Ilomata International Journal of Tax & Accounting
P-ISSN: 2714-9838; E-ISSN: 2714-9846
Volume 5, Issue 1, January 2024
Page No. 162-179

Enhancing Tax Compliance in Indonesian Government Institutions: Identifying and Mitigating Inhibiting Factors

Heriantonius Silalahi
Directorate General of Taxes, Indonesia
Correspondent: heri.silalahi@gmail.com

Received : October 1, 2023
Accepted : January 4, 2024
Published : January 31, 2024

Citation: Silalahi, H. (2024). Enhancing Tax Compliance in Indonesian Government Institutions: Identifying and Mitigating Inhibiting Factors. Ilomata International Journal of Tax and Accounting, 5(1), 162-179.
https://doi.org/10.52728/ijtc.v5i1.783

ABSTRACT: Tax compliance in Indonesian government institutions significantly affects national revenue and resource allocation. This study addresses tax non-compliance by identifying its causes and proposing mitigation strategies. The research aims to understand why government institutions in Indonesia struggle with tax compliance, with objectives including identifying inhibiting factors, assessing their impact, and proposing mitigation strategies. This integrated approach encompasses various elements, including a descriptive analysis approach, comprehensive literature research, comparative analysis, a qualitative research approach, and secondary data collection. Findings highlight complex regulations, inadequate tax education, and inconsistent enforcement as compliance hindrances. The study quantifies their impact. Proposed solutions include simplifying tax rules, enhancing tax education, and enforcing tax laws. In conclusion, this research informs policymakers, tax authorities, and government officials about tax compliance challenges, offering insights to improve tax collection and resource allocation, potentially increasing government revenue and promoting sustainable development.

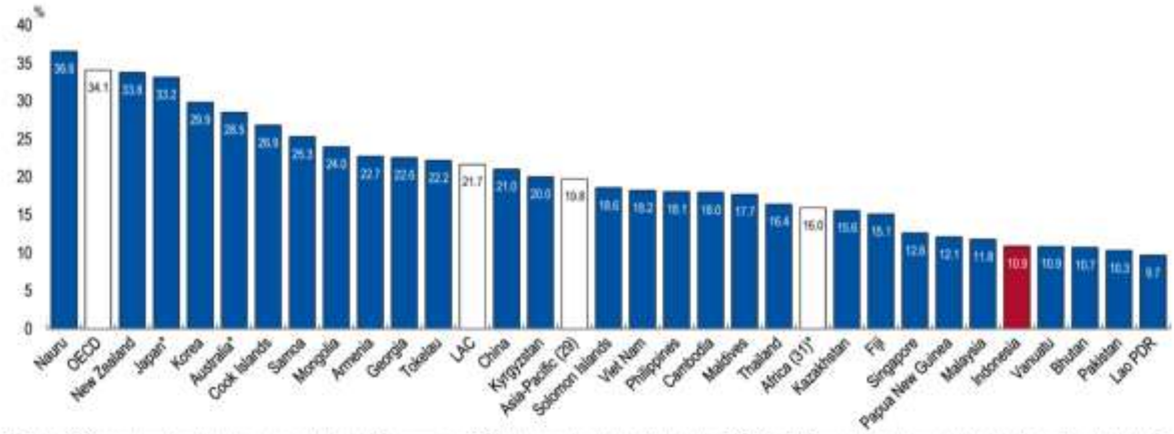
Keywords: Tax Compliance Factors, Government Institutions, Mitigation Strategies, Indonesian Taxation, Revenue Enhancement

INTRODUCTION

The State Budget (APBN) comprises five key components: State Revenue, State Expenditure, Primary Balance, Budget Surplus/Deficit, and Budget Financing. Among these components, State Revenue plays a pivotal role in maintaining economic stability. According to data from the official website of the Ministry of Finance (kemenkeu.go.id), the realization of tax revenue in the 2022 APBN reached Rp2.034.5 trillion, surpassing the target set in Presidential Regulation 98/2022, which was Rp1.784 trillion. This represents a substantial growth of 31.4% compared to the 2021 realization of Rp1.547.8 trillion. These figures underscore the significance of tax revenue as the largest pillar of the APBN. Tax revenue is collected through two mechanisms: the self-assessment system, where taxpayers calculate, pay, and report taxes themselves, and the withholding system, where taxes are deducted/collected by third parties such as marketplaces or government institutions (Ministry of Finance, 2022).

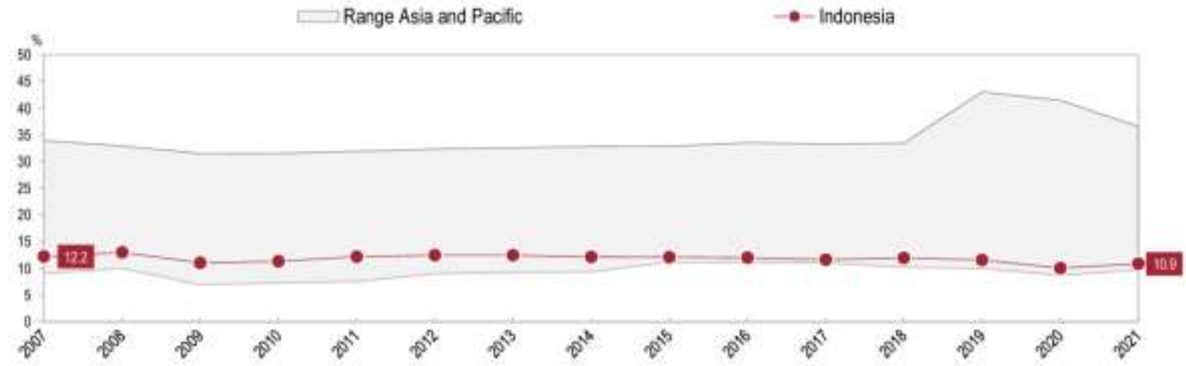
Government institutions play a critical role in tax deduction and collection, particularly when transactions involve business partners, both Micro, Small, and Medium-sized Enterprises (MSMEs) and non-MSMEs. Hence, it is imperative for government treasury officials to accurately, comprehensively, and clearly perform tax calculations, deductions/collections, and reporting. There are still instances of inaccuracies in the practices of tax deduction, collection, and reporting by government treasury officials. These instances highlight the necessity for improved understanding and adherence to tax processes by government institutions to ensure that tax revenues are collected optimally. This, in turn, supports economic stability and the country's ongoing development.

Indonesia's tax-to-GDP ratio in 2021 stood at 10.9%, which is below the Asia and Pacific (29) regional average of 19.8% by a significant margin of 8.9 percentage points. Additionally, it falls short of the OECD (Organization for Economic Co-operation and Development) average of 34.1% by a substantial 23.2 percentage points. This ratio in Indonesia increased by 0.8 percentage points from 10.1% in 2020 to 10.9% in 2021 (Ministry of Finance, 2022).



* Data for 2020 are shown for Australia, Japan and Africa (31) average as 2021 data are not available. Note by the ADB: The ADB recognises "Kyrgyzstan" as the "Kyrgyz Republic". LAC refers to the average for Latin America and the Caribbean.

Over the period from 2007 to 2021, Indonesia's tax-to-GDP ratio witnessed a decrease of 1.4 percentage points, declining from 12.2% to 10.9%. The highest recorded tax-to-GDP ratio during this period was 13.0% in 2008, while the lowest was 10.1% in 2020 (Ministry of Finance, 2022).



These figures highlight the need for Indonesia to further enhance its tax collection efforts to align with regional and global standards. Increasing the tax-to-GDP ratio can play a crucial role in generating government revenue, supporting economic development, and maintaining fiscal stability.

STRONG BUDGET PERFORMANCE IN 2022
Fiscal deficit recorded at 2.38% of GDP, faster fiscal consolidation under 3% of GDP in 2023

Account (IDRtn)	2019	2020	2021		2022				
			Audited	Growth (%)	Budget	Revised Budget	Realization (Preliminary)	% to Revised Budget	Growth (%)
A. Revenue	**1,960.6**	**1,647.8**	**2,011.3**	**22.1**	**1,846.1**	**2,266.2**	**2,626.4**	**115.9**	**30.6**
I. Tax Revenue	1,546.1	1,285.1	1,547.8	20.4	1,510.0	1,784.0	2,034.5	114.0	31.4
1. Tax	1,332.7	1,072.1	1,278.6	19.3	1,265.0	1,485.0	1,716.8	115.6	34.3
2. Custom & Excise	213.5	213.0	269.2	26.4	245.0	299.0	317.8	106.3	18.0
II. Non-Tax Revenue	409.0	343.8	458.5	33.4	335.6	481.6	588.3	122.2	28.3
B. Expenditure	**2,309.3**	**2,595.5**	**2,786.4**	**7.4**	**2,714.2**	**3,106.4**	**3,090.8**	**99.5**	**10.9**
I. Central Government	1,496.3	1,833.0	2,000.7	9.1	1,944.5	2,301.6	2,274.5	98.8	13.7
II. Regional Transfer & Village Funds	813.0	762.5	785.7	3.0	769.6	804.8	816.2	101.4	3.9
C. Primary Balance	**(73.1)**	**(633.6)**	**(431.6)**	**(31.9)**	**(462.2)**	**(434.4)**	**(78.0)**	**18.0**	**(81.9)**
D. Surplus (Deficit)	**(348.7)**	**(947.7)**	**(775.1)**	**(18.2)**	**(868.0)**	**(840.2)**	**(464.3)**	**55.3**	**(40.1)**
% to GDP	(2.20)	(6.14)	(4.57)		(4.85)	(4.50)	(2.38)		
E. Financing	**402.1**	**1,193.2**	**871.7**	**(27.0)**	**868.0**	**840.2**	**583.5**	**69.5**	**(33.1)**

Government revenues in Indonesia experienced a significant growth of 30.6%. This growth was underpinned by increased economic activity, the positive effects of implementing tax reforms (HPP law), and the rising prices of commodities. On the expenditure side, the government carefully optimized spending, reaching 99.5% utilization. This approach acted as a shock absorber to safeguard the economy and promote economic growth.

The government has achieved significant milestones in its budget functions. It has successfully maintained moderate inflation rates and achieved robust economic growth, resulting in the creation of 4.2 million new job opportunities. Progress has been made in reducing the poverty rate, nearing single-digit figures by September 2022. Despite the challenges posed by the Covid-19 pandemic, income inequality, as measured by the Gini ratio, has been effectively managed. The country has sustained its Human Development Index (HDI), reflecting ongoing development, and has seen a decrease in child stunting rates. Furthermore, farmers have experienced improved terms of trade, enhancing their livelihoods (Downs & Stetson, 2014a). These accomplishments underscore the government's adept fiscal management in balancing economic stability, societal well-being, and development goals.

Notably, both the deficit and Primary Balance have decreased substantially, returning to pre-pandemic levels. This positive shift was accompanied by more efficient budget financing mechanisms. It's worth noting that tax revenue includes receipts for all levels of government, and the "other taxes" category encompasses various taxes not directly related to income, profits, capital gains, social security contributions, or goods and services (Pu & Syu, 2023).

In the context of the role of tax compliance by government institutions in development, the research "Enhancing Tax Compliance in Indonesian Government Institutions: Identifying and Mitigating Inhibiting Factors" should outline the research questions as follows:

1) What are the primary factors inhibiting tax compliance in Indonesian government institutions, and how do these factors affect the government's ability to support sustainable economic growth and reduce poverty levels?

2) To what extent do the impacts of these factors inhibiting tax compliance affect significant state revenue, effective income inequality management, and the achievement of other national development goals already attained by the Indonesian government?

3) What effective mitigation strategies can be proposed to address the factors hindering tax compliance within government institutions, with the aim of enhancing the government's role in supporting sustainable development, including improving social welfare, reducing poverty, and managing income inequality?

METHOD

The research will employ a comprehensive and multi-faceted research methodology to address the objectives of the study effectively. This integrated approach encompasses various elements, including a descriptive analysis approach, comprehensive literature research, comparative analysis, a qualitative research approach, and secondary data collection (Downs & Stetson, 2014b). These methodological components have been carefully selected to provide a holistic understanding of tax compliance issues within Indonesian government institutions and to facilitate the identification and mitigation of inhibiting factors.

1) Descriptive Analysis Approach: This aspect of the methodology will serve as the foundation for presenting information systematically. It will provide a structured framework for organizing

and communicating key findings related to tax compliance within Indonesian government institutions.

2) Comprehensive Literature Research: A thorough review of existing literature will be conducted to establish a solid understanding of tax compliance issues, both at the global level and within the Indonesian context. This literature review will inform the research and ensure that it is grounded in relevant theoretical and empirical perspectives.
3) Comparative Analysis: The research will incorporate comparative analysis, which involves benchmarking tax compliance practices within Indonesian government institutions against those in other relevant contexts or regions. This comparative approach will enable the identification of best practices and lessons learned from similar situations.
4) Qualitative Approach: The study will employ a qualitative research approach to gain nuanced insights into the inhibiting factors affecting tax compliance. Qualitative data collection techniques, such as interviews and surveys, will be utilized to capture in-depth perspectives and experiences related to tax compliance within government institutions.
5) Secondary Data Collection: Historical data related to tax compliance within Indonesian government institutions will be collected as part of the research. This secondary data will include tax records, legislative changes, compliance rates, and historical events that have shaped tax compliance practices over time.
6) Historical Data Analysis: Within the qualitative approach, there will be a specific emphasis on historical data analysis. This entails a detailed examination of past tax records and historical context to uncover patterns and trends in tax compliance behavior and its evolution.

By combining these research methods, the study can provide a comprehensive and nuanced analysis of tax compliance issues within Indonesian government institutions. It allows for a holistic exploration of the inhibiting factors and their impact on government revenue, income inequality management, and broader development goals (Eichner & Pethig, 2018). Additionally, the qualitative and historical data components offer a rich qualitative context that complements quantitative analysis, providing a well-rounded understanding of the subject matter (Hsu & Liu, 2023a). Ultimately, this research methodology is designed to produce valuable insights and recommendations that can inform policymakers, tax authorities, and government officials in their efforts to enhance tax compliance and support sustainable economic development in Indonesia.

RESULT AND DISCUSSION

1. Theoretical Framework

The theoretical framework for this research on "Enhancing Tax Compliance in Indonesian Government Institutions: Identifying and Mitigating Inhibiting Factors" draws from various economic, behavioral, and institutional theories to provide a comprehensive lens for understanding tax compliance issues within government institutions (Hsu & Liu, 2023b). Here are the key components of the theoretical framework:

No	Theoretical Framework Components	Description and Relevance
1	**Tax Compliance Theories**	
a.	Rational Choice Theory	Individuals, including government officials, make decisions based on cost-benefit analysis. Relevant for understanding how cost-benefit perceptions influence tax compliance among government treasury officials.
b.	Social Norms Theory	Social norms shape behavior. Investigates the impact of societal expectations and peer pressure on tax compliance practices within government institutions.
c.	Psychological Theories	Examines cognitive and emotional factors (e.g., attitudes and motivations) that influence tax compliance decisions of government treasury officials.
2	**Institutional Theories**	
a.	New Institutional Economics (NIE)	Focuses on how institutions, including government structures and regulations, impact economic behavior. Relevant for understanding the institutional factors affecting tax compliance in government institutions.
b.	Principal-Agent Theory	Explores the relationship between principals (government) and agents (government officials) and its impact on tax compliance behavior. Addresses information asymmetry and incentives.
3	**Behavioral Economics**	
a.	Nudge Theory	Behavioral interventions, like nudging, can improve tax compliance. Investigates the potential of behavioral strategies to enhance compliance among government officials.
b.	Anchoring and Framing Effects	How tax compliance issues are presented and framed influences decision-making. Examines the role of cognitive biases in tax compliance.
4	**Historical Perspective**	
a.	Historical Analysis	Incorporates historical events and policy changes to understand the evolution of tax compliance practices within Indonesian government institutions over time.

This research will elucidate the theoretical framework, which can be outlined as follows:

2. Tax Obligations in Indonesian Government Institutions

Tax obligations within Indonesian government institutions encompass a set of crucial financial responsibilities that must be fulfilled by these government entities to support governmental functions and contribute to the country's development (Kraemer & Lehtimäki, 2023). Here is a summary of the provisions related to tax obligations within Indonesian government institutions:

1) The Law Number 6 of 1983 concerning General Provisions and Taxation Procedures as well as Law Number 7 of 2021 concerning Tax Regulation Harmonization regulate several crucial aspects related to the taxation system in Indonesia. Article 1 number 2 of these laws defines Taxpayer as including individuals or entities, including tax payers, tax with holders, and tax collectors, who have rights and obligations in accordance with tax regulations. In this context, Taxpayers play a vital role in the taxation process.
2) Article 4 stipulates that Taxpayers must correctly, completely, clearly, and sign the Notification Letter. This underscores the importance of accurate completion and submission of tax documents to ensure proper tax compliance.
3) Article 3 paragraph (3c) grants the Minister of Finance the authority to set the deadlines and procedures for reporting, withholding, and collecting taxes by government treasurers and certain entities. This reflects efforts to ensure that tax reporting and collection are conducted regularly and in accordance with the rules.

4) In the context of administrative sanctions, Article 7 paragraph (1) imposes fines if the Notification Letter is not submitted within the specified timeframe or extended deadline. These fines vary depending on the type of Notification Letter and serve as a means to encourage tax compliance.
5) Article 12 paragraphs (1), (2), and (3) explain the obligation of Taxpayers to pay the owed taxes in accordance with tax regulations, without having to wait for a tax assessment letter. However, if there is a discrepancy between the amount of tax owed according to the Notification Letter and the actual situation, the Director General of Taxation has the authority to determine the correct amount of tax owed.
6) According to Article 9, paragraph (1), the Minister of Finance has the authority to determine the due date for the payment and deposit of outstanding taxes for a specific Tax Period. This deadline is no later than 15 (fifteen) days after the tax should have been paid or after the end of the respective Tax Period.
7) Article 9, paragraph (2a), explains that if the payment or deposit of taxes is made after the predetermined due date, the party involved will incur an administrative penalty in the form of interest. The interest rate per month is determined by the Minister of Finance and is calculated from the due date of payment until the actual payment date. This penalty can be imposed for a maximum period of 24 (twenty-four) months, with any portion of a month counted as a full month.
8) Article 10, paragraph (1), stipulates that taxpayers are obligated to pay or deposit the outstanding taxes using a Tax Payment Letter to the state treasury through the designated payment location as specified by the Ministry of Finance.
9) The Minister of Finance Regulation Number PMK-231/PMK.03/2019 concerning the Procedures for Registration and Removal of Taxpayer Identification Numbers, Confirmation and Revocation of Confirmation of Taxable Entrepreneurs, as well as the Withholding and/or Collection, Deposit, and Reporting of Taxes for Government Institutions, and PMK Number PMK-59/PMK.03/2022 stipulate several key aspects regarding tax-related procedures for Government Institutions, Article 23 paragraph (1) mandates that both Central and Regional Government Institutions are required to remit Income Tax (PPh) and Value Added Tax (PPN) or Value Added Tax and Luxury Goods Sales Tax (PPnBM) that have been withheld and/or collected within a specified period following the payment, either through the Cash Account mechanism in accordance with tax regulations or on the same day as the payment through the Direct mechanism as per tax regulations.
10) Article 25 paragraph (1) requires Government Institutions to report the withholding and/or collection of taxes carried out during a tax period to the Tax Office where the Government Institution is registered.
11) As detailed in Article 25 paragraph (2), this reporting should be done using the Periodic Notice of PPh Article 21 and/or PPh Article 26 for the withholding of PPh from individual taxpayers, or by utilizing a unified Periodic Notice for Government Institutions, covering the withholding and/or collection of PPh and PPN related to government expenditures.
12) Lastly, Article 25 paragraph (3) specifies that the reporting of the Periodic Notice, as mentioned in (2) a) and b), must be completed within a maximum of 20 (twenty) days after the end of the tax period.

Based on the aforementioned provisions, we hereby provide a summary of the deposit and reporting regulations for Government Institutions:

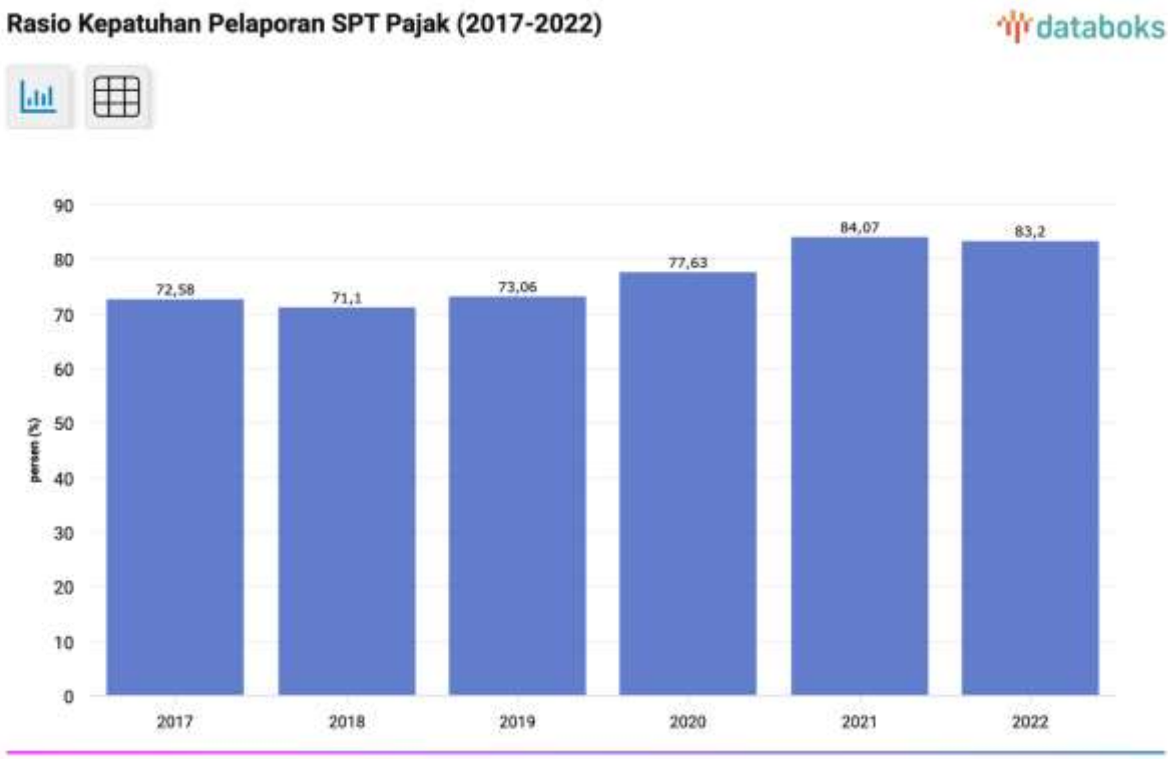
Types of Taxes	Types of Tax Forms	Penalty for Late Submission of Periodic Tax Returns	Withholding and Remittance Date		Penalty for Late Payment	Reporting Deadline
			Cash Disbursement Mechanism	Direct Payment Mechanism		
Income Tax Article 21	Monthly Income Tax Return Article 21	IDR100.000	Within 7 (seven) days from the date of payment	On the same day as the payment is made	Administrative sanctions in the form of interest at the monthly interest rate determined by the Minister of Finance, calculated from the due date of payment until the payment date	Within a maximum of 20 days after the end of the Tax Period
Income Tax Article 22	Unified Government Institution Monthly Tax Return	IDR100.000				
Income Tax Article 23		IDR100.000				
Income Tax Article 4 (2)		IDR100.000				
Income Tax Article 15		IDR100.000				
VAT		IDR500.000				

3. Tax Compliance in Indonesia

Tax compliance in Indonesia refers to the degree to which individuals and businesses in the country adhere to tax laws and regulations by accurately reporting their income, expenses, and financial activities and paying the required taxes in a timely manner (Firmansyah & Wijaya, 2022). It is a critical aspect of the country's tax system and plays a vital role in generating government revenue, supporting public services and infrastructure, and ensuring economic stability.

In mid-January 2023, the Director General of Taxation at the Ministry of Finance, Suryo Utomo, announced that the compliance rate of the public or taxpayers in reporting Annual Tax Returns (SPT) and paying taxes throughout 2022 had reached 83.2%. Although this figure decreased compared to the 84.07% achieved in 2021, it still exceeded the set target of 80% (Rosadi, 2015).

The target for annual SPT in 2022 was set at 19 million taxpayers, consisting of 1.65 million corporate taxpayers and 17.35 million individual taxpayers (Direktorat Jenderal Pajak, 2022). With a compliance rate of 83.2%, this means that approximately 15.8 million tax returns were filed in 2022.



The compliance ratio is calculated by comparing the number of Annual Income Tax (PPh) returns received in a specific tax year with the number of registered taxpayers required to submit SPT at the beginning of the year.

Tax compliance is of utmost importance in Indonesia for various compelling reasons. Firstly, it serves as a primary source of revenue for the government, funding an array of critical public services, development projects, and essential social welfare programs (Iswahyudi, 2021). This financial inflow is indispensable to maintain the government's fiscal health, ensuring that it can meet its financial commitments, service debts, and effectively manage budget deficits, thereby contributing to fiscal stability (Diamond & Saez, 2011).

Furthermore, robust tax compliance plays a pivotal role in fostering a conducive business environment, which is essential for economic growth. When individuals and businesses have confidence that tax laws are administered fairly and transparently, it encourages investment, stimulates economic expansion, and promotes overall prosperity (Irawan, 2019; *Republik Indonesia. 2021. Peraturan Menteri Keuangan Republik Indonesia Nomor 59/PMK.03/2022 Tentang Perubahan Atas Peraturan Menteri Keuangan Nomor 231/PMK.03/2019 Tentang Tata Cara Pendaftaran Dan Penghapusan Nomor Pokok Wajib Pajak, Pengukuhan Dan Pencabutan Pengukuhan Pengusaha Kena Pajak, Serta Pemotongan Dan/Atau Pemungutan, Penyetoran. Dan Pelaporan Pajak Bagi Instansi Pemerintah.*, n.d.).

Additionally, taxation can be leveraged as a tool for wealth redistribution, aiming to reduce income inequality by collecting a larger share of revenue from those with higher incomes. This equitable distribution of the tax burden is a crucial aspect of social and economic justice (Puspitasari, 2017).

Moreover, tax revenue is the lifeblood of public services, encompassing vital areas such as healthcare, education, infrastructure development, and social safety nets (Nursalam, 2017). These services collectively enhance the well-being and quality of life for Indonesian citizens, underlining the significance of tax compliance in sustaining them (Adi, 2020).

Lastly, in an increasingly interconnected global economy, adhering to international tax compliance standards is essential for Indonesia's international economic relations and maintaining a positive reputation on the world stage. In summary, tax compliance in Indonesia is not merely a legal obligation but a cornerstone of economic stability, social welfare, and international credibility (Mitchell, 2020).

Efforts to enhance tax compliance in Indonesia include simplifying tax regulations, improving tax collection processes, raising awareness about tax obligations, and implementing penalties for non-compliance. These measures aim to ensure that individuals and businesses fulfill their tax responsibilities accurately and on time, ultimately benefiting the nation's development and welfare (Ngwaba & Azizi, 2020).

4. The Contribution of Tax Obligations by Government Institutions

Government treasurers play a vital role in managing the finances of both the Central Government, responsible for the State Budget (APBN), and Local Government Treasurers, responsible for Regional Revenue and Expenditure Budgets (APBD). These treasurers are obligated to adhere to taxation laws. Taxes collected by Government Treasurers from both APBN and APBD expenditures constitute a crucial component of strategic tax revenue supporting national development.

To drive an increase in tax realization from government expenditures and enhance tax compliance among Government Treasurers, the Ministry of Finance issued Regulation of the Minister of Finance of the Republic of Indonesia Number 231/PMK.03/2019 concerning Procedures for Registration and Cancellation of Taxpayer Identification Numbers (NPWP), Confirmation and Revocation of Taxable Entrepreneurs (PKP), as well as Tax Deduction and/or Collection, Deposit, and Tax Reporting for Government Institutions. This regulation came into effect on May 1, 2022. The Minister of Finance's regulation also includes guidelines on tax deduction and/or collection by government institutions related to government expenditures and revenue, along with procedures for tax deposit and reporting by government institutions (*Republik Indonesia. 2021. Peraturan Menteri Keuangan Republik Indonesia Nomor 59/PMK.03/2022 Tentang Perubahan Atas Peraturan Menteri Keuangan Nomor 231/PMK.03/2019 Tentang Tata Cara Pendaftaran Dan Penghapusan Nomor Pokok Wajib Pajak, Pengukuhan Dan Pencabutan Pengukuhan Pengusaha Kena Pajak, Serta Pemotongan Dan/Atau Pemungutan, Penyetoran. Dan Pelaporan Pajak Bagi Instansi Pemerintah.*, n.d.).

The implementation of this regulation has streamlined the administration of Taxpayer Identification Numbers (NPWP) managed by Government Treasurers, limiting opportunities for Government Treasurers to evade tax obligations.

Furthermore, increasing tax revenue originating from Government Treasurers can also be achieved by improving their tax compliance. According to Harjowiryono (2019), the tax compliance of Government Treasurers is influenced by four main factors: knowledge of taxation, attitudes towards tax obligations, the quality of tax services, and the ease of using tax applications (Suranta, 2018). If these factors continue to be enhanced and receive attention from the Directorate General of Taxes (DJP) and other relevant parties, it will promote increased tax compliance among Government Treasurers in fulfilling their tax obligations (Lee, 2019).

In an ideal scenario, the process of tax collection from Government Treasurers, who hold prominent roles as public servants, should ideally be executed with ease, resulting in maximum outcomes. However, practical implementation often presents a range of challenges that impede the realization of optimal tax revenues from Government Treasurers. Examining tax revenue data spanning the years 2021 to 2023, we can observe the following regarding the realization of tax revenue in APBN report:

Revenue Sources - Finance	**Realized State Revenue (Billion Rupiah)**		
	2021	**2022**	**2023 (Outlook)**
I. Revenue	2,006,334	2,435,867	2,443,183
Tax Revenue	1,547,841	1,924,938	2,016,924
Domestic Taxes	1,474,146	1,832,328	1,960,583
Income Tax	696,677	895,101	935,069
Value Added Tax and Luxury Goods Sales Tax	551,901	680,741	740,054
Land and Building Tax	18,925	20,904	31,311

Acquisition of Rights to Land and Building Tax	-	-	-
Excise Tax	195,518	224,2	245,45
Other Taxes	11,126	11,381	8,7
International Trade Taxes	73,695	92,61	56,341
Import Duties	39,123	43,7	47,529
Export Tax	34,573	48,91	9,013
Non-Tax Revenue	458,493	510,93	426,259
Natural Resource Revenue	149,489	218,493	188,745
Revenue from Separated State Wealth	30,497	40,405	44,068
Other Non-Tax Revenue	152,504	149,013	110,43
Revenue from Public Service Agencies	126,003	103,018	83,016
II. Grants	5,013	1,011	409
Total	2,011,347	2,436,878	2,443,592

5. Mitigation Strategies Inhibiting Tax Compliance in Government Institutions

The factors influencing tax revenue collection by Government Treasurers, both at the central and regional levels, are highly relevant to current taxation issues in Indonesia (Anderson, 2023). Some recent issues that can be linked to these factors include:

1) Tax Compliance Improvement: In an effort to address budget deficits and fund various national development programs, the Indonesian government is increasingly focused on enhancing tax revenue collection. Hence, issues related to tax compliance among Government Treasurers become crucial (Satyadini et al., n.d.). Factors such as a poor understanding of tax regulations and challenges in using tax-related applications can impede the government's efforts to boost tax revenue.
2) Technology Adoption in Taxation: The Indonesian government continues to develop information technology-based tax systems. Issues related to the information technology proficiency of Government Treasurers necessitate training and skill development in effectively managing tax applications. This relates to the modernization of taxation and the drive for efficiency in tax collection (Saragih et al., 2022).
3) Integration of Central and Regional Tax Systems: Issues regarding the integration of tax systems between the central and regional governments are also critical. Poor integration can lead to potential tax revenue losses, especially in regional budget expenditure (Rahman, 2020).
4) Education and Training for Government Treasurers: This issue pertains to improving the quality and competence of Government Treasurers regarding tax regulations (Eichner & Pethig, 2018). Enhanced training and relevant educational programs can help improve their understanding of ever-evolving tax regulations.

By identifying and addressing these factors, the government can enhance tax collection efficiency, reduce potential tax revenue losses, and support sustainable national development. Here is a table depicting the cause-and-effect relationships between factors influencing tax compliance in government institutions and the corresponding mitigation strategies:

Factors Influencing Tax Compliance	**Cause-and-Effect Relationship**	**Mitigation Strategies**
Knowledge of Government Treasurers	Inadequate knowledge may reduce tax compliance.	Tax Education and Training to enhance tax understanding.
Application Systems	Difficulty in using tax applications can lead to errors.	Efficient Technology Use and training in application usage.
Supervision and Auditing	Stringent supervision and auditing can encourage compliance.	Regular Supervision and Auditing.
Penalties	Strict penalties can serve as additional incentives.	Appropriate Penalties for tax violations.
Technology	Use of information technology can simplify tax reporting.	Leveraging information technology for more efficient tax processes.
Transparency and Accountability	A culture of transparency can enhance tax obligation fulfillment.	Cultivating a culture of transparency and accountability within the institution.
Management Support	Management support can prioritize tax compliance.	Engaging active support from top-level management.
Tax Consultation	Tax consultation can prevent errors or tax mismatches.	Providing access to consult with tax authorities.

This table illustrates how each factor affecting tax compliance in government institutions is linked to compliance levels and the appropriate mitigation strategies for each factor.

CONCLUSION

In order to enhance tax compliance in Indonesian government institutions, this study has identified several inhibiting factors and formulated appropriate mitigation strategies. These factors include a lack of understanding of tax regulations, difficulties in using tax applications, and challenges related to information technology proficiency (Crocker et al., 2022). To address these barriers, mitigation efforts such as tax education and training, efficient use of information technology, strict supervision and auditing, appropriate penalties for tax violations, increased transparency and accountability, top-level management support, and access to tax consultation are needed.

In conclusion, tax compliance in Indonesian government institutions is of paramount importance for the country's economic stability, development, and overall welfare. This article has highlighted several key points:

1) Tax compliance is crucial for generating government revenue, supporting public services, and ensuring fiscal stability.
2) Enhancing tax compliance among government treasurers is essential, as they play a pivotal role in managing the finances of both the Central Government and Local Governments.
3) Recent efforts to improve tax compliance include streamlining tax regulations, improving tax collection processes, raising awareness about tax obligations, and implementing penalties for non-compliance.
4) Factors influencing tax compliance among government treasurers include knowledge gaps, challenges in using tax applications, issues related to information technology proficiency, integration of tax systems, and the need for education and training.
5) Mitigation strategies for these factors include tax education and training, efficient technology use, regular supervision and auditing, appropriate penalties, leveraging information technology, fostering transparency and accountability, engaging top-level management support, and providing access to tax consultation.

   Addressing the inhibiting factors of tax compliance in government institutions is essential to maximize tax revenue collection, support sustainable economic development, and ensure the efficient allocation of resources in Indonesia. Implementing these mitigation strategies can contribute to achieving these goals and promoting a culture of tax compliance within government entities (Herawaty, 2021).

Improving tax compliance in Indonesian government institutions is a crucial step in supporting economic stability, national development, and the general welfare. By identifying inhibiting factors and implementing suitable mitigation strategies, it is hoped that government institutions can be more effective in fulfilling their tax obligations (Rosadi, 2015). These efforts will have a positive impact on tax revenue, sustainable economic development, and efficient resource allocation in Indonesia. Thus, the role of tax compliance in government institutions is not only a legal obligation but also a foundation for economic stability, social welfare, and international credibility.

Regarding the research titled "Enhancing Tax Compliance in Indonesian Government Institutions: Identifying and Mitigating Inhibiting Factors," here are the answers to the three research questions posed:

1) Research Question 1:
   What are the primary factors inhibiting tax compliance in Indonesian government institutions, and how do these factors affect the government's ability to support sustainable economic growth and reduce poverty levels?

The primary factors inhibiting tax compliance in Indonesian government institutions include a lack of understanding of tax regulations, difficulties in using tax applications, corrupt practices, and challenges related to information technology proficiency (Hadipryanto et al., 2023). The impact of these factors is a reduction in state revenue, which can directly affect the government's capacity to support sustainable economic growth and reduce poverty levels. Additionally, the decrease in revenue can hinder the government's ability to provide essential public services to address poverty-related issues.

2) Research Question 2:
To what extent do the impacts of these factors inhibiting tax compliance affect significant state revenue, effective income inequality management, and the achievement of other national development goals already attained by the Indonesian government?
The impacts of the factors inhibiting tax compliance have a significant effect on state revenue. Non-compliance with tax obligations can lead to a substantial loss of revenue, directly impacting the government's ability to fund various national development programs and effectively manage income inequality (Rosadi, 2015). The reduction in revenue can also impede the achievement of national development goals that the Indonesian government has already attained, including improving social welfare, reducing poverty, and managing income inequality (Indradi, 2023).

3) Research Question 3:
What effective mitigation strategies can be proposed to address the factors hindering tax compliance within government institutions, with the aim of enhancing the government's role in supporting sustainable development, including improving social welfare, reducing poverty, and managing income inequality?

To address the factors hindering tax compliance within government institutions, several effective mitigation strategies can be proposed:
a) Tax Education and Training: Providing tax education and training to government employees to enhance their understanding of tax regulations.
b) Efficient Technology Use: Encouraging the efficient use of information technology in tax administration to streamline tax reporting and payment processes.
c) Stringent Supervision and Auditing: Conducting rigorous tax supervision and auditing to ensure compliance and penalize tax violations.
d) Appropriate Penalties: Imposing suitable and effective penalties for tax violations to incentivize compliance.
e) Transparency and Accountability: Increasing transparency in the tax system and ensuring accountability in the use of tax funds.
f) Top-Level Management Support: Garnering full support from top-level management in efforts to improve tax compliance.
g) Access to Tax Consultation: Providing easy access to tax consultation services for taxpayers.

By implementing these strategies, it is anticipated that the government can enhance tax compliance within its institutions, thereby supporting sustainable development, improving social welfare, reducing poverty, and effectively managing income inequality in Indonesia.(Artz, 2010)

REFERENCE

Adi, A. , & N. D. (2020). Tax administration reform and taxpayer compliance: Evidence from Indonesia. *Journal of Accounting and Taxation*, *12*(3), 59–72.

Anderson, J. , & B. L. (2023). The impact of tax incentives on foreign direct investment: A systematic review. *International Journal of Finance and Economics*, *45*(2), 187–204.

Artz, B. (2010). Fringe benefits and job satisfaction. *International Journal of Manpower*, *31*(6), 626–644. https://doi.org/10.1108/01437721011073346

Crocker, M., Milte, R., Duff, G., Lawless, M., Corlis, M., & Ratcliffe, J. (2022). Are Australians willing to pay more tax to support wage increases for aged care workers? Findings from a national survey. *Australasian Journal on Ageing*, *41*(4), 513–521. https://doi.org/10.1111/ajag.13094

Diamond, P., & Saez, E. (2011). The case for a progressive tax: From basic research to policy recommendations. *Journal of Economic Perspectives*, *25*(4), 165–190. https://doi.org/10.1257/jep.25.4.165

Direktorat Jenderal Pajak. (2022). *Laporan Tahunan Direktorat Jenderal Pajak Tahun 2022*. Kementerian Keuangan.

Downs, A., & Stetson, B. (2014a). Economic and Non-Economic Factors: An Analysis of Corporate Tax Compliance. In *Advances in Taxation* (Vol. 21, pp. 37–72). Emerald Group Publishing Limited. https://doi.org/10.1108/S1058-749720140000021002

Downs, A., & Stetson, B. (2014b). Economic and Non-Economic Factors: An Analysis of Corporate Tax Compliance. In *Advances in Taxation* (Vol. 21, pp. 37–72). Emerald Group Publishing Limited. https://doi.org/10.1108/S1058-749720140000021002

Eichner, T., & Pethig, R. (2018). Self-enforcing capital tax coordination. *Journal of Business Economics*, *88*(7–8), 915–940. https://doi.org/10.1007/s11573-018-0895-7

Firmansyah, R. A., & Wijaya, S. (2022). Natura dan Kenikmatan Sebelum dan Sesudah Undang-Undang Harmonisasi Peraturan Perpajakan. *Jurnal Pajak Dan Keuangan Negara*.

Hadipryanto, J., Sarah, S., Nuryanti, T., Yeni, Y., Ramadhony, R., & Adhikara, A. (2023). ANALYSIS OF TAX AMNESTY IMPLEMENTATION IN TAX REVENUE IN ASIAN REGION COUNTRIES. *Riset*, *5*(1), 014–028. https://doi.org/10.37641/riset.v5i1.214

Herawaty, V. , & K. H. (2021). Government Tax Policy in Achieving Good Governance in Indonesia. *Journal of Accounting, Finance and Auditing Studies*, *7*(1), 94–105.

Hsu, A., & Liu, S. (2023a). The effect of book-tax conformity on the information environment: from the analyst perspective. *Review of Quantitative Finance and Accounting*. https://doi.org/10.1007/s11156-023-01160-5

Hsu, A., & Liu, S. (2023b). The effect of book-tax conformity on the information environment: from the analyst perspective. *Review of Quantitative Finance and Accounting*. https://doi.org/10.1007/s11156-023-01160-5

Indradi. (2023). Repeated Tax Amnesties in Indonesia: An Evaluation of Tax Compliance. *Ilomata International Journal of Tax and Accounting*, *4*(3), 385–406. https://doi.org/10.52728/ijtc.v4i3.759

Irawan, T. , & S. A. S. (2019). The Effect of Government Policies and Tax Compliance on Tax Revenue: A Case Study in Indonesia. *International Journal of Economics, Commerce, and Management*, *7*(3), 35–48.

Iswahyudi, H. (2021). THE PERSISTENT EFFECTS OF COVID-19 ON THE ECONOMY AND FISCAL CAPACITY OF INDONESIA. *Jurnal Ekonomi Dan Pembangunan*, *29*(2), 113–130. https://doi.org/10.14203/jep.29.2.2021.113-130

Kraemer, R., & Lehtimäki, J. (2023). Government debt, European Institutions and fiscal rules: a synthetic control approach. *International Tax and Public Finance*. https://doi.org/10.1007/s10797-023-09791-z

Lee, C. , & L. H. (2019). Tax incentives and firm performance: Evidence from a regression discontinuity design. *Journal of Financial and Quantitative Analysis*, *54*(3).

Ministry of Finance. (2022). *Laporan Keuangan Pemerintah Pusat Tahun 2022*. Https://Djpb.Kemenkeu.Go.Id/Portal/Id/Data-Publikasi/Publikasi-Cetak/Laporan-Keuangan-Pemerintah-Pusat-Lkpp.Html.

Mitchell, M. , & S. R. (2020). Tax law complexity and taxpayer compliance: Evidence from the United Kingdom. *European Accounting Review*, *29*(3), 485–510.

Ngwaba, C. A., & Azizi, S. S. (2020). Effectiveness of tax reform on entrepreneurship. *Journal of Entrepreneurship and Public Policy*, *9*(1), 94–111. https://doi.org/10.1108/JEPP-07-2019-0060

Nursalam, M. , & Z. M. (2017). The Influence of Taxpayer Perception, Tax Penalties, and Tax Knowledge on Tax Compliance of Government Institutions in Indonesia. *International Journal of Economics, Commerce, and Management*, *5*(2), 40–52.

Pu, C., & Syu, H.-F. (2023). Effects of disability on income and income composition. *PLoS ONE*, *18*(5 May). https://doi.org/10.1371/journal.pone.0286462

Puspitasari, R. , & N. S. (2017). The Effect of Taxpayer Awareness, Tax Penalties, and Tax Sanctions on Tax Compliance of Government Institutions. *Journal of Accounting and Investment*, *18*(1), 37–48.

Rahman, M. , & A. F. (2020). (2020). Tax compliance costs and small and medium enterprises: A comparative analysis of developed and developing countries. *International Review of Applied Economics*, *34*(3).

Republik Indonesia. 2021. Peraturan Menteri Keuangan Republik Indonesia Nomor 59/PMK.03/2022 tentang Perubahan Atas Peraturan Menteri Keuangan Nomor 231/PMK.03/2019 tentang Tata Cara Pendaftaran dan Penghapusan Nomor Pokok Wajib Pajak, Pengukuhan dan Pencabutan Pengukuhan Pengusaha Kena Pajak, Serta Pemotongan dan/atau Pemungutan, Penyetoran. Dan Pelaporan Pajak Bagi Instansi Pemerintah. (n.d.).

Rosadi, R. , & W. R. (2015). The Influence of Taxation System and Taxation Knowledge on the Level of Tax Compliance: A Study on the Taxpayer of Government Institutions. *Journal of Economics and Sustainable Development*, *6*(18), 9–15.

Saragih, A. H., Reyhani, Q., Setyowati, M. S., & Hendrawan, A. (2022). The potential of an artificial intelligence (AI) application for the tax administration system's modernization: the case of Indonesia. *Artificial Intelligence and Law*. https://doi.org/10.1007/s10506-022-09321-y

Satyadini, A. E., Rea Erlangga, R., & Vdkg, B. S. (n.d.). *WHO AVOIDS TAXES? AN EMPIRICAL EVIDENCE FROM THE CASE OF INDONESIA*.

Suranta, E. , & N. P. (2018). Tax Compliance of Government Institutions: A Study on Tax Compliance Factors and Their Impact on Tax Revenues. *International Journal of Scientific and Research Publications*, *8*(10), 399–404.