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A LITERATURE REVIEW ON TAX COMPLIANCE IN INDONESIA IN INCREASING STATE REVENUE

Ady Setyo Nugroho[1], Nur Handayani[2]
[1]Faculty of Economics and Business, Jenderal Soedirman University, Purwokerto, Indonesia
[2]Institut Pemerintahan Dalam Negeri (The Government Institut of Home Affairs), Sumedang, Indonesia
E-mail: ady.nugroho@unsoed.ac.id, nur_handayani@ipdn.ac.id

Abstract: Tax has long been one of the components of a state revenue that cannot be separated from the life of society. Therefore, a supportive tax policy is needed in order to create a prosperous and sustainable country. This policy should still consider all aspects that could influence the lack of tax compliance. This study aims to analyze the implementation and understanding of tax policies from the perspective of taxpayers and tax officials through a qualitative approach. This research method is a literature review with a qualitative approach. The analysis carried out in this research is a literature study analysis. The results from this qualitative research showed that the factors impacting tax compliance are: 1) tax awareness; 2) perception of justice; 3) tax sanction enforcement; 4) economic factors; and 5) education factors.

Keywords: compliance, tax, revenue.

INTRODUCTION

Taxes and their positive impact on the economy of a country are an important topic in economic discussions. Successful and efficient tax collection can be a key indicator of economic stability and sustainable development (Anggi & Taun, 2023). Timely tax payments according to regulations support the government in obtaining sufficient revenue to finance development programs and public services. Additionally, tax compliance can strengthen the investment climate and increase investor confidence in doing business in that country (Judijanto, 2024).

For example, Singapore is known for having an efficient and fair taxation system, where citizens and companies are required to pay taxes according to applicable regulations. This has significantly contributed to Singapore's success in creating a stable and attractive investment environment for foreign investors, as well as establishing the country as a leading financial center in the world (Judijanto, 2024).

Tax compliance is very important in maintaining the economic stability of a country, including Indonesia. Literature studies related to tax compliance will provide a deeper understanding of the factors influencing tax compliance levels in Indonesia. Moreover, literature studies can also provide insights into the policies that have been implemented and their effectiveness in improving tax compliance in this country.

This research discusses how the influence of taxation on investment and investor confidence can provide an overview of the importance of efficient tax policies. Good policies are expected to increase investment and build investor trust in a country. This study also aims to provide insights for the government and related institutions to design more effective tax policies to promote economic growth and investment.

This study aims to identify the factors influencing tax compliance in Indonesia and produce policy recommendations to increase tax compliance levels. It is expected that this research can contribute significantly to increasing state tax revenue and supporting sustainable economic development.

THEORETICAL FRAMEWORK

A. Stewardship Theory

Based on governance theory, corporate elites tend to avoid opportunistic behavior and prioritize good performance, based on philosophical assumptions about human character such as trust, responsibility, integrity, and honesty (Donaldson & Davis, 1989). This theory describes management as a trustworthy entity, with the hope that the organization's goals and shared interests can be achieved. Such goodwill also serves to motivate employees, who remain in the company due to maintained ethics and morals (Donaldson & Davis, 1991). Additionally, governance theory emphasizes the interests of the company as a top priority, which enables effective organizational collaboration and opportunities for sustainable growth (Davis et al., 1991).

Tax avoidance in accounting is a strategy used by companies to reduce their tax burden. Tax avoidance techniques can involve various methods, such as international taxation and transfer pricing. Multinational corporations often exploit loopholes in the tax system to reduce their tax obligations. Furthermore, the use of special transactions can also be used to reduce the tax burden borne by companies. However, this tax avoidance practice also has significant impacts, both legally and ethically, as well as on the company's finances and the economy as a whole. The challenges for regulators in addressing this tax avoidance practice are increasingly complex. The conclusion from the discussion of accounting theories of tax avoidance is that this practice has consequences that require careful consideration.

METHOD

This study employs a qualitative approach with a literature review. A literature review is a critical analysis of knowledge, ideas, or themes found in academic literature that highlights theoretical and methodological contributions related to the topic being discussed (Sembada et al., 2022). The literature review can be used as a non-numerical study to support and promote advancements in knowledge with the goal of generating new research topics (Yam, 2024).

The procedure involves searching for and selecting relevant materials, which may come from conferences, journal articles, research reports, or other trusted sources. By focusing on relevant issues, such as structural ownership, the process is currently being carried out. Therefore, the literature evaluation ensures that the research conducted is within an appropriate scientific framework and helps researchers understand the latest advancements in the topic being studied (Setiadarma et al., 2024).

RESULTS AND DISCUSSION

This section will present an overview of the results of the analysis conducted in this research. The findings will provide insights into the level of tax compliance among individuals and businesses in Indonesia, as well as the factors that influence their compliance behavior. The results of the analysis will be discussed in detail, highlighting significant patterns or trends that emerge from the data. Additionally, the implications of these findings for tax policies and administration in Indonesia will be considered.

Table 1. Summarize of the research that used in this article and used as the analysis through previous research

No.	Author (Year)	Factors
1.	Rinaldi et al. (2020) and Haryanto (2017)	Tax awareness factors can influence the tax level of individuals or organizations. Providing clear and accessible information about the tax system allows individuals to better understand their obligations and rights as taxpayers.
2.	Fardan et al. (2022) and Irawan (2020)	The perception of tax fairness can affect the tax level of individuals or organizations. Perceptions of fairness play a crucial role in shaping individuals' attitudes towards taxation and their willingness to comply with tax laws. When individuals perceive the tax system as fair and equitable, they are more likely to voluntarily comply

		with tax obligations. Conversely, perceptions of injustice or inequity in the tax system can lead to dissatisfaction, tax evasion, and non-compliance.
3.	Uswatun et al. (2022) and Rahayu (2017)	The effectiveness of legal actions can influence the tax level of individuals or organizations. The complexity of tax laws often causes confusion and misunderstandings among taxpayers, making it challenging for them to fully comply with their obligations. Furthermore, inadequate law enforcement resources can lead to a lack of accountability for those who fail to comply with tax laws, further eroding public trust in the system. Additionally, a lack of transparency in the tax system can create opportunities for fraud and tax evasion, weakening the effectiveness of legal actions in promoting compliance.
4.	Ifa & Lutfi (2023)	Income levels and unemployment rates significantly impact the tax compliance of individuals or entities. When unemployment rates are high, individuals have less income to spend, which leads to decreased consumer spending and ultimately a decline in tax revenue. This can significantly affect government budgets and the ability to fund essential services.
5.	Siti et al. (2024)	Individuals with higher income and education levels tend to be more compliant with taxes. Communities with a culture that respects the law are also more likely to comply with taxes. Studies show a positive correlation between education level and tax compliance. Higher education levels are associated with greater tax compliance, as educated individuals are more likely to understand the benefits of paying taxes and the consequences of tax evasion. Furthermore, education can empower individuals to navigate complex tax systems, making it easier for them to meet their tax obligations.

Factors influencing tax compliance have become an ongoing topic of discussion in economic and financial literature. Several studies indicate that factors such as tax awareness (Rinaldi et al., 2020) (Haryanto, 2017), perceptions of tax fairness (Fardan et al., 2022) (Irawan, 2020), and the effectiveness of legal measures can impact the tax compliance levels of individuals or organizations (Uswatun et al., 2022) (Rahayu, 2017). Furthermore, behavioral theory also emphasizes the need to understand how people fulfill their tax obligations. By understanding these factors, the government can implement more effective policies to enhance tax compliance in the future (Saputra, 2019).

There are also studies showing that economic factors such as income levels and unemployment rates significantly affect the tax compliance rates of individuals or businesses, highlighting that not only behavioral factors need to be considered when designing tax policies (Ifa & Lutfi, 2023). Other research indicates that income, education, and societal culture impact tax compliance (Siti et al., 2024). Higher-income and better-educated individuals tend to be more compliant. A culture that values adherence to the law also contributes to tax compliance. By taking these factors into account, the government can formulate more comprehensive strategies to improve tax compliance and reduce tax evasion.

Psychological factors affect tax policy design, where perceived injustices in the tax system and a lack of individual benefits can reduce tax compliance. The government needs to pay attention to public perceptions and external factors such as economic and social conditions to design effective tax policies and boost tax revenues (Diana & Siti, 2024). Education and societal culture play vital roles in tax compliance. The government also needs to consider factors beyond sanctions and law enforcement to devise comprehensive and sustainable strategies to enhance public tax behavior (Ermawati, 2024). In addition, the government collaborates with community leaders and religious institutions to raise awareness about tax obligations. These measures are expected to change public mindsets and encourage compliance in tax payments for the nation's progress. Thus, tax compliance is not only an individual responsibility but also a collective effort to create a society that recognizes the importance of tax contributions to national development (Nur & Desy, 2025).

CONCLUSION

To achieve compliant taxpayer objectives, periodic evaluation of the policies and programs that have been implemented is also necessary. This is important to assess the effectiveness of the measures that have been taken and to evaluate the success in raising public awareness about the importance of correctly paying taxes. Furthermore, collaboration between the government, the private sector, and the community also needs to be strengthened to create a strong synergy in fostering a sustainable culture of tax compliance. With concrete measures and solid cooperation, we believe we can achieve optimal and sustainable tax revenue targets to support the country's economic development.

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