

COMMUNITY EMPOWERMENT THROUGH TAX EDUCATION FOR STAFF OF THE MU'ALLIMIN MUHAMMADIYAH BOARDING SCHOOL IN WEST LOMBOK SUPPORTING A SUSTAINABLE ECONOMY

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Abstract

Taxes are a key source of state revenue and play a strategic role in supporting national development, including education and community empowerment. Therefore, tax compliance is a crucial aspect that needs to be supported by increased literacy and understanding of tax regulations. However, in various educational institutions, including Islamic boarding schools, understanding of tax administration remains suboptimal. This situation can lead to errors in fulfilling tax obligations, particularly among staff responsible for managing the institution's administration and finances.

This activity aims to improve tax literacy, understanding of tax administration, and tax compliance awareness among staff at the Mu'allimin Muhammadiyah Boarding School in West Lombok. The service is implemented through a participatory approach that includes identifying partner needs, delivering materials, interactive discussions, case studies, and mentoring participants in resolving tax issues. The results of the activity showed that the staff of the Mu'allimin Muhammadiyah Boarding School in West Lombok gained a better understanding of tax rights and obligations, Taxpayer Identification Number (NPWP) administration, tax deduction and reporting mechanisms, and the importance of tax compliance in supporting accountable educational institution governance. The enthusiasm of the participants during the discussion also demonstrated the high need for practical and contextual tax education. In addition to improving tax literacy, this activity strengthened institutional capacity through improved administrative governance, transparency, and accountability. This capacity building is a form of community empowerment that supports the creation of responsible entrepreneurship and contributes to sustainable local economic development.

Keywords: tax education, tax compliance, Islamic boarding schools, community empowerment, local economy

INTRODUCTION

Taxes are a fiscal instrument that plays a strategic role in supporting the sustainability of national development (Bird, 2021). As the primary source of state revenue, taxes are used to finance various development programs in education, health, infrastructure, social protection, and community economic empowerment. Optimizing tax revenue is not only determined by the effectiveness of government administration but also by the level of taxpayer compliance in fulfilling their tax rights and obligations (Alm, 2021). Indonesia implements a self-assessment system, a taxation system that empowers taxpayers to calculate, account for, pay, and report their own taxes in accordance with statutory provisions. Consequently, the success of this system depends heavily on the public's level of tax literacy. A lack of understanding of tax regulations can lead to administrative errors, late reporting, and low voluntary tax compliance. Beyond relying on

individual compliance, the tax system also plays a broader role in supporting institutional governance and economic development.

Strengthening the local economy is determined not only by the growth of community businesses, but also by the quality of institutional governance, human resource capacity, and regulatory compliance. Within the ESG (Environmental, Social, and Governance) framework, the governance aspect emphasizes the importance of transparency, accountability, and regulatory compliance, including tax administration. Therefore, improving tax literacy and compliance not only strengthens transparent and accountable institutional governance but also increases stakeholder trust, enhances resource management efficiency, and supports sustainable local economic development. Good governance practices characterized by transparency, accountability, and regulatory compliance enhance institutional credibility and contribute to sustainable organizational performance (UNDP, 2024; Bird, 2021).

On the other hand, community empowerment is a crucial strategy for increasing the capacity of individuals and organizations to manage resources independently. This capacity building not only fosters community empowerment but also fosters a culture of responsible organizational management, which aligns with the principles of responsible entrepreneurship, namely carrying out institutional activities transparently, accountably, and in compliance with regulations. Through tax education, boarding school staff not only gain an understanding of tax obligations but also improve their administrative competencies, supporting professional institutional management. Thus, tax education becomes part of the community empowerment process, contributing to strengthening the local economy. Community empowerment through education enables individuals to improve their competencies, participate in organizational decision-making, and sustain institutional development over time (Zimmerman, 2000; Hakim & Sunanto, 2025).

In the context of sustainable economic development, improving tax literacy is not solely the responsibility of the government but also requires the involvement of universities through the implementation of the Tri Dharma (three pillars of higher education), particularly community service. Universities play a role as agents of change, bridging public needs with the continuous development of tax regulations and the digitalization of tax administration, including the implementation of the Coretax Administration System introduced by the Directorate General of Taxes, which requires greater public capacity to understand and adapt to digital tax administration (Directorate General of Taxes, 2024).

Although various tax literacy outreach programs have been widely implemented in the micro, small, and medium enterprises (MSMEs), business actors, and individual taxpayers, tax education activities specifically targeting Islamic boarding school-based educational institutions remain relatively limited. This is despite the fact that Islamic boarding schools (*pesantren*) have their own unique financial management characteristics, involving various operational transactions, honorarium payments, procurement of goods and services, and collaborative activities with various parties that have tax implications. Limited tax literacy within educational institutions has the potential to lead to administrative inconsistencies that ultimately impact institutional accountability.

Furthermore, most previous community service activities focused on delivering general taxation material without integrating institutional governance and sustainable local economic development. Therefore, this activity offers a needs-based tax education approach that integrates tax education with strengthening Islamic boarding school governance based on the needs of partners. The novelty of this activity lies in the focus of the service on Islamic boarding schools, the integration of tax literacy with institutional governance, and its orientation toward supporting sustainable local economic development. Integrating tax literacy with institutional governance is expected to strengthen organizational accountability while simultaneously supporting broader community empowerment and sustainable development objectives (UNDP, 2024; Zimmerman, 2000).

The Mu'allimin Muhammadiyah Boarding School in West Lombok is an Islamic boarding school-based educational institution that plays a strategic role in developing a generation with Islamic character and academic competence. As the institution's activities expand, the need for professional administrative management increases. One aspect that requires attention is improving staff capacity in understanding tax obligations related to the institution's operational activities. In carrying out their operational activities, boarding school staff handle various transactions that have tax implications, such as managing financial documents, paying honorariums, procuring goods and services, and preparing administrative reports. Therefore, a sufficient understanding of tax regulations is a crucial competency for administrative staff.

Initial observations and discussions with the leadership of the Mu'allimin Muhammadiyah Boarding School in West Lombok indicate that most staff have experience in managing institutional administration. However, their understanding of tax regulations, particularly those related to educational institutions' tax obligations, still requires strengthening. This situation is influenced by several factors, including the dynamic changes in tax regulations, the development of digital-based tax administration systems, and limited opportunities to participate in regular tax training. Furthermore, there is still a perception that taxation is solely the responsibility of a specific finance department, resulting in not all staff understanding the importance of tax administration as part of good institutional governance. However, in practice, various operational activities, such as payment for services, purchasing goods, collaborating with third parties, and organizing certain activities, have tax administration consequences that need to be understood by all elements of the institution's management.

Based on these conditions, the Mu'allimin Muhammadiyah Boarding School in West Lombok requires a tax education service that not only provides an understanding of regulations but also builds awareness of the importance of tax compliance as part of accountable institutional governance. The education provided needs to be delivered contextually by using case examples that are relevant to the institution's operational activities so that it is easier to understand and apply. This activity is designed using a participatory approach. Through this participatory approach, this service activity aims to improve tax literacy and tax administration competency of the Mu'allimin Muhammadiyah Boarding School staff in West Lombok, strengthen awareness of the importance of tax compliance as part of good institutional governance, and encourage the formation of a professional, transparent, and accountable administrative culture. Ultimately, this activity is expected to strengthen the contribution of educational institutions in supporting sustainable local economic development by increasing human resource capacity and fiscal compliance.

LITERATURE REVIEW

Tax Literacy

Tax literacy is the ability of individuals and organizations to understand tax regulations, calculate tax obligations, fulfill administrative obligations, and make decisions in accordance with applicable provisions. Tax literacy encompasses not only knowledge of tax regulations but also the ability to apply them in daily administrative activities. The OECD (2022) confirms that a good level of tax literacy contributes to increased voluntary tax compliance, reduced risk of administrative errors, and strengthened organizational governance.

Tax Compliance

According to Kirchler et al., (2008) tax compliance is the behavior of taxpayers in fulfilling their tax obligations correctly, completely, and on time. This compliance is influenced by the level of knowledge, the quality of tax services, perceptions of tax fairness, and the level of trust in the government. In educational institutions, tax compliance not only reflects the fulfillment of fiscal obligations but also serves as an indicator of good institutional governance. Therefore, increasing

tax literacy through educational activities is expected to improve tax compliance while strengthening institutional accountability.

Community Empowerment

According to Zimmerman (2000) community empowerment is the process of increasing the capacity of individuals and groups to identify problems, make decisions, and manage resources independently. In the context of community service, empowerment is realized through participatory learning processes, capacity building, and mentoring that enable communities to acquire the skills to solve problems sustainably.

Environmental, Social and Governance (ESG)

ESG is a framework used to assess an organization's sustainability across three main dimensions: Environmental, Social, and Governance. In this community service activity, the Governance aspect is the primary focus because it relates to transparency, accountability, regulatory compliance, and sound administrative management. Improving tax literacy is seen as one way to strengthen the implementation of Governance principles in educational institutions.

Responsible Entrepreneurship

Responsible entrepreneurship is an approach that emphasizes a balance between achieving economic goals and social responsibility, ethics, regulatory compliance, and good organizational governance (OECD, 2022). In the context of educational institutions, the principle of responsible entrepreneurship is reflected through institutional management that is transparent, accountable, compliant with regulations, and oriented toward sustainability. Therefore, improving tax literacy can be an instrument for building a responsible organizational culture.

Sustainable Local Economic Development

Sustainable local economic development is the process of improving community well-being through strengthening local capacity, institutional governance, community empowerment, and sustainable resource utilization. This approach is not solely oriented toward economic growth but also considers social aspects, governance, and sustainability. In the context of community service, improving administrative capacity and tax literacy in educational institutions is expected to strengthen institutional governance, ultimately supporting sustainable local economic development.

RESEARCH METHODS

This community service activity uses a Participatory Learning and Action (PLA) approach combined with a Community Capacity Building approach (Chambers 1994; Pretty 1995). The PLA approach was chosen because it positions participants as active subjects in the learning process through interaction, discussion, reflection, and solving real-life problems. Meanwhile, the Community Capacity Building approach is used to strengthen human resource capacity so that participants not only understand tax concepts theoretically but also are able to apply them independently and sustainably in managing institutional administration. This approach aligns with the principle of community empowerment, which is the theme of the activity, namely improving community capacity through a participatory learning process to create more professional, transparent, and accountable institutional governance. The community service activity was carried out at the Mu'allimin Muhammadiyah Boarding School in West Lombok, targeting boarding school staff involved in the financial and operational administration of the institution, particularly those related to tax administration. The activity was implemented through five main stages.

1. Preparation Stage

The initial stage was carried out through coordination with the leadership of the Mu'allimin Muhammadiyah Boarding School in West Lombok to identify partner needs, determine activity schedules, compile educational materials, and prepare evaluation instruments.

2. Needs Identification Stage

The community service team conducted initial observations and discussions to identify the participants' level of understanding, the tax administration problems they faced, and the materials most needed.

3. Educational Stage

The material was delivered through interactive lectures covering basic taxation concepts, current tax regulations, institutional tax administration, and the implementation of the Coretax Administration System as part of Indonesia's digital tax administration reform (Directorate General of Taxes, 2024).

4. Discussion and Mentoring Stage

Participants were given the opportunity to ask questions and discuss various real-life cases encountered in institutional administration. The community service team provided direct support for any issues that arose, ensuring that the solutions provided were practical.

5. Evaluation Stage

Evaluation was conducted through pre- and post-tests to measure participants' understanding of the tax material. Furthermore, participatory observation during the activity, reflective discussions, and questionnaires were distributed to assess participant satisfaction with the material, delivery methods, and the program's usefulness. Evaluation results were used to assess the program's effectiveness and to develop recommendations for follow-up actions.

RESULTS AND DISCUSSION

Tax education activities are implemented through a Participatory Learning and Action (PLA) approach, which emphasizes active participant involvement in every stage of the learning process. This approach creates an interactive learning process, allowing participants not only to receive material but also to discuss various tax issues encountered in boarding school administration (Chambers, 1994; Zimmerman, 2000)

Following the opening ceremony, the community service team delivered material on basic tax concepts, taxpayer rights and obligations, educational institution tax administration, and the development of the Coretax Administration System as part of the ongoing digital transformation of Indonesia's tax administration (Directorate General of Taxes, 2024). The material was delivered through an interactive lecture combined with case discussions, enabling participants to relate the material to boarding school administrative activities. This approach enabled a two-way learning process, enabling participants to actively identify and discuss various tax issues they face.

Throughout the activity, participants demonstrated high levels of enthusiasm. This was evident in the numerous questions raised regarding tax administration, tax withholding obligations on certain payments, the use of Taxpayer Identification Numbers (NPWP), and the development of digital tax administration. The high level of participant participation demonstrated that the PLA approach was able to create a more participatory learning process than the one-way lecture method. This finding aligns with the Community Empowerment theory, which states that active participant involvement in the learning process improves an individual's ability to identify and resolve problems independently (Zimmerman, 2000). In addition to delivering the material, the community service team also provided assistance with several administrative issues faced by the participants. This assistance was provided through case study discussions, providing participants with an overview of the steps to resolve them in accordance with applicable tax regulations.



Figure 1. Delivery of Tax Education Material and Interactive Discussion Session

One indicator of the success of this community service activity was the participants' increased understanding of tax administration. Based on observations during the activity, participants demonstrated a change in their understanding of basic tax concepts, particularly regarding the function of tax, taxpayer rights and obligations, and the importance of tax administration documentation. This improved understanding was evident in the participants' ability to re-explain the various materials presented and their ability to identify tax obligations related to the institution's operational activities. Participants also began to understand that tax administration is not solely the responsibility of the finance department, but is part of organizational governance that requires the involvement of all elements of the institution's management.

To measure the effectiveness of the activity, a simple evaluation was conducted using a pre-test and post-test. The evaluation results showed an increase in participant understanding, as presented in Table 1.

Table 1. Results of Participant Understanding Evaluation

Indicator	Before Education	After Education
Understanding the function of taxes	58%	91%
Understanding the rights and obligations of taxpayers	52%	89%
Understanding tax administration	47%	87%
Understanding documentation obligations	45%	86%
Understanding Coretax developments	34%	82%

Overall, there was an increase in understanding across all indicators, indicating that needs-based tax education improved participants' tax literacy. This result is consistent with the OECD's (2022) perspective that higher tax literacy contributes to increased voluntary tax compliance and a reduced risk of administrative errors. It also reinforces the findings of Wardani et al., (2023), who demonstrated that tax education significantly improves tax literacy and tax compliance among educational institutions. In addition, the improvement in participants' understanding of the Coretax Administration System is consistent with (Susena et al., 2025), who emphasized that strengthening digital tax literacy is increasingly important as tax administration becomes more digitalized.

Participants' increased understanding of tax administration not only reflects improved tax literacy but also strengthens the implementation of governance aspects within the Environmental, Social, and Governance (ESG) framework. Understanding tax rights and obligations, tax administration, and tax documentation encourages the creation of more transparent, accountable,

and regulatory-compliant institutional governance. Therefore, this educational activity not only enhances individual competency but also contributes to strengthening organizational governance as a key principle of ESG (UNDP, 2024)

Based on the evaluation results, the tax education program received a positive response from participants. In addition to improving tax understanding, this activity also supported the implementation of the principle of responsible entrepreneurship in the management of educational institutions. By improving tax administration capacity, participants were encouraged to manage institutional activities more responsibly, transparently, and in accordance with applicable regulations. This demonstrates that tax education not only contributes to fiscal compliance but also builds a professional and sustainability-oriented organizational culture (UNDP, 2024). Most participants stated that the material presented was relevant to their needs in carrying out administrative tasks at the Mu'allimin Muhammadiyah Boarding School in West Lombok. Participants also found the interactive discussion method and case studies to help them understand material that was previously considered complex. The evaluation results showed that participants not only gained an improved understanding of basic tax concepts but were also able to identify various aspects of taxation related to the institution's operational activities. Furthermore, participants began to understand the importance of tax administration as part of professional and accountable institutional governance. The success of the activity was also evident in the high level of participant engagement during the discussion process. Many participants asked questions related to their work experiences, ensuring a contextual learning process. This situation indicates that the educational program succeeded in creating a participatory learning space that was responsive to the needs of partners.

The success of this community service activity was supported by several factors: 1) Full support from the leadership of the Mu'allimin Muhammadiyah Boarding School in West Lombok. This support was reflected in the facilitation of the activity venue, participant coordination, and commitment to improving the capacity of human resources in the boarding school environment; 2) High motivation of participants in participating in the activity. The enthusiasm of the participants was evident from their active participation during the discussion and their willingness to share experiences related to tax administration faced in their daily work; 3) The use of participatory learning methods that allowed participants to play an active role in the educational process. This approach made the material easier to understand because it was linked to real conditions faced by the participants; 4) The competence of the community service team in the field of taxation so that the material presented could answer the various needs and problems of the participants appropriately.

Strengthening tax administration capacity through this educational activity also has broader implications for sustainable local economic development. Although its impact on local economic growth cannot yet be directly measured, improving tax literacy and institutional governance within boarding schools is expected to strengthen organizational accountability, enhance regulatory compliance, and foster a professional administrative culture. These conditions are essential prerequisites for supporting sustainable local economic development through strengthening human resource and institutional capacity (Bird, 2021; UNDP, 2024). Therefore, strengthening tax administration capacity through needs-based education not only benefits individual competency but also serves as a long-term investment in strengthening institutional governance and supporting sustainable local economic development through human resource empowerment.

Although the activity went well, several challenges were encountered during implementation. Differences in participants' understanding levels meant that the material had to be delivered in stages to ensure everyone understood it. Furthermore, time constraints meant that not all tax cases could be discussed in depth. Dynamic changes in tax regulations and the implementation of a digital tax administration system also highlighted the need for continued mentoring to ensure sustainable competency development for participants.

CONCLUSION

Community service activities through tax education for the staff of the Mu'allimin Muhammadiyah Boarding School in West Lombok have been well implemented and have been able to improve the participants' tax literacy, especially regarding tax rights and obligations, tax administration, tax documentation, and understanding of the importance of tax compliance as part of good institutional governance. The application of the Participatory Learning and Action (PLA) approach combined with interactive lectures, discussions, case studies, and mentoring has proven effective in improving participants' understanding because the learning process takes place in a participatory and contextual manner according to the needs of partners (need-based tax education).

The increased tax literacy gained by participants not only strengthens tax literacy but also supports the implementation of governance aspects within the Environmental, Social, and Governance (ESG) framework by increasing transparency, accountability, and regulatory compliance. Furthermore, this activity also encourages the formation of a culture of responsible institutional management (responsible entrepreneurship) by strengthening human resource capacity and more professional tax administration. Thus, this community service activity not only provides benefits at the individual level but also strengthens institutional capacity as a prerequisite for supporting sustainable local economic development.

Academically, this community service contributes to the development of a needs-based tax education model in Islamic boarding school-based educational institutions by integrating the concepts of tax literacy, institutional governance, and community empowerment. Practically, this community service model can serve as a reference for universities and other Islamic educational institutions in developing tax education programs that not only improve fiscal compliance but also strengthen institutional governance and support sustainable local economic development.

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