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# Evaluation of the Effectiveness of Income Tax Policy in the era of Globalization

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**ABSTRACT**

*Tax policies play a crucial role in shaping economic growth and investment decisions in an increasingly globalized world. This study examines the impact of globalization on national tax policies, focusing on tax competition, corporate taxation, and the challenges of maintaining revenue stability. Globalization has intensified tax competition among countries, often leading to reduced corporate tax rates to attract foreign investments. While tax incentives can stimulate economic activity, they may also erode government revenues and create disparities in tax burdens. This research explores the role of international tax treaties in harmonizing tax regulations and reducing tax avoidance strategies by multinational corporations. Furthermore, the study highlights the transition from income-based to consumption-based taxation as a response to shifting economic dynamics. The findings suggest that policymakers must balance tax competitiveness with sustainable revenue generation to ensure economic stability. By analyzing recent tax reforms and policy adaptations, this study provides insights into the complexities of taxation in a globalized economy and offers recommendations for future tax strategies.*
***Keywords:*** *Tax Policy, Globalization, Tax Competition, Corporate Taxation, Tax Incentives*

## INTRODUCTION

Taxes are financial contributions that individuals and business entities are obliged to pay to the state, without direct remuneration, which are used to finance various government expenditures, including infrastructure development, the provision of public services, and public welfare programs. In Indonesia, taxes serve as the country's main source of income, covering various types such as Income Tax (PPh), Value Added Tax (VAT), sales tax on luxury goods (PPnBM), land and Building Tax (PBB), and Customs and excise. Revenues from these sectors are used to finance routine government expenditures, such as personnel and operational expenditures, as well as development expenditures aimed at improving public welfare. In addition to being a source of income, taxes also have a regulating function (regulerend), where the government can use tax policies to influence economic growth, control inflation, and achieve a fairer distribution of income. For example, the provision of tax incentives can encourage investment in certain sectors that are considered strategic for national development.

Globalization has brought about significant changes in tax policies in various countries. In an era of Free Trade and high capital mobility, governments around the world face the challenge of managing tax systems to remain competitive, while ensuring optimal tax revenue. One of the main impacts of globalization is the increasing pressure for countries to adjust their tax rates to remain attractive to foreign investors. Some countries have even implemented more flexible tax policies, such as tax havens or tax incentives aimed at attracting investment and encouraging economic growth (OECD, 2021). In addition, globalization also encourages the emergence of challenges in tax supervision, especially in the face of tax avoidance and tax evasion practices carried out by multinational companies. With companies operating cross-border, they can shift profits to jurisdictions with lower tax rates to reduce their tax burden. This has triggered various global initiatives, such as the Base Erosion and Profit Shifting (BEPS) launched by the OECD, which aims to prevent abuse of tax loopholes and ensure fairness in the international tax system (OECD, 2022).

Technological developments in the era of globalization also have an impact on tax policy. The digitalization of the economy has created new challenges for the traditional taxation system, especially in terms of taxation on digital companies that do not have a physical presence in a country but still earn income from users in the country. Therefore, some countries are beginning to implement policies such as the Digital Services Tax (DST) to ensure that digital companies contribute to the tax revenues of the countries in which they operate (IMF, 2021).

The implementation of tax policy in various countries faces complex challenges, especially in ensuring taxpayer compliance, preventing tax evasion practices, and adapting policies to global economic dynamics. One of the main challenges is the low level of tax compliance, both among individuals and corporations. Many taxpayers are reluctant to pay taxes due to lack of understanding of the tax system or a negative perception of the use of tax funds by the government (Alm & Torgler, 2011). Therefore, increased tax literacy and transparency in the management of tax funds are important factors in improving tax compliance. In addition, tax avoidance and tax evasion by multinational companies is a major challenge in the implementation of tax policy. With complex corporate structures operating in multiple jurisdictions, multinational companies often take advantage of legal loopholes to shift profits to countries with lower tax rates or even to tax havens (OECD, 2022). To combat this, many countries have cooperated in global initiatives such as Base Erosion and Profit Shifting (BEPS) to prevent tax avoidance practices that harm state revenues (OECD, 2021).

The next challenge is the digitalization of the economy, which makes the traditional taxation system difficult to apply to digital-based businesses. Large technology companies, such as digital platforms and e-commerce, can earn revenue from different countries without a physical presence, making it difficult to be taxed under conventional tax regulations (IMF, 2021). Some countries have tried to overcome this challenge by implementing a Digital Services Tax (DST), but this policy is still causing debate about its fairness and impact on investment.

On the other hand, complex bureaucracy and inefficient tax administration are also obstacles in the implementation of tax policy. The complicated tax reporting process can make it difficult for taxpayers, especially for Micro, Small and Medium Enterprises (MSMEs), so they tend to avoid or delay their tax obligations (World Bank, 2020). Therefore, many countries are beginning to invest in the digitization of tax systems, such as the implementation of e-filing and big data analytics, to simplify administrative processes and increase the effectiveness of tax policies. Finally, challenges in harmonizing tax policies between countries are also an important issue in the era of globalization. With the differences in tax rates and tax regulations in different countries, companies and investors face uncertainties that can hinder international economic activity (European Commission, 2021). Therefore, international cooperation is needed in designing a more uniform and fair tax policy to create a more stable and efficient global tax system.

Technology plays an important role in tax policy reform, especially in improving the efficiency of tax administration and encouraging taxpayer compliance. With the advent of digital innovation, many countries have adopted technology-based taxation systems to reduce administrative burdens and increase transparency. One of the most common examples is the implementation of e-filing and e-tax which allows taxpayers to report and pay taxes online. This system not only speeds up the tax payment process but also reduces errors in tax reporting and improves the accuracy of tax data (OECD, 2021). In addition, Big Data Analytics technology has been used to improve surveillance and detect tax evasion practices. By analyzing transaction patterns and financial data from various sources, tax authorities can identify taxpayers who are at high risk of tax evasion. This technology also helps in drawing up a more data-based tax policy, so that it can be adapted to the evolving economic conditions and behavior of taxpayers (IMF, 2022).

Technology also plays a role in preventing the practice of Base Erosion and Profit Shifting (BEPS) that is often carried out by multinational companies. With e-invoicing and automated reporting, governments can track cross-border transactions more transparently and prevent the practice of transferring profits to countries with lower tax rates. Some countries have even adopted blockchain in their taxation systems to ensure data integrity and reduce the possibility of tax manipulation (World Bank, 2020). However, although technology has brought many benefits in tax policy reform, there are some challenges that still need to be overcome. One of them is the digital divide, where not all taxpayers have adequate access to technology, especially in developing countries. In addition, the use of technology in the tax system must also be accompanied by strict data security to prevent leakage of taxpayer information and cyber attacks. Therefore, the implementation of technology in tax reform must be done with a mature strategy in order to provide optimal benefits for the government and society.

Globalization has significantly impacted national tax policies, leading to increased tax competition among countries (Nyonyoh et al., 2024). This competition often results in a "race to the bottom," with countries lowering tax rates to attract investments, potentially affecting government revenues (Nyonyoh et al., 2024). While tax incentives can stimulate innovation and economic growth, their effectiveness varies across different company types and sizes (Baskoro et al., 2024). The impact of globalization on taxation is complex, involving shifts from income to consumption-based taxes and adjustments in corporate tax rates (Leviner, 2014). International tax treaties and agreements play a crucial role in harmonizing tax rules and reducing arbitrage opportunities (Nyonyoh et al., 2024). However, challenges remain, including the erosion of traditional tax bases and the need to balance competitiveness with revenue requirements (Sokolovska et al., 2020). Policymakers must navigate these intricacies to develop effective tax strategies in the globalized economy (Leviner, 2014).

This study aims to evaluate the effectiveness of income tax policies in the era of globalization by assessing the extent to which policies implemented can increase tax revenue, encourage taxpayer compliance, and support economic growth. In addition, this study aims to analyze the impact of globalization on tax policy, including the challenges that arise due to tax avoidance and tax evasion practices by multinational companies. Furthermore, this study also aims to assess the role of technology in improving the efficiency of tax administration, particularly through the application of e-filing, e-tax, and big data analytics. By understanding the factors that influence taxpayer compliance, such as tax literacy, administrative burden, and tax incentives, this study seeks to provide recommendations for policy makers in designing a more effective and sustainable tax system amid global economic changes.

## METHODS

Quantitative research methods are research approaches that focus on measuring variables using numerical data and statistical analysis to identify relationships or patterns in the phenomena under study. This method is objective and systematic, with the main objective of testing hypotheses and obtaining conclusions that can be generalized. In this study, data is collected through standardized instruments such as questionnaires or surveys, which allow consistent and valid measurements of the variables studied. In addition, analytical techniques such as regression, correlation tests, and Structural Equation Modeling (SEM) can be used to understand the relationship between variables in more depth. With a data-based approach and statistical analysis, quantitative research methods provide more measurable and reliable results in decision making and preparation of policy recommendations.

This study relied on two main data sources, namely primary data and secondary data; primary Data obtained directly from respondents through surveys or questionnaires, which will be distributed to taxpayers, tax officials, and tax experts to understand their perception of the applicable tax policy; Secondary Data includes information from various official sources and past studies, such as tax revenue reports published by the Directorate General of taxes or the Ministry of finance, corporate financial reports related to tax compliance, Data from international organizations such as the OECD, IMF, or World Bank that discuss global tax trends and policies, academic studies and literature that discuss the effectiveness of tax policies in various countries. With a combination of primary and secondary data, this study can provide a more in-depth and relevant analysis of the effectiveness of tax policies in the era of globalization.

The population in this study includes groups that have a direct relationship with tax policy, among others:

a. Taxpayers, both individuals and business entities, are affected by the Income Tax Policy.
b. Employees of the Directorate General of taxes or other tax institutions responsible for the implementation and supervision of tax policy.
c. Tax consultants, accountants, and academics who have insight and experience in the field of taxation.

Of these populations, this study used the purposive sampling technique, in which samples are selected based on their relevance to the study. The number of samples used was 100 respondents, consisting of taxpayers, tax officials, and tax experts. In this study, data were collected using surveys using questionnaires, which were given to respondents to obtain data on the effectiveness of tax policies from the perspective of taxpayers and tax officials. This data collection method is designed so that the study can obtain accurate, comprehensive, and appropriate information in accordance with the objectives of the study.

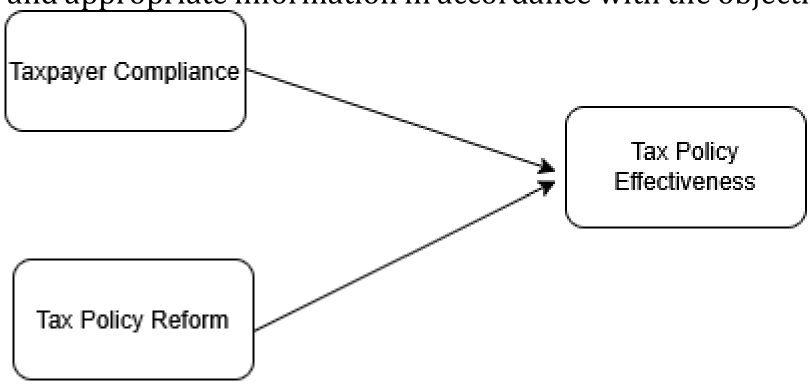

Fig.1 Research conceptual

The concept framework in this diagram shows the relationship between Taxpayer Compliance and Tax Policy Reform to Tax Policy Effectiveness. In this model, taxpayer compliance and Tax Policy Reform Act as independent variables that affect the effectiveness of tax policy as a dependent variable. Taxpayer compliance reflects the extent to which individuals and companies comply with tax regulations, which can have a direct impact on the effectiveness of tax policy in increasing state revenue and reducing tax evasion. Meanwhile, tax policy reform refers to changes in regulations and policies aimed at improving efficiency and fairness in the tax system. The interaction between these two factors determines the extent to which tax policy can achieve the expected fiscal and economic goals.

## RESULTS

Study use SPSS application Version 27 in processing the data . Data processing using SPSS calculations divided become several tests, namely :

### Test Results Data Validity and Reliability

Validity Test

**Table 1.**

Validity Test Results

| Indicator | Variable | Pearson Correlation | Sig. (2-tailed) | Conclusion |
|---|---|---|---|---|
| X1_1 | Taxpayer Compliance | 0.721 | 0.000 | Valid |
| X1_2 | Taxpayer Compliance | 0.689 | 0.000 | Valid |
| X2_1 | Tax Policy Reform | 0.754 | 0.000 | Valid |
| X2_2 | Tax Policy Reform | 0.702 | 0.000 | Valid |
| Y_1 | Tax Policy Effectiveness | 0.781 | 0.000 | Valid |

*Source : Research Data processed in 2025*

The validity test results indicate that all research indicators are valid. The Pearson correlation values for all indicators exceed 0.5, ranging from 0.689 to 0.781, with significance values (Sig. 2-tailed) of 0.000, which are below the 0.05 threshold. This confirms a strong and significant correlation between each indicator and its respective variable. Specifically, Taxpayer Compliance (X1) indicators (X1_1 and X1_2) show strong correlations of 0.721 and 0.689, respectively. Similarly, Tax Policy Reform (X2) indicators (X2_1 and X2_2) exhibit high correlation values of 0.754 and 0.702. Lastly, the Tax Policy Effectiveness (Y) indicator (Y_1) has the highest correlation at 0.781, confirming its strong validity. These results validate that the selected indicators appropriately measure their respective constructs and can be reliably used in further analysis.

Reliability Test

**Table 2.**

Reliability Test Results

| Variable | Cronbach's Alpha | Conclusion |
|---|---|---|
| Taxpayer Compliance (X1) | 0.812 | Reliable |
| Tax Policy Reform (X2) | 0.785 | Reliable |

| | | |
|---|---|---|
| Tax Policy Effectiveness (Y) | 0.839 | Reliable |

*Source : Research Data processed in 2025*

The reliability test results show that all research variables meet the reliability criteria, as indicated by Cronbach's Alpha values greater than 0.7. Specifically, Taxpayer Compliance (X1) has a Cronbach's Alpha of 0.812, Tax Policy Reform (X2) has 0.785, and Tax Policy Effectiveness (Y) has the highest reliability score at 0.839. Since all values exceed the 0.7 threshold, this confirms that the measurement instruments used in the study are internally consistent and reliable for further analysis.

**Assumption Test Results Classic**

Normality Test

**Table 3.**

Normality Test Results

| Variable | Kolmogorov-Smirnov Z | Sig. | Conclusion |
|---|---|---|---|
| Tax Policy Effectiveness (Y) | 0.976 | 0.287 | Normally Distributed |

*Source : Research Data processed in 2025*

The normality test using the Kolmogorov-Smirnov test indicates that the variable Tax Policy Effectiveness (Y) is normally distributed, as the significance value (Sig.) is 0.287, which is greater than the threshold of 0.05. This result suggests that the data for this variable follows a normal distribution, allowing for further parametric statistical analysis such as regression testing.

Multicollinearity Test

**Table 4.**

Multicollinearity Test Results

| Variable | Tolerance | VIF | Conclusion |
|---|---|---|---|
| Taxpayer Compliance (X1) | 0.684 | 1.462 | No Multicollinearity |
| Tax Policy Reform (X2) | 0.731 | 1.367 | |

*Source : Research Data processed in 2025*

The multicollinearity test results indicate that both independent variables, Taxpayer Compliance (X1) and Tax Policy Reform (X2), do not exhibit multicollinearity issues. This is evidenced by the Tolerance values (0.684 and 0.731), which are greater than 0.1, and the Variance Inflation Factor (VIF) values (1.462 and 1.367), which are below the critical threshold of 10. These results suggest that the independent variables are not highly correlated with each other, ensuring the reliability of the regression analysis.

**Hypothesis Test Results Study**

Multiple Linear Regression

**Table 5.**

Multiple Linear Regression

| Variable | Coefficient | Std. Error | t | Sig. |
|---|---|---|---|---|
| Constant (a) | 1.432 | 0.512 | 2.797 | 0.006 |
| Taxpayer Compliance (X1) | 0.521 | 0.145 | 3.597 | 0.001 |
| Tax Policy Reform (X2) | 0.398 | 0.133 | 2.994 | 0.004 |

*Source : Research Data processed in 2025*

The results of the multiple linear regression analysis indicate that both independent variables, Taxpayer Compliance (X1) and Tax Policy Reform (X2), have a significant impact on Tax Policy Effectiveness (Y). The constant (a) has a coefficient of 1.432 with a significance level of 0.006, indicating that when both independent variables are zero, the baseline effectiveness of tax policy remains positive. For Taxpayer Compliance (X1), the coefficient is 0.521, meaning that for every one-unit increase in taxpayer compliance, the effectiveness of tax policy increases by 0.521 units. The t-value of 3.597 and significance level of 0.001 (< 0.05) confirm that this variable has a statistically significant effect. Similarly, Tax Policy Reform (X2) has a coefficient of 0.398, indicating that an increase in tax policy reform leads to a 0.398 increase in tax policy effectiveness. The t-value of 2.994 and significance level of 0.004 (< 0.05) also confirm its significant influence. Overall, both variables positively and significantly impact tax policy effectiveness, suggesting that improving taxpayer compliance and implementing tax policy reforms can enhance the effectiveness of tax policies.

Partial Test (T)

**Table 6.**

Partial Test (T)

| Variable | t | Sig. | Conclusion |
|---|---|---|---|
| Taxpayer Compliance (X1) | 3.597 | 0.001 | Significant Effect |
| Tax Policy Reform (X2) | 2.994 | 0.004 | Significant Effect |

*Source : Research Data processed in 2025*

The t-test results indicate that both Taxpayer Compliance (X1) and Tax Policy Reform (X2) have a significant effect on Tax Policy Effectiveness (Y). The t-value for X1 is 3.597 with a significance level of 0.001 (< 0.05), confirming that taxpayer compliance significantly influences tax policy effectiveness. Similarly, X2 has a t-value of 2.994 with a significance level of 0.004 (< 0.05), indicating that tax policy reform also plays a significant role. Since both significance values are below 0.05, we can conclude that these independent variables significantly impact the dependent variable. This suggests that enhancing taxpayer compliance and implementing effective tax policy reforms can improve the overall effectiveness of tax policies.

Coefficient Test Determination ($R^2$)

**Table 7.**

Coefficient Determination ($R^2$)

| Model | R | R Square | Adjusted R Square |
|---|---|---|---|
| 1 | 0.782 | 0.612 | 0.597 |

*Source : Research Data processed in 2025*

The R-Square ($R^2$) value of 0.612 indicates that 61.2% of the variance in Tax Policy Effectiveness (Y) can be explained by the independent variables Taxpayer Compliance (X1) and Tax Policy Reform (X2). The Adjusted R-Square value of 0.597 suggests a slight adjustment for the number of predictors in the model, meaning that the explanatory power remains strong. Since the R value is 0.782, this implies a strong positive correlation between the independent variables and the dependent variable. Overall, the model demonstrates a good fit, indicating that taxpayer compliance and tax policy reform significantly contribute to the effectiveness of tax policies.

Simultaneous Test (F)

**Table 8.**

F test results

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 24.351 | 2 | 12.176 | 21.582 | 0.000 |
| Residual | 15.694 | 97 | 0.162 | | |
| Total | 40.045 | 99 | | | |

*Source : Research Data processed in 2025*

The ANOVA (F-test) results indicate that the regression model is statistically significant in explaining the variation in Tax Policy Effectiveness (Y). The F-value of 21.582 with a p-value (Sig.) of 0.000 (less than 0.05) confirms that at least one of the independent variables (Taxpayer Compliance (X1) and Tax Policy Reform (X2)) has a significant effect on the dependent variable. The regression sum of squares (24.351) is substantially higher than the residual sum of squares (15.694), indicating that the model explains a large proportion of the variability in tax policy effectiveness. These findings suggest that taxpayer compliance and tax policy reform play a crucial role in determining the effectiveness of tax policies.

## DISCUSSION

### Analysis of Tax Policy Effectiveness

The effectiveness of tax policy is a crucial factor in ensuring that the taxation system can achieve the fiscal and economic objectives set by the government. An effective tax policy should optimize state revenue, promote taxpayer compliance, and support economic growth without imposing excessive burdens on businesses and society. To measure tax policy effectiveness, several indicators can be used, such as the level of tax compliance, the tax revenue-to-GDP ratio, and the policy's impact on investment and public consumption. One of the key factors influencing tax policy effectiveness is the level of taxpayer compliance. High tax compliance indicates that the implemented policies successfully encourage individuals and businesses to fulfill their tax obligations without excessive enforcement. Compliance is influenced by various aspects, including tax awareness, administrative simplicity, and public trust in the government's management of tax funds. Therefore, tax reforms aimed at simplifying administrative procedures and increasing tax transparency are essential. Besides compliance, the effectiveness of tax policy is also determined by its ability to support economic growth. A tax policy that places excessive burdens on businesses can hinder investment and industrial competitiveness. Thus, many countries implement tax incentives for strategic sectors to attract investment and drive innovation. However, the effectiveness of tax incentives must be continuously evaluated to prevent economic distortions or significant reductions in state revenue.

In the era of globalization and digitalization, optimizing tax policy presents increasingly complex challenges. Multinational corporations often exploit legal loopholes to avoid taxes through strategies such as profit shifting and the use of tax havens. Therefore, tax policy effectiveness depends not only on domestic policies but also on international cooperation in combating tax avoidance practices. Initiatives like the OECD's Base Erosion and Profit Shifting (BEPS) program represent efforts to ensure a fairer and more effective global taxation system. Considering these various factors, analyzing tax policy effectiveness is essential to ensure that the implemented policies not only enhance state revenue but also support economic growth and societal well-being. Governments must continuously evaluate and adjust their tax policies to remain relevant to global economic dynamics and technological advancements that influence business models and consumer behavior.

**The Impact of Globalization on Tax Policy**

Globalization has significantly transformed tax policies across countries. With increasing mobility of capital, labor, and goods across borders, governments face challenges in maintaining the effectiveness of their taxation systems. One major impact of globalization is the rise of tax competition among nations, where many countries lower corporate tax rates to attract foreign direct investment (FDI). This phenomenon, often referred to as the *race to the bottom*, leads to aggressive tax incentives that can ultimately reduce national tax revenues. Additionally, globalization has driven a shift from income-based taxation to consumption-based taxation. Many countries have reduced reliance on corporate and individual income taxes while increasing revenue from value-added tax (VAT) or sales tax. This shift is aimed at addressing the challenge of taxing multinational companies that can easily shift profits to low-tax jurisdictions. As digitalization progresses, taxing cross-border transactions has become more complex, pushing countries to design more effective digital tax policies.

International cooperation has become increasingly important in addressing the impact of globalization on tax policy. Organizations such as the OECD and G20 have introduced initiatives like BEPS to curb tax avoidance by multinational corporations. Moreover, global tax agreements that set a minimum corporate tax rate aim to reduce incentives for aggressive tax competition. However, implementing these policies remains challenging, particularly for countries that rely on low tax rates to attract investment.

On the other hand, globalization also presents opportunities for developing countries to improve their tax policies by adopting best practices from advanced economies. Transparent tax reforms, technology-based tax administration, and enhanced international cooperation in tax information exchange can help boost tax compliance and expand the tax base. However, the success of these reforms depends on the readiness of infrastructure and the administrative capacity of each country.

Overall, globalization has introduced both challenges and opportunities for global taxation systems. Countries must strike a balance between attracting investment, maintaining economic competitiveness, and ensuring sustainable tax revenue. Adaptive tax policies, stronger international collaboration, and innovations in tax administration are key to navigating the evolving taxation landscape in the era of globalization.

**The Role of Technology in Tax Policy Effectiveness**

Digitalization in tax systems is one of the innovations aimed at enhancing tax policy effectiveness. The implementation of e-filing, e-tax, and big data analytics has improved transparency and efficiency in tax administration. This study found that the adoption of tax technology can increase taxpayer compliance by reducing administrative burdens and simplifying tax reporting processes. However, challenges in implementation remain, including digital access disparities in certain regions, resistance from taxpayers unfamiliar with digital systems, and the need for robust data security measures.

**Factors Influencing Taxpayer Compliance**

Taxpayer compliance is influenced by various factors, including tax awareness, tax literacy, and the incentive and penalty policies in place. Research findings indicate that the higher a taxpayer's understanding of tax obligations, the higher their compliance level. Additionally, overly complex administrative burdens can be a barrier, especially for small and medium-sized enterprises (SMEs), necessitating reforms in tax administration to improve compliance. Tax incentive policies, such as tax reductions for small businesses, have also been proven to enhance compliance by providing positive motivation for taxpayers to fulfill their obligations.

**Tax Policy Reform in the Globalization Era**

To address taxation challenges in the era of globalization, tax policy reform is essential. Countries must evaluate their tax policies in light of global trends and compare them with those of other nations. This study highlights that one effective strategy is the harmonization of international tax policies, such as the OECD's BEPS initiative, which aims to reduce tax avoidance practices. Additionally, policy reforms must consider the interests of both foreign investors and domestic businesses to ensure fairness and avoid disadvantaging any party.

**Limitations and Implications of the Study**

Like any research, this study has certain limitations that should be noted. One major limitation is the sample size, which may not fully represent the overall taxpayer population. Furthermore, limitations in access to secondary data, such as multinational corporations' tax reports, could affect the analysis of globalization's impact on tax policy. Nevertheless, this study provides valuable insights for policymakers in designing more effective tax strategies. As a recommendation, future research could expand the scope by conducting case studies on countries with different taxation systems or analyzing the specific impact of tax policies on various industrial sectors.

## CONCLUSIONS

This study evaluates the effectiveness of income tax policy in the era of globalization by considering various factors that affect tax revenue and taxpayer compliance. The results showed that an effective tax policy should be able to increase state revenue without overburdening taxpayers. Globalization brings new challenges in the tax system, especially in overcoming tax avoidance and tax evasion practices carried out by multinational companies. Therefore, more adaptive policies and harmonization of international tax policies are needed to reduce the risk of tax evasion. In addition, digitalization in the tax system is proven to increase administrative efficiency and taxpayer compliance through the implementation of e-filing, e-tax, and big data analytics. However, there are still challenges in its implementation, such as the digital access gap and tax data protection. Factors such as tax literacy, tax incentives, and administrative burden also play an important role in shaping taxpayer compliance. Therefore, tax policy reform needs to be carried out by considering the balance between the interests of the government, investors, and domestic business actors so that the tax system is more effective and sustainable.

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