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Integration of Local Taxes and Public Value: A Strategy To Increase Public Participation

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Abstract

This study aims to examine integration strategies between local taxes and public values to increase public participation in tax payments. Local taxes are an important source of revenue for local governments for regional development and public services. However, low public participation in tax payments remains a major challenge for many regions. This approach proposes the incorporation of public values, such as transparency, accountability, and social inclusion, in local tax management to build public trust. Through a mixed method involving surveys and interviews, this study explores how the application of public values in local tax policies can strengthen citizen engagement in fulfilling their tax obligations. The results show that the integration of public values is able to increase public tax awareness and compliance, as well as have a positive impact on regional development. Therefore, it is recommended for local governments to prioritize public value-based strategies as an effort to increase tax participation in order to realize shared prosperity.

Keywords:

local tax; public value; community participation; transparency; accountability

Introduction

Tax is an economic instrument that is the main source of income for the state and is an obligation for every citizen, as stipulated in the 1945 Constitution of the Republic of Indonesia. (Ilanoputri, 2020). In Indonesia, taxes are divided into central taxes and local taxes based on their authority. (Hamzah & Suryana, 2020). Local taxes are a vital component in the regional financial system that functions as a source of revenue for the government to fund various regional needs, namely development programs and public services. (Mardiasmo, 2018).With the increasing need for regional financing for infrastructure development, health, education, and other public services, it is important for local governments to optimize tax revenues through increased community participation. (Ainiyah & Djasuli, 2024).. One of the strategies to increase public participation in tax payments is through the integration of public values that can be done by providing transparency about the use of taxes so that people trust and feel involved (Khasanah & Purwanto, 2024). (Khasanah & Purwanto, 2022).. However, in many regions, the level of public tax compliance is still low, which is caused by various factors such as lack of awareness, negative

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perceptions of tax management, and distrust of local government transparency (Ambarwati et al., 2015). (Ambarwati et al., 2022).

On the other hand, public values such as transparency, accountability, participation, and social inclusion play an important role in building a healthy relationship between government and society (Hermansyah et al., 2018). For example, the value of transparency is the openness of the government in delivering information to the public. This includes easy access to financial data, budget allocations, policies and public decisions. With transparency, the public can monitor and understand how taxes are used, reduce the potential for abuse of power, and build public trust in the government. (Sudaryanto & Fitriani, 2017). The value of accountability, where the government's responsibility to explain and account for every action and policy taken. The government must be ready to be monitored, assessed, and accept the consequences if there are mistakes or deviations. This can be in the form of annual reports, program evaluations, or independent audits. With strong accountability, the public feels that the government acts in the public interest. (Arif & Sutrisno, 2021). The value of participation, which refers to the active involvement of the public in government decision-making processes. This can be in the form of public forums, surveys, deliberations, or complaint programs. Public participation is important to ensure that government policies and programs are in line with public needs and expectations. This involvement also creates a sense of shared ownership, where people feel they are contributing to development. (Herawati & Wijayanti, 2020). And the value of social inclusion, which ensures that all groups of people, especially the vulnerable or marginalized, have equal opportunities to participate in government processes and benefit from government policies. Social inclusion can take the form of programs that pay attention to the special needs of minority groups, gender, and other vulnerable groups. With social inclusion, the government ensures that no group is left behind in development. (Muhammad et al., 2023).

These values not only strengthen the government's legitimacy in tax management, but can also increase public trust in the tax system. (Nugroho & Lestari, 2019). The integration of public values into local tax management has the potential to be an effective strategy in increasing public awareness and compliance with taxes, as well as encouraging active participation in local development. (Wijayanah & Basuki, 2021).

This study aims to examine how the integration of public values in local tax policy can increase public participation in fulfilling tax obligations. Using a *mixed methods* approach, this research explores public perceptions of local tax management and evaluates the impact of the application of public values on the level of tax compliance. The results of this study are expected

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to provide practical policy recommendations for local governments in managing taxes in a more inclusive and sustainable manner.

Methods

This research uses a *mixed methods* approach that combines quantitative and qualitative methods to gain a comprehensive understanding of the integration of public value in local tax policy and its impact on community participation. The methodological stage of this research is to use a *sequential explanatory* design, where the research starts with quantitative data collection and analysis, followed by qualitative data collection and analysis to deepen the results obtained from quantitative data.

Results and Discussion

1. Level of Community Participation in Local Tax Payment

From the quantitative data collected through questionnaires, it was found that the level of public participation in local tax payments is still at a relatively low level. Only around 45% of respondents routinely pay taxes on time, while the rest show a degree of lateness or even non-compliance. This is in line with findings in many other regions that show challenges in improving tax compliance. The analysis shows that the main factor influencing low tax participation is the lack of trust in the transparency of tax management. As many as 65% of respondents feel that they do not have sufficient information regarding how the taxes they pay are managed and used by local governments. In addition, there is a perception that taxes do not have a direct impact on the quality of public services felt by the community.

2. Effect of Public Value on Tax Participation

Linear regression results show a significant positive correlation between the implementation of public values such as transparency and accountability with the level of public participation in paying taxes. People who feel that local governments are transparent and accountable in tax management tend to be more compliant and participate in tax obligations. The correlation coefficient of 0.65 ($p < 0.05$) indicates that any increase in transparency in local tax management is associated with an increase in community participation. In-depth interviews conducted with several respondents reinforced these findings. Respondents stated that the disclosure of information on tax allocations and the existence of monitoring mechanisms by the community made them feel more involved and responsible for contributing through taxes. Some respondents also emphasized the importance of social inclusion, where all levels of society are given equal opportunities to benefit from the taxes paid.

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3. Public Perception of Accountability and Transparency

70% of respondents in this study revealed that they want greater transparency from local governments in terms of reporting tax revenues and public expenditure. They feel that the current reports are not clear enough or easily accessible to the general public. This leads to distrust and reluctance to actively participate in paying taxes. In contrast, respondents who feel that local governments have a high level of accountability in tax management tend to be more compliant and active in their tax obligations. In in-depth interviews, some local government officials acknowledged limitations in socializing tax management to the public. They realized that lack of clarity in local financial reporting could lead to decreased public participation. Therefore, they suggested increasing socialization efforts and involving the community in monitoring the use of taxes as steps to increase public trust.

4. Public Value Integration Strategy in Local Tax Management

Based on the research findings, public value integration is proven to be an effective strategy to increase public participation in local tax payments. Strengthening the value of transparency through the delivery of clear and timely information related to tax management, as well as implementing accountability by involving the community in the monitoring process, are the main keys in building public trust. Local governments that successfully implement public values in their tax policies see not only an increase in taxpayer participation, but also an increase in positive perceptions of the local government as a whole. These findings suggest that public value-based tax management is not only important for increasing local revenue, but also for strengthening the relationship between government and society.

5. Policy Recommendations

Based on the research results, several policy recommendations can be proposed, 1) Information Transparency. Local governments need to provide financial reports that are more transparent and easily accessible to the public. Information regarding the use of taxes needs to be socialized regularly and openly, through media that is easily accessible to all levels of society. 2) Accountability of Tax Management: Local governments need to involve the public in the process of monitoring and evaluating the use of taxes. This participatory mechanism can increase people's sense of ownership of the taxes they pay. **3)**Tax Education and Socialization: A continuous education and socialization program is needed to increase public understanding of the importance of local taxes and the direct benefits they can obtain. By implementing these recommendations, it is expected that the level of community participation in local taxes will increase, which in turn can support more sustainable and inclusive local development.

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Conclusion

This research shows that the integration of public values such as transparency, accountability, and social inclusion in local tax policies can significantly increase public participation in tax payments. The results of quantitative and qualitative analysis indicate that people who perceive transparency and accountability in tax management are more likely to comply with their tax obligations. In addition, positive perceptions of clear and accountable tax use increase public trust in local government. Thus, public value integration proved to be an effective strategy to improve the level of public tax compliance and strengthen the relationship between the government and the community.

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