

ENHANCING MSMEs TAX COMPLIANCE: THE MODERATING ROLE OF TECHNOLOGY READINESS ON THE IMPACT OF CORETAX EASE OF USE

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ABSTRACT

This study examines the effect of Core Tax ease of use on tax compliance among Micro, Small, and Medium Enterprises (MSMEs) and investigates the moderating role of technology readiness. Grounded in the Technology Acceptance Model (TAM) and the Technology Readiness Index (TRI), the study employs a quantitative approach using survey data collected from 100 MSME taxpayers registered at the North Badung Primary Tax Office. The data were analyzed using simple linear regression and moderated regression analysis. The findings indicate that Core Tax ease of use has a positive and significant effect on MSME tax compliance, suggesting that a user-friendly digital tax system reduces administrative burden and encourages voluntary compliance. Furthermore, technology readiness significantly strengthens the relationship between Core Tax ease of use and tax compliance, highlighting the importance of taxpayers' technological preparedness in maximizing the benefits of system usability. This study contributes to digital taxation literature by integrating system usability and user readiness factors and provides practical implications for enhancing MSME tax compliance through improved digital system design and technology readiness programs.

Keywords: Coretax Ease of Use, Technology Readiness, Tax Compliance, MSME

I. INTRODUCTION

In Indonesia, taxes are the primary source of state revenue, which is used to fund national development and deliver fair public services. According to Law Number 28 of 2007, all citizens are required to pay taxes in order to contribute to the common prosperity. Although the Micro, Small, and Medium Enterprises (MSME) sector in Indonesia is crucial to the country's economic development, MSME actors' tax compliance rates are still very low (Rahmawati & Darmawan, 2023). According to the Ministry of Cooperatives and SMEs (2023), MSMEs are the biggest employers in Indonesia and account for around 60% of the country's GDP. Nonetheless, MSMEs continue to confront substantial obstacles in their tax compliance rate.

Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (MSMEs), the number of MSMEs operating in Indonesia in 2024 is recorded at approximately 64.2 million. Meanwhile, data from the Directorate General of Taxes (DGT) states that in 2024, the number of registered MSME taxpayers was recorded at around 1.6 million. This indicates a significant gap between the number of operating MSMEs and those registered as taxpayers, meaning only about 2.5% of the total MSMEs are registered as taxpayers,

highlighting a large disparity between all MSME actors in the economy and those registered in tax administration. Additionally, data from the Directorate General of Taxes (DJP) also indicates that out of 1.6 million registered MSME taxpayers, only 40.8% were recorded as paying final income tax in 2024. This shows that even after registration, compliance with tax payments and reporting is also fragmented.

Many MSME actors have not yet optimally utilized the digital tax reporting system due to limited understanding and technological literacy (Syahrani, 2022). This condition creates a gap between the goals of modernizing the tax system and the reality on the ground.

According to the Technology Acceptance Model (TAM), perceived ease of use is an important factor influencing user acceptance of information systems (Davis, 1989). In the context of digital taxation, the ease of use of systems such as e-filing, e-billing, and Core tax has been proven to increase taxpayer compliance (Susanti & Herlina, 2023). The easier the system is to use, the more likely taxpayers are to comply with their reporting obligations. Technological readiness describes the extent to which individuals and organizations are prepared to adopt new technologies (Parasuraman, 2000). In the MSME sector, this readiness includes the capabilities of human resources, digital infrastructure, and organizational culture in adapting to the new system. Setiawan (2022) found that technological readiness has a positive relationship with tax compliance, but its influence is not yet significant without the perceived ease of using the system.

Core tax is a digital tax administration system developed by the Directorate General of Taxes (DGT) as part of the national tax system transformation. This system aims to improve the effectiveness of electronic tax reporting and payment. Hidayat and Pratama (2023) found that the use of core tax has a positive influence on MSME tax compliance, but the adoption rate is still low due to the varying technological readiness of business owners. Core tax is a digital-based tax administration system developed by the Directorate General of Taxes (DGT) as part of the national tax system transformation. This system aims to improve the effectiveness of electronic tax reporting and payment. Hidayat and Pratama (2023) found that using core tax has a positive influence on MSME tax compliance, but the adoption rate is still low due to the varying technological readiness of business owners.

Several previous studies have examined the relationship between the implementation of digital tax systems and taxpayer compliance. Wardani and Wati (2022) show that using e-filing increases compliance through perceived ease of use and trust in the system. Kusuma's (2023) research confirms that without technological readiness, the influence of ease of use on compliance becomes insignificant. These results highlight the importance of examining the moderating role of technological readiness within the context of the core tax system. Most research still focuses on the direct relationship between system usability and tax compliance (Rahmawati & Darmawan, 2023; Susanti & Herlina, 2023), however, research positioning technological readiness as a moderating variable in the context of core tax is still very limited. Additionally, no studies have been found that comprehensively examine the simultaneous relationship between core tax ease of use, technological readiness, and MSME tax compliance. This research gap serves as the basis for this study. Based on the background and research gaps that have been outlined, the research problem statement is:

1. Does the ease of use of core tax affect the tax compliance of MSMEs?
2. Does technological readiness strengthen the influence of the ease of use of core tax on the tax compliance of MSMEs?

Theoretically, this research is expected to contribute to expanding the literature on tax digitalization and the behavior of MSME taxpayers in the technological era. Practically, the results of this research are expected to provide recommendations for the Directorate General of Taxes to improve training, digital literacy, and the technological readiness of MSME actors in using core tax (Anggraini & Situmorang, 2024)

II. LITERATURE REVIEW

Technology Acceptance Theory and Technological Readiness

The main relevant theory in this research is the Technology Acceptance Model (TAM) developed by Fred Davis (1989). This theory explains the factors that influence individuals' acceptance and use of technology. This model was developed from the Theory of Reasoned Action (TRA) for the context of information systems. The TAM theory emphasizes two main constructs:

- 1) Perceived Usefulness (PU) – the extent to which a person believes that using a system will improve their performance.
- 2) Perceived Ease of Use (PEOU) – the extent to which a person believes that using a system will be free from effort or difficulty.

These two main constructs are interconnected, jointly influencing user attitudes and behavioral intentions toward actual use.

Studies show that the TAM theory can be applied to explain the adoption of digital tax by MSMEs, where the ease of using systems like core tax will increase MSMEs' intention to use the system. If MSMEs find tax reporting easy and quick, they are more likely to comply with their tax obligations (Gunafi, 2025; Susilawaty & Azzahra, 2023). Perceived usefulness in the context of digital tax is defined as the extent to which MSME actors believe that the digital system helps them correctly and quickly complete tax reporting, reduce the risk of errors or sanctions, and obtain documented transaction records or tax reports.

Perceived Ease of Use (PEOU) plays a crucial role in taxation, especially in the digital core tax system used in Indonesia. MSMEs often face limitations in digital literacy; thus, an easy-to-use system will be more quickly accepted and adopted. The higher the perceived ease of use, the greater the likelihood that MSMEs will use core tax in their reporting, payment, and administrative compliance processes. Within the TAM framework, PEOU also has an indirect implication through Perceived Usefulness (PU), as user-friendly systems tend to be perceived as more useful and increase users' willingness to adopt them.

Based on this theory, research on the ease of use of core tax on MSME tax compliance has a strong theoretical foundation. PEOU can encourage users to use digital systems more regularly, which ultimately improves formal compliance, such as timely reporting, payments according to regulations, and avoidance of administrative sanctions. Thus, TAM provides a theoretical explanation that technology characteristics, particularly ease of use, are important factors in building technology-based tax compliance.

The Unified Theory of Acceptance and Use of Technology (UTAUT), developed by Venkatesh et al. (2003), is an extension of various technology

acceptance models, including TAM. UTAUT adds several important variables such as performance expectancy, effort expectancy, social influence, and facilitating conditions. From the perspective of this research, the effort expectancy variable is closely related to PEOU, which is the perception that using the system does not require a great deal of effort. UTAUT is relevant as a supporting theory because it provides an overview that technology acceptance is not only influenced by the characteristics of the technology itself, but also by environmental factors such as facility support (internet access, training), social norms (influence of fellow business owners), and organizational readiness level. In the context of core tax, MSMEs require supportive conditions such as stable internet networks, adequate devices, and information support from tax authorities for optimal adoption. Thus, UTAUT strengthens PEOU's position as an important predictor while also opening up the possibility that external factors can strengthen or weaken this influence.

Technology Readiness Index (TRI)

The Technology Readiness Index (TRI) theory developed by Parasuraman (2000) explains the readiness of individuals or organizations to accept and use new technologies. TRI consists of four main dimensions: optimism, innovativeness, discomfort, and insecurity. The first two dimensions (optimism and innovativeness) encourage technology acceptance, while the other two (discomfort and insecurity) act as barriers. In the context of this research, technology readiness is positioned as a moderator that strengthens the relationship between perceived ease of use (PEOU) and MSME tax compliance. MSMEs with higher levels of technology readiness are relatively quicker to understand digital system features like core tax, are more confident in trying new features, and experience fewer psychological barriers to technology use. Conversely, MSMEs with low technology readiness tend to struggle even if the system is designed to be easy.

Technological readiness is an important factor in the era of tax digitalization because successful adoption requires more than just an easy-to-use interface or intuitive features; it also necessitates personal readiness, digital competence, and trust in technology. Thus, TRI provides a strong theoretical foundation that individual characteristics can influence the strength of the relationship between PEOU and outcomes such as tax compliance.

Tax Compliance Theory

The classic tax compliance model by Allingham and Sandmo (1972) explains that taxpayers act rationally and consider the benefits and risks when deciding whether or not to comply. The decision to comply is influenced by the probability of inspection, the severity of the penalty, and the potential gain from tax evasion. In the era of digitalization, technology like core tax influences the deterrence mechanism in two ways: by lowering compliance costs because reporting is easier, and by increasing the probability of detection because data is more transparent, integrated, and automatically recorded. Therefore, the ease of use of digital systems can directly lower administrative barriers and increase tax compliance, according to the logic of deterrence.

Besides the economic perspective, behavioral literature suggests that compliance is also influenced by psychological factors such as tax morale, trust in government, and procedural fairness. Alm and Torgler (2006) stated that taxpayers with high tax morale and who believe the government manages taxes fairly will be more compliant. Digitalization of tax services, including core tax, can increase trust

through transparency, accuracy, and ease of access to services. When the system is considered convenient, easy, and provides quality service, MSMEs will feel the tax process is fairer and more professional, thus increasing voluntary compliance. Thus, tax morale theory strengthens the argument that the ease of using technology is not just a technical factor, but also influences taxpayers' perceptions, fairness, and attitudes toward complying with their tax obligations.

Core Tax as the Core System of Tax Administration

Core tax is the core tax administration system used by the Directorate General of Taxes (DGT) to improve efficiency, data integration, and service quality. This system is designed to simplify the reporting, monitoring, and interaction processes between taxpayers and the Directorate General of Taxes (DJP). For MSMEs, Core tax provides a digital interface that makes it easier to report and pay taxes without having to physically visit the Tax Office. The readiness of MSMEs to utilize core tax is significantly influenced by their perception of ease of use. When the interface is easy to learn, notifications are clear, navigation is not confusing, and core features work smoothly, it will be easier for MSMEs to fulfill their official obligations, ultimately increasing tax compliance. Conversely, systems that are difficult to use can potentially create a compliance burden and reduce motivation to comply. Thus, core tax can be seen as an important factor bridging the DJP's digital transformation in driving MSME tax compliance.

The Influence of Core Tax Ease of Use on MSME Tax Compliance

Ease of use (Perceived Ease of Use / PEOU) is one of the main constructs that determines technology acceptance within the Technology Acceptance Model (TAM) framework (Davis, 1989). TAM explains that when users perceive a system as easy to learn, easy to operate, and not requiring much effort, they are more likely to use the technology consistently. In the context of taxation, the literature indicates that a simple and user-friendly tax administration system can reduce compliance costs, including the time, effort, and technical understanding required of taxpayers.

According to tax compliance theory, reducing administrative burdens increases the likelihood of taxpayers fulfilling their obligations, whether through formal compliance (timely reporting and payment) or through voluntary compliance (willingness to fulfill obligations without coercion). Core tax, the digital tax system of the Directorate General of Taxes (DJP), is designed to simplify the tax reporting and payment process for MSMEs, so ease of use is expected to have a direct impact on tax compliance levels. Thus, based on TAM theory and tax compliance theory, the ease of use of the core tax system is predicted to increase MSME tax compliance. Based on these findings, the hypotheses used in this study are as follows:

H1: The ease of use of core tax has a positive effect on MSME tax compliance.

Technological Readiness Strengthens the Influence of Core Tax Ease of Use on MSME Tax Compliance

The concept of the Technology Readiness Index (TRI) developed by Parasuraman (2000) explains that technology readiness is the degree to which individuals or organizations are inclined to accept and use new technologies. MSMEs that are optimistic and innovative in technology tend to learn and operate digital systems more quickly. Conversely, if they feel uncomfortable or distrustful of technology, even if the system is designed to be easy, its impact on usage behavior remains insignificant.

In this study, technological readiness is positioned as a moderating variable that strengthens the relationship between PEOU (perceived ease of use) and tax compliance. When MSMEs have a high level of technological readiness, they can adapt more quickly to core tax features, understand digital reporting processes, and experience the benefits of the system's ease of use. TAM theory also acknowledges that individual characteristics can strengthen users' perceptions of the ease of use and benefits of a technology. With the support of tax compliance theory, technologically ready MSMEs are more likely to utilize ease of use to improve compliance behavior. Thus, technological readiness theoretically strengthens the relationship between ease of use and MSME tax compliance, as digitally ready users will be more responsive to the benefits and convenience of the core tax system. Based on these findings, the hypotheses used in the study are as follows:
H2: Technology readiness strengthens the influence of core tax ease of use on MSME tax compliance.

III. RESEARCH METHOD

The research location is in North Badung Primary Tax Office (KPP Pratama Badung Utara), situated at Jl. Ahmad Yani Denpasar, Bali, was the site of this study. The North Badung Primary Tax Office's active Micro, Small, and Medium Enterprises (MSMEs) are the main subject of this study. In this study, three key variables are examined to explain MSME tax compliance in the context of digital taxation. The dependent variable is Tax Compliance, which reflects the extent to which MSME taxpayers fulfill their tax obligations in accordance with applicable regulations. The primary independent variable is Core Tax Ease of Use, referring to taxpayers' perceptions of how simple and effortless it is to operate the CoreTax system, as conceptualized within the Technology Acceptance Model (TAM). The moderating variable, Technology Readiness, represents individual readiness to adopt, use, and engage with new technologies, drawing from the Technology Readiness Index (TRI).

The study's population consists of all 442,848 active MSMEs in Badung Regency. Non-probability sampling, more precisely accidental sampling, is the sampling technique employed. This method uses random encounters to choose the sample; people or representatives of MSMEs who happen to meet the researcher may be included as samples if they are thought to be appropriate sources of data (Sugiono, 2016). Using Slovin's formula to determine the sample size, 100 taxpayers were chosen to participate in the study as respondents.

A structured questionnaire was given to MSME taxpayers who use the core tax system in order to gather data for this study. The questionnaire was created to measure every research variable, such as tax compliance, technology readiness, and core tax ease of use. Based on accepted theoretical frameworks, a number of indicator items were used to operationalize each construct. A five-point Likert scale, ranging from "strongly disagree" to "strongly agree," was used to measure each topic, allowing respondents to indicate how much each statement corresponded to their experience. To ensure accessibility and effectively reach a larger responder base, the questionnaire was distributed online. This approach was chosen because it guarantees uniformity among respondents, enables the collection of standardized data, and facilitates quantitative analysis.

The study used two methods for data analysis: multiple linear regression analysis and moderated regression analysis (MRA). Initially, data analysis methods, instrument validity and reliability tests, and pilot testing were employed. To make sure the regression model being used is free from the traditional assumptions, tests for normality, multicollinearity, and heteroscedasticity were applied in the study.

IV. RESULT AND DISCUSSION

The study used one hundred questionnaires in total. SPSS (Statistical Package for the Social Sciences) is used to analyze data using descriptive statistics, instrument tests, classical assumption tests, single linear regression analysis, and MRA (Moderated Regression Analysis). Descriptive statistics that include means, standard deviations, and minimum and maximum values are as follows:

Table 1.
Descriptive Statistic

Construct	Minimum	Maximum	Mean	Standard deviation
Core tax ease of use (X_1)	7,00	35,00	21,78	5,31
Technological Readiness (X_2)	9,00	40,00	34,86	4,33
Tax Compliance (Y)	9,00	36,00	34,00	4,26

According to the descriptive statistics in Table 1, the mean values for the variables core tax ease of use (21.78) and technology readiness (34.86) are close to the maximum values (35.00) and (40.00), respectively. This suggests that the variables of technology readiness and core tax ease of use have increased to a relatively high level. The mean value of the variable tax compliance (34.00), which is close to the maximum value (36.00), indicates that MSME taxpayers have a very high inclination to comply with their tax obligations while following core tax ease of use and technological readiness.

All of the questionnaire's questions were found to be valid and suitable for use in the study as a result of the instrument's test. Every item question variable, such as core tax of use and technological readiness, had correlation coefficient values greater than 0.30. Since the Cronbach's alpha values for the variables "core tax ease of use," "technological readiness," and "tax compliance" are, respectively, 0.813, 0.871, and 0.926, all of which are greater than 0.70, the results of the reliability tests show that all instruments are reliable.

Both the MRA analysis equation and the simple linear regression equation have passed the conventional assumption tests for heteroscedasticity, multicollinearity, and normality, demonstrating that neither equation model contains any traditional assumptions. The following tables display the findings of the tests for heteroscedasticity, multicollinearity, and normality:

Table 2.
Normality test

		Unstandardized Coefficient
N		100
Normal Parameters Most Extreme Differences	Mean	0,6126
	Standard Deviation	1,964
	Absolute	0,134
	Positive	0,121
	Negative	-0,134

Test Statistic		1,341
Asymp. Sig (2 tailed)		0,055

The residual data will be distributed normally if the normality test's significance value is greater than or equal to 0.05. Because the significance value is 0.055 greater than 0.05, it may be inferred from the results that the study's residual data are normally distributed.

Table 3.
Multicollinearity test

Model	Unstandardized Coefficient		Standardized Coefficients Beta	t	Sig	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
Constant	7,352	2.256		3,259	0,002		
X1	0,294	0,053	0,366	5,507	0,000	0,915	1,092
X2	0,581	0,065	0,590	8,871	0,000	0,915	1,092

The multicollinearity test findings indicated that there was no multicollinearity in the research variables, indicating that each variable's tolerance value was greater than 10% or 0.10 and that each variable's VIF (Variance Inflation Factor) value was less than 10.

Table 4.
Heteroscedasticity test

Model	Unstandardized Coefficient		Standardized Coefficients Beta	t	Sig
	B	Std. Error			
Constant	2,451	0,843		2,909	0,004
X1	-0,037	0,020	-0,195	-1,874	0,064
X2	0,004	0,024	0,017	0,168	0,867

Each variable's significance value was more than 0.05, according to the heteroscedasticity test result, suggesting that the study's regression model did not show any signs of heteroscedasticity.

Using analytical statistics, the effect of core tax ease of use on MSMEs' tax compliance has been investigated using simple linear regression, and the effect of technology readiness on the impact of core tax ease of use on MSMEs' tax compliance has been tested using MRA (Moderated Regression Analysis). The outcomes of MRA and simple linear regression tests are shown below.

Table 5.
Simple Linear Regression Analysis Test

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	7,352	2,256		3,259	0,002
Coretax ease of use (X ₁)	0,294	0,053	0,366	5,507	0,000
R				0,779	
R ²				0,607	
Adjusted (R ²)				0,599	
F Count				75,056	
Signification F				0,000	

Based on Table 5, the following regression equations as follows:

$$Y = \alpha + \beta_1 X_1 + e \dots\dots\dots (1)$$

$$Y = 7.352 + 0.294 X_1 + e$$

The MSME's tax compliance will be 7.352 if the core tax ease of use variable is equal to zero, according to the regression analysis's constant value of 7.352. Core tax ease of use has a positive regression coefficient of 0.294, which indicates that an increase in core tax ease of use will lead to a 0.294 unit increase in MSMEs' tax compliance. 59.90% of the variation in the MSMEs' tax compliance can be explained by changes in the core tax ease of use variable, according to the adjusted value (R²) of 0.599. The remaining 40.10% can be attributed to other variance variables that were not included in the research model. The F count value, which was determined to be 75.056 with a significance level of 0.000 and a value below alpha 0.05, demonstrated the viability of the study's model.

Based on the partial significance test (t-test) results, which demonstrate that the core tax ease of use variable has a t-positive value of 5.507 and a significance value of 0.000, which is below 0.05, Hypothesis 1 is accepted, and Hypothesis 0 is rejected, indicating that core tax ease of use has a significant positive effect on MSMEs' tax compliance.

Table 6.
MRA (Moderated Regression Analysis) Test

Model	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	t	Sig.
	B	Std. Error	Beta		
(Constant)	25,206	1,323		19,051	0,000
X ₁ * X ₂	0,011	0,002	0,572	6,894	0,000
R	0,572				
R ²	0,327				
Adjusted (R ²)	0,320				
F count	47,533				
Signification F	0,000				

Based on Table 6, a regression equation can be compiled as follows:

$$Y = \alpha + \beta_1 X_1 X_2 + e \dots\dots\dots (2)$$

$$Y = 25,206 + 0.011 X_1 X_2 + e$$

The moderating coefficient variable (β_1) has a positive value of 0.011, which indicates that if the interaction between technology readiness and core tax ease of use increases by one unit, the impact of core tax ease of use on MSMEs' tax compliance will increase by 0.011 units due to the application of technology readiness.

Table 6 shows that the core tax ease of use variance variables, which have been moderated by technology readiness, can account for 32.0% of the variance in the dependent variable of MSMEs' tax compliance, with other variance variables that are not included in the research model influencing the remaining 68.0%. This is indicated by the adjusted value (R²) of 0.320. The results of the F test analysis show that the research model can be used to assess the developed hypothesis because the significance level of 0.000 is less than 0.05.

The findings of the partial significance test (t-test) show that the interaction between technology readiness and core tax ease of use has a t value of 6,894 with a significance value of 0,000, indicating that hypothesis H2 is supported and

hypothesis H0 is rejected. The results show how technology preparedness can increase the impact of basic tax usability on MSMEs' tax compliance.

Discussion

The ease of use of core tax has a positive and significant effect on MSME tax compliance.

The study's empirical findings support hypothesis 1 by showing that MSME tax compliance is positively and statistically significantly impacted by core tax ease of use. According to this research, MSME taxpayers are more likely to accurately and promptly comply with their tax obligations when they believe the core tax system is straightforward, easy to use, and requires little work. This outcome is in line with the fundamental tenet of the Technology Acceptance Model (TAM), which holds that users' acceptance and continuing usage of an information system are directly influenced by perceived ease of use (Davis, 1989). In the context of taxes, a user-friendly digital tax system lowers psychological resistance, minimizes tax reporting errors, and lessens cognitive burden, all of which increase taxpayer compliance.

From a behavioral standpoint, MSMEs frequently struggle with issues related to administrative capacity, technology proficiency, and accounting expertise. Perceived complexity in a tax system can raise compliance costs and deter voluntary compliance. This study's significant effect demonstrates how important system usability is in influencing both compliance intentions and actual compliance behavior. This result is consistent with earlier research demonstrating that taxpayer compliance is positively impacted by perceived ease of use of computerized tax systems (Fu et al., 2006; Venkatesh & Davis, 2000; Saad, 2014). Taxpayers are more likely to meet their tax duties when they believe the system is easy to use, which eventually boosts voluntary compliance and increases trust in the tax authorities.

Additionally, this outcome is consistent with earlier studies in the literature on digital taxation, which highlight the importance of usability in determining the success of e-tax system installation, particularly for MSMEs (Alshira'h et al., 2021; Mustapha & Obid, 2015). Consequently, the favorable impact of Core Tax's user-friendliness on MSME tax compliance underscores the significance of system design, user-friendly interfaces, and streamlined processes in promoting compliance behavior in a self-assessment tax setting.

Technology readiness strengthens the influence of core tax ease of use on MSME tax compliance.

The moderation analysis's findings corroborate Hypothesis 2 by showing that the association between MSME tax compliance and core tax ease of use is considerably strengthened by technology readiness. This result suggests that when MSME taxpayers are more tech-ready, the benefits of the core tax's ease of use on tax compliance increase. To put it another way, taxpayers who are more inventive, upbeat, and tech-savvy are better able to convert system usability into tax compliance. The Technology Readiness Index (TRI), which explains individual variations in technology adoption based on optimism, inventiveness, discomfort, and insecurity, serves as the theoretical foundation for this conclusion (Parasuraman, 2000; Parasuraman & Colby, 2015).

According to the moderating function of technology readiness, ease of use might not be enough to guarantee compliance if people are not prepared to interact

with digital systems. In order to maximize the advantages of a user-friendly core tax system, MSME taxpayers with high technology readiness are better able to learn new systems, adjust to digital processes, and overcome small technical obstacles. This result enhances Technology Acceptance Theory (TAM) by increasing its capacity for explanation; although TAM focuses on system features like usability, the Technology Readiness Index (TRI) emphasizes user traits that influence the efficacy of those features (Venkatesh & Bala, 2008).

This outcome is empirically consistent with earlier research (Lin et al., 2007; Rahi et al., 2019) that demonstrated technology readiness to be a key modulator in technology adoption and usage behavior. According to Siahaan and Halimatusyadiah (2018) and Al-Debei et al. (2022), high technology readiness in the context of taxation promotes taxpayers' willingness to comply with tax legislation using digital platforms, lowers perceived risk, and boosts their confidence in using electronic tax systems. Therefore, the strengthening effect of technology readiness reveals that taxpayers' psychological and technological readiness, in addition to system usability, is what drives MSME tax compliance.

Overall, the results indicate that a more thorough explanation of MSME tax compliance behavior in a digital taxation context can be obtained by combining TAM and TRI. Therefore, in order to guarantee the success of digital tax reforms, policymakers should not only concentrate on making core tax easier to use but also improve MSMEs' technological readiness through training, digital literacy initiatives, and ongoing technical assistance.

V. CONCLUSION AND RECOMMENDATION

This study investigates the determinants of Micro, Small, and Medium Enterprises (MSMEs) tax compliance in the context of Indonesia's digital tax administration reform by integrating the Technology Acceptance Model (TAM) and the Technology Readiness Index (TRI). Using data from MSME taxpayers registered at the North Badung Primary Tax Office and employing multiple linear regression and moderated regression analysis, this study provides clear empirical evidence supporting both proposed hypotheses.

The results of the first hypothesis (H1) demonstrate that core tax ease of use has a positive and statistically significant effect on MSME tax compliance. This finding confirms that when MSME taxpayers perceive the core tax system as simple, user-friendly, and requiring minimal effort, their likelihood of complying with tax reporting and payment obligations increases. The acceptance of H1 supports the core premise of TAM, which emphasizes perceived ease of use as a critical determinant of technology adoption and continued usage. In the taxation context, this result indicates that improved system usability effectively reduces administrative burden and compliance costs, thereby encouraging voluntary compliance among MSMEs.

The results of the second hypothesis (H2) further reveal that technology readiness significantly strengthens the influence of Core Tax ease of use on MSME tax compliance. The acceptance of H2 indicates that the positive effect of system usability on compliance is more pronounced among MSMEs with higher levels of technological preparedness. This finding extends the TAM framework by incorporating TRI, highlighting that individual readiness—such as optimism, innovativeness, and confidence in using technology—acts as a critical boundary

condition that determines the effectiveness of digital tax systems. MSMEs with higher technology readiness are better able to leverage the ease of use of core tax to enhance compliance behavior.

From a theoretical perspective, this study contributes to the digital taxation literature by demonstrating that tax compliance behavior in a digital environment is shaped by both system-related factors and user-related characteristics. The integration of TAM and TRI provides a more comprehensive behavioral framework, particularly relevant in developing countries where digital capability varies significantly across taxpayers. This study addresses an important gap in prior research by empirically validating technology readiness as a moderating variable in the relationship between digital tax system usability and MSME tax compliance.

From a practical standpoint, the findings suggest that policymakers and tax authorities should adopt a dual strategy to improve MSME tax compliance. First, continuous improvements in core tax system usability—through simplified interfaces, clear instructions, and reliable system performance—are essential. Second, efforts to strengthen MSMEs' technology readiness through digital literacy programs, targeted training, and ongoing technical assistance are equally important to ensure the effectiveness of digital tax reforms.

Despite its contributions, this study has several limitations. The analysis is confined to a single regional tax office, which may limit the generalizability of the findings. Future research is encouraged to expand the geographical scope, incorporate additional behavioral variables such as tax morale and trust in government, and apply advanced analytical techniques such as Structural Equation Modeling to further validate the proposed framework. Overall, this study underscores that successful digital tax administration depends not only on sophisticated technological systems but also on taxpayers' readiness to adopt and use them effectively.

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