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OPTIMIZING TAX REVENUE THROUGH STRATEGIC MANAGEMENT UTILIZING TAX GAP DASHBOARD IN INDONESIA

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Abstract
Tax revenue plays a crucial role in the development and sustainability of a nation. However, significant challenges are faced in optimizing tax revenue, including tax compliance issues and the imbalance between the tax obligations that should be paid by taxpayers and what is actually paid. To address these challenges, it is important to implement effective strategies and appropriate technology in tax administration. This research aims to analyze the optimization of tax revenue through a strategic management approach utilizing the Tax Gap dashboard by the Directorate General of Taxes. Using a qualitative method, this study seeks to gain an in-depth understanding of the concept of strategic management and the implementation of the Tax Gap dashboard in the context of tax administration. The qualitative method was chosen because it allows for a deeper exploration of the strategies employed by the Directorate General of Taxes as well as a more holistic understanding of the role of the Tax Gap dashboard technology in enhancing tax administration effectiveness. Data collection methods in this study were conducted through a thorough review of literature related to the research topic, such as academic journals, articles, government reports, and other official sources. In this process, the researcher investigated various data sources to gather relevant information about the implementation of tax management strategies and the utilization of the Tax Gap dashboard by the Directorate General of Taxes. The conclusion of this research summarizes the main findings and provides recommendations for improving the effectiveness of strategies implemented by the Directorate General of Taxes.
Keywords: Directorate General of Taxes, Qualitative Method, Strategic Management, Tax Gap Dashboard, Tax Revenue Optimization

INTRODUCTION

Tax revenue is a vital aspect of a nation's finances but is confronted with several complex challenges. One of the primary issues is the high level of tax non-compliance, both in the form of tax evasion and tax smuggling (Rosadi, 2015). This phenomenon results in leakage within the tax system, consequently reducing the potential tax revenue that should be collected.

Over the period from 2018 to 2023, tax revenue in Indonesia experienced significant fluctuations. The table below provides a detailed overview of tax revenue based on its types during this period:

Table 1. Tax Revenue Realization 2018-2023

Year	Non-Oil Income Tax (PPh Nonmigas)	Value Added Tax & Luxury Goods Sales Tax (PPN & PPnBM)	Land and Building Tax (PBB)	Other Taxes	Oil Income Tax (PPh Migas)	Total Excluding Oil Income Tax	Total	Growth Rate
2018	685.28	537.26	19.44	6.63	64.71	1248.61	1313.32	-
2019	713.11	531.56	21.15	7.68	59.16	1273.49	1332.66	1.47%
2020	561.01	450.33	20.95	6.79	33.03	1039.08	1072.11	-19.55%
2021	643.85	551.90	18.92	11.13	52.85	1225.80	1278.65	19.26%
2022	920.36	687.61	23.26	7.69	77.84	1638.92	1716.76	34.26%
2023	1012.45	741.72	25.18	8.36	86.53	1804.24	1890.77	10.14%

Source: Directorate General of Taxes Annual Report 2023

Table 1 displays Indonesian tax revenue data from 2018 to 2023, categorized into several types, including Non-Oil Income Tax (PPh Nonmigas), Value Added Tax & Luxury Goods Sales Tax (PPN & PPnBM), Land and Building Tax (PBB), Other Taxes, and Oil Income Tax (PPh Migas). From the data, significant variations in tax revenue from year to year are evident. In 2018, total tax revenue reached 1,313.32 trillion rupiah. Year of 2019 saw a growth of 1.47%, while 2020 experienced a sharp decline of 19.55%, influenced by the impact of the COVID-19 pandemic on the economy. However, tax revenue began to recover in 2021, with growth reaching 19.26%. This growth trend continued in 2022, with a very significant growth of 34.26%. In 2023, although the growth was more moderate, a growth rate of 10.14% was still recorded (Laporan Tahunan Kementerian Keuangan 2023, n.d.).

These data reflect the government's efforts to improve efficiency in tax collection and post-pandemic economic recovery. The tax revenue trend is crucial for informing future fiscal policies and ensuring the nation's financial sustainability. Based on the data presented in the table, the Directorate General of Taxes (DGT) faces several challenges that need to be addressed to enhance tax revenue (Adi, 2020).

One of the main challenges faced by the DGT is the fluctuation in tax revenue from year to year. Despite significant increases in certain years, such as 2021 and 2022, there are still years with negative growth, as seen in 2020. These fluctuations indicate uncertainty in tax revenue while maintaining financial stability in tax policies remains crucial (Rosadi, 2015).

Tax revenue also faces challenges regarding tax non-compliance, both in the form of tax evasion and tax smuggling. Despite efforts to enhance supervision and tax regulation enforcement, more effective measures are needed to address these issues. Additionally, changing policies over time can pose challenges for the Directorate General of Taxes (DGT) in optimizing tax revenue. Inconsistent or poorly coordinated policies may disrupt predictability for taxpayers and hinder the DGT's efforts to improve tax compliance.

In tackling these challenges, the Directorate General of Taxes has introduced various innovations, including the utilization of information technology such as the Tax Gap dashboard. This dashboard enables authorities to track and analyze tax non-compliance more rapidly and effectively by identifying gaps between potential and actual tax revenue (Diamond & Saez, 2011).

In the pursuit of understanding the intricacies of tax revenue optimization, it's crucial to review past research contributions. The table below provides a concise overview of significant studies preceding this research, highlighting their focus areas, differentiators, and advancements:

Table 2. Comparative Analysis of Previous Research Contributions

No	Previous Research	Differentiator	Advancement
1	Rosadi (2015)	Highlights challenges in tax revenue collection in Indonesia.	Focuses on identifying tax non-compliance and its impact on revenue collection.
2	Adi (2020)	Identifies fluctuations in tax revenue and challenges faced by the Directorate General of Taxes.	Shifts focus towards improving tax collection efficiency.
3	Diamond & Saez (2011)	Discusses strategies using information technology to combat tax non-compliance.	Presents a more effective approach through tax gap analysis.

No	Previous Research	Differentiator	Advancement
4	Silalahi (2023a)	Explores the effectiveness of strategic management applied by the Directorate General of Taxes, particularly in using the Tax Gap dashboard.	Focuses specifically on management strategies and the utilization of the Tax Gap dashboard.
5	Chen (2021)	Offers insights into tax management and technological innovations to enhance tax revenue.	Presents a perspective on technological innovations in the context of improving tax revenue.

Source: Data processed by the Author, 2024

Based on this background, this research aims to examine the effectiveness of strategic management implemented by the Directorate General of Taxes, particularly in utilizing the Tax Gap dashboard, to address these issues (Silalahi, 2023a). Through a deeper understanding of the factors influencing the successful implementation of these strategies, it is hoped that more effective solutions can be found to enhance tax revenue in the future (Silalahi, 2024). Furthermore, the objective of this research is to make a meaningful contribution to improving tax administration in Indonesia by providing deeper insights into the contributions of strategic management and Tax Gap dashboard technology in optimizing tax revenue (Chen, 2021).

LITERATURE REVIEW

Tax theory refers to the study of principles and concepts underlying the imposition and collection of taxes by the government. Tax can be defined as a compulsory payment required by individuals, companies, or other entities to the government, based on income, wealth, or specific transactions, to finance public expenditures and services. Tax theory encompasses various aspects, including principles of tax fairness, economic efficiency, and the fiscal objectives of the government in utilizing tax revenue (Avram & Popova, 2022).

Tax obligation refers to the legal responsibility held by individuals or entities to pay taxes to the government in accordance with applicable laws and regulations. This includes the payment of taxes on income, wealth, sales, or other transactions imposed by the government. Tax obligation forms the basis of a country's tax system and is the required contribution from citizens to finance public expenditures and services (Smith, 2022).

Strategic management by the Directorate General of Taxes (DGT) refers to the process of planning, implementation, and supervision of long-term strategies designed to achieve the organization's goals and objectives in the context of tax administration. This includes identifying challenges and opportunities, setting clear objectives, determining policies, allocating resources, and continuously evaluating performance. DGT's strategic management aims to enhance effectiveness and efficiency in tax collection and strengthen good tax governance (Yuswar et al., 2018).

The Tax Gap Dashboard is a management tool used by the Directorate General of Taxes (DGT) to track, analyze, and monitor the gap between potential tax revenue and actual collections. This dashboard provides comprehensive visual information on the level of tax compliance, patterns of non-compliance, and priority targets for enforcement actions. With this dashboard, DGT can identify areas where tax potential has not been fully realized and take appropriate actions to effectively increase tax revenue. Source: Directorate General of Taxes, Ministry of Finance, Republic of Indonesia (Hidayat & Zuhroh, 2023).

Optimization of tax revenue refers to efforts to improve efficiency and effectiveness in tax collection by the government. This involves the implementation of strategies and policies aimed at reducing tax non-compliance, strengthening law enforcement, and maximizing potential tax revenue. Optimization of tax revenue is essential to support the financial sustainability of the state and finance various public programs and services (Herawaty, 2021).

METHODS

This research adopts a qualitative approach focused on analyzing secondary data from various available sources such as financial reports, policy documents, and relevant previous studies. The qualitative approach is employed to provide insights into the strategies implemented by the Directorate General of Taxes (DGT) and the role of the Tax Gap dashboard technology in enhancing tax administration effectiveness. Although based solely on literature review, the interpretation provided aims to present comprehensive insights in line with a more thorough interpretation. Data collection is conducted through meticulous review of literature related to the research topic, including academic journals, articles, government reports, and other official sources. During this process, the researcher analyzes various data sources to gather relevant information regarding the implementation of tax management strategies and the utilization of the Tax Gap dashboard by DGT (Syahrini et al., 2023).

Data analysis involves organizing, synthesizing, and interpreting data found in literature to generate a comprehensive understanding of the research topic. The results of this analysis are utilized to intricately describe the strategies implemented by DGT, the challenges faced, and their overall impact on tax revenue. Furthermore, the researcher explores various aspects related to the implementation of tax management strategies, such as planning, execution, monitoring, and evaluation. Additionally, attention is given to factors influencing the success or failure of the strategies, including technological limitations, tax policies, and internal organizational factors. Throughout the research process, a holistic and multidimensional approach is employed to delve into relevant and in-depth information on the research topic. This includes considering diverse perspectives, investigating contextual differences and situations, and understanding the underlying dynamics of tax administration practices in Indonesia (Pratama, 2022).

Through the qualitative approach and secondary data analysis, this research aims to make a significant contribution to understanding how the use of Tax Gap dashboard technology can support DGT's efforts in enhancing overall tax revenue. Thus, the findings of this research are expected to serve as a strong foundation for the development of more effective and efficient tax policies in the future. The following are the research methodological steps used in this study:

1) Identification of Research Objectives: The initial step involves clearly and comprehensively identifying the research objectives. The research objective is to gain an in-depth understanding of the strategies implemented by the Directorate General of Taxes (DGT) and the role of Tax Gap dashboard technology in enhancing tax administration effectiveness.
2) Data Collection: Data is collected through meticulous review of literature relevant to the research topic. The collected data includes financial reports, policy documents, articles, academic journals, and previous studies relevant to the implementation of tax management strategies and the utilization of the Tax Gap dashboard by DGT.
3) Data Selection: After data collection, the next step is to filter and select the most relevant and high-quality data for analysis. This involves critically evaluating the reliability, validity, and relevance of each data source.
4) Data Analysis: The selected data is then analyzed in-depth through organization, synthesis, and interpretation. Qualitative analysis techniques are used to explore key findings, patterns, and relationships emerging from the data.

5) Description of Strategies and Challenges: The results of data analysis are utilized to intricately describe the strategies implemented by DGT in tax administration, as well as the challenges faced in the implementation and utilization of the Tax Gap dashboard.
6) Identification of Determining Factors: Subsequently, the researcher identifies determining factors influencing the success or failure of the implemented strategies. This includes technological limitations, tax policies, internal organizational factors, and other external factors.
7) Interpretation of Findings: Key findings from data analysis are interpreted to provide a deeper understanding of how the implementation of strategies and the use of the Tax Gap dashboard affect tax revenue overall.
8) Validation and Confirmation: The final step involves validating and confirming the findings and interpretations. This is done through retesting the data, comparing with previous research, and engaging in discussions and consultations with relevant experts or stakeholders.
9) Compilation of Research Report: The results of analysis and research findings are compiled into a comprehensive research report. This report includes the research background, methodology used, key findings, analysis and interpretation, as well as implications of the research findings.

Overall, the qualitative approach applied in this research provides an in-depth understanding of tax management strategies and the utilization of the Tax Gap dashboard by the Directorate General of Taxes (DGT). Recommendations for future research include integrating multi-method approaches with more primary data and expanding the scope of research to gain a more comprehensive understanding of the role of technology in tax administration (Mustikasari, 2022).

RESULTS AND DISCUSSION

The findings of this research affirm that the Directorate General of Taxes (DGT) has implemented various strategies to enhance tax administration effectiveness, with a focus on leveraging technology and utilizing the Tax Gap dashboard (Beny et al., 2023). Through secondary data analysis, this study identifies increased utilization of information technology, improved administrative processes, and more proactive enforcement strategies as key elements of DGT's strategy (Abbas et al., 2024). The use of the Tax Gap dashboard proves to significantly strengthen oversight of tax compliance, enabling DGT to be more responsive to changes in tax practices and enhance overall tax collection effectiveness. However, challenges such as limited skilled human resources in technology, data security issues, and resistance to change remain obstacles in the implementation of this technology (Khalimova, 2023).

In this context, the research emphasizes the need to continuously drive innovation in the use of information technology in tax administration while addressing emerging challenges (Beny et al., 2023). The implications of these findings suggest that DGT needs to reinforce information technology infrastructure, enhance human resource training, and develop policies supportive of effectively utilizing the Tax Gap dashboard technology. Thus, this research can provide a strong foundation for the development of more effective and efficient tax policies in the future, which will help enhance overall tax revenue collection (Khan et al., 2023).

Strategic Management of the Directorate General of Taxes

In optimizing tax revenue, the crucial first step is to implement effective strategic management at the Directorate General of Taxes (DGT). Strategic management is a holistic approach to formulating, implementing, and evaluating strategic initiatives necessary to achieve organizational goals. In the context of DGT, strategic management involves meticulous planning processes to ensure that all activities and initiatives directly contribute to achieving tax revenue targets (Harymawan et al., 2022).

The initial step in implementing strategic management at DGT is to comprehensively identify the organization's long-term and short-term objectives. These objectives should be specific, measurable, achievable, relevant, and linked to increasing tax revenue. Subsequently, appropriate strategies need to be formulated to achieve these objectives (Najicha et al., 2023). The Directorate General of Taxes also undertakes various efforts in its management strategy to enhance the tax ratio. The development of the tax ratio and Tax Bouyancy is depicted in Graph 1 as follows:

Graph 1
Development of Tax Ratio and Tax Bouyancy

Source: Annual Book of the Ministry of Finance 2023

Graph 1 illustrates the development of tax ratio and tax buoyancy from 2017 to 2022 (in forecasted figures). The tax ratio is the comparison between total tax revenue and Gross Domestic Product (GDP) (Crocker et al., 2022), while tax buoyancy measures the growth of tax revenue compared to nominal economic growth (Yong & Fukofuka, 2023).

The graph reveals fluctuations in the tax ratio over the period. In 2017, the tax ratio reached 9.89 percent, increased to 10.24 percent in 2018, but then decreased to 9.76 percent in 2019. The lowest point occurred in 2020 with a tax ratio of 8.33 percent, influenced by the impact of the Covid-19 pandemic. However, the tax ratio rebounded in 2021 to 9.12 percent, aligning with economic recovery.

Furthermore, the graph also demonstrates the development of tax buoyancy. From 2017 to 2019, the tax buoyancy averaged below 1, indicating that economic growth minimally affected tax revenue growth. However, in 2018, there was a significant spike in tax buoyancy to 1.42, triggered by factors such as increased global oil prices. The year 2020 showed a high tax buoyancy figure (6.68), not indicative of tax performance improvement but caused by a significant contraction in tax revenue and GDP due to the pandemic. In 2021, tax buoyancy reached 2.24, driven by national economic recovery and a rise in global commodity prices (Harymawan et al., 2022).

In the context of strategic management at the Directorate General of Taxes (DGT), analysis of the development of tax ratio and tax buoyancy becomes crucial. The graph provides insights into how tax revenue performance is influenced by various external factors, such as global economic conditions, changes in commodity prices, and fiscal policies (Rahmayani, 2018). The utilization of the Tax Gap dashboard, the focus of this research, can be a highly useful tool in DGT's strategic management (Nguyen-Hoang & Zhang, 2022). The dashboard enables DGT to identify trends and patterns in tax revenue and compare them with set targets.

Thus, DGT can design more effective tax policies based on available dashboard data. Additionally, the Tax Gap dashboard assists DGT in managing potential risks that may affect future tax performance. Therefore, the utilization of the Tax Gap dashboard in the context of DGT's strategic management plays a crucial role in optimizing tax revenue and designing more effective strategies to achieve tax objectives (Najicha et al., 2023).

The utilization of the Tax Gap Dashboard, an instrument to analyze tax gaps, is an integral part of DGT's strategic management. This dashboard provides a comprehensive view of current tax performance, identifies areas where tax revenue potential remains untapped, and helps formulate strategies to address these gaps (Doblinger et al., 2022).

Moreover, strategic management at DGT should also involve continuous monitoring and evaluation of strategy implementation and goal achievement. This ensures that the organization can make necessary adjustments to their strategies in response to changes in external and internal environments (Nursalam, 2017). By implementing effective strategic management, DGT can enhance its operational efficiency and effectiveness and optimize tax revenue overall. Strong strategic management provides clear direction for the organization and enables it to respond quickly to changes in market conditions and evolving tax regulations (Oktaviani, 2022).

Dashboard Tax Gap

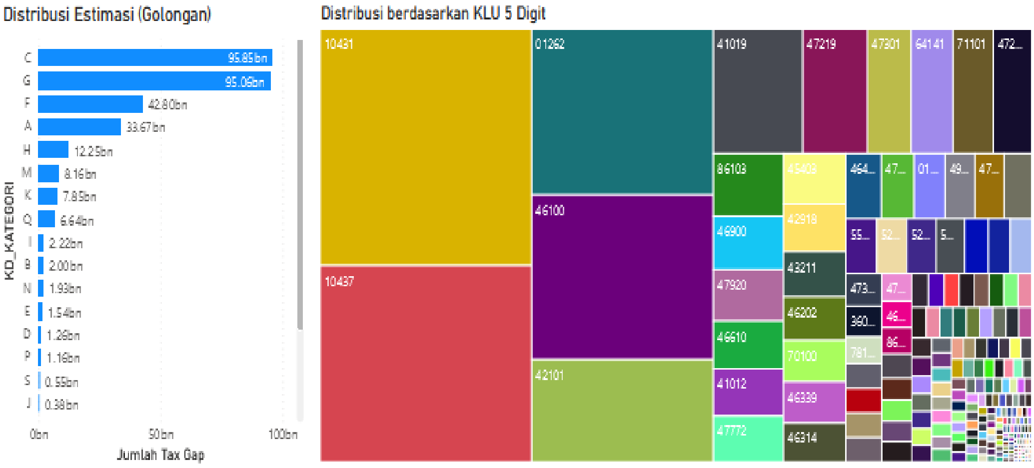
Tax Gap is the difference between the amount of tax that should be paid and the actual amount of tax paid to the government. Each taxpayer has their own tax gap, which is the difference between their tax liability for a certain period and the amount of tax actually paid to the treasury.

The importance of calculating the Tax Gap is to understand the extent of tax non-compliance and taxpayers' behavior in fulfilling their obligations (Khan et al., 2023). This serves as the basis for formulating strategies for the Directorate General of Taxes to address tax non-compliance and improve the tax system overall. Through Tax Gap analysis, the Directorate General of Taxes can determine effective strategies to reduce tax non-compliance and increase tax revenue (Yang et al., 2023).

The Tax Gap Dashboard is a tool or platform used by the Directorate General of Taxes (DGT) to manage and analyze information related to the difference or gap between the potential tax that should be collected and the actual tax collected. This dashboard typically presents data visually in the form of graphs, tables, and other metrics to provide a clear overview of tax revenue conditions and potential tax losses (tax gap) that need to be identified and addressed (Chen, 2021).

The formation of the Tax Gap Dashboard is carried out through an integrated data management application or system. This application can be developed specifically by the Directorate General of Taxes or use existing software platforms, tailored to the needs and requirements of the DGT. The data used in the formation of the dashboard comes from various sources, including DGT's internal data such as tax returns, bookkeeping data, examination results data, as well as external data such as macroeconomic data, industry data, and benchmark data. Additionally, other relevant data can also be utilized, such as transfer pricing transaction data, CRM (Complience Risk Management) data, and trigger expulsion data (Manzoor et al., 2023). All of this data is then processed and analyzed using specific algorithms and analytical methods to generate useful information in identifying potential untaxed taxes and improving taxpayer compliance (Setiarini et al., 2023). The distribution of the Tax Gap based on taxpayer size can be seen in Figure 2 as follows:

Figure 1. Distribution of Tax Gap Based on Taxpayer Size



Source: Data processed by the Author, 2024

Figure 1 illustrates the distribution of Tax Gap based on Taxpayer Size. From the figure, it can be seen that Taxpayers with KLU 10431 (Palm Oil Industry) are the largest-sized taxpayers and have the largest tax gap. However, the figure does not directly indicate the relationship between the company size and the level of non-compliance in that sector. The figure only depicts the distribution of Tax Gap based on Taxpayer Size (Suherman et al., 2023). This dashboard serves several key objectives that are crucial in the context of tax management:

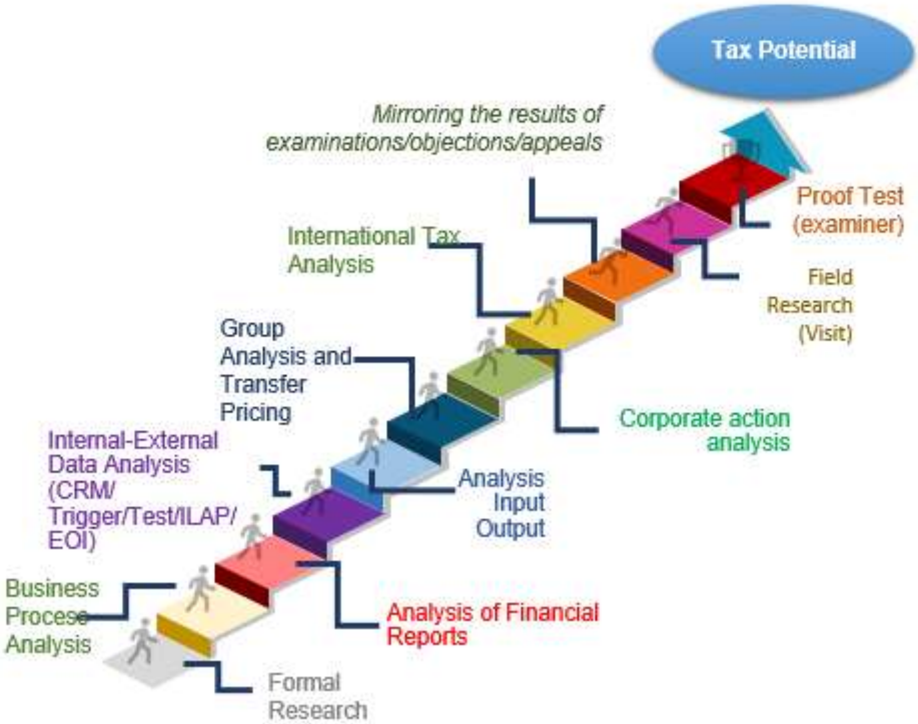
1) Identifying Tax Non-compliance: The Tax Gap dashboard assists the DGT in identifying areas where taxpayers are non-compliant. This includes potential undisclosed taxes, errors in tax calculations, and other tax violations.
2) Formulating Law Enforcement Strategies: Information obtained from this dashboard helps the DGT in formulating more effective law enforcement strategies. By understanding patterns of tax non-compliance, the DGT can direct their resources to more efficiently address tax offenders.
3) Improving Taxpayer Compliance: By understanding the factors contributing to tax non-compliance, the DGT can take steps to improve taxpayer compliance. This may include outreach programs, providing incentives, or increasing supervision in specific sectors.
4) Providing Comparisons with Other Countries: The Tax Gap dashboard also allows the DGT to compare the level of tax non-compliance in Indonesia with other countries. This provides valuable insights into best practices in tax management and reducing the tax gap.

Through this dashboard, the DGT can track tax revenue trends, identify areas where there is a gap between potential tax and actual tax collections, and evaluate the effectiveness of tax policies that have been implemented. The information presented in the dashboard may include various aspects, such as types of taxes with high potential for tax loss, tax profiles from various economic sectors, geographical areas with specific tax-related issues, and more (Lin et al., 2022).

With easy and quick access to this data, the DGT can take more proactive actions to improve tax policies, enhance law enforcement against tax offenders, and optimize tax collection strategies overall (Silalahi, 2023b). Additionally, the Tax Gap dashboard also helps the DGT in formulating more targeted and effective action plans to reduce the gap between potential tax and actual tax collections, thereby increasing overall tax revenue. Thus, the Tax Gap Dashboard becomes a valuable tool in the efforts of the Directorate General of Taxes to improve the efficiency and effectiveness of tax management in Indonesia (Izzalqurny et al., 2019).

The steps taken by the Directorate General of Taxes in mapping tax potential through the Tax Gap Dashboard are depicted in Figure 2 below.

Figure 2. Utilization of Tax Gap Dashboard



Source: Data processed by the Author, 2024

Figure 2 above illustrates the utilization of the Tax Gap Dashboard, which serves as a crucial instrument utilized by the Directorate General of Taxes (DGT) of the Republic of Indonesia to manage and analyze data related to uncollected tax potential, known as the tax gap. The flowchart depicts the detailed process of leveraging this dashboard to calculate the tax gap and develop strategies to enhance taxpayer compliance (Najicha et al., 2023).

The initial section describes the data sources utilized, including internal DGT data, external data, and field research findings. Subsequently, the middle portion of the diagram outlines the data analysis process, consisting of several stages such as internal-external data analysis, business process analysis, financial report analysis, transfer pricing (TP) analysis, and other analyses (Silalahi & Budi Kurnia, 2023). Each stage aims to identify uncollected tax potential based on taxpayer characteristics and profiles. The diagram then presents the results of the data analysis used to determine law enforcement strategies and enhance taxpayer compliance. These results include the value of uncollected tax potential, taxpayer risk analysis, and recommendations for law enforcement strategies and compliance improvement (Silaban, 2020).

The ultimate outcome of the Tax Gap Dashboard is the potential tax revenue that can be optimized by the DGT. This tax potential represents the estimated amount of tax unpaid or underpaid by taxpayers (Silalahi, 2024). By utilizing the data and analyses gathered through this dashboard, the DGT can identify areas where tax potential is not fully utilized. Through the utilization of the Tax Gap Dashboard, the DGT can enhance the effectiveness and efficiency of data analysis, improve the accuracy of tax gap calculations, and enhance law enforcement effectiveness and taxpayer compliance. Thus, this diagram provides a comprehensive overview of how the DGT utilizes the dashboard to optimize tax management and enhance overall tax compliance (Pratama, 2022).

Optimizing Tax Revenue

Optimizing tax revenue is the primary goal of implementing strategic management and utilizing the Tax Gap dashboard by the Directorate General of Taxes (DGT). By leveraging a strategic management approach, DGT can identify untapped tax potentials and design strategic measures to enhance overall tax revenue (Hadipryanto et al., 2023).

Using the Tax Gap dashboard, DGT can efficiently gather and analyze data to identify areas where tax potentials have not been fully optimized. This dashboard assists DGT in conducting in-depth analysis of various factors influencing tax revenue, such as taxpayer compliance, undisclosed tax potentials, and tax risks (Silalahi, 2023c). By combining information obtained through strategic management and the Tax Gap dashboard, DGT can formulate more effective strategies to increase tax revenue. This includes utilizing appropriate tax incentives, enhancing supervision of taxpayers potentially engaged in violations, and providing better services to tax-compliant entities. Thus, optimizing tax revenue is the expected outcome of integrating strategic management and the utilization of the Tax Gap dashboard by DGT. These steps not only help increase state revenue but also support the sustainability of national economic development (Irawan, 2019).

State revenue optimization is crucial in managing national finances as a pillar of the State Budget (APBN). State revenue contribution is a key aspect in maintaining financial stability and ensuring the fulfillment of government budget needs (Jing et al., 2023). The contribution of tax revenue to the APBN can be seen in the following Table 2:

Table 3: Realization of State Budget 2022-2023

DESCRIPTION	*2022*	*2023*					
	Realization (Trillion)	*APBN (Trillion)*	*Perpres 75/2023 (Trillion)*	*Realization (Trillion)*	*% of APBN*	*% of Perpres 75/2023*	*Growth (%)*
A. STATE REVENUE	***2.635,8***	***2.463,0***	***2.637,2***	***2.774,3***	***112,6***	***105,2***	***5,3***
I. DOMESTIC REVENUE	*2.630,1*	*2.462,6*	*2.634,1*	*2.761,3*	*112,1*	*104,8*	*5,0*
Tax Revenue	*2.034,6*	*2.021,2*	*2.118,3*	*5.155,4*	*106,6*	*101,7*	*5,9*
Non-Tax State Revenue (PNBP)	*595,6*	*441,4*	*515,8*	*605,9*	*137,3*	*117,5*	*1,7*
II. GRANTS RECEIVED	*5,7*	*0,4*	*3,1*	*13,0*	*3.172,4*	*419,0*	*128,0*
B. STATE EXPENDITURE	***3.096,3***	***3.061,2***	***3.117,2***	***3.121,9***	***102,0***	***100,2***	***0,8***
I. CENTRAL GOVERNMENT EXPENSES	*2.280,0*	*2.246,5*	*2.302,5*	*2.240,6*	*99,7*	*97,3*	*(1,7)*
Ministry/Agency Expenditure	*1.084,7*	*1.000,8*	*1.000,8*	*1.153,5*	*115,2*	*115,2*	*6,3*
Non-Ministry/Agency Expenditure	*1.195,4*	*1.245,6*	*1.301,6*	*1.087,2*	*87,3*	*83,5*	*(9,0)*
II. TRANSFERS TO REGIONS	*816,2*	*814,7*	*814,7*	*881,3*	*108,2*	*108,2*	*8,0*
C. PRIMARY BALANCE	***(74,1)***	***(156,8)***	***(38,5)***	***92,2***	***(58,8)***	***(239,4)***	***(224,5)***
D. SURPLUS/(DEFICIT)	***(460,4)***	***(598,2)***	***(479,9)***	***(347,6)***	***58,1***	***72,4***	***(24,5)***
% of GDP	*(2,35)*	*(2,84)*	*(2,27)*	*(1,65)*			
E. BUDGET FINANCING	***591,0***	***598,2***	***479,9***	***395,5***	***60,1***	***74,9***	***(39,2)***
Budget Surplus/(Deficit)	*130,6*			*11,9*			

Source: Annual Report of the Ministry of Finance 2023

Table 3 provides a clear overview of the performance of state revenue and expenditure in 2023. The realization of state revenue in that year reached 112.6% of the 2023 APBN target and 105.2% of the previous year's realization. Meanwhile, state expenditure reached 102.0% of the APBN target and 100.2% of the previous year's realization. There was also an improvement in the surplus/deficit, which in 2023 amounted to (347.6) trillion Rupiah, better than the previous year. In the context of state revenue, the realization of revenue in 2023 shows positive performance, especially in tax revenue and Non-Tax State Revenue (PNBP). Although data on tax realization by type is not available in the table, this achievement reflects the effectiveness of the efforts by the Directorate General of Taxes (DGT) to improve taxpayer compliance and optimize overall tax revenue (Herawaty, 2021).

Optimizing tax revenue is crucial in the context of state financial management. Taxes are the main source of revenue for the government to finance various programs and projects needed for development and public services. In the context of the State Budget (APBN), taxes are a key pillar in supporting the sustainability of state finances. When tax revenue is successfully optimized, it has a significant impact on fiscal stability and economic growth of a country. Well-collected taxes can be used to finance infrastructure, public services, education, health, and various other social programs that can improve the overall welfare of society. With the optimization of tax revenue, the government can ensure the sustainability of development and public services and reduce reliance on foreign debt or other unstable sources of revenue. Furthermore, increasing tax revenue also reflects better compliance from taxpayers with their tax obligations, which in turn can create social justice and sustainability in the tax system (Jing et al., 2023).

In the context of the State Budget, tax revenue is one of the main factors affecting the balance between state income and expenditure. By optimizing tax revenue, the government can ensure that revenue sources are sufficient to finance various programs and activities planned in the State Budget without relying on excessive budget deficits or significant cuts in state spending. Therefore, the conclusion is that optimizing tax revenue is crucial for the financial sustainability of the state and the achievement of broader national development goals. By improving efficiency and effectiveness in managing tax revenue, the government can ensure that the budget is used optimally to improve the welfare of society and advance the nation (Harymawan et al., 2021).

CONCLUSION

The conclusion of this study emphasizes that optimizing tax revenue is a crucial aspect in maintaining the financial stability of the state. Although there has been an increase in tax revenue realization, there is still significant potential to enhance taxpayer compliance. Strategies to improve taxpayer compliance are vital in this context as they can significantly contribute to overall tax revenue enhancement (Hidayat & Zuhroh, 2023).

This research aligns with previous findings that underscore the importance of fiscal policies and tax revenue strategies in supporting the economic development of the country. However, the novel approach introduced in this study, focusing on strategies to enhance taxpayer compliance, adds a new dimension to the literature on tax revenue optimization. This provides a more holistic insight into the factors influencing tax revenue and lays a stronger foundation for formulating effective policies in the future (Puspitasari, 2017).

While tax revenue is a primary source of state income, it is important to remember that successful tax revenue management not only affects the financial stability of the state but also directly impacts the government's ability to provide public services and support infrastructure development. With increased taxpayer compliance, the government can allocate more resources to sectors in need, such as education, healthcare, and economic development (Phan, 2024).

Furthermore, improving tax revenue can also help reduce the government's dependence on loans and other sources of financing. By optimizing tax revenue, the government can reduce budget deficits and manage debt more effectively, thereby enhancing overall economic stability. This is particularly important in facing global economic challenges and maintaining fiscal sovereignty (Firmansyah et al., n.d.).

Therefore, effective implementation of strategies to improve taxpayer compliance should be a priority for the government. Measures such as tax education and awareness campaigns, fair law enforcement, and the utilization of information technology in tax monitoring and reporting can be effective instruments in achieving this goal. Thus, the government can ensure that optimal tax revenue serves as a solid foundation for sustainable economic growth and societal welfare. With this research, it is hoped that the government and relevant institutions will consider strategies to enhance taxpayer compliance as an integral part of their efforts to increase tax revenue. Additionally, the findings of this research can serve as a starting point for further research in this field, leading to a deeper understanding of the factors influencing taxpayer compliance and effective strategies to enhance it (Firmansyah et al., 2022).

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