The relationship between taxpayer compliance and taxpayer compulsion on optimizing regional tax revenues in three cities in East Java Province

[1*]Shinta Awalia Rizky Nugrahani, [2]Fadillah Putra, [3]Siti Rochmah
[1*]shintaawalia@student.ub.ac.id, [2]fadillahputra@ub.ac.id, [3]rochmah_fia@ub.ac.id
[1,2,3] Universitas Brawijaya

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Abstract
This research aims to investigate the relationship between taxpayer compliance and taxpayer compulsion to optimize local tax revenues in three cities in East Java Province, namely Madiun City, Mojokerto and Probolinggo. Collective action is used in this research as a theoretical lens that can explore in depth the actions taken by local governments in an effort to optimize tax revenues. A quantitative approach is used to test the relationship between variables through hypothesis testing based on statistical power. A total of 468 respondents was determined based on the results of the Slovin formula calculation. The findings of this research indicate that taxpayer compliance and taxpayer compulsion in the three cities in East Java Province have a positive and significant effect on the optimization of regional tax revenues. This of course has implications for local revenue (PAD) which can be optimized by regional governments through regional tax revenues. Theoretical and practical implications in this research have also been discussed comprehensively based on the research findings.

I. Introduction

Regional independence is measured by the ability to finance development using funds sourced from domestic potential. Moreover, taxes are the mainstay of state and regional revenues compared to the most dominant revenues from other sectors (Djajanti, 2020; Mangoting et al., 2021). Based on the Ministry of Finance's report regarding the realization of state income reaching Rp. 2,774.3 trillion in 2023, an increase of 5.3% compared to 2022 (yoy) and tax revenues also increased by 5.9% (yoy) (KataData, 2024). However, tax revenues in Indonesia are still not fully supported by the public as taxpayers, which not only includes personal income tax (Alfiyah et al., 2022), but also other sectors. This indicates that tax compliance is an essential factor that determines the contribution of tax revenues allocated for state development. As explained by Brotodihardjo (1993), tax is considered as an obligation to hand over part of one's assets to the state treasury which is caused by circumstances, events and actions that give one a certain position but not as a punishment, according to regulations set by the government and can be enforced, but there is no reciprocal service from the state directly to maintain general welfare. Even though tax payments in Indonesia are carried out voluntarily, public compliance and awareness of tax payments influences state and regional revenue receipts which are used for development and general welfare (Ardiansyah, 2019; Faikar et al., 2021; Rizky et al., 2021).

Collective action is a theoretical lens that is recognized as being able to explore in depth the extent of the role of policy institutions in shaping collaborative behavior (Hawkins and Krause, 2023). This research departs from the assumption that a collective government is built on the basis of cooperation between countries, individuals and groups that form a political community. On the other hand, individual behavior may often conflict with the collective success of a group, as stated by Olson (1971) that collective action is difficult to achieve for rational reasons. Meanwhile, Hawkins and Krause (2023) emphasize that the collective action that motivates the focus on collaborative governance between organizations also has similarities within organizations. Thus, understanding how taxpayers and policy makers interact with various tax mechanisms and institutions to achieve the desired results requires finding an optimal balance point (Bakhtiar et al., 2023; Opdam et al., 2016). As taxpayers, when faced with various tax rules and policies implemented by local government institutions, may look for venues or institutions that offer the most favorable conditions for them, such as lower tax rates, tax incentives, or legal loopholes that can be exploited to reduce their tax burden.

Meanwhile, in the tax payment system in Indonesia, taxes are a co-occurrence matter, which means they are held jointly by both the central and regional governments (Ariyani et al., 2018; Fitriani et al., 2021). The government system

in Indonesia which also adheres to decentralization has been regulated in Law Number 23 of 2014 concerning Regional Government, which is expected to be able to organize regional governments to regulate and manage government affairs themselves according to the principles of regional autonomy and assistance duties. Apart from that, Law Number 1 of 2022 concerning financial relations between the central government and regional governments was also issued as a replacement for the previous regulations, which stated that regional taxes, which are usually called taxes, are mandatory contributions to regions that are owed by individuals or entities that are coercive in nature. based on the Law without receiving direct compensation and is used for Regional needs to support the prosperity of the people. Meanwhile, Republic of Indonesia Government Regulation Number 35 of 2023 concerning General Provisions for Regional Taxes and Regional Levies which regulates the types of regional taxes which are divided into two regions, namely provincial taxes and district or city taxes. This indicates that regional tax revenues also need to be optimized which can have implications for regional income for regional development needs. The authority to manage regional finances with the type of tax revenue and expenditure from the center is represented as regional fiscal decentralization because this trend is considered an effective strategy to increase the efficiency of providing public goods and services thereby encouraging regional development (Jia et al., 2020).

In the context of a decentralized government system in realizing collective action from this theoretical perspective, this research highlights the extent to which the relationship between tax compliance and tax compulsion influences the optimization of regional tax revenues. This research highlights three cities in East Java Province, namely Madiuan City, Mojokerto City, and Probolinggo City, where the contribution of regional taxes to local revenue (PAD) is still relatively low compared to cities in East Java Province based on APBD data from the Directorate General Financial Balance in 2023. This indicates that the level of taxpayer compliance in these three cities is still low in contributing to local revenue. Apart from that, the number of outstanding regional tax receivables is still high, which has implications for the fact that collective action has not yet been formed to measure success in obtaining regional taxes and arrears which should be small. Therefore, this research aims to investigate the relationship between tax compliance and tax compulsion towards optimizing local tax revenues in each of the three cities.

In a theoretical framework, collective action leads to an organization or group having their own hopes and interests or even interests (Olson, 2002; 1971). Meanwhile, Vanni (2014) highlights collective action as the involvement of a group of people who share concerns, joint actions that lead to the common good. Thus, efforts to achieve sustainability in strategies and policies carried out by the government take various forms and effective management involves developing solutions that are oriented towards many stakeholders (Portney,

2013). Collective action is needed to shape behavior and structure how functional policy venues in government and society work together, interacting in achieving welfare goals (Allert and Reese, 2023; Hamann & Reese, 2020; Schulte et al., 2020). Therefore, in state affairs, the government plays a central role which can strategically create collective action, as emphasized by Olson (2002; 1971). Moreover, the devolution of taxation and expenditure authority from the central government to the regions has been widely implemented in various countries (Jia et al., 2020), such as Indonesia as a developing country, fiscal decentralization has become a strategic term and is considered effective for increasing the efficiency of regional financial management (Alfiyah et al., 2022; Atmojo, 2018; Syakura and Baridwan, 2014). In fact, in contrast to full decentralization where local governments have autonomy to regulate expenditure and taxes, especially in developing countries implementing partial fiscal decentralization, regional tax autonomy tends to be low and local governments depend on transfer funds from central government allocations (Jia et al. , 2020), in Indonesia only a few types of taxes can be managed by local governments.

Various previous studies have highlighted the impact of fiscal decentralization which may be caused by different ways of implementing policies and levels of political accountability in various countries (Mookherjee, 2015; Salinas and Solé-Ollé, 2018). However, Martinez-Vazquez et al. (2017) found that although fiscal decentralization has been widely embraced by theorists and even implemented by many countries and international organizations such as the World Bank, there has been no empirical research that has reached a consensus regarding its various potential impacts. This becomes a strong basis for exploring the focus of this research using collective action as a theoretical lens. So this research emphasizes the optimization of tax revenues as local original income (PAD), compliance and awareness of taxpayers in paying obligations in accordance with the burden imposed which has not yet been realized in three cities in East Java Province, such as Madiun City, Probolinggo City, and Kota Mojokerto. In this regard, collective action is needed which emphasizes three fundamental mechanisms to speed up the process of collective action according to Olson (1971), including: 1) Voluntary production, *which* can only be carried out in small groups or groups dominated by large manufacturers; 2) Strategic interactions (for example conditional cooperation which states "if we join then I will also join" might spread cooperation in moderate groups, and 3) Selective incentives (such as punishment for free riders or also giving rewards to parties who are willing to cooperate) requires the existence of a central authority. Furthermore, Olson (1971) also stated that this collective action is impossible unless people can be forced or if they are given direct rewards for cooperation with what is called selective incentives.

In this regard, in describing the explanation of the theoretical framework used, tax compliance and compulsion are domains that can influence tax revenues by

regional governments and are part of local original revenues (PAD). A high level of tax compliance directly increases the amount of tax revenue, thus making a substantial contribution to local revenue (PAD) (Wardani et al., 2018; Yasa et al., 2020). When taxpayers comply with their obligations, they make tax payments on time and in accordance with applicable regulations. This results in increased regional financial stability, which allows local governments to plan and manage budgets more effectively (Kamaroellah, 2017; Sakti and Fauzia, 2018). Thus, increasing local revenue (PAD) through high tax compliance also reduces dependence on uncertain sources of income or assistance from the central government (Harjowiryono, 2019; Trisnawati and Sudirman, 2015). With a more consistent and predictable revenue stream, local governments can run sustainable development programs and provide better public services. In addition, high tax compliance reflects the level of public trust in the tax system and local government (Kumaratih and Ispriyarso, 2020). This trust strengthens the legitimacy of local governments, because people see that the taxes they pay are used for public interests such as infrastructure development, education and health services. Therefore, this research designs the following hypothesis:

H1: Taxpayer compliance (X1) has a positive and significant effect on the optimization of regional tax revenues (Y1)

Meanwhile, tax compulsion is an effort made by the tax authority to ensure taxpayer compliance through implementing law enforcement mechanisms and providing sanctions (Nurhayati and Witono, 2022). By implementing strict law enforcement, including the application of fines and sanctions for taxpayers who do not comply, it has been proven to be able to increase the level of compliance (Inasius et al., 2020; Nurkhin et al., 2018). However, taxpayers are actually aware of the serious consequences of non-compliance (Inasius et al., 2020), and they tend to be more compliant in fulfilling tax obligations. This directly contributes to increasing regional tax revenues. In addition, regular audits and inspections by tax authorities can detect and prevent tax avoidance practices (Inasius et al., 2020; Khan and Nuryanah, 2023). Through the threat of ongoing audits, taxpayers are more likely to report taxpayer income accurately and pay the appropriate amount of tax (Khan and Nuryanah, 2023). Increasing PAD through taxation allows diversification of income sources, reducing dependence on other sources of income that may be less stable (Ispriyarso, 2019). By maximizing existing tax potential, local governments can use the funds obtained for various development programs that improve community welfare. However, to maintain balance, the government must combine law enforcement with education, good services and transparency in the use of public funds. Therefore, this research designs the following hypothesis:

H2: Taxpayer compulsion has a positive and significant effect on optimizing regional tax revenues

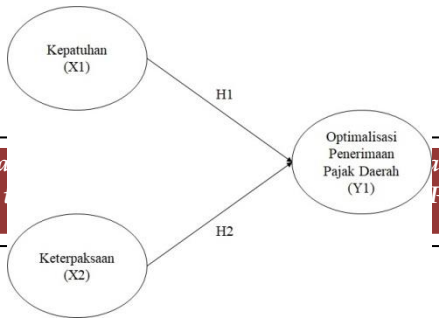


Figure 1. Research Hypothesis Model .

2. Research Method

This research uses a quantitative approach to test the relationship between variables (explanatory research) by conducting hypothesis testing (Creswell and Creswell, 2017). In obtaining the samples used in this research, a probability sampling technique was used, namely proportional random sampling, where sampling is carried out randomly, taking into account several characteristics of the population. As explained by Cresswell and Cresswell (2017), this type of sampling is efficient in time, cost, and effort and offers a greater likelihood of obtaining accurate results. In determining the specified sample size, this research used the Slovin formula, so the researcher took an error rate or alpha of 10%. Based on the results of these calculations , the number of samples in this study was 468 respondents. Data analysis in this research uses regression analysis using the SPSS analysis tool to test classical assumptions. In multiple linear regression analysis, it is carried out to predict how the values of the dependent variables as predictors will change (Draper and Smith, 1998; Sugiyono, 2014). Multiple linear regression analysis is used to obtain a comprehensive picture of the influence of the independent variables (Taxpayer Compliance and Taxpayer Compulsion) on the dependent variable (Optimization of Regional Tax Revenue). To clearly articulate the concepts used in this research, taxpayer compliance and taxpayer compulsion were measured using four items adopted from Rahmat (2019). Meanwhile, for item construction, the regional tax revenue optimization variable was measured using nine items adopted from Bakhtiara et al., 2023). All constructs in this study were measured using a 5-point Likert scale (ranging from strongly disagree (1) to strongly agree (5)) in the survey instrument, which aims to capture the respondent's level of agreement with a series of statements in the questionnaire.

3. Results and Discussion

In this research (see Table 1), the demographics of respondents below shows that in Madiun City (n=83; 53.5%) and Mojokerto City (n=95; 59.4%) it is dominated by women, while in Probolinggo City it is dominated by women. male gender (n=81; 52.9%). Apart from that, this research also presents the characteristics of respondents based on age, which is dominated by the age range 30-40 years (Madiun City), <17-30 years (Mojokerto and Probolinggo City). Overall, the tax criteria in these three cities is dominated by

electricity tax.

Table 1. Demography of Respondents

City	Demography		frequency	Percentage
Madiun City	Gender	Male	72	46.5
		Female	83	53.5
	Age	<17-30	32	20.6
		30-40	54	34.8
		40-50	44	28.4
		>50	25	16.1
	Tax Criteria	Electricity	102	65.8
		Hotels and Restaurants	53	34.2
Mojokerto City	Gender	Male	65	40.6
		Female	95	59.4
	Age	<17-30	89	55.6
		30-40	25	15.6
		40-50	26	16.3
		>50	20	12.5
	Tax Criteria	Electricity	101	63.1
		Hotels and Restaurants	59	36.9
Probolinggo City	Gender	Male	81	52.9
		Female	72	47.1
	Age	<17-30	44	28.8
		30-40	43	28.1
		40-50	39	25.5
		>50	27	17.6
	Tax Criteria	Electricity	97	63.4
		Hotels and Restaurants	56	36.6

In this research, based on regression analysis using SPSS, classical assumptions have been tested, namely the assumptions of normality, heteroscedasticity, multicollinearity and linearity. Based on the normality assumption test via the One-Sample Kolmogorov-Smirnov test, it shows that the Asymp. Sig. (2-tailed) in the three models in each city such as Mojokerto City (0.074), Madiun (0.121), and Probolinggo (0.062) is greater than 0.05 so it can be concluded that the normality assumption is met. Meanwhile, the heteroscedasticity test in this study uses the Glejser test, which is one method for detecting heteroscedasticity in regression data. Furthermore, the results of the heteroscedasticity test show that all independent variables, namely taxpayer compliance and compulsion, have met the heteroscedasticity assumption (see Table 2). Meanwhile, the multicollinearity assumption test is used to evaluate the occurrence of linkages or correlations between independent variables in a regression model. The possibility of

detecting multicollinearity in a regression model can be identified through the results of VIF and tolerance calculations (see Table 3). Therefore, this study concluded that there were no symptoms or detected indications of multicollinearity in a regression model. The linearity assumption test results from the existence of a linear relationship between the independent and dependent variables (see Table 4).

Table 2. Heteroscedasticity Test

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficient Beta	t	Sig.
Madiun City	(Constant)	1,011	.143		7,064	,000
	KPT1	-.127	,063	-.274	-2,113	,066
	KTR1	-.020	,060	-.045	-.330	,742
Mojokerto City	(Constant)	,769	,170		4,539	,000
	KPT1	-.089	,050	-.187	-1,758	,081
	KTR1	,022	,048	,049	,461	,646
Probolinggo City	(Constant)	,769	,229		3,360	,001
	KPT1	-.033	,055	-.056	-.597	,551
	KTR1	-.052	,051	-.096	-1.015	,312

Table 3. Multicollinearity Test

Model		Collinearity Tolerance	VIF
Madiun City	(Constant)		
	KPT1	,320	3.126
	KTR1	,320	3.126
Mojokerto City	(Constant)		
	KPT1	,550	1,818
	KTR1	,550	1,818
Probolinggo City	(Constant)		
	KPT1	,732	1,366
	KTR1	,732	1,366

Table 4. Madiun City Anova Test

			Sum of Squares	df	Mean Square	F	Sig.
OPD1 * KPT1	Between Groups	(Combined)	72,311	3	24,104	59,398	,000
		Linearity	70,515	1	70,515	173,767	,000
		Deviation from linearity	1,796	2	,898	2,213	.113
	Within Groups		61,276	151	,406		
	Total		133,587	154			
OPD1 * KTR1	Between Groups	(Combined)	64,067	3	21,356	46,385	,000
		Linearity	62,636	1	62,636	136,047	,000
		Deviation from linearity	1,430	2	,715	1,553	,215
	Within Groups		69,521	151	,460		
	Total		133,587	154			

Table 5. Anova test for Mojokerto City

			Sum of Squares	df	Mean Square	F	Sig.
OPD2 * KPT2	Between Groups	(Combined)	20,301	3	6,767	17,538	,000
		Linearity	17,135	1	17,135	44,409	,000
		Deviation from linearity	1,166	2	0.583	2,223	.111
	Within Groups		60,193	156	,386		

	Total		78,494	159			
	Between Groups	(Combined)	22,759	3	7,586	20,498	,000
OPD2 *		Linearity	19,771	1	19,771	53,422	,000
KTR2		Deviation from linearity	1,988	2	0.994	2,536	,082
	Within Groups		57,735	156	,370		
	Total		79,494	159			

Table 6. Probolinggo City Anova Test

			Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	(Combined)	20,096	3	6,699	23,812	,000
OPD1 *		Linearity	18,390	1	18,390	65,372	,000
KPT1		Deviation from linearity	1,706	2	,853	3,032	,051
	Within Groups		41,917	149	,281		
	Total		62,013	152			
	Between Groups	(Combined)	14,489	3	4,830	15,142	,000
OPD1 *		Linearity	12,561	1	12,561	39,381	,000
KTR1		Deviation from linearity	1,928	2	,964	3,022	,052
	Within Groups		47,525	149	,319		
	Total		62,013	152			

Statistical analysis is used in this research as a hypothesis testing tool and is followed by interpretation of the results. The structural equation aims to determine the relationship between the influence of taxpayer compliance and taxpayer compulsion on the optimization of regional tax revenues, which can determine whether these variables have a positive and significant effect. In each city in East Java Province, calculations were carried out using the regression formula. When calculating sample data in Madiun City, the regression equation formed is as follows:

Y = a + b1X1 + b2X2

Y (OPD) = 0.930 + 0.509X1 (KPT) + 0.257X2 (KTR)

When calculating sample data in Mojokerto City, the regression equation formed is as follows:

Y = a + b1X1 + b2X2

Y (OPD) = 1.997 + 0.227X1 (KPT) + 0.312X2 (KTR)

When calculating sample data in Probolinggo City, the regression equation formed is as follows:

Y = a + b1X1 + b2X2

Y (OPD) = 1.252 + 0.481X1 (KPT) + 0.241X2 (KTR)

Based on the results of the regression analysis (see Table 2), it shows that for the three cities, the variables of taxpayer compliance and taxpayer compulsion have a significant effect on the optimization of regional tax revenues. This means that the p-value of the relationship between each variable shows <0.05, thus, H1 and H2 are declared accepted.

Table 7. Regression Analysis

		Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Madiun City	Intercept	0.93	0.22	4,226	0,000	0.495	1,365	0.495	1,365
	KPT	0.509	0.097	5,263	0,000	0.318	0.699	0.318	0.699
	KTR	0.257	0.092	2,784	0.006	0.075	0.439	0.075	0.439
Mojokerto City	Intercept	1,997	0.298	6,697	0,000	1,408	2,586	1,408	2,586
	KPT	0.227	0.089	2.56	0.011	0.052	0.402	0.052	0.402
	KTR	0.312	0.084	3,695	0,000	0.145	0.479	0.145	0.479
Probolinggo City	Intercept	1,252	0.364	3,444	0.001	0.534	1,971	0.534	1,971
	KPT	0.481	0.088	5.47	0,000	0.307	0.654	0.307	0.654
	KTR	0.241	0.082	2,951	0.004	0.08	0.403	0.08	0.403

It is very important to study both individual taxpayers and corporate taxpayers in developing countries, such as Indonesia. Nuryanah and Gunawan (2022) have analyzed trends in taxpayer compliance behavior and found that after the implementation of the tax amnesty, individual taxpayers proved effective in increasing tax compliance. Furthermore, although corporate taxpayers are still ineffective, increasing the tax aggressiveness of companies and foreign investors has proven to strengthen this condition (Nuryanah and Gunawan, 2022). If we look back, the tax amnesty is actually a form of collective action that has been carried out by the Indonesian government in an effort to encourage voluntary tax reporting. Therefore, several studies have identified factors that can influence taxpayer compliance in paying taxes. These factors can be categorized into direct and indirect factors, such as opportunities for non-compliance (i.e. income, income level, source of income, employment), tax system/structure (i.e. complexity of the tax system, possibility of detection, fines and tax rates), as well as attitudes and perceptions (i.e. fairness of the tax system, peers). influence) (Devos, 2013; Marandu et al., 2015).

Meanwhile, this research explores and investigates the extent of the influence of taxpayer compliance and taxpayer compulsion on the optimization of regional tax revenues in three cities in East Java Province, namely Madiuan City, Mojokerto City and Probolinggo City. This refers to the preparation of fiscal decentralization policies resulting in different incentives for regional governments so that they have an impact on macroeconomic and fiscal results (Baskaran, 2012; Weingast, 2009) which are measured, one of which is regional tax revenue. Thus, this research highlights the conditions in the three cities in East Java Province by using the variables of taxpayer compliance and taxpayer compulsion in efforts to optimize regional tax revenues.

Table 8. Comparison of Hypothesis Testing Results

City name	H1	H2
Probolinggo City	Accepted	Accepted
Mojokerto City	Accepted	Accepted
Madiun City	Accepted	Accepted

The findings of this research show that in the three cities studied, taxpayer compliance has a significant influence on the optimization of local tax revenues. Tax compliance, which includes accurate income reporting and timely tax payments, directly increases local revenue (PAD). These results are in line with public finance theory which states that stable and predictable tax revenues are an important foundation for effective regional financial management (Nuryanah and Gunawan, 2022; Rulandari et al., 2022; Sayidah and Assagaf, 2019). High taxpayer compliance ensures that more funds are collected by local governments, which can then be used to finance various development programs and public services (Mangoting et al., 2021). With a more consistent revenue stream, local governments can reduce dependence on uncertain sources of income or assistance from the central government, thereby increasing the region's fiscal independence. From the perspective of collective action theory proposed by Olson (1971), tax compliance reflects success in overcoming the free rider problem. In a tax context, individuals may have an incentive to avoid paying taxes while still hoping to benefit from public services funded

by taxes paid by others (Inasius et al., 2020; Kamaroellah, 2017). However, when the level of tax compliance is high, this problem can be minimized because the majority of individual taxpayers contribute according to their obligations.

The findings of this research show that in the three cities studied, taxpayer compulsion has a significant influence on the optimization of local tax revenues. Taxpayer compulsion refers to the efforts made by the tax authority to ensure taxpayer compliance through implementing law enforcement mechanisms and providing sanctions (Nurhayati and Witono, 2022). These findings underscore the importance of effective enforcement actions in increasing local tax revenues. Strict law enforcement, including the application of fines and sanctions for taxpayers who do not comply, has been proven to be able to increase the level of tax compliance (Nurkhin et al., 2018). This is when taxpayers are aware of the serious consequences of non-compliance, they tend to be more compliant in fulfilling their tax obligations. This directly contributes to increasing regional tax revenues, which in turn increases local original income (PAD). Routine audits and inspections by tax authorities are also effective in detecting and preventing tax avoidance practices, thereby increasing the accuracy of income reporting and the amount of tax paid (Alfiyah et al., 2022; Widyasari and Gunawan, 2023). Meanwhile, based on the perspective of collective action theory, taxpayer compulsion can be seen as a way to overcome the free rider problem in the tax context. Individuals in large groups often have incentives to avoid paying taxes in the hope of still enjoying the benefits of public services funded by taxes paid by others (Christensen, 2021; Jia et al., 2020). However, with strict law enforcement and strict sanctions, the incentive to be a free rider is reduced, and tax compliance increases.

This research reveals that both taxpayer compliance and taxpayer compulsion have a significant influence on the optimization of regional tax revenues. From the perspective of collective action theory, these findings have several important theoretical implications. First, collective action theory, especially as proposed by Olson (1971), states that in large groups, individuals often have incentives to become free riders, namely avoiding contributions in the hope of still being able to enjoy the benefits of other people's contributions. The findings of this research support this concept by showing that compulsion and tax compliance mechanisms are effective tools to reduce incentives to become free riders. Second, this research also strengthens the argument that the combination of taxpayer compliance and compulsion is the key to achieving success in collective action. This combination creates an environment in which collective action (in this case, tax payments) can be achieved effectively. Third, collective action theory also highlights the importance of legitimacy in collective action. This research shows that high tax compliance and effective compulsion can strengthen the legitimacy of local governments. Thus creating a positive cycle where increasing tax compliance and tax revenue strengthens the legitimacy and performance of local governments. And finally, collective action theory highlights that the sustainability of the tax system depends greatly on the balance between voluntary compliance and compulsion. Olson (1971) argued that effective collective action requires mechanisms to ensure equitable contributions from all group members. In the tax context, this means that strong law enforcement (coercion) and incentives for voluntary compliance must go hand in hand.

This research also presents practical implications based on the findings in each city in

East Java Province. These practical implications can be useful for local governments and tax authorities who must strengthen monitoring and law enforcement mechanisms to ensure taxpayer compliance. In addition, local governments need to conduct comprehensive educational campaigns to increase taxpayer awareness about the importance of tax compliance and its benefits to society. Meanwhile, companies can collaborate with tax authorities in tax awareness campaigns and outreach programs. And increase transparency in paying taxes and reporting them to company stakeholders. This research is also useful for the community by participating in educational programs and seminars organized by the government or community about the importance of taxes. Thus, the public must also ensure accurate income reporting and timely tax payments.

4. Conclusion

This research seeks to explore in the form of an in-depth investigation regarding the extent of taxpayer compliance and taxpayer compulsion towards local tax revenues. Furthermore, this research highlights that there are three cities in East Java Province, namely Madiun City, Mojokerto City, and Probolinggo City which are relatively low in awareness and compliance in making tax payments which can be seen from the 2023 APBD data of the Directorate General of Financial Balance. It is indicated that the contribution of regional taxes to local revenue (PAD) is still relatively low compared to cities in East Java Province. Apart from that, the number of outstanding regional tax receivables is still high, which has implications for the fact that collective action has not yet been formed to measure success in obtaining regional taxes and arrears which should be small. Based on the theoretical lens used in the collective action perspective, it emphasizes that a government is formed on a collective basis that collaborates with the state, individuals and groups in achieving welfare goals, as expressed by Olson (1971). Regarding taxation, it can directly contribute to regional revenue receipts through taxes. Based on this, the findings of this research show that taxpayer compliance and taxpayer compulsion have a positive and significant effect on the optimization of regional tax revenues in the three cities in East Java Province, namely Madiun, Mojokerto and Probolinggo.

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