Complexity and Socialization of Taxation Rule
In Affecting the Taxpayer Accounting Behaviour in Indonesia

Tarjo

Abstract
Complexity in this study refers to the numbers and varieties of elements related to taxation rule. Socialization refers to mentoring which organized by tax-institution (Fiscus) through the counseling for taxation practice, service and control. Taxpayer obedience is one of taxation success measurement. Complexity and socialization taxation rule influences taxpayer obedience in fulfilling their taxation obligation.

The complexity of taxation rule will be tricky for the taxpayer for understanding taxation. The lack of socialization on taxation rule will make the taxpayer flustered to counting, make payment, and deposit their tax burden.

In favor of these difficulty and conemployedness, the taxpayer needs assistance from professional on taxation. Their assist will improve obedience cost and encourage the taxpayer to generate accounting artificial to minimize taxes. The greater obedience cost and enlarger accounting artificial will encourage the taxpayer for being more disobey.

Keywords: Taxpayer, Complexity, Socialization, Taxation rules, Accounting behavior, Obedience cost, Obedience.

Introduction
A good taxation system is which can minimize obedience disparities; it is discrepancy between the taxes actual burden and the actual tax that society should pay (Resmi, 2003). There are several effort to minimizes this disparities, (a) selecting the unlisted taxpayer, (b) inventorying the taxpayer who does not pass Notification Letter (SPT), (c) investigating toward the taxpayer who reports that their taxes is smaller than proper, (d) collecting back taxes by sending compulsion letter, confiscation, auction and to physical forcing (gijzeling) if needed.

On January 1st, 2001 Indonesian government effectively validate the Regulation No. 17 year 2000 regardless to Income Tax to replace the Regulation No. 7 year 1994 that previously changes the Regulation No. 7 year 1983. Trough regulates those new taxation rule taxpayer definitely will more complicate for recognizing taxation rule. Westat in Jackson and Milliron (1986) argues that complexity increases ambiguous for tax-payer, further encourage disobedience. Milliron (1988) finds that ambiguity within taxation rules positively correlates to disobedience in composing income tax accounting. Thereby, it can be stated that the higher of taxation rule complexities, the lower taxpayer obedience for reporting their tax obligation.
The counseling practice as method to socialize taxation rule is purposed to easier taxpayer to recognize the taxation rule. Damayanti (2004) demonstrates that the function of taxation counseling did not appear fluently. Whereas, taxation reformation occurred in year 2000 which should be socialized to every taxpayer, however the research founds that 58.1% respondents state not knowing about those counseling program. Socialization intensity which repeated and Fiscus’s proactive attitude in giving direction, counseling, and instructions prevalently to the taxpayer will encourage the obedience.

Within taxation context, obedience cost is affected by the complexity and socialization of taxation rule. Clotfelter (1983) finds that the complexity of taxation rule tend to increases generate potential tax evasion. The taxpayer obedience cost should be low if taxation rule is plain and the intensity socialization is being prevalently and continually conducted.

The Efficient Taxation System

In self assessment system, responsibility of the evacuating task to gathering tax as a reflection a taxation obligation regarding taxpayer itself. Through this system, the taxation administration is expected to be simply organized and easily to be recognized by the taxpayer. These are needed to reinforce consciousness improvement and taxpayer responsibility to meet their tax obligation.

Self assessment system research was conducted by Damayanti (2004). The founding presents the arrangement of payment and reporting functions has been conducted by the taxpayer. However, obviously that accounting function uncommitted maximally by the taxpayer, as based on her research data, 93.5% taxpayer unable to made self-count on their burden and the accounting function uncommitted maximally by 42.5% taxpayer as the accounting function is still done by Fiscus. This research confirms the taxpayer empowerment, one of self assessment system purpose, has not finely achieved yet.

The auditing function which organized by tax-institution (Fiscus) is structured in order to organize the fully-responsibility distributing of the tax impose to the taxpayer in respect to the Tax Regulation. Though based on Damayanti’s interviews (2004) with the taxpayer, it is obvious that auditing function which organized by Fiscus is arranged exaggeratedly. Below are the quotations of her interview with the taxpayer respondent in Damayanti’s research (2004):
Respondent D:
"About November – December, tax officer often come to our house to collect the back taxes. Along with this, they intimidate us by carrying confiscation letter."

Respondent E:
"We got a warning letter consist of the back taxes several times, which actually has been paid and we have SSP (Tax Deposit Letter)."

That quotation above proves that before official assessment system begun about March 31st founded on the Regulation No. 19 year 2000, the tax apparatus has arranged self assessment system, whereas it ought to be done after the taxpayer delivers Notification Letter (SPT). Even related to those interviews the tax apparatus has released the confiscation letter and the taxpayer whose actually has fulfilled his duty still get the warning letter. Based on this fact, Fiscus has exaggeratedly arranged the auditing function without following the valid taxation rules.

Fiscus, in giving service to the taxpayer, is expected to build comfort and easiness for the taxpayer in fulfilling taxation obligation. Damayanti’s research (2004) founding proves that the taxpayer is unwilling to ask or seek to the Tax Service Office that was the part of service function, since the taxpayer has bad perception toward Fiscus. The quotation of Damayanti’s interview (2004) with her respondent as followed:

“When I ask the tax apparatus’s aid to count taxes, it is surprised that the tax which I have to pay is so high, till reach dozens million rupiah. However, apparatus offers other alternatives to pay more less taxes by condition of the taxpayer must pay the half taxes to the government via tax office, and the remains given to the apparatus.”

That interview above is a witness that is happened to the taxpayer and there are still many taxpayer that experiences the same thing. Therefore the taxpayer perception that the tax apparatus just make confuse, difficult, and must be avoided. This perception will obstruct the purpose of self assessment system; that is to increase consciousness and taxpayer responsibility, as the cash does not add the government income but fall in to the tax apparatus pocket.

In order to evaluate the efficiency level of taxation system, Sadhani (2004) proposes that there are two basic elements that always are references; (1) the cost of taxation administration, and (2) the cost of taxation obedience (compliance of taxation). The taxation system will be efficient if costs of both elements are low. The efficient taxation system will be achieved if the economists and particularly the company apply good corporate governance
system. This system should be a guarantee that the economists obey the rules and tax compliance in doing their activities.

In self assessment system process, the taxpayer does not fill the tax form and being investigated by Fiscus. The issue that must be conpartyred is the necessity of the significant knowledge related to taxation and its rules which is explicitly, mutually, simply, clearly, unambiguously, and constantly suggested and conveyed further to the taxpayer, therefore there is no incorrect interpretation.

The Complexity Of Taxation Rules

A complexity presents elements quantity and varieties in external environment (Hatch, 1997: 89). Within taxation context, environment is every part which concerned on taxation rules. Taxation rules will avowed complex if its rules often vary, the language is hardly understood, tricky and took many administrative requirements, and needed short time confirm the new taxation rules (Siahaan, 2005). The upward of taxation's complexity rule level could obstruct taxpayer to arrange tax reports. Therefore complexity of taxation rules is the complicatedness and the difficulty in understanding taxation rules' principals which are faced in taxation laws and implementation rules.

Within idea framework in figure 1, the complexity of taxation rules will create ambiguity toward taxpayer which will influence their decision making to fulfill their tax obligation. Several researches about the complexity of taxation rules found that their result were inconsistent between one and another. These founding demonstrated if taxation rules create ambiguity for tax professional, they will act more submissive in arranging their tax reports (Kaplan et al., 1988; Schisler, 1994; Shields et al., 1995; Spilker et al., 1999). As Clotfelter (1983) showed that in fact the complexity increases the occasion to avoid tax.

Based on Kahneman and Tversky prospect theory (1979), as cited on Zandjani (1992: 41-42) argue that the perception of taxpayer toward the simplicity and law power will influence taxpayer behavior and taxation succeed. The taxpayer understanding toward taxation rules has important function, since this is one of cognitive elements of taxpayer attitude toward taxation rules, and taxation attitude affect taxation behavior of taxpayer, and finally, taxation behavior influences the obedient of taxpayer.

The research about taxation complexity is also conducted by Magro (1999) which took 20 managers as participant, who working in large accountant company and having experience for 5-22 years. Researcher found that participant face complexity, ambiguity, and skill in taxation planning condition to justify the higher one than in submissive condition. The results of this research prove that the complexity of taxation rules tends to be puzzling for taxpayer in such a way it will motivate taxpayer for being more obedient.
From the party of complexity state, Spilker et al., (1999) presents that (1) tax professional interprets taxation rules based on very aggressive condition; (2) the ambiguity of taxation rules is interpreted based on condition which gives advantages for client in the context of obedient not impacts of the complexity of taxation rules. The research finds that there are impacts of the complexity of taxation rules toward disobedient cost; this finding is consistent with the research (Jackson and Jones, 1985; Nam et al., 2002; Siahaan, 2005). Thereby, it can be said that the higher complexity of taxation rules, then the obedient cost will get higher also. The higher obedient cost is caemployed by taxpayer who generally asks the tax professional aid. These aids cause the increasing of internal disobedient cost which is compensation (bonus) for tax professional. With the help from tax professional, taxpayer conduct accounting artificial in purpose to minimize tax which should be paid.

Taxation rules should be made simply if there is well-built integration among all related parties, that are government in this case tax directorate general (Dirjen Pajak), Indonesian legislative assembly (DPR), taxpayer, tax professional, and academician who is involved comprehensively in the arranging process of taxation rules. In testing the subservience of obligation, taxation is always be guided by the taxation certainty of legislation rules, while in arranging financial report the company is always guided by financial accountancy standard (Standar Akuntansi Keuangan/SAK). The less understanding on the taxation certainty of legislation rules may cause taxpayer not paying tax or paying tax but not accord with valid tax rules.

Taxation Rules Socialization

The main functions of tax directorate general (Direktorat Jenderal Pajak/ Fiskus) in self assessment system are emphasized on three points: the development through taxation knowledge counseling, service and control. The socialization of those three Fiskus functions hasn’t been conducted maximally; even there is misapplication of those three functions in the practice.

The counseling implementation is intended to empower the taxpayer to comprehend more about taxation rules. Damayanti (2004), presents that the function of taxation counseling does not be employed well. In the year 2000 the research found that 58,1% of respondent recognize nothing about the counseling, whereas there is the taxation reformation occurred that should be socialized to whole taxpayer.

The Fiskus inefficiency in conducting socialization or taxation counseling will give impact toward self counting function by taxpayer. Therefore, this will affect the taxpayer that unable to accomplish self counting function of how much tax that should be paid, as that taxpayer complain when they are interviewed by Damayanti (2004) as follow:

"There are many times, we got tax warning letter, about tax which is still going into debt with a very big amount. Off
course, we do not mind as long as we know such big amount coming from where. It is because, up till now we do not know how the ‘right calculation exactly. The socialization does not exist’.

Based on such interview result above, it presents that Fiskus is less doing the right calculating function. In fact, to accomplish the right calculation function, the socialization should be conducted continuously. The counseling is significantly needed as it gives benefits to taxpayer that joins counseling to understand and recognize the change of taxation rules and how to count the rate of paid tax. Then what should be accomplished by Fiskus is making socialization to taxpayer uniformly and continuously.

In fact, calculation function has not been conducted maximally by Damayanti taxpayer (2004), because 54.8 % taxpayer who become Damayanti respondents unable to calculate the back tax by themselves, while 45.2 % taxpayer have not realized yet the calculating function because it is still conducted by Fiskus. Based on that research found, it presents that the taxpayer empowerment which is one goals of self assessment system has not attained maximally.

Continuous socialization intensity and Fiskus’ proactive attitude in giving guidance, counseling, and instruction to taxpayer uniformly will support the rise of taxpayer obedient. The less socialization which causes the unknown on tax rules which has impact if taxpayer tends to do accountancy made up to minimize tax responsibility.

On the other party, tax directorate general (Dirjen Pajak) also does not expect if they always be called doing less taxation rules socialization. Then is social interest toward tax socialization still low? To answer this, the interview quotation with Sumihar P. Tambunan, Director PPh of tax directorate general (Indonesia Taxation Journal, April 2003) as follow:

**Indonesia Taxation Journal:**

> How far the changes in notification letter (surat pemberitahuan/SPT) are socialized?

**Sumihar P. Tambunan:**

> Before that SPT is sent, we have socialized those changes to society. We started from association, mass media, to taxation seminars. Socialization is done in domestic tax service offices and domestic branch offices (kanwil-kanwil). Just most of the times, if taxpayer are invited; the one who comes is the driver. So it seems to be not willing to be socialized. Well, if it happened like this, it is said to be less socialization. Therefore, for taxpayer personally it is
possible, the ones who should report that shall be association or taxpayer groups.

Based on those interview quotations, it presents that in fact tax directorate general has made efforts to do socialization of taxation changes to society through various media. However, Damayanti’s research (2004) finds that taxation rules socialization does not conducted maximally and evenly. So, according to the writer, tax directorate general should keep making efforts in increasing taxation rules socialization to society. Even as what is done in Japan, the taxation rules socialization gets started from elementary school. With tax socialization in early ages, then in short time the students will convey it to each parents and in long time if those students later become taxpayer, it is expected to increase their own awareness to pay taxes. With early education, it is expected to understand completely the important role of taxes in financing nation needs and local government.

Taxpayer Accountancy Behavior

Earnings generally are employed as a measurement of the business succeeds. Earnings are often employed as basic for making decision of various related partys, for example it is employed as basic to calculate taxpayer income, and also employed as the evaluation criteria of company’s performance. Because of that, managers often utilizes the opportunity to create profit value (earning management) with accrual engineering to minimize taxpayer income charge which should be paid by the company. Earnings management is realized by increasing accrual number to make the profit lower or higher (Dhaliwal et al., 1994; Guenther, 1994; Frankel, 1994; Cloyd et al., 1996; Maydev, 1997). There are some management motivations in doing earnings management, that (Scott, 2003: 368-383) there are bonus which are based on earnings, political motivations, tax motivations, the change in chief of executive officer, and the change of doing Initial Public Offering (IPO).

Income taxation is sufficient to give management motivation to create profit. However, Fiskus party has their own rules in arranging account or taxpayer accountancy, so it decreases the movement space of company management to realize earnings management. Many researches in United States examine the impact of selecting evaluation method of LIFO and FIFO supply and its effects on income tax charge, for example the research conducted by Dhaliwal et al. (1996); Cloyd et al. (1996), the founding represents that many companies prefer LIFO method to save income tax.

In United States, there are many empirical researches employ taxation reformation which is known as Tax Reform Act (TRA), to evaluate behavior of earnings management concerned with minimizing tax. The research finding has been failed to prove that decreasing the tax rate may influence the accrual profit company’s policy to minimize income tax charge, (Guenther (1994), while the research which focuses on year-end purchasing decision and year-end
Good Corporate Governance system will enforce for reaching low tax compliance cost. Good corporate governance objective is to create additional value for all stakeholders, one stakeholder is government who should determine tax that should be fulfill.

Reviewed by taxpayer the cost of taxpayer conformity is performed by Moody (2002) that:

In 2002 taxpayer in United State (individual and bodies) was estimated spend 5.8 work hour to obey income taxation law of state which call as obedience cost. This cost less than 194 billion $ or equal to 20.4 cent for each $ income tax which acceptable by state or 20.4% from each income.

It could be stated that if tax obedience is one element or Corporate Governance practice, thus performance and achievement of tax obedience level will depend on company managerial performance.

Obedience cost was stimulated by complexity and socialization of taxation rules. Clotfelter (1993) found that taxation rule complexities increase taxpayer opportunity to avoid tax. Tax evasion causes both external and internal obedience cost. The internal obedience cost is the cost that is released by company related to avoidance or fraudulent of tax. Whereas, the external obedience cost is penalty that is burdened by the tax party (government) to the taxpayer. To avoid tax, the taxpayer usually ask for help from tax professional. Its consequences may cause the internal obedience cost in the form of compensation (bonus) to tax professional.

Empirical study in respect to obedience cost conducted by Witte and Woodburry (1985), Siahaan (2005) finds that obedience cost negatively affects the tax professional obedience behavior in composing tax report. This empirical evidence presents that the higher disobedience cost will cause the lower tax professional obedience behavior. In contrary, the author argues that the lower taxation obedience cost will encourage the taxpayer to fulfill his taxation responsibility.

In obedience practice, Landsittel (2000) suggests that there are three challenges in facing a new age, they are (1) earning management; (2) fraudulent financial reporting; and (3) internal control process. The first challenge, earning management related to misstatement of accounting report in purpose to manipulate the reported income. The second challenge is related to fraudulent financial reporting. While the third challenge is related to Fiscus who can not effectively measure the quality of internal control in order to be determined by out party.

The greater obedience cost will encourage the taxpayer to minimize tax profit in purpose to minimize the number of income tax liabilities. The taxpayer obedience cost will turn low if the taxation rule is simply and the intensity of taxation socialization is equally and continually organized. The low obedience
cost will persuade the taxpayer to keep accounting correspond to the taxation rules and finally affect the taxpayer obedience in fulfilling his taxation responsibility.

The Taxpayer Obedience

Based on Kamus Besar Bahasa Indonesia, obedience refers to obey or comply to the norms or rules (Badudu and Zain, 1995: 1013). Novak in Kiryanto (1999) suggests that a climate of taxpayer obedience are: (1) the taxpayer recognizes and tries to understand the taxation Regulations; (2) fills the tax form correctly; (3) calculates tax in right amount, and pay the tax in time. Thus, obedience in taxation context is a loyalty to accomplish the taxation rules which must be done by the taxpayer.

The obedience intention is aiding this management in accomplishing its responsibilities in order to obey the valid determination, rules and regulation that is decided by auditor (Symington in Sadhani, 2004). To fulfill obedience, the taxpayer needs accountant or tax professional help to compose financial report by complying accountancy standardization, laws and rules of taxation that is certifiable for Fiscus to determine the fulfillment of taxpayer duty.

The empirical research about the taxpayer obedience in Indonesia conducted by Kiryanto (1999) observes the impact of internal control structure application toward taxpayer obedience in fulfilling his income tax. The finding presents that all elements of internal control structure that includes control, accountancy system and control procedure have significant impact to taxpayer obedience. This evidence indicates that the better structure of internal control will support the taxpayer obedience in fulfilling his taxation responsibility.

One way to measure the taxpayer obedience is that the taxpayer has insert SPT in time. Table 1 presents the taxpayer obedience in inserting annual notification letter (SPT).

Table 1 presents the level of taxpayer obedience in inserting annual notification letter (SPT) is still low. For example in 2003, the taxpayer who insert annual SPT reach only 35%, capitation taxpayer 34%, and Pph chopper Chapter 21 38%.

One criteria of taxation success correspond to budgeter function is the success of tax acquisition. The tax acquisition success is ratio of taxpayer obedience level in paying tax compared to basic regulation in the year. The higher taxpayer obedience level, then the tax acquisition success will get higher too (Suhardito and Sudibyo, 1999).

The taxpayer obedience is the purpose of this writing as stated in the enclosure of ideas framework Figure 1. A good compliance will be achieved by the existence of taxation rules and the equal and continuant intensity of taxation socialization. The low obedience cost will support the taxpayer to accomplish financial report correspond to the taxation rules, so that the taxpayer obedience
will be efficiently achieved. The obedience measurement is the correctness level of accounting and calculating, the appropriateness of deposit; fulfilling and inserting the taxpayer notification letter (SPT) correspond to taxation rules.

Within public policy context, especially taxation policy basically is the shape of taxation administration cost and also the lower obedience cost (Sadhani, 2004). The tax Directorate General certainly will determine this policy. In order that, what Fiscus should to execute is increasing tax obedience that is followed by the efficiency and lower cost of taxation administration. Thereby Fiscus should to concentrate human resources, effectiveness of organization structure and technology to actualize the efficient taxation administration, first-rate service for the taxpayer that may give trust for society. Thus the high tax obedience with low cost and efficient will be significantly achieved.

Conclusion

By the more complex of taxation rules, the taxpayer will more difficult to understand. The taxpayer must order tax professional aid to recognize and investigate the taxation rule. This aid, in accountancy context, will increase obedience cost in form of compensation to the tax professional. Therefore, the more complex of taxation rules will increase the cost of the taxpayer obedience in fulfilling his taxation duty. The solution is that the taxation rule should not make ambiguities for the taxpayer or the taxation rule should be made simply, though it is difficult. However, if it can be accomplished, the obedience cost can be decreased, so that it does not encourage the taxpayer intention to make accounting artificial in purposing to avoid tax and finally the taxpayer obedience will increase.

The less socialization of taxation rules by the tax Directorate General (Fiscus), will make the taxpayer hard to recognize the new taxation rules, even can not be understood. To socialize truth toward the taxpayer to count, pay and report the back tax by his self needs the role of Fiscus in counseling of taxation knowledge, service and control. Intensity of taxation rule socialization about necessity of paying tax will press the cost of taxpayer obedience and taxpayer intention to make accounting artificial in purposing tax evasion, so that it will increase taxpayer obedience.

Obedience cost is caused by complexity and socialization of the taxation rules. Obedience cost can be pressed if (1) the taxation system can be comprehended and understood easily; (2) the prevalent intensity of the exchange taxation rules socialization. The complex taxation rule and the lack socialization will support the taxpayer to make accounting artificial (profit) with the intention to minimize tax. So, Fiscus have to accomplish investigation intensely and transparently. Investigation finding must be announced to public, as profit artificial to minimize tax means that taxpayer avoids his duty to pay tax.
The good obedience is an efficient compliance; it means that the obedience cost must be low. The low cost of obedience will be reached if the taxation rules can be understood easily and it is supported by equal and continuant intensity of taxation rule socialization.
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