

## **The Mediating Effect of Taxpayers' Compliance on Internal Business Process-Tax Revenue Relationship: A Case Study at the Directorate General of Taxation in Indonesia**

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**Abstract :** Tax revenue plays an important role in the State Budget of the Government of Indonesia (GOI). The GOI keeps raising tax revenue portion of the Budget from year to year. The low tax ratio of 11 percent in Indonesia shows a big opportunity to collect taxes in the future. The Directorate General of Taxation (DGT) is the institution mandated by the Law to collect tax revenue. This is a case study using quantitative and qualitative approaches. This study introduces contingent factors of taxpayers' compliance as the mediating variable and internal business process as the independent variable. This study aims to empirically test the contingency theory, especially the mediating effect of taxpayers' compliance on internal business process-tax revenue relationship. Internal business processes of the DGT include servicing, counseling, expanding, supervising, inspecting, and enforcing. The secondary data of 31 regional offices representing 293 tax offices in Indonesia was collected and analyzed using Partial Least Square. The result showed the following: (1) internal business process affected tax revenue; (2) taxpayers' compliance did not mediate internal business processes - tax revenue relationship, and (3) taxpayers' compliance affected tax revenue. In-depth interviews revealed that the DGT needs to make more innovations in business processes in the future.

**Keywords :** innovations, internal business process, taxpayers' compliance, tax revenue

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