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THE EFFECT OF TAX AUDITS AND TAX AWARENESS CAMPAIGNS ON THE ENHANCEMENT OF REGIONAL TAX REVENUE IN MAKASSAR CITY WITH PBJT TAXPAYER COMPLIANCE AS AN INTERVENING VARIABLE

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Abstract

This study aims to analyze the effect of tax audits and tax awareness campaigns on the increase in regional tax revenue, with compliance by taxpayers of the Specific Goods and Services Tax (PBJT) as an intervening variable at the Makassar City Regional Revenue Agency. The research approach utilized a quantitative method with Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis using the SmartPLS 4 application. The research sample comprised 137 PBJT taxpayers registered with the Makassar City Regional Revenue Agency. The results indicate that tax audits do not have a significant effect on PBJT taxpayers' compliance. Conversely, tax awareness campaigns have a positive and significant effect on PBJT taxpayers' compliance. Neither tax audits nor tax awareness campaigns demonstrate a significant direct effect on the increase in local tax revenue. However, PBJT taxpayers' compliance was found to have a positive and significant effect on the increase in local tax revenue. Mediation analysis revealed that PBJT taxpayers' compliance does not mediate the effect of tax audits on local tax revenue. Still, it does mediate the effect of tax awareness campaigns on the increase in local tax revenue. These findings suggest that strategies to optimize local tax revenue should focus on improving taxpayer compliance through tax education, effective service delivery, and the strengthening of the local tax administration system.

Keywords: Tax Audits, Tax Awareness Campaigns, PBJT Taxpayer Compliance, Local Tax Revenue.

INTRODUCTION

Management in the public sector is a process that involves planning, organizing, implementing, and controlling organizational resources to achieve government objectives in a manner that is effective, efficient, transparent, and accountable. In the context of local government, local financial management is an essential instrument for ensuring sustainable development through the optimization of local revenue. This is something that should be considered. Whether the government can increase Local Own-Source Revenue (PAD), particularly that derived from local taxes, is one indicator of the success of local financial management. Effective management of local taxes requires not only robust regulations but is also supported by systems of oversight, service delivery and tax education capable of promoting taxpayer compliance. Recent research indicates that the quality of fiscal governance and tax administration contributes significantly to improvements in local tax revenue performance (OECD, 2023; World Bank, 2024).

Increasing local tax revenue is one of the local governments' priorities in achieving fiscal autonomy, as mandated by Law No. 1 of 2022 on Financial Relations between the Central Government and Local Governments. 's reform introduced the Tax on Certain Goods and Services (PBJT) as a simplification of several types of local taxes, which is expected to improve administrative efficiency, broaden the tax base, and boost local revenue. According to the OECD (2023), the modernization of tax administration, supported by improved taxpayer compliance, is a key factor in

Vol. 6, No. 2, August 2026, pp. 462-477
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strengthening the fiscal capacity of local governments. Similarly, research by Kirchler and colleagues covering the period 2023–2025 indicates that voluntary taxpayer compliance increases when the government can strike a balance between education, oversight and public trust.

There is a tremendous amount of potential for the city of Makassar to generate revenue from local taxes because it is a center of economic growth in Eastern Indonesia. There is a continuing expansion of activities in the trade, services, hospitality, restaurant, entertainment, and tourism sectors, which presents significant opportunities for the PBJT to increase its revenue. However, according to data from the Makassar City Regional Revenue Agency (Bapenda), the realization of Local Own-Source Revenue (PAD) during the period of 2022–2025 has not yet met the targets established by the local government. This increased to Rp1.568 trillion in 2023 against a target of Rp1.966 trillion, then to Rp1.605 trillion in 2024 against a target of Rp2.169 trillion. Finally, in 2025, realization stood at Rp1.942 trillion against a target of Rp2.118 trillion. In 2022, PAD revenue was estimated to be Rp1.411 trillion, while the target was expected to be Rp1.715 trillion. The current circumstances suggest that there is still unrealized potential in local tax revenue, which calls for the implementation of strategies to increase and broaden the scope of tax revenue. One of the largest components of Makassar City’s own-source revenue (PAD) comes from local taxes, particularly the PBJT. Although the realization of local tax revenue has continued to increase year on year, PBJT revenue still shows a gap between the target and the actual figure. In 2024, PBJT revenue realization reached only around 70.53 percent of the target, whilst in 2025 it increased to 95.60 percent but still fell short of the target. This situation indicates that the optimization of PBJT revenue still faces various obstacles relating to taxpayer compliance levels and the effectiveness of local tax administration.

Various factors, including tax audits, tax awareness campaigns, and PBJT taxpayer compliance, influence the increase in local tax revenue. Tax audits are a supervisory tool aimed at ensuring taxpayers fulfill their obligations in accordance with regulations. Effective audits can curb tax avoidance practices, improve both formal and material compliance, and strengthen the credibility of the tax authorities. Research by Benno Torgler (2023) shows that consistent oversight can improve compliance through a deterrent effect and by increasing trust in the government. On the other hand, tax awareness campaigns play a role in improving the public's understanding, awareness, and tax literacy.

Based on the results of a preliminary survey conducted by the Makassar City Regional Revenue Agency, various obstacles to the implementation of the PBJT have been identified, including late tax payments by taxpayers, turnover reporting that does not fully reflect actual conditions, low participation by some business operators in tax awareness campaigns, and the still limited frequency of tax audits across all PBJT-covered entities. Furthermore, the rapid growth in the number of new businesses has not been fully matched by an increase in tax compliance. This situation indicates that there remains a gap between potential revenue and actual local tax collection.

This phenomenon demonstrates that an increase in local tax revenue does not depend solely on the size of the economic potential, but is also influenced by the effectiveness of tax audits, the quality of tax awareness campaigns, and the level of compliance among PBJT taxpayers. Ongoing issues include sub-optimal realization of PBJT revenue, low compliance among some taxpayers in reporting and paying taxes, uneven effectiveness of tax awareness campaigns, and limitations in oversight through tax audits. On the other hand, the results of previous research on the relationship between tax audits, tax awareness campaigns, taxpayer compliance, and tax revenue still show mixed results, thereby creating a research gap. Therefore, research into the impact of tax audits and tax awareness campaigns on increasing local tax revenue, with PBJT taxpayer compliance as an intervening variable in the city of Makassar, is important to undertake, both as an academic study and as input for the local government in formulating policies to optimize local tax revenue.

Research increasingly confirms that the effectiveness of tax audits, tax awareness campaigns, and taxpayer compliance influences increases in local tax revenue. A study by Yusuf and Rahman (2024) demonstrated that tax audits and tax awareness campaigns have a positive effect on taxpayer compliance, which in turn increases local tax revenue. The OECD (2023) emphasizes that a modern tax administration supported by effective oversight is capable of strengthening voluntary taxpayer compliance. Furthermore, the World Bank (2024) states that enhancing the capacity of local tax administration is a key factor in optimizing local government revenue. In line with this, Torgler (2023) explains that taxpayer compliance increases through a combination of consistent oversight and enhanced public trust in the tax authorities. Furthermore, Bird and Zolt (2023) emphasize that strengthening local tax governance is a crucial strategy for sustainably enhancing the fiscal capacity of local governments.

Although various previous studies have shown that tax audits and tax awareness campaigns influence both taxpayer compliance and local tax revenue, the results obtained remain inconsistent. Some studies have found a significant direct effect on tax revenue, whilst others suggest that this effect is predominantly mediated through increased taxpayer compliance. Furthermore, the majority of studies have focused on central government taxes or types of local taxes before the implementation of the Tax on Certain Goods and Services (PBJT), and therefore do not fully reflect the situation following the local tax reform under Law No. 1 of 2022.

The novelty of this study lies in the development of an empirical model that integrates tax audits and tax awareness campaigns as determinants of increased local tax revenue through PBJT taxpayer compliance, with PBJT taxpayer compliance as an intervening variable within the context of the implementation of the latest regulations concerning the PBJT. This study specifically takes the city of Makassar as its subject, as it is one of the centers of economic growth in Eastern Indonesia

Vol. 6, No. 2, August 2026, pp. 462-477
https://doi.org/10.53067/ije3.v6i2.492

with high potential for PBJT revenue. Consequently, this study is expected to make a theoretical contribution to the development of the literature on local taxation, whilst also serving as a basis for policy recommendations for local governments in optimizing tax revenue through improved taxpayer compliance.

LITERATURE REVIEW

Attribution

According to attribution theory, an individual's behavior is influenced by both internal and external factors that shape their decisions and actions. These factors can be either positive or negative. In the context of taxation, the compliance of taxpayers is influenced by internal factors such as awareness, tax morality, and understanding of the tax system. On the other hand, tax audits, tax awareness campaigns, and the enforcement of regulations are examples of external factors. The greater the degree to which taxpayers have a positive perception of the tax system and the performance of the local government, the greater the likelihood that they will voluntarily fulfill their tax obligations, which will ultimately increase the amount of money collected from local taxes (Alm & Torgler, 2024; Gangl et al., 2023).

Taxpayer Compliance

Taxpayer compliance is the act of taxpayers fulfilling all of their tax obligations in accordance with the relevant regulations. Compliance is not solely determined by penalties or oversight; it is also influenced by the quality of service, tax education, and the level of trust in the government. Tax audits are designed to enhance compliance by providing oversight, whereas tax awareness campaigns are designed to increase taxpayers' comprehension and awareness. Ultimately, the sustainable increase in local tax revenue is driven by the combination of these two factors, which can increase voluntary compliance (OECD, 2023; Torgler, 2023).

Planned Behaviour

The Theory of Planned Behavior explains that an individual’s behavior is determined by their intention to act, which is influenced by their attitude towards the behavior, subjective norms, and their perception of their ability to act. In taxation, taxpayers will be more compliant if they hold a positive attitude towards paying tax, receive support from their environment, and understand tax procedures. Tax awareness campaigns play a role in shaping taxpayers’ attitudes and knowledge, whilst tax audits reinforce the perception that compliance is an obligation that must be fulfilled, thereby increasing local tax revenue (Ajzen, 2024; Bobek et al., 2023).

Tax Administration

Tax administration emphasizes that the success of tax collection is largely determined by the effectiveness of the administrative system, the quality of service, oversight, the use of technology, and education for taxpayers. Modern tax administration not only prioritizes law enforcement but also fosters a cooperative relationship between tax authorities and taxpayers through public awareness campaigns, the digitalization of services, and risk-based audits. Effective administrative management will enhance taxpayer compliance whilst optimizing local tax revenue as the primary source of Local Own-Source Revenue (World Bank, 2024; IMF, 2023).

Framework

The Impact of Tax Audits on PBJT Taxpayers' Compliance

Tax audits are a supervisory tool used by local governments to assess taxpayers' compliance in calculating, paying, and reporting taxes in accordance with applicable regulations. Under the self-assessment system, audits play a vital role in minimizing errors and tax avoidance. Effective audits enhance taxpayers' awareness and compliance through supervision and the legal consequences of non-compliance. Research by the OECD (2023) and Yusuf and Rahman (2024) demonstrates that tax audits have a positive impact on improving taxpayer compliance through the strengthening of oversight and law enforcement functions.

H_1: *It is hypothesized that tax audits have a positive effect on the compliance of PBJT taxpayers in Makassar.*

The Effect of Tax Awareness Campaigns on PBJT Taxpayers' Compliance

Tax awareness campaigns are efforts by local governments to educate taxpayers regarding their rights, obligations, payment procedures, reporting requirements, and the benefits of taxation for regional development. A good understanding of these matters will increase taxpayers' awareness and willingness to fulfill their tax obligations voluntarily. The more effective the tax awareness campaigns are, the higher the level of compliance among PBJT taxpayers. Research by the OECD (2023) and the World Bank (2024) indicates that tax education is a key factor in improving voluntary taxpayer compliance.

H_2: *It is hypothesized that tax awareness campaigns have a positive effect on PBJT taxpayers' compliance in Makassar City.*

The Impact of Tax Audits on Increasing Local Tax Revenue

Tax audits are one of the strategies for intensifying local tax revenue through oversight and law enforcement functions. Audits can identify discrepancies in tax reporting so that unpaid tax liabilities can be collected in accordance with regulations. In addition to improving compliance, audits also

Vol. 6, No. 2, August 2026, pp. 462-477
https://doi.org/10.53067/ije3.v6i2.492

directly increase local tax revenue through the issuance of tax assessment notices and the payment of tax arrears. Research by Torgler (2023) and the World Bank (2024) explains that effective oversight contributes to the optimization of government tax revenue.

H_3: *It is hypothesized that tax audits have a positive effect on the increase in local tax revenue in the City of Makassar.*

The Impact of Tax Awareness Campaigns on the Increase in Local Tax Revenue

Tax awareness campaigns improve the public's tax literacy, enabling taxpayers to understand payment procedures, reporting requirements, and the benefits of taxation for regional development. This understanding will enhance voluntary compliance, which ultimately leads to an increase in the amount of tax paid to the local government. Thus, the more effective the tax awareness campaigns, the greater the likelihood of an increase in local tax revenue. This relationship is supported by research by Yusuf and Rahman (2024) and the OECD (2023), which shows that tax education contributes to an increase in tax revenue.

H_4: *It is hypothesized that tax awareness campaigns have a positive effect on the increase in local tax revenue in the City of Makassar.*

The Effect of PBJT Taxpayer Compliance on the Increase in Local Tax Revenue

Taxpayer compliance is a key factor in the success of the self-assessment system, as the level of tax revenue depends heavily on taxpayers' honesty in calculating, paying, and reporting their tax liabilities. The higher the level of PBJT taxpayer compliance, the more optimal the local tax revenue that the government can collect. Research by Alm and Torgler (2024) and the OECD (2023) concludes that voluntary compliance is the primary determinant of the success of modern tax administration and increased tax revenue.

H_5: It is hypothesized that PBJT taxpayers' compliance has a positive effect on the increase in local tax revenue for the City of Makassar.

The Effect of Tax Audits on the Increase in Local Tax Revenue through PBJT Taxpayers' Compliance

Tax audits are expected not only to increase tax revenue directly but also through improved taxpayer compliance. Effective audits will act as a deterrent, raise awareness, and encourage taxpayers to fulfill their tax obligations correctly. Higher levels of compliance will, in turn, increase the amount of local tax revenue. Therefore, PBJT taxpayers' compliance is regarded as an intervening variable that strengthens the relationship between tax audits and local tax revenue. This relationship is supported by Torgler (2023) and Yusuf and Rahman (2024).

H_6*: *It is hypothesized that tax audits have a positive effect on the increase in local tax revenue in the City of Makassar through the compliance of PBJT taxpayers as an intervening variable.

The Effect of Tax Awareness Campaigns on the Increase in Local Tax Revenue through PBJT Taxpayer Compliance

Tax awareness campaigns enhance taxpayers' understanding and awareness of the importance of fulfilling their tax obligations. Effective education fosters voluntary compliance, leading taxpayers to be more disciplined in calculating, paying, and reporting their taxes. This increased compliance subsequently leads to higher local tax revenue. Thus, PBJT taxpayers' compliance acts as an intervening variable that mediates the effect of tax awareness campaigns on the increase in local tax revenue. This relationship is supported by research **from the World Bank (2024)** and **the OECD (2023)**.

H_7*: *It is hypothesized that tax awareness campaigns have a positive effect on the increase in local tax revenue in the City of Makassar through PBJT taxpayers' compliance as an intervening variable.

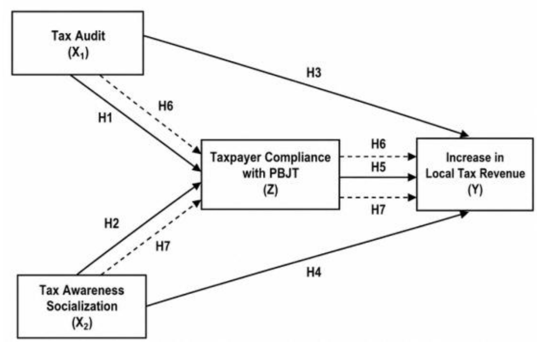

Figure 1. Conceptual Framework

METHOD

The research method is a scientific guideline used to systematically collect data to answer the research questions and test the research hypotheses. This study employs a quantitative approach to analyze the effects of tax audits and tax awareness campaigns on the increase in local tax revenue, with PBJT taxpayer compliance serving as the intervening variable (Hair et al., 2024; Creswell & Creswell, 2023).

Research Design

This study employs a quantitative approach of the explanatory research type, as it aims to explain the causal relationship between tax audits, tax awareness campaigns, PBJT taxpayers' compliance, and the increase in local tax revenue. Data were collected via a survey using a structured questionnaire and analyzed statistically to test the research hypotheses. This design was chosen as it is

Vol. 6, No. 2, August 2026, pp. 462-477
https://doi.org/10.53067/ije3.v6i2.492

capable of providing empirical evidence regarding both direct and indirect relationships between the variables under investigation (Hair et al., 2024; Creswell & Creswell, 2023).

Time and Location of the Research

The research was conducted at the Regional Revenue Agency (Bapenda) of Makassar City, South Sulawesi Province, as this agency is responsible for the administration of the Tax on Certain Goods and Services (PBJT). Makassar City was selected given that the trade, services, catering, and hospitality sectors make a significant contribution to local tax revenue. The research is scheduled to take place from April to June 2026, covering the preparation of instruments, data collection, data processing, analysis, and the drafting of the research report (OECD, 2023; World Bank, 2024).

Population and Sample

The research population comprises all PBJT taxpayers registered with the Makassar City Revenue Agency (Bapenda), totaling 5,668 taxpayers. The sample size was determined using the Slovin formula with a 10 percent margin of error, resulting in a minimum required sample size of 111 respondents. To enhance the representativeness of the study, 137 respondents were selected using purposive sampling based on the criteria of being registered, still actively running a business, having previously attended tax awareness sessions, having previously been audited, and being willing to participate as research respondents (Hair et al., 2024; Sekaran & Bougie, 2023).

Data Collection Techniques

Data collection was carried out through the distribution of questionnaires, a documentary review, and a literature review. The questionnaire utilized a five-point Likert scale to measure respondents' perceptions of the variables of tax audits, tax awareness programs, PBJT taxpayers' compliance, and the increase in local tax revenue. Secondary data were obtained from reports by the Makassar City Local Revenue Agency, tax regulations, and relevant academic publications. Prior to use, the research instruments were tested for validity and reliability to ensure they could produce accurate, consistent data in line with the research objectives (Hair et al., 2024; Creswell & Creswell, 2023).

Data Analysis

Data analysis was carried out using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with the aid of the SmartPLS 4 software. The analysis stages included descriptive statistical analysis and evaluation of the outer model through tests of convergent validity, discriminant validity, Average Variance Extracted (AVE), Cronbach's Alpha, and Composite Reliability. Subsequently, the inner model was evaluated using the R^2, Q^2, and f^2 values, followed by hypothesis testing via the bootstrapping procedure to determine the direct and indirect effects between the research variables. This method was chosen because it is capable of analyzing complex models and simultaneously incorporating mediating variables (Hair et al., 2024; Sarstedt et al., 2024).

RESULTS AND DISCUSSION

Research Findings

This study was conducted on taxpayers subject to the Specific Goods and Services Tax (PBJT) registered with the Makassar City Regional Revenue Agency. A total of 137 respondents who met the study criteria provided data via a questionnaire. Data analysis was carried out using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with the aid of the SmartPLS 4.0 application to test the relationship between tax audits, tax awareness campaigns, PBJT taxpayer compliance, and increases in local tax revenue.

Table 1. Characteristics of Research Respondents

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	99	72.3
	Female	38	27.7
Age	<25 years	7	5.1
	25–35 years	66	48.2
	36–45 years	50	36.5
	>45 years	14	10.2
Type of business	Restaurant	80	58.4
	Hotels	20	14.6
	Entertainment	20	14.6
	Car parks	17	12.4
Length of Business Operation	1–5 years	31	22.6
	6–10 years	68	49.6
	>10 years	38	27.8
Total		**137**	**100**

Source: Analysis of Respondent Data, 2026

The table above shows that the majority of research respondents were male (72.3 percent), whilst 27.7 percent were female. By age, the majority of respondents were in the 25–35 age group (48.2 percent), indicating that they are of working age and have experience in managing a business. By business type, the restaurant sector dominated at 58.4 percent, whilst by length of business operation, the majority had been running their businesses for 6–10 years, accounting for 49.6 percent.

Table 2. Results of the Convergent Validity Test (Outer Loading) for All Variables

Variable	Number of Indicators	Outer Loading Range	Description
Tax Audit (X1)	12	0.702–0.915	Valid
Tax Awareness Campaign (X2)	12	0.713–0.905	Valid
PBJT Taxpayer Compliance (Z)	15	0.480–0.737	Acceptable
Increase in Local Tax Revenue (Y)	12	0.575–0.769	Acceptable

Source: SmartPLS 4 output, 2026

Vol. 6, No. 2, August 2026, pp. 462-477
https://doi.org/10.53067/ije3.v6i2.492

The table above shows that the majority of the research indicators have met the criteria for convergent validity. The variables 'tax audits' and 'tax awareness campaigns' have outer loadings entirely above 0.70, indicating that these indicators are highly effective in reflecting the construct. Meanwhile, several indicators for the variables 'PBJT taxpayer compliance' and 'increase in local tax revenue' have loadings between 0.50 and 0.70, which are still acceptable as the constructs possess an adequate level of reliability.

Table 3. Results of the Construct Reliability Test and Average Variance Extracted (AVE)

Variable	Cronbach's Alpha	Composite Reliability	AVE
Tax Audit (X1)	0.952	0.960	0.705
Tax Awareness Campaign (X2)	0.952	0.959	0.701
PBJT Taxpayer Compliance (Z)	0.822	0.862	0.389
Increase in Local Tax Revenue (Y)	0.865	0.892	0.454

Source: SmartPLS 4 output, 2026

The reliability test results in the table above show that all variables have Cronbach's Alpha and Composite Reliability values greater than 0.70. This indicates that all constructs possess good internal consistency. The AVE values for the tax audit and tax awareness variables meet the minimum standard of 0.50, whilst the other two variables remain below the ideal threshold but are still usable, as their Composite Reliability values meet the construct reliability criteria.

Table 4. Results of the Discriminant Validity Test (HTMT)

Construct Relationships	HTMT Value
X2 ↔ X1	0.937
Z ↔ X1	0.459
Z ↔ X2	0.428
Y ↔ X1	0.579
Y ↔ X2	0.603
Y ↔ Z	0.964

Source: SmartPLS 4 output, 2026

Based on the table above, the majority of relationships between constructs have HTMT values below 0.90, thus meeting the criteria for discriminant validity. Two relationships slightly exceed the threshold: tax audits and tax awareness at 0.937, and taxpayer compliance and local tax revenue at 0.964. This is still acceptable as, conceptually, the two variables are indeed closely related in the context of improving compliance and local tax revenue.

Table 5. R-Square and Predictive Relevance (Q^2) Values

Endogenous Variables	R-Square	Category	Q^2
PBJT Taxpayer Compliance (Z)	0.152	Weak	0.400
Increase in Local Tax Revenue (Y)	0.293	Moderate	

Source: SmartPLS 4 output, 2026

Based on the table above, it can be seen that the variables of tax audits and tax awareness campaigns account for 15.2 percent of PBJT taxpayers' compliance. Furthermore, tax audits, tax awareness campaigns, and taxpayer compliance account for 29.3 percent of the increase in local tax revenue. A Q^2 value of 0.400 indicates that the model has good predictive power regarding the research phenomenon.

Table 6. Effect Size Test Results (f^2)

Relationship between Variables	f^2	Category
Tax Audit → Taxpayer Compliance	0.058	Low
Tax Awareness → Taxpayer Compliance	0.041	Small
Tax Audits → Local Tax Revenue	0.102	Small
Tax Awareness Campaigns → Local Tax Revenue	0.131	Small
Taxpayer Compliance → Local Tax Revenue	0.216	Medium

Source: SmartPLS 4 output, 2026

The results of the effect size test indicate that the greatest contribution to the research model stems from the relationship between PBJT taxpayer compliance and the increase in local tax revenue, with an f^2 value of 0.216. This indicates that taxpayer compliance is the most dominant factor in increasing local tax revenue compared to the variables of tax audits and tax awareness campaigns.

Table 7. Results of the Direct Effect Test

Variable Relationships	Original Sample	T-Statistics	P-Values	Decision
X1 → Z	0.183	1.089	0.276	Rejected
X2 → Z	0.391	2.344	0.019	Accepted
X1 → Y	0.203	1.258	0.209	Rejected
X2 → Y	-0.296	1.842	0.066	Rejected
Z → Y	0.881	12,379	0.000	Accepted

Source: SmartPLS 4 output, 2026

The table above shows that tax awareness campaigns have a positive and significant effect on PBJT taxpayers' compliance. Furthermore, PBJT taxpayers' compliance has been shown to have a positive and significant effect on the increase in local tax revenue. However, tax audits have not yet shown a significant effect on either compliance or local tax revenue. Tax awareness campaigns have also not yet had a significant direct effect on local tax revenue.

Table 8. Results of the Indirect Effect Test

Variable Relationships	Original Sample	T Statistics	P-Values	Decision
X1 → Z → Y	0.161	1.081	0.280	Rejected
X2 → Z → Y	0.345	2.195	0.028	Accepted

Source: SmartPLS 4 output, 2026

The results of the indirect effect test in Table 5.8 show that PBJT taxpayer compliance does not mediate the relationship between tax audits and increases in local tax revenue. Conversely, PBJT taxpayer compliance was able to mediate the effect of tax awareness campaigns on the increase in local tax revenue. This indicates that effective tax education and communication can improve taxpayer compliance, which in turn leads to an increase in local tax revenue for the City of Makassar.

Discussion

The objective of this discourse is to elucidate the findings of the hypothesis testing, which

Vol. 6, No. 2, August 2026, pp. 462-477
https://doi.org/10.53067/ije3.v6i2.492

were conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis. The research results are interpreted in accordance with Attribution Theory, Compliance Theory, and Tax Theory. Additionally, the research findings are compared to those of previous studies to enhance comprehension of the correlation between tax audits, tax awareness campaigns, PBJT taxpayer compliance, and the increase in local tax revenue for the City of Makassar.

The Effect of Tax Audits on PBJT Taxpayers' Compliance

The research findings indicate that tax audits do not have a significant effect on PBJT taxpayers' compliance. The SEM-PLS results show a path coefficient of 0.183 with a t-statistic of 1.089 and a p-value of 0.276 (>0.05), leading to the rejection of the first hypothesis. This finding suggests that tax audits conducted by local government have not yet become a key factor in improving PBJT taxpayer compliance in Makassar City.

Based on Attribution Theory, tax audits are external factors that can influence taxpayer behavior; however, the research results show that internal factors such as tax awareness, understanding of regulations, and perceptions of the benefits of taxation are more dominant in shaping compliance. These results are consistent with Putra and Dewi (2022), who found that tax audits do not always increase compliance if they are not supported by taxpayer awareness. However, this differs from Rahayu (2021), who stated that audits can increase compliance by raising perceptions of the risk of non-compliance.

The Effect of Tax Awareness Campaigns on PBJT Taxpayers' Compliance

The research findings indicate that tax awareness campaigns have a positive and significant effect on PBJT taxpayers' compliance. A path coefficient of 0.391, with a t-statistic of 2.344 and a p-value of 0.019 (<0.05), indicates that the second hypothesis is accepted. This means that the better the awareness-raising activities carried out by the Makassar City Regional Revenue Agency, the higher the level of taxpayer compliance in fulfilling their tax obligations.

This finding supports Compliance Theory, which explains that compliance can be fostered through an increase in taxpayers' knowledge and understanding. Tax awareness campaigns serve as an educational tool that helps taxpayers understand payment procedures, reporting requirements, and the benefits of local taxes. These research findings are consistent with those of Nugraha et al. (2023), who found that tax awareness campaigns have a positive effect on taxpayer compliance. Sari and Kurniawan (2022) also explain that ongoing tax education is capable of increasing taxpayer awareness and compliance.

The Effect of Tax Audits on the Increase in Local Tax Revenue in Makassar City

The research results indicate that tax audits do not have a significant effect on the increase in local tax revenue. The test results show a path coefficient of 0.203 with a t-statistic of 1.258 and a p-value of 0.209 (>0.05); thus, the third hypothesis is rejected. This indicates that tax audits have not yet been able to make a direct contribution to the increase in local tax revenue.

According to tax theory, an increase in tax revenue depends not only on supervision but is also influenced by the quality of service, the administrative system, and taxpayer awareness. These results are consistent with Saputra and Nurhayati (2022), who state that tax audits are not effective in increasing revenue if optimal follow-up measures do not follow them. Prasetyo and Rahmawati (2023) also state that audits require technological support and continuous supervision to have an impact on tax revenue.

The Effect of Tax Awareness Campaigns on the Increase in Local Tax Revenue in Makassar City

The research findings indicate that tax awareness campaigns do not have a significant effect on the increase in local tax revenue. The SEM-PLS results show a path coefficient of -0.296 with a t-statistic of 1.842 and a p-value of 0.066 (>0.05), thus rejecting the fourth hypothesis. This finding indicates that tax awareness campaigns have not yet been able to have a direct impact on increasing local tax revenue.

According to Compliance Theory, awareness campaigns are the initial process in fostering voluntary compliance before leading to an increase in revenue. Consequently, the impact of awareness campaigns on tax revenue is primarily realized through changes in taxpayer behavior. These research findings are consistent with those of Utami and Kurniawan (2022) and Sari and Nugroho (2023), who found that tax awareness campaigns have a greater influence on compliance than on revenue directly.

The Effect of PBJT Taxpayers' Compliance on the Increase in Local Tax Revenue

The research results indicate that PBJT taxpayers' compliance has a positive and significant effect on the increase in local tax revenue. The path coefficient value is 0.881 with a t-statistic of 12.379 and a p-value of 0.000 (<0.05); thus, the fifth hypothesis is accepted. These results indicate that taxpayer compliance is the most dominant factor in increasing local tax revenue.

This finding reinforces Compliance Theory, which explains that the success of a tax system is highly dependent on taxpayers' compliance in paying and reporting their obligations. These research findings are consistent with those of Fitriani and Handayani (2022), who found that taxpayer compliance has a positive effect on local tax revenue. Rahman et al. (2023) also state that improved administrative compliance is a key factor in optimizing local government revenue.

The Effect of Tax Audits on the Increase in Local Tax Revenue through PBJT Taxpayer

Vol. 6, No. 2, August 2026, pp. 462-477
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Compliance

The research results indicate that PBJT taxpayers' compliance does not mediate the effect of tax audits on the increase in local tax revenue. The indirect effect results show a coefficient value of 0.161 with a t-statistic of 1.081 and a p-value of 0.280 (>0.05); consequently, the sixth hypothesis is rejected.

These results indicate that tax audits have not yet been able to foster compliance that subsequently impacts local tax revenue. From the perspective of Attribution Theory, external supervision requires the support of internal factors to change taxpayer behavior. This finding is consistent with Prabowo and Yuliana (2022), who state that tax audits are not effective in increasing revenue through compliance if they are not accompanied by strong supervision and follow-up.

The Effect of Tax Awareness Campaigns on the Increase in Local Tax Revenue through PBJT Taxpayers' Compliance

The research results indicate that PBJT taxpayers' compliance mediates the effect of tax awareness campaigns on the increase in local tax revenue. The results of the indirect effect test show a coefficient value of 0.345 with a t-statistic of 2.195 and a p-value of 0.028 (<0.05); consequently, the seventh hypothesis is accepted.

These findings indicate that tax awareness campaigns do not directly increase tax revenue, but rather do so by improving taxpayers' understanding and compliance. These results support the Compliance Theory, which posits that tax education can foster voluntary compliance, which ultimately impacts local government revenue. Research by Susanti and Arifin (2023) and by Kurniawati et al. (2022) also found that taxpayer compliance acts as a mediating variable in the relationship between tax awareness campaigns and increased tax revenue.

CONCLUSION

Based on the results of the study on the influence of tax audits and tax awareness campaigns on the increase in local tax revenue, with PBJT taxpayer compliance as an intervening variable among PBJT taxpayers in Makassar City, it can be concluded that taxpayer compliance plays a significant role in optimizing local tax revenue. The results of the SEM-PLS analysis indicate that not all tax supervision and education instruments are capable of exerting a direct influence on the increase in local tax revenue.

Tax audits were not found to have a significant effect on PBJT taxpayers' compliance or on the increase in local tax revenue. This suggests that the oversight mechanism through audits has not yet become a key factor in shaping taxpayers' compliance behavior. Conversely, tax awareness campaigns were found to have a positive and significant effect on PBJT taxpayers' compliance, indicating that education and the dissemination of tax information can enhance taxpayers' understanding and awareness.

PBJT taxpayers' compliance was found to have a positive and significant influence on the increase in local tax revenue, with the largest contribution within the research model. Taxpayers' compliance was also found to mediate the influence of tax awareness campaigns on local tax revenue, but did not mediate the influence of tax audits. Consequently, increasing local tax revenue in the City of Makassar is most effectively achieved through strategies to improve voluntary taxpayer compliance via continuous tax education, optimal service delivery, and the strengthening of the local tax administration system.

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