interaction coefficient indicates that tax sanctions neither strengthen nor weaken the influence of digital tax administration reform on taxpayer compliance. Qualitatively, digital tax administration reform focuses on increasing system efficiency, information transparency, and ease of administrative services through the use of technology. This mechanism is more related to improving service quality and procedural



convenience for taxpayers. Conversely, tax sanctions are a law enforcement instrument that functions to create a deterrent effect against potential tax violations as explained by Allingham (1972). This lack of significant moderation can be interpreted the theory using Kirchler et al., (2008), which posits that tax compliance is shaped by two key dimensions: the authority's power and taxpayers' trust in authorities. Digital tax administration reform primarily enhances trust and the quality of tax services, whereas tax sanctions pertain to law enforcement measures. If these two mechanisms do not interact directly with each other in taxpayer perceptions, the expected moderating effect will not appear significantly in the research model.

The interaction between Tax Consultant Integrity and Tax Sanctions on transfer pricing compliance has a path coefficient of -0.055 ($T = 1.508$; $p = 0.132$), indicating an insignificant moderation effect and hypothesis H7 is not empirically supported. Quantitatively, the negative interaction coefficient indicates that increasing perceptions of tax sanctions tend to weaken the influence of tax consultant integrity on compliance, although the relationship is not statistically significant. Qualitatively, tax consultant integrity is more related to professional standards, professional ethics, and the quality of technical recommendations provided to taxpayers in fulfilling tax obligations. This role is consultative, while the final decision regarding compliance remains with the taxpayer as the party who has legal responsibility for their tax obligations. Meanwhile, tax sanctions are a law enforcement instrument designed to create a deterrent effect against tax violations as explained by Allingham (1972). This insignificant moderation can also be understood through the Slippery Slope Framework (Kirchler et al., 2008), which emphasizes that tax compliance is influenced by the balance between tax authority power and taxpayer trust. Tax consultant integrity is more related to trustworthiness and professionalism, while tax sanctions reflect the strength of law enforcement. When these two factors do not interact directly in taxpayer perceptions, the expected moderating effect does not emerge significantly.

The interaction between Tax Socialization and Tax Sanctions on transfer pricing compliance shows a path coefficient of 0.033 ($T = 0.836$; $p = 0.404$), indicating an insignificant moderation effect and hypothesis H8 is not empirically proven. Quantitatively, the very small interaction coefficient indicates that tax sanctions do not strengthen the influence of tax socialization on taxpayer compliance. Qualitatively, tax socialization functions as an educational instrument to increase taxpayer understanding and awareness, thereby encouraging voluntary compliance, while tax sanctions are a law enforcement instrument that creates a deterrence effect as explained by Allingham (1972).. These findings support Kirchler et al., (2008), Slippery Slope Framework which emphasizes that tax compliance is determined by the balance between taxpayer trust and the power of tax authorities. These results also align with empirical evidence from Torgler and Schneider, which shows that increased tax education and awareness have a greater influence on voluntary compliance than approaches that rely solely on sanctions. Therefore, the interaction between tax socialization and sanctions does not always produce a significant moderating effect on taxpayer compliance.

The interaction between taxpayer awareness and tax sanctions on transfer pricing compliance has a path coefficient of 0.074 ($T = 1.982$; $p = 0.048$), indicating a significant moderation effect so that H9 is accepted, with sanctions strengthening the influence of awareness even though the effect is relatively weak. This means that increasing taxpayer

awareness will be more effective in increasing compliance when accompanied by perceptions of the legal consequences of tax violations. Qualitatively, taxpayer awareness reflects a moral responsibility in fulfilling tax obligations, but awareness alone is not always sufficient without clear law enforcement support. This relationship can be explained through the deterrence model by Allingham (1972), and the Slippery Slope Framework which emphasizes the interaction between taxpayer trust and the power of tax authorities. This finding is also in line with research by Alm et al., (2006) which shows that the combination of tax awareness and sanction enforcement can increase tax compliance more effectively.

The results indicate that the interaction between Tax Understanding (X5) and Tax Sanctions (M) on Taxpayer Compliance with Transfer Pricing (Y) has a path coefficient of 0.102, with a T-statistic of 3.004 and a p-value of 0.003, showing that the moderating effect is significant and hypothesis H10 is supported. The positive coefficient suggests that tax sanctions strengthen the impact of tax understanding on compliance, meaning that the higher taxpayers' knowledge of regulations, reporting procedures, and documentation obligations, the more sanctions enhance their compliance behavior. Qualitatively, tax understanding helps taxpayers identify non-compliance risks and apply fairness principles in affiliate transactions. However, knowledge alone does not guarantee compliance without clear law enforcement. This relationship aligns with the deterrence model by Allingham (1972) and Kirchler et al., (2008) Slippery Slope Framework, emphasizing that compliance increases when taxpayer knowledge is supported by enforcement power. These findings also correspond with studies by Alm et al., (2006), showing that the combination of tax knowledge and perception of sanctions can reinforce compliance behavior.

CONCLUSION

This study examines the impact of digital tax administration reform and taxpayer behavioral factors on multinational corporations' compliance in transfer pricing. The findings indicate that tax awareness and understanding have a significant positive effect, whereas digital administration reform, consultant integrity, and tax socialization do not show a significant impact. Tax sanctions serve as a moderating factor, enhancing the influence of taxpayer awareness and understanding. These results suggest that behavioral factors and effective law enforcement play a more decisive role in promoting compliance than administrative reforms. Theoretically, the study integrates the Theory of Planned Behavior, the Slippery Slope Framework, and Economic Deterrence Theory; empirically, it contributes to the literature on tax compliance among multinational corporations in developing countries; and practically, it provides guidance for improving tax education, literacy, and enforcement. Study limitations include a relatively small sample, reliance on respondent perception data, and a limited set of variables. Future research should consider broader sectors and regions, include additional variables such as tax morale and governance, and employ longitudinal designs or secondary data for a more comprehensive analysis.



REFERENCES

- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Process*, 50, 179–211.
- Allingham, M. G. (1972). *University of Pennsylvania, Philadelphia, U.S.A. and The Norwegian School of Economics and Business Administration, Bergen, Norway. 1*, 323–338.
- Alm, James; Torgler, B. (2006). Culture Differences and Tax Morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2), 224–246.
- Anomah, S., Ayebofo, B., Aduamoah, M., & Agyabeng, O. (2024). Blockchain technology integration in tax policy: Navigating challenges and unlocking opportunities for improving the taxation of Ghana ' s digital economy. *Scientific African*, 24(October 2023), e02210. <https://doi.org/10.1016/j.sciaf.2024.e02210>
- Appah, E., & Aganaba, D. (2024). *Tax Socialisation and Voluntary Tax Compliance Behaviour : Does Public Trust Matter ? 12*(4), 34–54.
- Avi-Yonah, R., Kim, Y. R., & Sam, K. (2022). A New Framework for Digital Taxation. *Harvard International Law Journal*, 63(2), 279–341.
- Bird, R. M. (2011). Dual Income Taxation : A Promising Path to Tax Reform for Developing Countries. *World Development*, 39(10), 1691–1703. <https://doi.org/10.1016/j.worlddev.2011.04.008>
- Bobek, D. D., & Hatfield, R. C. (2003). *An Investigation of the Theory of Planned Behavior and the Role of Moral Obligation in Tax Compliance. 15*.
- Cachalia, M. (2021). The use of blockchain technology to improve transfer-pricing compliance and administration in South Africa. *Doctoral Thesis Johannesburg: University of Johannesburg*.
- Cobham, A., Bernardo, J. G., Palansky, M., & Mansour, M. B. (2020). The State of Tax Justice 2020 : Tax Justice in the time of COVID-19. *Tax Justice Network, November*, 1–83. <https://www.taxjustice.net/reports/the-state-of-tax-justice-2020/>
- Dewi, R. C., Petra, B. A., Agusti, A., Juliani, A., & Tungkir, B. (2021). *The Effect of Taxation Socialization , Understanding Taxation , Tax Rates , and Tax Sanction on Tax Compliance in Msme Padang City. 1*(6), 330–342.
- Eden, L., & Byrnes, W. (2018). Transfer pricing and state aid: The unintended consequences of advance pricing agreements. *Transnational Corporations*, 25(2), 9–36. <https://doi.org/10.18356/7fb86b3d-en>
- Frey, B. S., & Torgler, B. (2007). *Tax morale and conditional cooperation. 35*, 136–159. <https://doi.org/10.1016/j.jce.2006.10.006>
- Grundel, L. P., Zhuravleva, I. A., Mandroshchenko, O. V., & Kniazeva, A. V. (2021). *Applications of Blockchain in Taxation : New Administrative Opportunities. 18*, 442–452. <https://doi.org/10.14704/WEB/V18SI04/WEB18139>
- Heeks, R. (2006). *Implementing and Managing eGovernment: An International Text*. London: SAGE Publications
- Hofmann, E., Hoelzl, E., & Kirchler, E. (2008). *Preconditions of Voluntary Tax Compliance. 216*(4), 209–217. <https://doi.org/10.1027/0044-3409.216.4.209>

- Indrawan, R., Binekas, B., Akuntansi, J., Yani, J. A., Akuntansi, J., & Yani, J. A. (2018). *Jurnal riset akuntansi & keuangan*. 6(3), 419–428. <https://doi.org/10.17509/jrak.v4i3.4670>
- Kirchler, E., Hoelzl, E., & Wahl, I. (2008). *Enforced versus voluntary tax compliance : The “slippery slope ” framework*. 29, 210–225. <https://doi.org/10.1016/j.joep.2007.05.004>
- Klassen, et. al. (2016). Transfer Pricing: Strategies, Practices, and Tax Minimization*. *Contemporary Accounting Research*, 34(1), 83–117. <https://doi.org/10.1111/1911-3846.12238>
- OECD. (2023). *Base Erosion and Profit Shifting Project Minimum Tax Implementation Handbook (Pillar Two)*. www.oecd.org/tax/beps
- OECD. (2022). January 2022. In *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* (Vol. 60, Issue 1, pp. 5–6). <https://doi.org/10.1111/fcre.12621>
- Sebele-Mpofu, F., Mashiri, E., & Schwartz, S. C. (2021). An exposition of transfer pricing motives, strategies and their implementation in tax avoidance by MNEs in developing countries. *Cogent Business and Management*, 8(1). <https://doi.org/10.1080/23311975.2021.1944007>

