

# Tax Amnesty

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## Tax Amnesty and Tax Administration System: An Empirical Study in Indonesia

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**Abstract:**

The purpose of this research is to analyze the impact of tax amnesty and tax administration system (e-billing system and e-filing system) on taxpayer compliance in Jakarta, Indonesia. Independent variables in this research are tax amnesty, e-billing system, and e-filing system.

The dependent variable is the taxpayers compliance. The research is a causal research (causal study) using quantitative approach. The data used is primary data with survey methods obtained by distributing questionnaires in person to meet directly with the personal taxpayer and also online through google form.

Questionnaires that have been filled and used in this study are coming from 121 respondents. The research uses purposive sampling method, that is the tax payers who follow tax amnesty program and tax payer who has paid the tax using e-billing system and report his Tax Return by using e-filing system in Jakarta. Data analysis method used in this research is multiple regression analysis.

The results of this study indicate that tax amnesty does not influence tax compliance in Jakarta, E-billing has a positive effect and significance on tax compliance, and E-filing has a positive effect and significance on tax compliance.

**Keywords:** Tax Amnesty; E-billing; E-filing; Tax compliance.

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## 1. Introduction

With aims to generate revenue in the country, Indonesian government continues to push tax revenues. Given the importance of tax revenue for the country, the tax authority has been trying to reform taxation in the form of improvements to tax policy and tax administration system so that potential tax revenue can be collected optimally by upholding the principle of social justice as well as providing excellent service to taxpayers. The latest issue in tax policy in Indonesia is the tax amnesty. According to the policy, the taxpayer is given an opportunity to declare their previously unreported assets in tax return without incurring sanctions (Waluyo, 2016).

Not long after presidential statement about the policy, a scandal called “the Panama papers” was revealed. The scandal corroborates the government’s allegation about the tax evasion made by some rich people in Indonesia. Panama is one of the tax heaven countries. Documents distributed by a global organization of journalists who are members of ICIJ (International Consortium of Investigative Journalist) contain hundreds of Indonesian names. Of the 11,5 million documents collected since the year 1977 to 2015 with a content of about 214,000 offshore companies in Panama including the identity of the shareholders and directors there are the names of shareholders and directors identified as Indonesian names (<http://investigasi.tempo.co/panama/>).

Tax amnesty policy was once implemented in Indonesia in 1984, however, it is considered less successful because of the low response from the taxpayers’ side and not followed by reform of the tax administration system as a whole. The policy has also been applied in many other countries and managed to significantly increase those countries’ revenues. Tax amnesty has three main objectives, namely to accelerate growth and economic restructuring, to encourage tax reforms towards a more equitable tax system and the expansion of the database of taxation, and to increase tax revenues (Act No. 11 The Year 2016 Tax Amnesty). Research on tax amnesty revealed that the tax amnesty effects tax compliance positively (Ngadiman and Huslin, 2015).

One of the strategic steps undertaken by the Indonesian government in improving taxpayer compliance is by modernizing the tax administration system. In 2012, the government has improved services in the system with the implementation of e-billing system and the application of e-filing. The e-billing system was introduced since 2013, but its application is still very limited and is still a poorly integrated system. The easier it is to pay taxes, tax revenues are expected to increase. Research on the effects of e-billing to the level of tax compliance shows that e-billing has an effect on the level of tax compliance (Husnurrosyidah and Suhadi, 2017). While e-Fillings is a way of delivering tax return which is conducted online and in real time. The main concern of the e-filing system implementation is to ease the process of submitting the tax return. Research on e-filing and the level of tax

compliance has been conducted by Amilin and Nurjanah (2014), which reveal that e-filing positively effects the level of tax compliance. Implementation of E-Filing system has provided convenience for the taxpayers, minimize compliance cost and increase tax compliance.

By paying attention to the recent phenomena of the low level of tax compliance in which the government issued a tax amnesty policy, the problem in this study is formulated. The problem in this study is whether tax amnesty policy and tax administration system reforms affect the taxpayers' compliance (Yazid and Suryanto, 2016).

## 2. Literature Review

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### 2.1 Theory of Planned Behavior

In the Theory of Planned Behavior Icek Ajzen states that before a person begins to behave can be assured that there is a motivation. Application of the theory explains that a person's personal behavior in complying with his obligations as a good taxpayer, is strongly influenced by several variables that can be perceived. The behavior of a taxpayer can arise due to the intention to behave in compliance with the provisions of taxation that has been established and to become a good taxpayer. Intention to behave is determined by three factors:

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(1) Behavioral beliefs; that is individual's beliefs of the result of behavior and evaluation of the results of their actions.

(2) Normative beliefs; that is beliefs about the expectations.

(3) Control beliefs; that is beliefs about the existence of things that can support or inhibit behavior that will be displayed. Perception of someone will appear and it is related to how strong the support and the behavior is (Walsh, 2012).

### 2.2 Attribution Theory

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Attribution as an impression-making process refers to how people explain the causes of the behavior of others or themselves (Sudrajat and Ompusunggu, 2015). Attribution theory introduced by Weiner stated that this theory is one of the most influential contemporary theories. Basically, when individuals observe one's behavior, it can be determined whether the behavior is inflicted internally or externally. Behavior that is caused internally as the behavior that is believed to be under the control of individuals. While externally induced behavior as the behavior that is influenced from outside. Determination of internal or external factors depend on the specificity factor, consensus factor and consistency factor (Robbins, 2008). This theory is used and is related to the compliance behavior of tax payers.

### 2.3 Agency Theory

Agency theory assumes that every individual is motivated by the interests of principal and agent. Agency relationship occurs because of a contract between the principal that is the tax authority and tax payer as the agent. In an agency

relationship, there is a contract where the principal asked the agent to perform a service on behalf of the principal and authorizes the agent to make the best decisions for the principal (Jensen and Meckling, 1976). Agency problem arises because of interests differences.

#### **2.4 Tax Amnesty**

Tax amnesty as a tax policy is set forth in the Act No. 11 in the year 2016 about Tax Policy. The policy forgives taxes that should be payable, not subject to the sanction of tax administration and criminal prosecutions in the field of taxation by way of uncovering unreported assets and pay a defined amount. The purpose of the policy is to increase government revenue and economic growth as well as to increase tax awareness and compliance of communities as a whole (Suyanto, 2016). A search on the relationship between tax payers following tax amnesty and tax compliance shows a positive effect of tax amnesty on the tax payer compliance (Ngadiman and Huslin, 2015). The policy is an effort made by a country's tax authorities to provide an opportunity for the tax evaders to report the income and pay taxes voluntarily through incentives (Mukarromah, 2016).

#### **2.5 E-billing**

E-billing is a way of paying taxes electronically. Uses of E-billing is still very limited and in the development stage. This system is an ease for tax payers because of its practicality, fastness, and safety. E-billing considers as part of tax administration reformation to improve compliance and the level of public confidence in the taxation administration (Waluyo, 2016; Suryanto and Thalassinou, 2017; Hapsoro and Suryanto, 2017).

#### **2.6 E-filing**

E-filing is a way of delivering tax return which is conducted online and on realtime. Tax compliance can be in the form of formal and informal compliance.

Formal compliance is a situation where the taxpayer meets the formal obligations in accordance with the tax laws (Waluyo, 2016). Reform of the tax administration system is expected to provide convenience for tax payers in meeting tax obligations. E-filing is part of the tax administration reform which aims to provide services in the form of ease of lodging tax return, thereby increasing the taxpayer compliance in making the submission of the tax return.

#### **2.7 Tax Compliance**

Obedience can be interpreted to obey the regulation. Then compliance can be interpreted as obedience in exercising the rules that have been enacted. Tax payer compliance is a situation where tax payers perform its obligations, in a disciplined manner, in accordance with the legislation and the prevailing tax rules (Mutia, Sri Putri Tita, 2014). The issue of adherence is important because disobedience will cause evasion of taxes which resulted in reduced revenue.

### 3. Hypothesis Development

Tax amnesty as a policy motivates taxpayers to be transparent in their tax obligation. The tax amnesty policy worked by removing the tax penalty for taxpayers that are not transparent in the reporting of tax obligations. The Government has made administrative reform by way of payment and reporting via the online system, forming a hypothesis as follows:

**3**  
*H1: Tax amnesty policy has a positive effect on tax compliance.*

Research on tax amnesty indicates that the tax amnesty has a positive effect on tax compliance of tax payer who runs businesses and independent personal services (Suyanto, 2016). Tax amnesty policy more aligned to a particular taxpayer. However, research on the tax amnesty perception shows that tax amnesty policy does not affect the taxpayer compliance (Kok Hui Xin, 2015). Therefore research related to the tax amnesty is directed to the behavior of taxpayer (Nar, 2015). The next hypothesis regarding this research is stated as follows:

*H2: E-Billing system has a positive effect on tax compliance.*

**8**  
 Tax administration reform as a refinement or improvement of administrative performance of either individual, groups, and institutions aims to make it more efficient, economic and fast (Nasucha, 2004). Tax administration reform intends to improve tax compliance. Findings show that e-billing system positively affects taxpayer compliance (Husnurrosyidah and Suhadi, 2017). The e-Billing system provides a convenient way for tax payers in paying taxes. The third hypothesis in this research can be stated as follows:

**17**  
*H3: System E –Filing has a positive effect on tax compliance.*

E-filing system is an administrative system used to lodge tax return utilizing the online system. The e-filing system has a positive effect on the tax payer compliance (Aryati and Putritanti, 2016). This system makes it easy for tax payers to submit tax return so that the tax payer will have a positive perception of the tax administration system, although these effects are not dominant.

### 4. Research Results

#### 4.1 Descriptive Analysis

The following Table shows the results of the descriptive statistical output from data processing using SPSS.

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**Table 1.** Descriptive Statistics  
 Descriptive Statistics

|  | N | Minimum | Maximum | Mean | Std. Deviation |
|--|---|---------|---------|------|----------------|
|--|---|---------|---------|------|----------------|

|                    |     |    |    |       |       |
|--------------------|-----|----|----|-------|-------|
| TA                 | 121 | 9  | 15 | 12,56 | 1,341 |
| EBIL               | 121 | 6  | 10 | 8,56  | ,956  |
| EFIL               | 121 | 13 | 20 | 16,97 | 1,543 |
| Valid N (listwise) | 121 |    |    |       |       |

Table 1 of descriptive analysis shows that the minimum value of variable tax amnesty (TA) is 9, while the maximum value is 15 and the average value obtained from 121 respondents is 12.56. It indicates that TA on tax payers following tax amnesty policy has been able to reach the maximum range. For e-billing variable the average value is 8.56, it can be stated that tax payers who have participated in the tax amnesty policy have been able to reach maximum range. Similarly, for the e-filing variable with an average value of 16.97, it can be concluded that the tax payers who have participated in the policy have reach the maximum range.

4.2 Normality Test

Table 2 shows the normative test using the one sample Kolmogorov-Smirnov test.

Table 2. Normality Test.

One-Sample Kolmogorov-Smirnov Test

|                                  |                | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N                                |                | 121                     |
| Normal Parameters <sup>a,b</sup> | Mean           | ,0000000                |
|                                  | Std. Deviation | 1,22700385              |
| Most Extreme Differences         | Absolute       | ,090                    |
|                                  | Positive       | ,090                    |
|                                  | Negative       | -,065                   |
| Kolmogorov-Smirnov Z             |                | ,995                    |
| Asymp. Sig. (2-tailed)           |                | ,275                    |

The results from the Kolmogorov-Smirnov Test in Table 2 shows that the assymp sig value of 0.275 is greater than the significant level of 0.05. So it can be concluded that the data is normally distributed, assuming that the regression model used satisfies the assumption of normality.

Table 3 shows the research coefficients from the regression model for both unstandardized and standardized coefficients.

Table 3. Full Model Regression

Coefficients<sup>a</sup>

| Model | Unstandardized Coefficients | Standardized Coefficient | t | Sig. | Collinearity Statistics |
|-------|-----------------------------|--------------------------|---|------|-------------------------|
| 9     |                             |                          |   |      |                         |

|            | B     | Std. Error | Beta  |       |      | Toleranc<br>e | VIF   |
|------------|-------|------------|-------|-------|------|---------------|-------|
| (Constant) | 7,071 | 1,489      |       | 4,748 | ,000 |               |       |
| 1 TA       | -,068 | ,095       | -,062 | -,720 | ,473 | ,793          | 1,261 |
| EBIL       | ,327  | ,137       | ,210  | 2,392 | ,018 | ,755          | 1,325 |
| EFIL       | ,463  | ,080       | ,479  | 5,765 | ,000 | ,838          | 1,193 |

The regression equation was of the form:

$$KWP = a + \beta_1 TA + \beta_2 EBIL + \beta_3 EFIL + e$$

Where:

KWP = The tax payer compliance

TA = Tax Amnesty

EBIL = E-Billing

EFIL = E-Filling

The results from the full regression model are given in the next equation:

$$KWP = 7,071 - 0,068 TA + 0,327 EBIL + 0,463 EFIL$$

Testing the first hypothesis (H1), the result shows that tax amnesty (TA) variable have a t value of -0.720, which means a negative relationship with the significant value of the coefficient 0,473 which is greater than 0.05 (0.473 > 0.05). It means that the tax amnesty (TA) does not have a significant effect on the tax payer compliance variable. Therefore tax amnesty hypothesis is rejected because it has a negative relationship and does not significantly influence the tax payer compliance (KWP).

Testing the second hypothesis (H2), the result shows that e-billing (EBIL) variable has a t value of 2.392 which means a positive relationship with the significant value of the coefficient 0,018 which is less than 0.05 (0.018 < 0.05). It means that the variable EBIL does have a significant positive effect on the tax payer compliance variable. Therefore it can be concluded that the research hypothesis H2 on e-billing (EBIL) is accepted because it has a positive relationship with the taxpayer compliance (KWP).

Testing the third hypothesis (H3), the result shows that e-filling (EFIL) variable has a t value of 5,765, which means a positive relationship with the significant value of the coefficient 0,000 which is less than 0.05 (0.00 < 0.05). It means that the variable EFIL does have a significant positive effect on the tax payer compliance variable.



Therefore it can be concluded that the research hypothesis H3 on e-filing (EFIL) is accepted because it has a positive influence on the taxpayer compliance (KWP).

## 5. Conclusion

Using the regression methodology there is strong evidence that the tax amnesty policy does not have a significant effect on the taxpayer compliance. One of the explanations for this result is that tax payers who are following tax amnesty program aimed merely to get tax facility in the form of tax sanctions removal. Another main reason for the non-compliance of the tax payers is because of lack of information about the transparency in taxation nowadays. Based on planned behavior theory and attribution theory the theory also explains that tax payer's obedience behavior is strongly influenced by the intention to behave obediently.

On the other hand, the improvement of the administrative system greatly motivates tax payers to behave obediently. From the research, it can be concluded that the e-billing and e-filing make it easy for tax payers to fulfill their administrative obligations.

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