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# Determinants of Motor Vehicle Tax Compliance among Generation Z in the Digital Era: The Mediating Role of Tax Sanctions

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## ABSTRACT

Motor vehicle tax compliance remains a critical issue in supporting Regional Original Revenue (PAD), particularly among Generation Z, who are increasingly dominant in the productive population but often exhibit low compliance behavior. This study aims to analyze the factors influencing motor vehicle tax compliance among Generation Z in Kediri Regency, focusing on digital tax services, e-wallet effectiveness, social media exposure, income level, and tax sanctions. This research employs a quantitative approach using primary data collected through questionnaires distributed to 62 respondents aged 17–26 years who are responsible for paying motor vehicle taxes. Data analysis was conducted using the Partial Least Squares (PLS) method with SmartPLS 4 to evaluate both direct and indirect relationships among variables. The results show that tax sanctions have a positive and significant effect on motor vehicle tax compliance, indicating that enforcement plays a dominant role in shaping compliance behavior. E-wallet effectiveness also demonstrates a significant influence, suggesting its role in supporting compliance through indirect mechanisms. In contrast, digital tax services, social media exposure, and income level do not have a significant direct effect on compliance. These findings indicate that technological accessibility alone is insufficient to improve compliance without consistent enforcement of sanctions.

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## 1. INTRODUCTION

Regional Original Revenue (Pendapatan Asli Daerah/PAD) constitutes a crucial source of income for local governments in Indonesia, serving as a foundation for financing regional development and public services. One of the main contributors to PAD is the Motor Vehicle Tax (Pajak Kendaraan Bermotor/PKB), as regulated under Law Number 28 of 2009 concerning Regional Taxes and Retributions and further detailed in Regulation of the Minister of Home Affairs Number 8 of 2024. PKB is imposed on individuals who own motor

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vehicles and plays a strategic role in strengthening local fiscal capacity [1]. However, despite its importance, the effectiveness of PKB collection remains a significant issue, particularly due to declining taxpayer compliance in several regions, including Kediri Regency, where compliance was recorded at only 59% in 2023.

This condition highlights a critical research problem, namely the low level of motor vehicle tax compliance, which may threaten the sustainability of regional revenue. One of the key factors influencing compliance is taxpayer awareness, which has been widely recognized as a determinant of tax payment behavior [2], [3]. In this context, the role of Generation Z becomes increasingly important. As a demographic group that will dominate the productive population, their attitudes and behaviors toward taxation will shape future compliance trends. However, Generation Z is often perceived as having low concern for social obligations, including taxes, despite their strong familiarity with digital technology [4].

To address this issue, this study proposes an analytical approach that examines the relationship between Generation Z characteristics, tax awareness, digital tax services, and tax sanctions in influencing motor vehicle tax compliance. The rapid development of digital technology, including e-wallets and online tax payment systems, provides an opportunity to improve compliance by making tax payment more accessible and efficient [5], [6]. Therefore, this research aims to explore whether digitalization and generational characteristics can be leveraged as strategic tools to enhance compliance.

The objective of this study is to analyze the influence of Generation Z's awareness, perception of tax sanctions, and utilization of digital payment systems on motor vehicle tax compliance in Kediri Regency. Specifically, this research seeks to identify the extent to which these factors contribute to improving compliance behavior among young taxpayers.

From a theoretical perspective, this study is grounded in several key concepts. First, the theory of tax compliance emphasizes the importance of awareness and perceived fairness in influencing taxpayer behavior [7]. Second, deterrence theory explains how tax sanctions function as a mechanism to encourage compliance by increasing the perceived cost of noncompliance [8]. Third, technology acceptance theory suggests that the adoption of digital systems depends on perceived ease of use and usefulness, which are particularly relevant for Generation Z as digital natives [6]. These theoretical frameworks provide a comprehensive basis for understanding the interaction between behavioral, regulatory, and technological factors in taxation.

Previous studies have examined factors affecting tax compliance, such as taxpayer awareness, service quality, and tax sanctions. For example, research by [2] and [3] found that awareness significantly influences compliance levels, while [7] highlighted the role of sanctions in enforcing tax obligations. Other studies have also explored the impact of digitalization on tax systems, showing that digital services can improve efficiency and taxpayer satisfaction [5]. However, a research gap remains, as few studies specifically focus on Generation Z as a distinct demographic group in the context of motor vehicle tax compliance, particularly at the regional level, such as in Kediri Regency. Moreover, integrating digital payment behavior (e-wallet usage) with tax compliance analysis remains relatively underexplored.

This study offers novelty by combining generational analysis, digital financial behavior, and regulatory factors within a single framework. It specifically focuses on Generation Z in a regional context, providing a more targeted understanding of future taxpayer behavior.

The expected contribution and benefits of this research are both theoretical and practical. Theoretically, this study enriches the tax compliance literature by incorporating generational and technological perspectives. Practically, the findings are expected to assist local governments and Samsat offices in designing more effective policies and strategies, particularly by optimizing digital tax services and increasing awareness among young taxpayers. Ultimately, this research is expected to support improvements in regional tax compliance and contribute to sustainable regional development.

## 2. METHOD

This study employed a quantitative survey method to investigate factors influencing motor vehicle tax compliance among Generation Z taxpayers. The quantitative approach was selected to test relationships among variables statistically and to examine the proposed research model through hypothesis testing. Primary data were collected using a structured questionnaire distributed to Generation Z taxpayers residing in Kediri Regency. The survey method enabled the researcher to obtain measurable responses regarding perceptions, behaviors, and attitudes toward motor vehicle tax compliance.

The study population consisted of all Generation Z taxpayers residing in Kediri Regency. According to the 2024 Population Census, Generation Z comprises individuals born between 1997 and 2012 and accounts for approximately 22.34 percent of Kediri Regency's total population. This population was considered relevant due to its increasing role in economic activities and its familiarity with digital technology, which may influence interactions with digital tax services.

The sample size was determined according to the guidelines proposed by Sugiyono [9], who states that an adequate sample size for quantitative research ranges from 30 to 500 respondents. Furthermore, for multivariate analysis, such as correlation or regression, a minimum of ten observations per analyzed variable is required. Given that this study examined six variables, the minimum required sample size was 60 respondents. The sampling technique used was purposive, with criteria defined to ensure alignment with the research objectives. The sample selection criteria were as follows: (1) individuals belonging to Generation Z who were born between 1997 and 2012, and (2) individuals residing in Kediri Regency.

This study involved several research variables, each defined operationally to facilitate measurement through questionnaire indicators. The instruments used in this study were designed to capture respondents' perceptions and experiences related to digital tax services, e-wallet effectiveness, social media influence, income level, tax sanctions, and motor vehicle tax compliance.

The data analysis technique applied in this study was variance-based Structural Equation Modeling (SEM). This approach used the Partial Least Squares (PLS) method with SmartPLS software. SEM-PLS was employed to evaluate both the measurement and

structural models, enabling assessment of instrument validity and reliability, as well as examination of relationships among latent variables. This method is suitable for identifying factors that significantly influence motor vehicle tax compliance.

The stages of PLS analysis conducted in this study consisted of several steps. The first stage was model specification, which aimed to construct both the structural model (the inner model) and the measurement model (the outer model). This step involved defining relationships among the latent constructs in accordance with the study's conceptual framework. The second stage was outer model estimation, which focused on ensuring that indicators were valid and reliable. This was achieved by evaluating convergent validity, discriminant validity, and construct reliability.

The third stage was inner model estimation, which aimed to assess the strength and direction of relationships among latent variables. This step involved testing path coefficients and examining the coefficient of determination (R-square), effect size (f-square), and predictive relevance (Q-square). The fourth stage involved bootstrapping to determine whether the proposed relationships were statistically significant. Hypothesis testing was performed by examining t-statistics and p-values generated through the bootstrapping procedure. The final stage was result evaluation, which involved interpreting direct, indirect, and total effects in order to conclude the analysis.

The evaluation of the outer model was conducted using several criteria. Factor loadings were assessed to determine indicator validity; values greater than 0.70 were considered acceptable. Convergent validity was evaluated using the Average Variance Extracted (AVE), with a minimum threshold of 0.50. Construct reliability was assessed through Composite Reliability (CR), with values above 0.70 indicating adequate internal consistency. Cronbach's Alpha was also examined to assess initial internal consistency, with values above 0.60 considered acceptable for exploratory research. Discriminant validity was evaluated using the Fornell–Larcker criterion and the Heterotrait–Monotrait ratio (HTMT), with HTMT values below 0.90 indicating satisfactory discriminant validity.

The evaluation of the inner model focused on assessing the explanatory and predictive power of the structural model. The coefficient of determination (R-square) was used to measure the proportion of variance in the dependent variable explained by the independent variables; values of 0.25, 0.50, and 0.75 indicate weak, moderate, and strong explanatory power, respectively. Predictive relevance was assessed using Q-square values, where values greater than zero indicate adequate predictive capability. Effect sizes were examined using f-squared values, with thresholds of 0.02, 0.15, and 0.35 indicating small, medium, and large effects, respectively. Finally, bootstrapping results were used to assess the significance of structural paths; relationships were considered significant when t-statistic values exceeded 1.96 or p-values were below 0.05.

### 3. RESULTS AND DISCUSSION

#### 3.1 Characteristics of Respondents

This study on motor vehicle tax compliance in Kediri Regency involved 62 respondents from various backgrounds, as presented in the respondent characteristics table. Overall, the data indicate that the majority of respondents were young female individuals

aged 21-26, with student status, and predominantly users of two-wheeled vehicles. This condition reflects the dominance of young, active, and technologically literate individuals within the sample. Such characteristics suggest that Generation Z, as a digitally adept group, plays a significant role in shaping motor vehicle tax compliance behavior in Kediri Regency. Consequently, this group may serve as a key target in efforts to enhance tax awareness and compliance at the regional level.

Table 1. Description of Respondents Based on Age, Gender, Occupation, and Vehicle

| Category                 | Subcategory           | Number (persons) | Percentage  |
|--------------------------|-----------------------|------------------|-------------|
| Age                      | 17–20 years           | 24               | 39%         |
|                          | 21–26 years           | 38               | 61%         |
| Gender                   | Female                | 42               | 68%         |
|                          | Male                  | 20               | 32%         |
| Occupation               | Student (High School) | 2                | 3%          |
|                          | University Student    | 40               | 65%         |
|                          | Private Employee      | 11               | 18%         |
|                          | Civil Servant         | 1                | 2%          |
|                          | Entrepreneur          | 5                | 8%          |
|                          | Migrant Worker        | 1                | 2%          |
|                          | Lecturer              | 1                | 2%          |
|                          | Teacher               | 1                | 2%          |
| Vehicle Type             | Two-wheeled vehicle   | 60               | 97%         |
|                          | Four-wheeled vehicle  | 2                | 3%          |
| <b>Total Respondents</b> |                       | <b>62</b>        | <b>100%</b> |

### 3.2 Loading Factor Results

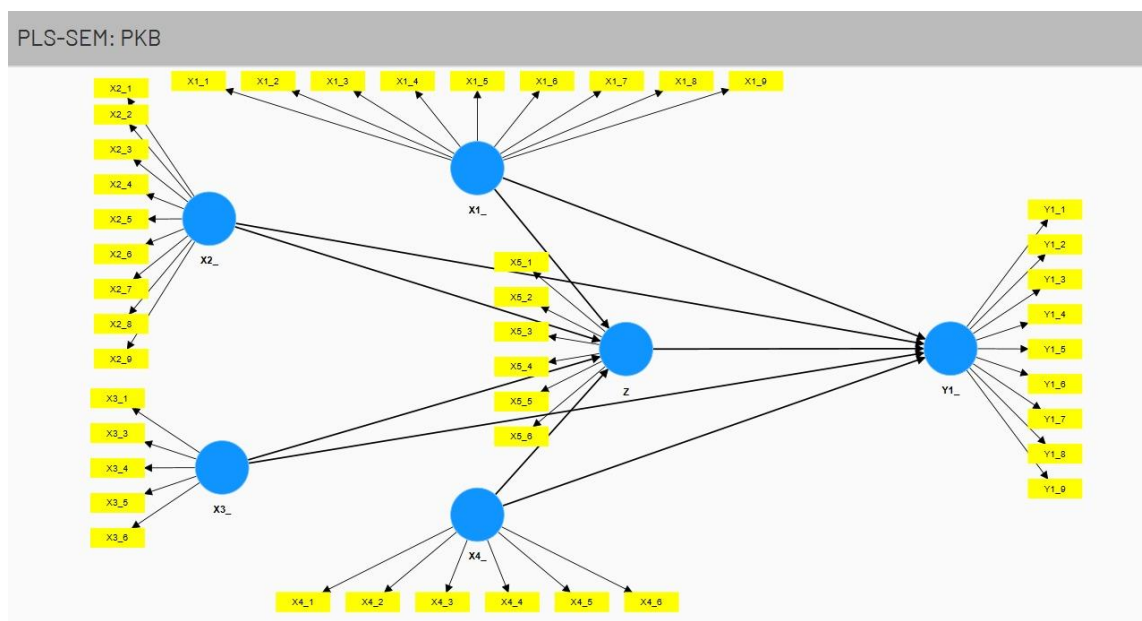


Figure 1. Path Diagram Results

The loading factor results illustrate the relationships between indicators and their respective latent variables within the research model. These results were obtained through the application of Partial Least Squares Structural Equation Modeling (PLS-SEM). Each latent variable, represented by blue circles, is measured by several indicators shown in yellow boxes. The loading factor values indicate the strength with which each indicator reflects its underlying construct.

As shown in the path diagram, all indicators achieved high loading factor values, approaching 1.000. This finding indicates that each indicator can explain its latent variable comprehensively and effectively. These results confirm that the measurement instruments used in this study meet the requirements for convergent validity, indicating that each indicator accurately measures the intended construct.

Path coefficients, which represent the strength and direction of relationships among latent variables, are displayed along the arrows connecting the constructs, such as from X1, X2, X3, and X4 to Z, and from Z to Y. The relationships involving E-wallet Effectiveness (X2) with Tax Sanctions (Z) and Motor Vehicle Tax Compliance (Y) exhibit relatively larger and statistically significant coefficients, consistent with prior regression test results. In contrast, paths such as those linking Generation Z Income (X4) and Social Media (X3) to other variables show very small coefficient values, indicating weak or statistically insignificant relationships.

Overall, the loading factor results support the conclusion that the indicators included in the model are valid and reliable, and that the structural relationships identified are consistent with the regression analysis. In particular, these findings highlight the prominent roles of tax sanctions and e-wallet effectiveness in influencing motor vehicle tax compliance.

### 3.3 Average Variance Extracted (AVE) Test

Table 2. Average Variance Extracted (AVE) Results

| Variable                         | Average Variance Extracted (AVE) |
|----------------------------------|----------------------------------|
| Tax Service Digitalization (X1)  | 0.714                            |
| E-Wallet Effectiveness (X2)      | 0.833                            |
| Social Media Influence (X3)      | 0.600                            |
| Generation Z Income (X4)         | 0.827                            |
| Tax Sanctions (Z)                | 0.863                            |
| Motor Vehicle Tax Compliance (Y) | 0.753                            |

All variables in the model exhibit AVE values greater than 0.50, indicating that each construct demonstrates satisfactory convergent validity. An AVE value exceeding 0.50 indicates that the corresponding latent construct explains more than 50% of the variance in the indicators. The AVE value for Digital Tax Service Digitalization (X1) is 0.714, for E-wallet Effectiveness (X2) is 0.833, for Social Media Effectiveness (X3) is 0.600, for Generation Z Income (X4) is 0.827, for Tax Sanctions (Z) is 0.863, and for Motor Vehicle Tax Compliance (Y) is 0.753. These results confirm that all constructs in this study meet

the criteria for convergent validity, indicating that the indicators accurately represent their respective latent variables.

### 3.4 Reliability Test

Table 3. Reliability Test Results of Research Variables

| Variable                         | Cronbach's Alpha | Composite Reliability (rho_a) | Composite Reliability (rho_c) |
|----------------------------------|------------------|-------------------------------|-------------------------------|
| Tax Service Digitalization (X1)  | 0.950            | 0.955                         | 0.957                         |
| E-Wallet Effectiveness (X2)      | 0.975            | 0.980                         | 0.978                         |
| Social Media Influence (X3)      | 0.836            | 0.864                         | 0.882                         |
| Generation Z Income (X4)         | 0.959            | 1.009                         | 0.966                         |
| Tax Sanctions (Z)                | 0.968            | 0.971                         | 0.974                         |
| Motor Vehicle Tax Compliance (Y) | 0.958            | 0.960                         | 0.965                         |

The reliability test results, as presented in the table, indicate that all indicators across the research variables are reliable and consistent in measuring their respective constructs. This is evidenced by Cronbach's Alpha and Composite Reliability values (rho\_a and rho\_c), all of which exceed the minimum threshold of 0.70.

Specifically, the Digital Tax Service Digitalization variable (X1) demonstrates very high reliability, with a Cronbach's Alpha value of 0.950 and Composite Reliability values of 0.955 (rho\_a) and 0.957 (rho\_c). The E-wallet Effectiveness variable (X2) exhibits the highest Cronbach's Alpha value at 0.975. The Social Media variable (X3) shows the lowest reliability among the constructs, with a Cronbach's Alpha of 0.836, which remains within the acceptable range. Other variables, including Generation Z Income (X4), Tax Sanctions (Z), and Motor Vehicle Tax Compliance (Y), all record reliability values exceeding 0.95, indicating a very high level of internal consistency.

Overall, these findings demonstrate that the research instruments meet strong reliability criteria, meaning that the data obtained from these measurements are dependable and suitable for further analysis. This confirms that the instruments used in this study are appropriate for assessing the proposed research model.

### 3.5 Regression Test Results

Table 4 below presents the results of the regression analysis, specifically the path significance test, which indicates the strength and significance of relationships among the research variables. This analysis uses T-statistics and P-values as the basis for decision-making. In general, a relationship is considered statistically significant when the T-statistic value exceeds 1.96, and the P-value is less than 0.05.

The results show that the relationship between E-wallet Effectiveness (X2) and Tax Sanctions (Z) yields a T-statistic value of 2.336 and a P-value of 0.020. Additionally, the relationship between Tax Sanctions (Z) and Motor Vehicle Tax Compliance (Y) records a

T-statistic value of 2.595 and a P-value of 0.009. Both relationships meet the criteria for statistical significance, indicating that tax sanctions significantly influence motor vehicle tax compliance and that e-wallet effectiveness significantly affects motor vehicle tax compliance.

Table 4. Path Significance Test Results

|          | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics ( O/STDEV ) | P values |
|----------|---------------------|-----------------|----------------------------|--------------------------|----------|
| X1 -> Z  | 0.403               | 0.328           | 0.220                      | 1.828                    | 0.068    |
| X1 -> Y1 | 0.290               | 0.250           | 0.184                      | 1.580                    | 0.114    |
| X2 -> Z  | 0.442               | 0.452           | 0.189                      | 2.336                    | 0.020    |
| X2 -> Y1 | -0.085              | -0.090          | 0.168                      | 0.505                    | 0.613    |
| X3 -> Z  | 0.003               | 0.034           | 0.175                      | 0.017                    | 0.986    |
| X3 -> Y1 | -0.058              | -0.041          | 0.167                      | 0.346                    | 0.729    |
| X4 -> Z  | -0.058              | -0.019          | 0.168                      | 0.344                    | 0.731    |
| X4 -> Y1 | -0.135              | -0.134          | 0.146                      | 0.926                    | 0.354    |
| Z -> Y1  | 0.532               | 0.498           | 0.205                      | 2.595                    | 0.009    |

Other paths, including the influence of Digital Tax Service Digitalization (X1) on Tax Sanctions (Z) and Motor Vehicle Tax Compliance (Y), as well as the effects of Social Media (X3) and Generation Z Income (X4) on other variables, display P-values greater than 0.05. These results indicate that these relationships are not statistically significant. Therefore, it can be concluded that, within this research model, the variables that significantly influence inter-variable relationships are E-wallet Effectiveness (X2) and Tax Sanctions (Z), while the remaining variables do not exhibit statistically significant effects.

### 3.6 The Effect of Tax Service Digitalization on Motor Vehicle Tax Compliance among Generation Z in Kediri Regency (X1 → Y)

The findings indicate that digitalization of tax services does not have a significant effect on motor vehicle tax compliance among Generation Z in Kediri Regency. The results show that although digital services such as e-Samsat, e-wallets, and digital payment applications are widely available and easily accessible, they have not effectively encouraged compliant tax behavior. According to the Technology Acceptance Model [10], the primary determinants of digital system adoption are perceived ease of use and perceived usefulness. Although Generation Z is commonly regarded as a digitally native generation, this study's findings reveal a gap between digital proficiency and awareness of fiscal responsibility [19], [20]. In other words, strong digital skills do not automatically translate into adequate tax knowledge or competence in fiscal citizenship.

These findings carry important policy implications. The East Java Provincial Government and the Kediri Regency Samsat Office are required to go beyond merely providing digital platforms in order to enhance tax literacy and engagement among younger taxpayers. Efforts to improve Generation Z's financial literacy may include collaborating with universities, developing gamified tax education programs, and running tax awareness campaigns on social media [21]. In addition, integrating more personalized digital services

and real-time feedback mechanisms within tax systems may help build trust and encourage more active participation in tax payment processes. Given that this study adopts a purely quantitative approach and is limited to a specific regional context, future studies are encouraged to adopt mixed-methods designs and to incorporate psychological variables, such as fiscal citizenship values and digital trust [11].

### 3.7 The Effect of Tax Service Digitalization on Motor Vehicle Tax Compliance with Tax Sanctions as a Mediating Variable in Kediri Regency ( $X1 \rightarrow Z \rightarrow Y$ )

The data analysis shows that digitalization of tax services does not have a significant effect on motor vehicle tax compliance in Kediri Regency, either directly or indirectly through tax sanctions. The mediation analysis indicates that tax sanctions do not significantly mediate the relationship between tax digitalization and compliance. Although digitalization has facilitated payment, registration, and tax administration processes through internet-based systems such as e-Samsat and digital tax applications [12], these improvements have not been sufficient to enhance compliance among Generation Z taxpayers [22]. Statistically, the indirect effect of tax digitalization on compliance through tax sanctions is also not significant.

Even when tax sanctions are treated as a mediating variable, the findings confirm that digitalization of tax services does not exert a significant influence on motor vehicle tax compliance among Generation Z in Kediri Regency. This suggests that improving tax compliance among younger generations does not rely solely on digital convenience but also depends on other factors such as tax education, moral awareness, and trust in the tax system [23].

### 3.8 The Effect of E-Wallet Effectiveness on Motor Vehicle Tax Compliance among Generation Z in Kediri Regency ( $X2 \rightarrow Y$ )

The results reveal that the effectiveness of e-wallet usage does not significantly influence motor vehicle tax compliance among Generation Z in Kediri Regency. From a theoretical perspective, the Technology Acceptance Model suggests that Generation Z demonstrates a high level of acceptance toward technology, as they routinely use e-wallets in daily transactions and perceive them as efficient and easy-to-use tools [13].

However, this study highlights that digital transformation in taxation extends beyond technological adoption alone. These findings have important implications for public policy formulation. It is recommended that the Kediri Regency Government collaborate with private-sector actors, particularly e-wallet providers, educational institutions, and Generation Z digital communities, to develop joint tax compliance strategies. Such cooperation may result in innovative initiatives such as “Smart Tax Campaigns” or “Digital Rewards for Taxpayers,” which integrate technology, education, and social incentives. Policies that integrate technology, education, and trust are expected to reduce the gap between anticipated tax compliance behavior and actual technology adoption [24].

### 3.9 The Effect of E-Wallet Effectiveness on Motor Vehicle Tax Compliance with Tax Sanctions as a Mediating Variable in Kediri Regency ( $X_2 \rightarrow Z \rightarrow Y$ )

The analysis indicates that e-wallet usage does not directly influence motor vehicle tax compliance among Generation Z in Kediri Regency. Although e-wallets facilitate faster, easier, and more efficient tax payments, they have not succeeded in significantly improving tax compliance. This is evidenced by the significance value of the direct effect, which exceeds 0.05, indicating that there is no statistically significant relationship between e-wallet effectiveness and tax compliance.

Nevertheless, the findings demonstrate that tax sanctions indirectly influence tax compliance through e-wallet effectiveness, as indicated by a lower significance value for the indirect effect. This result suggests that while e-wallet effectiveness alone does not directly enhance compliance, its impact becomes meaningful when combined with consistent and enforceable tax sanctions [25]. Thus, the effectiveness of financial technology in taxation is shaped not only by convenience and efficiency but also by firm and consistent sanction policies aimed at strengthening taxpayer discipline.

### 3.10 The Effect of Social Media on Motor Vehicle Tax Compliance among Generation Z in Kediri Regency ( $X_3 \rightarrow Y$ )

The findings show that although Generation Z heavily relies on social media as a primary communication tool, exposure to tax-related information on digital platforms does not directly increase tax compliance intentions or behavior. From a theoretical standpoint, the Technology Acceptance Model [10] emphasizes perceived usefulness and perceived ease of use as the main factors influencing technology adoption.

Institutional messages delivered in a one-way format appear less effective for Generation Z than direct experiences or peer testimonials. In terms of perceived behavioral control, social media-based tax socialization has not sufficiently strengthened the belief that tax payment procedures are easy to complete. Despite the availability of digital services such as e-Samsat, some taxpayers still perceive motor vehicle tax administration as time-consuming and effort-intensive. According to the Slippery Slope Framework [14], tax compliance is determined by a balance between trust in tax authorities and the enforcement power those authorities wield.

### 3.11 The Effect of Social Media on Motor Vehicle Tax Compliance with Tax Sanctions as a Mediating Variable in Kediri Regency ( $X_3 \rightarrow Z \rightarrow Y$ )

Based on the data analysis, social media activities, information dissemination, and tax campaigns do not exert a significant effect on motor vehicle tax compliance among Generation Z in Kediri Regency, either directly or indirectly. The test results indicate that the significance value of the direct effect of social media on tax compliance exceeds 0.05.

Even when tax sanctions are incorporated as a mediating variable, social media does not significantly influence tax compliance among Generation Z. These findings suggest that improving tax compliance requires more than simply using social media as a communication tool. More interactive and educational socialization approaches are needed, alongside more effective sanction policies to ensure that compliance messages are truly

understood and internalized by younger taxpayers. This also indicates that tax authorities have not fully optimized platforms such as Instagram, TikTok, or X to shape compliant tax behavior among Generation Z [15].

### 3.12 The Effect of Generation Z Income on Motor Vehicle Tax Compliance in Kediri Regency ( $X_4 \rightarrow Y$ )

The study finds that Generation Z income does not significantly affect motor vehicle tax compliance in Kediri Regency. As a generation that adapts quickly to technological and digital economic environments, Generation Z has begun earning income through formal employment and digital economy activities. In theory, adequate income should enable the fulfillment of tax obligations. The Ability-to-Pay Theory posits that higher economic capacity increases tax compliance. Several studies indicate that income positively affects motor vehicle tax compliance because higher-income taxpayers possess greater financial capacity [16].

From a practical policy perspective, these findings suggest that the East Java Provincial Government and the Kediri Regency Samsat Office should enhance generation-based tax education, strengthen digital tax campaigns with visual and narrative approaches, expand e-Samsat services, applications, and Samsat Drive Thru facilities, implement automatic tax due reminders, publish transparent reports on tax fund utilization, and actively involve Generation Z in public discussion forums.

### 3.13 The Effect of Generation Z Income on Motor Vehicle Tax Compliance with Tax Sanctions as a Mediating Variable in Kediri Regency ( $X_4 \rightarrow Z \rightarrow Y$ )

The analysis shows that Generation Z income does not significantly affect motor vehicle tax compliance in Kediri Regency, either directly or through tax sanctions as a mediating variable. The significance value of the direct effect between income and tax compliance exceeds 0.05, indicating that income level is not a primary determinant of compliance behavior.

Even when tax sanctions are considered as a mediating factor, income does not exert a significant influence on motor vehicle tax compliance among Generation Z. These results suggest that improvements in tax compliance among younger taxpayers are influenced not only by economic factors but also by psychological, educational, awareness-related, and trust-based factors within the taxation system.

### 3.14 The Effect of Tax Sanctions on Motor Vehicle Tax Compliance among Generation Z in Kediri Regency ( $Z \rightarrow Y$ )

The findings confirm that tax sanctions have a positive and significant effect on motor vehicle tax compliance in Kediri Regency. Through their deterrent effect, sanctions can regulate taxpayer behavior. According to deterrence theory [17], individuals compare the benefits of tax avoidance with the risks of sanctions when making economic decisions. Supporting studies show that fines, late-payment interest, and administrative sanctions serve as legal signals that increase the perceived risk of noncompliance [18], [19].

1

From a policy perspective, these findings imply that the East Java Provincial Government and the Kediri Regency Samsat Office should strengthen tax sanction enforcement through a “smart enforcement” approach that combines firm law enforcement with education and transparency. Online reporting systems, payment reminder mechanisms, and e-Samsat services can further enhance compliance by improving service convenience and efficiency. To ensure that compliance is not driven solely by fear, sanction policies should be complemented with reward and recognition programs for compliant taxpayers. As this study remains limited to a local context and a quantitative approach, future research is encouraged to incorporate mediating variables such as public trust and perceived fairness to capture tax compliance dynamics from broader perspectives.

#### 4. CONCLUSION

This study highlights that motor vehicle tax compliance among Generation Z in Kediri Regency is shaped primarily by external enforcement mechanisms rather than internal motivation or technological facilitation. The findings suggest that, within this demographic group, compliance behavior remains largely influenced by deterrence factors, indicating that the transition to voluntary compliance has not yet been fully achieved.

From a practical standpoint, these results imply that policymakers, particularly the East Java Regional Revenue Agency (Bapenda) and the Samsat Office in Kediri, need to adopt a more integrated approach in managing tax compliance. The development of digital tax services should not be viewed as a standalone solution, but rather as part of a broader system that incorporates clear, consistent, and enforceable sanctions. Strengthening the synchronization between digital platforms and enforcement mechanisms can improve the effectiveness, transparency, and responsiveness of tax administration in the digital era.

This study is subject to several limitations. First, it focuses only on Generation Z in a specific regional context, which may limit the generalizability of the findings to other regions or demographic groups. Second, the variables examined are primarily external and structural, with little exploration of psychological or institutional dimensions that may also influence compliance behavior. Third, a quantitative approach may not fully capture taxpayers' underlying motivations and perceptions.

Therefore, future research is encouraged to expand the scope by incorporating variables such as trust in government, perceived fairness of the tax system, and tax morale. Additionally, applying mixed-method approaches, such as interviews or focus group discussions, would provide a more comprehensive understanding of taxpayer behavior. Comparative studies across regions or generations could also enrich insights into differences in compliance patterns.

In terms of broader contribution, this study provides valuable insights for the general public and policymakers by emphasizing that technological advancement alone is insufficient to foster tax compliance. Instead, a balanced approach that combines digital innovation with behavioral understanding and effective enforcement is essential. These findings contribute to the development of more adaptive and sustainable tax policies, particularly in responding to the characteristics of younger, digitally oriented generations.

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