



The Meaning Taxpayer Compliance in Tri Hita Karana's Perspective

Novrida Qudsi Lutfillah¹(✉), Yenni Mangoting², and Riesanti Edie Wijaya³

¹ Accounting Department, Politeknik Negeri Malang, Malang, Indonesia
vridaoayu@gmail.com

² Accounting Department, Petra Christian University, Surabaya, Indonesia

³ Accounting Department, Surabaya University, Surabaya, Indonesia

Abstract. This study aims to interpret tax compliance to return to its essence, namely mutual welfare through relationships with God, fellow human beings, and with the environment using the value of Tri Hita Karana (THK). The Nusantara paradigm was chosen to be able to interpret tax compliance with THK values as a data analysis method. Tax consultants and taxpayers from Bali as informants in this study. The results show that taxpayer compliance should bring benefits as a form of gratitude to God (*Parhyangan*), bringing prosperity to humans (*Palemahan*) and the earth (*Pawongan*) physically and mentally.

Keywords: Tax compliance · Nusantara paradigm · Harmony · Tri Hita Karana

1 Introduction

The compliance of taxpayers in paying their obligations to the state is the main factor in realizing the tax revenue target. Almost all countries face the problem of taxpayer compliance, so many tax compliance models have been developed through empirical studies. Such as the taxpayer compliance model *actor – network theory* (ANT) which analyzes taxpayer compliance behavior based on the roles played by the ruling government, tax regulations, tax authorities, tax consultants, financial accounting standards boards, and financial accounting standards as parties. Relevant in the tax collection system in a country [1]. Furthermore, the tax compliance model is committed to placing taxpayers on an equal footing with government authorities, involving good intentions and trust, not just obeying government regulations [2].

Indonesia does not apply a specific tax compliance model. The tax compliance approach in Indonesia tends to use taxpayers' personal awareness through *self-assessment* and enforced tax compliance through the imposition of sanctions. The impact of the approach that touches the taxpayer's self-awareness leads to the phenomenon that the taxpayer's formal compliance in the form of reporting tax obligations reported does not always go hand in hand with honesty [3] and morals [4]. For example, in calculating, paying and reporting SPT for the period of value added tax (VAT), in practice there are still loopholes for companies to manipulate by increasing or decreasing revenues and costs in order to minimize the burden of VAT with the applicable rules [5]. The government

always tries to provide the best services to improve tax compliance, such as providing tax administration system in the form of e-billing product or electronic tax payment and e-system of taxation such as *e-registration*, *e-such as*, *e bupot*, *e-Nofa*, and *e-invoice*. The tax administration system is indeed important because it is part of the tax system that will determine the success of tax collection, especially for developing countries [6]. But a good administrative system is not enough to guarantee that taxpayer compliance will increase. Data reported by the Directorate General (DG) of Taxes at the Ministry of Finance (Kemenkeu) until March 31, 2021, shows that 11,277,713 2020 Annual SPTs have been reported. The Directorate General of Taxes targets the formal compliance ratio to be at the level of 80% of the total 19 million registered taxpayers. This means that the level of compliance until the end of March 2021 is still low at 59.3%.

The low level of taxpayer compliance in Indonesia indicates that the tax collection principles that underlie the design of the tax collection system are not sufficient to increase taxpayer compliance. This indicates that there must be an anticipation of a tax compliance model that returns to the nature of tax collection itself, namely creating shared welfare as stated in the preamble to the 1945 Constitution, namely: protecting the entire Indonesian nation and the entire homeland of Indonesia, promoting general welfare, educating the nation's life and maintain world order. The shared welfare as stated in the preamble to the 1945 Constitution is relevant to the creation of welfare for all aspects of human life, including relations with the Creator, humans, and the environment.

This study focuses on efforts to interpret the tax compliance model that returns to the essence that tax payments are intended for the creation of shared prosperity through relationships with God, fellow human beings, and with the environment as in the value of Tri Hita Karana (THK). Efforts to integrate the tax compliance model with the THK value are based on a cultural view that greatly influences individual behavior, and at the individual level, culture influences individual lives more than just behavior [7].

2 Methods

The Nusantara paradigm is used in this study to understand taxpayer compliance in fulfilling their obligations as citizens and creatures of God in the perspective of Tri Hita Karana (THK). The reason for the Nusantara paradigm was chosen because it relates to the value of Tri Hita Karana (THK) which has the concept of a harmonious relationship between three elements, namely: 1) human and God (*Parhyangan*); 2) fellow human beings (*Pawongan*); and 3) humans and nature (*Palemahan*). The THK concept fulfills the four main principles of the Nusantara Paradigm, namely: the identity of the archipelago, an integral view of reality, religiosity and culture, and the goal of science centered on true belief and truth [8].

The purpose of Nusantara science is centered on a belief in life rooted in the values of true goodness and justice, as taught in religion, where the achievement of goals is not only rational, but touches the purity of inner consciousness so that the highest goal of true humanity is achieved, namely common welfare. The scientific objectives of the archipelago are in line with the tax compliance model that will be carried out by this research, namely returning to the nature of tax collection itself, creating shared prosperity.

Researchers conducted the interview process with informants in an effort to explore data and information. Informants in the study came from Bali, namely a tax consultant, Mr. Damar and his client named Mr. Reno. In addition to interviews, researchers also observed the reality of informants in fulfilling their tax obligations. Data analysis was carried out by interpreting data from words and behavior from interviews and observations, then reflected to provide an overview of the phenomenon of taxpayer compliance from the THK perspective.

3 Result and Discussion

3.1 Tri Hita Karana Concept and Taxpayer Compliance

Wikipedia Indonesia mentions, Tri Hita Karana comes from the word “Tri” which means three, “Hita” which means happiness and “Karana” which means cause. Overall, “Tri Hita Karana means three causes of happiness.” Tri Hita Karana is a manifestation of local wisdom based on the concept of a harmonious relationship between three elements, namely: 1) *Parhyangan*, a harmonious relationship between humans and God. In this case, humans are expected to have spiritual closeness with God, where every activity is based on the spirit of devotion to God. Humans are aware of their identity as *atman* or spiritual beings that must always be associated with the origin of humans, namely God; 2) *Pawongan*, the concept of a harmonious relationship between humans and humans. Human beings, as fellow creatures who have the same rights and obligations. The attachment in this relationship is expected to emerge a sense of brotherhood between humans that is universal and free from racial elements; 3) *Palemahan*; the concept of human relations with nature. In this concept humans are expected to have responsibilities answer to clear nature and the environment. In this case, human nature does not only take advantage of the environment, but also pays attention to the sustainability of the environment [9].

The essence of the THK discourse is to create a harmonious life by maintaining a harmonious relationship, between: 1) humans and God, 2) humans and nature, 3) humans and humans. Tri Hita Karana as a form of wisdom is the best vehicle that is flexible in dealing with the effects of globalization, while optimally conserving the identity, traditions and culture of the Balinese people, Tri Hita Karana has clear cosmological beliefs regarding the position of humans in the universe and their relationship with the elements. Other than the universe. THK has the following characteristics: 1) able to withstand pressure from foreign cultures; 2) provide guidance and direction in cultural development; and 3) has the function of conservation, preservation, resource development, knowledge development, and providing policy values [10].

The state, as the protector of its citizens, is obliged to provide a sense of security to its citizens to carry out their beliefs properly. For this reason, the state will make binding rules for all its citizens so that everything is in order. One of the ways the state regulates citizens is by enforcing laws, whether criminal or civil. Furthermore, how should Balinese Hindus as part of the citizens respond to the laws of the country, especially tax law. In the Vedas it is seen about the obligation of a leader to discipline his citizens and the obligation of citizens to pay state taxes, then for Hindus, taxes are a form of moral obligation that must be carried out as a form of wages given to the authorities

for the protection given to their citizens [11]. For this reason, the basis for paying taxes is indeed in line with the teachings of Hinduism which encourages its people to carry out tax order, as a form of taxpayer compliance in paying their obligations to the state. By paying attention to the moral concept based on THK, the obligation to pay taxes is a form of human devotion and concern for God, others and the environment.

3.2 Units the Phenomenon of Tax Compliance Practices

Taxpayer compliance behavior is often used as research issues in the field of tax accounting, for example the slippery slope framework tax compliance model that combines two elements, namely the power of the government as the authority in tax collection (power of authorities) and trust in the government [12]. Two power models are carried out in order to increase taxpayer compliance through sanctions, inspection actions, and taking hostage. As a tax consultant, Mr. Damar realizes that the government needs coercive approaches to improve taxpayer compliance. But as a party that deals directly with clients (taxpayers), Mr. Damar sees that there are still clients who cannot comply only by relying on the approach of sanctions, investigations, and taking hostages.

“As a consultant, I meet and talk directly with taxpayers, of course with their various characters. The most suitable model of compliance must be carried out with a multidimensional approach, the model of the inspection approach, the imposition of sanctions, and hostage taking only creates fear and coercive (temporary) strictness. What we need is voluntary obedience, obedience that comes from the heart”

Mr. Damar's argument implies that taxpayer compliance needs to involve persuasive approaches through understanding the taxpayer's desire to create awareness of tax compliance. Call it Mr. Reno, Mr. Damar's client who complies with his obligation to pay income tax for his business. Although Mr. Reno never made accounting records, he asked Mr. Damar as his tax consultant to help calculate the tax payable through the information Mr. Reno provided. Mr. Reno based his obedience as a form of his service to the country. However, Mr. Reno's tax compliance is difficult to maintain and reduce because of the behavior of tax officials who have acted outside of their authority in order to fulfill their personal interests, as stated by Mr. Reno:

“The incessant news on TV about stealing people's money through taxes, which was actually done by tax officials made me think again when I had to pay taxes according to the provisions. It could be that the tax I paid did not enter the state, instead it was used for the personal benefit of the tax officer”

The phenomenon of corruption cases of tax officials leaves a mark in the hearts and minds of taxpayers, as a result it forms a perception in the minds of every taxpayer to be reluctant to return to being obedient, obedient and honest in tax matters, because the taxes paid to the state are not used properly.

Regarding the belief in the state in managing taxes, Mr. Reno prefers to allocate his income in paying obligations for spiritual interests. One of the religious obligations of

the Hindu community is to pay the Punia Fund. Punia funds are good and holy gifts with sincerity as a form of practicing dharma teachings.

“I want it, when I pay taxes, it’s like undergoing a punia fund obligation. The nominal amount I paid for the Punia fund was almost the same as the tax withheld from my income. Even more money can be paid for punia funds, but there is satisfaction in carrying out punia funds.”

For Mr. Reno, the donation of the Punia funds is intended for people in need as a form of love for others and for *Hyang Widi Wasa*. While the obligation to pay taxes even though it is a form of service to the state and is used as much as possible for the prosperity of the people, Mr. Reno still finds it difficult to pay taxes voluntarily considering that the taxes paid have been misused by tax officials to enrich themselves.

3.3 The Benefit of Tax Payments: A Form of Gratitude to God (Parhyangan), Bringing Prosperity to Humans (Palemahan) and Earth (Pawongan)

The concept of a prosperous state is a form of democratic government that emphasizes that the state is responsible for the welfare of the people, for that the government is obliged to regulate the distribution of state wealth and ensure that its citizens get adequate food and clothing availability and good social security [13]. What is interesting in this view is the role of the government in regulating the distribution of state wealth to create state welfare. For this reason, the government uses tax revenue as an instrument used to redistribute wealth by carrying out the tax function as a regulatory tool. If it is associated with the concept of Parhyangan, the condition is an effort to build a harmonious relationship between humans and God [14]. In the perspective of the relationship between humans and God, Hindu religious teachings recognize God as Brahman, namely the creator of the universe (*Bhuwana Agung*) and humans, animals, and plants (*Bhuwana Alit*). Therefore, the teachings of Hinduism really glorify a process of harmonization between God and his creator through *yadnya*.

Yadnya is a teaching in Hinduism which means holy sacrifices that are carried out sincerely to those who are worshiped or respected whose law is obligatory [15]. The purpose of carrying out *yadnya*, among others, is as an expression of gratitude and gratitude to God for all the gifts that have been bestowed, as a means to connect oneself with God with all its manifestations, and as a means to create balance and harmony in life with fellow living creatures with God. In a constitutional perspective, the implementation of *yadnya* is how a sovereign government creates rules in order to achieve a just life, bring peace and prosperity to all mankind.

The Parhyangan concept in the THK perspective that harmony in the relationship between humans and God is the main goal that will be achieved when the government is able to create order, prosperity, justice which is implemented in the provisions of the law as rules that will bind humans in carrying out every aspect of life. The element of Parhyangan in tax compliance is manifested through the role of the government as an extension of God in the world through the creation of products of provisions of tax laws that aim to realize the prosperity and happiness of everyone, society, and the country itself.

The implementation of the Parhyangan concept is mutually sustainable with the Pawongan concept. Payment of taxes intended for the common welfare indicates the practice of cross subsidies from the wealthy to the poor [16]. In addition to cross subsidies, a form of welfare creation through tax payments is to provide tax incentives, as the government has done to extend tax incentives as a result of the Covid-19 pandemic (Tempo.com). This condition is a form of tax compliance directed at the government together with the DGT to produce tax policies that are conducive for taxpayers to be able to carry out their tax obligations properly, to create harmony and togetherness. The elaboration of harmony and togetherness is achieved so that taxpayers can carry out their tax compliance properly and correctly based on the provisions of the tax law as a form of service to the state and devotion to God.

Furthermore, tax compliance with the Palemahan concept in this study uses the Subak metaphor. Accountability for water management in Subak includes respect for water and land use rights, mutual cooperation activities and proportional payment of contributions for the success of Subak activities [14]. By using the Palemahan concept in subak, the tax compliance model is defined as accountability for the management of public funds and the counter-achievement of the benefits of paying taxes is a major concern for the government. The following is Mr. Reno's statement regarding the benefits of taxes paid to the state.

*"Many entrepreneurs can pay taxes, but issue a statement "why do I pay taxes, school is still not free, I still pay my children (back and forth to the state)". Tax-payers actually also want to pay but question **where the flow goes**. The hope is like that, but the country doesn't think about it, so it's troublesome."*

As a taxpayer, Mr. Reno knows that the counter-achievement of their tax payments should be received through public facilities and infrastructure built by the government, but in reality the government has not provided these benefits. In addition to the issue of counter-achievement, Mr. Reno also highlighted the government's performance of accountability in the management of public funds which has not been maximized. Mr. Reno's statement underscores that the relationship between the government as a tax collector and taxpayers as a taxpayer has not been able to create a harmony which is the emphasis in the THK concept. The government must build a tax system that can maximize the function of social welfare based on the utility of individuals in society [17]. The concept of *Palemahan* in THK in the context of this research is associated with the creation of *benefits* to each individual so that taxpayers or the public in general are able to create income that can be re-contributed to the state through tax payments.

4 Conclusion

This study provides an overview of how a person chooses what he does related to taxes. Tax is a form of regulatory system for its citizens. In Hinduism, taxes are a form of offering to their rulers or the state for the services of the state in protecting and providing added value to its citizens. The state has rules that its citizens must obey. However, people have their own way of spending what they get. Informants have a bad perception of government agents due to the framing reported by the mass media. The bad

perception of “money thieves” succeeded in forming the reluctance of informants to pay taxes to the government. The government itself also provides an alternative or opportunity for taxpayers to channel their funds which can be used as a deduction from their taxes. Taxpayers have discretion in how they channel funds for the welfare of the people, whether channeled through the hands of the authorities (government) or through charitable institutions approved by the government.

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