

# Tax Compliance: Students' Ethical Perspectives

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## ABSTRACT

This study generally aims to reveal the ethical aspects of taxpayer compliance from the student's point of view. The study was conducted on 34 undergraduate accounting students of Ganesha University of Education who had taken taxation courses. The data analysis method used in this research is descriptive qualitative analysis. The results of this study found that all respondents agree that taxpayers must comply with paying taxes, even though the majority of them were enforced compliance. The role of tax education is needed to increase the sensitivity of students' tax ethics, so a voluntary tax compliance can be achieved.

**Keywords:** *Enforced tax compliance, Tax compliance, Voluntary tax compliance*

## 1. INTRODUCTION

The phenomenon of ethics, lately, has often been the subject of research not only in psychological science but has penetrated into other scientific studies, one of which is taxation. Regarding tax research, ethics is considered to have an important aspect in fulfilling taxpayer compliance in addition to economic aspects [1]. [2] even revealed that good ethics will bring an increase in taxpayer compliance. So that an understanding of tax ethics is very important not only to taxpayers but also to prospective taxpayers including students and students who will later become the successor of the milestones in the struggle of our nation and country.

One of the ways that the tax authorities in Indonesia, namely the Directorate General of Taxes (*Direktorat Jenderal Pajak—DJP*), in increasing ethics-based compliance are cooperating with educational institutions in addition to collaborating with the ministry of education and culture. One of the institutions that is part of the cooperation to improve tax ethics is a university. For the DJP, tertiary institutions have a strategic position in terms of improving the ethics of prospective taxpayers, because later college graduates will work and have an income which is one of the tax objects. However, [3] states that for the younger generation, in this case students, they have another view of the taxpayers' frustration. Tax according to them is a burden that must be paid without getting any compensation. Meanwhile, according to their understanding when we pay taxes, we are entitled to something from the State or

government, be it facilities, infrastructure or other things that are considered beneficial to them as well.

This study generally aims to reveal the ethical aspects of taxpayer compliance from the student's point of view, especially on voluntary compliance. Voluntary compliance ethics is one of the keys to be able to increase State revenue. Voluntary compliance is compliance without coercion including not based on fear of sanctions. This research is a development which suggests using one of three aspects in improving voluntary compliance ethics, namely integrated procedure, authoritarian procedure, responsive procedure. In addition, this study also uses a voluntary approach without coercion from any party and the fear of being penalized. This research is expected to be able to provide information related to taxpayer compliance ethics, especially in this case, prospective taxpayers from among students, so that policies on tax regulations can be improved, including in curriculum improvement.

## 2. LITERATURE REVIEW

### 2.1. Compliance Ethics

Ethics in general is part of the principles of a person's attitude or moral behavior. In addition, ethics is learned from learning or imitating which is based on individual beliefs and scans [4]. Compliance ethics is a rule that regulates a person's behavior, in this case, the taxpayer is to comply with applicable tax regulations [5]. The implementation of the self-assessment system in Indonesia does not cover the decline in taxpayer

ethics. [6] stated that although taxpayers are free to determine the amount of tax to be paid, it does not rule out that they have the nature to commit fraud, including not including a certain amount of income in their tax calculations. But on the other hand, there are still taxpayers who act honestly even though the potential for fraud is possible.

## **2.2 Voluntary Tax Compliance and Enforced Tax Compliance**

Tax compliance is a condition where taxpayers fulfill all tax obligations and exercise their tax rights. In addition, according to [7] Taxpayer compliance is where taxpayers obey and act in accordance with applicable regulations. According to [8] regarding taxpayer compliance, in general it is divided into two:

**Enforced compliance.** Enforced compliance is compliance that arises because of an element of coercion [8]. In addition, [9] defines Enforcement compliance as taxpayer compliance that arises because of threats, checks and sanctions. Reference [10] identifies three forms of compliance, namely: committed compliance, capitulate compliance and creative compliance. Committed compliance is the taxpayer's willingness to fulfill its obligations with a commitment, capitulate compliance is taxpayer compliance that is based on coercion and creative compliance is taxpayer compliance based on gaps or potentials that can be done to reduce the tax burden.

**Voluntary compliance.** Voluntary compliance is compliance that arises because of the awareness of the taxpayers themselves [8]. Still according to [8] stated that taxpayer compliance can be done including paying taxes on time and filling out the SPT correctly, completely and clearly in accordance with applicable tax regulations.

## **2.3. Relationship of Ethics and Tax Compliance**

Compliance is the key to increasing tax revenue in the self-assessment system [11]. However, [12] stated that it could be that compliance was violated by taxpayers. This violation is caused by several factors including changes in regulations, sanctions and other things that can change the attitude of taxpayers. Changes in regulations provide different interpretations of the taxpayer's perspective on these regulations so that there is a possibility that fraud will be committed. On the other hand, for taxpayers to be able to avoid sanctions, it does not rule out the possibility that they will pay more tax in the hope that if there is an examination and the results of the audit result in underpayment, they already have an excess value (tax credit) on the tax and avoid sanctions for underpayment the. For this reason, according to [12] tax ethics plays an important role in measuring taxpayer compliance.

## **3. METHODS**

This research is a qualitative descriptive study. This research analyzes students' perceptions of taxpayer compliance ethics. Students' perception is assessed in a way based on an interpretive paradigm and based on a subjective point of view [13].

This study uses qualitative data that is descriptive in nature. The data used in this study are primary data, namely the results of written and structured interviews with undergraduate accounting students of Ganesha University of Education on their perceptions of tax compliance ethics. The data analysis method used in this research is descriptive qualitative analysis method, by describing the results of written interviews which are then linked to theoretical aspects regarding tax compliance.

## **4. RESULTS AND DISCUSSION**

### **4.1. Results**

The study was conducted on 34 undergraduate accounting students of Ganesha University of Education who had taken taxation courses. The results of the written interview show that all respondents agree that taxpayers must comply with taxes. Although the respondents generally agree that taxpayers must comply, this study found that respondents' perceptions of compliance can be classified into two different groups. These groups are: (1) the perception of compliance which tends to be oriented towards taxpayer legal obligations; and (2) perception of compliance which tends to be oriented towards the benefits of paying taxes.

The majority respondents viewed that paying taxes is an obligation, or a duty of citizens that has been regulated in law. They emphasize the taxpayers' legal obligation. Respondent 02 argued that *"...tax is the people's obligatory contribution to the state that is owed, either as an individual or a business entity that is compelling based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people"*. In addition, Respondent 11 argued that *"...tax is a fund to finance state expenditures in which every able citizen is obliged to pay taxes"*. Respondent 11 emphasized that the obligation to pay arises on citizens who are able to pay taxes. Respondent 34 stated that *"...every taxpayer has an obligation for the taxes it bears, whereas when the person has registered himself as a taxpayer and has a tax ID number, they are legally obliged to pay and report taxes"*. Respondent 09 also stated that *"...tax is a mandatory contribution to the state..."*. Also, Respondent 27 stated that *"...every taxpayer who already has a tax ID must pay taxes, otherwise the tax authority has the right to impose fines on non-compliant"*

taxpayers". Even though they are aware of the benefits of paying taxes, respondents in this group are more oriented towards the legal obligations of taxpayers.

On the other hand, the other group is more oriented towards the benefits resulting from paying taxes. However, their number is less than the respondents who are oriented towards tax legal obligations. They argued that paying taxes is something that will have a positive impact on taxpayers themselves and also society in general. Taxes are seen as state revenues that are used for all regions or regions in Indonesia. In addition, there are respondents who argued that taxes are a means of financing and national development, so that taxpayers are expected to comply with paying taxes. Respondent 01 argued that "...paying taxes is something that will have a positive impact on taxpayers. The point is to provide reciprocity for the community itself. So that the objectives in Indonesia can also be realized properly and smoothly". In addition, Respondent 04 also argued that "...obeying taxes means helping the country to increase its income...". And Respondent 31 argued that "...tax is the largest state revenue that is used to build or to improve areas in Indonesia. Therefore, it is very necessary to participate in the community to be obedient in paying taxes".

Related to perceptions of tax fairness, most of the participants argued that taxes in Indonesia are fair because of the determination of the tax rate itself. Respondent 34 argued that taxation in Indonesia "...is in accordance with the taxpayer's income, so that taxpayers will not feel too burdened when their income is taxed". Some of the respondents perceived that some aspects need to be improved, such as tax reporting education. They argued that there are still many people who do not understand the tax reporting process. Although there are things to be improved, all respondents stated they will comply with their obligations if they become a taxpayer in the future.

#### 4.2. Discussions

The results of this study indicate that most respondents consider that paying taxes is an obligation or duty that has been regulated in law. They argue that once citizens have an income, they will be liable as taxpayers. On the other hand, some view that compliance with taxes is an obligation to obtain reciprocity on the taxes paid. They see taxes as a means of funding for the state to create public welfare, as well as to support facilities and development in each region. Although there are differences in orientation towards the perception of compliance, they generally agree that paying taxes is a citizen's obligation.

When associated with tax compliance theory, the majority of respondents are in the enforced tax compliance category. Enforced tax compliance refers to

that compliance is driven by legal pressure, in this case the tax law. Respondents have the view that taxpayers must obey because it has been regulated in law, which implicitly shows that the urge to comply is based on a sense of submission to the applicable law.

Overall, ethical perceptions of student compliance tend to be based on enforced compliance. Therefore, tax education is expected to increase the ethical sensitivity of students as prospective taxpayers. By doing so, it is hoped that there will be a shift in compliance towards a more voluntary direction, thus supporting the current tax program based on self-assessment tax reporting.

## 5. CONCLUSION

This study concludes that all respondents agree that taxpayers must comply with paying taxes, even though the majority of them were enforced compliance. The role of tax education is needed to increase the sensitivity of students' tax ethics. Therefore, a voluntary tax compliance can be achieved. Ethics education that emphasizes tax compliance is certainly very much needed, considering that individual awareness to become compliant taxpayers can be formed at the college level. Therefore, it is hoped that the next research will test the effectiveness of ethics education in shaping the ethical behavior of taxpayers, in this case, voluntary compliance.

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