

## A Portrait of Medical Doctors' Tax Knowledge in Padang

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### Abstract

This study aims to provide deeper insights on tax knowledge of medical doctors in Padang, West Sumatera, Indonesia. This is a descriptive study to describe the medical doctors as individuals on a particular characteristic, namely, their tax knowledge. Data for this study were collected by conducting a survey to doctors participating in an income tax training in Padang. The responses collected were analyzed descriptively and supplemented by oral explanation provided by the participants during the survey. The result shows that many doctors in Padang do not have enough tax knowledge to fulfill their tax ability.

**Keywords:** *tax knowledge, tax compliance, tax return, descriptive study*

### Introduction

Tax is one of the important elements of public financing. In addition, tax is also a mechanism of social solidarity and social participation in a country. The reasons for taxpayers behavior in paying taxes has attracting intensive research on tax compliance (Mohdali et al., 2017).

In 2017 the total tax revenue reached IDR 1,147.5 billion, which is 89.4 percent of those targeted in the 2017 income and expenditure budget (Kementerian Keuangan Republik Indonesia, 2017). However, the realized state revenues from taxes was below the government target. In addition, at the peak of the annual personal income tax return report, the compliance rate in submissions has failed to reach the target of 64.5% for Quarter 1, 2018 ([www.tax.go.id](http://www.tax.go.id)). The phenomena show that compliance in tax revenue submission remains an important and controversial topic in Indonesia, and arguably in the similar context of developing country.

One of the dominant assumption in the tax compliance behavior literature that an individual has a preference to choose in tax payment or nonpayment decisions (Mohdali et al., 2017). However, this paradigm cannot explain why taxpayers are still required to declare their tax incomes in some countries despite the low level of audit and low tax penalties, especially the income obtained without the knowledge of third parties.

In 2019 the government budgeted state revenue from the taxation sector of Rp. 1,786.4 trillion or 82.5% of total state revenue. The Minister of Finance, Sri Mulyani Indrawati, said that the tax revenue target was an optimal but still realistic target (Ministry of Finance, 2019).

On another occasion, Sri Mulyani stated that taxes were needed by the state in order to encourage development (Baderi, 2019). However, the government does not want the public to see taxes as a burden, but rather a form of citizens' contribution to the country's development. For this reason, the Tax Office will provide better education, information, facilities and services. One form of service improvement carried out is through e-filing and e-billing. The availability of technology is expected to provide comfort and convenience for taxpayers in fulfilling their tax obligations

The existence of e-filing has a positive impact on increasing tax compliance and decreasing tax reporting manually. However, observations in the field show that there are still quite a lot of taxpayers who have difficulty in using e-filing because it is less user-friendly. This should be a note for the Tax Office.

A group of the taxpayers who has the potential to contribute to tax revenue is the medical profession taxpayer, which includes a group of taxpayers with self-employment tax. According to the Income Tax Act, taxpayers with free employment are doctors, notaries, consultants, accountants, lawyers, actuaries, and appraisers. This proposal chooses taxpayers with the doctor profession as the object of research because doctors earn income from several sources and each source of income has different taxation rules. This presents a difficulty for doctors to report their tax obligations.

The results of our interview with a specialist doctor in the city of Padang show the reality on the ground that quite a number of doctors do not understand the applicable taxation rules, especially those related to their income. Different taxation rules for each source of income sometimes make it difficult for them to calculate the tax payable at the end of the year. This is compounded by difficulties when applying Annual e-SPT and e-filling for tax reporting. The following table shows the sources of doctor's income and taxation rules related to that income.

Table 1. Sources of Doctor's Income and The Relevant Tax Regulations

No	Sources of Income	The Relevant Regulations	Tax Rate
1	Earnings from personal practice	Norms for calculating income tax (NPPN)	50%
2	Salaries from public/private hospitals	Tax law ch. 21 (PPh 21) nonfinal	5%-30%, progressive
3	Fee as a speaker in events/seminars	Tax law ch. 21 nonfinal (for non-civil servants/ASN) Tax law ch. 21 final (for non-civil servants)	5%-30% 5%, 15%
4	Salary as a government lecturer: a. Civil servant salary b. Lecturer Certification c. Remuneration	Tax law ch. 21 nonfinal Tax law ch. 21 final/nonfinal Tax law ch. 21 final/nonfinal	sda
5	Other earnings: a. Interests on savings/deposits b. Rental income from properties c. Pension d. Severance payment e. etc.	Tax law ch. 4(2) (Pasal 4(2)) final Tax law ch. 4(2) final Tax law ch. 21 nonfinal Tax law ch. 21 final	20% 10% 5%-30% 0-25%

From the table above it can be understood that doctors have their own complexities in fulfilling their tax obligations. This complexity more or less affects the level of compliance with tax reporting and also impacts on tax revenue. Many studies have shown that the higher the understanding of taxpayers, the higher the level of tax compliance.

As such, the aim of this study is to explore the extend of tax knowledge of the medical doctor profession. The results of this study are expected to be an input for the tax office on the problems faced by doctors in fulfilling their tax obligations, so that the tax office can provide solutions that are certainly expected to improve tax compliance and increase tax revenue.

## Methods

As mentioned earlier, this study is a descriptive one aiming provide deeper knowledge on the medical doctors' tax knowledge in Padang. Data for this study were collected during an income tax training for medical doctors in Padang by conducting a survey and a discussion. The purposive sampling technique was used with the criteria doctors who participated in the tax training conducted by the Department of Accounting from Universitas Negeri Padang. The responses collected were

analyzed descriptively and supplemented by explanations provided by the participants during the discussion.

## Results and Discussion

The final responses used in analysis were from 16 medical doctors participating in the tax training. Table 2 presents the demographic data of respondents. The table shows that most of respondents are female (81%), 30-40 years old (44%), and have over 10 years working experience (62%).

Table 2. The Demography Data of The Respondents

	Total	%		Total	%
<b>Gender:</b>			<b>Length of work:</b>		
Female	13	81%	1-5 years	5	31%
Male	3	19%	6-10 years	5	31%
	16	100%	11-15 years	3	19%
<b>Age:</b>			15-20 years	1	6,5%
<30 years old	5	31%	>20 years	2	12,5%
30-40 years old	7	44%		16	100%
40-50 years old	2	12,5%			
>50 years old	2	12,5%			
<b>Respondents:</b>	<b>16</b>	<b>100%</b>			

In general, the analysis from responses collected and discussions with participants show that all participants understood that they have tax obligations and they realized that their tax obligations are quite complicated. However, their limited tax knowledge plays as the major obstacle in fulfilling tax obligations.

There several important points related to the participants' tax knowledge:

### 1. Knowledge related to tax types

After attending the training, the doctors realized that every type of income they earned is being levied/withheld by a particular tax. So far, some participants are only familiar with tax law chapter 21 and 25. In reality, there are several treatments on income tax in chapter 21, namely, final, not final. There is also income tax based on Tax Law chapter 4 paragraph 2 that is final. As explained in the previous section, doctors have several sources of income. Each source faces different tax treatments. The participants limited knowledge about various type of income tax can result in errors in filing Annual Tax Return.

### 2. Knowledge related to the calculation of income tax payable

Doctors' understanding of the calculation of income tax is very limited. Some participants did not understand PTKP and tax rates, including calculation of taxable income. Many participants did not know about the use of the Net Income Calculation Norm (NPPN) in calculating taxable income. Tax calculation in Indonesia is indeed quite complicated, this can affect taxpayer compliance in carrying out its tax obligations.

### 3. Knowledge related to pieces of evidence

The lack of knowledge about the calculation of payable income tax was causing doctors to be ignorant of the importance of evidence. An evidence is important to be inputted in the Annual Tax Return. If the evidence does not exist, it cannot be used as a tax credit even though the tax credit is a deduction from the income tax owe. As the result, taxpayers can end up in paying double tax.

#### 4. Knowledge related to tax payment and reporting dates

Taxpayers also need to know when they must pay tax and report their tax return, to avoid the imposition of sanctions. There are two administrative sanctions related to late payment and tax reporting, namely: fine in the form of interest of 2% per month and fine for late reporting of IDR100,000, IDR500,000, and up to IDR1,000,000.

#### 5. Knowledge about filling the Annual Tax Return

Annual tax return is also an obstacle for doctors to fulfill their tax obligations. Doctor taxpayers generally use Form 1770 to report their taxes. This form is the most complete personal annual tax return form, compared to the other two forms namely Form 1770-S and 1770-SS. The many sources of income, types of taxes, and proof of deduction also cause confusion when filling the Annual Tax Return.

#### 6. Knowledge of e-tax

What is meant by e-tax is a taxation application related to registration, payment and tax reporting, in the form of e-regis, e-billing, e-filling, Annual e-SPT, e-SPT Tax Law chapter 21, and others. Tax applications that are less user-friendly are also obstacles in tax reporting. The application is said to be sophisticated because: (a) it requires the laptop or PC to have certain specifications to run, and (b) to be able to apply the software, taxpayers must understand the manual form first.

When taxpayers face difficulties in carrying out their tax obligations, there are at least three possible solutions that can be used. First, taxpayers can improve their efforts to master tax calculation. Second, taxpayers can seek help from the Account Representatives (AR). Third, taxpayers can hire tax consultants (Burton, 2009). However, the first choice is difficult to implement because of the complex tax system in Indonesia. The taxpayers in Indonesia face quite a large number of tax regulations that also experience revisions from time to time, coupled with the less than optimal socialization from the tax authority (Cheisviyanny and Helmy, 2013).

The second choice is actually the best choice if tax office has (AR) with comprehensive tax knowledge. Yet in reality, not all AR have adequate tax knowledge. Not all AR also have good communication skills. The present AR hold dual functions namely supervision and consultation, giving rise to conflicts of interests and discomfort on taxpayers (Sultoni, 2012).

In the discussion conducted, a doctor revealed his experience on seeking AR's help in filling his Annual Tax Return. The AR said that there was no specific application for doctors' tax return. As such, doctor's practice income was reported as other income in Part D of Appendix I page 2 (Other Domestic Net Income). The correct way is to report the income in Part B Appendix I Page 2 (Other Net Income from Freelance Activities) with a rate of 50%. This mistake causes taxpayers to pay higher tax than they should be.

Finally, hiring the service of tax consultants is the most likely alternative for taxpayers due to the ineffectiveness of the other two choices. There is an opinion that the use of tax consulting services violates the self-assessment system, but this choice is considered the most rational. The disadvantage of this alternative is the higher cost for taxpayers, but are considered to be more profitable, provide security, and reduce taxpayers' concerns. Research by Cheisviyanny and Helmy (2014) shows that tax consultants clients demonstrate higher compliance and knowledge compared to taxpayers who are not the clients of a tax consultants.

To overcome the taxpayer's negligence in reporting and fulfilling their tax return, the tax office can create an application that can be installed on cellphones. This application will serve as an alert to taxpayers when the tax return deadline is closing. This application can also be equipped with features to calculate tax payable so that it can help taxpayers increase their tax compliance.

## Conclusions

This study aims to provide deeper insights on tax knowledge of medical doctors in Padang, West Sumatera, Indonesia. Using a descriptive method, this study describes the medical doctors as an individual on a particular characteristic, namely, his/her tax knowledge. This study collected data by conducting a survey to and discussion with doctors participating in an income tax training in Padang. The results reveal there is still a lack of tax knowledge among medical doctors in Padang that pose issues in their effort to fulfill their tax ability. This is an unfortunate situation since medical doctors are mostly self-employment tax payer. These issues will have an association with their tax compliance and in turn, the realization of the government tax revenues. It is suggested for doctors to seek for services from tax consultants to help them fulfill their obligations. In addition, it is suggested for the tax authority to provide tax software or cellphone apps to help the tax payers in calculating, paying, and submitting their tax reports. Finally, it is suggested that tax office account representative (AR) to continuously improve their tax knowledge and their communication skills in order to improve the services offered to the tax payers.

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