

Intrinsic Motivation and Local Tax Compliance: An Exploratory Study in the Hospitality Sector

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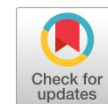
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Abstract

This study identifies the intrinsic drivers of local tax compliance in the Indonesian hospitality sector, especially in Yogyakarta, and explores how business actors' perceptions and experiences influence the optimization of regional tax revenue. Using a convergent mixed-methods design, the research employed a five-point Likert-scale survey with open-ended items administered to 31 personnel responsible for tax matters through purposive snowball sampling. The quantitative data were analyzed descriptively, while the qualitative responses were examined thematically. The study reports a consistently high level of intrinsic motivation among hospitality taxpayers, with item means ranging from 4.39 to 4.45. It suggests that the respondents perceived tax compliance as a meaningful contribution to social welfare and regional development. The qualitative findings indicate that intrinsic motivation grounded in ethical responsibility is a key predictor of timely tax payments and accurate reporting. Perceived regulatory fairness, constructive responses from tax authorities, adequate taxpayer knowledge, and clear government communication all enhance both capacity and willingness to comply. Incentives and penalties also play a role in reinforcing compliant behavior. This study provides a valuable reference point for understanding intrinsic motivation in local tax compliance. The study contributes to the literature by applying CET to Indonesia's self-assessment system. It offers new insights into the psychological drivers of compliance in local tax environments. The research highlights how intrinsic motivation contributes to tax compliance through constructive interaction between taxpayers and the government.



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Introduction

Research on tax compliance has long occupied a central position in tax scholarship, reflecting the complex and multidimensional nature of taxation. Lamb et al. (2004) state that taxation is inherently multidisciplinary, integrating legal, economic, accounting, and social dimensions, while Allingham and Sandmo (1972) conceptualize compliance as a rational decision that weighs the benefits of evasion against the risk of sanctions. The economic perspective of taxpayer compliance tends to neglect critical social, moral, and psychological dimensions of taxpayer behavior (Cowell, 1992; Kirchler, 1999), suggesting that such behavior cannot be comprehensively explained by economic rationality alone.

More recent scholarship argues that an effective tax system must strike a balance between enforced and voluntary compliance (Panayi et al., 2020). Compliance is shaped by social interactions rooted in trust, legitimacy, and shared norms (Oats, 2012). These insights are particularly salient for the hospitality industry, a sector characterized by intensive social interaction and substantial fiscal significance for local

governments (Mahyuliza et al., 2021). While the literature has largely emphasized external factors, such as sanctions, outreach, and service quality, it has paid relatively little attention to internal drivers of compliance, particularly the intrinsic willingness to pay taxes voluntarily. Addressing this gap, the present study examines how intrinsic motivation among actors in the hospitality industry shapes voluntary compliance with local taxes.

This study explores perceptions and experiences of tax compliance in the Indonesian hospitality industry, with a particular focus on the Special Region of Yogyakarta (*Daerah Istimewa Yogyakarta* or DIY hereafter). DIY is renowned for the Borobudur and Prambanan Temples, both UNESCO World Heritage Sites that attract a high number of international visitors (Murwanto & Purwoarminta, 2019). The Yogyakarta Special Region Central Bureau of Statistics (*Badan Pusat Statistik Daerah Istimewa Yogyakarta*, BPS DIY hereafter) reports that domestic tourist trips to DIY increased by 19% between January and July 2024 compared to the same period in the previous year, rising from 18.98 million to 22.59 million trips. This growth is attributed to service quality and tourist satisfaction, both of which play a crucial role in encouraging repeat visits (Suhud et al., 2022). The substantial volume of tourist arrivals not only stimulates growth in the hospitality sector but also contributes significantly to the local fiscal framework through regional tax revenues.

In general, Indonesia's tax collection system adopts a self-assessment approach and is administered jointly by the central and local governments. Local governments have distinct responsibilities for tax collection and budget management (Wiryawan & Otchia, 2022; Pepinsky & Wihardja, 2011). The system grants local governments fiscal autonomy to deliver public services tailored to community needs (Akita et al., 2021). However, such autonomy also increases reliance on taxpayer honesty and voluntary compliance. Local governments, however, face persistent challenges in optimizing regional tax revenues. These challenges include limited data availability, low public acceptance, and a diverse range of taxable objects (Anjarwi et al., 2024; Saptono & Khozen, 2023; Von Haldenwang, 2017). Collectively, these issues hinder government efforts to maximize tax contributions and achieve sustainable regional development.

The rapid growth of tourism has accelerated the expansion of hotels and restaurants. These sectors have become key contributors to local tax revenue. However, Ahmad and Putra (2023) observe that hotel and restaurant taxes do not consistently make a significant contribution to local revenue (*Pendapatan Asli Daerah* or PAD hereafter). Furthermore, Safitri et al. (2022) report that hotel tax contributions to DIY's PAD fluctuated and remained suboptimal between 2018 and 2021. Similarly, Hertikasari et al. (2025) found that hotel and restaurant taxes contributed only minimally between 2017 and 2021. In 2021, hotel taxes accounted for merely 0.11% of PAD. These findings underscore the need for more effective strategies to strengthen tax compliance and enhance fiscal contributions. Although low tax contributions may also stem from structural factors such as seasonality or administrative inefficiencies, prior studies emphasize that taxpayer behavior, particularly voluntary compliance, plays a decisive role in determining fiscal performance (Alm & Torgler, 2011). Therefore, understanding the behavioral determinants of compliance in the hospitality sector is essential.

This study adopts a convergent mixed-methods design (Creswell & Creswell, 2017), in which quantitative (Likert-scale) and qualitative (open-ended) data were collected concurrently within a single questionnaire. The study identifies factors influencing tax compliance and assesses the sector's contribution to local revenue. It is grounded in Cognitive Evaluation Theory, developed by Deci and Ryan (2013), which explains how intrinsic motivation and psychological factors shape compliance behavior.

The findings of this study suggest that intrinsic motivation and ethical responsibility significantly influence the timeliness of tax payments and the accuracy of reporting. Policy flexibility and equitable treatment by tax authorities also enhance compliance. The results highlight the importance of effective communication and collaboration between local governments and hospitality-sector stakeholders. Such cooperation can help optimize the potential for generating local tax revenue.

This study offers three key contributions. First, it addresses an empirical gap by examining local tax compliance in Indonesia's hospitality sector, a context that remains underexplored. Second, by applying

Cognitive Evaluation Theory (CET hereafter) to voluntary compliance within Indonesia's self-assessment system, where taxpayers calculate, report, and pay their own taxes. CET aligns well with this setting because its core psychological needs of autonomy and competence correspond closely to the behavioral demands of self-regulation. By clarifying how these intrinsic motivational factors influence timely payment and accurate reporting, the study deepens our psychological understanding of voluntary tax compliance. The last contribution concerns the methodological front. This study utilizes a convergent mixed-methods design with source triangulation, integrating quantitative patterns with qualitative explanations from multiple role-holders. This approach produces context-rich, behaviorally grounded, and policy-relevant insights.

Literature Review

Local Taxation in Indonesia

Indonesia began comprehensive tax reforms about three decades ago, introducing a self-assessment system. This system aimed to simplify and enhance tax collection efficiency (Inasius, 2019; Pui Yee et al., 2017). Since its initial implementation in the 1980s, the Indonesian tax system has undergone numerous revisions. Recent updates include Law No. 11 of 2020 and Law No. 7 of 2021, collectively referred to as the omnibus tax laws. These laws provide detailed guidelines on tax subjects, fundamental principles, and accurate methods for calculating taxes.

Indonesia's tax system is categorized by the governing authority responsible, either the central or the local government. Central government taxes include individual and corporate income taxes, value-added tax, and withholding taxes. The Ministry of Finance manages these taxes through the Directorate General of Taxes. On the other hand, local governments administer property taxes, land and building taxes, motor vehicle taxes, vehicle title transfer taxes, fuel taxes, surface water taxes, and cigarette taxes.

Local taxation was formally regulated through Law No. 28 of 2009 on Local Taxes and Levies. This law aimed to strengthen regional fiscal autonomy, enhance public spending efficiency, and more equitably distribute economic power between central and local authorities (Apeti et al., 2025; Dharmawan, 2022). Local taxes contribute significantly to regional fiscal independence, improved public service delivery, and responsive infrastructure development (Canales et al., 2024; Gadenne, 2017).

In DIY, local taxes play a crucial role in funding regional development. According to the Regional Economic Development Planning Agency's 2023 report, regional revenue reached IDR 5.8 trillion, while expenditures totaled IDR 5.7 trillion. This financial balance highlights the direct correlation between revenue generation and the capacity for regional development. Providing effective public services heavily relies on the region's ability to generate adequate fiscal resources. Nevertheless, Von Haldenwang (2017) notes that local governments encounter difficulties in maximizing tax potential due to limited data, low public acceptance, and complex tax obligations. Therefore, understanding public perceptions and participation is essential to enhancing local tax compliance and optimizing revenue.

The Hospitality Industry in Indonesia

The hospitality industry is strongly shaped by tourism, a major driver of economic growth. Revenue from tourism depends heavily on the number of tourist arrivals and their average spending per person. This spending typically covers accommodation, transportation, and food and beverage services (Badavi & Molchanov, 2020; Gago et al., 2009; Durbarry, 2008). As a result, tourist expenditure directly affects national income (Adedoyin et al., 2021; André & Fernández, 2015; Gooroochurn & Thea Sinclair, 2005). Indonesia's tourism market has expanded rapidly. This growth has triggered a parallel rise in the hospitality sector to meet the needs of both domestic and international travelers. In 2022, domestic tourists accounted for 96% of guests at star-rated hotels, underscoring their dominant role in the market (Bastamy, 2024). Based on projections of the Compound Annual Growth Rate, the hospitality property market in Indonesia is expected to grow by 12.07% between 2024 and 2029.

DIY is one of the country's most popular tourist destinations. It is known for its rich cultural heritage and iconic landmarks, including the UNESCO World Heritage Sites of Borobudur and Prambanan Temples. From January to July 2024, domestic tourist visits to DIY increased by 19%, rising from 18.98 million to 22.59 million trips (BPS DIY, 2024). Despite COVID-19 disruptions, the region welcomed 1.67 million visitors between July and November 2020 (The Jakarta Post, 2020).

Tourism in DIY contributes significantly to the region's economy. According to the Yogyakarta Provincial Tourism Statistics 2023, the tourism sector contributed 7.37% to the region's GDP (DIY, 2024). This highlights its dual role as both a cultural asset and a vital fiscal resource. Given its importance, the hospitality sector plays a critical role in generating local revenue and deserves close attention in tax compliance.

Tax Compliance of the Hospitality Industry

Research on tax compliance has long been a central focus in tax studies. Tax issues are complex and multidimensional. Taxation is a multidisciplinary field that integrates legal, economic, accounting, and social aspects (Lamb et al., 2004). In the tax compliance literature, Allingham and Sandmo (1972) argue that tax compliance is based on a rational calculation of the benefits derived from tax evasion relative to the risk of sanctions. Nevertheless, this economic view neglects the social, moral, and psychological dimensions of human behavior (Cowell, 1992; Kirchler, 1999).

According to Panayi et al. (2020), an effective tax system must balance enforced and voluntary compliance. Oats (2012) emphasizes that tax compliance is not only a response to regulation but also a result of social interactions between tax authorities and taxpayers, influenced by trust, legitimacy, and social norms. In this context, compliance behavior is particularly important to study in sectors with high social interaction, such as the hospitality industry.

Studies in various countries show that the hospitality sector often becomes a focus of local tax authorities due to its significant contribution to government revenues at the national and regional levels. (Mahyuliza et al., 2021). In Indonesia, hotel and restaurant taxes are among the main components of local revenue (PAD). Prior empirical studies, such as in the cities of Malang and Denpasar, find that hotel tax compliance is influenced by tax knowledge, perceptions of fairness, tax morale, and the quality of services provided by tax officials.

However, previous research has largely focused on external factors such as sanctions, outreach, and the quality of tax services. Meanwhile, internal aspects of tax compliance, represented by the willingness to pay taxes voluntarily, have received relatively little attention. Therefore, this study focuses on the intrinsic motivation of business actors in the hospitality industry regarding voluntary tax compliance.

Cognitive Evaluation Theory

Traditional approaches to tax compliance, such as the economic deterrence model (Allingham & Sandmo, 1972). Moreover, behavioral frameworks such as the Theory of Planned Behavior (Ajzen, 1991) primarily explain compliance through extrinsic mechanisms, including expected sanctions, subjective norms, and perceived behavioral control. Although these theories account for rational and normative influences, they offer limited insight into why some taxpayers continue to comply even when enforcement is weak or social pressure is minimal. Previous studies show that intrinsic factors, including moral obligation, civic responsibility, and trust in tax authorities, often sustain compliance under low-monitoring conditions. (Alm & Torgler, 2011; Kirchler, 1999; Wenzel, 2005).

CET was developed by Deci and Ryan (1985). As a sub-theory of Self-Determination Theory, it posits that intrinsic motivation stems from two key psychological needs, which are autonomy (the freedom to make decisions) and competence (the ability to perform tasks effectively). Individuals are intrinsically motivated when they feel both willing and capable of acting (Deci & Ryan, 1985).

CET also explains how external stimuli, such as rewards or punishments, can influence intrinsic motivation. These external factors are categorized as either controlling or informational. Controlling

rewards, including incentives or penalties perceived as pressure, tends to reduce autonomy and weaken intrinsic motivation. In contrast, informational rewards, such as constructive feedback, can strengthen perceptions of competence and enhance intrinsic motivation (Deci & Ryan, 1985; Deci & Ryan, 2000)

In accounting research, CET is widely used to examine how incentives, control, and feedback affect intrinsic motivation. It has been applied in contexts such as performance management and organizational behavior (Kunz & Quitmann, 2011; Wibbeke & Lachmann, 2020). In taxation studies, CET helps explore how intrinsic motivation influences voluntary tax participation and compliance (Demin, 2023; Dwenger et al., 2016).

The flexibility of CET offers a more focused mechanism for explaining how administrative interactions and policy design influence intrinsic motivation. Its distinction between informational and controlling environments also resonates with current debates on enforced and voluntary compliance in tax psychology (Panayi et al., 2020). Therefore, CET provides a conceptually robust and contextually relevant lens for this study, particularly in Indonesia's self-assessment regime and within the hospitality industry, where daily interactions and service dynamics shape perceptions of fairness and trust.

Conceptual Framework

Enhancing public participation in optimizing local tax revenue is crucial to achieving sustainable economic development. Traditionally, tax policies have heavily relied on historical data analysis. However, they often overlook the perceptions and input of industry actors, despite these stakeholders being key contributors to local tax revenue (Bloomquist et al., 2014; Doyle et al., 2025). Active participation by industry stakeholders, particularly in the hospitality sector, holds considerable potential to enhance local revenue collection.

This study argues that perceptions, attitudes, and actors' participation in the hospitality industry significantly influence the effectiveness of local tax policies. CET supports this perspective, suggesting that individuals and organizations engage more meaningfully with policies when they feel valued and perceive tangible benefits from participation (Deci & Ryan, 1985; Sun et al., 2022). CET is thus valuable for examining how industry actors evaluate tax regulations and how such evaluations impact compliance and engagement.

Building on CET, this study identifies five core constructs related to tax compliance, namely intrinsic motivation, autonomy, competence, controlling rewards, and informational rewards. Intrinsic motivation reflects taxpayers' internalized drive to comply with tax obligations, grounded in ethical values and a sense of personal responsibility (Bornman & Lilla, 2015; Gagné & Deci, 2005). Autonomy denotes the extent to which individuals perceive freedom and volition in fulfilling their tax obligations, with higher perceived autonomy fostering more active and self-endorsed engagement in compliant behavior (Bornman & Lilla, 2015; Deci & Ryan, 1985; Deci & Ryan, 2000). Competence captures taxpayers' perceived confidence and capability in understanding and managing tax-related responsibilities, whereby stronger feelings of competence promote sustained commitment and continuous improvement in compliance behavior (Bornman & Lilla, 2015; Badavi & Molchanov, 2020; Deci & Ryan, 2000). Controlling rewards refers to external regulatory mechanisms, such as sanctions and punitive measures, that aim to discipline taxpayer behavior; however, when such controls are perceived as coercive, they may undermine intrinsic motivation and weaken voluntary compliance (Deci, 1971; Hendijani et al., 2016). In contrast, informational rewards encompass supportive signals and feedback from tax authorities that enhance taxpayers' perceptions of competence and acknowledgment, thereby strengthening intrinsic motivation and fostering more enduring tax compliance when institutional support is perceived as credible and facilitative (De Neve et al., 2020; Gagné & Deci, 2005).

This study focuses on the hospitality sector's perceptions of these constructs, specifically tax compliance and local revenue optimization. The findings aim to offer practical insights for local governments in designing participatory tax strategies. Additionally, the results may guide industry stakeholders in enhancing their contributions to inclusive and sustainable regional economic development.

Therefore, the research question is: How do hospitality business actors perceive and experience intrinsic motivation in relation to their local tax compliance?

Research Method

This study employs a convergent mixed methods design to obtain both numerical trends and contextual explanations of local tax compliance behavior (Creswell & Creswell, 2017). Quantitative and qualitative data were collected concurrently via a single questionnaire, allowing both strands to inform one another during interpretation.

Complete population data on tax-responsible personnel in hospitality businesses is not publicly available due to administrative confidentiality. In the absence of an accessible population, the study used purposive snowball sampling, which is appropriate for specialized and hard-to-reach groups. Participants were individuals directly responsible for tax matters in hospitality businesses, including financial managers, tax officers, and accounting staff (Sekaran & Bougie, 2016). The questionnaire was administered online through Google Forms over three weeks and circulated through professional networks, hospitality associations, and local tax offices. A total of 31 responses were obtained, which is sufficient for exploratory mixed-methods research focused on identifying behavioral patterns rather than producing statistical generalizations (Clark & Creswell, 2008).

The questionnaire consisted of a five-point Likert scale combined with open-ended questions. The questionnaire was developed from CET, specifically intrinsic motivation, autonomy, competence, and both controlling and informational rewards (Deci & Ryan, 1985; Deci & Ryan, 2000). Items were linguistically contextualized for the Indonesian hospitality sector and local tax terms. Open-ended questions were included to allow respondents to elaborate on their experiences, perceptions, and motivations related to local tax compliance. Participants were selected using purposive snowball sampling, targeting individuals directly responsible for tax administration in hospitality businesses, including financial managers, tax officers, and accounting staff (Sekaran & Bougie, 2016). The data were collected online via Google Forms over three weeks and circulated through professional networks, hospitality associations, and local tax offices.

Quantitative data were analyzed using descriptive statistics to identify general patterns in intrinsic motivation and compliance behavior. Qualitative responses were analyzed using deductive thematic analysis, guided by CET's constructs of intrinsic motivation (Deci & Ryan, 1985). The analysis followed Braun and Clarke (2006) steps: (1) familiarization, (2) initial coding, (3) theme development, (4) theme review, (5) theme definition, and (6) interpretation of themes in relation to CET and the quantitative findings. Following Wardiwiyono and Sumaryanto (2022), the study employed data source triangulation to strengthen the credibility of qualitative findings. It is done by comparing responses from different role groups (financial managers, tax officers, and tax staff). The triangulation helped ensure that themes reflected shared experiences across organizational positions rather than being limited to a single respondent type (Creswell & Creswell, 2017). Coding procedures were documented to support dependability and confirmability (Lincoln & Guba, 1985). For quantitative data, internal consistency checks were conducted to ensure the reliability of CET-based items.

Results and Discussion

Quantitative Analysis Results

The results of the quantitative analysis using descriptive statistics are presented in Tables 1 and 2. Table 1 presents respondents by industry and job position, showing that they come from various industries, including cafes, furniture businesses, hotels, office rentals, government institutions, restaurants, and theme parks, with the majority from the hotel industry (55%). In terms of job position, the majority were employed as financial managers (26%) and financial staff (26%), with both also from the hotel industry, followed by financial staff (6%) from the restaurant industry. The remainders equally represent the other

tax-relevant positions in the hospitality industry in DIY. This composition provides valuable insights into the characteristics of tax-relevant personnel in the hospitality sector, as the respondents.

Table 1. Demographics of the Respondents

Industry Type (Code)	Position	Frequency	Percentage
Cafe (C)	Financial Manager	1	3%
	Tax Staff	1	3%
Furniture (F)	Tax Manager	1	3%
Hotel (H)	HC Coordinator	1	3%
	Financial Manager	8	26%
	Financial Staff	8	26%
Office Space Rent (OR1)	Financial Manager	1	3%
Institution (OR2)	Staff	1	3%
Government Office (OR3)	Staff	1	3%
Local Government (OR4)	Tax Staff	1	3%
Civil Servant (OR5)	Tax Staff	1	3%
Restaurant (R)	Financial Manager	1	3%
	Tax Manager	1	3%
	Financial & Accounting Manager	1	3%
	Financial Staff	2	6%
Theme Park (TP 1)	Sales Executive	1	3%

Source: Primary data processed (2025)

Table 2 summarizes the descriptive statistics of the observed variables based on the respondents' perception. The table indicates a consistently high level of intrinsic motivation among hospitality taxpayers in DIY, with item means ranging from 4.39 to 4.45 on a five-point scale. Respondents perceive tax compliance as a meaningful contribution to social welfare and regional development, reflecting internalized ethical values and social norms. This finding aligns with Alm and Torgler (2011), who argue that voluntary tax compliance increases when taxpayers view payments as morally justified and beneficial to society. Descriptive data show a strong sense of moral duty and suggest that the perception of contributing to social welfare can become a key driver of compliance.

In contrast, autonomy had the lowest mean scores (3.26 to 3.87) and the highest standard deviation. This variability suggests that respondents perceive their freedom to make tax-related decisions differently. Some respondents felt empowered, while others experienced regulatory constraints. These results align with Gobena and Van Dijke (2016) that suggest perceived fairness and autonomy foster cooperative behavior and trust in authorities. The variation in autonomy scores in this study may reflect inconsistencies in perceptions of compliance. Some respondents experience supportive conditions, while others face rigid rules that limit decision-making.

Competence scores were moderately high (3.81 to 3.94), suggesting respondents have reasonable confidence in their understanding and management of their tax obligations. The finding aligns with Appiah et al. (2024), who emphasize that taxpayer knowledge significantly influences compliance, particularly in complex tax environments.

For controlling rewards, mean scores ranged between 3.71 and 4.03, indicating that both incentives and penalties are perceived as influential. This balance between reward-based motivation and penalty-driven compliance supports the balanced enforcement strategy suggested by Carrillo et al. (2021). According to their findings, punitive measures can erode trust, while incentives, such as recognition or relief, can enhance engagement. The fact that respondents in this study valued both mechanisms implies accountability with positive reinforcement.

Informational rewards received mean scores ranging from 3.77 to 3.97, reflecting generally positive perceptions of government communication. Nonetheless, these slightly lower scores indicate a potential

need for clearer communication and improved feedback mechanisms, an issue highlighted by De Neve et al. (2020).

Table 2. Descriptive Statistics of the Variables

No	Questions	N	Min	Max	Mean	Std. Dev
Intrinsic Motivation						
1	By paying local taxes, I feel I have contributed to the local community's welfare and prosperity.	31	1	5	4.39	1.054
2	I believe that local taxes play an important role in funding public services and regional infrastructure.	31	1	5	4.42	1.025
3	I believe in the importance of individuals and businesses fulfilling their local tax obligations to support sustainable regional economic development.	31	1	5	4.45	1.028
4	Tax compliance is a form of social responsibility necessary for regional economic growth and stability.	31	1	5	4.45	1.028
Autonomy						
5	I feel I have the freedom to decide how to comply with local tax regulations.	31	1	5	3.26	1.264
6	As a taxpayer, I have significant control over my local tax compliance.	31	1	5	3.52	1.235
7	I have a strong ability to make independent decisions regarding compliance with local taxes.	31	1	5	3.68	1.301
8	I believe that my actions related to tax compliance in the hotel industry I manage reflect my values and interests.	31	1	5	3.87	1.176
Competence						
9	I have a thorough understanding of local tax regulations applicable to the industry I manage.	31	1	5	3.87	1.118
10	I feel prepared to handle the complexities and challenges related to the local tax obligations I must manage.	31	1	5	3.81	1.138
11	I am familiar with local tax regulations in the hotel and tourism industry.	31	1	5	3.90	1.044
12	I feel competent in preparing financial reports and tax-related documentation for the hotel and tourism industry.	31	1	5	3.94	1.063
Controlling Rewards						
13	I perceive that tax incentives and penalties can influence compliance behavior in the hotel and tourism industry.	31	1	5	4.00	1.033
14	I feel that tax incentives motivate me to comply with tax regulations in the hotel and tourism industry.	31	1	5	4.03	0.983
15	I am concerned about tax non-compliance, which can result in penalties in the hotel and tourism industry.	31	1	5	4.03	1.016
16	I believe that tax incentives and penalties will influence my decision-making in the hotel and tourism industry.	31	1	5	3.71	1.101
Information Rewards						
17	I feel that the local government has effectively communicated and provided feedback on local tax information.	31	1	5	3.77	0.990
18	I feel supported by the local government's communication channels in clarifying tax regulations and requirements for the hotel industry.	31	1	5	3.97	0.948

Source: Primary data processed (2025)

Overall, the quantitative findings underscore the importance of intrinsic motivation and highlight areas for improvement, including enhancing autonomy and communication strategies. Effective local tax policy should integrate behavioral incentives and supportive institutional measures rather than relying exclusively on enforcement to foster long-term compliance.

Qualitative Analysis Results

The respondents' qualitative responses were analyzed using deductive thematic analysis. The analysis was conducted by identifying key themes related to motivation and tax compliance among actors in the hospitality business. This analysis provided deeper insights into factors such as intrinsic motivation, autonomy, competence, controlling rewards, and informational rewards that influence compliance behavior.

Intrinsic Motivation - Ethical Responsibility for Timely Payment

Respondents consistently framed early and on-time tax payment not merely as a legal requirement but as part of their organization's ethical commitment and internal governance. Timeliness was associated with professionalism, integrity, and good managerial practice, indicating that taxpayers internalize compliance as part of their role identity. This reflects the CET principle of internalized autonomy, in which individuals willingly engage in behavior they see as meaningful and self-endorsed. Illustrative quotes:

“Paying taxes on time is always our priority.” (H3)

“Early tax payment is a company policy.” (OR2)

“We need to pay taxes on time.” (R1)

This theme shows that taxpayers comply not only because of deterrence but also because compliance aligns with their internal norms and organizational values. Such intrinsic motivation supports voluntary compliance and is consistent with Alm and Torgler (2011), who found that moral commitment drives tax honesty even in the absence of effective enforcement.

Intrinsic Motivation - Integrity in Accurate Data Reporting

Respondents emphasized the importance of submitting accurate data as a principle of organizational integrity. Accuracy was linked to transparency, accountability, and the maintenance of constructive relationships with local tax authorities. Taxpayers perceived accurate reporting as beneficial for long-term trust and operational stability, signaling that compliance is driven by a sense of responsibility rather than by a fear of sanctions. This theme reflects CET's competence, where individuals are motivated when they feel capable and confident in performing their duties. Illustrative quotes:

“Providing accurate data will benefit us in the future.” (H4)

“We strive to submit accurate data because it is important for our relationship with the government.” (OR3)

“Collecting accurate data is a critical responsibility for us.” (R2)

This finding demonstrates that accurate reporting is internalized as part of ethical business practice. Prior research shows that accuracy enhances trust and transparency between taxpayers and authorities (Mas'ud et al., 2015), supporting voluntary compliance within self-assessment systems.

Autonomy - Navigating Regulatory Control and Administrative Flexibility

Respondents described the exercise of autonomy in local tax compliance as shaped by two contrasting conditions: the binding nature of regional tax regulations and the presence of practical flexibility in certain administrative processes. Many respondents highlighted that although they manage their internal tax affairs, regional regulations ultimately determine how compliance must be carried out. This finding reflects a controlled environment in which local governments set firm boundaries that businesses must follow. At the same time, respondents noted that practical discretion is sometimes available, particularly in administrative matters such as deadline extensions or procedural adjustments.

The combination of strict rules and limited flexibility shapes taxpayers' perception of their ability to act autonomously. In the framework of CET, autonomy refers to the extent to which individuals feel they have meaningful control over the performance of required tasks. The findings suggest that even within a regulated setting, administrative practices can support autonomy, reduce compliance pressure, and facilitate voluntary engagement with tax obligations.

Illustrative quotes of regulatory control:

“Regional regulations govern local taxes, so we follow them.” (H2)

“Regional rules are binding; we have no choice but to comply.” (C1)

“We must comply with the applicable local regulations.” (OR1)

Illustrative quotes of administrative flexibility:

“The rules are binding, but certain situations are flexible.” (H4)

“Although the rules are strict, the government sometimes provides flexibility.” (OR3)

“We can request an extension for tax payments in some cases.” (C2)

The coexistence of rigid regulatory frameworks and selective administrative flexibility indicates that taxpayers experience both external control and autonomy-supportive conditions. Flexibility often emerges from negotiation, discretionary enforcement by authorities, or eased procedural arrangements, allowing businesses to manage their tax responsibilities more effectively. This aligns with CET, which posits that autonomy support enhances intrinsic motivation by enabling individuals to feel capable of making meaningful choices. Previous studies show that fair and transparent administrative procedures foster perceptions of autonomy and encourage cooperative compliance (Gobena & Van Dijke, 2016). Research on tax administration also finds that flexible enforcement strategies can promote compliance and reduce perceived regulatory burdens (Alm & McClellan, 2012; Tans, 2020; Zhu & Yang, 2024). The findings, therefore, suggest that autonomy in local tax compliance is shaped not only by formal legal structures but also by the relational and procedural practices of local authorities.

Competence - Knowledge of Local Tax Law

Respondents consistently demonstrated a strong sense of competence by emphasizing their understanding of local tax regulations and the importance of applying these rules accurately in business operations. Knowledge of tax law was considered essential for meeting reporting obligations, avoiding errors, and ensuring smooth coordination with authorities. It reflects the competence component of CET, which proposes that individuals feel more intrinsically motivated to complete tasks when they believe they have the skills and knowledge needed to perform them effectively. Respondents described their ability to interpret and follow regulations as a key factor in their confident compliance with local tax requirements.

Illustrative quotes:

“We operate in accordance with the prevailing regulations.” (H1)

“We understand the local regulations and follow all established rules.” (C1)

“Knowledge of local taxes is very important for us.” (OR2)

“Our accounting practices comply with current tax rules.” (H2)

“We use accounting systems that conform to local tax regulations.” (R4)

The responses indicate that tax literacy and regulatory understanding play important roles in ensuring accurate compliance. Respondents with higher levels of knowledge reported fewer uncertainties and greater confidence in fulfilling their tax responsibilities, consistent with evidence that tax literacy is positively associated with accuracy and reporting quality (Bhalla et al., 2022; Van der Rijt et al., 2019). Knowledge, therefore, appears to be a foundation of competence that encourages voluntary and accurate compliance in the local tax system.

Competence - Consultation with Relevant Departments to Ensure Compliance

Respondents also emphasized the importance of consulting relevant authorities or internal departments to ensure accurate compliance with local tax regulations. Even when they had a good understanding of tax

rules, many noted that consultation was necessary to interpret complex regulations, confirm procedural requirements, or resolve uncertainties. This reflects an external source of competence support, where taxpayers seek guidance to validate their understanding and reduce errors. Within the CET framework, such consultation contributes to competence by reinforcing individuals' confidence in their ability to comply with regulations, especially when regulations are perceived as complex or open to interpretation.

Illustrative quotes:

“We regularly consult with relevant departments to ensure tax compliance.” (H3)

“Asking the government's tax department helps us understand the complex rules.” (R2)

“We consult with local tax authorities to ensure compliance.” (OR1)

These findings highlight the role of consultation in ensuring accuracy and strengthening compliance. Respondents who consulted with authorities or internal experts appeared more confident in their decisions and reported fewer uncertainties. This is consistent with studies showing that consultation with knowledgeable parties enhances regulatory adherence and improves reporting accuracy (Inasius, 2019; Occhiali & Kalyango, 2023). In the context of local taxation, consultation serves as an important complement to individual knowledge by providing clarity and reinforcing competence.

Controlling Rewards - Incentives and Penalties as Drivers of Compliance

Respondents acknowledged the importance of both incentives and penalties. Respondents viewed incentives and penalties as important external mechanisms shaping their compliance with local tax regulations. Incentives were seen as positive reinforcements that reward compliant behavior and help maintain motivation among businesses that already follow the rules. Penalties, meanwhile, were perceived as necessary deterrents, especially for ensuring that businesses avoid non-compliance. These responses reflect the controlling aspect of motivation in CET, in which behavior is guided by external regulation rather than by internal choice. Although incentives were appreciated, several respondents suggested that their impact is strongest among taxpayers already motivated to comply, while penalties remain an effective means of ensuring adherence among all taxpayers.

Illustrative quotes:

“The local government effectively implements incentives and penalties.” (H2)

“Penalties encourage us to comply with tax regulations.” (C2)

“Incentives help, but they mostly motivate those who are already compliant.” (H4)

“Incentives work to motivate us to remain compliant.” (OR2)

These findings demonstrate that rewards and sanctions play complementary roles in shaping compliance behavior. Incentives such as tax reductions reinforce positive behavior, while penalties serve as a deterrent. This aligns with studies emphasizing that effective tax compliance systems depend on a balanced use of incentives and sanctions (Carrillo et al., 2021; Lisi, 2022). Research also notes that consistent and fair enforcement of penalties strengthens taxpayer trust in authorities, which further supports compliance (Kim & Wan, 2022). Overall, respondents recognized the value of both mechanisms in sustaining responsible tax behavior.

Controlling Rewards - Obligation and Duty to Adhere to Regulations

Beyond external drivers such as incentives and penalties, respondents emphasized a strong internalized sense of obligation to follow tax regulations. Compliance was framed as a duty that businesses must uphold to meet legal requirements and maintain organizational integrity. It reflects a motivation rooted in a perceived responsibility to act in accordance with established rules. In CET terms, it corresponds to externally regulated motivation that has been partially internalized through the acceptance of norms, with behavior driven by a sense of duty rather than by external enforcement alone. Respondents' statements suggest that fulfilling legal obligations is an integral part of their operational values. Illustrative quotes:

“We should follow the existing tax rules.” (H1)

“We are required to adhere to all established regulations.” (OR1)

These findings show that taxpayers recognize compliance not only as an externally imposed requirement but also as a formal responsibility inherent to operating a business. Although this sense of obligation remains externally oriented, it reinforces the foundation on which incentives and penalties operate. Accordingly, the idea is that compliance improves when taxpayers acknowledge legal duties and perceive enforcement mechanisms as fair and predictable (Carrillo et al., 2021; Kim & Wan, 2022; Lisi, 2022). This highlights the importance of maintaining a balanced enforcement framework that strengthens both externally driven and responsibility-based compliance.

Information Rewards - Positive Feedback and Communication from the Government

Respondents emphasized the importance of constructive communication from local tax authorities in supporting their compliance efforts. Many noted that timely feedback, clarification, and guidance helped them better understand regulatory requirements and reduce uncertainty when managing their tax obligations. Positive and responsive communication was seen as a form of informational support that strengthened taxpayers' confidence in their ability to comply. Within the framework of CET, informational rewards reinforce feelings of competence by providing the feedback and clarity needed to perform tasks effectively. Respondents' statements indicate that clear explanations and helpful responses from government officers play a meaningful role in sustaining accurate and timely compliance.

Illustrative quotes:

"The local government provides useful feedback." (H2)

"Feedback from the local government helps us better understand tax matters." (R3)

"Yes, we receive feedback from the government." (H1)

"Yes, feedback helps us manage taxes." (C2)

These responses highlight that positive feedback reduces ambiguity and enhances taxpayers' confidence in handling their tax responsibilities. This is consistent with prior findings showing that transparent communication and clear information from authorities fosters tax morale and voluntary compliance (Belahouaoui & Attak, 2024; De Neve et al., 2020). When taxpayers feel informed and supported, they experience greater competence, which contributes to more consistent compliance behavior.

Information Rewards - Socialization and Flexibility

Respondents also valued socialization initiatives and procedural flexibility provided by local tax authorities. Regular outreach activities such as briefings, policy updates, and educational sessions helped taxpayers stay informed about regulatory changes and administrative procedures. In addition, flexibility in payment deadlines was perceived as a practical form of administrative support, enabling businesses to meet their obligations during periods of operational difficulty. These experiences provide informational rewards that strengthen understanding while reducing stress associated with strict deadlines. Interpreted through CET, such practices support competence by providing clarity and support autonomy by allowing taxpayers some flexibility in meeting formal requirements.

Illustrative quotes:

"The local government regularly conducts tax policy outreach." (H3)

"We attend annual tax policy briefings organized by the government." (R4)

"We are granted flexibility in payment deadlines under certain conditions." (H4)

"We received deadline extensions from the government." (OR3)

"The government grants additional time when needed." (TP1)

These findings demonstrate that government-led socialization and flexible administrative arrangements contribute to better compliance outcomes. Outreach activities improve taxpayers' understanding of regulations, while deadline flexibility helps them fulfil obligations despite operational challenges. This is supported by research showing that clear communication and proactive policy socialization enhance voluntary compliance (Belahouaoui & Attak, 2024; De Neve et al., 2020). Flexible

deadlines also reflect administrative fairness and encourage engagement by reducing procedural pressures, which aligns with studies highlighting the benefits of adaptive administrative practices (Zhu & Yang, 2024).

Discussion

This study reveals the intrinsic motivation shaping tax compliance behavior in Indonesia's hospitality industry. Respondents describe their compliance as grounded in ethical obligation, suggesting that tax payment is not merely a legal duty but an expression of personal integrity and civic responsibility. It expresses as a sense of moral obligation, which emerges as a critical driver of timely and accurate tax reporting. Tax compliance extends beyond regulatory compulsion and reflects deeply ingrained norms of integrity and accountability. This argument supports previous findings that link voluntary tax behavior to internalized moral norms and value-based governance (Inasius, 2019; Sumantri et al., 2024; Tsikas, 2020). From the lens of CET, such responses reflect internalized intrinsic motivation, in which taxpayers perceive compliance as an expression of ethical responsibility and a contribution to the collective good.

Perceived flexibility in tax administration also surfaced as a facilitative factor. Respondents emphasized that regulatory discretion manifested through adaptable provisions or lenient enforcement enhances their capacity to comply. Such flexibility contributes to a more business-enabling environment and mitigates bureaucratic friction (Alm & McClellan, 2012; Mahangila & Anderson, 2017). These observations suggest that equitable and context-sensitive enforcement strengthens institutional legitimacy and taxpayer cooperation.

The analysis further underscores the pivotal role of tax literacy. Respondents with strong regulatory knowledge and regular access to professional support were more confident and accurate in fulfilling their duties. This dimension aligns with the competence need described in CET, in which individuals are more intrinsically motivated when they feel capable of navigating complex requirements (Appiah et al., 2024). Engagement with tax professionals through routine consultations emerged as a significant mediator in this relationship, helping to bridge information asymmetries and to mitigate risk (Hong, 2022; Inasius, 2019; Williams, 2020). These findings confirm the importance of informational clarity in promoting sustained compliance.

Importantly, both incentives and penalties were perceived as effective regulatory levers. However, penalties function as deterrents. Incentives such as tax relief or administrative recognition were equally valued, particularly among compliant taxpayers. Notably, perceptions of procedural fairness in penalty administration have been found to influence trust and compliance intentions directly (Kim & Wan, 2022). This validates arguments for a balanced regulatory strategy that harmonizes coercive and facilitative measures (Lisi, 2022).

Additionally, effective communication by local tax authorities is crucial. Respondents highlighted the importance of regular updates, clear explanations of regulatory changes, and timely feedback. Such interactions bolster tax morale, reduce uncertainty, and encourage cooperative engagement. When complemented by deadline flexibility and sustained taxpayer education, communicative transparency emerges as a cornerstone of a responsive fiscal system (Belahouaoui & Attak, 2024; De Neve et al., 2020; Zhu & Yang, 2024).

These findings yield several critical implications. Policymakers should reframe tax compliance not solely as a legal requirement but as a civic responsibility anchored in fairness and collective contribution. Reinforcing values such as justice, accountability, and institutional trust may prove more effective than a deterrence-only model. Simultaneously, regulatory adaptability should be institutionalized to reduce unnecessary administrative burdens. Lastly, enhanced access to tax information and advisory services through workshops, digital platforms, and personalized assistance remains essential for fostering a more informed and participatory tax culture.

Conclusion

This study examined intrinsic drivers of local tax compliance in Indonesia's hospitality sector using a convergent mixed methods design that combined survey data with thematic analysis of open-ended responses. The quantitative results indicate generally high levels of intrinsic motivation, perceived autonomy and competence, and positive perceptions of communication and enforcement mechanisms among hospitality taxpayers. These patterns suggest that within Indonesia's self-assessment system, many businesses are not only aware of their obligations but also show a strong willingness to comply.

The qualitative findings deepen this picture by showing how these attitudes are formed and enacted in practice. Five interrelated themes emerged: intrinsic motivation grounded in ethical responsibility; autonomy supported by regulatory flexibility; competence reinforced through tax knowledge and consultation; the complementary role of incentives and penalties; and the importance of informational support through feedback, outreach, and deadline flexibility. Viewed through the lens of CET, the integration of quantitative and qualitative evidence highlights that voluntary compliance is strengthened when clear rules, fair and adaptable administrative procedures, and constructive interaction with local authorities support autonomy and competence. External rewards and sanctions function as supporting mechanisms rather than the primary drivers of behavior.

For local governments, the findings underscore the importance of investing in taxpayer education, maintaining transparent and responsive communication channels, and applying incentives and penalties consistently and fairly. Although the focus on hospitality businesses in Yogyakarta limits the generalizability of the results, the mechanisms identified here are likely to be relevant for other self-assessed local taxes and similar service sectors. Future research could extend this framework to different regions and industries or evaluate targeted interventions, such as digital tax education and structured outreach programmes, to further support intrinsic motivation and compliance behavior.

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Appendix 1. Survey Instruments

No		Intrinsic Motivation				
Questions		Likert				
1	By paying local taxes, I feel that I have contributed to the welfare and prosperity of the local community.	1	2	3	4	5
2	I believe that local taxes play an important role in funding public services and regional infrastructure.	1	2	3	4	5
3	I believe in the importance of individuals and businesses fulfilling their local tax obligations to support sustainable regional economic development.	1	2	3	4	5
4	Tax compliance is a form of social responsibility necessary for regional economic growth and stability.	1	2	3	4	5
Open Question: Can you explain your view on how fulfilling your tax obligations has contributed to the well-being and prosperity of the local community?						
Autonomy						
Questions		Likert				
5	I feel I have the freedom to decide how to comply with local tax regulations.	1	2	3	4	5
6	As a taxpayer, I have significant control over my local tax compliance.	1	2	3	4	5
7	I have strong independence in making choices regarding compliance with local taxes.	1	2	3	4	5
8	I believe that my actions related to tax compliance in the hotel industry I manage reflect my values and interests.	1	2	3	4	5
Open Question: Reflecting on your experiences, how has the freedom to make decisions about tax compliance impacted on your business operations and personal values within the hospitality industry?						
Competence						
Questions		Likert				
9	I have a thorough understanding of local tax regulations applicable to the industry I manage.	1	2	3	4	5
10	I feel prepared to handle the complexities and challenges related to the local tax obligations I must manage.	1	2	3	4	5
11	I am familiar with local tax regulations in the hotel and tourism industry.	1	2	3	4	5
12	I feel competent in preparing financial reports and tax-related documentation for the hotel and tourism industry.	1	2	3	4	5
Open Question: Describe a challenging tax-related situation you encountered in the hospitality industry and how you addressed it, focusing on the skills and knowledge you applied.						
Controlling Rewards						
Questions		Likert				
13	I perceive that tax incentives and penalties can influence compliance behavior in the hotel and tourism industry.	1	2	3	4	5
14	I feel that tax incentives motivate me to comply with tax regulations in the hotel and tourism industry.	1	2	3	4	5
15	I am concerned about tax non-compliance, which can result in penalties in the hotel and tourism industry.	1	2	3	4	5
16	I believe that tax incentives and penalties will influence my decision-making in the hotel and tourism industry.	1	2	3	4	5
Open Question: Could you discuss a time when tax incentives or penalties significantly influenced your decision-making process regarding tax compliance? What was the outcome?						
Information Rewards						
Questions		Likert				
17	I feel that the local government has effectively communicated and provided feedback on local tax information.	1	2	3	4	5
18	I feel supported by the communication channels provided by the local government in clarifying tax regulations and requirements for the hotel industry.	1	2	3	4	5
Open Question: Explain your experience of how feedback or communication from municipal authorities has shaped your approach to tax compliance in the hospitality sector.						