Conference Paper

The Effect of Indonesian Digital Service Tax, Financial Capability on Tax Evasion

Islamiah Kamil, Sigit Mareta, Lestari, Yolifiandri, Edy Suryadi

Accounting Program, Business & Social Science Faculty, Universitas Dian Nusantara, Jakarta, Indonesia

ORCID
Islamiah Kamil: https://orcid.org/0000-0003-4354-9397

Abstract.
This study aims to determine the magnitude of the effect of the application of digital service tax (DST) and financial ability on tax evasion. Sample selection was done by using the convinience sampling method. Research respondents were taxpayers for DKI Jakarta Region. The number of samples used were as many as 120 respondents. The sampling technique used was multiple linear regression analysis. The results of this study prove that the application of digital service tax (DST) has an effect on tax evasion and Financial Ability has no effect on tax evasion. Based on the findings of the analysis, discussion, and conclusions previously discussed, the authors offer the following recommendations for interested parties to take into account. (1) Since the scope of this study is only confined to individual taxpayers in the DKI Jakarta region, the next researcher searches for further research areas. There are no direct interviews conducted after the survey approach is used in the investigation. (2) In order to reduce tax evasion, the tax authorities are intensifying their efforts to socialize understanding of the application of the digital service tax (DST).

Keywords: application of digital service tax (DST), tax evasion, financial ability

1. Introduction

1.1. Background

The public needs to be given direction that taxes are not merely the obligation of every citizen, but also the right of every community to participate in state financing through development. Taxpayer compliance is a significant global issue, affecting both developed and developing nations. If taxpayers don't comply, they may feel motivated to avoid, evade, smuggle, or ignore paying their taxes, which will ultimately result in tax revenue. State levies will be diminished. This may occur because the people have not fully and fairly reaped the benefits of the money they spent on paying taxes. Meanwhile, every year the amount of income from paid taxes always increases and on the other hand the distribution of paid taxes has not been felt by the community fairly [1]. Due to this

circumstance, the debate over the Digital Service Tax (DST) is becoming more popular. DST, to put it simply, is a tax on some of the gross revenue streams that the big digital companies get [2]. However, in practice, the definition of DST has remained unclear. The OECD is still in the process of working on the DST legislation, which is the reason. Over 130 nations that seek to modify the worldwide tax system, including the DST, entrust the OECD to manage their negotiations [3]. Tax evasion is an attempt to lighten the tax burden by violates statutory provisions that can impede state revenue (illegally) [4], *Tax evasion* is a criminal act because it is an engineering subject (perpetrator) and object (transaction) of taxes to obtain tax savings against the law. It is possible that in order to minimize the risk of being detected, tax evasion actors will usually try to hide or scatter the origins of the proceeds of crime by carrying out further criminal acts, namely money laundering practices in order to maximize the expected utility of income from tax evasion [5]. The purpose of this research is to prove empirically about:

1. To find out and explain the effect of the *Digital Service Tax* Implementation (DST) against tax evasion (*Tax Evasion*).

2. To find out and explain the effect of financial ability on tax evasion (*Tax Evasion*).

2. Literature Review

2.1. Tax evasion

Tax evasion means an effort made by the taxpayer whether or not it is successful or not to reduce or completely eliminate tax debts based on applicable provisions as a violation of tax laws [6], efforts to avoid taxes by illegal means are tax evasion. This action is a criminal act, because it violates the applicable rules and includes the act of intentionally not reporting completely and clearly the tax object [7].

2.2. Digital Services Tax (DST)

Based on Tegar [2] what is included in the scope of the definition of PPMSE are all parties who offer facilities and/or Electronic System Services to facilitate a transaction for PMSE business activity. In order to assist trading business activities and/or PMSE settlement, the Business Actor offers an application system that may be utilized as a form of electronic communication. This system supports a variety of business models for the PMSE implementation system.

The business plans of PPMSE include:

1. online merchants or traders with their own PMSE facilities;

2. marketplaces or platform/platform providers as a location where merchants can post offers of goods and/or services;

3. online classified ads, specifically a platform/platform that connects sellers and buyers where the entire transaction process takes place without involving PPMSE;

4. price comparison platform; and

5. daily deals.

2.3. Financial ability

Ability is the capacity of a person to carry out different responsibilities in a job. Ability is a current evaluation of what a person is capable of. The ability essentially consists of two sets of components [8]. Intellectual capacity, or the capacity required to carry out various mental tasks like thinking, reasoning, and problem-solving. 2) Physical prowess, specifically the capacity to carry out tasks that call for endurance, strength, and other related qualities.

2.4. Framework for thinking and hypotheses

The following is how the study's conceptual framework describes the interaction between the independent and dependent variables (Figure 1):
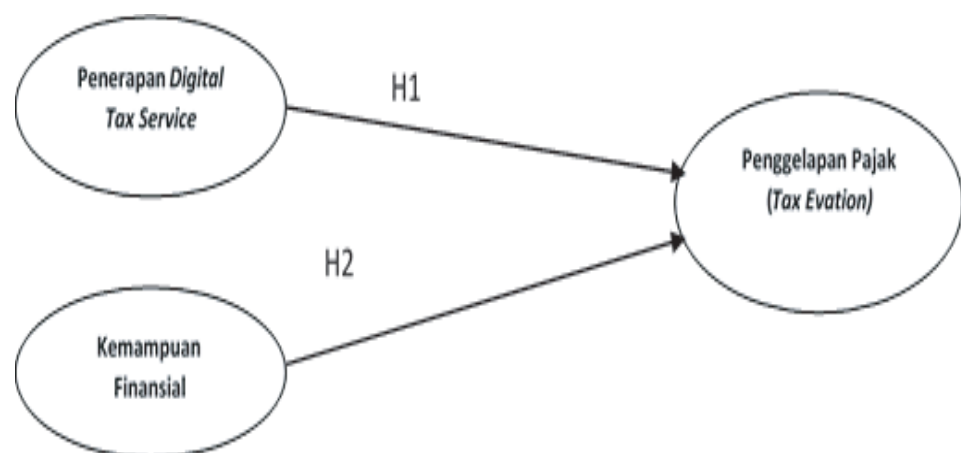

Figure 1: Framework for Thinking and Hypotheses.

The hypotheses of this research are:

H1 : The application of *Digital Service Tax* (DST) has an effect on *tax evasion* (*Tax Evation*)

H2 : Financial Ability effect on tax evasion (*Tax Evation*)

3. Research Methods

3.1. Research methods

This study used a causal research methodology to examine the relationship between an independent variable (X n) and dependent variables (Y n). In this instance, it consists of three variables: X 1 (the application of the Digital Services Tax, or DST), X 2 (financial ability), and Y (tax evasion), which functions as the dependent variable. For this investigation, statistical tests and hypothesis testing are required.

3.2. Variable definition and operation

Everything that will be the subject of study observation in the form of a concept with a range of values is referred to as a variable. The independent variables in this study, along with the dependent variables, will be discussed.

1. Using the Digital Services Tax (DST) (X 1) as a separate variable

2. The independent variable (X2) of financial capability

3. Tax Evasion as a Dependent Variable (Tax Evasion) (Y)

3.3. Population and research sample

The quantity of samples is calculated under the circumstances established by the method of Sekaran and Bougie [9], Between 5 and 10 times the number of parameters must be included in the sample size. The appropriate number of respondents is between 125 and 250 given the number of study parameters, in this case the 25 construct indicators. There are 120 responders in all.

3.4. Data analysis method

The goal of data analysis is to extract pertinent information from the data and apply the findings to address issues [10]. The methods of data analysis employed are; (1).

Validity and Reliability Tests, (2) Descriptive Statistical Tests to Provide a Description or Description of a Data Seen from the Average Value (Mean), Standard Deviation, Variance, Maximum, Minimum, Sum, Range, Kurtosis and Skewness; (3) The Classical Assumption Test Starts from the Normality, Multicollinearity, and Heteroscedasticity Tests, All of These Assumptions Must Pass the Test So That The (4) The model appropriateness test, which includes the simultaneous F test and coefficient of determination; and (5) hypothesis testing, specifically the t-test, which essentially demonstrates the contribution of each independent or explanatory variable to the variance of the dependent variable [10]. Finding the relationship between two or more independent variables and one dependent variable using multiple regression analysis in this study to determine whether each independent variable has a positive or negative relationship with the dependent variable.

4. Analysis of Results and Discussion

The following provides an explanation of the study hypothesis based on the results of the multiple regression testing that was performed:

4.1. The effect of Digital Service Tax (DST) implementation on Tax Evasion (Tax Evation)

The t-count value was 3.842 with a significant level of 0.021 according to the t-statistical test results. Thus, t count > t table (3.842 > 1.985) and significant level 0.05 (0.021 0.05) are both true. As a result, Tax Evasion is significantly reduced as a result of the implementation of Digital Service Tax (DST) (X1) (Tax Evation). The research of Tambun et al. [11] is not consistent with our study. According to his study's findings, neither the Technology Acceptance Model nor digital taxation significantly affect taxpayer compliance. Compliance by taxpayers is greatly enhanced by an understanding of the Internet. Taxpayer compliance is greatly benefited by a moderated understanding of the Internet's effects on the Technology Acceptance Model. Internet effect perception should be moderated.

4.2. The effect of financial ability on Tax Evasion (Tax Evation)

In accordance with the findings of the t-statistical test, the t-count value is 0728, and the level of significance is 0.553. This indicates that financial capability does not have

a significant positive effect on tax evasion according to t count and t table (0.728 1.985) and a significant level of 0.05 (0.553 > 0.05). (Tax Evation). According to Ezer and Ghozali [12], which is titled The influence of Income Level, Tax Rate, Tax Penalty, and Tax Audit Probability on Tax Compliance, this study does not support. The findings indicate that income level and tax compliance are positively and significantly correlated, that tax compliance has a positive impact on tax compliance level, but that tax compliance does not significantly affect tax rate. The likelihood of an audit and tax compliance both positively and significantly affect the level of tax.

5. Conclusions and Recommendations

The following findings can be derived from this study's attempt to ascertain how the implementation of the Digital Service Tax (DST) and Financial Capability affect tax evasion:

1. The application of Digital Service Tax (DST) has an effect on tax evasion (Tax Evation). The Digital Service Tax (DST) application policy must be implemented as fairly as possible in order to minimize tax evasion efforts, so that there is no opportunity for tax evasion due to the Digital Service Tax (DST) implementation.

2. Financial capability has no effect on tax evasion (Tax Evation). The higher the financial capacity of the community in paying taxes, the less tax evasion that occurs in the community. This is because individual taxpayers feel able to carry out their obligations in paying taxes which are useful for advancing their country with the money from paying the tax proceeds.

The authors provide the following recommendations for interested parties' input or consideration in light of the findings of the analysis, discussion, and conclusions previously described:

1. Since this study is solely focused on individual taxpayers in the DKI Jakarta region, the following researcher searches for new research areas. Direct interviews are not conducted after the survey approach, which is the only method used in the research.

2. In order to reduce tax evasion, the tax authorities are intensifying their efforts to socialize understanding of the implementation of the Digital Service Tax (DST).

Acknowledgments

References

[1] Prasetyo S. Persepsi Etis Penggelapan Pajak Bagi Wajib Pajak Di Wilayah Surakarta. Surakarta: Universitas Sebelas Maret Surakarta; 2010.

[2] Tegar ARS. Menuju Administrasi Pajak Digital [Internet]. Jakarta: pajak.go.id; 2019. Available from: https://pajak.go.id/id/artikel/menuju-administrasi-pajak-digital

[3] Asmarani NGC. Apa itu Pajak Transaksi Elektronik? [Internet]. Jakarta: DDTC News; 2020. Available from: https://news.ddtc.co.id/apa-itu-pajak-transaksi-elektronik-20076

[4] Xynas L. Tax Planning, Avoidance and Evasion in Australia 1970-2010: The Regulatory Responses and Taxpayer Compliance. Revenue Law Journal. 2011;20(1). https://doi.org/10.53300/001c.6714

[5] Saputri IP, Kamil I. Praktik Penggelapan Pajak (Tax Evasion) Dpengaruhi Oleh Faktor Sistem Perpajakan, Keadilan Pajak, Diskriminasi Dan Deteksi Kecurangan (Studi Kasus Pada Rs Jantung Dan Pembuluh Darah Harapan Kita Dan Rs Anak Dan Bunda Harapan Kita). Jurnal Perspektif Manajerial Dan Kewirausahaan (JPMK). 2021;1(2):148-163.

[6] Zain M. Manajemen Perpajakan. Jakarta: Salemba Em.; 2007.

[7] Nurmantu S. PengantarPerpajakan. Jakarta: Granit; 2003.

[8] Susila J. Kecerdasan Finansial [Internet]. Jakarta: Kementerian Keuangan; 2022. Available from: https://www.djkn.kemenkeu.go.id/artikel/baca/15029/Kecerdasan-Finansial.html

[9] Sekaran U, Bougie R. Business Research Methods. Jakarta: Salemba Empat; 2006.

[10] Ghozali I. Application of Multivariete Analysis With IBM SPSS 23 Program (8th Edition). 8th ed. Semarang: Diponegoro University Publishing Agency; 2016.

[11] Tambun S, Sitorus RR, Pramudya TA. Pengaruh Technology acceptance model dan digital taxation terhadap kepatuhan wajib pajak dengan pemahaman internet sebagai variabel moderating. Balance Vocation Accounting Journal. 2020;4(1):1–12.

KnE Social Sciences

TSBEC

[12] Ezer E, Ghozali I. Pengaruh Tingkat Pendapatan, Tarif Pajak, Denda Pajak, dan Probabilitas Pemeriksaan Pajak Terhadap Kepatuhan Pajak. Diponegoro Journal of Accounting. 2017;6(3):407-419.