The Determinants of Tax Evasion in Directorate General of Customs and Excise Jakarta

Purwanto Purwanto*, Rizki Indrawan

Faculty of Economics and Business

General Achmad Yani University

Cimahi, Indonesia

*purwanto875875@gmail.com, rizki.indrawan@lecture.unjani.ac.id

Abstract—Tax evasion is one of the problems existing in every country in this world, has a negative impact on a country's economy; is classified as an illegal act, it is an attempt to avoid tax payable by violating tax laws. Indonesia is a country that includes the world top ten countries with the majority of illicit financial depletions, which is more than USD 109 billion; therefore, the Minister of Finance in the DGT-DGCE Synergy Program Kick Off (www.cnbcindonesia.com, 2018) asked those two Directorates to synergize and consistently try to prevent tax evasion. The purpose of this research is to find out and analyze what factors influence the occurrence of tax evasion, especially at DGCE. This research uses a mixture of quantitative and qualitative methods; Structural Equation Modeling (SEM) is applied for quantitative method, meanwhile the qualitative method aims to deepen and confirm the variables studied. In this qualitative research, there were some activities in data analyzing such as *data reduction*, *data display, and conclusion drawing.* Primary data collection is conducted by distributing questionnaires to 135 respondents, consisting of Importers and Customs Consultants; besides that, triangulation is also conducted, which interviewed with several relevant officials at DGCE, observation, and documentation. The results of this research with t table = - 1,982 is Customs Audit (CR = - 4,934), Self-Assessment System (CR = - 3,592), Information Technology (CR = - 5,348) and Possibility of Fraud Detection (CR = - 2,421) influenced significantly negative for Tax Evasion. Whereas two other independent variables namely Quality Service (CR = - 1.610) and Law Enforcement (CR = - 1,276) have no effect on Tax Evasion. The recommended and confirmed outcome from interviews and documentation is the consistent implementation of Customs Audit (including Joint Audit with DGT), IT and the more professional handling of Law Enforcement process, which is the preparation of documents and related evidence for this case.

Keywords: CA, SAS, IT, possibility of Fraud detection, Quality Service, Law Enforcement, tax evasion

I. INTRODUCTION

Tax is the contribution of the taxpayer to the State which is indebted by an individual or entity that is compulsory based on the Law, by not receiving compensation directly and used for the purposes of the State for as much as possible the prosperity of the people [1]. On the other hand, taxpayers perceive that tax payments are a burden that can later reduce their income. Taxpayers will try to minimize paying taxes in order to maximize the amount of profits received [2]. There are several ways that taxpayers use to minimize their tax burden, namely Tax planning, Tax avoidance and Tax evasion. Tax planning is the effort of taxpayers to minimize the tax burden through a scheme that is clearly stipulated in the tax laws and regulations. Tax avoidance may not violate the law, but actually this effort is contrary to the purpose of legislation. The difficulty of implementing tax planning and tax avoidance makes a taxpayer tend to do tax evasion [3].

Tax evasion is one of the problems existing in every country in this world, has a negative impact on a country's economy. Tax evasion is classified as an illegal act, it is an attempt to avoid tax payable by violating tax laws [4,5], it has been difficult to maximize tax revenue collection due to various forms of tax evasions [6]. For each country, this greatly affects the optimization of sources of income, which are used in the process of sustainable development, in other side, there is a gap between the potential and actual tax collection [7]. Thus, tax evasion can occur in tax and customs sector. The worth of tax evasion worldwide exceeds US\$3.1 trillion or 5.1% of global gross domestic product [8]. In another instances, a report from Murphy shows that the world top ten countries with the majority of illicit financial depletions are Mexico (\$476 billion), China (\$2.74 trillion), Malaysia (\$285 billion), Saudi Arabia (\$210 billion), Russia (\$152 billion), Philippine (\$138 billion), Nigeria (\$129 billion), India (\$123 billion), United Arab Emirate (\$105 billion) and lastly Indonesia (\$109 billion) [9]. Indonesia, the source of state revenue is mainly from tax; more than 72.86 % of state revenue is derived from taxation and is collected by the Directorate General of Taxes (DGT) and the Directorate General of Customs and Excise (DGCE) [10]. This is a very dominant role of tax on state income, which means the amount of tax will determine the capacity of state budget, both for routine and development budget financing; hence DGT and DGCE are important for Government, higher income will be better for the economy [11].

Especially for import transaction, the tax payable occurs at Taxable Goods consisting of Import Duty, customs administration fine, other customs income, Import VAT, Article 22 Import Income Tax, Import PPnBM, VAT collection interest, and Non-Tax State Revenue [12]. Minimizing tax evasion has also been emphasized by the Minister of Finance at

the DJP - DGCE Synergy Kick Off Program [13]. This study has decided to investigate custom audit, SAS, information technology, quality of services, possibility of fraud detection and law of enforcement as factors determining tax evasion. The main difference between the current study and prior tax evasion studies is from the subject and object of research, namely concentrated on DGCE and importers, as well as consultants in the customs field.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Tax evasion is an effort made by a taxpayer to ease the tax burden by violating the law, carried out using an illegal method. Taxpayers completely ignore the formal tax provisions that become their obligations, falsify documents, or fill in data incomplete and incorrect [14].

Audit as a form of supervision in its application, becomes a very important role in testing the extent to which taxpayer compliance (WP) in fulfilling their tax obligations. This is a government effort to back up the implementation of the current self-assessment system [15]. Olaoye and Ogundipe examined the application of tax audit and investigation on tax evasion control in Nigeria [16]. Evident from the empirical result, the tax audit in the form of desk and back duty are highly instrumental in the reduction in tax evasion, while investigation and field tax audit does not influence the control of tax frauds in the form of evasion.

H1: Custom Audit has a significant negative effect on Tax Evasion

The success of self-assessment system will not run well if the society doesn't have a high tax awareness level voluntarily (voluntary tax compliance). The awareness level of taxpayers which is still low will create variety of problems refers to taxations, such as tax evasion. It means business which is done by taxpayers for shrugging off from the real obligation and tax evasion means the deed which violates the law of taxation [17]. Drug store's taxpayers in Palu which indicated the possibility of conducting tax evasion [17]. The conclusion is self-assessment system and the possibility of cheating detection in a simultaneous way, affect the tax evasion behaviour.

H2: Self-Assessment System has a significant negative effect on Tax Evasion

Information technology indicators can be in the form of information technology availability, use of information technology, easy access to information, and availability of information technology experts [18]. From the research in the KPP Pratama Batang, the fact that the self-assessment system, tax fairness, technology taxation, and distrust in politicians simultaneously affect the acts of tax evasion [19].

H3: Information Technology has a significant negative effect on Tax Evasion

Possibility of Fraud Detection relates to how the tax audit takes place. The possibility of fraud committed by taxpayers

can be detected by tax inspectors if a tax audit is conducted [20], this affects tax evasion [21]. Through a strict tax audit, the likelihood of taxpayers' tendency to commit fraud is increasingly low.

H4: Possibility of Fraud Detection has a significant negative effect on Tax Evasion

Quality Services in this case are Customs services in international trade, making an important contribution to the competitiveness of global companies, and the quality of the customs services provided can have a very real effect on companies' performance; it is essential to ensure that customs services are provided on time and to a high standard [22]. The factors that influence tax avoidance and evasion in Nigeria [23]. The results of the analysis revealed that the low quality of the service in return for tax does significantly influence tax avoidance and evasion.

H5: Quality Services has a significant negative effect on Tax Evasion

Law Enforcement is not only interpreted as an act of forcing people or parties who do not obey the provisions in force in the field of taxation, in the broadest sense also includes socialization, counselling and tax education for the community which is an inseparable part of tax law enforcement [24]. The factors that influence tax evasion in the Sleman Primary Tax Office [25]. The test results obtained that the law enforcement factor has a significant negative effect on tax evasion.

H6: Law Enforcement has a significant negative effect on Tax Evasion

III. METHODS

This research uses a mixture of quantitative and qualitative methods. Primary data collection is conducted by distributing questionnaires to 135 respondents, consisting of Importers and Customs Consultants; with respondents' profiles based on sex between men and women compared to 77% and 23%; with vulnerable age 25-50 years; the education level is dominated by strata one as much as 73%; with a service life of around 5 to over 15 years. Structural Equation Modelling (SEM) is applied for quantitative methods.

For the qualitative method of data collection through in-depth semi-structured observations and interviews with several relevant officials at DGCE, as well as documentation. The used model analysis includes the following steps, namely data reduction, data presentation, and drawing conclusions / verification and data analysis [26]. It will be possible to use the triad engineering. This quality method is to strengthen and confirm the test results of the SEM output.

IV. RESULTS AND DISCUSSION

From the SEM analysis results of the hypothesis test, presented in the table 1:

TABLE I.   HYPOTHESIS TEST

Variable			Coefficient	CR	t table	Explanation
CA	-->	TE	-0,415	-4,934	-1,982	Significant
SA	-->	TE	-0,292	-3,592	-1,982	Significant
IT	-->	TE	-0,458	-5,348	-1,982	Significant
QS	-->	TE	-0,126	-1,610	-1,982	Not significant
PF	-->	TE	-0,203	-2,421	-1.982	Significant
Law	-->	TE	-0,101	-1,276	-1,982	Not significant

From table 1 above, the results of this research with t table = - 1982 is Customs Audit (CR = - 4,934), Self-Assessment System (CR = - 3,592), Information Technology (CR = - 5,348) and Possibility of Fraud Detection (CR = - 2,421) influenced significantly negative for Tax Evasion. Whereas two other independent variables namely Quality Service (CR = - 1.610) and Law Enforcement (CR = - 1,276) have no effect on Tax Evasion.

From the interview, it is known that Taxpayers who carry out their business, are subject to liabilities both on the customs side and on the taxation side, are importers (general / producers). The government in this case is the DGCE and the DGT, as one of the tax collection agencies for state revenues conducting checks on importers in accordance with their respective scope. So far, both have faced obstacles and limitations due to lack of access to information and synchronization of inspection data between each other. To overcome this, the Ministry of Finance issued a joint audit policy that is expected to be able to streamline the exchange of audit data and improve the results of quality checks for DGCE and DGT. Because in this joint audit, both DGCE and DGT synergized and collaborated with each other in conducting inspections of importers [27]. Currently, the target of DGCE is the application of Internet Electronic Data Exchange (IEDE) service system in 2019. IEDE is the latest delivery media that can be used by stakeholders (importers / exporters) to submit Customs Notification (PP) with Import Declaration (PIB) and Goods Export Notification (PEB) to Customs and Excise Supervision and Service Office (KPPBC). Those documents already integrated with Indonesia National Single Windows system, also known as CEISA (Customs and Excise Information System and Automation) that is connected to other institutions / agencies. The impact is that submitting documents online minimizes face-to-face meetings between service users and officers to reduce the potential for corruption, collusion and nepotism. It also facilitates the supervision of both parties [28]. Likewise, with law enforcement, it must be more professional in the process of handling it, which is the preparation of documents and related evidence for this case.

V. CONCLUSION AND SUGGESTION

A. Conclusion

- Generally, tax evasion (including customs and excise) is against the law and includes deliberate actions not to report completely and correctly on tax object, which has negative implications for state revenues.

- Tax evasion can be influenced by several factors: information technology, quality of services, audit, self-assessment system, and possibility of fraud detection. From the field information and the analysis results, these factors are interrelated with each other; and with high effort and high willingness from all DGCE officials who coordinate with DGT, they will be able to minimize the practice of tax evasion in the future [28].

B. Suggestion

- In relation to the self-assessment system, DGCE needs continuous socialization, especially to the taxpayer importers of the rules and technical implementation as well as obligations incurred for import transactions. Another goal of socialization is raising awareness and wanting to implement it. Each Account Representative must be more proactive in monitoring group administrative processes and minimizing errors arising from the obligation to pay taxes.

- For audits, firmness in enforcing rules and sanctions must be 100 percent, there is no compromise, which will cause a deterrent effect for importers to intentionally do illegal things.

- The spirit of implementation of the Customs and Excise Reform Strengthening Program since 2016 is expected to continue to be maintained and even enhanced. The program is a quick win or superior program for strengthening reforms that targets important aspects to be addressed, including employee integrity, synergy with other agencies, compliance with service users, and system automation and procedures for service and supervision [29].

- Further researchers can add other factors such as justice taxation system, discrimination and distrust to tax authorities, as well as research objects outside the Directorate General of Customs and Excise.

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