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Increasing Taxpayer Compliance Through The Implementation of Tax Management Models

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Abstract:

Taxpayer non-compliant behavior can indeed be one of the main causes of tax violations. A tax gap occurs when there is a difference between the amount of tax that a taxpayer should pay and the amount of tax that is actually paid. Efforts that can be made to increase taxpayer compliance with the approach that has been implemented is the application of a tax management model which is designed to help taxpayers understand their obligations, manage tax payments, and minimize the risk of non-compliance. This research aims to determine the tax management model that is implemented can affect taxpayer compliance. The data analysis method in this research uses qualitative methods, this method is to answer the problem formulation. The data collection technique in this research was carried out by distributing questionnaires and interviews with informant sources at the Massaniga & Partners Tax Consultant Office. The research results show that the tax management model has an effective impact in increasing taxpayer compliance.

***Keywords**: Taxation; Taxpayer Compliance; Tax Management Model*

1. Introduction

Taxes are state levies that do not provide direct remuneration, are binding, can be enforced, and are used for the prosperity of the people (Wulandari & Suyanto, 2016). The main source of Indonesian state revenue lies in the tax sector to fund the State Revenue and Expenditure Budget (APBN) (Marchese, 2021). Tax revenues play a crucial role in the Indonesian economy. One of the bases for achieving tax revenue targets is taxpayer compliance, defined as taxpayers fulfilling tax obligations and exercising tax rights (Rohmawati, 2012).

Tax revenue constitutes the largest portion of the State Revenue and Expenditure Budget (APBN). In the 2020 APBN, tax revenues amounted to 1,867.7 trillion rupiah, while state revenue from non-tax sources was 367.0 trillion rupiah, and grant receipts were 0.5 trillion rupiah (Kemenkeu.go.id). Taxes dominate state revenue

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because other sources, such as natural resources, especially petroleum, are no longer reliable. Revenue from natural resources has a limited lifespan and will eventually deplete.

One indicator used to determine the level of tax compliance is the tax ratio, which also helps assess a country's tax potential. In 2020, Indonesia's tax ratio was 7.90%, a decrease from 9.76% in 2019 and 10.24% in 2018 (APBN Financial Notes, 2020). This decline indicates that tax reporting and compliance in Indonesia is not optimal, particularly among individual taxpayers, who are the largest source of tax revenue.

Tax collection is challenging and requires active participation from tax officers and compliance from taxpayers. High taxpayer compliance would naturally lead to increased state revenues from the tax sector, as the number of potential taxpayers continues to grow. Compliance in paying taxes is essential for tax collection. One reason for the lack of compliance is the principle that the results of tax collection are not directly enjoyed by taxpayers.

Non-compliant behavior among taxpayers is a primary cause of tax disparities (Sritharan & Salawati, 2019). Both individuals and corporations tend to exhibit non-compliance with the taxation system. This non-compliance undermines government efforts in organizing activities and development, as national income is often allocated to operational spending rather than development spending, forcing the government to borrow more money from other sources (Sritharan, Salawati, & Cheuk, 2020). Consequently, examining the link between individual and corporate tax compliance is essential (Bagdad et al., 2017). Taxpayer compliance remains a challenging issue for governments worldwide.

In many countries, especially developing ones, tax non-compliance is a significant challenge. Ineffective tax policies, taxpayers' lack of understanding of tax regulations, and low-quality tax consultant services contribute to low taxpayer compliance.

A previous study by Hadi and Mahmudah (2018) examined the influence of tax service quality on taxpayer compliance. The results showed that three variables—tangibility, reliability, and assurance—did not significantly influence taxpayer compliance due to various contingency factors. However, two variables—reliability and empathy—did show a significant influence. Additionally, Adiningrat, Rustan, and colleagues (2023) noted that the value-added tax refund process for construction services at the Massaniga & Partners Tax Consultant Office was carried out well and systematically.

In efforts to increase taxpayer compliance, many countries have developed various strategies and policies. One approach is implementing an effective tax management model, which can help taxpayers understand their obligations, manage tax payments, and minimize non-compliance risks. The quality of tax consultant services also plays a vital role in providing appropriate guidance and advice to taxpayers. Based on this background, the problem formulation is whether the implemented tax management model can influence taxpayer compliance with tax regulations.

2. Theoretical Background

Tax Management

Tax management refers to the strategies employed by management to organize and control tax aspects in a manner that benefits the company (Riningsih et al., 2023). This involves ensuring that the company fulfills its tax obligations accurately while minimizing tax risks and adhering to applicable tax regulations. Effective tax management is crucial for maximizing a company's business potential, achieving profitability, and maintaining liquidity in alignment with the company's objectives.

Tax management encompasses various practices aimed at optimizing the tax position of a company. These include tax planning, tax compliance, and tax risk management. Tax planning involves identifying and implementing tax-efficient strategies to reduce tax liabilities, such as utilizing tax incentives, deductions, and credits. Tax compliance ensures that all tax returns and payments are made accurately and on time, thereby avoiding penalties and interest. Tax risk management involves identifying, assessing, and mitigating potential tax risks that could adversely affect the company.

The benefits of effective tax management are manifold. It can lead to significant cost savings, improved cash flow, and enhanced financial performance. By optimizing tax liabilities, companies can reinvest savings into core business activities, driving growth and competitive advantage. Moreover, robust tax management practices can enhance a company's reputation with stakeholders, including investors, regulators, and the general public.

Research by Riningsih et al. (2023) underscores the importance of tax management in the broader context of corporate governance. Effective tax management is seen as a hallmark of good corporate governance, reflecting a company's commitment to ethical and responsible business practices. Companies that prioritize tax management are better positioned to navigate complex tax landscapes and regulatory environments, thereby reducing the likelihood of disputes and audits.

Taxpayer Compliance

Taxpayer compliance is a critical factor in the success of tax systems and the overall economic health of a country. It refers to the extent to which taxpayers fulfill their tax obligations as required by law. High levels of taxpayer compliance ensure a steady stream of revenue for the government, which is essential for funding public services and infrastructure.

Factors influencing taxpayer compliance are multifaceted and can include economic, psychological, and social elements. Economically, compliance can be influenced by the perceived fairness of the tax system, the complexity of tax laws, and the likelihood of being audited. Psychologically, taxpayer attitudes towards taxes and government, as well as personal norms and ethics, play significant roles. Socially, peer influence and societal norms can also impact compliance behavior.

Research indicates that voluntary compliance is higher when taxpayers perceive the tax system as fair and transparent (Alm & Torgler, 2011). When taxpayers believe that tax revenues are used effectively for public goods and services, they are more likely to comply. Conversely, perceived corruption and inefficiency within tax authorities can erode trust and reduce compliance.

A study by Alm and Torgler (2011) highlights the importance of taxpayer services and education in promoting compliance. Providing clear and accessible information about tax obligations, simplifying the filing process, and offering assistance can significantly improve compliance rates. Additionally, the presence of effective deterrents, such as audits and penalties, can reduce intentional non-compliance.

Furthermore, technological advancements have played a crucial role in enhancing taxpayer compliance. The use of digital platforms for tax filing and payment has streamlined processes, reduced errors, and made compliance more convenient for taxpayers. E-filing systems, for instance, have been shown to increase compliance by reducing the burden of paperwork and making it easier to meet deadlines (Gupta & Sawyer, 2015).

In conclusion, effective tax management and taxpayer compliance are interdependent components of a robust tax system. Companies that prioritize tax management not only enhance their financial performance but also contribute to broader economic stability. Similarly, high levels of taxpayer compliance ensure sustainable revenue for governments, supporting public services and infrastructure development. Future research could explore the impact of emerging technologies on tax management practices and taxpayer compliance, as well as the role of behavioral economics in shaping compliance behaviors.

3. Methodology

This research took place at the Massaniga Tax Consultant Office and Makassar City Partners, Southern Province. This research instrument uses questionnaires and interviews. Questionnaire to analyze dihadou problems as a basis for developing tax management models, then the questionnaire was validated by two experts, after that interviews were conducted with informant sources at the office

The data analysis method in this research uses qualitative data analysis to answer a problem formulation. Qualitative research methods are research methods based on philosophy that are used to examine scientific conditions (experiments) where the researcher is the instrument, data collection techniques and qualitative analysis emphasize meaning (Sugiyono (2018). Before interpreting qualitative data, the research team will carry out an analysis method with the following steps.

The analytical method that the author will use is an applied qualitative desmcriptive method. Data analysis carried out using qualitative data analysis includes several aspects, namely:

1) Comprehension At this stage all recordings are opened and transcribed into the computer. All data is written completely, in detail, coherently and well described to fully see the community's entrepreneurial development strategy
2) Synthetizing This stage begins when the researcher has obtained complete data and grouped it with supporting keywords. The data was filtered and identified what forms of community entrepreneurship development strategies existed
3) Theorizing Select the data used to represent the data that has been obtained.
4) Recontextualization is an important final stage in qualitative research data analysis. At this stage a theory is obtained where the theory can be applied to various population settings. In this research, the data was analyzed manually using the following steps: a) The results of the recording, whether in the form of notes or a recording device, were typed completely using a computer word for word. b) The typing results are then viewed as a whole. c) Researchers code with cards containing keywords and provide categories to identify the highest prevalence or greatest priority. d) Then a scheme is created by connecting several categories to produce a theme

The steps that must be taken in analyzing data with content analysis include:

1) **Data reduction** is a selection process, focusing attention on simplifying, abstracting and transforming 'rough' data that emerges from the notes in the research object.
2) **Data presentation** is a collection of structured information that provides the possibility of drawing conclusions and taking action. The presentation most often used for qualitative data in the past was narrative text.
3) **Verification** is drawing conclusions that can be done during research. The meanings that emerge from the data must first be tested for their truth, robustness and suitability. This research uses an interactive analysis model, namely that the three components mentioned above are intertwined in parallel

4. Empirical Findings/Result

This research was conducted at tax consultant offices and partners. This research was carried out by distributing questionnaires and interviews with 1 informant, namely 1 consultant and 2 consultant staff. The types of informants can be described in table 1 as follows :

Table 1. General Description of Respondents

Characteristics	Amount	Percentage
Gender		
Man	0	0%
Woman	3	100%
Total	**3**	**100%**
Age		
15 to 30	2	66,7%
30 to 40	0	0%
41 to 50	1	33,3%
Total	**3**	**100%**
Last education		
SMA	0	0%
S1	3	100%
S2	0	0%
Total	**3**	**100%**
Length of work		
1-5 years	3	100%
6-10 years	0	0%
11-15 years	0	0%
Total	**3**	**100%**

Source: Processed data, 2024

Based on table 2 above, it shows that The total number of respondents was 15 people with a description of the distribution of various characteristics, namely the number of informants according to gender, dominated by women 3 people or 100% . Based on age, the highest number of informants was between 15-30 years old, 3 people or 66,7% of the total 3 people. The number of informants based on their last education was dominated by S1 with 3 people or 100%. Meanwhile, the highest number of informants based on work period between 1-5 years was 3 people or 100%.

Table 2. Use of Tax Management Model

Type of Tax Management Model	Percentage	Criteria
Understanding Taxation	100 %	Very effective
Tax Planning	86,67 %	Effective
Reporting and Compliance	93,33 %	Effective
Tax Risk Manager	86,66%	Quite Effective
Increase Tax Efficiency	86,66%	Quite Effective
Rata-Rata	**90,66%**	Effective

Source: Data processed. (2024)

Based on table 2 above, it shows that the level of tax planning looks very high with a percentage of 100%. Categorized as very effective with a score. This shows that a person has a thorough understanding of the tax system, including applicable laws and regulations, types of taxes, as well as the mechanism for calculating and paying taxes. Overall an average of 90.66% is categorized as effective, consultants have a strong foundation in taxation. To continuously improve client compliance as taxpayers, focus on deepening your knowledge in tax planning and risk management, as well as continuing to hone practical skills in tax reporting and compliance.

5. Discussion

The research results presented indicate that the tax management model has an effective impact on increasing taxpayer compliance, demonstrating an effectiveness level of 100%. This suggests that the better the synergy model implemented, the higher the level of taxpayer compliance.

The tax management model refers to the specific strategies and approaches used by tax authorities to manage and supervise the fulfillment of tax obligations by taxpayers. Implementing an effective tax management model can significantly enhance taxpayer compliance. Key components of a successful tax management model include simplifying tax procedures, increasing transparency, providing education and communication, and utilizing technology.

Simplifying tax procedures reduces the complexity and burden on taxpayers, making it easier for them to comply with tax laws. Increasing transparency in tax administration fosters trust between taxpayers and tax authorities, encouraging voluntary compliance. Education and communication are vital in informing taxpayers about their obligations and the benefits of compliance. The use of technology, such as e-filing systems and digital tax platforms, streamlines processes and reduces errors, further enhancing compliance.

An appropriate tax management model can significantly boost taxpayer compliance, thereby increasing tax revenues and strengthening the integrity of the tax system. According to Bangun, Hasibuan, and Suheri (2022), tax management sanctions positively affect taxpayer compliance from the perspective of the Technology Acceptance Model and Theory of Planned Behavior. This suggests that when taxpayers perceive tax management systems as fair and efficient, they are more likely to comply with their tax obligations.

However, these findings are not consistent with those of Handoko, Toni, and Simorangkir (2020). Their research indicates that tax knowledge alone does not directly influence taxpayer compliance. Instead, tax sanctions and tax awareness play crucial roles in driving compliance. Tax knowledge negatively affects taxpayer compliance when mediated through tax awareness, while tax sanctions positively influence compliance through the same mediating variable.

In summary, the effectiveness of a tax management model in increasing taxpayer compliance is contingent upon various factors, including the simplification of procedures, transparency, education, and the use of technology. While some studies highlight the importance of sanctions and awareness, others suggest that knowledge alone is insufficient without the support of robust tax management practices.

6. Conclusions

Based on the results of the research and discussion, it can be concluded that the tax management model can significantly increase taxpayer compliance by effectively demonstrating the importance of using the right model to enhance compliance levels. Implementing a robust and efficient tax management model, which includes the synergy between efficient tax policies and a service-oriented approach to taxpayers, can lead to higher overall tax compliance. This suggests that the better the synergy model implemented in tax management, the greater the likelihood that taxpayers will comply with their tax obligations. Future research should explore the comparative effectiveness of various tax management models across different countries, especially in developing versus developed economies, to provide insights into universally effective practices and those that need tailoring to specific contexts. Additionally, examining the impact of integrating advanced digital technologies, such as artificial intelligence and blockchain, on tax management and compliance can offer valuable perspectives. Investigating the role of taxpayer education and outreach programs in enhancing compliance and understanding the psychological and social factors influencing taxpayer behavior are also critical areas for future study. Furthermore, longitudinal studies to track the long-term effects of tax management reforms on compliance rates and overall tax revenue would be beneficial for policymakers.

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