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Research paper

Dynamics of Political Stability and Transparency in Encouraging Tax Compliance: A Local Perspective of South Sulawesi, Indonesia

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Abstract

Taxes are the main source of revenue for the Indonesian government, supporting economic, social, and political development. However, Indonesia's tax-to-GDP ratio remains below the Asia-Pacific average, indicating low tax compliance. This study analyses the influence of political stability and transparency on tax compliance in South Sulawesi, with trust as a moderating variable. Using a quantitative approach with Partial Least Square (PLS) methodology, primary data were collected from 99 individual taxpayers in South Sulawesi. Analysis employed structural equation modelling and hypothesis testing to examine relationships between variables. Results demonstrate that political stability and transparency have positive and significant effects on tax compliance. Political stability creates an environment conducive to consistent tax policy implementation, while transparency increases public confidence in government fund utilization. However, trust does not significantly moderate these relationships, suggesting that in regions with good political stability, trust is not a major factor in improving compliance. This research contributes to Indonesian taxation literature by identifying political stability and transparency as primary drivers of tax compliance, particularly in regions with strong social character. The findings indicate that institutional factors may be more critical than trust mechanisms in achieving compliance outcomes in politically stable environments.

Keywords: *Tax Compliance, Political Stability, Transparency, Trust, Tax Policy*

1. Introduction

Indonesia uses taxes as the main source of income so that the role of taxes is very central in the development of the country, especially to finance economic, social and political development. To be able to finance government spending, it is important to optimize tax revenues through increasing sustainable tax compliance. However, OECD data (2024) states that Indonesia's tax-to-GDP ratio is 12.1% in 2022, below the Asia and Pacific average (36) of 19.3% by 7.3 percentage points. This ratio is also below the OECD average (34.0%) of 22.0 percentage points.

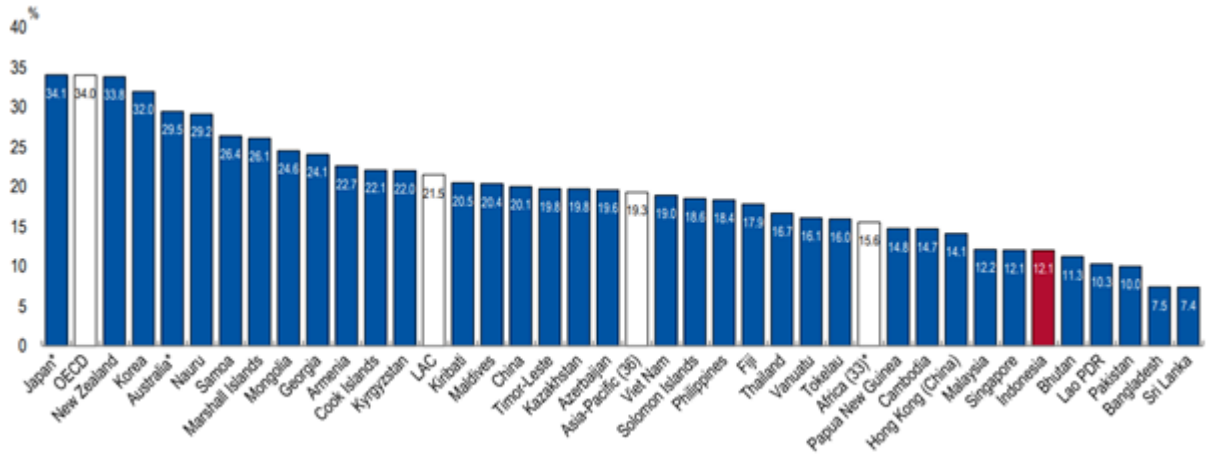


Fig.1: Tax-to-GDP ratio compared to other Asian and Pacific economies and regional averages in 2022 (OECD, 2023)

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Figure 2 shows that another important finding reported by the OECD (2024) is the composition of Indonesia's tax revenue in 2022, which highlights the structural characteristics of its fiscal system. The largest share of total tax revenue was generated from corporate income tax, accounting for 28.8% of total collections. This indicates a continued reliance on the formal business sector to support national revenue, despite varying levels of corporate profitability across industries. The second-largest source of tax revenue was the value-added tax (VAT) or goods and services tax (GST), contributing 28.2%, which reflects the significance of consumption-based taxation in Indonesia's fiscal framework.

Following this, other taxes on goods and services represented 14% of the revenue, which typically includes excise duties, stamp duties, and selective consumption taxes. Notably, personal income tax (PPhOP) contributed only 13%, a relatively low figure compared to corporate and indirect taxes. This discrepancy suggests that Indonesia's tax base is not yet fully optimized in terms of individual taxpayer contributions, possibly due to issues such as informal employment, underreporting, and limited enforcement capacity in the personal income segment. This ratio is also below the OECD average (34.0%) of 22.0 percentage points as seen in the following figure:

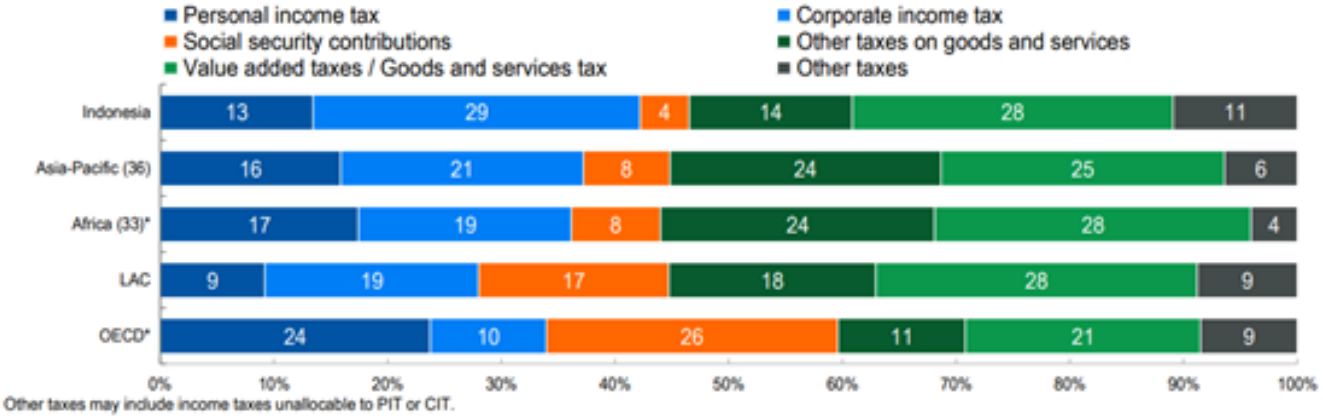


Fig. 2: Tax structure compared to the regional averages (OECD, 2023)

These structural patterns in figure 2 shows the Indonesia's overall tax-to-GDP ratio, which stood at 12.1% in 2022. These patterns are significantly below the Asia-Pacific regional average of 19.3% (by 7.3 percentage points), and even further below the OECD average of 34.0% (by 21.9 percentage points). This underperformance underscores the persistent challenge Indonesia faces in mobilizing sufficient domestic resources to support sustainable development. The comparatively low tax-to-GDP ratio highlights the need for reforms aimed at broadening the tax base, improving voluntary compliance, and enhancing the efficiency and transparency of tax administration.

Empirical research (Khlif & Amara, 2019) suggest that countries with better political stability have high tax compliance, but (Al-Rahamneh, et.al, 2023) shows that transparency in the tax system will drive taxpayers to pay taxes obediently. Political stability is claimed to be a decisive factor in creating a climate that supports taxpayers to comply, where stable political conditions can create a more predictive and orderly environment that allows the government to set more credible policies.

According to Elbahnasawy (2020), political instability often reduces tax collection efforts, as people may feel distrustful of an unstable and corrupt system. In addition, transparency in tax management plays a key role in influencing compliance levels. As noted by (McKay et al., 2023), transparency creates a sense of responsibility and openness in public management which ultimately increases the level of public trust in the government.

However, many empirical studies have shown that political stability and transparency have a positive effect on tax compliance, but tax compliance remains a complex problem in various countries, especially developing countries. The triggering factor is the low trust of taxpayers in the government so that many taxpayers are trying to pay taxes as soon as possible and what is more radical is trying to be non-compliant. (Mebratu, 2024) said that developing countries have challenges in increasing tax compliance due to low public trust in government institutions.

In such conditions, various solutions have been recommended by previous empirical studies, such as (Gebrihet et al., 2024) stated that it is important for the government to form a public image and trust so that tax compliance can be achieved. A country with high corruption can erode public trust in the government, causing non-compliance. (Haning et al., 2019) Trust can be increased through tangible evidence such as quality governance by trying to improve political stability and transparency in particular through trust so that tax compliance can be improved.

Other solutions are more specific to improve tax compliance, as proposed by (Masud, et al., 2021) is to strengthen the quality of public governance. They show that the quality of better public governance, including transparency in tax management, can increase public trust in the government, which ultimately encourages tax compliance. Moreover (Salman et al., 2022) stated that transparent governance in the use of tax revenue can affect public perception of tax fairness, which is an important element in building public trust. (Al-Maghrebi et al., 2022) It also focuses on the importance of trust and transparency in improving tax compliance. Transparency is important to produce a positive public perception of the tax system that is being implemented, which ultimately fosters trust and tax compliance. In line with the research, (Kogler et al., 2023) He also stated that trust in the government and tax authorities is an important factor to build the relationship between political stability and transparency. (Nyantakyi et al., 2024) It also states that the existence of a powerful political affiliation through a trust mechanism will achieve the effectiveness of tax compliance. This confirms that trust does not exist alone without evidence of how political stability and transparency are carried out by the government, if it turns out to be trustworthy, tax compliance can be improved.

Several researchers have previously reviewed how trust plays an important role, although it has been shown with mixed results. In the context of Indonesia, which is facing political instability and transparency that is still a problem, this research is important to fill the gap in the research, by examining the presence of trust to strengthen or weaken the influence of political stability and transparency on tax compliance. This research also provides a new perspective, how trust plays an important role in strengthening political stability and transparency to improve tax compliance. The novelty in this study is on the role of trust moderation which has not been discussed much in empirical research, especially those related to political stability and transparency towards tax compliance in Indonesia.

2. Literature Review

2.1 Political Stability and Tax Compliance

Empirical research demonstrates a strong correlation between political stability and tax compliance outcomes. Khlif & Amara (2019) suggest that countries with better political stability have high tax compliance, while research in developing countries shows that local authorities tend to have less power and public trust due to political, social, and economic instability, leading to low tax compliance. This relationship is particularly pronounced in developing nations where political instability creates environments where citizens feel distrustful of unstable and corrupt systems.

The mechanism through which political stability influences compliance operates through predictability and credibility. Political stability creates a more predictive and orderly environment that allows governments to set more credible policies. Elbahnasawy (2020) notes that political instability often reduces tax collection efforts, as people may feel distrustful of an unstable and corrupt system. This finding is supported by cross-national studies showing that stable political conditions create climates that support taxpayer compliance, where citizens perceive greater legitimacy in government institutions.

Recent reforms in Indonesia have focused on aligning Indonesia's tax framework with the realities of the digital economy. The passing of the Tax Regulations Harmonization Law (Law No. 7/2021) marked a pivotal legislative effort aimed at modernizing tax systems. However, inconsistent approaches and legal ambiguities continue to challenge implementation. The need for a clear, comprehensive legal framework that defines digital presence and taxation principles remains pressing (Mahpudin, 2024).

Recent research on the slippery slope framework provides valuable insights into how political environments affect compliance behaviour. The framework emphasizes that trust in authorities acts as a substantial determinant of tax compliance alongside traditional enforcement tools like audits and fines, with studies across 44 nations demonstrating that political stability contributes to higher voluntary compliance rates.

The Slippery Slope Framework (SSF), introduced by Kirchler, Hoelzl, and Wahl (2008), explains tax compliance by emphasizing the joint role of power and trust in shaping taxpayer behavior. Power refers to the authorities' ability to enforce tax laws through audits and penalties, while trust reflects taxpayers' belief that authorities act fairly, transparently, and for the public good. When compliance is driven solely by power, it often results in enforced compliance based on fear, whereas compliance based on trust fosters voluntary and cooperative behavior. The framework argues that the most effective and sustainable compliance emerges from a balance of both power and trust: enforcement deters evasion, and trust encourages willing cooperation. This "slippery slope" illustrates how taxpayers' compliance levels can slide depending on how political and institutional environments manage the interplay between coercion and legitimacy (Kirchler et al., 2008; Kogler et al., 2013).

2.2 Transparency in Tax Administration

The role of transparency in fostering tax compliance has gained significant attention in contemporary literature. Al-Rahamneh, et.al, (2023) demonstrates that transparency in the tax system drives taxpayers to pay taxes obediently. This relationship operates through multiple channels, with transparency serving as both an informational tool and a trust-building mechanism.

Modern transparency frameworks in taxation require stakeholders to understand how taxes are determined, assess fairness compared to others' contributions, and evaluate whether all who should pay taxes actually do so. The Global Initiative for Fiscal Transparency (GIFT) principles emphasize that meaningful tax transparency supplies quantitative and qualitative data needed to ensure tax systems work for the benefit of government, taxpayers, and all stakeholders.

Research on corporate transparency provides additional insights. Studies examining multinational entities show that transparency initiatives, including country-by-country reporting, aim to constrain unacceptable corporate tax avoidance. The integration of tax within Environmental, Social and Governance (ESG) frameworks has led to increased tax transparency reporting, with businesses dedicating resources to developing voluntary disclosures. A 2022 study from Indonesia's Directorate General of Taxes highlights how CbCR data is used to detect misaligned profits and tax risk indicators. Countries like Singapore and Cayman Islands were flagged as high-risk jurisdictions for Indonesian firms, helping to guide risk-based audits (Judijanto, 2024).

The effectiveness of transparency measures varies across different contexts. OECD research indicates that transparency in interactions between taxpayers and officials can help build trust, with clear governance procedures reducing potential for illegitimate lobbying and improving public confidence.

2.3 Trust as a Mediating and Moderating Variable

The literature increasingly recognizes trust as a crucial variable that both mediates and moderates the relationship between institutional factors and tax compliance. Citizens who trust their government are more likely to comply with policies, creating a specific channel whereby trust influences policymaking and compliance outcomes.

2.3.1 Trust as a Mediator

McKay et al. (2023) note that transparency creates a sense of responsibility and openness in public management which ultimately increases public trust in government. This mediating role suggests that political stability and transparency influence compliance indirectly through their effects on trust. Research in Indonesia confirms that trust enhances taxpayer compliance, with studies showing positive associations between trust in public authorities and tax compliance behaviour. The concept of trust emphasizes the taxpayer's relationship with tax authorities, where taxpayers have faith that authorities will act in the best interests of the social collective rather than their own. This relationship is particularly important in self-assessment systems where trust should be the spearhead of tax compliance rather than power.

2.3.2 Trust as a Moderator

Recent empirical studies reveal trust's moderating role in compliance relationships. Research demonstrates that trust in authorities acts as a boundary condition to procedural fairness effects on tax compliance, with low trust making people more attentive to the fairness of procedures enacted by tax authorities. Large-scale experimental studies across 44 nations show that trust moderates the effectiveness of authorities' power, with the effect of high versus low power being stronger under conditions of high trust. This finding suggests that trust

acts as a moderator when it comes to the effectiveness of authorities' power in achieving compliance. Cross-cultural studies in Austria, Hungary, Romania, and Russia demonstrate that trust and power operate through different mechanisms - trusted authorities register highest voluntary compliance, while powerful authorities register highest enforced compliance.

2.4 Developing Country Context and Indonesia-Specific Research

The challenges facing developing countries in achieving tax compliance are well-documented. Mebratu (2024) identifies that developing countries face particular challenges in increasing tax compliance due to low public trust in government institutions. Studies show that compliance costs in developing countries are both large and regressive, affecting particularly small taxpayers.

Indonesia presents a particularly relevant case study for examining these relationships. Research indicates that Indonesia struggles to achieve meaningful public tax compliance, with the country's economic sector classifying low public compliance as a unique issue. Studies examining Indonesian taxpayers demonstrate the importance of respectful treatment and appropriate authority procedures in building compliance. Indonesian Tax Authority's digital transformation initiatives provide insights into how technological changes can affect trust-based voluntary compliance

Indonesia has implemented several e-tax initiatives including e-registration, e-billing, e-filing, and the Core Tax Administration System (CTAS). These efforts aim to increase efficiency and reduce tax evasion, yet face user resistance and infrastructure challenges. CTAS is particularly promising due to its Big Data and interoperability features, but requires careful implementation to succeed (Nur, et.al, 2023). Multiple studies stress that Indonesia's low tax-to-GDP ratio (compared to regional averages) necessitates urgent reform to reduce tax avoidance and increase revenues. Strategies include expanding the digital

tax base, increasing transparency, and improving institutional trust (Purba & Salomo, 2024; Priyono, et.al., 2024)

Despite implementing controversial revenue-raising tools like tax amnesty programs, questions remain about their long-term impact on compliance behaviour. Analysis of Indonesian SMEs reveals that tax morale, perception of justice, and trust in public authorities are positively associated with compliance, with tax morality having the greatest magnitude in driving compliance behaviour (Timothy & Abbas, 2021). A 2024 study on SMEs across East Java (Surabaya, Sidoarjo, Mojokerto) confirmed that perceived fairness and trust in government significantly enhance tax morale, which then leads to higher compliance (Prastiwi & Diamastuti, 2023; Supriyati, et.al., 2024)

2.5 Governance Quality and Public Sector Effectiveness

The literature emphasizes the critical role of governance quality in facilitating compliance. Studies analysing transparency and public value creation show that transparency serves as a condition for creating public value, though it must be balanced with effectiveness considerations. Research on public administration transparency indicates that integrated databases and digitalization systems help governments better monitor service delivery and increase public trust in institutions. Tax administration reform literature emphasizes the importance of linking tax policy and administration reform to improve taxpayer compliance.

3. Theoretical Frameworks and Models

Several theoretical frameworks inform understanding of these relationships:

3.1 Slippery Slope Framework

The slippery slope theory suggests that tax compliance depends on two dimensions: trust in authorities (leading to voluntary compliance) and power of authorities (leading to enforced compliance). This framework has been validated across multiple countries, showing that both trust and power increase compliance intentions and mitigate intended tax evasion.

3.2 Theory of Planned Behaviour

Research applying the Theory of Planned Behaviour to tax compliance shows that attitudes, subjective norms, and perceived behavioral control influence compliance intentions. Systematic reviews identify attitude, subjective norms, fairness, tax knowledge, trust, and tax complexity as among the most important factors affecting individual tax compliance

3.3 Fairness Heuristic Theory

Fairness heuristic theory suggests that particularly low trust in authorities makes people carefully attend to procedural fairness, resulting in positive effects on compliance when procedures are enacted fairly.

Despite extensive research, several gaps remain in the literature. Systematic reviews note that researchers have no agreement regarding factors affecting individual taxpayer compliance, with most studies being empirical rather than theoretical. The novelty of examining trust as a moderating variable in the relationship between political stability, transparency, and tax compliance represents a significant contribution to the literature. Research emphasizing human aspects and CEO characteristics in tax-related decision-making demonstrates the importance of incorporating behavioral factors into compliance models. Recent research on wealthy taxpayers suggests that different approaches may be needed for different taxpayer segments, with micro, meso, and macro-level considerations requiring specific combinations of coercive and legitimacy-based measures.

The literature review reveals a complex web of relationships between political stability, transparency, trust, and tax compliance. While empirical evidence consistently supports positive relationships between these variables, the mechanisms through which they operate - particularly trust's mediating and moderating roles - require further investigation. The Indonesian context provides a valuable setting for examining these relationships, given the country's ongoing challenges with political stability and transparency in tax administration. The emerging consensus suggests that sustainable tax compliance requires not just effective enforcement mechanisms, but also legitimate, transparent, and trusted institutions that can foster voluntary compliance among taxpayers. Future research should continue to explore the nuanced ways in which these factors interact, particularly in developing country contexts where institutional capacity and citizen trust may be more limited.

4. Methodology of Study

This study is quantitative research with an explanatory research approach, with data sources using primary data obtained through filling out questionnaires offline (Direct). The respondents were WPOP who are entrepreneurs and non-entrepreneurs registered in South Sulawesi with a total of 2,546,332 spread across 10 KPPs, where the sample was selected using Slovin which amounted to 99, while for hypothesis testing using PLS version 3.2, with the testing stage starting with testing the outer model, structural model or inner model Test and hypothesis test.

Although the sample size of 99 respondents may appear modest relative to the total population of over 2.5 million taxpayers in South Sulawesi, it is justified based on both statistical and methodological grounds. The Slovin formula was applied to determine an appropriate sample size under fieldwork constraints. Moreover, the use of Partial Least Squares Structural Equation Modeling (PLS-SEM) in this study aligns with accepted methodological practices, as PLS is particularly suitable for exploratory research with small to medium sample sizes. PLS SEM is a statistical method used to analyze complex relationships between observed (measured) variables and latent (unobserved) constructs. This method widely applied in business, social sciences, and management research because it is flexible, prediction-oriented, and less strict about data distribution assumptions

According to Hair et al. (2017), a minimum of 10 cases per indicator is recommended, a criterion met by our model structure. While the generalizability of findings is necessarily limited, the study provides valuable localized insights that contribute to the broader understanding of tax compliance dynamics in developing regions. Hence, the regression equation used in this study for mediation variables can be seen as follows:

$Y = \beta1X1 + \beta1X2 + \beta3Z + \varepsilon3it$

$Y = \beta1X1 + \beta1X2 + \beta3Z + \beta4X1*Z + \beta5X2*Z + \varepsilon3it$

Information:

Y = Tax compliance variable

X1= Variable Political Stability

X2= Variable Transparency

Z= Variable to moderate trust

X1*Z = Moderation Variable Interaction

X2*Z = Moderation Variable Interaction

β1 β2 β3 β4β5= Cocoa

e= Error standard

Hypothesis

H1: Political Stability has a positive and significant effect on tax compliance

H2: Transparency has a positive and significant effect on tax compliance

H3: Political Stability has a positive and significant effect on tax compliance through trust

H4: Transparency affects tax compliance through trust

H3: Political Stability has a positive and significant effect on tax compliance through trust

H4: Transparency affects tax compliance through trust

5. Results and Discussion

5.1 Respondent Distribution Analysis

The unit of analysis in this study is individual taxpayers, both entrepreneurs and non-entrepreneurs. WPOP was chosen as the subject of the study because of their important role in improving tax compliance Therefore, research often focuses on WPOP to evaluate how various components affect tax compliance with optimal tax system transparency and public trust in tax authorities in the midst of sentiment in existing tax cases. The following is shown the distribution of respondents in this study, namely:

Table 1: Font Specifications for A4 Papers

Gender	Frequency	Presentation
Man	68	69%
Woman	31	31%
Total	99	100%
Position	Frequency	Presentation
Entrepreneurs	32	32%
Non-entrepreneurs	67	68%
Total	99	100%
Last Education	Frequency	Presentation
S1	53	53%
S2	17	17%
S3	9	9%
Other	20	21%
Total	99	100%

Based on table 1 of the data of respondents who filled out the questionnaire, the majority of respondents who filled out the questionnaire were male as many as 68 people or 69%, which indicates that the majority who are active and more aggressive in reporting taxes are men, which of course is supported by the role and function of men as the head of the family and is the main generating subject of financing the household and family. In addition, there were 67 people or 68% of respondents who filled out the questionnaire were non-entrepreneurs and the majority with S1 respondents were 53 people or 53% which was 50% of the total sample of this study

5.2 Partial Least Square (PLS) Analysis

5.2.1 Outer Model Testing

Validity and reliability tests are carried out to test the outer model. The calculation of the PLS algorithm.

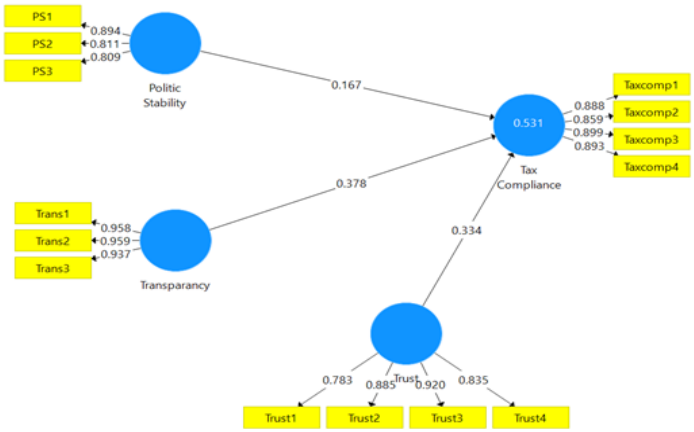


Fig. 3: Structural Model (PLS Algorithm)

After using the PLS Algorithm calculation procedure, figure 2 shows that the value of the addition factor is more than 0.70, although there are 2 that have a factor value of 0.68 but it is still tolerated so that it can be said that all indicators are significant (Good).

1) Validity Test

a) Convergent Validity

As shown in Table 3, the outer loading value or correlation between the structure and the variable has met the convergent validity because all indicators have a holding factor value of > 0.70. Table 4 shows that the Average Variance Extracted (AVE) values for the independent variables political stability (X1), transparency (X2), Trust (Z), and dependent variables of tax compliance (Y) meet the convergent validity standard of > 0.50.

b) Discriminant Validity

The cross-loading values of the variables shown in table 5 meet the criterion validity standard, which indicates that variable construct items have the ability to predict block size and do so better than other variable construct items. The discriminatory validity standard, which states that a variable construct item has the ability to predict block size, and better than other construct items, satisfies the Fornell-Larcker value of the variable, as shown in Table 6.

2) Reliability Test

The reliability test can be seen through Cronbach's Alpha and Composite Reability values, where the Cronbach alpha values of variables political stability (X1), transparency (X2), Trust (Z), and dependent variables of tax compliance (Y) have met the requirements of the reliability test, with a Cronbach alpha value of more than 0.70. The combined values of the X1, X2, Y, and Z variables have also met the requirements of the reliability test, with a combined value of more than 0.70. Table 7 above shows these results.

3) Test Structural Model or Inner Model

a) R Square

Table 8 shows the R Square value for the tax compliance variable (Y) of 0.553 which shows that the model is able to explain 55.3% of the variables that affect the tax compliance variable, while 39.2% are influenced by other variables outside the study,

b) Model Fit

The SRMR value met the match model criteria, as shown in Table 9 with an SRMR value of 0.074 < 0.10.

4) Hypothesis Test

The results of bootstrapping calculations to get a significant estimate or profitability of the immediate impact are shown here. Figure 3 shows the results of the bootstrap model test, which shows the bootstrap model evaluation calculation

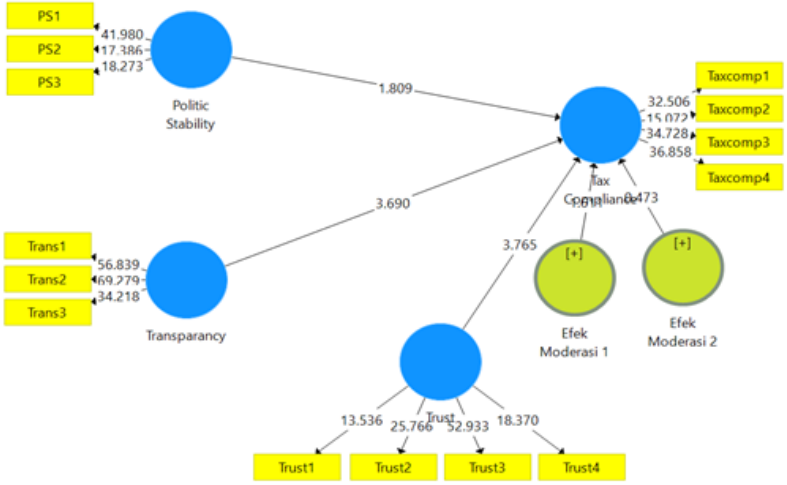


Fig. 4: Structural Model (PLS Bootstrapping)

Table 2: Hypothesis result

Hypothesis	Sample Original (O)	T-Statistics (O/STDEV)	P-Value	Information
Politic Stability -> Tax Compliance	0,189	1,809	0,071	H1 accepted
Transparency -> Tax Compliance	0,366	3,890	0,000	H2 Accepted
Moderation Effect 1 -> Tax Compliance	0,135	1,611	0,108	H3 rejected
Moderation Effect 2 -> Tax Compliance	0,047	0,478	0,636	H4 rejected

6. Discussion

This section interprets the empirical findings in relation to the theoretical framework and existing literature on tax compliance. The results of this study confirm that political stability and transparency have significant and positive effects on taxpayer compliance, highlighting the importance of strong institutions in promoting voluntary tax behaviour. However, the role of trust as a moderating variable was found to be statistically insignificant, raising important questions about its function in politically stable environments. This unexpected outcome offers a valuable opportunity to re-examine the mechanisms through which political and administrative factors influence taxpayer behaviour, particularly in contexts like South Sulawesi where cultural norms and governance structures may differ from those in previous studies. In light of these results, the following discussion explores possible explanations, contrasts the findings with earlier research, and proposes alternative theoretical perspectives—including the role of tax morale and enforcement strength—as more context-sensitive drivers of compliance.

6.1 Political Stability has a positive and significant effect on tax compliance

Based on the results of the study, it is shown that political stability has a positive and significant effect on tax compliance, where stable politics is a signal of how future policies are taken and guarantees obtained by taxpayers. In line with this study, the research (Nyantakyi et al., 2024) stated that guaranteed political stability makes taxpayers trust the government, with the note that this certainty is certainly built on the fact that policies are made that do not prioritize the interests of certain groups or groups, so that tax compliance can be achieved. The existence of chaotic politics affects the behavior of investors as taxpayers, where political instability makes investors not interested in complying because there is no guarantee of existing conditions. The government as the holder of authority is also responsible for maintaining political stability. Government power can be used to influence the political process to obtain legitimate sources of political financing and carry out the mandate of the 1945 Constitution.

Political stability also creates a safe environment for entrepreneurs and professionals in South Sulawesi. Taxpayers will be confident in the authorities if the tax funds collected by the government are used appropriately and correctly. Political stability certainly leads to the resulting public policies, including tax-related policies. Conversely, political instability generates uncertainty about the future, undermining taxpayer confidence in the government's ability to manage collected revenues effectively. This uncertainty weakens the social contract between taxpayers and the state, discouraging voluntary compliance. Broader Indonesian evidence confirms that trust and legitimate authority, rather than coercion alone, are decisive in securing long-term compliance (Stilia, Riandoko, & Kartiko, 2024). Finally, political instability does not provide certainty of the future for taxpayers, even though political stability is a crucial prerequisite for the government to be able to exploit the existing tax system through appropriate policies and implement the Constitutional Mandate as a whole.

6.2 Transparency has a positive and significant effect on tax compliance

Based on the study's findings, transparency exerts a positive and significant influence on tax compliance, as access to open information is a crucial determinant of taxpayers' decisions to comply. Disclosure of information, both financial and financial, is an assessment of taxpayers to entrust tax funds paid to the government as a manager, so that public support is created and government legitimacy is encouraged so that optimal voluntary compliance and sustainable compliance can be achieved. In line with the agency theory that places the government as an agent and the taxpayer as the principal, where if the government is transparent, then the taxpayer supports the government because they feel that the tax funds paid are used effectively for the common welfare as mandated in the 1945 Constitution.

This research is in line with empirical research (Salman et al., 2022) who stated that transparency is the key to creating a positive perception of the tax system run by the government which ultimately makes taxpayers compliant. Taxpayers strive to comply if their access to information is more open, the data submitted is more transparent and accountable, so that this foundation is a clear basis for how taxpayers are willing to manage their tax funds as evidenced by their willingness to report their tax obligations correctly and on time.

6.3 Trust does not reinforce the influence of political stability on tax compliance

Based on the results of the study, it shows that trust does not strengthen the political stability of tax compliance, where psychological factors such as trust are not the main domain, this is certainly based on the fact in the field that in the context of South Sulawesi politics tends to be stable so that internal policies in the region are assumed to accommodate all the needs of the community as a whole. This is interesting, because it is related to the local culture of the people of South Sulawesi who are known to have a strong relationship with *sipakatau*, a principle that emphasizes respect, mutual respect, and ethics of social relations.

These principles reflect respect for leaders and formal authorities, including the government. Often, people have a sense of obligation to comply with government policies and regulations, especially if the government is considered politically stable and orderly. This value may be one of the factors driving tax compliance even though the level of individual trust in the government may not be very high. In line with this statement, the research conducted by (McKay et al., 2023) where trust is not a prerequisite for tax compliance in a country with stable politics, this is certainly based on the benefits of taxpayers feeling security and justice even though trust in the holder of authority is not high.

While the study reveals that political stability and transparency significantly influence tax compliance in South Sulawesi Indonesia, the moderating role of trust appears statistically insignificant. Grimmelikhuijsen and Meijer (2014) conducted experimental research which revealed that transparency in government operations significantly enhances the perceived trustworthiness of public institutions, even in the absence of pre-existing trust among citizens. Their findings suggest that transparency functions not merely as a reflection of trust, but as an independent driver of trust-building. Specifically, when citizens are given access to clear, consistent, and relevant information about governmental decisions and procedures, they are more likely to evaluate institutions as honest, accountable, and competent—regardless of

their initial attitudes toward the government. This implies that transparency can serve as a powerful corrective mechanism in environments where institutional legitimacy or trust has been historically weak, reinforcing the idea that openness and disclosure are foundational to fostering positive citizen-state relationships, even in sceptical or low-trust populations.

This result, although consistent with the region's cultural norm of *sipakatau*—which emphasizes respect and communal responsibility—warrants deeper theoretical reflection. In politically stable and transparent settings, institutional mechanisms often substitute for trust. Citizens rely more on formal guarantees, predictable policy, and legal enforcement than on interpersonal or institutional trust to guide compliance behavior. Literature grounded in the slippery slope framework suggests that trust is a critical factor when state power or transparency is weak, but its effect diminishes as institutional strength increases.

Furthermore, transparency itself can functionally replace trust by making government actions verifiable, reducing reliance on subjective beliefs. This may explain why trust, though culturally valued, does not enhance the effect of stability or transparency on compliance outcomes. Finally, it is also possible that the conceptualization or measurement of trust—whether directed at the tax authority, government in general, or local leadership—might not align precisely with the dynamics influencing taxpayer behavior. Future research should disentangle normative trust (rooted in culture or social norms) from cognitive trust (based on institutional performance) to better capture how trust interacts with political and administrative factors in shaping tax compliance.

6.4 Trust strengthens the influence of security on tax compliance

Based on the results of the study, it is shown that trust does not strengthen the influence of transparency on tax compliance, where government policies are not only related to information disclosure, but also planning, implementation, and government actions that can be felt directly by taxpayers. The basic principle of information disclosure is that the people must know what the government decides and does, and then they must think and make decisions. If people are involved in decision-making, they must also be responsible for the implementation of those decisions, which is part of democratic principles.

Although transparency is related to tax compliance, trust is not a very strong instrument to connect the two, this can happen because public trust in tax authorities is not so high. The essence of trust is a real treat and benefits felt by taxpayers. Trust is built over a long period of time but distrust comes quickly and significantly, unlike loyalty, trust has less dynamics and potential. Distrust, is the enemy of social capital because it allows a person to take action based on his willingness or willingness to give them more. In accordance with Article 23E paragraph (1) of the 1945 Constitution, BPK RI was formed as a free and independent state institution only to carry out one task, namely checking every penny of money collected. Thus, BPK RI cannot carry out its constitutional duties to conduct state financial audits, including tax audits, and cannot provide accurate and accurate information about the results of tax audits to the people through the unification of the DPR

6.5 Tax Morale and Enforcement Strength

Given the finding that trust does not significantly moderate the relationship between political stability/transparency and tax compliance in this study, it is crucial to explore alternative moderating variables that may play a more active role in shaping taxpayer behavior in politically stable contexts such as South Sulawesi. Two key candidates that emerge from the broader literature are tax morale and enforcement strength. Tax morale refers to the intrinsic motivation of taxpayers to comply with tax obligations, often shaped by societal norms, ethical values, and perceptions of fairness and civic responsibility. Unlike trust, which focuses on the relationship between the citizen and the state, tax morale is rooted in individual-level convictions and a sense of moral obligation. These convictions are often influenced by factors such as national identity, religious teachings, cultural values, and the broader collective memory of the society. In essence, while trust is externally oriented—based on how citizens perceive the government's integrity—tax morale is internally driven, reflecting one's personal belief in doing what is right for the community.

Research by Torgler and Schneider (2007) has shown that high levels of tax morale are strongly associated with increased tax compliance, particularly in developing countries where institutional trust may be fragile or inconsistent. In such contexts, personal ethics and social norms often fill the gap left by weak institutions. Furthermore, in politically stable environments, tax morale may emerge as a more influential moderating variable, as the reduced perceived risk of evasion shifts the motivational focus from fear of sanctions to internalized duty. Citizens are more likely to pay taxes not because they are afraid of getting caught, but because they believe it is the right thing to do in a functional, orderly society.

In the Indonesian context, especially in regions like South Sulawesi, tax morale could be particularly salient. According to Prastiwi and Diamastuti (2023), public perceptions of fairness, equity, and justice within the tax system play a crucial role in shaping citizens' willingness to comply. When people believe that tax policies are just, and that revenue is used responsibly for public welfare, they are more likely to develop a strong internal motivation to fulfill their tax obligations. Thus, incorporating tax morale as a potential moderating variable in future research may offer a more nuanced understanding of tax compliance dynamics in settings where trust alone may not be a sufficient explanatory factor.

Another compelling alternative is the strength of tax enforcement, which encompasses audit probability, penalty severity, and perceived detection risk. Based on the Slippery Slope Framework (Kirchler et al., 2008), tax compliance emerges from both trust and power. When trust is low or irrelevant, power (enforcement) becomes the dominant driver. McKerchar & Evans (2009) argue that visible, consistent enforcement builds compliance even in politically stable settings where voluntary compliance cannot be assumed. In the Indonesian context, enforcement has been uneven, particularly across regions. South Sulawesi's relative political stability could lead taxpayers to respond more to enforcement certainty than to soft motivators like trust.

7. Conclusion

This study investigated the influence of political stability and transparency on tax compliance in South Sulawesi, Indonesia, with trust introduced as a moderating variable. The findings confirm that both political stability and transparency significantly and positively impact tax compliance. Political stability contributes to a predictable policy environment, fostering taxpayer confidence, while transparency enhances the legitimacy and credibility of tax authorities by making government actions more visible and accountable. These results highlight the importance of robust institutional frameworks in shaping taxpayer behaviour, particularly in developing country contexts.

However, the moderating role of trust was found to be statistically insignificant, suggesting that in environments characterized by high political stability, trust may no longer be a decisive factor in encouraging compliance. While the study attributes this partially to cultural

values such as *sipakatau*, which emphasize respect and collective responsibility, the broader implication is that institutional mechanisms may substitute for relational trust when systems are perceived as stable and fair. This aligns with prior literature indicating that in contexts of institutional strength, formal structures reduce the psychological need for subjective trust.

To address this unexpected result, the discussion explored alternative moderators such as tax morale and enforcement strength, which may play a more influential role than trust in shaping the effectiveness of political and administrative factors on compliance. Tax morale, in particular, reflects an internalized sense of civic duty and moral obligation and may better capture the motivational dynamics of compliant behaviour in politically stable environments like South Sulawesi. Meanwhile, perceived enforcement—the likelihood of audits or penalties—may drive compliance where trust or tax morale is weak.

In conclusion, while trust remains a valuable concept in understanding citizen-state relations, it may not always be a central determinant of tax compliance, especially when strong institutions and transparent governance already fulfil its functional role. The findings of this study underscore the need for context-sensitive compliance models that account for institutional quality, cultural values, and taxpayer psychology. Future research should explore multi-moderator frameworks involving tax morale, enforcement, and civic engagement to provide a more comprehensive understanding of compliance behaviour in Indonesia and similar developing economies.

8. Recommendations

Based on the findings of this study, several recommendations can be made for both policymakers and future researchers. First, to enhance tax compliance, the government should continue to strengthen political stability and transparency, as these institutional factors have been shown to positively influence taxpayer behaviour. Efforts to improve transparency—such as clear public reporting on the use of tax revenues, citizen-accessible information portals, and open budget initiatives—should be prioritized to increase public confidence in the tax system. Similarly, maintaining political stability through consistent and inclusive policymaking can help foster a secure environment where taxpayers feel more inclined to comply voluntarily.

Given the unexpected result regarding the non-significant moderating role of trust, future research should explore alternative psychological and institutional moderators. Specifically, tax morale—the intrinsic motivation to pay taxes—should be tested as a potential moderator in future models, particularly in culturally rich and politically stable regions like South Sulawesi. In addition, enforcement mechanisms, including perceived audit probability and penalty severity, should be examined to understand how coercive power interacts with institutional trust and transparency. Researchers should also consider expanding sample sizes and including comparative studies across different provinces to improve generalizability and identify region-specific compliance dynamics.

Moreover, future studies should adopt mixed-method approaches, combining quantitative models such as PLS-SEM with qualitative interviews or focus groups to capture the deeper cultural and emotional drivers behind taxpayer behaviour. Exploring distinctions between normative trust (based on respect and culture) and cognitive trust (based on institutional performance) may also yield more nuanced insights. By incorporating these elements, future research can contribute to more robust and contextually grounded tax compliance frameworks, supporting both academic advancement and practical tax administration reform in Indonesia

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