

# Taxpayers' Compliance from the Tax Officers' Perspective: A Grounded Theory Approach

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# Taxpayers' Compliance from the Tax Officers' Perspective: A Grounded Theory Approach

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**Abstract** Indonesia is the country with the lowest tax ratio when compared to countries of similar economic sizes. The level of taxpayers' compliance influences the low tax ratio in Indonesia. This study explores and analyzes the factors affecting taxpayers' compliance from the perspective of tax officers interacting directly and intensively with taxpayers. Qualitative research methods with grounded theory analysis tools were used to analyze the results of interviews with informants. The selected informants for this study were tax officers with more than 15 years of work experience. The study results showed that economic and non-economic factors influence taxpayers' compliance. Government transparency and accountability in tax money are essential in shaping taxpayers' compliance. Law enforcement and the imposition of strict sanctions will create fairness for taxpayers who have complied. Government, Tax Authorities, and Taxpayers are the three parties of concern in forming taxpayers' compliance. Collaboration between the three parties will create a tax-conscious society. Taxpayers' compliance is not only formed by the taxpayers themselves, but also by the fiscal policymaking by the government, the implementation of the tax administration system by tax authorities, and the taxpayers' environment. The limitations of this study were the number of involved respondents, the timeframe of the study, and the limit of cases to the experiences, observations, and feelings of the tax officers as the informants. The novelty of this research is the formation of the taxpayers' compliance concept from the tax officers' perspective.

**Keywords** Taxpayers, Tax Officers, Tax Compliance, Grounded Theory

## 1. Introduction

Tax revenue is the primary revenue source in the state revenue structure for Indonesia. The actual tax revenue in 2021 reached IDR 1,546 trillion from the actual total of IDR 1,997 trillion for the state revenue, having a role up to 77.4% [5]. The tax ratio compares tax revenues to the Gross Domestic Product (GDP) as one of the measurements of the effectiveness of tax collection from a country's economic turnover. According to a published infographic by the Ministry of Finance of the Republic of Indonesia, the tax ratio in Indonesia in 2018 only reached 10.4%; when compared to countries of similar economic sizes, Indonesia is the country with the lowest tax ratio. In comparison to several other countries, the tax ratio of Thailand is 15.7%, Cambodia is 15.3%, Singapore is 14.3%, Malaysia is 13.8%, and the Philippines is 13.7%. The level of taxpayers' compliance influences the low tax ratio in Indonesia. Several studies have found that taxpayers' compliance will have an impact on tax revenues [19,20].

The self-assessment system relies on taxpayers' compliance in fulfilling tax rights and obligations following the provisions. Tax reform in Indonesia, which began in 1983 through the establishment of Law Number 6

of 1983, changed tax collection to a self-assessment system that positions taxpayers as involved parties in registering themselves to obtain Taxpayer Identification Numbers, calculating taxes owed, paying or depositing taxes, and submitting Annual Tax Returns (SPT). The obstacle faced is that a loss of state revenue will happen when taxpayers do not comply with applicable regulations. Taxpayers who possess greater motivation to pay taxes will have greater compliance with taxes [31].

Various studies on taxpayers' compliance in Indonesia have been widely carried out based on taxpayers' compliance theories, including the theory of planned behavior [2] and the slippery slope framework [12]. Quantitative research methods have been employed to measure factors that affect taxpayers' compliance, including tax sanctions and penalties [32], tax inspections [33], quality of tax services [34], and trust as well as authority of tax authorities [35]. In addition, several qualitative studies related to taxpayers' compliance in Indonesia were carried out using several methods, including a comparative institutional analysis on the integration of information and cooperative tax compliance [23], analysis of taxpayer perceptions of the effectiveness and compliance of tax reporting using E-Filing [24], an ethnomethodology study on revealing tax avoidance in a family-owned company [25], development of a tax compliance model from the social contract perspective for mitigating the tax evasion [26], analysis of the phenomenon of taxpayer response to tax amnesty at the *KPP Pratama* (Small Tax Office), Cengkareng, Jakarta [27], analysis of tax compliance progress [21], and other studies [1,3-4,6,8,12-17].

The results of a research [36] showed that subjective norms have a significant positive influence on the taxpayer compliance of individual persons. Subjective norms are the perceptions of individuals on social influence in the formation of specific behaviors; in the concept of taxpayers' compliance, social influence includes that from friends, tax officers, tax consultants, company leaders, and print media [37]. Further, another research [34] proved that greater levels of empathy of tax officers toward taxpayers also means greater compliance of taxpayers. The above explanation indicates that there is a close relationship between taxpayers and tax officers in the formation of taxpayers' compliance.

Studies on taxpayers' compliance from the perspective of tax officers are rarely encountered. To be able to see from two sides is necessary. In this way, an overall picture can be drawn regarding taxpayers' compliance. One study [18] that regarded the perspective of tax officers and tax consultants toward the behavior of taxpayers, conducted through a phenomenology study by interviewing two tax officers and a tax consultant, showed that the attitudes and behaviors of taxpayers are affected by characteristics of culture, region, industry, sanctions, and tax avoidance.

Grounded theory is a method of theoretical composition

that has a focus on actions or interactions, and is therefore utilized in behavioral research [6]. Taxpayer compliance behavior represents actual actions conducted by taxpayers to calculate, deposit, and report their taxes [18]. Based on the above, there is the interest to conduct research on taxpayers' compliance with usage of the grounded theory method.

Only a few studies on taxpayers' compliance with qualitative methods, especially with the grounded theory approach, can be found in Indonesia. Of the two studies with the grounded theory method, one involved analyzing the application of Government Regulation No. 46 Year 2013 and its benefits and repercussions [28] and [9] other involved analyzing tax compliance level based on Circular Letter of the Director-General of Taxes No. 62 Year 2013 on the E-Commerce business model in the City of Malang [29].

This study explores and analyzes taxpayers' compliance factors from the perspective of tax officers using the grounded theory method. The location chosen for this study is the Medium Tax Office (*KPP Madya*) of Malang. This location was chosen based on these considerations: 1) the taxpayers registered in the Medium Tax Office are determined through the Decree of the Director-General of Taxes, and the taxpayers who had been selected to be administered to the office have met several indicators set by the Tax Authority; 2) the scope of the Medium Tax Office of Malang covers 16 cities/regencies in East Java.

## 2. Literature Review

### 2.1. Theory of Planned Behavior

The Theory of Planned Behavior explains that the behaviors of individuals in conducting actions are affected by three types of confidence: behavioral confidence (attitudes), normative confidence (subjective norms), and control confidence [2]. Behavioral confidence comes from the inner self of a particular individual, normative confidence (subjective norms) is affected by the environment of individuals in regarding a certain object, and control confidence is things that support or impede behaviors that will be conducted by individuals [36,37].

Compliance that is founded on the intent of taxpayers is a tendency that taxpayers experience in fulfilling tax obligations [37]. The measurement of the compliance intent of taxpayers is conducted through attitudes, subjective norms, and behavioral control. Attitudes of taxpayers are linked to the understanding of tax regulations and the true intent of paying taxes. Subjective norms are related to the compliance that arises due to influence from surrounding people (friends, tax consultants, tax officers, company leaders, and the media). The control of taxpayer behavior for the intent of tax compliance is affected by the possibilities of tax

investigations, imposition of administrative sanctions, and litigation from other parties.

Two studies [36,37] showed that attitude has a positive significant influence on the intent of tax compliance. This is then supported by a study [16] with a qualitative approach toward e-commerce entrepreneurs, in which it was found that the primary factor of not paying income tax is the lack of knowledge and information regarding the obligation of paying taxes. Subjective norms influence the intent and compliance of taxpayers [36,37]. The results of that study is further supported by a research [25] in the form of qualitative study on company owners, in which it was stated that the tax evasion conducted by business owners is affected by external factors, as the government, tax consultants, and tax officers.

There are differences in the research results regarding behavioral control in relation to taxpayers' compliance. A study [37] partially showed that behavioral control had an influence toward tax compliance. Meanwhile, another study [36] showed findings that behavioral control did not have an influence on the interest of tax compliance. This is supported by a research [4] involving a qualitative study of small- and medium-scale enterprises, in which it is explained that the motive to pay taxes is founded on the will to obey regulations and assist others.

## 59 2.2. Slippery Slope Framework

The theory of the slippery slope as referred [12] consistently shows that tax compliance is formed from two dimensions, which are power and trust of the authorities. When the power of tax authorities and trust toward authorities become weakened, this will result in decreased levels of tax compliance. This situation can be exploited by taxpayers to conduct tax avoidance. When power and trust of authorities increase, this increases tax compliance.

Confidence is defined as the general views of individuals and social groups who perceive a beneficial sense of utility and wisdom from tax authorities [12]. The measurement of trust toward tax authorities is made through the general views regarding decision-making by tax authorities, the ways that tax authorities resolve taxation issues of taxpayers, appreciation toward tax authorities, professionalism, and the knowledge of tax authorities regarding the business activities of taxpayers.

The power of tax authorities represents the perceptions of taxpayers regarding the potential tax authorities to detect illegal tax avoidance [12]. The power of tax authorities is measured through the views of taxpayers regarding the power of tax authorities to compel taxpayers to become honest, the ability of tax authorities to reveal tax avoidance, and the ability of tax authorities to counter acts of tax avoidance.

The results of several conducted studies [31,35,38] proved that trust and power have an influence toward

taxpayers' compliance. Power more greatly influences taxpayers' compliance compared to trust [31,38]. This is supported by a research [21] with a qualitative study, in which it is stated that when, by the interpretation of taxpayers, the actions of tax officers are considered negative, taxpayers will retaliate with reciprocal negative actions. The inverse is also true.

## 3 2.3. Taxpayer Compliance

Taxpayer compliance is defined as all actions that are conducted by taxpayers in fulfilling tax obligations according to applicable stipulations [31]. There are two kinds of compliance, which are formal compliance and material compliance [37]. Formal compliance is measured from the fulfillment of administrative obligations in the form of timeliness in the payment and reporting of taxes. Material compliance takes the form of appropriateness of tax calculations according to actual conditions.

The determination of taxpayers to comply can be seen from the Procedure for Providing the Tax Clearance Declaration, as stipulated in Director-General of Taxes Regulation No. 03/PJ/2019 [30]. The Tax Clearance Declaration, defined in Article 1 Section (2) of the Regulation, is information provided by the Directorate-General of Taxes regarding taxpayers' compliance during a specific period to meet the requirements for obtaining services or carrying out certain activities. To be granted the Tax Clearance Declaration, a person a) must have submitted an Annual Income Tax Return for the last two Tax Years and a Value Added Tax Return for the previous three Tax Periods for Central Taxpayers or Branch Taxpayers if necessary as obligated by the provisions of laws and regulations in the field of taxation; b) must not have a Tax Debt in the tax office where the Central Taxpayers or Branch Taxpayers are registered, or must have obtained permission to defer payment on the entirety of a Tax Debt as stipulated in Article 9 Section (4) of General Provisions and Tax Procedures; and c) must not be involved in crimes in the field of taxation and/or crimes of money laundering that result from crimes in the field of taxation, in any stage of public preliminary investigation, investigation, or prosecution.

## 3. Method

Qualitative research through grounded theory relies on researchers' professional attitudes and honesty [6,8]. This is because the implementation of the research goes through systematic stages and requires sufficient time to analyze and observe the research environment. This research requires the researchers to disclose data based on interviews with the informants, to make environmental observations, and to understand existing phenomena.



This study used qualitative methods with a grounded theory approach. A qualitative study with a grounded theory approach provides options for seeing, understanding, and interpreting phenomena that actually occur in an environment [8]. The grounded theory approach is a research method of developing theories from data and not the other way around. [6]. A grounded theory study has the objective to explain existing phenomena more broadly by identifying important parts of the phenomena, and then grouping by categorizing the relationships between those essential parts in the concept and testing process. An important part of this study is the implementation of data collection in the field; researchers visit the data collection environment without preparing certain draft concepts, propositions, or theories. The researcher will obtain accurate data uninterruptedly from existing concepts. Thus, this study focuses on interaction and can be worthy of use in behavioral research [47].

The aim of this study is to determine factors of taxpayers' compliance based on the wisdom of tax officers. The informants in this study are tax officers with an experience of a minimum of 15 years of service in order to be able to obtain more in-depth information based on their experience as tax officers.

Tax officers perform different duties and functions. Therefore, the interviewed informants are from various lines, in order to obtain various perspectives regarding taxpayers' compliance. This study was conducted in January 2022 with consideration of the time availability of informants in the Medium Tax Office of Malang, which administers taxpayers from various regencies/cities under the Regional Office of the Directorate-General of Taxes of East Java III. This study is expected to result in an overview of taxpayers' compliance of those from parts of East Java from the perspectives of tax officers.

The researcher observed and looked for information related to the duties and functions of tax officers. Based on preliminary data, it could be concluded that some of the tax officers who often interact directly with taxpayers are tax advisors, tax inspectors, account representatives, head of supervisory sections, and tax bailiffs. These officers served as the primary informants, as they can measure the level of compliance of taxpayers and recognize them while carrying out their duties and functions as tax officers. Thus, the researcher can dig deeper into information about factors of taxpayers' compliance from the perspectives of tax officers.

Primary data were obtained through semi-structured interviews. The researcher prepared several main questions that formed the basis of extracting information; then, the informants' statements were developed into

follow-up questions. The main questions are related to the definition of taxpayers' compliance, how the tax officer interacts with taxpayers, and the factors causing taxpayers to become compliant or non-compliant. The main questions were asked equally to all informants. The selected informants requested the interviews to be carried out at their workplace in their free time. The interviews took approximately 56 minutes per officer. Some interviews were interrupted by cursory interruptions due to incoming phone calls or greetings from the tax officers' co-workers. The interview of six officers took almost a week. Before ending the interviews, the researcher reconfirmed several important statements put forward by the informants.

The stages of data analysis, as determined by the grounded theory method, are carried out through several codings: open, axial, and selective coding [10]. Open coding was carried out by analyzing informants' statements according to several keywords. Then, axial coding was carried out based on the arrangement of keywords in categories and sub-categories according to their characteristics through compiling data in the central mind, identifying core data, providing conclusions to core categories by giving codes, and choosing core categories [6,8].

## 4. Results and Discussion

### 4.1. Case Studies

Primary data were obtained from interviews conducted with selected informants, as tax officers in several lines who interact directly with taxpayers. The case study relies on sources of evidence, one of which is interviews of people involved in the events [22]. Interviews were conducted at the workplace of tax officers following their time availability. Before the interviews were conducted, the researcher confirmed with the informants first, and then arranged schedules for the interviews. The semi-structured interviews were documented using a recording device with the consent of the informants, as well as with slight notes to capture important messages and follow-up to subsequent questions. Two interviews were interrupted due to incoming and in-between calls from the tax officers' co-workers. The recorded interview results were then re-transcribed and analyzed by grouping them into several case studies. The analysis stage comprised open, axial, and selective coding. The following are the case study analysis results of the six informants, presented in Tables 1 and 2.

**Table 1.** Factors of taxpayers' compliance according to informants

Case	Duties and Functions	Taxpayers' Compliance	
		Economic Factors	Non-Economic Factors
Officer A	Tax Inspector	Tax penalties; Taxpayer behavior; Law enforcement	Attitude of tax officers
Officer B	Tax Inspector	Tax penalties; Tax incentives	Understanding of tax functions; Taxation system; Tax authorities; Law enforcement
Officer C	Tax Instructor	Tax incentives; Law enforcement; Sanctions/fines	Understanding of tax functions; Attitude of tax officers
Officer D	Tax Bailiff	Tax Sanctions; Law enforcement; Tax incentives; Understanding of tax functions; Government accountability and transparency	Taxpayer behavior; Understanding of tax regulations; Tax authority services
Officer E	Supervisor	Tax amnesty; Law enforcement	Attitude of tax officers; Taxation system
Officer F	Supervisor	Financial conditions of taxpayers; Taxation system; Law enforcement; Tax rates	Taxation system; Understanding of tax functions; Government transparency and accountability; Understanding of tax regulations; Law enforcement; Taxpayer milieu

Source: Informant interviews

**Table 2.** Factors of taxpayers' non-compliance according to informants

Case	Duties and Functions	Taxpayers' Non-Compliance	
		Economic Factors	Non-Economic factors
Officer A	Tax Inspector	Taxpayer behavior	Understanding of taxation regulations
Officer B	Tax Inspector	Taxpayer behavior; Transparency and government accountability	Taxpayer environment; Understanding of tax functions; Understanding of taxation regulations
Officer C	Tax Instructor	Taxpayer environment	Understanding of tax functions; Understanding of taxation regulations; Taxpayer environment
Officer D	Tax Bailiff	Financial conditions of taxpayers; Taxpayer behavior	Understanding of taxation regulations; Government accountability and transparency
Officer E	Supervisor	Financial conditions of taxpayers; Taxpayer environment; Taxpayer behavior	Taxpayer behavior; Understanding of taxation regulations; Understanding of tax functions
Officer F	Supervisor	Taxpayer behavior; Tax rates	Understanding of taxation regulations; Understanding of tax functions; Taxation system; Attitude of tax officers; Taxpayer environment; Government transparency and accountability

Source: Informant interviews

4.1.1. Officer A

Officer A, who is 52 years old with a Master of Management education background, has been a tax officer for 29 years and has served in 12 tax offices in various regions (Jakarta, Bekasi, Denpasar, Surabaya, Mojokerto, and Malang), carrying out duties and functions as a functional tax inspector. Officer A interacts with taxpayers through inspection activities, from calling taxpayers, visiting taxpayers' business locations, and conducting discussions on the inspection results. The inspection has the aim of testing taxpayers' compliance by submitting an Annual Tax Return under actual circumstances. Officer A defines taxpayers' compliance as "when taxpayers submit financial statements following the experienced conditions, according to the

circumstances on the ground". This is the statement of taxpayer compliance conditions at the location where Officer A is on duty: "The intermediate taxpayers are classified as compliant: 60-70% compliant, 20% lacking knowledge, [and] 10% recalcitrant".

Having experience as a tax audit officer, Officer A sees that one of the factors behind taxpayers becoming compliant includes "large and serious tax sanctions that will interfere with the taxpayers' cash flow to pay the sanctions". In addition, taxpayers become compliant because of the reason "...for the sake of uninterrupted progression of business or without worry, because fraud on taxes will interfere with the business". Officer A had experienced a condition where the inspection had a good impact. "The inspection improved taxpayers in the

following years; a successful inspection succeeded in changing the mindsets of taxpayers, becoming tax-compliant. After being subjected to major sanctions, one of the companies posted an announcement for customers and suppliers to become tax-compliant because of what they had experienced”.

Officer A then explained the factors behind taxpayers becoming non-compliant, including “lack of dissemination, cash flow, tax planning for tax avoidance, communication by officers to taxpayers”. The understanding of tax regulations will lead to two different situations for taxpayers. On one hand, taxpayers who do not know the regulations will become non-compliant; on the other hand, taxpayers who know the regulations will look for loopholes for avoiding tax through tax planning.

#### 4.1.2. Officer B

Officer B is 35 years old with a Bachelor of Accounting education background, and has been working as a tax officer for 15 years with working experience in several offices in the Jakarta and Malang areas. The tax offices in Jakarta are special tax offices that handle special taxpayers, as companies listed on the stock exchange and of foreign capital. The duty and function of officer B as a tax inspector is to test the compliance of taxpayers. Officer B defines taxpayers' compliance as “conformity with applicable tax regulations in Indonesia; formal compliance of reporting; and material calculation of tax obligations with the actual filing”.

The current taxpayers' compliance condition is that the tendency of taxpayers in the Tax Office to comply with many formalities has not arisen. In contrast, Medium Taxpayers have begun to carry out tax planning (to save taxes). Officer B mentioned several things that cause taxpayers to comply, including “educating taxpayers about the importance of taxes in Indonesia, not just tax regulations but also compulsion to obey. Indonesians have no culture of shame in not paying taxes”. The compulsion to comply is formed due to supervision, inspection, and tax sanctions.

Several factors can cause non-compliance of taxpayers, as stated by Officer B. This includes “taxpayers are not ashamed of not paying taxes; DGT law enforcement is not used optimally and even if it is used, its changing of taxpayers' behavior is doubtful; the educational function, intentionally and unintentionally, is inapplicable, so that if taxpayers make mistakes many times, it means that there is something wrong in our system.” His experience in Jakarta is that the same person could be punished twice but has not been deterred from making fictitious invoices, and thus must be educated. Education in this context, as meant by Officer B, is not only related to tax regulations, but also to the use of tax money:

*“Transparency and accountability in the use of tax money is important. Structurally, the DGT is part of the state budget and its revenue function. But for many*

*other institutions, for example, we pay the parking fee for using the parking lot; then, if we pay taxes, what should we pay taxes for? The answer is for the development of something, so taxpayers know what the tax money is used for. For example, tax funds are used in the development process and [yet] the taxpayers did not benefit from the payment of the tax itself. This is beyond the control of the tax authorities.”*

To prevent compliant taxpayers from becoming disobedient is not to disillusion them: “don't make them disappointed with us letting go of the non-compliant – we have to be fair, provide appreciation to those who have been compliant; the treatment of the tax authorities to the taxpayer affects the compliance of the taxpayer”.

#### 4.1.3. Officer C

Officer C is 37 years old with a Bachelor's education background and has worked as a tax officer for 17 years in offices located in Jakarta (the special tax offices for SOEs, foreign capital, and large taxpayers) and Malang, and now is currently serving as a tax advisor. The duties and functions of a tax advisor are to educate taxpayers regarding taxation and to complete tax administration applications. Officer C interacts directly or indirectly with taxpayers through dissemination, consultation, and application settlement activities. Some applications for tax administration require formal and material testing conducted by Officer C.

According to Officer C, the definition of tax compliance is the compliance of timely reporting of the Annual Tax Returns and the material of the tax return, submitted under the actual data. Taxpayers become compliant due to several factors, including the awareness that taxes are significant for the state, incentive facilities provided by the government when taxpayers comply such as faster restitution for taxpayers who are formally compliant, and the DGT conducting dissemination and education to taxpayers on the importance of taxes for the society.

The taxpayers' environment can influence the state of taxpayers who have not complied: “the paradigm of people in general is that taxes cannot have a direct impact; it is a challenge for DGT to foster awareness [among people] that taxes are not only for themselves but also for the society”. Limitation of access to information about taxation also encourages the creation of an environment, society, and culture that does not understand the function of taxes for the state. “Not all taxpayers are information literate; some just do not want to find out. The socio-cultural aspect will influence the personal taxpayers' environment. The researcher prefers to think of taxes like levies, even though it is not like that. The socio-cultural aspect may be one of them. I once knew there was an assumption that taxes were illegitimate.” In addition, one of the factors that also affect taxpayers' compliance is the



attitude of professional tax officers. “[Regarding] our attitude, the attitude of the DGT as an institution, [and] the attitude of the DGT in terms of Human Relations, there are organizational values. As long as we possess all of that, there is a synergy of professional services in both institutional and Human Relations, and with integrity when seeing that, the taxpayers will make a good judgment when we apply [them] seriously, [and] the taxpayers will believe in DGT”.

#### 4.1.4. Officer D

Officer D, who is 39 years old, was a tax officer for 18 years in several offices in the East Java region. Officer D currently serves as a Tax Bailiff and has the function of realizing tax arrears with the procedure for collecting taxes using a Warrant. For Officer D, the definition of taxpayers’ compliance in the scope of tax collection is the ability to pay off the owed tax debt. “The ability to fulfill or have good faith in fulfilling the minimum recognition of the tax debt owed from the taxpayers is because the taxpayers can also refuse.” The tax bailiff interacts with taxpayers directly by visiting their locations and delivering the warrants; they then inspect the taxpayers’ business conditions and measure the level of the taxpayers’ ability to pay off the tax debt.

Most of the taxpayers in the Medium Tax Office of Malang are classified as obedient. Taxpayers’ compliance is formed because of the self-awareness of the taxpayer. “Actually, the level of compliance they already have is awareness; they realize it is already their obligation, [and] for me, it is a good level of compliance regardless of their ability to pay it off.” Taxpayers become compliant because there are tax sanctions, and they can pay off their tax debts. Efforts to make taxpayers compliant are by educating them about tax regulations to prevent them from making mistakes; giving awards to taxpayers who have complied; providing services from tax authorities; and increasing public awareness of the importance of taxes for the state.

The non-compliance of taxpayers is caused by their abilities to pay off tax arrears. “Indeed, from the administrative side, it seems that the taxpayers have not complied, and they can be classified as non-compliant taxpayers, for they do not have the ability to pay the tax yet or they are indeed not compliant with the charge of paying off their tax debt.” The treatment from the tax authorities to non-compliant taxpayers will improve their compliance. “In general, stricter collection means greater compliance. If the final action is carried out (foreclosure), it means the taxpayers are committing refusal”. Taxpayers’ compliance comes from the behavior of the taxpayers themselves; when they intend to disobey, the efforts of the tax authorities, no matter how great, will not have an impact on compliance.

#### 4.1.5. Officer E

Officer E is 52 years old with a Master of Management

as the last education. He has been a tax officer for 26 years and served in several tax offices ranging from Head Offices, Regional Offices, and several Tax Service Offices in East Java and East Kalimantan. Currently, he serves as the Head of the Supervisory Section and has the task and function of coordinating supervision activities for supervised taxpayers. Supervision activities are carried out by analyzing taxpayers through pairing an Annual Tax Return with data owned by the DGT, which is then submitted through a Notice of Request for Explanation of Data and/or Information (SP2DK). Officer E interacts with taxpayers when carrying out supervision activities ranging from visiting taxpayers’ business locations to implementing Notices of Request for Explanation of Data and/or Information.

Taxpayers’ compliance in the place of duty is currently classified as formally compliant – Officer E states, “In general, it is good to prove 100% formally” – but from the material side, there are taxpayers who have not complied. “They have not complied with material data, while from internal and external analysis, it is about 50% of 270 taxpayers”. One of the crucial factors that shape taxpayers’ compliance is the existence of supervision. “Taxpayers’ compliance depends on the supervision that we do, as evidenced by some taxpayers who previously have not reported their Annual Tax Returns at the primary level. As they are now formally categorized in the medium level, they report their Annual Tax Returns because we are aggressively making appeals to report.” Furthermore, what also affects taxpayers’ compliance is the attitude of tax officers and the ability of taxpayers to pay taxes. “We work under the values of the Ministry of Finance so that we can see the ability of taxpayers.” Providing opportunities for taxpayers to correct and convey unreported matters also increases their compliance. “We also allow taxpayers to report anything that has not been reported yet, such as through the Voluntary Disclosure Program. It is expected that by making this an easy process, the taxpayers will become compliant”.

The non-compliance of taxpayers may be caused by several things, from taxpayers’ understanding and behavior to the taxpayers’ surroundings. “It may be that they feel we do not know what they are doing, from the side of the business group – they do not report the real conditions of their business. The consultants who do it do not provide good communication.” There is also the disparity in costs for taxation. Some non-compliant taxpayers from some business groups view taxes as costs that reduce their profits, and as such, they choose not to report their entire business. The reason taxpayers do not report all their business activities is due to the perception that tax authorities would not be aware of the act of non-compliance. To correct this, education needs to be slowly carried out to taxpayers through supervision activities. “We need to convey this slowly through education to taxpayers; we need to know how many



children, where you have shares – this is conveyed to them so that they become compliant”.

4.1.6. Officer F

Officer F is 45 years old, with a Bachelor’s degree as the last education. He has served as a tax officer for 24 years in several tax offices in the East Java and Jakarta regions. He currently serves as an Account Representative who carries out the function of supervising the fulfillment of taxpayers’ obligations. Interaction with taxpayers is carried out during his visits to taxpayer business locations and while providing tax consultations and implementing requests for explanations of data and/or information. Officer F defined taxpayers’ compliance as conveying reports according to the actual circumstances, completing them according to the provisions, and explaining clearly its contents following the existing principles and standards.

The current state of taxpayers in the workplace is compliant; formally, almost 99.8% have submitted tax returns. When viewed materially as a measurement by comparing tax payments to gross domestic product, the position is above the national average. The taxpayers become compliant because the tax system forces them to be obedient. “Systemically, it forces them to comply, and for example, if they report at the age of 10, we also have their ID card data. Thus, they will comply. If the taxpayers know the data is not with us, the taxpayers will be non-compliant.” Taxpayers’ behavior also affects their compliance. It demonstrates the principle of profit and loss obtained by being disobedient. “The taxpayers actually want to obey, but still, they have the nerve of not complying, because of the principle of profit and loss. Then, who knows – by not reporting the truth, it will benefit them, and it will be up to the point of disobedience”.

The factor that contributes to taxpayers’ compliance is the government’s use of tax money. “The more they feel the money is useful, the higher their compliance will be. Taxpayers feel that what is paid is beneficial for themselves or others, and [they] will improve their compliance. They willingly want to pay.” The taxpayers’ financial condition is also an essential factor in fulfilling their tax obligations. “[It is] related to their amount of money. It means that even if they want to pay taxes, but

the money is not enough, it cannot be done either.” The understanding of tax regulations, taxation system, and environmental influences are decisive factors for the level of compliance. “The eagerness to pay taxes is there, but they don't know the tax regulations; but there is a problem. After it turns out to be complicated, they do not comply. So, make the rules less complicated. Changes in taxpayers’ intentions can happen. For example, one morning they want to pay taxes, but on the way, they see circumstances that make them not want to pay taxes”.

Taxpayers becoming non-compliant can be influenced by several factors, including the behavior of the taxpayers’ intention to disobey due to profit-seeking factors and tax planning. “Their intention of gaining profit is the main motive of disobeying. If they do not need to pay, why bother paying taxes? They also calculate the risks – for example, the Annual Tax Return is until April 30. Let it pass, maybe the maximum fine is only 1 million rupiahs.” The attitude of tax officers also contributes to taxpayers’ compliance. “The paradigm developed today is that no taxpayers want to pay taxes; with such a paradigm, every officer who reports taxpayers will be negative. The taxpayers are seen as wrong. Actually, they may not be wrong. The taxpayers will lower their trust, lower their compliance, and think that if they are obedient, they will be seen as wrong. So, it is better if they become non-compliant.” The taxpayers’ environment will be affected by the influence of non-compliant parties without fair law enforcement from the tax authorities. “Why bother paying taxes? They don’t even pay their dues.” A complicated tax system and burdensome rates will be the factors that lower the taxpayers’ compliance. However, a substantial capital in taxpayers’ compliance in Indonesia is the existence of a culture of cooperation.

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4.2. Cross-case Analysis

A cross-case analysis is a stage of grouping important categories for finding underlying things, reasons, and actions [11]. Various factors affecting taxpayers’ compliance from the six cases mentioned above were gathered from the analysis of the categories of dominant factors or factors that are interrelated between categories. The categories are presented in Table 3 as the results of the cross-case analysis.

Table 3. Taxpayers’ Compliance Factors

Taxpayers’ Compliance	Economic Factors	Non-Economic Factors
Obedient	Tax penalties; Taxpayer behavior; Law enforcement; Tax incentives; Tax collection; Financial conditions of taxpayers; Taxation system; Tax rates	Attitude of tax officers; Understanding of tax functions; Law enforcement; Taxpayer behavior; Tax regulations; Services of tax authorities; Government transparency and accountability; Taxpayer environment
Disobedient	Taxpayer behavior; Taxpayer environment; Financial conditions of taxpayers; Tax rates	Understanding of taxation regulations; Taxpayer environment; Understanding of tax functions; Government accountability and transparency; Taxpayer behavior; Taxation system; Attitude of tax officers

Source: Informant interviews

Taxpayers' compliance is influenced by various factors, mainly economic (profit-seeking) and non-economic (intention and environmental) reasons. Several factors seem to intersect between economic and non-economic reasons. This happens because different paradigms influence each other.

#### 4.2.1. Results of First Synthesis: Taxpayers' Compliance

The understanding of the tax function by the taxpayers will improve their tax compliance. Transparency and accountability of financial management by the government are the factors that influence compliance. Implementing sustainable development through the provision of infrastructure for the community will make the taxpayers realize that the paid taxes will benefit society and the state. This matter becomes relevant to the results of a study [4] in which it was found that the motive of taxpayers paying taxes is the understanding that the function of tax money is to be used for mutual assistance, and there is an unwillingness when the existing tax money is then corrupted. Furthermore, the results of another study [21] showed that taxpayers requested that they obtain compensation from the taxes that have been paid through a democracy that provides a right for them to determine policies for the utilization of tax money, and they demand accountability of tax money management by the government.

As a representation of the government in carrying out the predetermined tax system, the tax authorities have an important role in increasing taxpayers' compliance. A simple, easy, and cost-effective taxation system is essential in bridging the taxpayers' desire to be compliant. The implementation of services from tax authorities, including dissemination, education, and consultation activities, will give taxpayers a better understanding of tax regulations. The attitude of professional tax officers who understand their duties and the conditions of taxpayers will increase trust in the tax authorities. The provision of tax incentives and tax amnesty is also part of the appreciation for compliant taxpayers. Although the payment of taxes by the public does not result in direct rewards, at the very least, incentives to taxpayers will bring benefits to themselves and their businesses. The above becomes relevant to a research [14] that proved that tax is perceived as a bothersome matter for taxpayers in fulfilling their obligations; furthermore, taxpayers take the view that the performance of tax officers needs to be improved concerning service and mentality.

Law enforcement by tax authorities progresses from supervision, inspection, examination of preliminary evidence, investigation, collection by warrants, and to application of strict tax sanctions to all taxpayers who have not complied. This will increase taxpayers' compliance by force and will create a sense of justice. This is in line with the findings of studies [18,27] that explained that taxpayers will become compliant along

with the imposition of sanctions such as inspections. Thus, encouragement of taxpayers' compliance helps to create a deterrent effect on violators. The taxpayers who have complied also feel the effect of their honest choice to become compliant taxpayers because they desire business continuity without tax sanctions. Supervision activities are key to initiating the act of law enforcement by confirming all data owned by the tax authorities, which will make taxpayers realize that tax authorities possess accurate information related to the taxpayers' businesses.

Internal taxpayers, who are influenced by their awareness to be part of the country's development due to the culture of mutual cooperation, can be motivated by the perceived implementation of tax money usage. In this way, the intention of taxpayers to avoid taxes through tax planning to obtain personal benefits, as well as the intention to refuse to pay taxes, and the existence of social and cultural factors ("Why pay taxes?"), are reduced in society. This finding agrees with that of a research [36] that proved that the intent of tax compliance has a positive influence toward compliance behavior. In addition, a study [4] proved that the motive of taxpayers paying taxes has the background of the desire to assist the country and its people, for even without the existence of taxes, taxpayers will assist in other ways, such as with zakat (alms). When the government can manage the tax money well, it will create a new paradigm of awareness ("They will be ashamed if they do not pay taxes"). On the other hand, as a shaper of tax policy, the government needs to pay attention to the economic conditions of the people in creating an effective tax system (with fair and legal certainty) through a tax withholding system and tax rates that do not burden the public.

#### 4.2.2. Results of Second Synthesis: Taxpayers' Non-compliance

Taxpayers become disobedient because they have not felt the benefits of the tax money that has been paid. The impact of poor management of state finances by the government will increase the distrust of taxpayers, who will shape an environment, society, and culture of tax avoidance, as well as reject the act of tax collection by the government. This finding is in accordance with the results of a research [16] in which it is stated that there is the doubt of taxpayers regarding the use of tax money by government institutions.

By understanding regulations of taxation, even if the taxpayers have understood the functions of taxation, based on economic factors, the taxpayers will make savings on tax payments. Taxpayers take the view that the tax burden reduces the earned income. Thus, tax planning from the beginning has been carried out because of the intentions driven by these economic factors. This trend will increase in line with the understanding of tax regulations. Taxpayers will look for loopholes in existing taxation regulations. The firmness of tax authorities and the

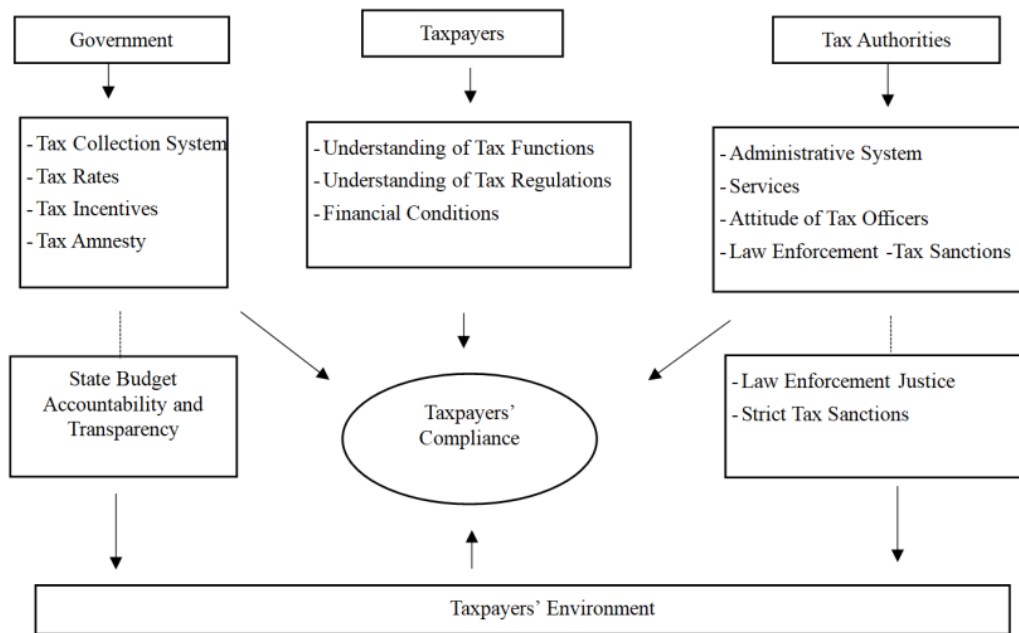
provision of a legal umbrella by the government will be vital in **leg 30** minimizing the potential for savings in tax payments. **This finding is in line with the** results of studies [9,18] that proved that reasons of tax avoidance as committed by institutional taxpayers are the existence of legal loopholes, discomfort with the taxation system, injustice in tax collection, and efforts to maximize profits.

Different conditions will occur, even though taxpayers have realized the importance of taxes and recognized the existence of obligations that must be fulfilled. Taxpayers will become non-compliant in fulfilling tax obligations because of financial conditions that do not allow taxpayers to pay off the tax debt that has matured. The finding is in line with the principle of tax collection that is given by Adam Smith, which is the convenience of payment principle that explains that tax must be collected at an appropriate time for taxpayers [39]. This needs to be a concern for the government and tax authorities themselves in carrying out law enforcement and applying sanctions for taxpayers. The best situation for taxpayers in paying off their tax obligations is when funds are available to fulfill their obligations. Therefore, it is necessary to pay attention to government regulations in regulating the period of implementation of the

determination for taxpayers, taking into account the taxpayers' financial conditions at the time of the year the determination is made.

4.2.3. Formation of the Taxpayers' Compliance Concept

The formation of the concept of taxpayers' compliance is presented in Figure 1. There are three parties related to the formation of taxpayers' compliance: the Government, Taxpayers, and Tax Authorities. The government's authority in forming regulations related to the tax collection system in Indonesia, determining tax rate values, providing tax incentives in specific business fields, and instituting tax amnesty programs is considered to have a direct impact on taxpayers' compliance. Taxpayers will find it easier to understand taxation rules with a more straightforward tax collection system. Tax rates that are equitable toward and appropriate to the economic conditions of taxpayers, as well as the provision of incentives, will encourage specific business sectors and give protection for small and medium **et 55** enterprises, which are currently dominant in playing a role in the **formation of Indonesia's gross domestic product**. The tax amnesty program will create greater awareness of fulfilling tax obligations because it provides an opportunity for taxpayers who have not complied so far.



Source: Researcher Contribution

Figure 1. Taxpayers' Compliance Concept



The developed slippery slope framework [12] presents a model of tax compliance with a fiscal framework. The slippery slope utilizes three dimensions: the government as a power of authority, trust in the authority, and tax compliance [26]. The power of authority covers the right and force to collect taxes from taxpayers, which will have an impact on the formation of forced compliance. Trust in tax authorities that is able to provide advantages for taxpayers in fulfilling their tax obligations will form voluntary compliance. Research with the slippery slope framework in Indonesia has proven that the power of the tax authorities and trust in the tax authorities affect the compliance of taxpayers [31,35,38]. Further, certain studies [31,38] proved that the power of the tax authorities has a greater influence on the compliance of taxpayers compared to trust in the tax authorities. This situation needs to be understood by the government as the maker of policies for increasing the compliance of taxpayers in Indonesia, in that in current conditions, the compliance of taxpayers is tending more toward forced compliance.

The government's role in the use of tax money paid by taxpayers is a factor in shaping taxpayers' compliance through the formation of an environment for taxpayers that contains a social life of obedience in paying taxes and a culture of shame in not paying taxes. Accountability and transparency in the use of tax money through public services and provision of ways for people to make a living will instill awareness in taxpayers regarding the importance of the tax money that they pay in ensuring their own survival as people. Thus, the taxpayers' environment will affect taxpayers' compliance.

Taxpayer compliance behavior that is founded by the intent of taxpayers to become compliant is influenced by attitudes, subjective norms, and behavioral control [36,37]. The intent of taxpayers to pay their taxes has the background of awareness to be obedient to regulations and to assist the state and the surrounding community, yet this matter is still hindered by the uncertainty of taxpayers regarding the usage of tax money by the government [4,16]. This finding needs to be a consideration for the government in increasing the trust of taxpayers, in that the tax money being paid to the state is being utilized to the greatest extent for the prosperity of the nation.

By implementing an efficient and effective tax administration system for the tax authorities and the taxpayers as stakeholders, the tax authorities will create an impact on taxpayers' compliance. Tax administration obligations that are easier to fulfill and cheaper in cost will greatly increase taxpayers' compliance. The implementation of services by tax authorities and the attitude of tax officers in carrying out their authority will increase taxpayers' compliance through professional services and the integrity of the tax officers. In addition, the implementation of tax sanctions and law enforcement by tax authorities will have a direct impact on taxpayers, making them more compliant. Regarding economic

factors, tax sanctions are an additional burden for taxpayers due to negligence in fulfilling their obligations.

The steps taken by tax authorities in making it easier to execute administration of taxation were made through the e-filing system, by which taxpayers can pay and report their tax obligations online. An obstacle was apparent at the initial introduction of the system, where taxpayers were reluctant to use e-filing because of their usage confusion, the factor of their activities, and concerns over Internet connectivity [17]. Over the course of time, taxpayers began to experience comfort, practicality, and efficiency in using e-filing in the payment and reporting of their taxes [24]. However, improvement of service quality is not only limited to the provision of online-based services. The behavior of tax officers that comprises the capability in understanding work procedures, the ability to minimize violations of work procedures, and attention toward taxpayers also has an effect on the quality of services, which has an effect on taxpayers' compliance [34]. This indicates that taxpayers expect tax officers who behave professionally, possess integrity, and act fairly in the application of tax regulations (execution of inspections and imposition of sanctions) toward taxpayers. This agrees with the findings of a few studies [4,9,21] that explain that taxpayers expect rewards in the form of excellent service from tax officers and enforcement of sanctions of taxation that are just for all taxpayers without exceptions.

Fair law enforcement by tax authorities and the application of strict sanctions to all taxpayers will create an environment for taxpayers in which they realize that there are severe, firm, and enforceable sanctions when they are not fulfilling their tax obligations. When there is an inequality in law enforcement by the tax authorities, this will have the impact of non-compliance within the taxpayers' environment.

The execution of the tax amnesty program in Indonesia has not yet been able to make taxpayers who declare their wealth more compliant; for this reason, there needs to be efforts to improve supervision and law enforcement by tax authorities [27]. The execution of inspections and the imposition of tax sanctions have the impact of increasing taxpayers' compliance [32,33]. However, efforts of tax avoidance cannot be removed from the behavior of taxpayers [18]. Tax avoidance and tax planning that are carried out by taxpayers have the background of efforts to maximize profits, injustice in tax collection, discomfort with the tax collection system, and the feeling of security that their actions will not be known by tax authorities [9,25]. The above matter needs to be paid attention by tax authorities as the executors of the authority of tax collection, in that increasing taxpayers' compliance does not only result from the taxpayers themselves, but also from improving and enhancing the abilities of tax officers in exposing criminal and administrative violations that are committed by taxpayers.

Taxpayers are parties with the obligation to pay taxes independently; they are required to understand tax regulations that tend to be dynamic. Tax regulations that are more complex will have a greater effect on <sup>27</sup> understanding of taxpayers. This will certainly reduce the level of compliance of taxpayers. In addition, understanding the functions of taxes becomes an essential part of taxpayers' compliance. Tax<sup>65</sup>ers will become voluntarily compliant when they know and feel the benefits of the tax money they have paid.

Taxpayers' compliance will be achieved when taxpayers have the ability to pay off their taxes. Financial difficulties will also hinder taxpayers' compliance. Therefore, in carrying out their authority, tax authorities should also pay attention to the most comfortable conditions for taxpayers in fulfilling their obligations.

## 5. Conclusions

From the results of analysis for the six tax officer informants, it can be concluded that taxpayers' compliance is influenced by 1) economic factors motivated by reasons for seeking profit or avoiding costs and 2) non-economic factors motivated by behavior, environment, society, and culture. Taxpayers' compliance is not only formed by the taxpayers themselves, but also by the fiscal <sup>71</sup> policymaking by the government, the implementation of the tax administration system by the tax authorities, and the taxpayers' environment. As the manager of state finances with the involvement of many related institutions in the implementation of development, the government needs to educate people or the taxpayers about the tax money. The paid tax is used to finance state spending. This duty is not only of the tax authorities who carry out the function of collecting state revenues, but also of the government. The existence of government transparency and accountability in managing state finances will increase public confidence in the government. This will then have a direct effect on the behavior, environment, society, and culture of the Indonesian people in becoming more obedient in fulfilling tax obligations.

This research presents a concept of taxpayers' compliance from the perspectives of tax officers, who explain that the three main parties that are interrelated in possessing roles in forming taxpayers' compliance are the government, tax authorities, and taxpayers. As the controller in the implementation of tax regulations, the government should prioritize accountability and transparency in the use of the tax money paid by taxpayers; then, the tax authorities will provide support by implementing tax regulations in order to form a social culture in which taxpayers voluntarily fulfill their tax obligations.

Taxpayer compliance behavior encouraged by the

intent to become compliant is affected by the internal factor of the taxpayers themselves in understanding the regulations as well as functions of tax, and the external factors of the taxpayer environment, the government, and tax authorities. This research provides theoretical implications by reinforcing and enriching research related to taxpayer compliance. The practical implication of this research for the government and tax authorities may be referred to in decision-making for and execution of the authority of tax collection in Indonesia. The government as the policymaker needs to 1) create certainty, justice, and simplicity in the tax collection system, as in its present condition, taxpayers have difficulty in understanding taxation regulations that are complex and change all too often, causing taxpayers to feel uncertainty in tax laws and, due to the complexity of tax regulations, allowing for loopholes in tax regulations that are exploited by taxpayers to conduct systematic tax planning; 2) increase the trust of taxpayers regarding the use of tax money, as taxpayers still doubt the utilization of tax money by the government; 3) strengthen the institution of the tax authorities, as the current taxpayer compliance is dominated by forced compliance, thus requiring compatible tax authorities; and 4) treat taxpayers as partners who drive the state economy, as at present taxpayers feel that there has not been feedback from the government for the compliance that they demonstrate. Tax authorities as the executors of policies in the field of taxation need to make 1) changes to tax administration, as taxpayers experience problems in fulfilling their tax obligations due to the complexity of the tax administration system in Indonesia; 2) improvements to service quality, as some taxpayers take the view that the service from tax authorities has not been maximized, resulting in a low level of understanding for tax regulations; 3) reinforcements to the competence of tax officers, as there still exists the taxpayer paradigm that assumes that tax officers have not acted professionally and will not recognize violations in the field of taxation, allowing certain taxpayers to conduct tax avoidance freely; 4) execution of authority in a consistent and just manner, as taxpayers perceive that justice has not been applied in the imposition of sanctions for violators of tax regulations.

The limitations of this study are the number of involved respondents, the timeframe of the study, and the limiting of cases to what was experienced, observed <sup>36</sup> and felt by the tax officers who became the informants. Research on this topic needs to be conducted on taxpayers to determine the factors for their tax compliance. Future researchers can test the variables in this concept and extend the scope of research directly to the taxpayers themselves to yield results that can be utilized in tax policymaking.

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