



Taxes and the functions of state development (A case study at the Cirebon One Primary Tax Service Office)

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Abstract:

Taxes represent a mandatory, legally enforced contribution to the state, made without direct compensation, to fund public needs. In Indonesia, national development relies heavily on financial resources, with tax revenues being a primary source. The Cirebon One Primary Tax Service Office serves five sub-districts in Cirebon City, which has a population of approximately 380,000 residents and 85,000 registered taxpayers. Tax revenue is crucial in supporting state functions, as outlined in the fourth paragraph of the Preamble to the 1945 Constitution, which emphasizes the importance of welfare and national prosperity. Statutory regulations govern the optimal utilization of taxes as a source of state revenue. The essence of national development lies in improving the standard of living, and taxes are vital to sustaining development efforts to enhance societal welfare. National development is a continuous process encompassing the well-being of the people, the nation, and the state's overall progression.

INTRODUCTION

Taxes are compulsory contributions imposed on citizens by the state, which are coercive and provide no direct compensation to taxpayers for the payments made. The existence of taxes dates back to the earliest human civilizations and has evolved in tandem with societal, economic, and regional developments. Tax forms and collection methods vary, but the primary purpose of taxation remains the same: to serve as state revenue for national development, aimed at improving the welfare of the people (Janges & Pangestu, 2021).

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The latest regulations on general tax provisions and procedures are outlined in Law No. 16 of 2009 concerning General Provisions and Tax Procedures. Article 1, Point 1, defines taxes as mandatory contributions owed by individuals or entities, enforced by law, without direct compensation, and intended for the state's needs to maximize the prosperity of the people.

For a state to achieve its goal of public welfare, financing is required to cover all expenses, including those related to development. As a nation, it is essential to generate income to enhance resources, one of which comes from taxation. Taxes serve as a critical source of revenue for the government to facilitate development aimed at public welfare, even though the benefits of tax payments may not be felt directly. The mandatory nature of taxes is regulated by applicable laws, and citizens are legally obligated to contribute.

According to the provisions of the Income Tax Law, individuals or entities that qualify as taxpayers and receive taxable income are required to fulfill their tax obligations. Taxpayers are expected to comply with tax regulations and make payments to contribute to the country's economy. Tax compliance can be defined as a state where taxpayers meet all their tax obligations and exercise their tax rights (Mehana, 2021).

Indonesia adopts a self-assessment system in its taxation, meaning that taxpayers calculate, pay, and report their taxes independently, under government supervision. Therefore, taxpayer compliance plays a crucial role in Indonesia's tax revenue. Tax compliance is categorized into two types. First, formal compliance refers to taxpayers fulfilling their tax obligations according to prevailing laws. Second, material compliance refers to the accurate filing and reporting of tax returns (SPT) in line with actual circumstances and regulations.

In carrying out national development, Indonesia, like other countries, requires funds to finance development projects. Revenue sources are divided into two sectors: internal and external. An example of external revenue is foreign loans, while internal revenue includes maximizing tax collections. Within the State Budget (APBN), taxes represent the largest source of revenue. Taxes serve both regulatory and budgetary functions. The budgetary function refers to taxes contributing funds to the state treasury. In fulfilling this function, taxpayer discipline and awareness are crucial. The Directorate General of Taxes (DJP) has implemented various measures to maximize tax revenue, including reforms in tax legislation and the application of the self-assessment system, wherein taxpayers independently calculate, pay, and report their tax liabilities (Islami & Sofianty, 2023).

METHOD

This research adopts a qualitative descriptive approach. According to Sugiyono (2019), the descriptive method is used to describe or analyze research findings but is not intended for making broader generalizations. In qualitative descriptive research with a deductive model, theory is still employed as a research tool, starting from the selection and identification of the problem, conducting field observations, and continuing through to the data testing process (Abdussamad, 2022).

The primary research data was obtained through observations conducted at the Cirebon One Primary Tax Service Office, located at Jalan Evakuasi No. 9, Karyamulya

Subdistrict, Kesambi District, Cirebon City, West Java 45131. Meanwhile, secondary data for this research was gathered from relevant journals, e-books, and previous studies.

RESULTS AND DISCUSSION

Taxpayer Compliance and its Influence on Revenue Collection

Taxpayer compliance is fundamental to the effective collection of taxes, which are the backbone of national revenue. The Cirebon One Primary Tax Service Office (KPP) oversees the tax obligations of five districts in Cirebon City, serving a population of 380,000, with approximately 85,000 registered taxpayers. Tax compliance refers to the extent to which individuals and businesses fulfill their obligations under the country's tax laws. This includes accurate calculation, timely payment, and proper reporting of taxes. Under Indonesia's self-assessment system, the responsibility of determining tax liabilities falls directly on the taxpayers. The success of this system relies heavily on taxpayers' willingness and capacity to comply with tax regulations. As such, taxpayer compliance becomes a critical determinant of revenue, influencing the government's ability to fund national development programs and public services (Najicha, 2022).

Taxpayer compliance can be categorized into two types: formal and material. Formal compliance refers to the accurate filing of tax returns and the submission of required documentation within the legal timeframe. Material compliance, on the other hand, requires that the tax returns accurately reflect the taxpayer's true financial situation. In Indonesia's self-assessment system, it is the responsibility of the taxpayer to ensure that their returns are both timely and accurate, often with assistance from tax professionals. The self-assessment model relies heavily on the honesty and diligence of taxpayers to fulfill their obligations. High levels of compliance ensure that the state can collect sufficient revenue to finance critical areas such as infrastructure, education, and healthcare, which are essential for public welfare and national development (Fakhruzy, 2020).

Taxpayer knowledge is a significant factor in achieving high levels of compliance. When taxpayers have a comprehensive understanding of tax laws and their obligations, they are more likely to meet their responsibilities. This knowledge extends beyond the basic requirements for filing taxes and includes understanding the implications of non-compliance, such as penalties or legal consequences. Conversely, a lack of knowledge often leads to unintentional non-compliance, where taxpayers may fail to report their taxes correctly or miss filing deadlines. To mitigate this risk, the Cirebon One Primary Tax Office must prioritize taxpayer education, ensuring that all taxpayers, particularly those in smaller businesses, have access to accurate information. Through seminars, workshops, and online resources, the tax office can help bridge the knowledge gap and encourage more consistent compliance.

Taxpayer awareness, closely related to knowledge, also plays an essential role in driving compliance. Taxpayers who understand the broader purpose of taxes – such as their role in funding social programs, public services, and national development – are more likely to voluntarily fulfill their obligations. This sense of civic duty can be fostered through public education campaigns that emphasize the direct link between tax revenue and public welfare. As awareness of the impact of taxes grows, so does the likelihood of voluntary compliance. The Cirebon One Primary Tax Office must continuously reinforce

this connection, particularly in regions where tax evasion might be normalized, by highlighting the societal benefits of tax contributions (Putri & Taun, 2023). Informed taxpayers are not only more likely to comply but also to support tax reforms and policies aimed at improving national prosperity.

Social and environmental factors also contribute significantly to tax compliance behavior. The communities in which taxpayers operate can influence their approach to fulfilling tax obligations. In environments where compliance is the social norm, taxpayers are more likely to follow suit, viewing it as a shared responsibility. On the other hand, in regions where tax evasion or avoidance is common, taxpayers may be less motivated to comply, feeling that their efforts will go unnoticed or that others are not contributing fairly. This highlights the need for the Cirebon One Primary Tax Office to engage with local communities, promoting a culture of compliance that emphasizes fairness and shared responsibility. By involving local leaders and influencers, tax authorities can create a more conducive environment for voluntary compliance.

The role of the government in supporting taxpayer compliance is equally critical. Simplifying tax procedures and reducing bureaucratic barriers can significantly enhance participation. The digitalization of tax services, as seen in other regions, can streamline the filing and payment processes, making them more accessible to the general population. In Cirebon, where some taxpayers may lack access to digital resources, it is essential for the tax authorities to promote the use of these services while ensuring that all segments of the population are supported. By providing user-friendly digital platforms and offering assistance to those unfamiliar with them, the tax office can increase taxpayer engagement and make compliance easier for everyone.

Lastly, continuous evaluation of tax regulations and their implementation is necessary to ensure they remain effective in an evolving economic landscape. As local businesses and individuals in Cirebon encounter new economic challenges, particularly those arising from global shifts or national policies, tax frameworks need to be flexible enough to accommodate these changes. Authorities at the Cirebon One Primary Tax Service Office should regularly review compliance rates and adapt their strategies as necessary, ensuring they align with both the government's revenue needs and the taxpayers' capacity to comply. This adaptive approach will help maintain high levels of compliance, ensuring steady revenue generation for national development initiatives.

A critical aspect of maintaining taxpayer compliance is the consistent enforcement of penalties and consequences for non-compliance. By ensuring that tax laws are enforced fairly and penalties are applied uniformly, the tax authorities create a deterrent against evasion and under-reporting. In this context, the Cirebon One Primary Tax Office must implement a transparent system where the rules are clear, and the consequences for breaking them are well understood. This not only fosters compliance but also builds public trust in the fairness of the tax system. When taxpayers see that penalties are enforced consistently, they are more likely to comply with tax regulations, knowing that evasion will not go unpunished.

In addition to enforcement, the introduction of positive incentives for compliance could enhance taxpayer engagement. Offering rewards or public recognition for consistent compliance could shift the focus from penalty avoidance to active participation in nation-building. The Cirebon One Primary Tax Office could introduce initiatives that celebrate high levels of compliance, encouraging taxpayers to view their

contributions as an integral part of national development. Incentives, when combined with clear enforcement, provide a balanced approach that motivates compliance, ultimately resulting in a more stable and reliable source of revenue for the government.

A holistic approach to improving taxpayer compliance must consider both the enforcement of legal frameworks and the cultivation of a cooperative relationship between the government and the taxpayers. Building trust between taxpayers and the authorities is essential for long-term compliance. When taxpayers feel that their contributions are being used efficiently and transparently to benefit society, they are more likely to voluntarily fulfill their obligations. Public accountability and transparency in the allocation of tax revenue can reinforce this trust. The Cirebon One Primary Tax Service Office, in collaboration with local governments, must prioritize transparent reporting on how tax revenues are utilized for public services, infrastructure development, and social welfare programs. By fostering a sense of shared responsibility, the tax authorities can ensure that taxpayers recognize their role not only as contributors to the state but also as participants in the nation's development.

The Role of Tax Awareness and Education in National Development

Taxpayer awareness and education are fundamental to improving tax compliance and, by extension, ensuring the financial sustainability of state development efforts. In Indonesia, taxes serve a dual purpose: not only do they provide essential revenue for the government, but they also act as a redistributive tool to address income inequality. Taxes collected from wealthier individuals and businesses are utilized to fund social programs that support lower-income citizens, promoting social equity and economic stability. This redistributive function of taxation makes it a vital component in reducing economic disparities and fostering inclusive development. The Cirebon One Primary Tax Service Office plays a significant role in ensuring that this function is understood and appreciated by the public, as greater awareness leads to more consistent compliance (Najicha, 2022).

A key component of fostering tax awareness is through effective public education campaigns. These campaigns should aim to explain the importance of taxes and how they contribute to national development. By ensuring that the public understands their tax obligations and the benefits of taxation, the Cirebon One Primary Tax Office can encourage more taxpayers to comply with the law. Such outreach programs should include seminars, workshops, and informational materials distributed through various channels. These efforts are particularly important for small business owners and self-employed individuals, who may not have access to professional tax advice. By empowering these taxpayers with knowledge, the tax office can significantly improve voluntary compliance, leading to higher revenue collection and more efficient funding of public projects.

Tax socialization is another critical aspect of ensuring compliance. Socialization refers to the efforts made by the government to educate the public about updates to tax laws and regulations, as well as providing guidance on how to fulfill their tax obligations. The more accessible and frequent these educational efforts are, the better equipped taxpayers will be to comply with their responsibilities. This is especially true for those in the informal sector or individuals who operate smaller businesses, as they may not have the resources to hire tax professionals. In Cirebon, tax socialization

initiatives are essential for bridging the knowledge gap and ensuring that all taxpayers, regardless of their financial background, have the information needed to comply with the law (Fakhruzy, 2020).

The self-assessment system in Indonesia, where taxpayers are responsible for calculating and reporting their taxes accurately, further underscores the need for comprehensive tax education. Without adequate knowledge of tax regulations, taxpayers are at risk of making mistakes that could result in penalties or missed payments. Therefore, consistent and clear communication from the tax authorities is vital in preventing misunderstandings and ensuring that taxpayers remain informed of their responsibilities. Regular updates through accessible channels such as online platforms, community outreach, and workshops can help ensure that taxpayers are aware of any changes in tax policies or requirements (Putri & Taun, 2023). Such efforts ultimately strengthen compliance and contribute to the financial health of the nation.

Tax awareness and education also foster greater accountability among taxpayers. Those who are well-informed about the penalties for non-compliance are more likely to fulfill their tax obligations correctly and on time. This benefits the state by increasing tax revenue while simultaneously fostering a culture of transparency and accountability within society. By understanding the direct connection between their tax contributions and public welfare, taxpayers are more likely to support government initiatives and public projects. This shared responsibility for national development can lead to a more engaged citizenry, where taxpayers view their contributions as an integral part of societal advancement rather than merely a financial obligation.

A significant aspect of enhancing tax awareness involves educating younger generations. By incorporating tax education into school curriculums, students can gain an early understanding of taxes and their role in national development. This early awareness can shape responsible future taxpayers who are well-versed in the importance of fulfilling their civic duties. Practical knowledge of taxation, including its impact on public services and infrastructure, can contribute to higher future compliance rates. This proactive approach can help cultivate a culture of financial responsibility and civic engagement among younger Indonesians, ensuring long-term sustainability in tax compliance and revenue generation.

Collaboration between the tax office, educational institutions, and local community leaders can further enhance the effectiveness of tax awareness campaigns. Involving trusted community figures can help reach a broader audience, especially in areas where formal education or access to accurate tax information is limited. A coordinated approach that includes workshops, community forums, and educational materials adapted to local needs can ensure that taxpayers receive consistent and relevant information. This collaborative effort not only increases taxpayer compliance but also helps to build trust between the government and its citizens, fostering a sense of shared responsibility in national development.

Taxpayer education should also include strategies for adapting to new economic realities. As the global economy evolves and digitalization becomes more prevalent, the Cirebon One Primary Tax Office must ensure that its outreach and education programs are tailored to meet the needs of both traditional businesses and digital entrepreneurs. Expanding the scope of tax education to include information on digital tax filing, e-commerce taxation, and other emerging tax issues can prepare taxpayers for the

changing landscape of taxation. By staying ahead of these trends, the tax office can ensure that all sectors of the economy are adequately informed and compliant, further supporting national development efforts.

The success of tax awareness and education initiatives depends on continuous evaluation and improvement. Regularly assessing the impact of these programs on taxpayer compliance rates allows tax authorities to refine their strategies and address any gaps in communication or outreach. As new challenges arise, such as changes in the economy or shifts in public perception of the government, the Cirebon One Primary Tax Office must remain flexible and responsive in its approach. By maintaining an ongoing dialogue with taxpayers and adjusting educational efforts accordingly, the tax office can ensure long-term success in revenue collection and national development.

CONCLUSION

Taxes are one of the main sources of state revenue, contributing significantly to the economic, socio-cultural, educational, political, and national security welfare. Taxes, as an instrument of state revenue, play a crucial role in national development, as outlined in the fourth paragraph of the Preamble to the 1945 Constitution. Consequently, laws and regulations govern the optimal use of taxes as a source of state revenue. The essence of national development is to improve the living standards of the population, and taxes are a vital element in achieving this goal. Through sustainable development, the state can create prosperity for all its citizens, encompassing various aspects of society, the nation, and the continuity of the state's existence.

AUTHOR CONTRIBUTION STATEMENT

Mohammad Ridwan was primarily responsible for the conceptualization and design of the research. He played a key role in developing the research framework and oversaw the entire process of data interpretation and analysis. In addition to guiding the research direction, he contributed substantially to writing the manuscript and ensuring that the theoretical foundation was well-established. Dicky Arbianto was in charge of data collection and analysis, particularly focusing on tax compliance and its influence on national development. His role was crucial in interpreting the data, ensuring its accuracy, and synthesizing the findings into coherent arguments presented in the results and discussion sections.

Farhah Lailiya conducted an extensive literature review and gathered supporting evidence from previous studies to strengthen the discussion and analysis. She also contributed to drafting the literature review and methodology sections of the manuscript. Farhat Saleh Al Jufri provided critical insights throughout the research process, ensuring methodological alignment and contributing to revisions. He also provided intellectual oversight and guidance to enhance the manuscript's overall clarity and coherence. All authors actively collaborated during the writing and revision phases and collectively approved the final version of the manuscript for submission.

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