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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.