

Entertainment Tax in Indonesia and Its Comparison with Malaysia as an Opportunity for Policy Reforms: A Systematic Literature Review

Entertainment Tax in
Indonesia and
Malaysia

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ABSTRACT

Entertainment tax is an important source of Local Revenue (PAD) in Indonesia, but its effectiveness as a regulatory and fiscal tool still faces various challenges, especially related to regional variations in collection and compliance levels. This study is a systematic literature review of articles published between 2020 and 2024, using a qualitative approach to analyze tax collection efficiency, classification changes, and the impact of the COVID-19 pandemic on entertainment tax revenues. The findings show that although entertainment tax contributes significantly to PAD, high rates often depress the profitability of the entertainment sector such as nightlife and recreation venues, thus affecting consumer behavior and encouraging tax evasion. Local governments also face limitations in supervision and law enforcement. A comparative study with Malaysia reveals that the implementation of transparency, consistent supervision, and strict sanctions can improve compliance and regulatory effectiveness. Therefore, policy reforms are needed that are able to balance fiscal objectives with the sustainability of the entertainment sector, through improving governance and adjusting tariff policies so as not to cause excessive burdens for business actors.

Keywords: Entertainment Tax, Local Government Revenue, Policy Reform, Tax Collection Effectiveness, Tax Compliance

ABSTRAK

Pajak hiburan merupakan salah satu sumber penting Pendapatan Asli Daerah (PAD) di Indonesia, namun efektivitasnya sebagai alat regulasi dan fiskal masih menghadapi berbagai tantangan, terutama terkait variasi regional dalam pemungutan dan tingkat kepatuhan. Studi ini merupakan tinjauan literatur sistematis terhadap artikel yang terbit antara 2020 hingga 2024, dengan pendekatan kualitatif untuk menganalisis efisiensi pemungutan pajak, perubahan klasifikasi, serta dampak pandemi COVID-19 terhadap penerimaan pajak hiburan. Temuan menunjukkan bahwa meskipun pajak hiburan berkontribusi signifikan terhadap PAD, tarif yang tinggi sering kali menekan profitabilitas sektor hiburan seperti tempat hiburan malam dan rekreasi, sehingga memengaruhi perilaku konsumen dan mendorong penghindaran pajak. Pemerintah daerah juga dihadapkan pada keterbatasan dalam pengawasan dan penegakan hukum. Studi perbandingan dengan Malaysia mengungkapkan bahwa penerapan transparansi, konsistensi pengawasan, dan sanksi tegas dapat meningkatkan kepatuhan dan efektivitas regulasi. Oleh karena itu, diperlukan reformasi kebijakan yang mampu menyeimbangkan tujuan fiskal dengan keberlanjutan sektor hiburan, melalui peningkatan tata kelola dan penyesuaian kebijakan tarif agar tidak menimbulkan beban berlebih bagi pelaku usaha.

Kata kunci: Pajak hiburan, pendapatan pemerintah daerah, reformasi kebijakan, Efektivitas Pemungutan Pajak, Kepatuhan Pajak

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INTRODUCTION

Entertainment tax is a vital fiscal instrument for local governments in Indonesia, particularly in urban areas where the entertainment industry is thriving. This tax is imposed on various entertainment activities, such as cinemas, concerts, nightclubs, karaoke, and recreational events, and it contributes significantly to local revenue and the financing of public services and infrastructure. In regions like DKI Jakarta, where the entertainment sector is dynamic, this tax plays an essential role in supporting regional development and economic sustainability. The legal framework governing entertainment tax has undergone multiple revisions. Law Number 18 of 1997 introduced six local taxes under district and city jurisdictions, including Hotel Tax, Restaurant Tax, Entertainment Tax, Reclame Tax, Street Lighting Tax, and Excavation Tax of Group C. Subsequently, Law Number 34 of 2000 added Parking Tax to the list, expanding the types of taxes to seven. These laws allowed local governments to exclude certain taxes if the revenue potential was considered insufficient. However, both laws lacked explicit classifications for specific entertainment types, such as karaoke, nightclubs, and steam baths/spas. Clarity on these categories only emerged in Law Number 28 of 2009 and was further reinforced in Law Number 1 of 2022, which provided more detailed regulation of these entertainment forms.

Recent developments, particularly the enactment of the Law on Financial Relations between Central and Regional Governments (*Undang-Undang Hubungan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah/ UU HKPD*) No. 1/2022, have adjusted the tax rates for certain entertainment activities to between 40% and 75%, especially those associated with discotheques, karaoke bars, and nightclubs. The intention behind these high rates is to balance revenue generation with social regulation. However, this shift has faced considerable pushback from industry stakeholders, who argue that excessive tax rates compromise business viability and limit consumer access to entertainment services (Mustofa et al., 2021; Tesalonika et al., 2021). Beyond revenue considerations, entertainment tax also functions as a regulatory tool. By imposing higher rates on entertainment deemed to have negative social impacts, such as nightlife venues, local governments attempt to influence consumer behavior and encourage more culturally aligned leisure activities (Basri et al., 2021). This regulatory approach positions entertainment tax as a means to achieve broader social goals, not merely as a fiscal mechanism. Moreover, the revenue generated helps finance essential services, contributing to public health, education, and infrastructure particularly in metropolitan areas like Jakarta (Singgih et al., 2022).

Nevertheless, the application and outcomes of entertainment tax vary across regions, influenced by differing economic capacities, administrative resources, and social norms. During the COVID-19 pandemic, for instance, entertainment tax revenues declined due to restrictions on public gatherings, revealing the tax's vulnerability to economic shocks (Thom, 2019; Dewi et al., 2022). Adaptive policy measures are thus needed to maintain revenue stability amid changing economic conditions (Abidin et al., 2023). Additionally, tourism and consumer spending behavior may also be affected by entertainment tax rates, as high levies in tourist-heavy areas could deter both local and foreign visitors. On the other hand, tax revenues reinvested in tourism infrastructure may enhance long-term regional appeal (Rosalina et al., 2021; Hu, 2024). Despite its significance, scholarly attention to the effectiveness of entertainment tax remains limited. Few studies have systematically explored how these taxes influence both the entertainment industry and regional economic outcomes. Moreover, there is a lack of comparative research on entertainment tax practices in similar regional contexts. For example, Malaysia has implemented entertainment tax policies with greater emphasis on transparency, consistent enforcement, and proportional sanctions, which may offer valuable lessons for Indonesia (Shaffril et al., 2021; Al Kautsar et al., 2024).

Given these gaps, this systematic literature review (SLR) aims to: (1) analyze the regulation of entertainment tax in Indonesia; (2) assess the economic and industrial impacts of entertainment tax on regional development; and (3) compare entertainment tax practices in Indonesia and Malaysia. By addressing these objectives, this study seeks to provide evidence-based insights for policymakers and stakeholders, supporting the development of fair, effective, and sustainable entertainment tax policies. The findings are expected to inform ongoing reforms and contribute to a more balanced approach that aligns fiscal objectives with the long-term viability of the entertainment sector.

LITERATURE REVIEW

This literature review examines the regulation, collection, and economic implications of entertainment tax in Indonesia, a critical fiscal instrument that significantly contributes to local government revenue while shaping the entertainment industry's landscape. Governed primarily by regional laws, such as Law No. 28/2009 on Regional Taxes and Retributions and its revision under the HKPD Law, entertainment tax implementation varies across Indonesia due to differences in local administrative capacities and policy frameworks (Wangdra, 2022; Meilani & Irwanto, 2022). Research highlights that effective tax collection mechanisms directly enhance locally-generated revenue, particularly in urban centers like Batam, where entertainment-heavy economies thrive on efficient systems (Modili et al., 2022). However, the influence of macroeconomic factors—such as tourism trends, consumer spending patterns, and economic stability—remains insufficiently explored, limiting a comprehensive understanding of external drivers affecting tax revenue. Addressing these gaps could provide deeper insights into optimizing entertainment tax systems for fiscal sustainability. Significant regional variations in tax collection efficiency underscore the challenges of Indonesia's decentralized governance structure. In West Bandung Regency, efforts to intensify entertainment tax collection were hampered by inadequate staffing, limited technological infrastructure, and insufficient administrative resources, which prevented local authorities from meeting revenue targets (Bae 2023; Catur & Sawitri, 2024). Similarly, in South Jakarta, a diverse entertainment hub with cinemas, nightclubs, and recreational venues, compliance issues between 2016 and 2018 led to revenue shortfalls, driven by inadequate supervision and poor communication between tax authorities and businesses (Puspita & Dewanti, 2024). These findings emphasize the need for robust administrative reforms, including the adoption of digital tax reporting systems and enhanced training for local officials, to strengthen compliance and streamline collection processes. Improved coordination between central and local governments could further address disparities and ensure consistent enforcement across regions.

The economic impact of entertainment tax reveals a stark contrast across sectors, shaped by Indonesia's tiered tax structure designed to regulate social behavior. High tax rates, ranging from 40% to 75%, imposed on nightclubs, karaoke bars, and spas create substantial financial burdens, while lower rates, capped at 10% for cinemas and cultural events, foster greater sector resilience (Valentina et al., 2022; Puspita & Dewanti, 2024;). The COVID-19 pandemic exacerbated these challenges, particularly in Palembang, where entertainment tax revenue plummeted due to prolonged venue closures and reduced consumer capacity, with nightlife sectors facing the dual strain of high taxes and operational restrictions (Cillo et al., 2019; Farooq et al., 2020). While higher taxes generate local revenue and help manage overtourism, they risk stifling industry growth, reducing profitability, and prompting business closures, particularly in sectors reliant on discretionary spending (Hötte et al 2023; Hu, 2024). These dynamics highlight the delicate balance between fiscal objectives and industry sustainability, necessitating policies that support economic recovery without compromising revenue goals.

There has been a lot of research on the entertainment tax system in Indonesia, but there is still a lack of studies comparing entertainment tax practices with other countries, such as Malaysia. Most of the available studies only discuss the domestic context without examining in depth the international framework that can be used as a reference. In

addition, there is not much research that comprehensively discusses the structure, implementation, and effectiveness of the cross-country entertainment tax system. Therefore, this study attempts to fill this gap by analyzing the differences and similarities between Indonesia and Malaysia in managing entertainment taxes. The results of the systematic literature review (SLR) show that there have been no studies that specifically highlight entertainment tax regulations in Malaysia, even though the country implements a more centralized and consistent system through the Royal Malaysian Customs Department. This absence of literature is important because Malaysia's structured approach offers a potential model for comparison with the decentralized system in Indonesia. In Indonesia, the legal basis for entertainment tax is contained in Law Number 28 of 2009 concerning Regional Taxes and Regional Retributions, which gives local governments the authority to impose taxes on entertainment activities. However, the lack of standardization leads to significant differences in rates between regions, which can lead to inequality in business operations and public access to entertainment services.

Comparative analysis with Malaysia, where a uniform 8% service tax applies to entertainment services, reveals potential lessons for Indonesia's fragmented tax system. Malaysia's centralized oversight by the Royal Malaysian Customs Department, coupled with stricter sanctions—such as fines up to RM50,000 and imprisonment for non-compliance—ensures higher compliance rates and streamlined administration (Xiao et al., 2019; Safitri & Sriningsih, 2025). In contrast, Indonesia's reliance on local governments, governed by regulations like Law No. 1 of 2022 and Government Regulation No. 35 of 2023, results in inconsistent enforcement and varying tax rates, creating unpredictability for businesses. Adopting a more standardized tax rate, as seen in Malaysia, could enhance business planning and competitiveness while reducing tax evasion. Additionally, implementing digital tax systems and offering temporary tax relief for pandemic-affected sectors, such as nightclubs and spas, could support recovery and encourage long-term growth, particularly in tourism-dependent regions (Van et al., 2021; Wahyudi et al., 2024). Looking forward, policy reforms should address the evolving nature of the entertainment industry, including the rise of digital platforms and virtual events, which remain under-regulated in Indonesia's current tax framework (Bakri et al., 2022; Nai, 2024). Expanding the tax base to include digital entertainment, while carefully balancing innovation and revenue goals, could align policies with shifting consumer preferences. Furthermore, incentives for cultural and tourism-related events could enhance Indonesia's global competitiveness, promoting its rich cultural heritage while broadening the fiscal base (Hosnaidah et al., 2023). Future research should prioritize longitudinal studies on the long-term impacts of entertainment tax, comparative analyses with countries like Malaysia, and the integration of technology to improve compliance and administrative efficiency. By adopting balanced policies, enhancing administrative capacity, and learning from international practices, Indonesia can ensure that its entertainment tax system supports both fiscal objectives and the sustainable growth of the entertainment sector.

METHODS

The systematic literature review (SLR) was conducted to examine the regulatory landscape and effects of entertainment tax in Indonesia and compare it with international practices. Following best practices outlined in the literature, the review process was structured to ensure a comprehensive and methodologically rigorous exploration of relevant studies. Choo and Chia (2023) highlights the importance of starting an SLR with a clearly defined research question, guiding the entire review process and allowing for a targeted literature search. To ensure relevance to the current tax landscape, this review targeted articles published between 2022 and 2024, ensuring that the findings reflect recent tax policies and conditions in Indonesia.

The search strategy was carefully developed, with keywords such as “entertainment tax” and its Indonesian counterpart “pajak hiburan” selected to focus exclusively on entertainment taxation. This approach aligns with recommendations by (Anurahman et

al., 2023), who emphasizes the importance of precise keyword selection to enhance the breadth and relevance of the search results. The search excluded unrelated terms like “hotel” and “restaurant” to maintain focus on entertainment taxation specifically. The databases Google Scholar, ScienceDirect, and Emerald were utilized, consistent with (Tallon et al., 2019) approach of employing multiple academic databases to ensure a wide-ranging exploration of the literature.

After the search strategy was executed, the identified articles underwent a two-step screening process. In the first screening, the application of predefined inclusion and exclusion criteria filtered out studies that did not meet quality or relevance standards. The inclusion criteria prioritized studies published in peer-reviewed journals, particularly those indexed by SCOPUS (Q1-Q4), Web of Science (WOS) for international articles, and those accredited by SINTA for national publications. These criteria aimed to ensure that only high-quality studies focused specifically on entertainment tax were included, consistent with the quality-focused approach advocated by (Tallon et al., 2019). Articles predominantly discussing other types of taxes, such as hotel or restaurant taxes, were excluded from the review.

The initial search identified 368 articles. However, after the first screening for publication credibility and topic relevance, only 27 articles met the criteria of being published in SCOPUS, WOS, or SINTA-indexed journals. The second screening involved a detailed review of the abstracts and full-texts to confirm their exclusive focus on entertainment tax and their contributions to understanding its regulation and impact. This stage mirrors the critical appraisal step described by (Saleh et al., 2023), where each study is rigorously evaluated for methodological soundness and potential biases. Ultimately, 5 articles were selected for the final review, all of which provided valuable insights into the entertainment tax landscape.

RESULTS

The selected articles were then systematically analyzed and summarized, examining their methodologies, findings, and contributions to a broader understanding of entertainment tax. This synthesis, as Monoarfa et al. (2022) outline, can take various forms, but for this review, the studies were qualitatively summarized to highlight key themes and trends in entertainment tax regulation. These findings offer evidence-based insights, which Mora-Cantalops et al. (2019) note are essential for informing both practice and policy. By aggregating results from multiple high-quality studies, the review provides a nuanced understanding of the effects of entertainment tax in Indonesia, while also identifying regulatory gaps and areas for future research, as suggested by Sevgi (2021).

Moreover, this review emphasizes transparency and reproducibility by clearly documenting each step of the process, from the search strategy to study selection and data synthesis. This approach is essential for building trust in the research findings and aligns with the guidelines proposed by Putra (2019) and Matos et al. (2025). By adhering to these rigorous standards, this systematic review contributes not only to the understanding of entertainment tax but also to the broader field of fiscal policy research in Indonesia. As Putra et al. (2023) assert, systematic literature reviews play a crucial role in advancing knowledge and guiding future research. Given the importance of entertainment tax in Indonesia's fiscal policy and its evolving regulatory environment, this review provides a foundation for both policymakers and researchers to build upon, ensuring that future developments are informed by comprehensive, high-quality evidence. The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework was used to guide the literature search and screening process. Figure 1 summarizes the PRISMA stages in this research.

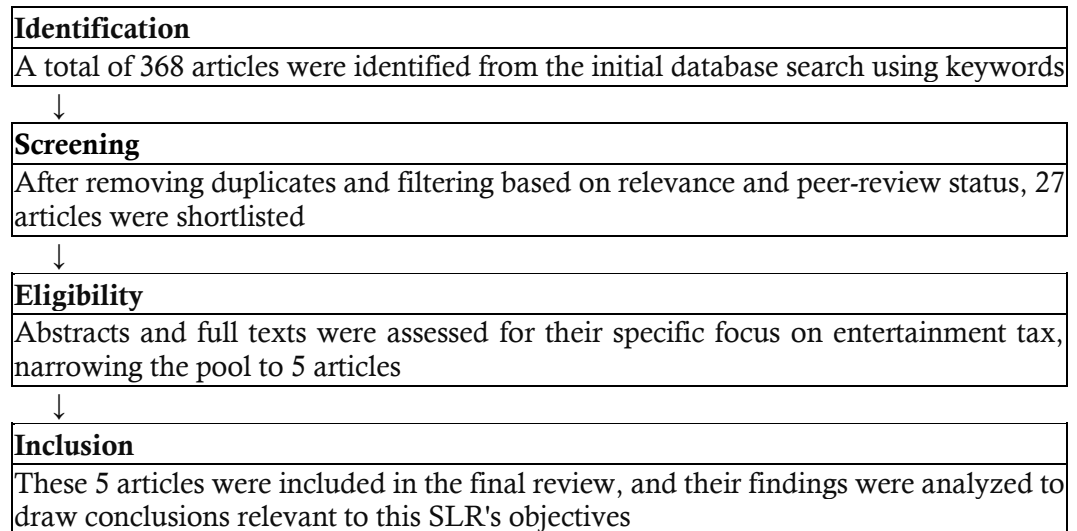


Figure 1. The PRISMA Workflow of Research Study

Several studies have been conducted to analyze the effectiveness of entertainment tax collection and its contribution to Local Revenue (PAD) in various regions, both in Indonesia and conceptually abroad. Research by Wangdra (2023) aims to analyze the level of Entertainment Tax collection in Batam City and its contribution to local tax revenue. Using descriptive analysis and multiple regression methods based on financial data from 2017–2021, this study found that entertainment tax collection and its payment performance had a significant impact on PAD. However, this study has limitations because it only focuses on Batam City, so the results are difficult to generalize to other regions. The study also suggests that future studies consider the macroeconomic impact of entertainment tax collection. Meanwhile, Shaker and Haywood (2023) conducted a conceptual exploration of the proposed digital entertainment tax in the United States to strengthen local information infrastructure. Using revenue modeling from digital entertainment services such as Netflix and Spotify, they estimate that a tax of 1–7.13% could generate significant funds to support local media. However, this study is only theoretical without empirical testing, and is limited to the context of the United States, so its applicability in other countries is still in doubt. This study also emphasizes the need for further research on the effectiveness of the distribution of these tax funds in developing media infrastructure. At the regional level, Apriyanto and Utami (2024) describe efforts to intensify entertainment tax revenue by the Regional Revenue Agency (BAPENDA) of West Bandung Regency. Through qualitative descriptive research with interviews and observations, it was found that intensification efforts had not been running optimally due to limited numbers of employees and resources. This study shows the importance of further research to find solutions to increase the efficiency of tax collection through strengthening human resources.

Puspita and Dewanti (2024) analyzed the implementation of entertainment tax collection policies at the Regional Tax and Retribution Agency of South Jakarta City Administration during 2016–2018 using a qualitative descriptive approach based on the theory of Van Meter and Van Horn. They found that entertainment tax revenues decreased due to lack of taxpayer compliance and weak supervision. This study recommends improving the tax collection process and utilizing online systems. However, this study is limited to the entertainment tax sector in the South Jakarta area, and has not considered the impact of macroeconomic conditions on collection results. Finally, Valentina et al. (2022) analyzed the impact of the COVID-19 pandemic on land and building tax revenues, advertising tax, and entertainment tax in Palembang City. Using a qualitative descriptive approach through interviews and document analysis during 2019–2021, it was found that the pandemic caused a significant decline in tax revenues,

especially entertainment tax. While land and building and advertising taxes showed recovery in 2021, entertainment tax continued to decline. This study has not explored the long-term impact of the pandemic on tax compliance and is limited to the context of Palembang City and certain types of taxes. Overall, these five studies provide a diverse understanding of the dynamics of entertainment tax in both local and global conceptual contexts. However, most have geographical and sectoral limitations, and suggest the need for further research that considers macroeconomic aspects, institutional strengthening, and comprehensive policy evaluation.

The comparison between Law Number 28 of 2009 and Law Number 1 of 2022 shows a shift in the definition, object, basis for imposition, and entertainment tax rates which are now included in the Certain Goods and Services Tax (*Pajak Barang dan Jasa Tertentu/PBJT*) scheme. Article 1 of Law Number 28 of 2009 states that Entertainment Tax is a tax on the organization of entertainment, with entertainment defined as all types of spectacles, shows, games, and/or crowds that are enjoyed for a fee. Meanwhile, in Article 1 of Law Number 1 of 2022, arts and entertainment services are defined as services for providing or organizing all forms of spectacles, shows, games, skills, recreation, and/or crowds to be enjoyed. Regarding tax objects, Article 42 of Law Number. Law No. 28 of 2009 states that the object of Entertainment Tax is paid entertainment services, covering various types of entertainment such as cinemas, art performances, beauty and bodybuilding contests, exhibitions, discos, karaoke, nightclubs, circuses, games of skill, massage, spas, fitness centers, and sports matches. Meanwhile, in Articles 50 and 55 of Law No. 1 of 2022, the object of PBJT includes the sale, delivery, and/or consumption of certain goods and services, one of which is art and entertainment services. The details are similar but broader, including water recreation rides, educational tours, agro-tourism, zoos, and bars.

In terms of the tax base, Article 44 of Law No. 28 of 2009 states that the basis for imposing Entertainment Tax is the amount of money received or should be received by the entertainment organizer, including discounts and free tickets. In contrast, Article 57 of Law No. 1 of 2022 stipulates that the basis for imposing PBJT is the amount paid by the consumer. If there is no payment, then the tax base is calculated based on the selling price of similar goods and services applicable in the relevant regional area. In terms of rates, Article 45 paragraph (2) of Law No. 28 of 2009 provides flexibility for regions to set entertainment tax rates up to a maximum of 75% for certain entertainment such as fashion shows, beauty contests, discos, karaoke, nightclubs, games of skill, massage, and spas. In the newer law, Article 58 paragraph (2) of Law No. 1 of 2022 stipulates that the PBJT rate for entertainment services in discos, karaoke, nightclubs, bars, and spas is set at a minimum of 40% and a maximum of 75%, indicating that there is a lower limit for certain types of entertainment. Overall, the shift from the Entertainment Tax approach in Law No. 28 of 2009 to PBJT in Law No. 1 of 2022 shows efforts to harmonize and modernize the regional taxation system with an expanded scope of objects, a clearer tax base, and stricter tariff regulations, especially for types of entertainment that are considered to have a large contribution to regional revenue.

DISCUSSION

Yunita and Yuliandi (2021) state that the implementation of entertainment tax in Indonesia, although aimed at generating local government revenue and influencing consumer behavior, has raised questions regarding its effectiveness and fairness. High tax rates applied to specific entertainment sectors, such as nightlife and recreational services, may have unintended consequences, such as discouraging business investment, limiting employment opportunities, and potentially driving the growth of informal economic activities. In urban areas like Jakarta and Surabaya, where the entertainment industry significantly contributes to the local economy, excessive tax burdens may reduce the competitiveness and sustainability of these businesses. Wahyudi et al. (2024) further highlight the need for alignment between entertainment tax policies and broader economic goals, such as promoting tourism and supporting the creative economy.

However, the current decentralized structure of entertainment tax regulation in Indonesia has led to inconsistency across regions. Local governments independently set their own rates, sometimes as high as 75%, which not only creates administrative challenges but also places a disproportionate burden on certain business sectors. The lack of harmonization in policy application across regions may result in economic distortions, disincentivize formal sector participation, and complicate long-term business planning.

This view is supported by several studies which underscore the importance of fairness, good governance, and policy consistency in local tax administration (Nevada & Munawar, 2022; Dewi & Teg, 2021; Lionandiva & Triandi, 2022; Adnyana et al., 2022). Furthermore, improving service delivery and strengthening enforcement mechanisms can enhance compliance and revenue collection without overburdening businesses (Turyana & Supriatiningsih, 2025). Thus, policy makers need to consider these factors to create a more balanced and effective entertainment tax policy that not only secures revenue for the state but also supports a thriving and sustainable entertainment industry.

Haryanto and Lestari (2021) emphasized that while entertainment tax has potential as a source of regional revenue, its long-term effectiveness requires greater transparency, fairness, and consistency in implementation. A comparative look at Malaysia's entertainment tax system offers useful insights. Malaysia applies entertainment taxes more uniformly and centrally through the Royal Malaysian Customs Department. The centralized administration ensures consistent monitoring and enforcement, reducing opportunities for tax evasion and increasing compliance among entertainment businesses. Yunita and Yuliandi (2021) note that Malaysia also enforces stricter penalties for tax violations, with fines of up to RM50,000 and possible imprisonment. This strong enforcement mechanism can serve as a deterrent and enhance overall compliance. In contrast, Indonesia's relatively lenient penalties and the possibility of government discretion in waiving sanctions may undermine the authority of tax regulations and create loopholes for non-compliance. Strengthening enforcement mechanisms and reducing political discretion are crucial steps toward increasing accountability and tax compliance in the entertainment sector.

Nai (2024) brought attention to another emerging issue — the absence of digital entertainment in Indonesia's current tax framework. With the rise of online platforms and virtual events, consumer behavior is shifting toward digital forms of entertainment, yet regulations remain focused on conventional venues. This gap indicates the need to reform the entertainment tax base to include digital services without stifling innovation. As digital entertainment becomes more dominant, particularly in the post-COVID-19 era, Indonesia must adapt its tax policy to remain relevant and comprehensive. Wahyudi et al. (2024) further suggested that tax incentives could be aligned with cultural and tourism-related objectives. Lowering tax rates for cultural or international events, for example, could enhance the global competitiveness of Indonesia's entertainment and tourism sectors. In doing so, tax policy would not only support revenue generation but also encourage economic development, employment, and cultural promotion. In response to these challenges, potential reforms may include adopting standardized tax rates across regions to reduce disparity and uncertainty. The implementation of user-friendly electronic tax reporting systems, as demonstrated in Malaysia, could also enhance compliance and administrative efficiency. Furthermore, targeted tax relief or temporary reductions for sectors hit hard by the COVID-19 pandemic may accelerate industry recovery and stimulate long-term growth.

CONCLUSION

This study reveals that Indonesia's entertainment tax serves both fiscal and regulatory purposes, yet its implementation poses significant challenges. High and inconsistent tax rates particularly in nightlife and recreational sectors have negatively affected business profitability, altered consumer behavior, and hampered post-pandemic recovery. These issues suggest a misalignment between the tax structure and long-term economic sustainability. The study's novelty lies in its comparative analysis with Malaysia, whose

standardized and centralized tax model demonstrates improved efficiency, clarity, and compliance. This highlights the need for Indonesia to reform its fragmented system. However, limited cross-national literature indicates a research gap, signaling the need for further comparative policy studies in Southeast Asia. To address current challenges, this study recommends the standardization of entertainment tax rates nationally, the provision of temporary tax relief for struggling businesses, and greater investment in digital tax infrastructure to enhance compliance and reduce administrative burdens. These reforms can support business recovery, stimulate sectoral growth, and improve public revenue outcomes.

Additionally, the growing digital entertainment sector calls for policy innovation. Expanding the tax base to include virtual entertainment platforms must be pursued carefully to avoid inhibiting the creative economy's growth. Despite its insights, the study is limited by its reliance on secondary data and the narrow scope of international comparison. Future research should include stakeholder interviews, broader case studies, and longitudinal assessments of tax impacts. Overall, entertainment tax reform in Indonesia is critical to achieving equitable growth, improving compliance, and strengthening the country's competitiveness. With evidence-based policy and alignment to international best practices, a more effective and balanced tax system is attainable.

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