
Does Public Trust Encourage Voluntary Tax Compliance? A Study of Indonesian Taxpayers

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ABSTRACT

Indonesia continues to face persistent challenges in improving tax compliance. This study examines how public trust influences individuals' willingness to voluntarily fulfill their tax obligations. A mixed-methods design was employed. Quantitative data were collected through structured questionnaires administered to 227 urban taxpayers, selected through purposive sampling based on recent tax compliance experience. Qualitative insights were drawn from in-depth interviews with selected participants to provide contextual understanding. Statistical analysis using PLS-SEM shows that trust in government has a significant and positive effect on voluntary tax compliance (path coefficient = 0.575, $p < 0.01$). Respondents were more likely to comply when they perceived tax revenues were used fairly and transparently. Interviews reinforced that fairness, transparency, and credible leadership are key elements that shape public trust. The findings suggest that building institutional trust is critical for long-term tax compliance. Policymakers need to shift away from coercive strategies and instead foster trust through transparent governance, equitable tax allocation, and consistent public communication. This study highlights the importance of behavioral and institutional factors in shaping tax morale in a middle-income country context.

A. INTRODUCTION

Voluntary tax compliance remains a central concern for governments across the globe, particularly in developing economies where institutional trust is often fragile (Dom et al., 2022; OECD, 2019). While countries implement various policy tools—from administrative modernization to tax amnesties—sustaining long-term compliance requires more than just enforcement. Increasingly, scholars and policymakers recognize that public trust in tax institutions plays a pivotal role in shaping taxpayers' willingness to comply voluntarily (Dom et al., 2022; Gangl et al., 2015; Gebrihet et al., 2023).

In Indonesia, public trust in the government's tax administration remains a persistent challenge. This issue is deeply rooted in the legacy of non-transparent and arbitrary tax practices prior to the 1983 reform, which fostered a long-standing skepticism about the government's capacity to manage tax

revenues equitably and efficiently. Although subsequent reforms—including tax amnesty programs and modernization initiatives—have aimed to increase compliance, they have often prioritized enforcement mechanisms over strategies to build public trust.

This over-reliance on coercive mechanisms may deliver short-term revenue gains but tends to be unsustainable. Research suggests that compliance achieved through trust is more resilient. Inasius et al., (2020), for example, demonstrated that trust-based compliance following Indonesia's 2016–2017 tax amnesty was more enduring than compliance achieved through fear of penalties. Similarly, Dobos & Takács-György (2020) argue that excessive dependence on enforcement may backfire by pushing taxpayers toward evasion, undermining long-term revenue collection.

A 2021 survey by Indikator Politik Indonesia revealed that only 56% of respondents believed taxes were being used for the benefit of the people, and merely 5% expressed strong confidence in this belief. This finding underscores the fragile nature of public trust in Indonesia's tax system. Previous research has consistently confirmed that higher levels of trust in government significantly influence taxpayers' willingness to fulfill their obligations voluntarily (A. Augustine & I. Rufus, 2019; Anderson, 2017; Fatimah et al., 2021; Kinyondo & Byaro, 2019; Santi et al., 2020). Trust functions as a cognitive and emotional anchor, shaping perceptions of fairness, transparency, and the moral legitimacy of taxation.

While previous studies have established a general link between public trust and tax compliance (A. Augustine & I. Rufus, 2019; Fatimah et al., 2021; Haning et al., 2019), they often examine this relationship in a segmented manner—focusing on individual factors such as procedural fairness or enforcement credibility (Anderson, 2017; Kinyondo & Byaro, 2019; Santi et al., 2020). However, few studies have systematically examined the interaction of multiple contextual mechanisms such as perceived fairness, accountability, and institutional legitimacy, in shaping voluntary tax compliance particularly in developing country settings like Indonesia

This article contributes to the literature by offering an integrative framework that connects psychological and institutional dimensions of taxpayer behavior. It emphasizes how public trust operates through various contextual pathways to shape voluntary compliance. This focus represents the scientific novelty of this study, particularly through its use of a mixed-method approach that combines Partial Least Squares Structural Equation Modeling (PLS-SEM) and qualitative interviews to capture both statistical relationships and contextual depth.

By addressing these gaps, the study seeks to answer the following research question: How does public trust influence voluntary tax compliance in Indonesia, and what mechanisms mediate this relationship? The findings are expected to inform policymakers and tax authorities about the importance of trust-building strategies, such as transparent governance and fair enforcement in achieving sustainable tax compliance.

Tax compliance is a fundamental concept in public finance and fiscal policy, referring to the extent to which taxpayers meet their tax obligations in line with prevailing regulations. Scholars have described it as a multidimensional construct encompassing both behavioral and attitudinal aspects. According to Thi Hai Do et al., (2022), tax compliance reflects a taxpayer's willingness to fulfill tax responsibilities voluntarily, without coercion. Andini & Rahmiati, (2020) similarly highlight that compliance requires a conscious commitment to obey the law while fulfilling one's rights and duties as a taxpayer. However, other perspectives acknowledge that compliance can also be shaped by enforcement, where individuals comply primarily due to fear of penalties (Saruji et al., 2019). These definitions imply that tax compliance can emerge from both intrinsic motivations and extrinsic pressures, forming two dominant types: voluntary compliance and enforced compliance.

The slippery slope framework, introduced by Kirchler and colleagues and applied in Indonesia by Inasius (2019), offers a useful lens to distinguish between these two forms. Enforced compliance is driven by power, where tax authorities rely on audits, penalties, and legal threats to ensure obedience. In contrast, voluntary compliance is rooted in trust, where taxpayers perceive the government as fair, transparent, and committed to the public good. This distinction is crucial, as voluntary compliance is considered more sustainable and cost-effective in the long run. Fatimah et al., (2021) argue that fostering trust-based compliance not only improves efficiency but also reduces administrative burdens and enhances cooperation. In this context, Twesige et al., (2024) describe voluntary tax compliance as a situation where taxpayers file returns and pay taxes out of a sense of civic duty and mutual respect, rather than fear. These conceptual distinctions lay the foundation for understanding the importance of trust in shaping taxpayer behavior.

Numerous studies have explored the determinants of tax compliance, both voluntary and enforced. Twesige et al., (2024) identify a range of factors including knowledge of tax laws, perceptions of tax fairness, economic conditions, audit probability, and tax rates. However, while these variables are significant, recent findings indicate that non-economic factors play an increasingly important role in driving compliance, particularly voluntary compliance. Nyantakyi et al., (2024) highlight that the quality of tax services, such as responsiveness and clarity of communication, has a positive impact on taxpayers' willingness to comply. Bobek et al., (2013) and Hauptman et al., (2024) further emphasize the influence of social norms and attitudes, showing that individuals are more likely to comply when they perceive compliance as socially expected or morally appropriate. Respect for tax authorities, shaped by societal values, reduces the acceptability of evasion and enhances voluntary adherence. Conversely, motivational posture defiance, reflecting distrust and resistance toward authority, correlates negatively with voluntary compliance and positively with evasion (Hauptman et al., 2024).

Building on this body of research, several scholars have identified trust and legitimacy as central to strengthening voluntary tax compliance. Hong (2023) demonstrates that the legitimate power of tax authorities—defined by fairness, competence, and ethical behavior—has a stronger impact on voluntary compliance than coercive power. This legitimacy is often cultivated through transparency, consistent rule enforcement, and clear public communication. Moreover, taxpayers are more willing to comply when they perceive that their contributions are managed responsibly and allocated for public welfare (Rotimi et al., 2020). This perspective is particularly relevant in decentralized governance settings. Augustine et al., (2022) emphasize that trust must be cultivated not only at the national level but also at the local level, where citizens directly experience the quality of public services and governance. When taxpayers observe visible improvements in their communities—such as better infrastructure, health care, or education—they are more likely to associate their taxes with tangible benefits, increasing their willingness to comply voluntarily.

In the context of Indonesia, recent studies provide evidence of a mismatch between the ideals of voluntary compliance and the reality on the ground. Pangesti et al., (2023) reveal that many Indonesian taxpayers comply primarily out of fear of sanctions rather than trust in the government. This suggests a compliance landscape dominated by coercive enforcement rather than trust-based cooperation. At the same time, research by Stilia et al., (2024) shows that legitimate power, trust in governance, and perceived procedural justice can serve as mediators between public trust and taxpayer behavior. These findings underscore the importance of reforming tax administration not only to enhance enforcement but also to build trust, transparency, and accountability. When taxpayers perceive the tax system as fair, consistent, and beneficial, they are more likely to comply willingly, reducing the need for costly enforcement mechanisms. However, despite the growing literature on voluntary compliance, few

studies have systematically examined how trust, legitimacy, and perceived fairness interact to shape taxpayer behavior in the Indonesian context. Thus, while the literature confirms the pivotal role of trust in shaping voluntary compliance globally, its application in the Indonesian context remains underexplored. This study seeks to fill that gap by investigating how trust and contextual factors interact to influence voluntary tax compliance in Indonesia.

Public trust in government is a foundational element in shaping citizen engagement and compliance with state institutions, including taxation. Despite ongoing debates regarding its conceptual boundaries, public trust is generally understood as the degree to which citizens believe that public institutions act in the best interest of society (Kurinawan et al., 2025). This belief encompasses perceptions of institutional integrity, fairness, transparency, and responsiveness. Kim & Lee (2012) define trust as citizens' confidence in government operations to serve societal welfare, a view that has guided empirical studies using both single-item and multi-dimensional measures of institutional trust. Although diverse in approach, these definitions converge on a central idea: trust represents a cognitive and emotional assessment of the government's performance, morality, and intentions.

Various instruments have been developed to measure public trust, including global surveys like the Edelman Trust Barometer, which tracks trust across governments, businesses, NGOs, and media, as well as national-level instruments such as the General Social Survey (GSS) in the United States. These studies consistently highlight that trust is influenced not only by macro-level factors – such as national performance and institutional integrity – but also by micro-level interactions, including citizens' direct experiences with public services.

Building on this understanding, Mebratu (2024) emphasizes that in developing country contexts, trust in government, alongside tax knowledge and perceived fairness, plays a pivotal role in shaping voluntary tax compliance. Likewise, Agbanyo et al., (2024) find that when citizens perceive high levels of corruption, trust in public institutions declines, which in turn lowers tax morale and reduces the willingness to comply voluntarily. Together, these findings reinforce the critical importance of addressing institutional corruption and enhancing transparency as key strategies to strengthen public trust and improve tax compliance outcomes.

The role of transparent governance and public service quality has also gained attention in recent studies. Falsetta et al., (2023) argue that when citizens perceive tax revenues to be used efficiently for public services, their trust in the system increases – leading to higher compliance. Shi (2024) notes that tax transparency improves habitual and cooperative compliance with income tax, while responsive tax services foster positive relationships between taxpayers and authorities. Meanwhile, Battilossi & Pittaki (2024) describe a “vicious cycle” in many developing countries, where mutual distrust between citizens and government results in persistent non-cooperation, low tax capacity, and weakened institutions. Breaking this cycle requires not only better enforcement but also the cultivation of a more trust-based fiscal contract between the state and its citizens.

In the Indonesian context, trust in government remains fragile. While citizens express willingness to support development, skepticism toward public fund management persists. This skepticism is exacerbated by perceived misuse of funds, lack of transparency, and inconsistent enforcement. Therefore, this study proposes that public trust functions as a critical mechanism linking perceptions of governance to voluntary tax compliance. Specifically, when citizens believe that tax revenues are used effectively and equitably, they are more likely to comply voluntarily. Conversely, distrust leads to resistance, evasion, or minimal compliance motivated purely by fear of sanctions. Investigating the specific pathways through which trust influences compliance in Indonesia – such as perceptions of

fairness, transparency, and legitimacy – can offer a more nuanced understanding of taxpayer behavior and support the development of more trust-driven tax policies.

B. METHOD

Research Design and Data Collection

This study adopts an explanatory quantitative design, supported by a limited qualitative component to strengthen interpretation. Primary data were collected through a structured questionnaire administered to 227 individual taxpayers across various professional categories, including entrepreneurs, private employees, civil servants, and freelancers. The minimum sample size meets the requirement based on Cochran's formula with a 90% confidence level and 10% margin of error ($n = 68$), ensuring statistical adequacy. The sampling technique employed was purposive sampling, targeting respondents with recent experience in tax compliance activities. Participants were selected based on their self-reported experience with tax payment and filing activities, ensuring alignment with the study's objective to assess current perceptions and behaviors.

The questionnaire consisted of two parts. The first section gathered demographic data (e.g., gender, age, education, occupation, and region), while the second measured perceptions of public trust and voluntary tax compliance using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). Measurement items were adapted from previously validated instruments (A. Augustine & I. Rufus, 2019; Inasius et al., 2020; Kinyondo & Byaro, 2019). To complement the survey data, in-depth interviews were conducted with 20 selected participants (at least 5 per occupational group), focusing on personal experiences related to government trust and tax behavior. This qualitative component provided contextual depth and allowed triangulation of findings.

Respondents participated voluntarily and anonymously. Participants were approached via online survey distribution through professional networks. The survey remained open for responses over one-month period. They were informed about the purpose of the study, and all responses were treated confidentially in accordance with research ethics protocols.

Data Analysis Method

Quantitative data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) with SmartPLS 4.0. This technique is suitable for path models involving latent constructs, especially in cases of moderate sample sizes and potential data non-normality. This method enables simultaneous estimation of measurement and structural models, providing robust insights into the relationships among variables. The analysis followed three main steps:

- (1) Evaluation of the measurement model, including indicator reliability, convergent validity (AVE), and discriminant validity (Fornell-Larcker criteria);
- (2) Assessment of the structural model through bootstrapping (5,000 subsamples) to test the significance and strength of hypothesized relationships;
- (3) Examination of the R^2 and Q^2 values to determine the model's explanatory and predictive power.

The hypothesis (H_1) in this study is: Public trust in government has a positive and significant effect on voluntary tax compliance among individual taxpayers in Indonesia. The construct "Public Trust" was modeled as a second-order reflective latent variable comprising dimensions such as perceived integrity, transparency, and allocation efficiency. "Voluntary Tax Compliance" captured both behavioral and attitudinal aspects of taxpayer motivation.

Table 1 presents the operationalization of each construct along with the specific items and codes used in the instrument. These measures are based on validated frameworks from prior research, ensuring content validity and theoretical consistency.

Table 1. Construct Measurement

Construct	Codes	Items
Public Trust	PT1	Please indicate your level of trust in the government
	PT2	Please indicate your level of trust in Jokowi's presidency
	PT3	Please indicate your level of trust in the Kabinet Indonesia Maju
	PT4	Please indicate your perception of the allocation of tax revenue towards infrastructure development outcomes
	PT5	Please indicate your perception of the allocation of tax revenue towards poverty alleviation programs
	PT6	Please indicate your perception of the allocation of tax revenue towards public health maintenance programs in Indonesia
	PT7	Please indicate your perception of the allocation of tax revenue towards improving education quality
	PT8	Please indicate your assessment of the government's transparency in utilizing tax revenue
	PT9	Please indicate your perception of the government's effectiveness in safeguarding the rights to life, liberty, and property
Tax Compliance	TC2	I contribute to government programs through tax payments
	TC4	I am amenable to tax payments due to the low tax rates
	TC5	I adhere to tax compliance even in the absence of government oversight, driven by my ethical convictions

Source: Data processing results (2023)

C. RESEARCH FINDING AND DISCUSSION

Measurement Model (Validity and Reliability)

The validity and reliability tests confirmed that the measurement model meets the necessary criteria for assessing both Public Trust (PT) and Tax Compliance (TC). As shown in Table 2, all factor loadings for PT and TC range from 0.634 to 0.831, exceeding the commonly accepted threshold of 0.6. The factor loadings for the measurement items ranged from 0.634 to 0.831 suggesting a strong relationship between the items and their respective constructs. Notably, PT5 and PT6 recorded some of the highest loading values (0.818 and 0.810 respectively), suggesting that perceptions of tax allocation towards poverty alleviation and public health significantly capture the essence of public trust in the Indonesian context. Conversely, TC4 had the lowest acceptable loading (0.634), suggesting moderate explanatory strength, while indicators TC1 and TC3 were excluded due to factor loadings falling below 0.6. This decision was made to ensure the robustness of the analysis and to maintain the normality of the test results, as retaining these items could potentially undermine the overall quality and validity of the measurement model.

Table 2. Validity and Reliability Test Results

Construct/ Indicator	Item Reliability	Internal Consistency		AVE
	Loading Factor	Cronbach's Alpha (α)	rho_C	
[PT] Public Trust				
PT1	0,791	0,910	0,926	0,584
PT2	0,636			

PT3	0,763			
PT4	0,732			
PT5	0,818			
PT6	0,810			
PT7	0,782			
PT8	0,759			
PT9	0,773			
[TC] Tax Compliance				
TC2	0,804	0,631	0,803	0,580
TC4	0,634			
TC5	0,831			

Source: Data processing results (2023)

The Cronbach’s Alpha value for the PT construct is 0.910, indicating excellent internal consistency. Meanwhile, the Alpha for TC stands at 0.631, which, while modest, remains within the acceptable reliability range for constructs with fewer than five items. Composite reliability (rho_C) values of 0.926 for PT and 0.803 for TC affirm satisfactory to good internal consistency. These reliability statistics underscore the robustness of the constructs used in this study.

Convergent validity was established using the Average Variance Extracted (AVE) values, with PT at 0.584 and TC at 0.580 – both exceeding the 0.5 benchmark. These values confirm that the items adequately reflect their respective latent constructs.

Discriminant validity was tested using the heterotrait-monotrait (HTMT) ratio, which yielded a value of 0.749 between the PT and TC constructs (Table 3). This value falls below the conservative threshold of 0.85, confirming that the two constructs are empirically distinct. The Variance Inflation Factor (VIF) values were also assessed to identify potential multicollinearity issues, all of which were below 3 (Table 4), further supporting the independence of the constructs and the overall reliability of the model.

Table 3. HTMT Test Result

Constructs	Heterotrait-monotrait ratio (HTMT)
Tax Compliance <-> Public Trust	0,749

Source: Data processing results (2023)

The recommended threshold for the Variance Inflation Factor (VIF) is a value below 3, which indicates the absence of collinearity among the variables. As presented in the table 4, all VIF values are below this threshold, suggesting that collinearity is not a concern within the model. This finding supports the assumption of independent variables, ensuring the reliability and validity of the statistical analysis.

Table 4. Collinearity Test Results

Item	VIF
PT1	2,161
PT2	1,952
PT3	2,474
PT4	1,790
PT5	2,898
PT6	2,772
PT7	2,482

PT8	1,986
PT9	1,991
TC1	1,414
TC2	1,117
TC5	1,423

Source: Data processing results (2023)

Structural Model and Hypothesis Testing

The structural model was tested using Partial Least Squares Structural Equation Modeling (PLS-SEM). The path coefficient from Public Trust (PT) to Tax Compliance (TC) is 0.575, which is statistically significant with a t-statistic of 10.657 and a p-value < 0.001 (Table 5). This confirms the main hypothesis of the study: that public trust positively influences voluntary tax compliance. The strong path coefficient indicates that trust has a notable effect on tax-related behaviors, supporting the notion that citizens who perceive government institutions as trustworthy are more likely to comply voluntarily with tax regulations.

Table 5. Path Analysis Result

Hypotheses	Coefficient	Mean	StDev	t statistic	p-values	PCI	Sig?
PT -> TC	0,575	0,581	0,054	10,657	0,000	[0,470; 0,681]	Yes

Note. Bootstrapping based on n = 5,000 bootstrap samples; direct and the hypothesized effects assessed by applying a two-tailed test at a 5% of significance level [2.5%, 97.5%]. PCI = percentile confidence interval

Source: Data processing results (2023)

Coefficient of Determination (R²)

The R-squared value of 33% as shown in table 6 indicates that this model can only predict 33% of the variation in the dependent variable. This means that the remaining 67% of the variation is explained by other factors outside of the model, such as tax moral-the intrinsic motive for someone to submit their taxes (Andini & Rahmiati, 2020; Leonardo et al., 2020), taxpayer's perception of justice (Güzel et al., 2019; Pangesti et al., 2023), tax administration and modernization system-the efficiency and effectiveness of tax collection and enforcement systems(Do et al., 2022), and government transparency (A. Augustine & I. Rufus, 2019; Monday, 2023).

Table 6. Coefficient of Determination Test Results

Construct	R-square	R-square adjusted
Tax Compliance	0,330	0,327

Source: Data processing results (2023)

Demographic profile

The demographic characteristics of the respondents, shown in Table 7, indicate a diverse and educated sample. A majority of the respondents (58.6%) were female. The age distribution showed that 44.1% of respondents were between 26 to 41 years old, followed by 36.1% aged 42 to 57. Notably, over 76% of the participants held bachelor's degrees or higher, suggesting that the sample comprised a well-informed segment of the population. This is particularly relevant in interpreting the responses, as tax

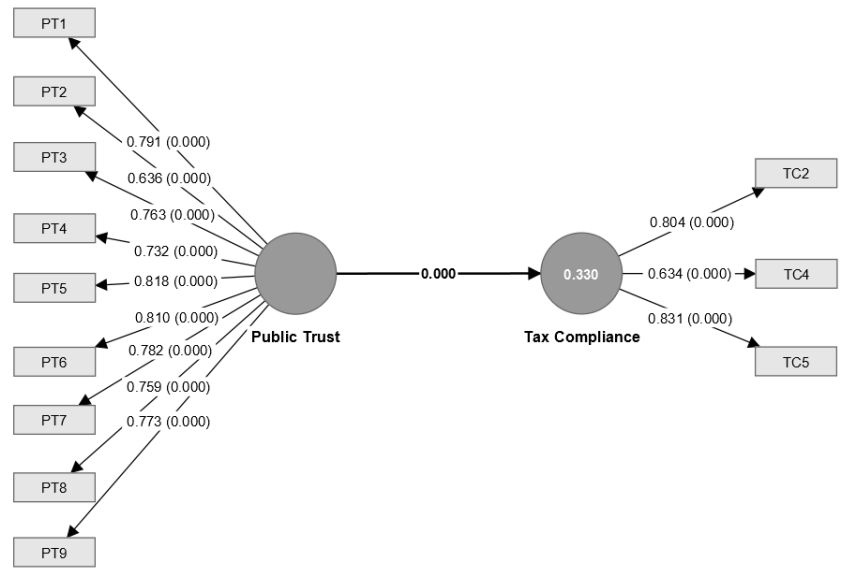
behavior and public trust are often influenced by education and age-related exposure to civic obligations.

Table 7. Demographic Distribution of Respondents.

Category	No.	Percentage
Age Group		
<25 years	31	13.7%
26 - 41 years	100	44.1%
42 - 57 years	82	36.1%
>58 years	14	6.2%
Total	227	100.0%
Educational Level		
Doctoral Degree	40	17.6%
Master Degree	59	26.0%
Bachelor Degree	75	33.0%
Associate Degree	7	3.1%
Senior High School/Vocational	43	18.9%
Junior High School	2	0.9%
Elementary School	1	0.4%
Total	227	100.0%
Gender		
Female	133	58.6%
Male	94	41.4%
Total	227	100.0%

Source: *Data processing results (2023)*

The Structural Equation Modeling (SEM) as shown in Figure 1, demonstrates a significant positive causal relationship between public trust and tax compliance. The path coefficient of 0.330 indicates that for every one-unit increase in public trust, tax compliance is expected to increase by 0.330 units while controlling for other relevant factors. This finding provides empirical evidence that enhancing public trust may be a key factor in fostering higher rates of voluntary tax compliance, highlighting the importance of trust in governance for the effectiveness of tax system.



Source: Data processing results (2023)
Figure 1. Structured Model

Qualitative Findings from Interviews

In-depth interviews were conducted to provide deeper insights into the patterns observed in the quantitative analysis. Several key themes emerged. First, respondents expressed a preference for voluntary over enforced compliance, with many asserting that trust in the government increased their willingness to pay taxes. Interviewees highlighted concerns about perceived inequality in tax enforcement—especially among entrepreneurs who felt disproportionately targeted in audits.

Respondents emphasized that transparency in public spending and fair treatment were central to building trust. As one entrepreneur noted: "If I can see where my tax money goes, like schools or clinics, then paying tax feels like a contribution, not a burden." This sentiment was echoed by civil servants and freelancers, who also mentioned the need for improved communication between the government and taxpayers.

These themes were also reflected in the survey results. Among 227 respondents, 62.56% reported trust in the government, while 37.44% expressed distrust (Table 8). Of those who provided reasons, 37.5% offered positive explanations—such as government accountability, outcome congruence, and a sense of responsibility. In contrast, 62.5% gave negative explanations—highlighting corruption, abuse of power, policy unfairness, and inequality of wealth. These narratives underline how perceptions of justice, transparency, and accountability shape public trust.

Table 8. Respondent Sentiment to Government

Item	Description	Number	Percentage
Do you trust the government?	Yes	142	62.56%
	No	85	37.44%
	Total	227	100%
The reason based on the answer:	Willing to answer	128	56.39%

	Unwilling to answer	99	43.61%
Classification of respondent answer:			
Positive responses:			
	Accountable	13	10.16%
	Output-outcome congruence	13	10.16%
	Responsible	22	17.19%
Negative responses:			
	Corruption	13	10.16%
	Accountability	7	5.47%
	Abuse of power	29	22.66%
	Unfairness policies	14	10.94%
	Inequality of wealth	17	13.28%
Total responses		128	100%

Source: Data processing results (2023)

An analysis of these explanations reveals several notable patterns. Those expressing trust in the government predominantly cited accountability, alignment between government programs and outcomes, and a sense of responsibility. They viewed tax payment as a civic duty when accompanied by transparent and responsible governance.

In contrast, respondents who expressed distrust emphasized concerns over corruption, abuse of power, policy inequity, and economic disparities. These individuals perceived the government as lacking fairness and transparency, with frequent mentions of misallocated resources, favoritism, and uneven law enforcement. Interestingly, the keyword accountability appeared in both sets of responses – positively among the trusting, and negatively among the distrusting – highlighting its central role in shaping public sentiment.

These findings suggest that public trust is not solely based on government performance, but also on citizens' perceptions of justice, transparency, and fairness. When individuals see their government as accountable and working for the public good, trust is fostered. Conversely, perceptions of opacity, corruption, or injustice tend to erode that trust.

This is further supported by interview findings. Respondents stated they were more likely to trust the government when informed about how their taxes were used – underscoring the importance of accessible, transparent information. This supports (Falsetta et al., 2023), who argue that improving public understanding of tax utilization can significantly increase compliance.

Moreover, this study reveals the presence of asymmetric information. Informed citizens who understand government policies and expenditures tend to exhibit higher trust. In contrast, those uninformed about government initiatives or public projects often hold negative views of government performance.

This pattern aligns with Do et al., (2022), who examined similar issues in Vietnam. They emphasize the need for governments to offer accessible tax information and communicate policies through various media to bridge the knowledge gap and reduce misinformation. Beyond taxation, this approach can be extended to showcase the impact of government programs, helping to build broader public confidence.

A particularly interesting observation emerges in Table 9: respondents report greater trust in President Jokowi (average score 4.03) compared to the broader government (3.27) and his cabinet (3.54).

This discrepancy reveals a gap between personal and institutional trust. While citizens may trust individual leaders, they remain skeptical of the institutions they represent.

Table 9. Respondents' Answers Related to Trust in the Government, President Jokowi and Kabinet Indonesia Maju

	Trust in The Government	Trust in President Jokowi	Trust in Kabinet
<i>Sum</i>	2084	2569	2261
<i>Average</i>	3.27	4.03	3.54

Source: Data processing results (2023)

This divergence suggests that trust in governance must go beyond individual leadership and focus on institutional integrity, policy fairness, and transparency. To translate personal admiration into systemic compliance, the government must strengthen the credibility and accountability of its institutions.

DISCUSSION

Taxation, like other economic systems, is deeply embedded in a complex interplay of trust, monetary incentives, and regulatory enforcement (Mol & Molho, 2024). Broadly, tax compliance can be conceptualized in two paradigms: enforced compliance and voluntary compliance. Enforced compliance relies on external controls such as audits and penalties, where compliance is driven by fear of sanctions. In contrast, voluntary compliance emerges from taxpayers' internal motivation and their willingness to fulfill tax obligations – largely shaped by trust in government institutions.

Our findings underscore the pivotal role of public trust in encouraging voluntary tax compliance. When citizens believe that the government manages tax revenues fairly, efficiently, and transparently, they are more likely to comply willingly. This trust serves as the foundation of a cooperative relationship between the state and its citizens, reducing reliance on coercive mechanisms. Our analysis shows that trust accounts for approximately 33% of the variation in taxpayers' willingness to comply, indicating its substantial impact. This supports the idea that perceived fairness and fiscal responsibility are key determinants in the effectiveness and sustainability of tax systems.

Consistent with our statistical findings, these results also align with the slippery slope framework proposed by Kirchler et al., which posits that high trust environments foster compliance through cooperation, while low-trust environments require enforcement Inasius (2019). A path coefficient of 0.575 in our structural model further confirms that increased public trust significantly enhances compliance behavior. Although the R² value of 0.33 is moderate, it suggests that trust plays a substantial role and that other factors – such as tax morale, justice perception, and service quality – deserve further examination in future studies.

International literature corroborates this pattern. For example, a study in Nigeria by Augustine & I. Rufus, (2019) found a strong positive correlation between trust and voluntary tax compliance. Their research emphasized that trust is not a supplementary factor but a foundational element of civic tax behavior. Similarly, Kumi et al., (2023) argue that while trust positively influences voluntary compliance, it may reduce the effectiveness of enforced compliance. Pangesti et al., (2023) further observed that voluntary tax compliance is more sensitive to perceptions of trust and risk than to formal justice considerations. In Malaysia, Ahmad et al., (2023) highlighted that low tax complexity, when combined with legitimate government power and public trust, fosters voluntary compliance.

Qualitative insights from our interviews provide further depth. Respondents consistently emphasized the importance of balancing enforced and voluntary compliance. While penalties are necessary to deter non-compliance, building a culture where citizens pay taxes because they believe it

is right is more sustainable in the long term. As emphasized by Fatimah et al., (2021) and Inasius et al., (2020), voluntary compliance helps minimize enforcement costs and encourages responsible tax behavior across generations.

A recurring concern raised by entrepreneurs in the interviews was the perception of unfair targeting during tax audits. Many felt that audits were not conducted fairly, which in turn eroded their trust in the tax authority and discouraged voluntary compliance. Addressing this issue requires that audits be perceived as fair, objective, and transparent. These concerns also have broader implications for tax policy. In the current Indonesian context, the Directorate General of Taxes (DJP) employs two primary strategies: intensification, which focuses on increasing revenue from existing taxpayers, and extensification, which aims to expand the tax base by registering new taxpayers. While both approaches are necessary, our findings suggest that prioritizing extensification may help restore public trust. Unlike intensification, which can reinforce perceptions of unequal treatment, extensification is more likely to be perceived as fair and inclusive—demonstrating the government’s commitment to expanding the tax burden equitably across society. This aligns with the findings of Rahmawati et al., (2024) who show that low public service motivation among local tax officers—particularly at the village and sub-district levels—negatively affects taxpayer compliance with property tax obligations. Their study underscores the importance of improving public service quality to foster trust and support voluntary tax compliance, especially in rural and semi-urban settings. Extensification offers several practical and normative advantages. It is often more cost-effective than intensification and enhances DJP’s public image by demonstrating a fair and inclusive approach. It also aligns with the principle of tax justice by distributing the tax burden more equitably. Expanding the tax base helps ensure that taxation is not concentrated on a limited segment of society, leading to increased public acceptance and system stability. Therefore, prioritizing extensification not only strengthens revenue but also supports broader goals of equity and legitimacy.

Another key insight from interviews concerns the role of information asymmetry. Respondents who were informed about government programs and tax spending were more likely to express trust. In contrast, those unaware of public initiatives tended to view the government negatively. This supports findings from Do et al., (2022), who emphasized the need for transparent and accessible communication to reduce asymmetry and foster trust.

Beyond information asymmetry, another noteworthy insight relates to the distinction between personal and institutional trust. As illustrated in our findings, trust in President Jokowi is considerably higher than trust in the broader government or his cabinet. This suggests that while personal leadership may inspire confidence, it cannot substitute systemic institutional trust. For long-term compliance, public trust must be cultivated at the institutional level—through fair policies, transparent processes, and accountability structures.

Crucially, the concept of accountability emerged as a dominant theme across both trust and distrust narratives. Even respondents critical of the government shared the expectation that officials should be held accountable. This reinforces the potential for institutional reform—particularly around accountability mechanisms—as a pathway to restoring public trust and fostering voluntary compliance.

From a policy perspective, these insights advocate for a strategic shift from coercion to cooperation. Enforcement-based mechanisms alone may secure short-term gains but are insufficient to build a sustainable tax culture. By institutionalizing transparency, promoting fairness, strengthening communication, and building citizen engagement, governments can forge a more robust and equitable fiscal contract.

In conclusion, public trust is essential for a resilient and effective tax system. When trust is high, compliance becomes voluntary, reducing the need for enforcement and creating space for broader socio-economic development. Governments must therefore focus on building and maintaining trust

through honest, transparent, and accountable governance. This aligns with findings from Monday (2023), who emphasized that public accountability, fiscal transparency, responsible budgeting, and citizen engagement are significant predictors of voluntary tax compliance. By balancing revenues and expenditures and fostering public inclusion, governments can reinforce legitimacy, improve revenue performance, and secure long-term fiscal sustainability.

In summary, this study confirms that public trust significantly influences voluntary tax compliance among Indonesian taxpayers. Quantitative analysis reveals that trust accounts for approximately 33% of the variation in compliance behavior, with a strong path coefficient ($\beta = 0.575$; CI: [0.470, 0.681], $p < 0.001$). Qualitative findings reinforce this relationship, highlighting transparency, fairness, and accountability as the key drivers of trust. Together, these results affirm the central role of trust in shaping taxpayer motivation and provide empirical support for governance-oriented tax compliance strategies.

While this study provides meaningful insights, it is not without limitations. First, the sample was limited to 227 individual taxpayers, which may restrict the generalizability of the findings to other taxpayer groups such as corporations or rural communities. Second, the model explains 33% of the variance in tax compliance, indicating the presence of other influential factors not captured in this study—such as tax morale, perceived justice, or digital service quality. Future research could explore these dimensions using longitudinal designs or larger and more diverse samples.

D. CONCLUSION AND RECOMMENDATION

This study provides strong empirical and qualitative evidence that public trust is a critical determinant of voluntary tax compliance in Indonesia. The structural model confirms a significant and positive effect of trust on taxpayers' willingness to comply, with a path coefficient of 0.575. While the model's explanatory power is moderate ($R^2 = 0.33$), the findings highlight that building trust through transparency, accountability, and fairness is far more effective for long-term compliance than coercive enforcement.

The qualitative findings further reinforce these conclusions. Respondents emphasized that perceptions of fairness in audit practices, transparency in public spending, and clear government communication are essential in shaping taxpayer behavior. Furthermore, the gap between trust in individual leadership and public institutions suggests that systemic reforms are needed to institutionalize trust at all levels of governance.

Based on these findings, the following recommendations are proposed. First, governments should enhance transparency by publishing clear and accessible information about tax revenue allocation and spending. This effort should be supported by robust public communication strategies to reduce information asymmetry and improve citizen understanding of how taxes benefit society. Second, strengthening accountability mechanisms within tax institutions is crucial. Audit processes must be seen as impartial and data-driven to avoid perceptions of selective enforcement, which can undermine public trust. Reforms that introduce independent oversight or citizen feedback channels can help restore confidence in the fairness of the system.

Third, the findings suggest the need to rebalance compliance strategies by prioritizing extensification—expanding the taxpayer base—over intensification, which focuses on extracting more from existing taxpayers. This approach not only distributes the tax burden more equitably but also signals fairness and inclusiveness, which are essential to fostering trust. Fourth, civic education should be leveraged to cultivate tax awareness and responsibility, particularly among younger generations. Educators can integrate discussions about the role of taxes in governance, accountability, and nation-building into curricula to encourage long-term cultural shifts toward compliance. Finally, it is imperative for governments to bridge the institutional trust gap by consistently upholding the

principles of justice, transparency, and responsiveness, ensuring that public institutions – not just individual leaders – are perceived as trustworthy and legitimate actors in fiscal governance.

Future research should explore the specific mechanisms through which trust is established and eroded, considering the dynamic role of economic conditions, perceived justice, and government communication. Investigating these dimensions will be vital for designing more effective, trust-based tax policies that are both equitable and sustainable in the long run.

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