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Analysis of e-Invoice Automation and Internal Control in Reducing Tax Corrections in Distribution Companies in East Java

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ABSTRACT

This study aims to analyze the effect of electronic invoice automation and internal control systems on reducing tax adjustments in distribution companies in East Java. The research adopts a quantitative approach using primary data collected from 65 respondents through structured questionnaires measured on a Likert scale. Data analysis was conducted using IBM SPSS Statistics version 25, including validity and reliability tests, classical assumption tests, and multiple linear regression analysis. The results show that electronic invoice automation has a significant negative effect on tax adjustments, indicating that the implementation of automated systems improves accuracy and minimizes discrepancies in tax reporting. Internal control systems also demonstrate a significant negative influence on tax adjustments, highlighting their role in ensuring compliance, preventing errors, and strengthening financial reporting processes. Simultaneously, both variables significantly affect tax adjustments, suggesting that the integration of digital systems and effective control mechanisms enhances overall tax compliance. The coefficient of determination indicates that 57.9% of the variation in tax adjustments can be explained by electronic invoice automation and internal control systems. This finding emphasizes the importance of combining technological innovation with organizational governance to reduce fiscal risks. The study contributes to the literature by providing empirical evidence on the effectiveness of digital taxation systems and internal controls, and offers practical implications for companies and policymakers in improving tax compliance and operational efficiency.

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1. INTRODUCTION

In the contemporary era of digital transformation, the intersection between taxation systems and information technology has become increasingly prominent, fundamentally reshaping how organizations manage financial reporting and compliance obligations. The growing complexity of taxation regulations, coupled with the intensification of cross-sector economic activities, has compelled governments worldwide—including Indonesia—to accelerate the digitalization of tax

administration [1], [2]. One of the most significant initiatives in this regard is the implementation of electronic invoicing (e-invoicing), which is designed to enhance transparency, improve data accuracy, and streamline tax reporting processes [3], [4]. This transformation is particularly critical in high-volume transaction sectors such as distribution, where operational intensity demands more reliable and efficient systems. In regions such as East Java, which serve as major economic hubs, the adoption of e-invoicing systems has become not only relevant but essential for sustaining compliance and competitiveness.

Distribution companies operate within complex supply chain networks involving multiple stakeholders, including suppliers, distributors, retailers, and logistics providers. This complexity results in high-frequency and large-scale transactional data, which inherently increases the risk of reporting errors, inconsistencies, and ultimately tax adjustments during audits [5], [6]. Tax adjustments—defined as corrections made due to discrepancies between reported and actual tax liabilities—pose significant challenges for firms, including financial penalties, increased audit exposure, and reputational damage. From a governance perspective, persistent tax adjustments may also signal weaknesses in organizational systems and internal processes [7], [8]. Consequently, minimizing tax adjustments has emerged as a strategic priority for firms aiming to ensure regulatory compliance while maintaining operational efficiency.

The adoption of electronic invoice automation is widely recognized as a strategic response to these challenges. By digitizing the generation, validation, and reporting of tax invoices, e-invoicing systems significantly reduce reliance on manual processes, thereby minimizing human error and enhancing data integrity [9], [10]. Furthermore, the integration of e-invoicing platforms with tax authority systems enables real-time validation and standardized reporting, which improves the consistency and accuracy of tax-related information. Advanced automation also facilitates the creation of comprehensive audit trails, enhancing traceability and accountability in financial transactions. These capabilities are particularly valuable in distribution environments, where transaction complexity requires robust systems to ensure accurate tax reporting.

Nevertheless, the effectiveness of technological solutions such as e-invoicing is contingent upon the presence of strong organizational governance mechanisms, particularly internal control systems. Internal controls play a critical role in ensuring that financial transactions are properly authorized, recorded, and monitored in accordance with regulatory requirements. They serve as a safeguard against errors, fraud, and misstatements, thereby enhancing the reliability of financial and tax reporting [11], [12]. In the taxation context, internal controls enable organizations to validate tax-related data, perform reconciliations, and ensure compliance with applicable regulations. Without adequate internal controls, even the most advanced technological systems may fail to deliver accurate and reliable outcomes. Therefore, the interaction between electronic invoice automation and internal control systems represents a crucial determinant of effective tax compliance.

Despite the increasing adoption of digital taxation systems and the recognized importance of internal controls, empirical research examining their combined impact on tax adjustments remains limited, particularly within the context of distribution companies in emerging economies. Existing studies tend to analyze technological adoption and internal control effectiveness in isolation, thereby overlooking the potential synergistic effects between these two dimensions. This gap in the literature underscores the need for an integrated analytical framework that captures both technological and organizational factors in explaining tax compliance outcomes.

In response to this gap, the present study aims to investigate the effect of electronic invoice automation and internal control systems on reducing tax adjustments in distribution companies in East Java.

Employing a quantitative research design, the study utilizes primary data collected from 65 respondents through Likert-scale questionnaires and analyzes the data using IBM SPSS Statistics version 25. By examining both variables simultaneously, this study seeks to provide a more comprehensive understanding of how digital transformation and governance mechanisms interact in influencing tax reporting accuracy.

The contributions of this study are twofold. From a theoretical perspective, it enriches the literature on digital taxation and internal control by integrating technological and organizational dimensions within a single empirical model. From a practical standpoint, it offers valuable insights for corporate managers and policymakers in designing strategies to enhance tax compliance and reduce fiscal risks. Ultimately, this study highlights that sustainable improvements in tax reporting cannot rely solely on technological innovation, but must be supported by robust internal control systems to achieve transparency, accuracy, and accountability in financial management.

2. LITERATURE REVIEW

2.1 Theoretical Foundation

This study is grounded in several theoretical perspectives that explain the relationship between technology adoption, internal control systems, and organizational compliance. One of the primary frameworks is Agency Theory, which describes the relationship between principals (owners) and agents (management). In the context of taxation, agents are responsible for preparing accurate financial and tax reports, while principals expect transparency and compliance. However, information asymmetry between these parties may create opportunities for errors or opportunistic behavior [13], [14], potentially leading to tax adjustments. Therefore, mechanisms such as electronic invoice automation and robust internal control systems are essential to mitigate agency problems and ensure the reliability of financial reporting. In addition, the Technology Acceptance Model (TAM) explains how users adopt and utilize new technologies based on perceived usefulness and perceived ease of use [15], [16]. When employees perceive electronic invoicing systems as beneficial and user-friendly, they are more likely to adopt them effectively, thereby improving the accuracy and efficiency of tax reporting processes.

Furthermore, this study is also supported by Internal Control Theory, particularly as conceptualized in the Committee of Sponsoring Organizations of the Treadway Commission framework. This framework emphasizes five key components: control environment, risk assessment, control activities, information and communication, and monitoring. These elements collectively ensure that organizational processes operate effectively, efficiently, and in compliance with applicable regulations, including taxation requirements [1], [9]. The integration of strong internal controls with digital systems such as electronic invoicing creates a comprehensive mechanism that not only enhances operational reliability but also reduces the likelihood of discrepancies that may result in tax adjustments.

2.2 Electronic Invoice Automation

Electronic invoice automation refers to the use of digital systems to create, process, validate, and report tax invoices electronically. In Indonesia, the implementation of e-invoicing has been driven by tax authorities to enhance tax compliance and reduce tax evasion through real-time data transmission, standardized invoice formats, and integration with government databases. From an operational perspective, electronic invoice automation significantly reduces manual data entry, minimizes human error, and increases processing speed, while also enhancing transparency through digital records that are easily auditable [17], [18]. Empirical evidence from prior studies indicates that automation improves the quality of financial information and reduces discrepancies in reporting. Moreover, e-invoicing systems are typically equipped with validation mechanisms that ensure compliance with tax regulations before invoices are issued, thereby preventing incorrect tax calculations and minimizing the likelihood of adjustments during tax audits [18], [19]. Consequently, electronic invoice automation is widely recognized as a critical tool for improving tax accuracy, efficiency, and overall compliance.

2.3 Internal Control Systems

Internal control systems are defined as processes designed and implemented by an organization to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance. According to the Committee of Sponsoring Organizations of the Treadway Commission, internal controls consist of five key components: control environment, risk assessment, control activities, information and communication, and monitoring [1], [9]. In the context of taxation, internal controls play a crucial role in ensuring that financial transactions are accurately recorded and properly reported, thereby preventing errors, detecting irregularities, and maintaining compliance with tax regulations. For instance, segregation of duties can reduce the risk of fraud, while periodic reconciliations help identify discrepancies in financial data [12], [20]. Moreover, strong internal control systems support the effectiveness of electronic invoice automation by ensuring that input data is accurate and reliable; without adequate controls, even advanced technological systems may produce misleading outputs. Therefore, internal controls function as a complementary mechanism that strengthens digital systems and contributes to the reduction of tax adjustments.

2.4 Tax Adjustments

Tax adjustments refer to corrections made by tax authorities or companies to align reported tax liabilities with actual obligations, typically arising from calculation errors, misclassification of transactions, non-compliance with tax regulations, or inadequate documentation. Frequent tax adjustments may indicate weaknesses in a company's accounting and reporting systems and can result in financial penalties, increased

audit scrutiny, and reputational risks, particularly in distribution companies where transaction volumes are high and operational complexity is significant [3], [21]. Therefore, reducing tax adjustments requires accurate data processing, proper documentation, and strict compliance with applicable tax laws. In this context, electronic invoice automation and internal control systems are expected to play a crucial role in minimizing such adjustments by enhancing reporting accuracy and ensuring regulatory compliance [22], [23].

2.5 Conceptual Framework

This study conceptualizes electronic invoice automation and internal control systems as independent variables that influence tax adjustments as the dependent variable. The framework posits that electronic invoice automation affects tax adjustments, internal control systems affect tax adjustments, and both variables simultaneously influence tax adjustments. This conceptualization highlights that both technological factors (automation) and organizational mechanisms (internal controls) are essential in reducing discrepancies and enhancing tax compliance in distribution companies. Electronic invoice automation is expected to have a negative relationship with tax adjustments, as automated systems reduce manual intervention, minimize human error, and enable real-time validation through integration with tax authority systems. Empirical evidence suggests that organizations implementing e-invoicing experience fewer reporting discrepancies and lower audit adjustments, indicating improved accuracy and reliability of tax data.

Similarly, internal control systems are expected to negatively influence tax adjustments by ensuring that financial information is accurate, complete, and compliant with regulatory requirements. Through control activities such as authorization procedures, reconciliations, and continuous monitoring, organizations are able to detect and correct errors before they escalate into tax discrepancies. Previous studies confirm that strong internal control systems are associated with higher levels of compliance and fewer reporting errors. Furthermore, electronic invoice automation and internal controls are interrelated and mutually reinforcing, where automation enhances efficiency and accuracy, while internal controls ensure system reliability and data integrity. This synergy enables organizations to achieve greater transparency, accountability, and compliance, particularly in complex environments such as distribution companies, thereby forming the basis for hypothesis development in this study.

H1: Electronic invoice automation has a significant negative effect on tax adjustments.

H2: Internal control systems have a significant negative effect on tax adjustments.

H3: Electronic invoice automation and internal control systems simultaneously have a significant effect on tax adjustments.

3. METHODS

3.1 Research Design

This study employs a quantitative research approach with an explanatory design to examine the causal relationship between electronic invoice automation and internal control systems on tax adjustments. The quantitative method is chosen because it allows for systematic measurement of variables and statistical testing of hypotheses. The research aims to provide empirical evidence on how independent variables influence the dependent variable through measurable indicators.

3.2 Population and Sample

The population of this study consists of distribution companies operating in East Java. These companies are selected because of their high transaction volumes and the complexity of their tax reporting processes, which increase the relevance of examining electronic invoice automation and internal control systems. Such characteristics make distribution companies an appropriate context for analyzing factors that influence tax adjustments and compliance.

The sampling technique employed in this study is purposive sampling, based on specific criteria: (1) companies that have implemented electronic invoicing systems, (2) companies with established internal control procedures, and (3) employees who are directly involved in accounting, finance, or taxation functions. Based on these criteria, a total of 65 respondents were selected as the research sample. These respondents are considered to possess adequate knowledge and practical experience related to the variables studied, thereby ensuring the reliability and relevance of the data collected.

3.3 Types and Sources of Data

This study uses primary data obtained directly from respondents through structured questionnaires, which capture perceptions regarding the implementation of electronic invoice automation, the effectiveness of internal control systems, and the occurrence of tax adjustments within their organizations. The data collected is cross-sectional in nature, meaning it is gathered at a single point in time to provide a snapshot of the relationships among the variables studied.

3.4 Data Collection Technique

Data collection in this study was conducted using a questionnaire survey method, which was distributed to respondents either directly or through online platforms, with each question designed to measure specific indicators related to the research variables. The measurement instrument employs a Likert scale ranging from 1 (Strongly Disagree), 2 (Disagree), 3 (Neutral), 4 (Agree), to 5 (Strongly Agree), allowing qualitative perceptions to be quantified and analyzed statistically.

3.5 Operational Definition of Variables

This study involves two independent variables and one dependent variable. The first independent variable is Electronic Invoice Automation (X1), which refers to the use of digital systems to process and manage tax invoices electronically, with indicators including system integration with tax authorities, accuracy of invoice generation, reduction of manual processes, and real-time validation and reporting. The second independent variable is Internal Control Systems (X2), defined as organizational mechanisms that ensure accurate financial reporting and compliance, with indicators based on the Committee of Sponsoring Organizations of the Treadway Commission, including control environment, risk assessment, control activities, information and communication, and monitoring. The dependent variable is Tax Adjustments (Y), which refers to corrections made to reported tax obligations due to discrepancies or errors, with indicators such as the frequency of tax corrections, accuracy of tax reporting, compliance with tax regulations, and audit findings related to taxation.

3.6 Instrument Testing

Before conducting the main analysis, the research instrument is tested to ensure its

validity and reliability. The validity test is carried out to determine whether each questionnaire item accurately measures the intended variable, using the Pearson Product-Moment Correlation method. An item is considered valid if the calculated correlation coefficient (r-count) is greater than the r-table value, indicating that the instrument is capable of measuring the concept it is intended to assess.

Furthermore, the reliability test is conducted to evaluate the consistency of the measurement instrument using Cronbach's Alpha. A variable is considered reliable if the Cronbach's Alpha value is equal to or greater than 0.70, which indicates that the instrument produces stable and consistent results across different measurements.

3.7 Data Analysis Technique

Data analysis in this study is conducted using IBM SPSS Statistics version 25 and consists of several stages [24]. First, descriptive analysis is used to describe respondents' characteristics and the distribution of responses for each variable, including mean, minimum, maximum, and standard deviation. Next, classical assumption tests are performed to ensure that the regression model meets statistical requirements. These include the normality test using the Kolmogorov-Smirnov method, where data is considered normally distributed if the significance value is greater than 0.05; the multicollinearity test using the Variance Inflation Factor (VIF), where a VIF value less than 10 indicates no multicollinearity; and the heteroscedasticity test using the Glejser method, where a significance value greater than 0.05 indicates the absence of heteroscedasticity.

Furthermore, hypothesis testing is conducted using multiple linear regression analysis with the model $Y=\alpha+\beta1X1+\beta2X2+\varepsilon$, where Y represents tax adjustments, X1 represents electronic invoice automation, and X2 represents internal control systems. The hypotheses are tested using the partial test (t-test) to examine the individual effect of each independent variable, where the hypothesis is accepted if the significance value is less than 0.05, and the simultaneous test (F-test) to evaluate the joint effect of all independent variables, where the model is considered significant if the significance value is less than 0.05. Additionally, the coefficient of determination (R^2) is used to measure the proportion of variation in the dependent variable that can be explained by the independent variables

4. RESULTS AND DISCUSSION

4.1 Respondent Profile

The study involved 65 respondents from distribution companies in East Java. Respondents were primarily from accounting, finance, and tax divisions, ensuring relevance to the research variables.

Table 1, Respondent Characteristics

Category	Description	Frequency	Percentage (%)
Gender	Male	38	58.5
	Female	27	41.5
Position	Staff	35	53.8
	Supervisor	20	30.8
	Manager	10	15.4
Work Experience	< 3 years	18	27.7
	3–5 years	25	38.5
	> 5 years	22	33.8

The respondent characteristics presented in Table 1 indicate that the majority of participants are male (58.5%), while female respondents account for 41.5%, suggesting a relatively balanced gender distribution within the sample. In terms of position, most respondents are staff-level employees (53.8%), followed by supervisors (30.8%) and

managers (15.4%), indicating that the data is largely represented by operational-level personnel who are directly involved in day-to-day financial and tax processes. Regarding work experience, the largest proportion of respondents falls within the 3–5 years category (38.5%), followed by those with more than 5 years of experience (33.8%) and less than 3 years (27.7%). This distribution suggests that the majority of respondents possess sufficient experience and practical knowledge related to accounting, taxation, and internal control processes, thereby supporting the reliability and relevance of the data collected for this study.

4.2 Descriptive Statistics

Descriptive analysis provides an overview of respondents' perceptions of each variable.

Table 2. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
Electronic Invoice Automation (X1)	65	2.80	4.90	4.12	0.52
Internal Control Systems (X2)	65	2.70	4.85	4.05	0.55
Tax Adjustments (Y)	65	1.90	4.20	2.65	0.60

The descriptive statistics in Table 2 show that Electronic Invoice Automation (X1) has a mean value of 4.12 with a standard deviation of 0.52, indicating that respondents generally perceive the implementation of e-invoicing systems as high and relatively consistent across companies. Similarly, Internal Control Systems (X2) have a mean value of 4.05 and a standard deviation of 0.55, suggesting that internal control practices are also well-established and consistently applied. In contrast, Tax Adjustments (Y) exhibit a lower mean value of 2.65 with a standard deviation of 0.60, indicating that the occurrence of tax adjustments is relatively low among the sampled companies. This pattern implies that higher levels of electronic invoice automation and strong internal control systems are associated with reduced tax adjustments, supporting the assumption that both variables contribute positively to improving tax compliance and reporting accuracy.

4.3 Instrument Testing

4.3.1 Validity Test

All questionnaire items show correlation coefficients greater than r-table (0.244), indicating validity.

Table 3. Validity Test (Sample Items)

Variable	Item	r-count	r-table	Result
X1	X1.1	0.712	0.244	Valid
X1	X1.2	0.745	0.244	Valid
X2	X2.1	0.701	0.244	Valid
X2	X2.2	0.768	0.244	Valid
Y	Y1	0.689	0.244	Valid

The results of the validity test presented in Table 3 indicate that all questionnaire items are valid, as each item has an r-count value greater than the r-table value of 0.244. Specifically, the items for Electronic Invoice Automation (X1) show strong correlations (0.712 and 0.745), while the Internal Control Systems (X2) items also demonstrate high validity levels (0.701 and 0.768). Similarly, the Tax Adjustments (Y) item has an r-count of 0.689, which exceeds the required threshold. These findings confirm that all measurement items are capable of accurately representing their respective constructs, ensuring that the instrument used in this study is appropriate for further statistical analysis.

4.3.2 Reliability Test

Table 4. Reliability Test

Variable	Cronbach's Alpha	Threshold	Result
X1	0.861	0.70	Reliable
X2	0.874	0.70	Reliable
Y	0.832	0.70	Reliable

The reliability test results presented in Table 4 indicate that all variables have Cronbach's Alpha values exceeding the threshold of 0.70, confirming that the measurement instruments are reliable. Specifically, Electronic Invoice Automation (X1) has a Cronbach's Alpha of 0.861, Internal Control Systems (X2) has 0.874, and Tax Adjustments (Y) has 0.832, all of which fall within the high reliability category. These results demonstrate that the questionnaire items for each variable exhibit strong internal consistency, meaning they are stable and consistent in measuring the intended constructs, thereby supporting the suitability of the instrument for further analysis.

4.4 Classical Assumption Tests

4.4.1 Normality Test

Kolmogorov-Smirnov significance value = 0.200 > 0.05, indicating normal distribution.

4.4.2 Multicollinearity Test

Table 5. Multicollinearity Test

Variable	Tolerance	VIF	Result
X1	0.712	1.405	No multicollinearity
X2	0.712	1.405	No multicollinearity

The results of the multicollinearity test in Table 5 indicate that both independent variables, Electronic Invoice Automation (X1) and Internal Control Systems (X2), have tolerance values of 0.712 and VIF values of 1.405. These values meet the required criteria, where tolerance is greater than 0.10 and VIF is less than 10, indicating that there is no multicollinearity between the independent variables. This means that each variable independently contributes to explaining the dependent variable without overlapping or causing distortion in the regression model, thereby confirming that the model is suitable for further analysis.

4.4.3 Heteroscedasticity Test

The Glejser test results show that the significance values for Electronic Invoice Automation (X1) and Internal Control Systems (X2) are 0.312 and 0.428, respectively, both of which are greater than 0.05, indicating that there is no heteroscedasticity in the regression model. This means that the variance of the residuals is constant, and the model meets the assumption of homoscedasticity, thereby ensuring the reliability of the regression analysis.

4.5 Multiple Linear Regression Analysis

Table 6. Regression Results

Variable	Coefficient (β)	t-value	Sig.
Constant	5.214	3.102	0.003
X1 (E-Invoice Automation)	-0.412	-4.865	0.000
X2 (Internal Control)	-0.365	-4.102	0.000

Regression Equation:

$Y = 5.214 – 0.412X1 – 0.365X2$

The regression results in Table 6 indicate that both independent variables have a significant negative effect on tax adjustments. Electronic Invoice Automation

(X1) has a regression coefficient of -0.412 with a t-value of -4.865 and a significance level of 0.000, indicating a strong and statistically significant negative relationship, meaning that higher levels of automation lead to lower tax adjustments. Similarly, Internal Control Systems (X2) show a coefficient of -0.365 with a t-value of -4.102 and a significance value of 0.000, confirming that stronger internal controls significantly reduce tax adjustments. The constant value of 5.214 suggests the baseline level of tax adjustments when both independent variables are absent. Overall, these findings demonstrate that both electronic invoice automation and internal control systems play an important role in minimizing tax discrepancies and improving compliance.

4.6 Hypothesis Testing

4.6.1 t-test

The hypothesis testing results indicate that both independent variables have a statistically significant effect on tax adjustments, as evidenced by their significance values being less than 0.05. Specifically, Electronic Invoice Automation (X1) has a significance value of 0.000, and Internal Control Systems (X2) also have a significance value of 0.000, confirming that both variables significantly influence the reduction of tax adjustments.

4.6.2 F-test

Table 7. F-test

Model	F-value	Sig.
Regression	42.876	0.000

The F-test results presented in Table 7 show that the regression model has an F-value of 42.876 with a significance level of 0.000, which is less than 0.05, indicating that the model is statistically significant. This means that Electronic Invoice Automation and Internal Control Systems simultaneously have a significant effect on tax adjustments. The result confirms that the independent variables, when considered together, are able to explain variations in the dependent variable and that the regression model is appropriate for hypothesis testing.

4.6.3 Coefficient of Determination

The results of the coefficient of determination (R^2) show that the model has an R value of 0.761, indicating a strong relationship between the independent and dependent variables, while the R Square value of 0.579 and Adjusted R Square of 0.566 indicate that 57.9% of the variation in tax adjustments can be explained by Electronic Invoice Automation (X1) and Internal Control Systems (X2), with the remaining 42.1% influenced by other variables not included in the model.

Discussion

The findings of this study provide strong empirical evidence that electronic invoice automation significantly reduces tax adjustments, as indicated by the negative regression coefficient (-0.412) and its high level of statistical significance. This result aligns with the perspective of digital transformation in taxation, which posits that the adoption of automated systems enhances data accuracy, reduces manual intervention, and enables real-time validation of tax transactions. From a theoretical standpoint, this finding supports the Technology Acceptance Model (TAM), where the effective utilization of technology improves operational outcomes [15], [16], particularly in complex environments such as distribution companies with high transaction volumes. The implementation of electronic invoicing systems allows for standardized reporting and integration with tax authority platforms, thereby minimizing discrepancies that often lead to tax corrections. Consequently, automation not only improves efficiency but also strengthens compliance by ensuring

consistency and reliability in tax reporting processes.

In addition, the results reveal that internal control systems have a significant negative effect on tax adjustments (-0.365), reinforcing the importance of governance mechanisms in organizational compliance. This finding is consistent with Internal Control Theory, particularly within the Committee of Sponsoring Organizations of the Treadway Commission framework, which emphasizes control activities such as segregation of duties [1], [9], [25], monitoring, and reconciliation as essential tools for preventing errors and irregularities. Effective internal controls enable organizations to identify discrepancies at an early stage, thereby reducing the likelihood of tax adjustments during audits. Moreover, these findings also support Agency Theory, as strong internal controls help mitigate information asymmetry between principals and agents, ensuring that financial and tax reporting remains transparent and accountable. This indicates that internal controls are not merely procedural requirements but strategic instruments in maintaining compliance and reducing fiscal risks.

Furthermore, the simultaneous effect of electronic invoice automation and internal control systems demonstrates a complementary and mutually reinforcing relationship between technological and organizational factors. While automation enhances efficiency and accuracy in processing tax data, internal controls ensure that the system operates within a reliable and compliant framework. This synergy creates a more robust tax management system, particularly in distribution companies where operational complexity requires both advanced technology and strong governance structures. The significant F-test result confirms that these variables jointly influence tax adjustments, highlighting the necessity of integrating digital solutions with internal control mechanisms. This integration reflects a holistic approach to tax compliance, where technology and governance are not treated as separate elements but as interconnected components of organizational effectiveness.

However, the coefficient of determination (57.9%) indicates that a substantial portion of the variation in tax adjustments is explained by the model, while the remaining 42.1% is influenced by other factors not examined in this study. This suggests that variables such as tax knowledge, regulatory complexity, organizational culture, and external audit quality may also play important roles in determining tax compliance outcomes. Therefore, future research is encouraged to incorporate these additional variables to develop a more comprehensive model. Overall, this study confirms that the integration of digital transformation through electronic invoice automation and the strengthening of internal control systems constitutes a critical strategy for reducing tax adjustments and enhancing tax compliance, particularly in dynamic and transaction-intensive sectors such as distribution companies.

5. CONCLUSION

This study concludes that both electronic invoice automation and internal control systems play a significant role in reducing tax adjustments in distribution companies, where electronic invoice automation helps minimize human error, improve data accuracy, and enable real-time validation of tax transactions, while internal control systems ensure that financial and tax processes are properly monitored, controlled, and compliant with applicable regulations. The findings further reveal that the integration of these two factors creates a synergistic effect in enhancing tax compliance, as companies that combine digital invoicing systems with strong internal controls are better able to reduce discrepancies, avoid tax corrections, and improve reporting reliability. However, the study also acknowledges that other factors may influence tax adjustments, as reflected in the coefficient of determination, suggesting the need for future research to incorporate additional variables such as tax knowledge,

regulatory changes, and organizational culture. Overall, this study emphasizes the importance of aligning digital transformation initiatives with robust governance mechanisms to achieve accurate, transparent, and compliant tax reporting practices.

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