

# Determinants of Tax Compliance with Implications for Digital Accounting and Fintech Sustainability

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## ABSTRACT

This research examines the predictors of tax compliance and their implications for the sustainability of digital accounting and FinTech. Using survey data from MSMEs and the application of PLS-SEM in Smart-PLS-4, the study investigated the impact of compliance costs, tax rates, and the complexity of the tax system on tax compliance behaviour. The measurement model demonstrated robust reliability and validity, and the structural models explained 29.3% of the variance in personal tax compliance. The findings suggest that the costs of compliance and the complexity of the tax system have a statistically significant and positive effect on tax compliance, while tax rates do not. The results show that sustainable compliance is more effectively achieved by reducing administrative burdens and simplifying the tax system, rather than through rate changes. Key findings of the research emphasize the role of digital accounting technology and the innovations of FinTech in establishing the foundation for transparency, efficiency, and trust among taxpayers. A priori, this research extends the compliance literature by adopting a combination of administrative, behavioural, and technological perspectives in the study. Feit provides direction and digital infrastructure to reduce bureaucracy, supporting the tax system that supports the economy.

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## 1. Introduction

Tax compliance remains a central concern for governments worldwide as it directly influences revenue mobilization, fiscal stability, and sustainable development. In the digital era, the determinants of tax compliance are no longer confined to traditional economic variables but increasingly shaped by technological advancements, evolving business models, and changing taxpayer behavior (Urumsah & Rasyid, 2023). With the rise of digital accounting systems and financial technologies (FinTech), compliance has acquired a multidimensional character that involves economic, legal, social, and technological factors. A robust tax compliance framework is essential not only for improving government revenues but also for sustaining trust between taxpayers and authorities, particularly in economies where informality and evasion are prevalent (Bruce-Twum et al., 2023). One of the key determinants of tax compliance is compliance costs, which include the direct and indirect expenses borne by taxpayers in fulfilling their obligations. High compliance costs are especially burdensome for small and medium enterprises (SMEs), often discouraging voluntary compliance (Suryanarayana, 2024). Digital accounting tools and automation reforms have

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emerged as transformative solutions to reduce these costs, streamlining reporting processes and improving efficiency (Bassongui & Honlonkou, 2024). Another significant determinant is the structure of tax rates, which shapes perceptions of fairness and equity. Studies show that taxpayers' willingness to comply is influenced by the balance between perceived tax burdens and the benefits derived from public services (Pandey, 2025). In this respect, digital transparency initiatives, such as automated reporting, can mitigate resistance by enhancing clarity and reducing disputes over tax liabilities (Michael et al., 2024). A third determinant, tax complexity, continues to undermine compliance due to legal ambiguities and procedural inefficiencies. Recent research suggests that digital innovations like blockchain and AI can simplify compliance procedures, thus addressing the uncertainty that often leads to non-compliance (Dermawan et al., 2025; Dhingra, 2025). Despite the growing digitalization of tax systems, many economies still face persistent compliance challenges. Taxpayers often struggle with high administrative burdens, opaque procedures, and inadequate technological infrastructures, which collectively reduce compliance efficiency (Chelangat, 2023; Trang, 2024). Moreover, while digital solutions such as e-invoicing and automated reporting have been introduced, their adoption has not been uniforming across sectors and regions, leading to disparities in compliance levels (Hesami et al., 2024). In some cases, digital reforms initially increased compliance costs before achieving long-term reductions, highlighting the complexity of implementation and taxpayer adaptation (Murnidayanti & Putranti, 2023). Furthermore, psychological and social determinants, including perceptions of fairness and trust in authorities, remain underexplored in the context of digital compliance systems (Putra et al., 2024). Without addressing these interconnected dimensions, the potential of digital accounting and FinTech solutions to enhance compliance and sustainability remains limited.

Existing literature has provided significant insights into the economic and behavioral aspects of tax compliance; however, critical gaps remain. First, while compliance costs, tax rates, and complexity have been extensively studied in traditional tax environments, their interactions in the context of digital accounting and FinTech-driven tax systems remain underexplored (Okeke et al., 2023; Król, 2023). Second, studies that evaluate compliance determinants often overlook the sustainability perspective, i.e., how digital platforms and FinTech innovations can create long-term, efficient, and transparent tax environments. For instance, while automation reforms in Africa and Asia show promise, limited empirical evidence exists on how these reforms reshape compliance determinants in practice (Bassongui & Honlonkou, 2024; Tang et al., 2024). Finally, most research has focused on compliance in isolation, without integrating cross-disciplinary insights from digital governance, legal frameworks, and financial technology. This fragmented approach restricts the development of holistic models capable of addressing the evolving challenges of tax compliance in the digital economy. The motivation behind this study lies in bridging these gaps by critically examining the determinants of tax compliance (compliance costs, tax rates, and tax complexity) within the context of digital accounting and FinTech sustainability. By focusing on how these determinants interact with technological innovations, the study seeks to advance understanding of how digital reforms can transform compliance outcomes. This inquiry is particularly timely given the global shift toward digital tax administrations, where transparency, efficiency, and sustainability are paramount (Hidayat & Defitri, 2024). Exploring these determinants will provide evidence-based insights for policymakers, enabling them to design interventions that not only reduce compliance costs and simplify systems but also ensure fairness and long-term sustainability in the digital tax ecosystem. Ultimately, the study aims to contribute to the development of tax frameworks that leverage technology to promote compliance, strengthen trust, and support economic resilience in the digital age.

## 2. Literature Review

The determinants of tax compliance are multifaceted and influenced by various factors including the implementation of digital accounting practices and the rise of fintech solutions. This discussion delves into the prominent determinants impacting tax compliance and considers their implications for sustainability in the digital economy. Firstly, digitalization plays a significant role in enhancing tax compliance among different sectors, particularly within micro, small, and medium enterprises (MSMEs). Research indicates

that digitizing tax administration significantly lowers compliance costs for taxpayers. In Indonesia, the implementation of digital systems like e-fraktur was found to initially increase compliance costs by 3.4% in the first six months but ultimately reduced them by 31% after effective implementation (Murnidayanti & Putranti, 2023). This situates digital tools as critical enablers for reducing the overall burden of tax compliance, which in turn can increase voluntary compliance rates among businesses. Moreover, the integration of advanced technologies such as artificial intelligence (AI) and blockchain into tax systems has the potential to further optimize compliance processes. These technologies enhance data transparency and security, making it easier for tax authorities to detect non-compliance (Hidayat & Defitri, 2024). The deployment of AI can automate many administrative tasks associated with tax compliance, thereby minimizing errors and reducing the cognitive load on businesses (Opeyemi et al., 2024). Furthermore, such technologies not only streamline the compliance process but also foster taxpayer trust and engagement through increased efficiency and reduced opportunities for tax fraud (Belahouaoui & Attak, 2024).

Understanding taxpayers' psychological factors is equally essential for fostering compliance. Campaigns designed to promote tax socialization within communities have been shown to demystify the tax process, thus encouraging voluntary compliance. Engaging community leaders in educating taxpayers about the benefits of compliance can significantly alter attitudes towards taxation, thereby enhancing compliance levels (Putra et al., 2024; Michael & Widjaja, 2024). This suggests that psychological and social determinants are intertwined with economic factors, making a cohesive approach necessary for improving compliance rates. Legal frameworks also play a crucial role in tax compliance within the digital economy. Policymakers must adapt regulations to keep pace with digital transactions and innovations in fintech (Adelakun et al., 2024). This includes navigating complexities that arise from the anonymity afforded by digital platforms, which can complicate compliance (Hidayat & Defitri, 2024). The implication is that a robust legal structure paired with technological safeguards is critical in promoting a fair and sustainable tax environment in the digital age. Additionally, the quality of the e-tax system is directly related to taxpayers' compliance intentions. It has been shown that the effectiveness and user satisfaction with e-tax platforms significantly mediate a taxpayer's intention to comply with tax obligations. Tax authorities must ensure that these systems are functional and user-friendly to further enhance compliance rates (Saptono et al., 2023; Sulaeman et al., 2024). Finally, the potential for sustainability in fintech and digital accounting practices hinges not only on technological advancements but also on fostering a culture of compliance through continuous education and engagement with taxpayers. The reliance on information technology and the understanding of digital tools in tax administration will only grow, necessitating an evolving approach to tax governance that recognizes the interdependencies among technology, legal frameworks, and societal attitudes towards taxation (Owoeye, 2024; Natariasari & Hariyani, 2023).

## 2.1 Concept of Tax Compliance

Tax compliance refers to the degree to which taxpayers adhere to tax laws and fulfill their tax obligations accurately and timely. In the digital era, compliance has become increasingly paramount due to the rapid changes in technological infrastructure impacting tax systems globally. The importance of tax compliance in this context can be attributed to its role in enhancing government revenue, promoting economic stability, and ensuring a fair taxation system. Economic deterrence models suggest that higher perceived risks of audits and penalties can enhance compliance rates, as observed in various studies (Urumsah & Rasyid, 2023; Michael et al., 2024; Behavioral theories further argue that individual attitudes and perceived fairness directly impact taxpayer behavior, asserting that transparency and information accessibility can bolster compliance (Dhingra, 2025; Ayariga et al., 2024).

## 2.2 Compliance Costs

Compliance costs encompass both direct and indirect expenditures incurred by taxpayers in fulfilling tax obligations. These costs can impose significant financial strain, particularly on small and medium enterprises (SMEs), where the burden may often outweigh the perceived benefits of compliance (Suryanarayana, 2024; Bruce-Twum et al., 2023). The theoretical justification for the burden lies in the

complexity inherent in modern tax systems, further exacerbated by ambiguous regulations, which lead to increased resources spent on compliance (Prasad & Ramaprabha, 2024; Trang, 2024). Digital accounting tools present a promising avenue to alleviate these burdens. Recent studies have shown that incorporating technology can streamline tax processes, thereby reducing compliance costs and improving overall efficiency (Hesami et al., 2024; Bassongui & Honlonkou, 2024; Prats et al., 2024).

### 2.3 Tax Rates

The structure of tax rates is crucial in shaping perceptions of fairness and ultimately influencing the willingness of individuals and businesses to comply. Higher tax rates can lead to a decrease in voluntary compliance, particularly among SMEs, because of the perceived inequity in the tax burden. A nuanced understanding of the psychological factors affecting taxpayer compliance is necessary, as research indicates that fairness perceptions mediate the relationship between tax rates and compliance behavior (Pandey, 2025; Ayariga et al., 2024). Moreover, digital transparency initiatives, such as automated reporting systems, can enhance the clarity of tax obligations and foster greater compliance by reducing ambiguity associated with tax liabilities (Michael et al., 2024; Dhingra, 2025; Puholovko, 2024).

### 2.4 Tax Complexity

Legal, procedural, and administrative complexities of tax systems present significant barriers to taxpayer compliance. Taxpayers often face uncertainty due to intricate regulations, which may result in non-compliance, not out of intent, but due to misunderstanding their obligations (Mardiana et al., 2025; Chelangat, 2023). Innovations in FinTech have been frequently discussed as potential solutions for simplifying compliance processes. Studies indicate that digital solutions, such as automated accounting systems, can drastically reduce the complexity associated with tax compliance, thereby leveling the playing field for all taxpayers (Tang et al., 2024; Dermawan et al., 2025; Bassongui & Honlonkou, 2024).

## 3. Hypothesis Development and Proposed Conceptual Model

A conceptual model that outlines pathways from compliance costs, tax rates, and tax complexity to tax compliance provides a framework for understanding the multifaceted nature of tax compliance in the digital age. Such a model emphasizes the interaction between these variables and integrates the role of digital accounting tools that can enhance adherence while considering the sustainability of FinTech solutions. This integrative approach offers a roadmap for future research and policy interventions aimed at reducing compliance costs, simplifying tax structures, and implementing fair tax systems that leverage digital technologies effectively (Hesami et al., 2024; Okeke et al., 2023; Król, 2023). The relationship between compliance costs and tax compliance is a significant area of inquiry for understanding taxpayer behaviors, particularly among micro, small, and medium enterprises (MSMEs). The hypothesis H1 posits that compliance costs have a notable effect on tax compliance, substantiated by multiple studies illustrating how these costs can hinder or promote tax compliance. One prominent finding is that high compliance costs often correlate with reduced tax compliance among MSMEs. Murnidayanti and Putranti suggest that the complexity of the tax system creates substantial compliance costs, adversely affecting the competitiveness of MSMEs and leading to lower compliance levels (Murnidayanti & Putranti, 2023). Furthermore, Cahyani and Puspitosari indicate that compliance costs manifest as both internal and external financial burdens, which can drive non-compliance behaviors among SMEs. Their research demonstrates that high compliance costs are associated with increased non-compliance (Cahyani & Puspitosari, 2023). This connection underscores the importance of addressing compliance costs as part of tax administration reform to enhance compliance.

Empirical evidence supports that compliance costs serve as a mediating factor in taxpayer behavior. Prasad and Ramaprabha (2024) illustrate that tax compliance costs significantly mediate the relationship between tax structure complexity and perceptions of fairness in taxation, suggesting that as compliance costs rise, taxpayers are less likely to perceive tax obligations as fair, leading to lower compliance rates. Similarly,

Sandi and Trisnawati's findings reinforce that compliance costs have a negative and significant impact on MSME compliance, establishing a direct relationship in which increased costs lead to reduced compliance (Sandi & Trisnawati, 2023). Moreover, Bruce-Twum asserts that understanding compliance costs is essential for reforming compliance policies, especially in emerging economies where SMEs constitute the backbone of the economy. The study indicates that higher compliance costs negatively affect compliance behavior of SMEs in Ghana, affirming that streamlining tax compliance processes and reducing associated costs can lead to significant improvements in compliance rates (Bruce-Twum, 2023). Stark et al. examined factors contributing to compliance costs in South Africa, revealing that taxpayers in higher income brackets incur greater compliance costs, which may act as a deterrent to compliance (Stark et al., 2023). The literature indicates a significant and negative relationship between compliance costs and tax compliance across various contexts and demographic groups. Thus, addressing and mitigating compliance costs is crucial for enhancing tax compliance, particularly among MSMEs that face disproportionate burdens when navigating complex tax regulations.

**H1:** *Compliance Costs have a significant effect on Tax Compliance.*

The relationship between tax rates and tax compliance is an important focus in public economics, examining how variations in tax rates affect individual and organizational behaviors in fulfilling tax obligations. Previous studies suggest a correlation between high tax rates and reduced compliance levels. For example, (Abjadi et al., 2023) observed that higher tax rates discourage compliance among small and medium-sized enterprises (SMEs), as the financial burden is regarded as overly heavy by taxpayers. This finding supports the notion that elevated tax rates can diminish both the willingness and the capacity of individuals and businesses to adhere to tax laws (Abjadi et al., 2023). (Khan et al., 2024; further explored this relationship, emphasizing the impact of tax penalty rates. Their research indicates that any changes in penalty rates—be they increases or decreases—can significantly influence taxpayers' intentions and behaviors regarding timely filing. This indicates that when taxpayers perceive tax rates and penalties as excessively punitive, overall compliance may decrease as taxpayers attempt to mitigate their financial liabilities through non-compliance (Khan et al., 2024; . (Lestari et al., 2023) also pointed out that behavioral intentions, which are shaped by attitudes towards tax obligations and assessments of equity in tax systems, significantly impact compliance behaviors. Consequently, if tax rates are viewed as excessive, the intent to comply weakens, leading to higher instances of non-compliance (Lestari et al., 2023).

Moreover, psychological factors are critical alongside the economic implications of tax rates. (Marfiana & Santoso, 2024) argue that environmental factors, including the likelihood of tax audits and the severity of sanctions, along with the tax rate intensity, greatly influence taxpayer compliance. They suggest that the perceived fairness of the tax system and the psychological readiness of the taxpayer are closely linked to these structural elements of tax regulations (Marfiana & Santoso, 2024). The interplay of psychological motivations and economic realities like tax rates forms a complex landscape impacting compliance. Additionally, empirical evidence from Tepwick and Elmaasrawy (2024) suggests that the perception of tax rates is vital in influencing compliance levels. Their study found a positive correlation between well-structured audits and compliance, indicating that clear communication from tax authorities regarding tax obligations significantly enhances compliance rates. Effective communication about tax rates and their justifications can positively influence taxpayer behavior, fostering a culture of compliance even amid higher tax obligations (Tawfik & Elmaasrawy, 2024). The relationship between tax rates, behavioral intentions, and perceptions of fairness is critical in influencing tax compliance. The synthesis of existing literature supports the view that elevated tax rates correlate with lower compliance levels, driven by increased financial pressures and a lack of trust in the motivations behind such tax structures. Future research should aim to further dissect these variables to uncover the specific mechanisms affecting compliance in the context of varying tax rates.

**H2:** *Tax Rates have a significant effect on Tax Compliance.*

The relationship between tax complexity and tax compliance is a significant area of research in public

finance and behavioral economics. This section will explore the impact of tax complexity on taxpayer compliance, drawing upon empirical studies that elucidate this relationship. Tax complexity is often associated with the difficulty taxpayers face in navigating tax laws and regulations. Research indicates that higher tax complexity can negatively influence tax compliance, as individuals may find it challenging to understand their obligations. For instance, Kamarudin et al. found that tax complexity significantly affects tax compliance, particularly among young workers who may have less experience with tax systems; their study suggests that simplifying the tax system can lead to improved compliance outcomes (Kamarudin et al., 2024). Similarly, the study conducted by Kamau and Wanjohi revealed that complexities in tax codes were correlated with decreased compliance rates among small and medium enterprises (Kamau & Wanjohi, 2024). This finding underscores the importance of straightforward compliance procedures and regulations to enhance understanding and compliance. Moreover, Dewi and Darma (2024) affirm that a positive relationship exists between taxpayer understanding and compliance, indicating that reducing tax complexity can promote clarity and enhance compliance behavior. Their research emphasizes that a well-structured tax education can lead to better adherence to tax obligations, effectively mitigating the adverse effects of complexity. Additionally, the mediating role of tax compliance costs, as highlighted by C and Ramaprabha, illustrates how complex tax structures not only incur direct compliance costs but also distort perceptions of fairness, potentially exacerbating noncompliance (C & Ramaprabha, 2024). Furthermore, studies focusing on taxpayer behavior suggest broader impacts of tax complexity. Research by Mahenge (2023) explores how rising tax complexity correlates with negative taxpayer attitudes, leading to higher rates of tax evasion, as individuals might perceive complex laws as barriers to compliance rather than obligations. Thus, there is evidence suggesting that tax complexity adversely affects tax compliance by creating barriers to understanding and fulfilling tax obligations. Simplifying the tax code and enhancing taxpayer education are crucial strategies for improving compliance rates. Consequently, policymakers must recognize the critical intersection between tax complexity and compliance and strive to create more taxpayer-friendly tax systems.

**H3:** *Tax Complexity has a significant effect on Tax Compliance.*

#### 4. Methodology

The study employed a quantitative research design based on a structured survey to examine the determinants of tax compliance—compliance costs, tax rates, and tax complexity—within the broader framework of digital accounting and FinTech sustainability. This design was chosen because it enables the measurement of relationships among constructs and provides empirical evidence to test the proposed hypotheses (H1–H3). The population targeted micro, small, and medium-sized enterprises (MSMEs), given their strategic role in national economies and their sensitivity to compliance burdens and digital reforms. A stratified sampling technique was adopted to capture variations across sectors, and data were collected through a Likert-scale questionnaire administered both online and in-person. To ensure instrument validity and reliability, the questionnaire was adapted from prior studies and refined through a pilot test. Ethical considerations, including voluntary participation and confidentiality, were strictly maintained throughout the process. The descriptive analysis of the collected data revealed meaningful insights into the respondent profile and the distribution of the main variables. Most MSME participants reported that compliance costs—particularly administrative and time burdens—remain a critical concern, aligning with earlier findings that small businesses often face disproportionate challenges in fulfilling tax obligations (Bruce-Twum et al., 2023). At the same time, perceptions of tax rate fairness and system transparency varied across sectors, with digitally oriented firms demonstrating more positive attitudes. Regarding tax complexity, the results showed that many taxpayers struggle with legal ambiguities and procedural requirements, yet there was also evidence that digital accounting tools mitigate some of these difficulties. These descriptive findings highlight the importance of integrating digital and FinTech-based solutions into tax administration. The next section therefore presents the results of the structural model analysis using SmartPLS 4, where the proposed hypotheses are tested and the predictive power of the model is evaluated.

## 5. Findings

The analysis of the measurement model began with an evaluation of reliability and validity, which are reported in Table 1. The results show that all constructs exceeded the recommended thresholds for internal consistency. For example, compliance costs demonstrated the highest reliability with a Cronbach's alpha of 0.935 and composite reliability ( $\rho_c$ ) of 0.953, indicating strong measurement stability. Tax rates ( $\alpha = 0.898$ ;  $\rho_c = 0.928$ ) and tax compliance ( $\alpha = 0.848$ ;  $\rho_c = 0.891$ ) also recorded strong levels of reliability, while tax complexity ( $\alpha = 0.806$ ;  $\rho_c = 0.878$ ) achieved acceptable consistency. In terms of convergent validity, all constructs achieved AVE values above 0.50, ranging from 0.621 for tax compliance to 0.836 for compliance costs, as presented in Table 1. These results confirm that the indicators adequately capture the underlying latent constructs.

Table 1. Reliability and Convergent Validity

	<b>Cronbach's alpha</b>	<b>Composite reliability (<math>\rho_a</math>)</b>	<b>Composite reliability (<math>\rho_c</math>)</b>	<b>Average variance extracted (AVE)</b>
<b>Compliance Costs</b>	0.935	0.937	0.953	0.836
<b>Tax Complexity</b>	0.806	0.800	0.878	0.650
<b>Tax Compliance</b>	0.848	0.854	0.891	0.621
<b>Tax Rates</b>	0.898	0.966	0.928	0.767

The discriminant validity was assessed through correlations among the latent constructs, as summarized in Table 2. The findings reveal that correlations ranged from weak to moderate. Tax complexity showed the strongest correlation with tax compliance ( $r = 0.561$ ), followed by compliance costs ( $r = 0.428$ ). By contrast, tax rates exhibited a relatively weaker association with compliance ( $r = 0.261$ ). These results suggest that while all three determinants are relevant, the complexity of tax systems exerts the greatest influence on compliance behavior. Importantly, the absence of excessively high correlations confirms that the constructs are empirically distinct.

Table 2. Correlation Matrix

	<b>Compliance Costs</b>	<b>Tax Complexity</b>	<b>Tax Compliance</b>	<b>Tax Rates</b>
<b>Compliance Costs</b>				
<b>Tax Complexity</b>	0.451			
<b>Tax Compliance</b>	0.428	0.561		
<b>Tax Rates</b>	0.116	0.232	0.261	

The graphical representation of the measurement and structural model, shown in **Figure 1**, further illustrates the relationships among constructs and their respective indicators. All indicator loadings surpassed the recommended threshold of 0.70, with the exception of a few marginal cases such as TCX1 (0.554), which still contributes meaningfully to capturing tax complexity. The model also reveals the relative path strengths, with tax complexity exerting the largest effect on tax compliance (0.360), followed by compliance costs (0.218), and tax rates (0.142). The explained variance ( $R^2$ ) for tax compliance is 0.293, indicating that nearly 29% of the variation in compliance can be accounted for by the three determinants.

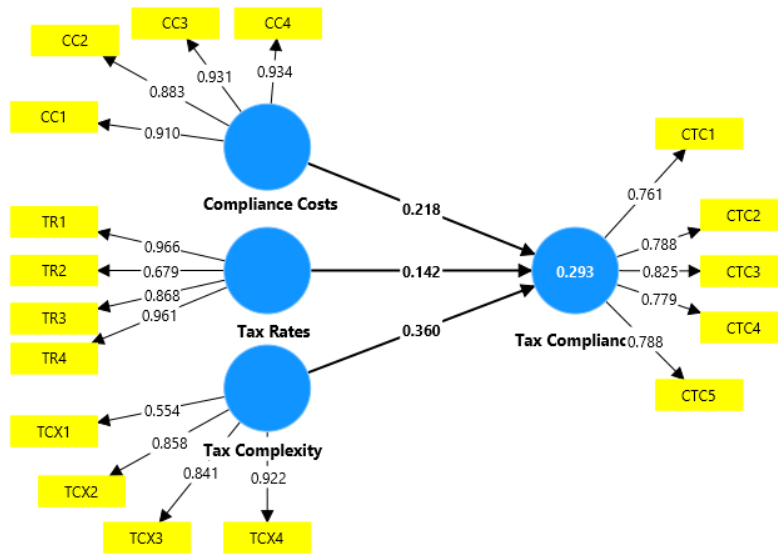


Figure 1. Measurement and Structural Model (SmartPLS 4 Output)

The findings from Tables 1 and 2 and Figure 1 demonstrate that the measurement model is both reliable and valid, with constructs clearly distinguished from one another. Moreover, the descriptive results suggest that tax complexity is the most influential determinant of compliance behavior, which aligns with prior studies emphasizing that procedural and legal difficulties remain key barriers for taxpayers (Chelangat, 2023; Mardiana et al., 2025). These findings establish a robust foundation for the subsequent structural model testing of the hypotheses (H1–H3), which will be presented in the following section.

### 5.1 Structural Model Results

The structural model was assessed using SmartPLS 4, and the results are summarized in Table 3 and visually represented in Figure 2. The analysis reveals that the three determinants—compliance costs, tax complexity, and tax rates—explain approximately 29.3% of the variance ( $R^2 = 0.293$ ) in tax compliance. This indicates a moderate explanatory power, suggesting that while the selected determinants play a significant role, other contextual and behavioral factors may also contribute to compliance outcomes in digital and FinTech-driven environments.

Table 3. Path Coefficients and Significance Levels

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
<b>Compliance Costs -&gt; Tax Compliance</b>	0.218	0.223	0.063	3.446	0.001
<b>Tax Complexity -&gt; Tax Compliance</b>	0.360	0.361	0.082	4.412	0.000
<b>Tax Rates -&gt; Tax Compliance</b>	0.142	0.152	0.075	1.891	0.059

As shown in Figure 2, the strongest and most significant path was from tax complexity to tax compliance ( $\beta = 0.360$ ,  $p < 0.001$ ), highlighting the central role of system simplicity in influencing compliance behavior. This finding reinforces earlier research which emphasizes that legal and procedural clarity are key enablers

of compliance, particularly when supported by digital platforms that reduce ambiguity (Chelangat, 2023; Dermawan et al., 2025). The path from compliance costs to tax compliance ( $\beta = 0.218, p = 0.001$ ) was also statistically significant, supporting H1. This result suggests that when compliance costs—such as administrative time and financial burdens—are reduced, taxpayers are more likely to comply voluntarily. The growing role of digital accounting and automation is particularly relevant here, as it offers avenues for minimizing costs and streamlining reporting obligations (Bassongui & Honlonkou, 2024). In contrast, the effect of tax rates on tax compliance ( $\beta = 0.142, p = 0.059$ ) was not statistically significant at the 5% level, leading to the rejection of H2. While tax rates remain an important policy instrument, the finding suggests that compliance behavior is less directly influenced by rate levels than by cost and complexity factors. This result aligns with recent discussions in the literature, where perceptions of fairness and administrative simplicity often outweigh rate structures in shaping compliance intentions (Pandey, 2025; Michael et al., 2024). These results underscore that structural and administrative determinants—namely compliance costs and tax complexity—are stronger predictors of tax compliance than tax rate levels in the digital and FinTech context. This highlights the importance of continued investment in digital tools, regulatory simplification, and taxpayer support systems to foster sustainable compliance.

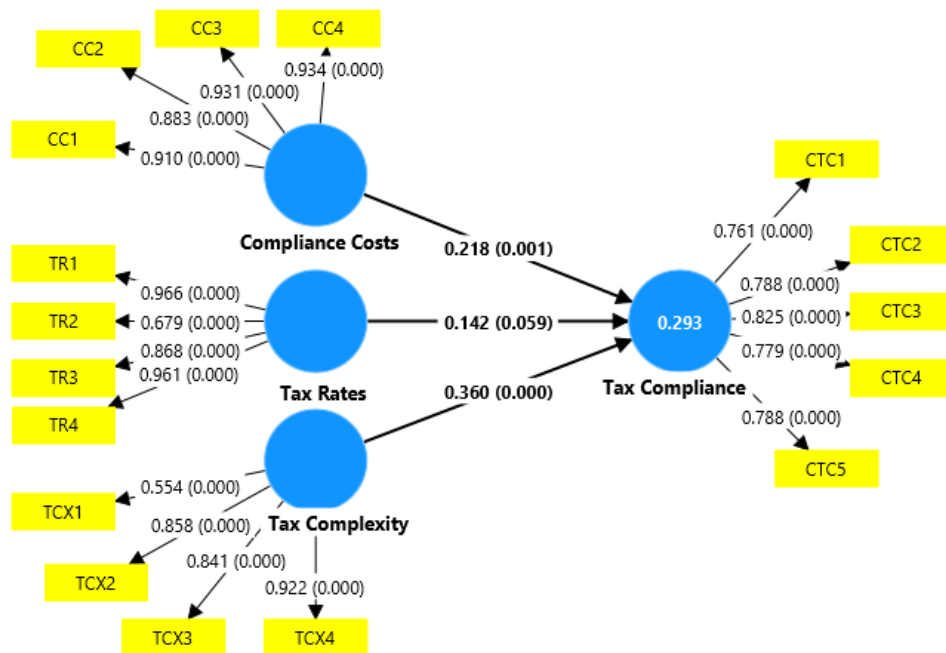


Figure 2. Structural Model with Path Coefficients and Significance (SmartPLS 4 Output)

## 6. Discussion

The results of this research yield significant insights into influences on voluntary tax compliance in the modern digital and FinTech age. To start, the findings provide empirical evidence that the cost of compliance has a significant positive influence on tax compliance, consistent with existing literature that focuses on the effort required of taxpayers to meet obligations (Bruce-Twum et al., 2023; Bassongui & Honlonkou, 2024). The use of digital accounting and automated reporting technologies can provide practical options to minimise the administrative and financial cost of such requirements, and therefore foster voluntary compliance. This result underscores the policy utility of digital infrastructures in promoting ease and convenience in procedures and reducing transaction costs incurred by taxpayers, especially for MSMEs.

Second, the research highlights tax complexity as the most significant predictor of tax compliance, even more so than compliance costs. This finding is consistent with studies that state legal certainty, ease of procedure, and access to information are essential for compliance (Chelangat, 2023; Dermawan et al., 2025). FinTech innovations can serve as valuable intermediaries between tax authorities and taxpayers, driving automation, minimizing errors, and simplifying interactions, thereby delivering a boost to the digital tax economy. The significant impact of complexity underscores the importance of regulatory reform designed to reduce ambiguity, combined with technological solutions that improve transparency and trust. However, the results indicate that tax rates did not have a statistically significant effect on compliance, in contrast to classical sensitivity to sanctions models, and in support of theoretical predictions based on alternative voluntary compliance models. What seems to matter most is fairness and administrative ease, rather than the nominal rates (Pandey, 2025). This implies that governments aiming to improve compliance would be better placed to do so by focusing on structural reforms and taxpayer support levers than by introducing changes in rate schedules. This finding has significant implications for the sustainability of compliance strategies in the FinTech realm. When costs and complexity are reduced through digital solutions, rate structures are no longer a primary driver of taxpayer behavior. In general, the findings suggest that sustainable tax compliance does not arise from punitive enforcement mechanisms, but rather from establishing a conducive environment through digitalization, simplified administration, and transparency. Placing the compliance determinants within the context of the broader digital accounting and FinTech sustainability agenda, the paper presents evidence that technology-driven reforms are a viable approach to ensuring compliance outcomes and contributing to the ultimate goal of fiscal resilience.

## 7. Conclusion

This research aimed to provide an analysis of tax knowledge, compliance costs, tax rates, and digital accounting, as well as the implications for tax compliance and the sustainability of FinTechs under developing accounting software. It was found that compliance costs and complexity of the tax significantly determine compliance behavior, whereas tax rates themselves do not. These results contribute to the literature on the relevance of costless and simpler tax systems as remedies for enhancing compliance levels, considering the age of digitalization, where FinTech operates and provides scalable solutions in line with the benefits found in terms of transparency, efficiency, and the role of the taxpayer. Theoretically, the paper contributes to the emerging scholarship that extends beyond a deterrence model, emphasizing administrative effectiveness and behavioural determinants of compliance. From a practical perspective, these results suggest that the attention of government and tax administrations should be focused on the adoption of digital accounting technologies, simplification of complex legislation, and the development of user-friendly e-tax filing systems to achieve long-term compliance. The evidence also reinforces the strategic importance of FinTech in shaping the future of tax governance, beyond the goal of burden reduction, that is, the promotion of taxpayer trust and economic stability. Finally, compliance drivers are closely related to digital transformation. "Tax compliance in a sustainable way" is only possible through a combination of technological innovation, simple regulation, and ongoing taxpayer support. By addressing these areas, authorities can establish a more equitable, effective, and sustainable tax system for the digital economy.

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