

Strengthening Indonesia's Tax System: A Policy-Oriented Framework Based on ASEAN and OECD Case Studies

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ABSTRACT

Purpose: This study investigates Indonesia's low tax-to-GDP ratio recorded at 12.1% in 2022, far below the Asia-Pacific average of 19.3% and the OECD average of 34.0%. It aims to benchmark Indonesia's tax compliance performance against selected ASEAN (Malaysia, Singapore, Thailand) and OECD (Denmark, Japan, Netherlands) countries to identify gaps and provide evidence-based policy recommendations.

Method: The study applies a benchmarking approach, selecting comparator countries based on similarities in economic structure and tax administration for the ASEAN group, and high-performance compliance standards for the OECD group. It is grounded in the Slippery Slope Framework and Economic Deterrence Theory to assess how trust and deterrence influence taxpayer behavior.

Findings: The analysis reveals that OECD countries have leveraged digital transformation such as AI-driven audits, real-time monitoring, and integrated taxpayer services to improve compliance. In contrast, Indonesia faces persistent administrative inefficiencies, limited digitalization, and low taxpayer trust, which hamper its revenue mobilization efforts.

Novelty/Value: This study offers a novel comparative perspective by integrating behavioral tax theories with policy benchmarking across diverse governance systems. It contributes actionable insights for improving Indonesia's tax compliance through digital innovation, structured incentives, and enhanced transparency.

Keywords: Benchmarking, tax administration, tax compliance, taxpayer trust.



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INTRODUCTION

Tax compliance is a cornerstone of fiscal sustainability and national development, especially for emerging economies striving to strengthen domestic revenue mobilization (Jaramillo et al., 2016). Tax revenues are indispensable for financing essential public services, supporting economic stability, and achieving long-term development goals. One common measure of tax system performance is the tax to GDP ratio, which reflects the efficiency and effectiveness of revenue collection. Despite sustained reform efforts, Indonesia continues to record a persistently low tax-to-GDP ratio, reaching 12.0 percent in 2023, markedly below regional peers such as Malaysia (13.1 percent) and the Philippines (approx. 15.16 percent based on 2023 revenue-to-GDP figures), and far below the OECD average of 33.9 percent (OECD, 2024d). This performance gap signals deep rooted structural challenges, including administrative inefficiencies, a narrow tax base, and low voluntary compliance (Alm, 2019; Alm et al., 1992; Richardson, 2006).

Globally, governments have adopted a variety of strategies to address similar challenges, ranging from deterrence based enforcement and streamlined procedures to behavioral interventions and digital transformation (Andreoni et al., 1998; Torgler, 2006). In Indonesia, key initiatives such as the self-assessment system, electronic filing, and periodic tax amnesty programs have been implemented, yet their long term impact on voluntary compliance remains limited. This underscores the need for a more integrated and evidence based reform strategy that not only addresses enforcement but also fosters trust, transparency, and administrative efficiency.

Tax compliance is widely recognized as a cornerstone of fiscal sustainability and national development, particularly in emerging economies striving to strengthen domestic revenue mobilization. However, Indonesia's tax revenue as a share of GDP remains significantly lower than both OECD and ASEAN peers, indicating substantial scope for improvement (Arnold, 2012). Comparative frameworks, such as those used in benchmarking tax systems, have proven valuable in public administration research by offering systematic ways to evaluate performance across countries (Vázquez-Caro & Bird, 2011). Empirical evidence also highlights the impact of administrative reforms such as the establishment of Medium Taxpayer Offices which have boosted revenue performance in Indonesia and underscore the potential benefits of adopting innovations observed both domestically and internationally (Basri et al., 2019).

Within this broader discourse, recent empirical studies offer nuanced insights into the drivers of tax compliance and avoidance. Farida and Sugesti (2023) examine how tax planning influences earnings management in the mining sector, while Latif et al., (2023) explore how CSR decoupling can lead to greater corporate tax avoidance. At the micro and SME level, Mapuasari et al. (2023) analyze the role of tax incentives and modern tax administration systems in shaping compliance behavior, and Supriyati and Hapsari (2021) investigate individual knowledge perspectives on tax avoidance, incentives, and compliance during the Covid-19 pandemic. Similarly, Anggraeni and Hastuti (2020) assess how managerial ownership moderates the relationship between CSR disclosure and tax aggressiveness. Collectively, these studies span corporate governance, administrative reforms, and behavioral dimensions of taxation, offering empirical evidence that is directly relevant to Indonesia's policy context.

Despite these contributions, there remains a paucity of comparative research that benchmarks Indonesia's tax compliance strategies against those of both regional neighbours and advanced economies. Such comparative analysis can generate valuable lessons in policy

design, institutional arrangements, and administrative practices. The absence of this perspective represents a notable gap in both academic literature and policy discourse, limiting opportunities to adapt proven strategies from high-performing jurisdictions to Indonesia's socio-economic and institutional realities.

Addressing this gap, the present study undertakes a comparative analysis of tax compliance strategies in selected ASEAN and OECD countries. Drawing on best practices from jurisdictions such as Denmark, Japan, Singapore, and the Netherlands, the research integrates insights from Economic Deterrence Theory and the Slippery Slope Framework to examine compliance behavior from both enforcement and trust-based perspectives.

This multidimensional approach supports the formulation of context-specific policy recommendations aimed at strengthening enforcement capacity, enhancing taxpayer trust, and ultimately narrowing Indonesia's tax performance gap with regional and global benchmarks.

LITERATURE REVIEW

Tax compliance is increasingly understood as the outcome of a complex interplay between economic incentives, enforcement measures, and the psychological as well as institutional context in which taxpayers operate. The Slippery Slope Framework offers a comprehensive lens for examining this relationship by positing that compliance is jointly determined by the power of tax authorities, which is reflected in enforcement capacity and audit probability, and the trust of taxpayers, which is shaped by perceptions of fairness, transparency, and institutional integrity (Kirchler et al., 2008). Empirical evidence consistently shows that jurisdictions combining credible enforcement with high levels of trust achieve stronger voluntary compliance (Alm & Torgler, 2011; Batrancea et al., 2019). In contrast, environments marked by corruption, bureaucratic inconsistency, and weak fiscal accountability tend to erode trust and undermine compliance, particularly in developing economies (Frey & Torgler, 2007; Richardson, 2006). Recent studies have demonstrated the adaptability of this framework to a variety of tax systems, including those in emerging economies where institutional trust is relatively fragile, and emphasize the importance of integrating behavioral insights with robust enforcement mechanisms to sustain long-term compliance (Kogler et al., 2016; Umar et al., 2023).

The Indonesian context illustrates the challenges of achieving this balance. Although the self-assessment system was introduced in 1983 to promote taxpayer responsibility, its effectiveness has been constrained by fragmented databases, weak integration between central and local authorities, limited use of digital enforcement tools, and persistently low tax morale (Damayanti, 2012; Nasution et al., 2020). Empirical evidence from Indonesia demonstrates that administrative reforms such as the establishment of Medium-Sized Taxpayer Offices (MTOs) can significantly improve revenue collection by allowing tax officers to focus on fewer taxpayers, thereby enhancing enforcement effectiveness and reducing organizational fragmentation (Basri et al., 2019).

One significant policy intervention in Indonesia was the 2016–2017 tax amnesty program, which generated substantial short-term revenue gains (Hajawiyah et al., 2021). While such programs can encourage asset disclosure, empirical studies caution that they often weaken long-term compliance if not accompanied by credible enforcement and systemic reform (Alm, 2019; Cummings et al., 2009). International experiences reinforce this concern. In Latin America, repeated amnesty programs have been linked to moral hazard effects that erode the deterrent value of enforcement (Londoño-Vélez & Ávila-Mahecha, 2021), while In Africa, Rukundo (2020) argues that repeated amnesty initiatives may create moral hazard, encouraging

non-compliance by fostering expectations of future amnesties. These lessons suggest that amnesty programs alone are insufficient as a sustainable compliance strategy.

Global best practices offer valuable guidance for strengthening Indonesia's tax administration. In OECD countries such as Denmark and Japan, the deployment of AI-assisted audits, real-time transaction monitoring, and comprehensive e-filing systems has demonstrably improved compliance rates (Hallsworth et al., 2017; Slemrod, 2019). In the ASEAN region, Malaysia and Singapore have effectively combined behavioral insights with advanced digital infrastructure to improve both compliance and taxpayer satisfaction (Nasution et al., 2020; Richardson, 2006). Building on this potential, comparative case studies exploring the integration of AI, blockchain, and autonomous compliance technologies within tax systems particularly in countries such as South Korea highlight the ongoing institutional experimentation aimed at creating efficient, trust-based tax administrations (Iqbal et al., 2025).

Technological innovation in tax administration delivers its greatest impact when embedded within broader institutional reforms and localized efforts to build trust. A World Bank-supported framework argues that integrating digital tools into tax systems requires complementary reforms such as policy updates, legislative adjustments, and procedural redesigns supported by enhanced digital literacy among both taxpayers and officials (Nose, 2023). Similarly, analyses of Latin American and Caribbean tax administrations reveal that technology must work in harmony with governance strategies, including organizational restructuring, service delivery improvements, and stakeholder engagement, to yield meaningful performance gains (Reyes-Tagle et al., 2023).

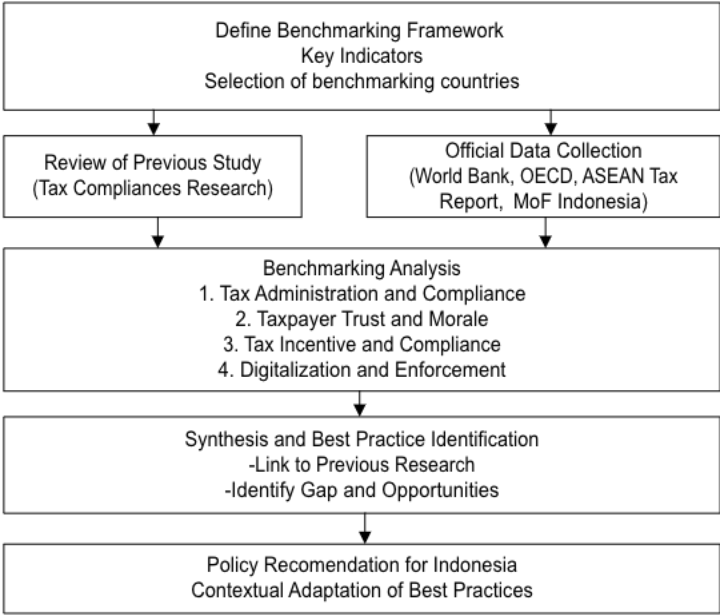
Despite the compelling global examples, there remains a notable gap in empirical studies on how these integrated strategies could be tailored to Indonesia's socio-political and administrative context. Much of the existing literature focuses on isolated variables whether technological tools, audit probabilities, or taxpayer behaviour without considering their complex systemic interactions. In response, recent scholarship underscores the value of hybrid approaches that pair advanced digital tools such as AI, data analytics, or e-filing with context-sensitive institutional adaptations to foster tax compliance (Dom et al., 2022).

Addressing this gap calls for a comprehensive benchmarking of international compliance strategies assessing both technical feasibility and alignment with Indonesia's fiscal governance structures and cultural dynamics. Such a holistic approach would support the design of tailored, sustainable compliance mechanisms that are both technologically grounded and institutionally legitimate.

RESEARCH METHOD

This study employs a qualitative benchmarking approach to evaluate Indonesia's tax compliance strategies compared to selected ASEAN and OECD countries. The methodology follows a literature-based comparative analysis, utilizing secondary data sources to identify best practices and assess their applicability to Indonesia's fiscal landscape. Benchmarking has been widely used in prior tax compliance studies to understand taxpayer behavior, enforcement effectiveness, and policy innovations (OECD, 2024d; Vázquez-Caro & Bird, 2011). The research framework consists of three components: data collection, benchmarking, and comparative analysis. The overall research method is illustrated in the diagram below, outlining the sequential steps from literature review to policy recommendations.

Figure 1 Diagram Research Method



Data Collection

The data collection phase involves extracting relevant tax compliance indicators from multiple sources, including the World Bank, OECD tax databases, ASEAN tax reports, and Indonesia's Ministry of Finance publications. The key indicators examined include tax-to-GDP ratio, voluntary compliance rates, enforcement efficiency, tax morale, and digital tax administration adoption.

Benchmarking Framework

Benchmarking is conducted to compare Indonesia's tax compliance performance with ASEAN and high-performing OECD countries. The selection of these countries is based on similarities in economic structure, tax policy frameworks, and administrative capacity. Benchmarking is conducted to compare Indonesia's tax compliance performance with ASEAN and high-performing OECD countries. The selection of comparator countries such as Malaysia, Singapore, and Thailand is based on their similarities with Indonesia in terms of economic structure, tax policy frameworks, and administrative capacity (OECD, 2024c, 2024b)).

While Denmark, Japan, and the Netherlands are OECD references. These countries were selected due to their established tax compliance frameworks, digitalized tax administration, and effective enforcement mechanisms (OECD, 2023c, 2024d). Benchmarking has proven effective in identifying gaps in tax administration and improving compliance through policy adaptation.

Comparative Analysis

This study focuses on four key dimensions that significantly impact tax compliance:

1. Tax Administration and Compliance Frameworks

Tax administration refers to the legal, procedural, and institutional mechanisms governing tax collection and enforcement (OECD, 2023c, 2024d). Efficient tax administration ensures cost-effective and transparent revenue collection, which is critical for building public trust and

enhancing compliance (OECD, 2004). Studies have shown that simplified tax systems, digital tax filing, and the use of artificial intelligence (AI) in audits can significantly improve compliance and reduce administrative burdens (Belahouaoui & Attak, 2024)

In the case of Indonesia, key challenges include fragmented tax databases, inconsistent enforcement practices, and frequent taxpayer misidentification (Asian Development Bank, 2025). Benchmarking tax administration structures in OECD and ASEAN countries, particularly those that have adopted digital and risk-based approaches, can provide actionable insights for Indonesia to modernize its tax system and improve voluntary compliance.

2. *Taxpayer Trust and Morale*

Tax morale refers to the intrinsic motivation of individuals to comply with tax obligations, extending beyond economic self-interest (Luttmer & Singhal, 2014). It is significantly influenced by trust in government, perceptions of fairness in the tax system, and the credibility of tax authorities ((Torgler & Schneider, 2007). Studies show that OECD countries tend to exhibit higher tax morale due to institutional transparency, administrative efficiency, and well-structured taxpayer education programs((Torgler & Schneider, 2007). In contrast, Indonesia continues to face challenges in its tax system, where perceptions of corruption and inefficiency within tax administration can act as barriers to voluntary compliance (Nurferyanto & Takahashi, 2024). Drawing lessons from successful trust-building tax policies implemented in ASEAN and OECD countries may offer Indonesia valuable insights to strengthen its tax morale and overall compliance (McKerchar & Evans, 2009).

3. *Tax Incentives and Compliance Programs*

Tax incentives are policy tools used to encourage compliance by reducing tax burdens through deductions, credits, and exemptions. The Organisation for Economic Co-operation and Development ((OECD, 2025) highlights that tax exemptions are among the most widely used corporate income tax (CIT) instruments, with nearly 90% of countries implementing at least one CIT incentive in the form of a tax exemption. Japan and Denmark offer targeted tax incentives for small and medium-sized enterprises (SMEs), while Singapore implements measures such as pre-filled tax returns and real-time taxpayer support to reduce compliance burdens. Indonesia has frequently relied on tax amnesty programs; however, their long-term effectiveness remains debated due to challenges in post-amnesty monitoring. For instance, Hajawiyah et al. (2021) found that while the 2016 tax amnesty program improved the tax base and revenue in the short run, its impact on long-term tax compliance was limited. This study evaluates how alternative compliance incentives from ASEAN and OECD countries could be more effective for Indonesia.

4. *Digitalization and Enforcement Mechanisms*

The integration of advanced technologies such as artificial intelligence (AI), blockchain, and automated tax reporting has significantly transformed compliance enforcement across OECD countries. AI-driven tax audits leverage machine learning and predictive analytics to improve risk assessment, detect anomalies, and reduce manual intervention in tax administration (Bassey et al., 2022). In parallel, blockchain technology has shown promise in enhancing transparency and data integrity in financial transactions, with practical applications in improving the traceability of tax-related records (Demirkan et al., 2020). As countries like Denmark and the Netherlands advance toward full digitalization of tax enforcement, Indonesia may benefit from examining global best practices in digital tax transformation. This study aims

to identify technological innovations that could modernize Indonesia's tax compliance and enforcement systems through scalable, secure, and efficient approaches.

By structuring the research around these four comparative dimensions, this study offers a framework for improving Indonesia's tax compliance strategies by adopting best practices from ASEAN and OECD countries. The findings contribute to ongoing policy discussions on improving tax administration efficiency and increasing Indonesia's tax ratio through sustainable compliance reform.

RESULTS AND DISCUSSION

RESULTS

Tax Administration and Compliance Frameworks

Indonesia's tax-to-GDP ratio stood at 12.1% in 2022, which was 7.3 percentage points below the Asia-Pacific average of 19.3% and 22.0 percentage points lower than the OECD average of 34.0%. This persistent gap underscores the structural challenges in Indonesia's tax system and the need for continued reform to enhance domestic revenue mobilization. This persistent disparity highlights systemic challenges within Indonesia's tax administration, including low tax registration rates, a substantial informal economy, and suboptimal enforcement mechanisms. Addressing these issues necessitates comprehensive structural and technological reforms to enhance both tax compliance and revenue collection efficiency.

Tax performance is closely linked to the degree of digitalization and institutional integration within tax authorities. OECD countries such as Denmark and Japan have demonstrated that technology-driven compliance systems can significantly reduce fraud, enhance data accuracy, and increase trust in administration (Aslett, 2024; OECD, 2023a). Denmark's use of AI-powered audit systems and real-time risk profiling allows for proactive fraud detection. Japan combines these tools with strict procedural enforcement and extensive taxpayer services, reinforcing both deterrence and voluntary compliance. These models offer important lessons for Indonesia's evolving administrative systems.

Singapore represents a leading regional example of successful tax digitalization. The Inland Revenue Authority of Singapore (IRAS) has developed and implemented a fully integrated digital revenue administration system that streamlines taxpayer registration, e-filing, real-time verification, and payment processing (Chooi, 2024). This system leverages advanced analytics and automated workflows to enhance taxpayer services and compliance monitoring. By minimizing manual intervention and enabling real-time data integration, Singapore has effectively reduced administrative burdens while improving transparency and efficiency. These innovations serve as a benchmark for other ASEAN countries pursuing similar tax reform agendas.

By consolidating these processes under one digital ecosystem, Singapore has lowered compliance costs, improved administrative responsiveness, and increased voluntary compliance rates. In contrast, Indonesia's legacy systems remain fragmented, with manual verification processes that undermine the gains from existing e-filing initiatives. Bridging this digital divide is critical for enhancing trust and simplifying compliance in Indonesia.

Similarly, Malaysia and Thailand have made notable progress in digital tax modernization. In Malaysia, the Inland Revenue Board introduced the e-Filing system in the mid-2000s, which has since become widely adopted due to its ease of use and efficiency. Azmi and Bee (2010) found that Malaysian taxpayers accepted the system because it streamlined the filing process, reduced paperwork, and minimized processing errors. In Thailand, recent efforts to implement an electronic tax invoice and e-receipt system have been part of a broader digital economy policy designed to enhance transparency and reduce tax evasion. (OECD,

2023b) These developments reflect a regional shift toward integrated, technology-driven tax administration—providing Indonesia with useful benchmarks for its own reform initiatives.

Indonesia's Core Tax Administration System (CTAS), which launched in January 2025, represents a major reform initiative designed to modernize the entire tax lifecycle. The CTAS consolidates core tax functions, including taxpayer registration, return processing, payment, audit, and enforcement, into a centralized digital architecture (Darmayasa & Hardika, 2024). A key innovation is the integration of the Taxpayer Identification Number (NPWP) with the National Identity Number (NIK), allowing for unified and accurate taxpayer profiles (Darmayasa & Hardika, 2024). This alignment supports risk-based supervision and cross-agency verification, both of which are central to improving enforcement. CTAS is thus positioned as the institutional backbone for data-driven, efficient, and transparent tax administration.

The CTAS is built on the dual pillars of the Slippery Slope Framework, which emphasizes the importance of both power (enforcement capacity) and trust (voluntary compliance incentives) in shaping taxpayer behavior. In addition to compliance enforcement, the CTAS aims to enhance service quality through automation, simplification, and reduced physical contact between taxpayers and tax officials (Darmayasa & Hardika, 2024). The system's use of Commercial Off-The-Shelf (COTS) software also ensures scalability and interoperability across ministries, as recognized in both theoretical frameworks and practical tax implementations (Cotton et al., 2017; OECD, 2019). However, early technical issues following deployment—including data mismatches and system crashes highlight the critical role of implementation readiness and change management (Sambuu et al., 2012). Similar challenges have been observed in other national tax administrations deploying COTS-based Integrated Tax Administration Systems, where operational disruptions required temporary parallel use of legacy systems during stabilization phases (Cotton et al., 2017). Addressing these issues is essential for realizing the system's transformative potential.

The Netherlands provides a mature OECD benchmark for combining digital enforcement infrastructure with a high-trust administrative culture. Its tax authority utilizes real-time third-party data reconciliation across banking, payroll, and spending networks to minimize underreporting (OECD, 2023). Such systems not only improve detection but also reduce compliance costs, promoting a culture of civic responsibility. In contrast, Indonesia has traditionally struggled with inconsistent service quality and perceived institutional opacity. Adapting key elements from the Dutch model, particularly in data integration and risk analysis could enhance Indonesia's compliance landscape.

Public trust and institutional legitimacy remain essential to the success of any digital tax reform. Studies have shown that taxpayer perceptions of fairness, efficiency, and transparency significantly influence compliance behavior (Appiah et al., 2024; Trifan et al., 2023)). While, Singapore and the Netherlands, administrative consistency, service orientation, and effective dispute-resolution mechanisms have been instrumental in cultivating compliance cultures (OECD, 2022). In contrast, Indonesia continues to face persistent challenges rooted in historical issues of corruption and weak taxpayer services, which undermine public confidence in the tax system. Therefore, the successful implementation of the Core Tax Administration System (CTAS) must be supported by long-term improvements in governance, taxpayer education, and administrative accountability to foster public trust and voluntary compliance.

Taxpayer Trust and Morale

Taxpayer trust and morale are pivotal factors influencing voluntary tax compliance. When taxpayers perceive tax authorities as trustworthy and fair, they are more likely to comply with

tax obligations without coercion. A study by Horodnic (2018) systematically reviewed the factors shaping tax morale and found that both vertical trust (trust in authorities) and horizontal trust (trust among citizens) positively influence tax morale. This underscores the importance of cultivating trust to enhance compliance.

In the context of Indonesia, historical instances of corruption and inconsistent enforcement have eroded public trust in tax authorities, leading to low tax morale. Research indicates that such perceptions of institutional inefficiency and corruption negatively impact taxpayers' willingness to comply voluntarily. For instance, a study on tax compliance behavior in Ethiopia highlighted that trust in government significantly enhances tax compliance, suggesting that the erosion of trust due to corruption can lead to reduced compliance (Adem et al., 2024). This highlights the need for Indonesian tax authorities to address these issues to rebuild trust and improve compliance rates.

Comparatively, countries like the Netherlands have implemented transparent tax systems that bolster taxpayer trust and morale (Fonseca Corona, 2024). By ensuring that taxpayers understand how their contributions are utilized, these countries have fostered higher compliance rates. This approach aligns with findings from a global scoping review on tax morale, which emphasizes that cultural and institutional factors, including transparency and trust, significantly influence tax morale. Indonesia could benefit from adopting similar transparency measures to enhance taxpayer morale.

Within the ASEAN region, Malaysia has initiated taxpayer engagement programs aimed at educating individuals about their tax responsibilities and increasing transparency. These initiatives have been effective in enhancing tax compliance by improving taxpayers' understanding of tax laws and building trust in tax authorities. A study examining tax knowledge and trust in government found that both factors are significant predictors of voluntary tax compliance among small and medium enterprises (Appiah et al., 2024). Indonesia has the opportunity to develop similar educational strategies to improve taxpayer morale and compliance.

Benchmarking Indonesia's tax compliance performance against ASEAN and high-performing OECD countries reveals that nations like Malaysia, Singapore, and Thailand, which share similarities in economic structure and tax policy frameworks, have achieved higher compliance rates through targeted education and transparency initiatives. Additionally, OECD countries such as Denmark, Japan, and the Netherlands have established effective tax compliance frameworks, digitalized tax administrations, and robust enforcement mechanisms. By analyzing and adapting the successful practices of these countries, Indonesia can develop tailored strategies to improve its tax compliance landscape, thereby enhancing taxpayer trust and morale.

Tax Incentives and Compliance Programs

Tax incentives significantly influence tax compliance behaviors. Countries such as Japan and Denmark have implemented structured tax deduction programs specifically targeting small and medium-sized enterprises (SMEs), encouraging accurate income reporting (OECD, 2024d). Singapore has adopted a No-Filing Service (NFS), exempting certain taxpayers from submitting returns when their income is auto-included. Taxpayers under this system can review pre-filled tax information annually via the myTax Portal, significantly simplifying procedures and reducing reporting errors.

Indonesia, by contrast, has primarily relied on tax amnesty programs to temporarily enhance compliance and revenue collection. The 2016–2017 Indonesian tax amnesty effectively increased declared taxable assets in the short term, yet inadequate post-amnesty

enforcement mechanisms resulted in subsequent declines in taxpayer compliance (Inasius et al., 2020).

Unlike OECD countries, where tax incentives are reinforced by consistent enforcement frameworks, Indonesia has not established a long-term incentive structure capable of sustaining taxpayer compliance beyond episodic amnesty programs, as evident from the lack of follow-up strategies after implementing tax amnesty policies (Wardana, 2024). Such inconsistencies contribute to taxpayer uncertainty, undermining ongoing compliance efforts. Evidence from Denmark demonstrates how continuous incentive programs paired with stringent enforcement measures enhance taxpayer morale and sustainable compliance (OECD, 2024d). Japan's targeted tax incentives aimed at innovation-driven SMEs have similarly promoted accurate financial reporting and lasting compliance, contrasting sharply with Indonesia's cyclical, episodic approach, which lacks comprehensive follow-up strategies after tax amnesty implementations (Wardana, 2024).

Singapore's tax compliance strategy combines strong social norms with institutional trust, enhancing taxpayer engagement and voluntary compliance (D. D. Bobek et al., 2007a). Digital tools like pre-filled returns and real-time third-party verification reduce compliance costs, minimize errors, and limit evasion opportunities (Phua, 2015). Conversely, Indonesia's periodic reliance on tax amnesty initiatives, lacking integrated taxpayer support frameworks, creates only temporary compliance boosts without long-term sustainability (Inasius et al., 2020). Thus, sustainable compliance in Indonesia necessitates the systematic integration of ongoing taxpayer support mechanisms.

Benchmarking against effective OECD jurisdictions highlights the importance of integrating tax incentives with robust digital enforcement. Denmark, for instance, has streamlined compliance and enhanced taxpayer accountability through advanced digital infrastructure paired with targeted incentives (OECD, 2024d). In contrast, Indonesia's reliance on episodic amnesties without sustained enforcement weakens long-term compliance (Wardana, 2024). Bridging this gap calls for structured, enduring incentive schemes supported by comprehensive digital monitoring systems.

The findings suggest that Indonesia would benefit from adopting structured and continuous incentive frameworks rather than relying on intermittent tax amnesty programs. Transparent, predictable incentives aligned with digital tax systems can boost taxpayer confidence and promote sustained compliance. OECD countries demonstrate that regular incentives such as targeted deductions combined with strong digital monitoring foster consistent taxpayer behavior and reduce evasion (OECD, 2024d; Wardana, 2024). Embracing these best practices would support the development of a more sustainable and transparent compliance environment in Indonesia.

Digitalization and Enforcement Mechanisms

OECD and ASEAN countries demonstrate that digitalization significantly enhances tax enforcement and reduces administrative inefficiencies. Denmark, for example, has developed a blockchain-enabled platform for value-added tax (VAT) settlement designed to reduce administrative burdens on SMEs while ensuring accurate, real-time tax compliance through tamper-resistant and transparent data systems (Søgaard, 2021). In Japan, the mandatory adoption of e-Tax for large corporations since 2020 has reduced unintentional tax evasion by over one-third, though it has shown a limited impact on curbing intentional non-compliance (Hoshiai, 2024).

Within ASEAN, Malaysia's tax practitioners are increasingly adopting digitalization tools such as tax software, artificial intelligence, and cloud-based systems. However,

widespread adoption is still hindered by factors such as limited digital talent, infrastructure readiness, and funding constraints (Zakaria et al., 2024)). Singapore continues to lead the region with real-time compliance verification systems, which contribute to high voluntary compliance rates by minimizing errors and simplifying reporting (Bobek et al., 2007)

By contrast, Indonesia is in the acceleration stage of its digital transformation journey. While the adoption of services such as e-filing and e-invoicing has improved, systemic challenges remain, including fragmented digital infrastructure, inter-agency integration issues, and uneven willingness to adopt automation across sectors (Kurnia Rahayu & Kusdianto, 2023)

Summary of Comparative Findings

Table 1 below presents a comparative summary of tax compliance strategies across Indonesia, ASEAN, and OECD countries, highlighting key differences in administration efficiency, taxpayer trust, tax incentives, and digital enforcement. This comparative analysis emphasizes the need for Indonesia to improve its tax administration efficiency by strengthening digital infrastructure, implementing trust-building measures, and adopting structured incentives.

Table 1. Comparative Summary of Tax Compliance Strategies

Category	Indonesia	ASEAN (Malaysia, Singapore, Thailand)	OECD (Denmark, Japan, Netherlands)
Tax-to-GDP Ratio (2023)	12.0%	Malaysia: 13.1%; Singapore: 13.6%; Thailand: 17.0%; Philippines: 17.8%	Denmark: 41.9%; Japan: 34.4%; Netherlands: 38.1%
Tax Filing System	Partially digitalized	Fully digitalized	Automated & real-time
Trust in Authorities	Low	Moderate	High
Taxpayer Services	Limited taxpayer education	Proactive taxpayer engagement programs	Transparent & service-oriented
Tax Incentives	Tax amnesty programs	Tax relief & pre-filled returns	SME tax deductions & R&D credits
Digitalization	Basic e-filing systems	Blockchain-enabled tax platforms	AI-powered audits and automation
Enforcement	Selective enforcement	Integrated compliance tracking	Automated real-time audits

Sources: Asian Development Bank, 2025; IMF, 2024; OECD, 2024b; Slemrod, 2019

Implications for Indonesia

The comparative analysis underscores the urgent need for Indonesia to enhance its tax compliance framework by adopting best practices from ASEAN and OECD countries. First, Indonesia must accelerate its digital transformation in tax administration. This includes expanding the adoption of e-filing systems, integrating AI-based audit tools, and exploring blockchain-based platforms for real-time compliance tracking. Countries like Denmark and the Netherlands have significantly reduced tax evasion and administrative inefficiencies by using AI-powered tax monitoring systems, while Malaysia's recent deployment of blockchain for e-

invoicing offers a valuable model for transparency and fraud prevention (Asian Development Bank, 2025; IMF, 2024; OECD, 2024c).

Second, building taxpayer trust and enhancing transparency remain essential components of a robust compliance strategy. Studies have consistently shown that taxpayer trust is closely tied to voluntary compliance, particularly when tax policies are transparent and predictable (Slemrod, 2019; Torgler & Valev, 2006). The Netherlands, for instance, publishes annual tax expenditure and compliance reports, which enhance public accountability and foster trust in the system. Indonesia could benefit from implementing similar transparency initiatives, such as real-time disclosure of tax revenue collection and spending data, to reinforce public confidence and improve taxpayer attitudes (OECD, 2024c).

Third, it is critical for Indonesia to shift from one-off tax amnesty programs toward more structured and sustainable tax incentives. While previous amnesty schemes have boosted short-term revenues, their long-term effectiveness has been limited by weak post-amnesty enforcement mechanisms (IMF, 2024). In contrast, OECD countries like Japan and Denmark have adopted structured incentives, such as targeted tax deductions for SMEs and compliance-based tax credits, which reward long-term compliance behavior. Indonesia should consider implementing gradual tax relief programs for compliant businesses while strengthening audit capabilities and penalties for persistent non-compliance (Asian Development Bank, 2025; OECD, 2024c).

By addressing these three strategic areas, digitalization, trust-building, and structured incentives, Indonesia can significantly improve its tax collection efficiency, increase voluntary compliance, and raise its tax-to-GDP ratio. Aligning with global best practices will also support long-term fiscal sustainability and enable more effective public service delivery.

DISCUSSION

Tax Administration and Compliance Frameworks

Indonesia's persistently low tax-to-GDP ratio reflects deep-rooted administrative inefficiencies, fragmented databases, and weak enforcement capacity. These limitations reduce the ability to detect and deter non-compliance, constraining revenue mobilization. The Slippery Slope Framework (Kirchler et al., 2008) underscores that optimal compliance is achieved through a balanced combination of trust in tax authorities and effective enforcement. Benchmarking shows that Denmark and the Netherlands have integrated centralized digital tax systems, AI-driven audits, and automated transaction monitoring, reducing compliance costs while improving detection capabilities (OECD, 2017; OECD, 2023c). These measures strengthen enforcement while fostering trust by minimizing bureaucratic friction. In contrast, Indonesia's Core Tax Administration System (CTAS) is still in the early stages, with limited integration between tax authorities, financial institutions, and businesses (Darmayasa & Hardika, 2024). Without closing these integration gaps, the current cycle of weak deterrence and low trust is likely to persist.

Taxpayer Trust and Morale

Low voluntary compliance in Indonesia is driven by distrust in tax authorities, stemming from perceived corruption, selective enforcement, and poor public service delivery. The Psychological Tax Contract Theory and the Slippery Slope Framework highlight that compliance improves when taxpayers perceive the system as fair, transparent, and legitimate (Feld & Frey, 2006; Kirchler et al., 2008). Evidence from the Netherlands shows that transparent governance, participatory fiscal policies, and consistent enforcement cultivate a

culture in which paying taxes is regarded as a civic duty (European Commission. Directorate General for Economic and Financial Affairs., 2023). Increasing public participation in fiscal policy-making and enhancing visibility on revenue allocation can strengthen trust. In Indonesia, the emphasis has largely been on deterrence measures such as audits and penalties, which may yield short term gains but have limited long-term impact on tax morale. Cooperative compliance models, such as the Netherlands' Horizontal Monitoring, offer a framework for balancing trust-building with effective enforcement.

Tax Incentives and Compliance Programs

The repeated use of tax amnesties most notably in 2016–2017 has generated temporary revenue gains but failed to produce lasting compliance improvements (Inasius et al., 2020). The Economic Deterrence Model (Richardson, 2006) and the Slippery Slope Framework caution that such ad hoc programs can undermine voluntary compliance by signaling weak enforcement. In contrast, Japan, Denmark, and Singapore embed long-term incentives into their systems. Japan provides targeted SME tax credits, Denmark employs pre-filled tax returns, and Singapore combines automated compliance support with service-oriented administration (OECD, 2024a). These measures reduce compliance burdens while maintaining credible deterrence. For Indonesia, a sustainable approach involves replacing episodic relief with structured incentives coupled with risk-based enforcement consistent with Bird et al. (1992) principles of simplification, strategic allocation of resources, and institutional commitment.

Digitalization and Enforcement Mechanisms

Technological integration significantly enhances the effectiveness of enforcement. Deterrence theory (Alstadsæter et al., 2019) posits that compliance increases with a higher probability of detection, particularly when supported by advanced digital systems. Denmark and the Netherlands use real-time transaction tracking, AI-assisted audits, and risk-based enforcement to focus on high-risk taxpayers while reducing administrative burdens for compliant ones (OECD, 2024d). Malaysia's blockchain-based reporting pilots and Singapore's real-time verification systems demonstrate how technology can simultaneously reinforce deterrence and build trust. In Indonesia, while e-filing adoption has brought benefits, public trust in system reliability remains low (Tjen et al. 2019), and institutional support is inadequate. Addressing these gaps requires secure, user-friendly platforms and predictive analytics to identify non-compliance before it occurs.

Policy Implications and Strategic Directions

Benchmarking results point to three strategic priorities:

1. Accelerate digital infrastructure integration through AI-powered audits, blockchain-enabled reporting, and real-time monitoring to enhance accuracy, transparency, and compliance efficiency, as evidenced in recent SME-focused studies (Abubakar et al., 2024)
2. Institutionalize transparency and taxpayer engagement by adopting cooperative compliance models such as the Netherlands' Horizontal Monitoring, which builds trust through mutual understanding and reciprocal transparency (Huiskers-Stoop & Gribnau, 2019)
3. Transition from episodic tax amnesties to structured incentive frameworks, supported by consistent policy application and transparent enforcement mechanisms, to sustain compliance norms and avoid adverse long-term behavior.

By combining these approaches within an integrated reform strategy tailored to Indonesia's socio-economic context, it is possible to mitigate administrative inefficiencies, boost public trust, and reinforce enforcement in a synergistic manner.

CONCLUSION

This study highlights persistent structural weaknesses in Indonesia's tax compliance framework, revealed through benchmarking with selected ASEAN and OECD countries and interpreted through established tax compliance theories. The analysis confirms that Indonesia's low tax-to-GDP ratio stems from fragmented tax administration, underdeveloped enforcement mechanisms, and limited taxpayer trust. The application of the Slippery Slope Framework underscores that sustainable compliance improvement requires a balanced approach strengthening deterrence through digitalized enforcement while building trust through transparency and responsive taxpayer services.

Comparative evidence from high-performing jurisdictions such as Singapore, Denmark, and the Netherlands demonstrates that integrating AI-powered audits, real-time compliance monitoring, and structured incentive schemes can simultaneously raise compliance rates and reduce administrative burdens. The findings also align with the Psychological Tax Contract Theory, indicating that fiscal transparency, equitable treatment, and participatory policy-making significantly boost voluntary compliance. Furthermore, insights from the Economic Deterrence Model reveal that predictable enforcement and permanent, well-targeted tax relief measures rather than ad hoc amnesties are more effective in fostering long-term compliance.

Policy implications include the need for Indonesia to accelerate digital transformation in tax administration, establish transparent taxpayer engagement channels, and embed structured incentives into its compliance framework. By adopting proven strategies from benchmark countries and tailoring them to local institutional capacity, Indonesia can strengthen revenue mobilization and close the compliance gap with its regional and OECD peers.

Limitations of this study include its reliance on secondary data and the scope of benchmark countries, which may not capture all relevant contextual variations. In addition, the cross-country comparison is limited to publicly available policy and performance indicators, potentially omitting internal operational data. Future research could adopt mixed-method approaches combining in-depth case studies, taxpayer surveys, and experimental designs to test behavioral interventions in Indonesia's context. Further studies should also explore the long-term impact of emerging technologies such as blockchain-based tax reporting and AI-driven risk profiling on compliance behavior, particularly in developing economies with diverse administrative capacities.

AUTHORS' CONTRIBUTION

ANSP and INR analyzed and interpreted the data, and create the final manuscript.

CONFLICT OF INTEREST

The authors declare no competing interests" in this section.

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AVAILABILITY OF DATA AND MATERIALS

The datasets used and/or analyzed during the current study are available from the corresponding author upon reasonable request.

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