

Article

Tax Knowledge Analysis of Millennials and Generation Z for Sustainability Development in Indonesia

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Abstract: Sustainable development is increasingly recognized as essential for addressing global challenges, including economic inequality and environmental degradation. As younger generations come of age, their knowledge and attitudes towards sustainability become crucial in shaping future policies and practices. In Indonesia, the millennial and Generation Z cohorts represent a significant portion of the population, and their understanding of tax knowledge and its implications for sustainability development has not been extensively studied. Tax policies are pivotal in funding sustainable initiatives, yet their effectiveness largely depends on public comprehension and engagement. Despite the critical role of taxation in financing sustainability, there is limited research on the tax knowledge of Millennials and Generation Z in Indonesia, particularly in how this knowledge influences their views on sustainable development. This study aims to analyze the level of tax knowledge among Millennials and Generation Z in Indonesia and assess how this knowledge impacts their perspectives on sustainability development. The goal is to identify gaps in tax education and its correlation with sustainable practices. The analysis reveals varying levels of tax knowledge within these generational groups, with notable discrepancies affecting their understanding of how tax policies contribute to sustainability goals. Findings indicate that while both cohorts exhibit some awareness, there are significant gaps that hinder their effective participation in sustainability efforts. This research introduces a novel approach by linking tax knowledge directly to sustainability attitudes among Indonesian Millennials and Generation Z, offering new insights into the intersection of taxation and environmental stewardship. The study underscores the need for enhanced tax education tailored to younger generations to bridge knowledge gaps and foster greater engagement in sustainability initiatives. Policy recommendations include integrating comprehensive tax education into curricula and public awareness campaigns to better align tax knowledge with sustainable development objectives.

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1. Introduction

Sustainable development is a key objective for many nations, including Indonesia. Sustainability, It involves balancing economic growth, social inclusion, and environmental protection to meet the needs of the present generation without compromising the ability of future generations to meet their own needs [1]. According to writers such as Walker and Laplume (2014) and Høgevold and Svensson (2016), sustainability demands a long-term outlook [2]. Asserts that conflicts between the imperatives of preventing environmental degradation and extracting natural resources to fight poverty should be avoided and, to the greatest extent feasible, balanced within the framework of sustainable development

[3]. Achieving sustainable development requires substantial financial resources, and taxes are one of the primary sources of revenue for the government.

Taxes are the main source of state revenue used to fund national development, public services, and government administration [4]. Taxes fund various critical public services and infrastructure projects, including education, healthcare, transportation, and social welfare programs. Effective tax collection and management ensure these services and projects can be maintained and expanded, contributing to overall national development [5]. However, achieving efficient tax collection requires active participation from all segments of the population, particularly the younger generation, who represent the future workforce and taxpayer base.

The Millennial Generation (born between 1981 and 1996) and Generation Z (born between 1997 and 2012) [6] are significant demographic cohorts in Indonesia. As the country's current and future workforce, they are expected to play a crucial role in supporting the nation's tax system. Understanding their knowledge of and attitudes towards taxes is vital for promoting their active engagement in tax compliance.

Despite their importance, engaging Millennials and Generation Z in tax compliance presents several challenges. One major issue is the low level of tax literacy among these groups. Many young people in Indonesia lack a comprehensive understanding of the tax system, including the types of taxes levied, applicable tax rates, and the benefits of tax contributions to national development. This lack of understanding can result in misconceptions and a lack of appreciation for the importance of paying taxes [7].

In addition to the issue of tax literacy, widespread corruption in Indonesia has significantly undermined public trust in the government. Numerous high-profile corruption cases involving government officials have fostered a perception that tax revenues are not being used effectively or ethically. This perception contributes to skepticism and reluctance among taxpayers, particularly younger generations, to comply with tax obligations. They often doubt whether their tax payments are being utilized for the public good or diverted for personal gain by corrupt officials.

The erosion of trust in the government poses a significant obstacle to achieving sustainable development goals. When taxpayers, especially the younger generation, lose confidence in the government's ability to manage tax revenues transparently and responsibly, they are less likely to fulfill their tax obligations. This non-compliance reduces the available revenue for essential development projects, hindering progress towards sustainable development [7].

Addressing these challenges requires a detailed understanding of the factors influencing tax knowledge and trust among Millennials and Generation Z. By exploring these factors, targeted strategies can be developed to improve tax education and rebuild trust in the government. Enhancing tax literacy and ensuring greater transparency and accountability in the management of tax funds are crucial for increasing tax compliance and supporting sustainable development.

This research aims to fill the gap in understanding by examining the level of tax knowledge among Millennials and Generation Z, identifying the factors affecting their trust in the government, and assessing how this trust influences their willingness to pay taxes. The study will also provide policy recommendations to improve tax education and transparency, thereby fostering greater participation in tax payments and contributing to sustainable development in Indonesia.

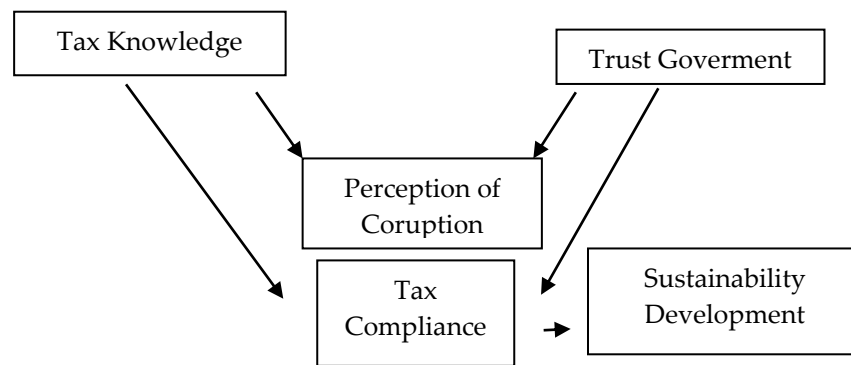


Figure 1. Theoretical Framework Diagram

2. Materials and Methods

This research is a qualitative research method. Primary data to explore the level of tax knowledge and trust in government among Millennials and Generation Z in Indonesia and how these factors affect tax compliance and sustainable development, enabling an in-depth understanding of informants' perspectives and experiences regarding tax-related issues and trust in government. Data was collected through interviews. This method was chosen to gather rich and detailed information and to capture the attitudes and beliefs of the informants.

Data Analysis

1) Transcription

Interviews were transcribed verbatim to ensure accuracy.

2) Theme Development

The data was grouped into broader themes that captured the informants' key patterns and insights regarding tax knowledge, trust in government, and tax compliance. The themes were reviewed and refined to ensure that they were accurate and appropriate to represent the data and answer the questions.

3) Interpretation

The themes were interpreted within a framework of existing theories and literature, involving a comparison of the research findings with previous research to identify new insights into the level of tax knowledge and trust in government among Millennials and Generation Z for sustainable development in Indonesia.

4) Triangulation

Data was collected from multiple sources (interviews and focus groups) to triangulate findings and increase credibility.

Ethical Considerations

This research meets ethical standards to protect the rights of informants:

1) Informed Consent

Transparency regarding the objectives, procedures, and informants' rights before obtaining informed consent.

2) Voluntary Participation

The informant conducts the interview voluntarily, and can withdraw or not complete this study at any time without any consequences.

3. Results and Discussion

Respondent Demographics

The two key age groups covered by the statistics are Millennials (ages 25 to 43) and Generation Z (ages 9 to 24), both of which have a big impact on the social and economic landscape of today. Millennials are known for their inventiveness and technological adaptability, but Generation Z has particular demands because they were raised in the digital world. The survey informant represent a broad spectrum of educational backgrounds and goals: from those with only a secondary education to those with advanced degrees, they represent a wide range of experiences. They also represent a range of professional backgrounds, including students, entrepreneurs, and seasoned professionals. This diversity provides a thorough grasp of how different statistical and skill-related factors influence the beliefs and actions of society.

Level of Tax Knowledge

The majority of informant have a rudimentary awareness of the various forms of taxes and their importance to the growth of the country. They recognize that taxes are an essential source of revenue for infrastructure and public services, both of which are necessary for societal well-being and economic growth. But there are huge differences in people's knowledge of particular areas of taxation, like tax rates, filing requirements, and payment options. Many informant show a lack of knowledge in these areas, which can cause problems with effective tax administration and compliance.

Numerous sources, such as social media, formal education, seminars, and workshops, are used to obtain tax information. Although social media provides information quickly and easily, it frequently lacks precision and depth. While formal schooling offers a well-organized and thorough education, it might not necessarily include the most recent developments in tax law. Lectures and workshops provide practical insights and up-to-date information, though their reach may be limited to those who have access to such events.

The informant varying levels of tax awareness highlight the need for more thorough tax education, particularly for the younger generations who will contribute to the economy and file taxes in the future. Increasing tax literacy can help people make more informed decisions, encourage better compliance, and eventually support a more robust and open tax system. To achieve this goal, it is imperative to fund educational programs, make use of numerous efficient channels, and promote a culture of lifelong learning.

Trust in Government

There is a low degree of trust among respondents about the government's handling of tax funds, with many voicing doubt because of pervasive corruption. This mistrust is rooted in the conviction that tax funds are frequently misappropriated or misused by public servants, taking them away from their original use. Many believe that tax dollars are not used efficiently for public services and development, which gives the impression that their contributions are not being used for anything concrete. Inadequate public services, badly maintained infrastructure, and a lack of discernible progress in community development initiatives are all signs of this inefficiency.

The situation is exacerbated by the public's impression of pervasive corruption among government officials. Frequent allegations of scandals, poor management, and a lack of responsibility within governmental institutions all serve to exacerbate this mistrust. As a result, citizens become increasingly cynical about the intentions and capabilities of their leaders. This low trust in the government affects the willingness and compliance in paying taxes, as people are less inclined to contribute to a system they believe is mismanaged and corrupt. The reluctance to pay taxes can lead to lower revenue collection, which in turn hampers the government's ability to fund essential services and development projects.

To rebuild public confidence and enhance the efficiency of tax collection and utilization, there is an urgent need for increased accountability and openness in the administration of tax revenues. Rebuilding trust can be facilitated by putting in place strict

anti-corruption measures, making sure tax money are allocated and used transparently, and regularly publishing reports to the public on the use of tax resources. Public participation in budgeting and spending procedures can also foster a sense of accountability and ownership, which raises compliance rates. The government may create a more reliable and effective tax system that benefits society at large by solving these issues.

Tax Compliance

Despite the fact that most respondents are generally willing to pay taxes, noncompliance is hampered by mistrust of the government. This mistrust is frequently caused by beliefs about incompetence, corruption, and improper handling of tax money, all of which seriously impede voluntary compliance. Many people are still reluctant to cooperate because of these unfavorable opinions, even while some people do so out of a strong feeling of civic duty and obligation. They don't want to support a system that, in their opinion, doesn't utilize their money wisely or openly.

Good tax education has been shown to raise awareness and intent to pay, underscoring its crucial function in resolving noncompliance problems. People can gain a greater understanding of the significance of taxes, how they pay for public goods and services, and the safeguards in place to ensure their appropriate use through extensive educational programs. This increased awareness can lead to a more informed and engaged taxpayer base, reducing the gap between willingness and actual compliance.

Tax compliance can be increased by strengthening tax education and increasing openness in tax administration. Building trust in the system can be facilitated by implementing transparency measures including frequent audits, public disclosure of financial accounts, and transparent reporting on tax revenue spending. Involving the public in financial procedures and decision-making can also foster a sense of accountability and ownership.

Since the younger generation is more likely to be impacted by educational programs and open governance norms, these efforts are especially crucial. Young people must have the trust and understanding required to fully engage in the tax system since they will be future taxpayers and economic drivers. By taking care of these issues, governments may create a more fair and efficient tax system that ensures tax income benefits all societal members and fosters a culture of compliance and civic responsibility.

Relationship between Tax Knowledge and Tax Compliance

The study's findings show a favorable correlation between tax compliance and intention as well as intention to pay. People who possess a more profound comprehension of tax systems, rules, and the role that taxes play in the growth of a country are inclined to voluntarily fulfill their tax duties. Raising awareness and comprehending the significance of taxes for sustainable development requires thorough tax education. By ensuring that taxpayers are aware of how their money supports social programs, infrastructure improvements, and vital public services, it promotes accountability and confidence in the tax system. Governments may boost voluntary compliance rates, lower tax evasion, and establish a more open and responsible fiscal environment—all crucial for long-term economic growth and stability—by funding effective tax education initiatives.

Impact of Trust in Government

Trust in the government is a crucial factor influencing tax compliance, as it greatly impacts individuals' willingness to fulfill their tax obligations. High levels of distrust, often driven by perceptions of corruption and mismanagement, cause many people to hesitate in paying taxes, fearing their contributions may not be effectively used for public benefit. This reluctance not only undermines the government's revenue collection efforts but also hinders overall societal development. Therefore, transparency and accountability in tax management are essential to restore trust and encourage higher compliance rates. By implementing clear reporting mechanisms, conducting regular audits, and involving citizens in the decision-making process, governments can show their commitment to

ethical governance. These measures can help rebuild public confidence, creating an environment where individuals feel more secure in contributing to the tax system, ultimately leading to a more robust and sustainable economy.

Strategies to Improve Tax Compliance

Improved educational initiatives are required to raise tax compliance and knowledge, especially among younger taxpayers. To regain the public's trust, the government should also make tax fund administration more transparent and show how tax dollars are being used for development programs that provide real results. Simultaneously, measures to counter corruption and enhance the public perception of a transparent and effective government must persist in cultivating a climate of more accountable governance. By addressing these issues, the government will be able to build a better foundation for tax compliance and a more knowledgeable population.

4. Conclusion

Sustainable development is a crucial goal for Indonesia, requiring a balance between economic growth, social inclusion, and environmental protection. Taxes are a primary source of revenue for the government, funding critical public services and infrastructure projects. However, engaging Millennial and Generation Z in tax compliance presents challenges. Low tax literacy among these groups can lead to misconceptions and a lack of appreciation for tax contributions. Corruption in Indonesia has also undermined public trust in the government, causing skepticism and reluctance among taxpayers. This erosion of trust hinders progress towards sustainable development goals. To address these challenges, a detailed understanding of factors influencing tax knowledge and trust among Millennial and Generation Z is needed. Targeted strategies can be developed to improve tax education and rebuild trust in the government. This research aims to examine tax knowledge among Millennial and Generation Z, identify factors affecting their trust in the government, and assess how this trust influences their willingness to pay taxes.

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