

TAXPAYER COMPLIANCE AND TAX AMNESTY DOES TAX AMNESTY WORK?

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ABSTRACT

Purpose — *This study aimed to analyze tax amnesty from the perspective of taxpayers, such as large-scale entrepreneurs, small-scale entrepreneurs, private company employees, tax consultants, and lecturers, and assessing whether tax amnesty can increase taxpayer compliance*

Design/methodology/approach — *This study used an interpretive paradigm and transcendental phenomenology. The interpretive paradigm aims to understand and explain the social world from a personal perspective. Transcendental phenomenology is a suitable method to analyze the experience of informants after joining the tax amnesty policy.*

Findings — *Based on the results of the study, it can conclude several findings. First, taxpayers participate in tax amnesty because they want to report all assets without being penalized; second, taxpayers want to get a low tax rate. Third, taxpayers want to avoid tax audits. The analysis of transcendental phenomenology concluded that tax amnesty could increase taxpayer compliance but not for a long time.*

Practical implications — *The tax authority should evaluate and improve in preparing the following tax amnesty policy, especially the tax amnesty implementation and targets. Taxpayers use tax amnesty to gain profits.*

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Originality/value — *This study reveals the views of taxpayers in-depth about the tax amnesty program. So that it can view the motivation of taxpayers to follow taxpayers. Hopefully, these findings can provide a broader and deeper picture of the views of taxpayers so that they can be taken into consideration by the government and future researchers*

Keywords — *tax amnesty, transcendental phenomenology, low tax rates, taxpayer compliance*

Paper type — *Field Research*

INTRODUCTION

Tax amnesty is a government program to improve taxpayer compliance. Indonesia has implemented the tax amnesty program four times, namely in 1964, 1984, 2008, and 2017, but it has not met the expected goals (Kurniawati, 2017). Many studies have examined the success rate of tax amnesty, but not many have explored taxpayers' understanding of tax amnesty in depth. The research seeks to explore taxpayers' views from taxpayers' perspectives and analyze whether tax amnesty can improve taxpayer compliance.

Indonesia, as a developing country, has a low level of tax compliance. The last five years Indonesia's have low tax ratio, namely 2015, 2016, 2017, 2018, and 2019 respectively, at 11.6%, 10.8%, 10.7%, 11.5%. and 10.73% (DJP, 2021). According to the organization for economic cooperation and development (OECD) in the report "Revenue Statistics in Asian and Pacific economies 2019," Indonesia's tax ratio is still much lower than the average OECD member country, 34.2%, lower than other countries. Latin America and the Caribbean (LAC), 22.8%, and lower than African countries, 18.2% (OECD, 2020). One strategy to improve taxpayer compliance above is to issue a tax amnesty policy. Like other countries in America, Europe, and Asia (Alm, 1998, p.1: Dubin, *Vol. 29, No. 3 December 2021*

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Gratz and Wilde 1992, p.1057), Indonesia has also taken this step to improve tax compliance. However, many studies describe the pros and cons of implementing tax amnesty in improving taxpayer compliance.

Many studies support tax amnesty policies. In general, researchers emphasize the possibility of a short impact on state revenues (Fisher et al., 1989; Dubin et al., 1992; and Alm et al., 2009). On the other hand, many studies reject tax amnesty as a tool to increase taxpayer compliance. The researchers argue that based on practical experience from countries that have implemented tax amnesty, the resulting fiscal impact is relatively small and doubts the long-term budgetary impact of the tax amnesty program. Second, Obedient taxpayers feel that they are mistreated compared to those who do not comply. Third, the public will believe that the tax amnesty is an ever-present program that will reduce their current level of compliance (Alm et al., 2009; İpek & Ozkaya., 2012; Saraçoğlu & aşkurlu., 2011; Fjeldstad et al., 2014).

Base on the phenomenon above, the research will conduct an in-depth exploration of the view of taxpayers on tax amnesty. The thought of taxpayers is fundamental is explored because taxpayers are parties who are required to comply in carrying out their obligations voluntarily. The results of this study are expect to be able to reveal the views of taxpayers and be able to analyze whether tax amnesty can improve taxpayer compliance.

METHOD

This research was exploratory-qualitative. From an epistemological perspective, qualitative research requires the analyst to engage with informants or participants to obtain information (Creswell, 2008). Furthermore, qualitative research produces descriptive data through direct interviews or behavioural observations (Moleong, 2000). Therefore, the researcher may observe and understand actions and

decisions made in the appropriate context (Myers, 2009). Furthermore, the researcher may analyze the problem holistically (Eriksson & Kovalainen, 2008) and develop social or cultural theory (Alasuutari, 1996). Theory formation (conceptual framing) adds value to qualitative analysis (Llewelly, 2003)

This study used an interpretive paradigm and transcendental phenomenology. The interpretive paradigm aims to understand and explain the social world from a personal perspective (Burrell dan Morgan, 1979). Transcendental phenomenology is base on Edmund Husserl (1931). In 1994, Moustakas applied transcendental phenomenology to qualitative research methods (MoererUrdahl & Creswell, 2004). Transcendental phenomenology emphasizes participant experience (Conklin, 2007).

Transcendental phenomenology is a suitable method to analyze the experience of informants after joining the tax amnesty policy. The analysis of transcendental phenomenology consists of Noema, Noesis, Epoche (Bracketing), Intentional Analysis, and Eidetic Reduction (Kamayanti, 2016). Noema analyzes the informant's experience, Epoche emphasizes the informant's expression to capture Noesis, and Noesis is the informant's awareness of noema. The Intentional Analysis examines the informants' intentions, and Eidetic Reduction captures the essence of the informants' choices and actions. The data collection used unstructured and in-depth interviews to capture the informants' awareness and experiences. So The informants were individuals with adequate knowledge and direct experience of tax amnesty policy. The informant's classification is as follows: large-scale entrepreneurs, small-scale entrepreneurs, private company employees, lecturers, and tax consultants. According to Kayamanti (2016:151), the number of informants in phenomenological research should be less than ten people; even 3 or 4 people are very tiring. Likewise, Cresswell (2015:108) stated

that the informants in the phenomenological study were 3,4,10, or 15 informants.

Tabel 1. List of Research Informants

Number	Informant	Information
1.	Mr A	Large-scale entrepreneurs
2.	Mr B	Small-scale entrepreneurs
3.	Mr C	Lecturers
4.	Mr D	Private company employees
5.	Mr E	Tax consultants

Source: Author

FINDINGS AND DISCUSSION

Tax amnesty: to disclose assets without tax sanctions

Tax amnesty is a government program that provides amnesty for taxpayers who want to disclose all their assets. Taxpayers who are willing to participate in the tax amnesty will get the abolition of the tax payable and exemption from tax sanctions (Law No. 11 of 2016). Richardson and Sawyer (2001) stated that the amnesty program provides an opportunity for taxpayers to pay off their tax arrears without administrative sanctions to increase taxpayer compliance and state revenues.

Informant statement using tax amnesty as a means of revealing all assets without sanctions, as disclosed by informant A. Informant, A is a lecturer who participated in the tax amnesty in the first period of 2016 and stated that:

"I have several treasures that have not yet reported in the annual tax return. At that time, I reported not all of our assets. I feel relieved to have disclosed all of my assets through the tax amnesty program without being subject to tax sanctions."

This statement is in line with the information of informant E. Informant E is a tax consultant who participated in the tax amnesty in the first period. Informant B uses the tax amnesty as a means to report assets that have not yet registered, such as the following statement:

"Everyone who runs a business usually does not report all their assets to the tax office because there are expenses that are not recognized. Tax amnesty is an opportunity to report hidden assets without being subject to tax sanctions. I feel relieved because I can help taxpayers report all their assets."

From all statements, the research concludes that one of the benefits of tax amnesty is disclosing assets that have not been reported. The two informants stated that they were relieved to have participated in the tax amnesty because they had declared their assets. According to Ritsema (2001), tax sanctions can encourage taxpayers to participate in tax amnesty.

Tax amnesty: to get a low tax rate

Tax amnesty is an amnesty program that provides low tax rates for taxpayers who want to disclose their assets through tax amnesty (Law No. 11 of 2016). Informant A stated that he wanted to participate in the tax amnesty because he wanted a low tax rate. Informant A is a prominent businessman who participated in the tax amnesty in the second period of 2016 and stated that:

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"I joined the tax amnesty because I wanted a low tax rate on the property I reported. By following the tax amnesty, the ransom will be small and cheap. The difference in rates is huge, so it is very profitable for taxpayers."

The informant's statement above is following informant B. Informant B is a small businessman who participated in the tax amnesty in the first period of 2016 and stated that:

"The low tax rate is the reason I joined the tax amnesty. With a small tax rate, the costs incurred will also be small, even though the assets we report are large."

Based on the informant's statement above, the researcher concludes that the reason the informant participates in the tax amnesty will be to get a low tax rate. This statement is in line with Alm, Martinez-Vazques & Wallace (2007) research results. According to Bagiada and Darmayasa (2016), the low ransom rate in the tax amnesty encourages taxpayers to participate in the tax amnesty.

Tax amnesty: to be free from the tax audit

One of the tax amnesty privileges in Law No. 11 of 2016 is the opportunity to be free from tax audits. As in the tax amnesty law, taxpayers would be exempt from tax audits when they are willing to participate in the tax amnesty program. In line with this, Sayidah said that the tax amnesty is a government policy to forgive the mistakes of past taxpayers to achieve a more significant goal (Sayidah & Assagaf, 2019)

the statement of the informant who participated in the tax amnesty because he wanted to be free from tax audits was informant A. Informant A is a prominent businessman as stated below:

"I joined the tax amnesty because I had many mistakes. I was afraid that the tax office would find out and investigated."

The statement above is also similar to the expression conveyed by informant E. Informant E is a tax consultant with the following word:

"Almost my clients who participate in the tax amnesty are because they are afraid of being examined by the tax office. if checked, there will be a lot of fines that must be pay."

Based on the above expression, the researcher concludes that taxpayers participate in the tax amnesty to be free from tax audits. In line with the statement above, Mookherjee & Das (1995) stated that the advantage of the tax amnesty is the cancellation of the collection of fines imposed.

According to Allingham & Sandmo (1972), the threat of being audited and subject to tax sanctions will force taxpayers to comply with their obligations (Bayer & Cowel, 2016; Fleming, 1995; Kogler, Mittone, & Kirchler, 2015).

Tax amnesty and voluntary tax compliance

Tabel 2. Transcendental Phenomenology Analysis

Noema	Epoche	Noesis	Intention Analysis	Eidetic Reduction
Mr C (declared all his assets) through tax amnesty	Declared all asset is a reflection (honesty)	Mr C (feeling relieved) will start a new tax liability after participatin g in the tax amnesty	Mr C feels relieved for a while after participatin g in the tax amnesty because he has disclosed all his assets to the tax office and will start a new tax liability	Mr C realizes that his assets have not been reported in the annual tax return. Tax amnesty is a momentum to declare all their assets
Mr A saw (the opportunity for profit) in the tax amnesty program, so he decided to join the tax amnesty	The desire to make a profit is a reflection (homo economis ts mindset) to make a profit	Mr A (feeling happy) because he will get a low tax rate in declaring his asset	Mr A is happy because he will benefit from a low tax rate through the	Mr A realizes that the tax amnesty program can provide an opportunity to benefit from a low tax rate
Mr B joined the tax				

amnesty	Participati		tax amnesty	
because he	ng in the	Mr B	program	
wanted to	tax	(feeling		
(pursue no	amnesty	relieved) has		Mr B realizes
tax audit	because	participated		that the
privilege)	he wants	in the tax	Mr B felt	previous report
	to be free	amnesty	relieved for a	has errors and
	from tax	because he	while after	omissions. Tax
	audit is a	will be free	joining the	amnesty is an
	reflection	from tax	tax amnesty	opportunity to
Mr D	of (fear	audit and	because he	be free from tax
(declared all	of) the	free from tax	would	audit and
his assets)	reports	sanctions	definitely be	imposition of
through tax	that have		free from a	tax penalties
amnesty	been done		tax audit	
		Mr D		
	Declared	(feeling		Mr D realizes that
	all asset is	relieved) will		his assets have
	a	start a new		not been reported
Mr E (gives	reflection	tax liability	Mr D feels	in the annual tax
advice) to	(honesty)	after	relieved for a	return. Tax
taxpayers so		participating	while after	amnesty is a
that they can		in the tax	participating	momentum to
report their		amnesty	in the tax	declare all their
assets			amnesty	assets
through tax	The		because he	
amnesty	desire to		has disclosed	
			all his assets	

help is a reflection (responsibility) as a consultant profession to help taxpayers	Mr E (feeling relieved) can help taxpayers in reporting their assets through tax amnesty	to the tax office and will start a new tax liability Mr E is relieved because he has been able to provide advice to taxpayers so that they can report their assets through the tax amnesty program	Mr E realizes that many taxpayers do not understand and cannot participate in the tax amnesty. This opportunity is used by tax consultants to provide advice to taxpayers so that they can participate in the tax amnesty
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One of the objectives of the tax amnesty is to increase taxpayer compliance. Through the tax amnesty, the government expects taxpayers to become aware and return to compliance in carrying out their obligations to pay taxes. However, based on the results of the analysis of transcendental phenomenology, it is concluded that tax amnesty could increase taxpayer compliance quickly. Based on the results of the eidetic reduction informants, Mr C & D views that the tax amnesty is a means to report assets that have not been reported yet in the annual tax return. They will comply in carrying out his tax obligations. Mr A & B views the tax amnesty as a means to get a low tax rate and free from tax audits. Meanwhile, Mr E. As a tax consultant, he is responsible for assisting taxpayers in reporting taxes and complying with tax regulations. The results of this study are in line with Allingham & Sandmo's (1972) research, which suggests that the threat of sanctions in the form of fear of being audited and then subject to tax sanctions will force taxpayers to comply and prevent them from being involved in tax evasion (Bayer & Cowell, 2016; Fleming, 1995; Kogler et al., 2015; Ali et al., 2001)

CONCLUSION

Tax amnesty is a government program that provides amnesty to taxpayers willing to disclose all their assets through tax amnesty. Taxpayers who are eager to participate in the tax amnesty will be given amnesty to abolish tax payable, not subject to tax sanctions, and get a low tax rate. Based on the informants' expressions on tax amnesty concluded several findings. First, taxpayers participate in tax amnesty because they want to report all assets without being penalized. Second, taxpayers want to get a low tax rate, and third, taxpayers want to avoid tax audits. Based on the analysis of transcendental phenomenology, we conclude that tax amnesty could increase taxpayer compliance, but not for a long time.

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