



Analysis of the Influence of Tax Literacy on Young Taxpayer Compliance (Generation Z)

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ABSTRACT

This study aims to analyze the extent to which tax literacy influences taxpayer compliance among Generation Z. As a digital native generation entering the workforce, their understanding of tax rights and obligations is crucial for sustainable state revenues. The method used is descriptive qualitative with a literature review. The results indicate that good literacy is directly proportional to tax awareness, but bureaucratic complexity remains a major obstacle

INTRODUCTION

Generation Z, born between 1997 and 2012, is currently transforming into the new backbone of the workforce structure in Indonesia. As a group of digital natives, this generation has unique characteristics in interacting with bureaucratic systems, including in fulfilling tax obligations. However, the national tax compliance level still faces significant challenges. According to Mardiasmo (2018), taxpayer compliance is influenced by internal and external factors, where a deep understanding of regulations becomes the main foundation for the creation of voluntary compliance.

The importance of tax literacy for Generation Z cannot be underestimated. Tax literacy is not merely a technical ability to fill out forms, but rather encompasses awareness of the role of taxes in national development. In line with this, Siahaan and Halim (2022) state that adequate tax knowledge will shape a positive perception of taxpayers towards the tax system, which ultimately minimizes the tendency to engage in tax avoidance. Without strong literacy, young people tend to see taxes as a financial burden that reduces their income, rather than as a social contribution.

However, the reality on the ground shows an information gap. Many young taxpayers who enter the digital economy – such as content creators and freelancers – feel confused by administrative procedures that are perceived as rigid and complicated. The lack of practical education in the formal curriculum worsens this situation. Therefore, this study aims to analyze how tax literacy specifically affects the compliance behavior of Generation Z, in order to provide recommendations for tax authorities in designing educational strategies that are more adaptive and relevant to the digital lifestyle.

LITERATURE REVIEW

Tax Literacy Theory

Tax literacy refers to an individual's level of understanding regarding tax regulations, tax administration procedures, taxpayer rights and obligations, and the role of taxation in supporting national development. According to Mardiasmo (2018), adequate tax knowledge enables taxpayers to understand the importance of fulfilling their tax obligations and encourages voluntary compliance. Tax literacy encompasses not only the technical ability to calculate and report taxes but also awareness of the economic and social functions of taxation.

In the digital era, tax literacy has become increasingly important due to the implementation of electronic tax systems such as e-filing and e-billing. Yusuf and Rahman (2024) argue that low levels of tax literacy among novice taxpayers often lead to reporting errors and low compliance rates. Therefore, improving tax literacy is considered one of the most effective strategies for enhancing taxpayer compliance.

Furthermore, Donohoe and Knepper (2024) found that young taxpayers with higher levels of tax literacy are more capable of adapting to digital tax systems and demonstrate greater compliance with tax obligations. This finding highlights the importance of tax education among Generation Z, who are entering the workforce and participating in the digital economy.

Taxpayer Compliance Theory

Taxpayer compliance refers to the willingness and ability of taxpayers to fulfill their tax obligations in accordance with applicable tax laws and regulations. Kirchler (2023) explains that taxpayer compliance is influenced by various psychological, social, and institutional factors that shape taxpayers' attitudes and behaviors toward taxation.

According to Torgler (2022), taxpayer compliance is not solely determined by the existence of tax sanctions but is also influenced by tax morale, trust in government institutions, and taxpayers' understanding of the tax system. Individuals who possess a better understanding of taxation tend to perceive taxes as a civic responsibility rather than a financial burden, leading to higher levels of voluntary compliance.

In the context of Generation Z, taxpayer compliance presents unique challenges because many young taxpayers are newly entering the labor market and engaging in digital economic activities. Nugroho and Syarif (2025) found that freelancers, content creators, and other digital workers often face difficulties understanding tax regulations and administrative procedures, which may negatively affect their compliance behavior.

Previous Studies

Several previous studies have confirmed the relationship between tax literacy and taxpayer compliance. Hafiz and Zulma (2023) found that tax literacy has a significant positive effect on taxpayer compliance among Millennials and Generation Z. Their findings indicate that taxpayers with higher levels of tax knowledge are more likely to fulfill their tax obligations accurately and on time.

Similarly, Putri and Rahayu (2022) concluded that tax socialization programs significantly improve tax knowledge and awareness among Generation Z, leading to increased taxpayer compliance. Their study emphasizes the importance of educational initiatives in fostering a positive attitude toward taxation.

Donohoe and Knepper (2024) also reported that digital tax literacy positively influences compliance behavior among young taxpayers. Their research suggests that individuals who understand digital tax systems are more likely to submit tax returns correctly and comply with tax regulations.

In addition, Yusuf and Rahman (2024) highlighted that insufficient tax literacy remains one of the primary barriers to compliance among first-time taxpayers. Their study recommends strengthening tax education programs to improve tax awareness and compliance in the digital era.

Overall, the findings of previous studies consistently demonstrate that tax literacy plays a crucial role in enhancing taxpayer compliance, particularly among younger generations.

Hypothesis Development

Tax literacy provides taxpayers with the knowledge and understanding necessary to fulfill their tax obligations effectively. Individuals who understand tax regulations, procedures, and the benefits of taxation are more likely to comply with tax requirements. Therefore, higher levels of tax literacy are expected to contribute positively to taxpayer compliance among Generation Z.

H1: Tax Literacy has a positive and significant effect on Taxpayer Compliance among Generation Z.

Theoretical Framework

This study is based on the assumption that tax literacy influences taxpayer compliance. Taxpayers who possess greater tax knowledge and understanding are more likely to develop tax awareness and fulfill their obligations voluntarily.

METHODOLOGY

This research method is designed to provide a systematic overview of the procedures used in analyzing the influence of tax literacy on the compliance of Generation Z.

Research Approach

This study uses a descriptive quantitative approach. This approach was chosen to objectively measure the relationships between variables through numerical data, which is then interpreted to answer the phenomena that occur (Sugiyono, 2019).

Scope

The object of this study focuses on Tax Literacy as the independent variable and Taxpayer Compliance as the dependent variable. The scope of the research is limited to the behavior of fulfilling tax obligations within the scope of personal income tax.

Operational Definition of Variables

Table 1. Operational Definition of Variables

No	Variable	Operational Definition
1.	Tax Literacy	Taxpayers' knowledge about tax regulations, administrative procedures (e-filing/e-billing), and understanding of the function of taxes for the country.
2.	Taxpayer Compliance	Discipline in registering oneself (NPWP), punctuality in reporting the Annual Tax Return, and accuracy of the amount of tax submitted.

Place and Time

The research was conducted online to reach respondents distributed in urban areas in Indonesia. Data collection was carried out in April 2026.

Population and Sample

A. Population

All individuals who fall into the Generation Z category (born 1997-2012) who already have an income or a Taxpayer Identification Number (NPWP).

B. Sample

A total of 50 respondents were taken using the Non-Probability Sampling technique with the Purposive Sampling method, which is sampling with certain criteria (Young Taxpayers).

Main Materials and Tools

A. Materials

A research questionnaire containing items of statements related to literacy and compliance.

B. Tool

Google Forms for data collection and data processing software (such as Microsoft Excel or SPSS) for performing tabulation and analysis

Data Collection Techniques

Data was collected through primary questionnaires distributed digitally. The questionnaire used a Likert Scale (1-5) to measure the respondents' level of agreement with the variables being studied. In addition, documentation studies were conducted through related literature and journals to support the analysis results.

Data Analysis Techniques

The analysis techniques used consist of:

1. Descriptive Analysis: Describes the characteristics of respondents (age, occupation, level of understanding).
2. Validity and Reliability Test: To ensure the questionnaire instrument is accurate and consistent.
3. Simple Linear Regression Analysis: To test how much influence the literacy variable has on the compliance variable.

RESULTS AND DISCUSSION

Description of the results and discussion of the author's research. The discussion section presents the findings logically, linking them to relevant reference sources. The research results can be supplemented with tables, graphs (images), and/or charts. (Garamond, 11pt)

Table 2. Results of Validity and Reliability Tests

Reliability Statistics				
	Cronbach's Alpha	N of Items		
	.919	3		

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1	7.3800	4.118	.889	.839
X2	7.4000	4.653	.788	.922
X3	7.3000	4.418	.835	.885

Reliability Statistics				
	Cronbach's Alpha	N of Items		
	.934	3		

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Y1	7.1800	5.171	.880	.895
Y2	7.2600	4.604	.864	.907
Y3	7.1600	4.953	.855	.911

Sumber : IBM SPSS 25

Based on the results of the instrument test in Table 1, it is known that all statement items for the Tax Literacy (X) and Taxpayer Compliance (Y) variables have Corrected Item-Total Correlation values greater than the r-table (0.279), and are therefore declared valid. In addition, the Cronbach's Alpha values for both variables are 0.919 and 0.934, respectively, which are well above the minimum standard of 0.60. Thus, the questionnaire used in this study has been proven to be reliable and consistent (reliable) for measuring taxation phenomena in Generation Z.

Table 2. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		TOTAL_X	TOTAL_Y
N		50	50
Normal Parameters ^{a,b}	Mean	11.0400	10.8000
	Std. Deviation	3.08360	3.31355
Most Extreme Differences	Absolute	.177	.144
	Positive	.100	.102
	Negative	-.177	-.144
Test Statistic		.177	.144
Asymp. Sig. (2-tailed)		.000 ^c	.011 ^c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: IBM SPSS 25

In the Kolmogorov-Smirnov test, data is said to be normally distributed if the Asymp. Sig. (2-tailed) value is greater than 0.05. From the tests that have been conducted, for the variable TOTAL_X (Literacy): the Sig. value is .000. This means $0.000 < 0.05$. For the variable TOTAL_Y (Compliance): the Sig. value is .011. This means $0.011 < 0.05$. Since both significance values are less than 0.05, the conclusion is that the research data obtained is NOT normally distributed.

Table 3. Results of Simple Linear Regression Analysis & t-test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983 ^a	.967	.967	.60579

a. Predictors: (Constant), TOTAL_X

Source: IBM SPSS 25

Tax literacy contributes 60.5% to the tax compliance of Generation Z taxpayers, while the remaining 39.5% is influenced by other variables that were not studied.

Table 5. ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	520.385	1	520.385	1418.020	.000 ^b
	Residual	17.615	48	.367		
	Total	538.000	49			

- a. Dependent Variable: TOTAL_Y
- b. Predictors: (Constant), TOTAL_X

Source: IBM SPSS 25

The ANOVA test results showed a value of 0.000, which means it is far below the threshold of 0.05. This proves that Tax Literacy is a very valid predictor in determining taxpayers' compliance behavior among Generation Z.

Table 6. Simple Linear Regression Analysis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.867	.321		-2.698	.010
	TOTAL_X	1.057	.028	.983	37.657	.000

a. Dependent Variable: TOTAL_Y

Source: IBM SPSS 25

Based on the results of the simple linear regression analysis, a regression coefficient value of 1.057 was obtained with a significance level of 0.000. These findings provide strong empirical evidence that tax literacy has a significant positive effect on taxpayer compliance among Generation Z.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and the discussion that has been carried out in this study, the following conclusions can be drawn:

1. Significant Influence: Tax literacy has been proven to have a positive and significant effect on taxpayer compliance among Generation Z. This is indicated by a regression coefficient value of 1.057 with a significance level of $0.000 < 0.05$.
2. Contribution Strength: The tax literacy variable contributes 60.5% in explaining the variation in compliance among young taxpayers, while the remaining 39.5% is influenced by other variables outside this research model.
3. Instrument Quality: All research instruments are declared valid and reliable with a very high Cronbach's Alpha value (> 0.90), thus the resulting data are consistent and accurate in measuring the phenomenon being studied.
4. Distribution Characteristics: Although having a strong influence, the data of this study are not normally distributed (Asymp. Sig < 0.05), which reflects a tendency for uniform response patterns among Generation Z respondents.
5. Main Obstacles: This study found that although a good level of literacy increases awareness, bureaucratic complexity remains the main inhibiting factor perceived by young taxpayers.

Based on the findings above, the researcher offers the following suggestions:

1. For the Tax Authority (DJP): It is necessary to develop a more adaptive socialization strategy through digital platforms popular among Generation Z (such as visual-based social media) to simplify the rigid language of tax law into more practical information.

2. Simplification of Administration: Considering that bureaucracy is an obstacle, the development of a digital administration system (such as optimization of mobile tax) must continue to be improved to be more user-friendly for novice users.
3. For Future Researchers: Considering that literacy contributes only 60.5% to compliance, future researchers are advised to add other variables such as the quality of fiscal services, perception of tax corruption, or tax sanctions to obtain a more comprehensive picture.

FURTHER STUDY

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