Gen Z's Perception of Understanding Tax Compliance Behavior

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***Abstract**. This study examines the factors influencing tax compliance among Generation Z in Solo Raya, Indonesia, with a particular focus on the challenges of low compliance within the informal sector. Employing a quantitative approach, data were gathered through closed questionnaires distributed to 135 respondents and analyzed using Structural Equation Modeling - Partial Least Squares (SEM-PLS) via SmartPLS 3. The results reveal that reference groups and tax knowledge have a significant positive impact on tax compliance, whereas the digitalization of the tax system and social media do not demonstrate a significant effect. These findings underscore the critical role of social influence and tax education in improving compliance while indicating that digitalization efforts and social media campaigns require further refinement. This research contributes to the development of effective government policies aimed at enhancing tax compliance among Generation Z through targeted educational initiatives and the strategic application of technology.*

***Keywords:** Digitalization of Tax System; Reference Group; Social Media; Tax Compliance; Tax Knowledge; Z Generation*

1. INTRODUCTION

Taxes serve as a primary source of revenue for Indonesia's State Budget, contributing approximately 60%–70% of the total national income. This revenue is allocated to fund government expenditures and supports national development (Halim, 2020). The state's financial capacity to fund development is directly correlated with the amount of tax revenue collected. The greater the tax revenue, the stronger the government's ability to finance national development, and vice versa (Susanti et al., 2020).

Over the past three years, tax revenue in Indonesia has shown a significant upward trend. According to data from BPS-Statistics Indonesia, tax revenue reached IDR 1,547.8 trillion in 2021, increased to IDR 2,034.5 trillion in 2022, and further rose to IDR 2,118.3 trillion in 2023. This growth was driven by the stability of domestic economic performance and the success of the Directorate General of Taxes (DGT) in conducting oversight activities (Masitoh, 2024). One key component contributing to tax revenue is Income Tax, which in Indonesia is referred to as PPh. The following are the targets and actual realizations of Income Tax revenue from 2021 to 2023, which have consistently increased.

Table 1. Targets and Realizations of Income Tax (PPh) Revenue for 2021–2023(in Trillions)

Year	Target (IDR)	Realization (IDR)	Realization (%)
2021	683,77	696,51	101,86
2022	813,68	998.22	122,68
2023	935,07	1.061,82	113,67

Source: (Ministry of Finance RI, 2022; 2023; 2024)

Although tax revenue has increased, significant challenges lie ahead, particularly regarding Income Tax (PPh) in the informal sector. According to the February 2024 National Labor Force Survey (which in Indonesia is referred to as SAKERNAS), 84,13 million people, equivalent to 59,17% of the total workforce, are employed in the informal sector. Workers in this sector are often difficult to tax due to the nature of their jobs, which are typically unregistered and involve irregular income. Additionally, many of these individuals are not yet integrated into the government's tax information system, leaving the potential tax revenue from this sector underutilized (Siswanto, 2024b).

Another challenge is the low level of tax compliance in the informal sector, particularly because Income Tax (PPh) Article 21 is not directly withheld by employers. In practice, the compliance rate for filing Tax Returns (which in Indonesia is referred to as SPT) among individual employee taxpayers is higher than that of non-employee individual taxpayers (Siswanto, 2024a). Therefore, by optimizing the potential revenue from Individual Income Tax in the informal sector, the government can significantly improve the tax ratio (Siswanto, 2024b).

The rise of the informal sector as a source of employment has increasingly attracted Generation Z (CNN Indonesia, 2024), which, according to BPS-Statistics Indonesia, consists of individuals born between 1997 and 2012. As the youngest group in the workforce, Generation Z is known for its strong technological skills and preference for workplace flexibility (Sakitri, 2021). According to Zega et al. (2024), raising tax awareness and compliance among Gen Z is essential to achieving *Indonesia Emas* by 2045. Implementing integrated tax education and launching digital technology-based tax awareness campaigns on social media are strategic steps that must be taken. If Generation Z develops a strong understanding of taxation, they are expected to become compliant taxpayers, thereby contributing to tax revenue (Fahmi, 2023).

Tax revenue is generally closely linked to tax compliance (Broto, 2018). Tax compliance refers to the fulfillment of all tax obligations following established laws (legislation) on a fully voluntary basis (Night & Bananuka, 2020). To finance public expenditures and development for the well-being of society, achieving high tax compliance is a primary goal for the government. Therefore, among all the factors influencing tax revenue, tax compliance remains the most critical (Mukhlis & Simanjuntak, 2011).

Individuals within a taxpayer's environment, often referred to as reference groups, can influence their behavior (Kurnia & Khomsiyah, 2023). Studies by Ambarwati & Liyana (2020) and Kurnia & Khomsiyah (2023) indicate that reference groups have a significant positive impact on tax compliance. However, these findings differ from those of Hilmawan & Budi N (2023), which suggest that reference groups do not have a significant influence on tax compliance.

In addition to reference groups, technological advancements also influence taxpayer behavior. One example is the digitalization of the tax system, which is considered effective in enhancing tax compliance due to its convenience and usability, particularly among younger generations, such as Generation Z (Kurnia & Khomsiyah, 2023). Several studies, including those by Rahman et al. (2023), Embriati et al. (2023), Kurnia & Khomsiyah (2023), and Heriana & Irawan (2024), have demonstrated a positive impact of digitalization on tax compliance. However, other research by Fitria & Badjuri (2023), Nugraha & Apollo (2024), Magfiroh et al. (2024), and Ristiyana et al. (2024) indicates that tax compliance is not significantly influenced by the digitalization of the tax system.

Tax knowledge also plays a crucial role in shaping how taxpayers behave and perceive their obligations (Kurnia & Khomsiyah, 2023). Studies conducted by Susanti et al. (2020), Himawan & Widyasari (2021), Triana et al. (2022), Rahman et al. (2023), Kurnia & Khomsiyah (2023), and Heriana & Irawan (2024) indicate that tax compliance is positively and significantly influenced by tax knowledge. In contrast, the findings of Sandria & Farina (2023) suggest that tax knowledge does not have a significant impact on tax compliance.

The utilization of social media has become increasingly important in efforts to enhance tax compliance, as it serves as an effective platform for disseminating tax-related

information, particularly among younger generations like Generation Z (Kurnia & Khomsiyah, 2023). Studies conducted by Putri et al. (2023) and Kurnia & Khomsiyah (2023) indicate a positive influence of social media on tax compliance. However, contrasting findings from Bakar et al. (2023) and Balqis & Rusdi (2020) suggest that social media does not have a significant impact on tax compliance.

The tax compliance rate in Solo Raya exceeded 100% in 2020 (Wasita, 2021), and in 2022, it remained high at 100% (Wicaksono, 2023). According to data from the BPS-Statistics Central Java, Generation Z accounts for 23.8% of the population in Solo Raya, totaling approximately 1,593,211 individuals, making them the dominant demographic group in the region. This demographic composition positions Solo Raya as a strategic location for understanding tax compliance behavior among Generation Z, given their significant potential in supporting future tax revenue.

As future taxpayers, Generation Z possesses unique characteristics in accessing and understanding tax-related information. However, their level of tax compliance remains a challenge that requires further exploration. Therefore, this study is essential to provide a deeper understanding of the factors influencing tax compliance among Generation Z, particularly in Solo Raya, an area that has not been extensively examined in previous research. Additionally, this study employs a distinct analytical approach, utilizing Structural Equation Modeling – Partial Least Squares (SEM-PLS) as the data analysis technique, with Smart-PLS version 3 as the analytical tool. This method enables a more in-depth analysis of the relationships between variables. Thus, this research not only contributes academically but also serves as a foundation for formulating more targeted policy recommendations.

2. LITERATURE REVIEW

Attribution Theory

Attribution theory was developed by Fritz Heider in 1958 to study how individuals interpret events, reasons, and causes of behavior. According to this theory, human behavior is determined by a combination of internal forces (factors originating within an individual) and external forces (factors originating from external sources) (Heider, 1958). In this study, attribution theory is used to explain the factors influencing tax compliance,

where reference groups, the digitalization of tax systems, and social media are considered external factors, while tax knowledge is regarded as an internal factor.

Individuals tend to follow the behavior of reference groups they consider important, such as friends and family, which influence their views on tax obligations through social norms (Ambarwati & Liyana, 2020). According to Kurnia & Khomsiyah (2023), the convenience and usability of tax system digitalization assist in fulfilling tax obligations, thereby potentially increasing tax compliance. Additionally, having an adequate understanding of tax obligations and regulations fosters a sense of responsibility, making individuals more likely to comply (Rahman et al., 2023). Social media also plays a crucial role in disseminating information and norms related to taxation, influencing taxpayers' perceptions of their obligations (Putri et al., 2023).

Tax Compliance

Tax compliance refers to the fulfillment of all tax obligations following the established laws (legislation) on a fully voluntary basis (Night & Bananuka, 2020). Tax compliance plays a crucial role in increasing state revenue, which is then allocated to various sectors of development. When both taxpayers and tax authorities (fiscus) comply with regulations, tax revenue can be optimized, allowing for a larger budget allocation to improve public welfare. Conversely, non-compliance among taxpayers can reduce tax revenue and hinder national development (Susanti et al., 2020). Therefore, it is essential to build awareness that taxes are a societal contribution to the collective good. According to Suhendri (2015), the indicators of tax compliance include taxpayer registration, tax calculation, tax payment, submission of tax returns (SPT), and bookkeeping.

Reference Groups and Tax Compliance

Attribution theory explains that individual behavior, including tax compliance, is influenced by how individuals interpret external factors surrounding them, such as reference groups. Reference groups consist of people within a taxpayer's environment who can influence attitudes and decisions related to tax compliance (Ambarwati & Liyana, 2020). Previous studies support this perspective, as research by Ambarwati & Liyana (2020) and Kurnia & Khomsiyah (2023) demonstrates that reference groups have a significant positive impact on tax compliance. In this context, if those around Generation Z (such as friends, family, or colleagues) provide encouragement and support for being compliant taxpayers, Generation Z is more likely to fulfill their tax obligation.

According to Kurnia & Khomsiyah (2023), indicators of the reference group variable include providing advice and motivation for personal growth.

H1: Reference groups have a significant positive influence on tax compliance.

Digitalization of Tax Systems and Tax Compliance

Attribution theory explains that individual behavior, including tax compliance, is influenced by external factors, one of which is the digitalization of the tax system. The digitalization of the tax system is an integral part of the tax reform implemented by the Directorate General of Taxes (DJP) to transform tax administration into a digital system (Ristiyana et al., 2024). The DJP has undertaken a phased transformation by adopting various digital platforms to enhance service efficiency. Previous studies by Rahman et al. (2023), Embriati et al. (2023), Kurnia & Khomsiyah (2023), and Heriana & Irawan (2024) have demonstrated a significant positive impact of tax system digitalization on tax compliance. The success of earlier systems has driven the development of a new generation platform designed to be more comprehensive, leveraging big data technology and integrating core tax administration processes from taxpayer registration to tax collection (Simanjuntak & Kusuma, 2024). The successful implementation of this new system depends not only on technical aspects but also on taxpayers' perceptions of the DJP's technological adaptation, which plays a pivotal role in fostering compliance According to Wardhani et al. (2020), indicators of the digitalization variable include attitudes, perceptions, and ease for taxpayers.

H2: The digitalization of tax systems has a significant positive influence on tax compliance.

Tax Knowledge and Tax Compliance

Attribution theory explains that individual decisions are influenced by internal factors, including the knowledge they possess. Knowledge is one of the key factors affecting a taxpayer's decision to comply with tax obligations. According to Mardiasmo (2016), tax knowledge refers to a taxpayer's understanding of tax laws, both formal and substantive. Furthermore, tax knowledge can be defined as the level of understanding taxpayers have regarding applicable tax rules, regulations, and procedures, which is acquired through education, training, or public outreach (Heriana & Irawan, 2024). Previous studies by Susanti et al. (2020), Himawan & Widyasari (2021), Triana et al. (2022), Rahman et al. (2023), Kurnia & Khomsiyah (2023), and Heriana & Irawan (2024)

consistently demonstrate a significant positive impact of tax knowledge on tax compliance. In the context of Generation Z, having sufficient tax knowledge can increase the likelihood of them becoming compliant taxpayers. According to Suhendri (2015), indicators of the tax knowledge variable include understanding tax regulations, calculating tax liabilities, and completing the Tax Return (SPT) form.

H3: Tax knowledge has a significant positive influence on tax compliance.

Social Media and Tax Compliance

Attribution theory explains that individual behavior, including tax compliance, can be influenced by external factors, one of which is information received through social media. According to Darmian L. (2021), social media is an online platform that allows users, including potential taxpayers, to access a wide range of information. This access is expected to help them understand the general provisions of tax payment and reporting, as well as comprehend the purpose of service information provided by the Directorate General of Taxes (DJP). Thus, social media can serve as an effective tool for enhancing taxpayers' understanding and awareness of their tax obligations. Research conducted by Putri et al. (2023) and Kurnia & Khomsiyah (2023) indicates that social media has shown a significant positive impact on tax compliance. For Generation Z, who are highly familiar with digital technology, obtaining accurate and reliable tax-related information through DJP's official social media channels can shape their perception of tax compliance behavior. According to Kurnia & Khomsiyah (2023), indicators for the social media variable include following news and updates via social media, the influence of government/DJP messages on taxpayers, and using social media for updates on tax-related information.

H4: Social media has a significant positive influence on tax compliance.

The following figure illustrates the conceptual framework of this research based on the literature review and hypothesis formulation.
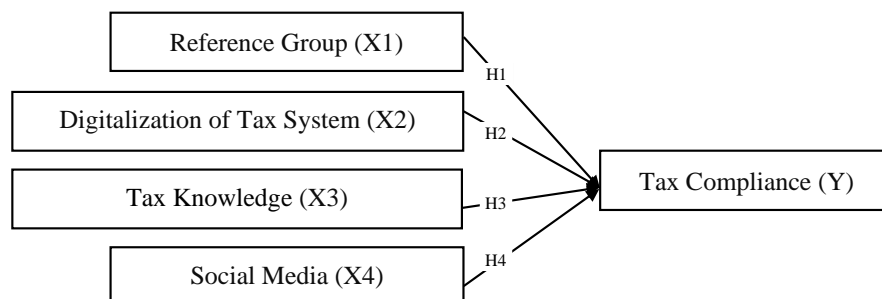
Figure 1. Research Framework

3. METHODS

This study employs a descriptive quantitative method using primary data. The dependent variable in this research is tax compliance, while the independent variables include reference groups, tax system digitalization, tax knowledge, and social media. The total population in this study consists of 1,593,211 individuals, representing Generation Z in Solo Raya (Statistics Indonesia-BPS, 2020). The sampling technique used in this research is purposive sampling, which is selected based on specific criteria (Sugiyono, 2022). The respondent criteria include individuals from Generation Z born between 1997 and 2006, residing in Solo Raya, and possessing a Taxpayer Identification Number (NPWP).

A closed-ended questionnaire or survey is used as the data collection technique, employing a Likert scale of 1-4 to enhance data accuracy by eliminating undecided or neutral responses (Hadi, 1991). The minimum required sample size for this study is 100, determined using Yamane's formula, as the population size is known (Sugiyono, 2022). A 10% margin of error is applied due to the descriptive nature of this research (Rahim et al., 2021). The data analysis technique used is SEM-PLS, conducted through SmartPLS version 3 software. The following presents the calculation of the minimum sample size using Yamane's formula:

$$n = \frac{N}{1 + N\,(e)^2} = \frac{1.593.211}{1 + 1.593.211\,(0,1)^2} = \frac{1.593.211}{15.932,11} = 100$$

Explanation:
n is the required sample size, N is the total population (1,593,211), and e is the margin of error, which is set at 10% for this study.

4. RESULTS

Respondent Profile Description

Table 2. Respondent Profile

Description	Category	Total	Percentage (%)
Gender	Male	55	41%
	Female	80	59%
Age Group	18 - 22 Years	61	45%
	23 - 27 Years	74	55%

Education	High School/Equivalent	63	47%
	Diploma	15	11%
	Bachelor's Degree (S1)	57	42%
Occupation	Civil Servant	9	7%
	Pharmacist	1	1%
	Teacher	4	3%
	Private-Sector Employee	76	56%
	Student	20	15%
	Paralegal	1	1%
	Entrepreneur	22	16%
	Police	2	1%
Religion	Islam	133	99%
	Christianity	2	1%
Domicile	Boyolali District	11	8%
	Karanganyar District	6	4%
	Klaten District	80	59%
	Sukoharjo District	10	7%
	Sragen District	9	7%
	Wonogiri District	1	1%
	Surakarta City	18	13%

The distributed questionnaire successfully collected responses from 135 Generation Z individuals in Solo Raya. The majority of respondents in this study were female (59%), with an age range of 23–27 years (55%), most of whom were employed and had their income. A significant portion of the respondents had a high school or equivalent education (47%), with the dominant professions being private-sector employees (56%) and entrepreneurs (16%). Nearly all respondents identified as Muslim (99%), which may influence tax compliance through the social compliance values they uphold.

Evaluation of the Outer Model

Table 3. Convergent Validity Test

Construct	Item	Outer Loadings	AVE
Reference Group	RG.1	0,739	0,645
	RG.2	0,859	
	RG.3	0,807	
Digitalization of Tax System	DTS.1	0,875	0,767
	DTS.2	0,850	
	DTS.3	0,906	
	DTS.4	0,871	
Tax Knowledge	TK.1	0,856	0,748
	TK.2	0,846	

	TK.3	0,848	
	TK.4	0,904	
	TK.5	0,871	
Social Media	SM.1	0,893	0,784
	SM.2	0,882	
	SM.3	0,913	
	SM.4	0,853	
Tax Compliance	TC.1	0,771	0,599
	TC.2	0,691	
	TC.3	0,831	
	TC.4	0,849	
	TC.5	0,788	
	TC.6	0,736	
	TC.7	0,801	
	TC.8	0,755	
	TC.9	0,728	

Based on Table 3, the convergent validity test is evaluated using two parameters. First, the outer loadings of the construct are considered valid in explanatory research if the values exceed 0,60. Second, the Average Variance Extracted (AVE) is deemed valid if its value is greater than 0,50 (Duryadi, 2021). The results of this test meet the established criteria, thus, each indicator in this study can be concluded as valid and acceptable.

Table 4. Discriminant Validity Test

	RG	DTS	TK	SM	TC
RG	0,803				
DTS	0,591	0,876			
TK	0,630	0,736	0,865		
SM	0,666	0,710	0,760	0,886	
TC	0,706	0,616	0,770	0,679	0,774

Based on Table 4, the discriminant validity test in this study was conducted using the Fornell-Larcker Criterion. Validity is met if the square root of AVE is greater than the correlation between constructs in the model (Duryadi, 2021). The test results indicate a value of 0.803 for the reference group variable, 0.876 for the tax system digitalization variable, 0.865 for the tax knowledge variable, 0.886 for the social media variable, and 0.774 for the tax compliance variable.

Table 5. Reliability Test

	Cronbach's Alpha	Composite Reliability
Reference Group	0,724	0,845

Digitalization of Tax System	0,899	0,929
Tax Knowledge	0,916	0,937
Social Media	0,908	0,936
Tax Compliance	0,916	0,930

Based on Table 5, Cronbach's alpha and composite reliability were used as parameters in the reliability test. The test results indicate that the values for each variable have met the criteria established for explanatory research, which require both values to be greater than 0,60 (Duryadi, 2021). Thus, each variable in this study can be considered reliable.

Evaluation of Inner Model

Table 6. R Square (Determinant Coefficient)

	R Square	**Adjusted R Square**
Tax Compliance	0,675	0,665

The R Square or determinant coefficient in this study is used to determine the extent to which the independent variables influence the dependent variable or the strength of relationships within the model (Duryadi, 2021). The R Square value of 0,675 indicates that 67,5% of tax compliance can be directly explained by reference groups, tax system digitalization, tax knowledge, and social media. Meanwhile, the remaining 32.5% is explained by other factors not included in this research model. The R-Square value in this study is considered strong, as it exceeds 0,67 (Duryadi, 2021)

Table 7. Path Coefficient

Hypothesis	Original Sample	T Statistic	P Values	Information
H1: RG -> TC	0,346	3,791	0,000	Supported
H2: DTS -> TC	-0,013	0,107	0,915	Rejected
H3: TK -> TC	0,506	6,804	0,000	Supported
H4: SM -> TC	0,073	0,743	0,458	Rejected

The path coefficient is used for hypothesis testing based on the T-Statistic and P-Values to determine the significance of the relationships between variables. This study applies a 5% relevance level for the T-Statistic, meaning that if the T-Statistic value is greater than 1,96, the hypothesis is accepted; otherwise, it is rejected. Additionally, the hypothesis is accepted if the P-Value is less than 0,05 and rejected if it exceeds this threshold.

In this study, the Goodness of Fit (Fit Model) was evaluated based on the NFI (Normed Fit Index) value, which was obtained at 0.785 or 78.5%. According to Duryadi

(2021), this value falls into the strong category as it exceeds the threshold of 0.67. Additionally, Q-Square (predictive relevance) was used to assess the predictive capability of the dependent variable. The Q-Square value of 0.384 indicates that the tax compliance variable has a good predictive ability, as the value is greater than 0 (Duryadi, 2021). These results demonstrate that the model has both a strong fit and predictive relevance, supporting its validity for further analysis.

5. DISCUSSION

The Impact of Reference Groups on Tax Compliance

Based on the results of the first hypothesis test (H1), it was found that reference groups have a significant positive effect on tax compliance. This is evidenced by a T-Statistic value greater than 1,96, specifically 3,791, and a P-Value less than 0,05, which is 0,000. Therefore, the first hypothesis (H1) in this study is accepted. These findings support the attribution theory, which states that tax compliance behavior, particularly among Generation Z, is influenced by reference groups as an external factor. This result aligns with previous studies conducted by Ambarwati & Liyana (2020) and Kurnia & Khomsiyah (2023). Ambarwati & Liyana (2020) stated that taxpayers tend to imitate the actions of their family and friends. Meanwhile, Kurnia & Khomsiyah (2023) emphasized that individuals surrounding taxpayers, such as family and friends, can serve as key drivers in shaping tax compliance behavior.

These findings indicate that reference groups play a significant role in influencing Generation Z's tax compliance behavior. Respondents in this study acknowledged that they tend to seek tax-related information from those closest to them, such as family and friends. Additionally, Generation Z also tends to register for a Taxpayer Identification Number (NPWP) when people around them have already done so. In other words, if individuals in a taxpayer's environment demonstrate compliance in fulfilling their tax obligations, Generation Z is more likely to follow suit. These findings further reinforce the evidence that reference groups are a crucial factor in shaping tax compliance behavior, particularly among Generation Z.

The Impact of Digitalization of Tax System on Tax Compliance

Based on the results of the second hypothesis test (H2), it was found that the digitalization of the tax system does not have a significant effect on tax compliance. This

is evidenced by a T-Statistic value of less than 1,96, specifically 0,107, and a P-Value greater than 0.05, which is 0,915. Therefore, the second hypothesis (H2) in this study is rejected. These findings fail to support attribution theory, which suggests that tax system digitalization, as an external factor, should influence tax compliance, particularly among Generation Z. This result contrasts with the findings of Rahman et al. (2023), Embriati et al. (2023), Kurnia & Khomsiyah (2023), and Heriana & Irawan (2024), which found a significant positive impact of tax system digitalization on tax compliance. However, these findings are consistent with the research of Fitria & Badjuri (2023), Nugraha & Apollo (2024), Magfiroh et al. (2024), and Ristiyana et al. (2024), which indicated that digitalizing the tax system does not influence tax compliance.

Low public understanding, limited access to technology, and concerns about errors in system usage are key barriers to digital system adoption (Magfiroh et al., 2024). Furthermore, the underutilization of digital platforms by taxpayers is driven by frequent technical errors or disruptions (Ristiyana et al., 2024). These issues are compounded by technical challenges in the latest service features of the Directorate General of Taxes (DJP), as acknowledged in its official written statement. This situation risks undermining public trust in the DJP's digital infrastructure, which could not only reduce taxpayer participation but also impede progress toward tax revenue targets.

Digitalization will not be effective without equitable infrastructure support and a holistic approach. Some respondents even disagree that data transparency is necessary to improve tax collection effectiveness, reflecting concerns over data privacy and security. These findings highlight the critical need for public education on digital tax systems, equitable infrastructure development, and systemic upgrades to minimize errors and strengthen data safeguards. Consequently, tax digitalization cannot automatically enhance compliance without public understanding, adequate infrastructure, and trust in the system.

The Impact of Tax Knowledge on Tax Compliance

Based on the results of the third hypothesis test (H3), it was found that tax knowledge has a significant positive effect on tax compliance. This is evidenced by a z value greater than 1.96, specifically 6.804, and a P-Value of less than 0.05, which is 0.000. Therefore, the third hypothesis (H3) in this study is accepted. These findings support the attribution theory, which states that tax knowledge, as an internal factor, plays a crucial

role in shaping tax compliance behavior. This result aligns with the studies conducted by Susanti et al. (2020), Himawan & Widyasari (2021), Triana et al. (2022), Rahman et al. (2023), Kurnia & Khomsiyah (2023), and Heriana & Irawan (2024). According to Triana et al. (2022), tax knowledge serves as a foundation for decision-making and as a guideline for fulfilling tax rights and obligations. Without adequate tax knowledge, fulfilling tax obligations becomes challenging (Rahman et al., 2023). Additionally, the level of tax knowledge influences taxpayers' perceptions and compliance behavior (Kurnia & Khomsiyah, 2023).

These findings indicate that tax knowledge plays a crucial role in enhancing tax compliance. Respondents in this study agreed that Generation Z, with a solid understanding of taxation, tends to be more compliant, as they recognize the importance of tax contributions to national development. Tax knowledge also fosters a sense of responsibility in accurately reporting and paying taxes while increasing awareness of potential penalties for non-compliance. Thus, the broader the tax knowledge possessed, the higher the likelihood that Generation Z will become compliant taxpayers. These findings highlight the importance of tax education and information dissemination among young generations, as adequate tax understanding can be a key factor in improving their compliance.

The Impact of Social Media on Tax Compliance

Based on the results of the fourth hypothesis test (H4), it was found that social media does not have a significant influence on tax compliance. This is evidenced by a T-Statistic value of less than 1,96, specifically 0,743, and a P-Value greater than 0,05, which is 0,458. Thus, the fourth hypothesis (H4) in this study is rejected. These findings fail to support the attribution theory, which suggests that external factors such as social media can influence Generation Z's tax compliance behavior. This result differs from the studies conducted by Putri et al. (2023) and Kurnia & Khomsiyah (2023), which found that social media positively affects tax compliance. However, it aligns with the findings of Balqis & Rusdi (2020), who concluded that social media does not significantly impact tax compliance. According to Balqis & Rusdi (2020), social media has not been fully utilized as a reliable source of tax-related information. Taxpayers tend to rely on the information they already know, and content from social media or official accounts of the Directorate General of Taxes (DJP) does not significantly reinforce their compliance behavior.

Additionally, Generation Z primarily uses social media for tutorials, inspiration, or entertainment rather than for seeking tax-related information (Biantoko et al., 2022).

These findings indicate that although social media serves as a source of tax-related information for Generation Z, its presence does not directly enhance tax compliance. Respondents in this study acknowledged that they can access tax information through official DJP accounts on platforms such as Instagram, Twitter, and LinkedIn. However, some respondents stated that they were not interested in obtaining tax-related information from the @ditjenpajakri social media account. Additionally, respondents revealed that while the content shared on social media helps increase their tax knowledge, this increased knowledge does not necessarily translate into greater tax compliance. This suggests that tax compliance is influenced by more dominant factors, such as reference groups and tax knowledge. Thus, the effectiveness of social media as a tax information source remains limited. A more interactive, engaging, and targeted educational strategy is needed to enhance understanding and improve the dissemination of tax-related information among Generation Z.

6. CONCLUSION

After analyzing the data, the results indicate that external factors, specifically reference groups, and internal factors, namely tax knowledge, have a positive and significant influence on tax compliance among Generation Z in the Solo Raya. This finding suggests that social environment and tax knowledge levels play a crucial role in improving tax compliance. However, external factors such as tax system digitalization and social media do not show a significant impact on tax compliance. These findings highlight the need for the government to enhance tax education, particularly through more interactive social media approaches, conduct tax-related training or workshops, and continuously evaluate and improve the quality of digital tax services.

LIMITATION

This study has limitations in its geographical scope, which is confined to the Solo Raya region, the use of purposive sampling, its focus on Generation Z aged 18 and above, and the limited independent variables. For future research, it is recommended to expand the geographical scope, establish criteria requiring respondents to have both paid and reported taxes, employ more diverse sampling methods such as stratified random

sampling, and incorporate variables like religiosity, tax awareness, and trust in government. These steps would provide a more comprehensive understanding and enhance the generalizability of the findings.

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