KnE Social Sciences

Knowledge E
enriching | engaging | empowering

Conference Paper

Differences in Period I, Period II and Period III Tax Amnesty in Malang City

Dudung Ma'ruf Nuris and Bintari Widya Prihastuti

Accounting Education Program, Universitas Negeri Malang, Malang, Indonesia

Abstract

The level of taxpayer compliance in Indonesia in the last five years is quite alarming, taxpayer compliance has not reached the point expected by the government and is very small percentage of taxpayers who fulfill their obligations to pay taxes. To increase participation in tax payments, the government launched a tax amnesty program. This study aims to determine the differences in period I, period II, and period III tax amnesty in Malang City. This research includes quantitative descriptive with data collection techniques in the form of a questionnaire method. The population of this study is an individual taxpayer in the Malang Tax Service Office. The sampling technique using purposive sampling method is a taxpayer registered at the Malang Tax Office. Data analysis using descriptive analysis and independent T Test. The results of this study indicate that the period I tax amnesty is more influential on taxpayer compliance than the period II tax amnesty and the period I tax amnesty is more influential on taxpayer compliance than the period III tax amnesty. Based on the results of this study, it is recommended to examine the differences in period I, II and III tax amnesty in other Tax Service Offices as a basis for knowing the effectiveness of inter-office tax amnesty in the same region.

Keywords: Tax Amnesty, Taxpayer, Tax Compliance

🔓 **OPEN ACCESS**

1. Introduction

The level of taxpayer compliance in Indonesia in the last five years is quite alarming, this is evidenced by the percentage of taxpayers who fulfill their tax obligations in 2013, which is only about 29.4% of the total taxpayers who work and earn in Indonesia self or registered as a taxpayer and there are still many companies that have not been registered as taxpayers. The percentage of taxpayer compliance in 2013 was even lower than the previous year, which was in 2012 which reached 30% of registered taxpayers who fulfilled their tax obligations. In 2016 mandatory compliance increased by 63%, this number continued to increase until 2017 which reached 72.5%. Compliance with taxpayers in carrying out their tax obligations will certainly be very influential for state revenues and have an impact on national development, because taxes are the

largest contributor of funds to the state budget. There are several things that determine the level of tax revenue as a result of tax compliance namely economic factors, socio-demographic factors, and socio-psychological factors (Stark & Kirchler, 2017)it examines the influence of affectedness and earmarking on inheritance tax compliance. Furthermore, it compares two countries similar in tax morale, tax culture as well as dominant normative value principles, Austria and Germany, of which one – Germany – levies inheritance taxes and the other – Austria – is debating its reintroduction. Design/methodology/approach A two (affected vs nonaffected. Tax sources can be obtained from foreign and domestic investment, the more foreign investors invest in Indonesia, the greater tax revenue from foreign investment. Tax revenue is obtained not only depending on the tax rate set by the government, but also based on the awareness of the company to pay taxes (Ahmed Aly Abdel-Mowla, 2012). Often we find companies not willing to pay tax bills, and in the end there is a huge tax arrears. Indonesian citizens are also expected to be able to participate in domestic investment so that it will increase state tax revenues, but many Indonesian citizens place or transfer their property abroad, even though these assets can be used for domestic investment which will encourage the development of the country so as to increase national economy. Tax compliance itself can be defined as a situation where the taxpayer fulfills all of his tax obligations and applies his taxation rights. Compliance with taxpayers in paying taxes can ensure state revenues to maintain the continuity of revenues from the sector. Compliance with taxpayers is very important because Indonesia adheres to a Self Assessment System (Sari & Nuswantara, 2017). Finance Minister Sri Mulyani Indrawati has formed a special tax reform team to improve taxpayer compliance, one of the efforts to improve taxpayer compliance is the implementation of the Tax Amnesty policy.

The Directorate General of Taxes of the Republic of Indonesia states that Tax Amnesty is the elimination of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the field of taxation, by disclosing assets and paying ransoms as stipulated in the Tax Amnesty Law. Tax Amnesty is a limited opportunity provided by the government to certain taxpayers to pay a fixed amount, in exchange for forgiveness of tax obligations (including interest and penalties) related to the previous tax period, as well as freedom of criminal law demands. Not only Indonesia has implemented this Tax Amnesty policy, but there are some countries that also carry out the Tax Amnesty policy with different objectives including Ghana. The tax amnesty in Ghana occurred in 1985 and the policy adopted was very effective in overcoming the fiscal balance in the country (Bekoe, Danquah, & Senahey, 2016). Another country that applies tax reform is Vietnam, the tax amnesty policy in the country can increase

state revenues and especially Gross Domestic Product (Nguyen, Nguyen, & Le, 2017). Taxpayers who do not fulfill their tax obligations will get consequences in the form of tax penalties. This tax sanction is a tax regulation that is applied to improve taxpayer compliance in implementing its tax obligations.

2. Methods and Equipment

This research uses descriptive quantitative research methods, which are used to test certain theories by examining the relationships between variables and interpreting the relationships between independent variables and dependent variables appropriately. Quantitative descriptive research was used in this study to find out how the differences in the period I, period II, and period III tax amnesty in the Pratama Tax Office Malang. The population in this study is the Individual Taxpayer in the North Malang Pratama Tax Office, which is as many as 83,420 registered taxpayers as of October 31, 2017. Sampling is done by going to the Malang Tax Service Office when submitting the Tax Notice in March 2018. Research This uses primary data, this data is obtained from the answers of individual and corporate taxpayers who report SPT in March 2018 at the Pratama North Malang Tax Office. The data collection technique used in this study is the questionnaire method. In this study the independent sample T test will be used to determine the difference in period I tax amnesty, period II tax amnesty and period III tax amnesty that occurs in the Pratama Tax Office Malang.

3. Results

Basic decision making with the following conditions:

Sig p <0.05 (α), the data is not homogeneous and Sig p> 0.05, the data is declared homogeneous. In this study, the independent sample T-test will be carried out three times, namely to examine the differences in the variables of period I and II tax amnesty, period II and III tax amnesty and period I and III tax amnesty.

The levene's test for equality of variance section is known to Sig. 0.742> 0.05, indicating that the data is homogeneous or has a different variance. The T test for equality of means section is due to the two-tailed test marked Sig. (2-tailed) then Sig. 0.001 <0.025, from these results it can be seen that the average value of period I and II tax amnesty is not the same. The difference in the average value of the two periods ranges from 0.249 to 1.091 with a difference in the average value of 0.670. From the results of the independent sample T-test above, it can be concluded that the period I

TABLE 1: Independent Sample T Test Results for period I and II tax amnesty.

Group				N	Mean	Std. Deviation	Std. Error Mean
Tax Amnesty	Group_1			100	**12,77**	1,462	,146
	Group_2			100	**12,10**	1,554	,155
		Levene's Test for Equality of Variances t-test for Equality of Means					
F		Sig	Sig. (2-tailed)	Mean Dif.	95%CI Difference		
					Lower	Upper	
Tax Amnesty	Equal variances assumed	,109	,742	,002	,670	,249	1,091
	Equal variances not assumed			,002	,670	,249	1,091

tax amnesty is more influential on taxpayer compliance than the period II tax amnesty, can be seen from the mean produced by the two independent variables, period I tax amnesty has a greater mean of 12, 77 and period II tax amnesty of 12.10.

TABLE 2: Independent Sample T Test Results for period II and III tax amnesty.

Group				N	Mean	Std. Deviation	Std. Error Mean
Tax Amnesty	Group_2			100	12,10	1,554	,155
	Group_3			100	11,88	1,597	,160
		Levene's Test for Equality of Variances t-test for Equality of Means					
F		Sig	Sig. (2-tailed)	Mean Dif.	95%CI Difference		
					Lower	Upper	
Tax Amnesty	Equal variances assumed	,020	,888	,325	,220	-,219	,659
	Equal variances not assumed			,325	,220	-,219	,659

The levene's test for equality of variance section is known to Sig. 0.888> 0.05, indicating that the data is homogeneous or has a different variance. The T test for equality of means section is due to the two-tailed test marked Sig. (2-tailed) then Sig. 0.1625> 0.025, from the results it can be seen that the average value of the period II and III tax amnesty is the same or identical. The difference in the average value of the two periods ranges from - 0.219 to 0.659 with a difference in the average value of 0.220. From the results of the independent sample T-test above, it can be concluded that the period II tax amnesty has more influence on taxpayer compliance than the period III

tax amnesty, can be seen from the mean produced by the two independent variables, period II tax amestion has a greater mean of 12 10 and period III tax amnesty amounting to 11.88.

The levene's test for equality of variance section is known to Sig. 0.866> 0.05, indicating that the data is homogeneous or has a different variance. The T test for equality of means section is due to the two-tailed test marked Sig. (2-tailed) then Sig. 0.0000 <0.025, from these results it can be seen that the average value of period I and III tax amnesty is not the same. The difference in the average value of the two periods ranged from 0.463 to 1.317 with a difference in the average value of 0.890. From the results of the independent sample T-test above, it can be concluded that the period I tax amnesty is more influential on taxpayer compliance than the period III tax amnesty, can be seen from the mean produced by the two independent variables, period I tax amestion has a greater mean of 12, 77 and period III tax amnesty amounting to 11.88. From the above explanations it can be concluded that from the three periods of tax amnesty, which have a different influence on taxpayer compliance, the strongest or dominant influence on tax compliance is the period I tax amnesty because it has the highest mean value among the three periods in the tax amnesty.

4. Discussion

Based on the results of the study it can be concluded that of the three periods in tax amnesty have a different influence on taxpayer compliance, the most influential on taxpayer compliance is the period I tax amnesty, this is evidenced from the test results of independent sample T test, variables that have a mean value the highest among the three periods in tax amnesty is the period I tax amnesty. Tax amnesty is one of the policies carried out by the government in order to improve tax compliance. A good relationship between taxpayers and the government can increase tax revenues nationally (Pui Yee, Moorthy, & Choo Keng Soon, 2017). This tax amnesty is divided into three periods which have different ransom time and rates. In this study it can be proven that differences in each period have an impact on tax compliance. Period I tax amnesty has a positive and significant effect on taxpayer compliance while in period II tax amnesty although it has a positive effect on taxpayer compliance but its effect is not significant or weaker compared to period I in the tax amnesty. In the period III tax amnesty the results of the study show that the effect is negative on taxpayer compliance even though it is not significant, it can be concluded that the greater the ransom rate in each period of the tax amnesty, the smaller the effect on tax compliance. Although

simultaneously the period I, II, and III tax amnesty has an effect on tax compliance, but each period in the tax amnesty has a different influence on tax compliance.

To maximize revenue from the tax sector and to support the tax amnesty program, the government has also launched an application called E-Filling. The application is expected to be easier for taxpayers to report taxation. From these data, it can be seen also the amount of tax to be paid. The same thing was done by the Government of Malaysia where they had used e-filling, e-billing and e-Regristration (Ling & Nawawi, 2010)word-processing software, and e-mail. The result shows that the usage of e-tax applications is still not pervasive in tax practice. Overall, senior tax practitioners rated fresh accounting graduates' ICT skills as "average". Both senior (75 percent. Of the various types of tax amnesty periods that have been carried out, it results in differences in revenues in each period. This can be caused by moral intensity and ethics in taxation. If the taxpayer believes that someone who has good morals and ethics in taxation, it will be able to increase tax revenue. Without these two things being supported, it will not get maximum tax revenue (Ritsatos, 2014). Tax reform in the form of providing information technology-based applications and supported by good morals and ethics in taxpayers, can increase tax revenues, this also happens in Botswana Country (Sadress, Bananuka, Orobia, & Opiso, 2019). Taxpayer compliance can also be maximized through Voice and Accountability (VA) and Governmental Effectiveness (GEF). In a sense, if the government provides tax reporting that is open to the public and the effectiveness of the government through well-structured socialization, then taxpayer compliance can increase in period I, period II, or period III when the tax amnesty is imposed (Nkundabanyanga, Mvura, Nyamuyonjo, Opiso, & Nakabuye, 2017)transparent tax system (TTS.

5. Conclusion

Based on the results of the study it can be concluded that among the three periods in the tax amnesty has a different influence on taxpayer compliance, the period I tax amnesty is the most influential period of tax compliance. Although simultaneously the period I, II, and III tax amnesty affects taxpayer compliance, but each period in the tax amnesty has a different influence on tax compliance due to the different rates of ransom for each period and period I tax amnesty It is a tax amnesty that has the lowest ransom base rate among the three periods in the tax amnesty. Future research studies could explore this issue in other regions or countries.

Funding

Acknowledgement

Conflict of Interest

The authors have no conflict of interest to declare.

References

[1] Ahmed Aly Abdel-Mowla, S. (2012). The Egyptian tax system reforms, investment and tax evasion (2004-2008). *Journal of Economic and Administrative Sciences*, *28*(1), 53–78. https://doi.org/10.1108/10264111211218522

[2] Bekoe, W., Danquah, M., & Senahey, S. K. (2016). Tax reforms and revenue mobilization in Ghana. *Journal of Economic Studies*, *43*(4), 522–534. https://doi.org/10.1108/JES-01-2015-0007

[3] Ling, L. M., & Nawawi, N. H. A. (2010). Integrating ICT skills and tax software in tax education: A survey of Malaysian tax practitioners' perspectives. *Campus-Wide Information Systems*, *27*(5), 303–317. https://doi.org/10.1108/10650741011087748

[4] Nguyen, M. T., Nguyen, T. H., & Le, T. T. V. (2017). Tax reform, sectoral restructuring and household welfare in Vietnam. *International Journal of Economics and Management*, *11*(2), 371–391.

[5] Nkundabanyanga, S. K., Mvura, P., Nyamuyonjo, D., Opiso, J., & Nakabuye, Z. (2017). Tax compliance in a developing country. *Journal of Economic Studies*, *44*(6), 931–957. https://doi.org/10.1108/jes-03-2016-0061

[6] Pui Yee, C., Moorthy, K., & Choo Keng Soon, W. (2017). Taxpayers' perceptions on tax evasion behaviour: an empirical study in Malaysia. *International Journal of Law and Man- agement*, *59*(3), 413–429. https://doi.org/10.1108/IJLMA-02-2016-0022

[7] Ritsatos, T. (2014). Tax evasion and compliance; From the neo classical paradigm to behavioural economics, a review. *Journal of Accounting and Organizational Change*, *10*(2), 244–262. https://doi.org/10.1108/JAOC-07-2012-0059

[8] Sadress, N., Bananuka, J., Orobia, L., & Opiso, J. (2019). Antecedents of tax compliance of small business enterprises: a developing country perspective. *International Journal of Law and Management*, *61*(1), 24–44. https://doi.org/10.1108/IJLMA-10-2017-0234

[9] Sari, R. I., & Nuswantara, D. A. (2017). The Influence of Tax Amnesty Benefit Perception to Taxpayer Compliance. *Jurnal Dinamika Akuntansi*, *9*(2), 176–183. https://doi.org/10.15294/jda.v9i2.11991

[10] Stark, J. A., & Kirchler, E. (2017). Inheritance tax compliance – earmarking with normative value principles. *International Journal of Sociology and Social Policy*, *37*(7–8), 452–467. https://doi.org/10.1108/IJSSP-07-2016-0086