

# Compliance Rate of Indonesian Taxpayers during the COVID-19 Pandemic

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## Article Info

**Page Number:** 1236-1241

**Publication Issue:**

**Vol. 71 No. 3s (2022)**

## Article History

**Article Received:** 22 April 2022

**Revised:** 10 May 2022

**Accepted:** 15 June 2022

**Publication:** 19 July 2022

## Abstract

This study aims to know about the compliance rate of Indonesian taxpayers during the COVID-19 Pandemic. This research is based on planned behavior theory. This research uses qualitative methods with literature studies. The results obtained from this study are that the level of compliance of Indonesian taxpayers during the pandemic is declining, the provision of tax incentives is considered effective but not optimal because this policy is underutilized by taxpayers. The government should review the effectiveness of the self-assessment system. The Indonesian government should think of a surefire strategy to improve taxpayer compliance.

**Keywords:** Taxpayer compliance, taxes during a pandemic.

## 1. Introduction

Indonesia is the country with the fourth largest population according to the U.S. Census Bureau and Worldmeter, with 278,752,361 people. With its income derived from tax revenues (Domestic taxes, income taxes, VAT and sales taxes on luxury goods, UN, duties on acquisition of rights to land and buildings, excise, other taxes, international trade taxes, and import duties), non-tax revenues (receipts of natural resources, Opinions from segregated state assets, other non-tax revenues, income of public service bodies) and grants. When viewed from the country's revenue, the largest is from the tax sector. The tax collection system is a mechanism used to calculate the amount of tax that must be paid by taxpayers to the state. In Indonesia, there are 3 types of tax collection systems, namely the Self Assessment System.

The Covid-19 virus is a very tense tragedy because it is felt in all countries around the world. The Covid-19 pandemic has paralyzed activities in various countries, one of which is Indonesia. Since Indonesia was hit by the Covid-19 pandemic, namely in March 2020, many economic activities have been hampered because all economic activities in all sectors are restricted ranging from the industrial sector, hospitality, trade, schools etc. As a result, everything from upper to lower scale companies went out of business and the unemployment rate increased due to the reduction in labor carried out by the company to reduce operational costs. With the restrictions, the level of public consumption is low because the income earned is low. Based on BPS data, income per capita throughout 2020 fell to 3,911 US dollars per year. In 2019, Indonesia's GDP per capita reached 4,174 US dollars and in 2018 3,927 US dollars. Of course, the decline in economic growth has a correlation with state revenue from

the tax sector. The level of taxpayer compliance is still a problem that still has to be faced, especially with the covid-19 pandemic conditions which make the level of taxpayer compliance even lower. This can be seen from the level of tax income as follows :

**Table 1. State revenue rate from the taxation sector 2019-2020**

Sources of Acceptance	Realization of State Revenue (Billions of Rupiah)	
	2019	2020
Tax Revenue	1 546 141,90	1 285 136,32
Domestic Taxes	1 505 088,20	1 248 415,11
Income Tax	772 265,70	594 033,33
VAT	531 577,30	450 328,06
Land and Building Tax	21 145,90	20 953,61
Excise	172 421,90	176 309,31
Other taxes	7 677,30	6 790,79
International Trade Tax	41 053,70	36 721,21
Import Duties	37 527,00	32 443,50
Export Tax	3 526,70	4 277,71

(Source: Indonesian Central Statistics Agency)

From the Table 1 above, it can be seen that throughout 2020 taxes have decreased due to the Covid-19 pandemic that hit the Indonesian economy. Tax revenue in 2020 was IDR 1,285 trillion, which in the previous year (2019) was IDR 1,546 trillion.

The findings of a study conducted by Dewi & Nataherwin (2020), which found that tax rates and tax sanctions have a positive effect, while tax incentives and tax services have no effect on compliance. The Covid-19 pandemic in the last eight months has indeed stopped the wheels of the national economy. The impact made tax deposits decrease drastically during the first half of 2020. But that does not mean that reporting activities and tax services have stopped. A number of tips are carried out so that tax services remain informative, according to the state's target but comfortable and safe according to the Covid-19 prevention health protocol. Such as the regulation of the Directorate General of Taxes which was implemented starting September 1, 2020. People who want to get face-to-face services at the tax office are required to take the queue ticket number online. Taxpayers are required to comply with health protocols when coming to the Tax Office. This applies to tax service offices (KPP) and tax counseling, services, and consultation offices (KP2KP) throughout Indonesia. [2].

## **2. Theoretical Framework**

### **2.1. Planned Behavior Theory**

The Theory of Planned Behavior (TPB) is The theory of planned behavior assumes that previous theories of behavior that cannot be controlled previously by individuals but, are also influenced by factors regarding non-motivational factors which are considered as opportunities or resources needed for behavior to be carried out. (Fishbein and Ajzen, 1975).

## 2.2. Taxpayer Compliance

In many cases, taxpayers often bear a high tax burden as a result of the high amount of taxes to be paid and large tax penalties. This generally occurs because the company's tax administration is not managed properly and appropriately, which causes delays in tax deductions, tax payments, tax reporting, and financial policy problems. (Hanum et al., 2019). For example, insufficient knowledge of taxation can lead to non-compliance. The low level of tax compliance can be seen from the tax gap and tax ratio. Tax gap is a tax gap or difference between a potential tax and one that has been taxed. Nugroho (2012) argues that taxpayers must understand and observe carefully the tax administration in question and prepare follow-up steps to carry out requests for fulfillment of tax obligations. Meanwhile, in order to avoid errors and/or mistakes in carrying out the request for fulfillment of the tax obligations in question, the taxpayer is obliged to understand and carefully observe the provisions of the relevant Taxation Laws. (Rohmawati, et. al., 2013).

## 2.3. Research Methods

The method used qualitative method. In terms of data collection, this study used observation methods, literature studies and interviews. Gill et. al. (2008) stated that there are several kinds of data collection methods in qualitative research, namely observation, visual analysis, literature studies, and interviews (individual or group).

## 3. Results and Discussion

The government provided various assistance to several sectors affected by the pandemic, one of the assistance in question was tax incentives. Tax incentives are expected by the government to restore the condition of all sectors, especially the economy, to restore economic conditions again. However, looking at the ongoing conditions, the government assesses and recognizes that the tax incentives are not optimal. In an effort to ensure economic safety, the government has issued assistance in the form of fiscal incentives to the business world and individuals. The government has placed approximately 0.5 percent to 0.7 percent of GDP in the form of tax breaks.

Unfortunately, the tax relief that has been carried out has not been optimal. This is because some taxpayers cannot use these tax incentives due to the slowing down of the economy due to their depressed business.

The fiscal incentives that have been given to taxpayers from the government include the following:

- a) Exemption of bags providing,
- b) Exemption from levy or withholding of income tax.
- c) The ease of obtaining imported goods related to the need for COVID-19 in order to meet the needs of domestic goods.
- d) Exemption from customs duties, not collected vat and PPnBM, exemption from the levy of income tax article 22 import of goods for the purposes of handling the pandemic, either for commercial or non-commercial purposes, and so on.

The Ministry of Finance noted that Indonesia's tax ratio in 2021 reached 9.11% of gross domestic product (GDP). This tax ratio increased from 2020 which was 8.33% of GDP. The increase in the tax ratio is also influenced by tax revenues in 2021 which exceed the

government's target. So that it automatically encourages an increase in the tax ratio in 2021. The realization of tax revenue in 2021 reached IDR 1,277.5 trillion, growing 19.2% yoy. Tax compliance can be affected by very varied factors to compliant behavior. Let's just say you're told to obey a rule but you don't know about it, as long as it's compliant. Indonesia implements a self-assessment system, so taxpayers must report their own taxes. If someone knows good tax regulations, the perception that arises is a positive perception that results in a high level of tax compliance. It also relates to the motivation of the taxpayer. Without knowledge, it is difficult to understand tax regulations. This makes people's motivation to report taxes low and has an impact on non-compliance.

External factors are the lack of services, facilities and infrastructure and socialization of taxation. Nowadays, it is not uncommon to find administrative service officers who are negligent in carrying out their duties. Let alone officers, sometimes even the means that become a forum for tax reporting can also be problematic. Actually, internal and external factors are very influential on each other. Tax socialization is one of the factors that affect tax compliance (Andayani, 2018). Socialization related to tax regulations by the government greatly affects the compliance of MSME taxpayers (Andrew & Sari, 2021) [8]. This is very much in accordance with the concept of TPA, that taxpayer compliance in carrying out their tax obligations (behavioral) is enforced by intentions and subjective norms, must be supported by external actions (Perceived Behavioral Control) through socialization carried out by the DGT related to tax incentives that can be utilized by taxpayers, especially MSMEs. Because information related to incentives during this pandemic is new, when compared to other incentive programs, such as tax holidays and tax amnesty. According to Rohmah et al. (2021).

#### **4. Conclusion**

The issue of recession is indeed a frightening scourge but with good preparation this can certainly be minimized. The government should continue to improve in providing tax incentives. Improving stimulus schemes is an urgency for now. With the increase in the installment discount of income tax article 25 cash flow, corporate taxpayers can be slightly helped.

Meanwhile, the government also needs to evaluate and pay more attention to what long-term impacts will arise from providing these incentives. Because in providing this incentive, of course, it will make a decrease in national savings so that it can trigger an increase in interest rates. If interest rates rise, the level of investment will certainly decrease. So in addition to providing some incentives, the government must also provide education about the use of these incentives, so that people can predict that there will be higher tax charges in the future when this pandemic ends. Government policy implements a self-assessment system, where taxpayers are given full responsibility to take care of their taxation starting from registering, calculating, paying, reporting. This system is sometimes questioned whether it is effective? Because there are still many taxpayers out there who are still negligent in carrying out their obligations.

For socialization regarding taxes, there are 3 things that must be done. First, it is done more often and more proactively in the delivery of information. Second, counseling personnel must

be more competent, master the material, and deliver the material in simple language. Third, counseling activities need to be maximized, such as increasing the duration of questions and answers and simulations.

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