Dynamics of Increasing Individual Taxpayer Compliance During The Covid-19 Pandemic

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Abstract. This study aims to uncover and explain the enhancement of taxpayers during the Covid-19 pandemic and identify the steps that can be applied in tax incentive policies in order to improve taxpayer compliance. This research approach uses qualitative by using a phenomenological approach, which aims to observe the human life experiences (Muhadjir, 2000). There are pros and cons related to the implementation of PMK No. 09 of 2021 regarding to the Tax Incentives for Taxpayers which Affected by the Corona Virus Disease 2019 Pandemic which will affect State revenues (especially tax revenues) which can reflect taxpayer compliance. The subject of this study are business actors who have a fixed and regular income annualized not more than Rp. 200,000,000,- (Two Hundred Million) as required in the implementation of PMK no.09 of 2021 and tax consultants with the result that the use of policy facilities provided by the government is still very minimum by the reason that the lack of information from the benefits of tax incentives to the public.

Keywords: Tax incentives, MSME Tax, Phenomenology

1   Introduction

The role of taxes as the most important income for state revenue has become common issue. In order to maximize state revenue from the tax sector, the government actively launched various policies. In 1983, Indonesia implemented the Self-Assessment System (SAS) as a tax collection system. The consequence of implementing the self-assessment system adopted by Indonesia is a high dependence on taxpayer compliance. In fact, in approximately three decades of self-assessment system implemented, the compliance of taxpayers who are the main role of success has not shown satisfying results (Damayanti, et al. 2015).

When referring to some research results of the implemetationn of SAS in Indonesia, the results actually shows a contradiction between the purpose of implementing this system and its reality. According to Darmayasa and Aneswari (2016), in SAS there is a chance that is open for the practice of tax evasion. The Central Statistics Agency noted that as of August 2021 the number of Indonesians working reached 93.51% (131,050,520,000 people). Based on this data, BPS concluded that only about 29.4% of the total number of Individual Workers and incomes in Indonesia has been registered as Taxpayers (WP). According to Darussalam in Bisnis.com only about 37% of taxpayers have reported a Notification Letter (SPT), they have not seen the material side of their tax return. This shows the low tax compliance in Indonesia when compared to other countries.

Over past recent decade, Indonesia has been working to improve its existing tax system to increase tax revenues (Arnold, 2012). Recently, a policy was officially launched which is a form of tax reform, namely incentive policies and tax relaxation.

The publishing of PMK No. 09 of 2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease Pandemic 2019 was widely discussed, causing pros and cons. Some say that tax incentives are the right move to encourage revenue from the tax sector. Some others consider that tax incentives will only contribute to short-term revenues and another argument is that Indonesia has experienced failures in providing tax incentives.

The application of tax incentives should be constantly evaluated for the effectiveness. Keep in mind that before the tax incentive policy, to increase state income from the tax sector, a tax amnesty policy was implemented in Indonesia, namely in 1984 and 2016. At that time, the implementation of the tax amnesty policy failed. Ragimun (2014) stated that the failure of the tax amnesty policy at that time was caused by unsupportive facilities and infrastructure. Meanwhile, Tambunan (2015) added that the absence of strict law enforcement after the tax amnesty was a trigger for failure to implement this policy.

We must learn from the failures that have been occured in the application of tax amnesty. The current practice of tax incentive policies has shown satisfying results. Data bps.go.id income tax revenue in 2019 (Rp.772,265.70 M) to 2020 (Rp. 670,379.50 M) decreased while in 2020 (Rp. 683,774.60 M). Based on this data, it can be concluded that the enhancement of income tax revenue during the pandemic (from 2020 to 2021) can be influenced by the existence of tax incentive policies even though it has not seen significantly increased. It can be know it has been increased by 2%.

In addition to increase state revenue from the tax sector, the tax incentive policy is actually to increase taxpayer compliance. With the contradiction of implementing this policy, the hope is that even in conditions affected by Covid-19, there will still be compliance of taxpayers in fulfilling their tax obligations.

Based on the description and explanation above, we are interested in researching the Dynamics of Increasing Individual Taxpayer Compliance during the Covid-19 Pandemic.

2 Literature Review

Types of Taxpayer Compliance

There are two types of taxpayer compliance, namely:
1) Material Compliance
    This compliance prioritizes the substance aspect with the amount of tax according to the provisions. In other words, the calculation and also the deposit of taxes have been correct.
2) Formal Compliance
    This compliance is a condition in which the taxpayer fulfills his obligations formally in accordance with the provisions of the existing Tax Law. In other words, the fulfillment of obligations for reporting and depositing taxes according to the existing schedule.

Understanding Tax Regulations

Understanding Tax Regulations In Indonesian Dictionary understanding is an act, process and way of understanding. According to (Adiasa, 2020) knowledge and understanding of taxation is a process where taxpayers know and understand tax regulations and also the regulations of applicable laws and procedures for applying taxation to carry out activities such as reporting tax returns, as well as paying taxes. If the taxpayer understands and understands taxation, it will grow aware of the nature as well as an increase in taxpayer compliance

3 Research Method

Phenomenological Studies

Phenomenology comes from the Greek, phaenesthai, meaning to show itself, to display. Phenomenology also comes from the Greek, pahainomenon, which literally means "symptom" or what has appeared "self" so that it is real to the observer (Hasbiansyah, 2008). Edmund Husserl in his phenomenological method bears the motto: Zuruck zu den sachen selbst (returning to the things themselves). The point is that in order to understand what is really happening, the researcher must ask the subject who is experiencing it, not others.

Phenomenology also seeks to reveal about the meaning of one's experience. The way a person relates to something will greatly affect of how a person interprets a thing. According to Littlejohn and Foss (2005:38) in Hasbiansyah (2008), phenomenology is concerned with the appearance of an object, event, or a condition in our perception. At first knowledge comes from experiences that we realize based on our perceptions. Our perception initially accepts a thing/object/phenomenon and allows it to manifest itself as it is. Then, the object that we are aware of with our perception enters the brain and is in the pure consciousness of ourselves (idea). This is where the interaction between the phenomenon and our consciousness occurs. In the end, after the object opens up and enters our consciousness, then the meaning of the results of the interaction will emerge.

Phenomenology arises due to the saturation of various methods of thought that lead to the same estuary, namely idealism and realism (Alwi, 2005: 87). Idealism or rationalism says whatever we know is the same as what we have in our spirit/mind. So that no reality is detached from the spirit. There is even extreme thinking that says "all that exists is what is thought of". Here absolute subjectivity occurs. The characters are Plato, Descartes, Immanuel Kant, and others.

Contrary to idealistic thinking, the group of realists or what is commonly called empiricism believes that there are real things outside of us. We know that through perception/apparition. Reality is known as something closed and very dependent on the human being. Knowledge according to this group comes from something that riel. The characters are Aristotle, David Hume, Francis Bacon, and others. Edmund Husserl himself, the main initiator, wanted phenomenology to give birth to a science that could be more beneficial to human life, after a long time of science experiencing a crisis and dysfunctional (Hasbiansyah, 2008). Phenomenology, later developed as a kind of research method applied in various social sciences, as one of the variants in qualitative research under the umbrella of an interpretive paradigm.

Research Approach

This study tries to observe and give conclusions on a phenomenon about the dynamics of increasing compliance of individual taxpayers during the Covid-19 pandemic according to the point of view of several informants. The author describes the data obtained descriptively using sentences. Therefore, this research approach is included in the qualitative approach. As stated by Moleong (2014: 6) that qualitative research is research that intends to understand the phenomenon of things experienced by the research subject by means of

description in the form of words and language, in a special natural context by utilizing various scientific methods.

Research Informants

For research with a qualitative approach that wants to uncover the meaning behind a phenomenon, data from an informant is needed. Informants become an important component in qualitative research. Research data are obtained from the statements and opinions of an informant on a phenomenon. Informants in this study are business actors who have a fixed and regular income annualized not more than Rp. 200,000,000,- (Two Hundred Million) as required in the implementation of PMK no.09 of 2021.

Data Sources

Research data sources can be obtained from a variety of things. Based on how to obtain the data, the data sources for research can come from two sources, namely primary data sources and secondary data. Primary data is a source that directly provides data to researchers. Meanwhile, according to Sugiono (2012: 62), secondary data is a source that does not directly provide data to researchers, for example, research must go through other people or search through documents. The data source in this study is the primary data source, namely from the research informant.

Data Type

The type of research data in this study is in the form of opinions, attitudes, experiences, or characteristics of a person or group of people who are the subject of the study (respondents) is a type of subject data. Subject data is also included in the primary data. This is because the subject directly gives expressions related to a phenomenon.

Data Retrieval Techniques

Data collection techniques are a method used by the researchers to obtain the research data. For qualitative research many ways can be used by researchers. In this study, the data collection was carried out with in-depth interviews with predetermined informants.

Stages of Research

The research stages in this study include several things, namely interviews, observations, and documentation. Interviewing is a conversational process, usually in the form of a question and answer by an interviewer and interviewee. Before conducting an interview, the author first prepares several things, namely determining the informant, determining the data needed, and the technicalities of the interview (questions, interview format, interview techniques, and so on). The next stage is observation. What is meant by observation is the process of recording the behavior patterns of subjects (people), objects (objects) or systematic events without any questions or communication with the individuals under study (Indriyanto 1999: 157). In addition, the authors also documented everything that was considered important for research data. The documentation in question is in the form of photos, videos, as well as other documents.

Data Analyis

Analysis was carried out on the data that had been obtained by the author. Because the methodology used in this study is phenomenology, the data analysis refers to the stages of data analysis proposed by Stevict, Colaizzi, and Keen in Hasbiansyah (2008) as follows:
1. Establishing the scope of the phenomenon to be studied : the researcher seeks to understand the philosophical perspective behind the approach used, the focus is on seeing how people experience a phenomenon. The researcher establishes the phenomenon to be studied through an informant.
2. The first stage after determining the scope of the phenomenon is to fully describe the phenomenon that the subject is experiencing. All recordings of in-depth interviews with the subject of the study were transcribed into written language.
3. Horizonalization stage : the researcher inventoried important questions relevant to the topic. At this stage, the researcher must be patient to postpone the assessment (bracketing/epoche); that is, the element of its subjectivity does not interfere with attempts to detail the key points, as research data, obtained from the results of the interview.
4. Cluster of Meaning Stage: Classifying these questions into themes or units of meaning, as well as setting aside overlapping or repetitive questions. At this stage, it is carried out: (a) Textural Description (textureal description) : the researcher writes down what is experienced, namely the description experienced by the individual; (b) Structural Description : The researcher writes down how the phenomenon is experienced by individuals. The researcher also looks for various meanings based on the researcher's own reflections, in the

form of opinions, judgments, feelings, expectations of the research subject about the phenomena he experiences.

5. Essence description stage: The researcher constructs (builds) a thorough description of the meaning and essence of the subject's experience Reporting of research results. The point is to give the reader a better understanding of how a person experiences a phenomenon.

4   Result and Discussion

This research is conducted by undertake each step that has been mentioned in the previous section. As a first step, researchers conduct discussions to determine informants (interviewees). As a result, the informants selected in this study were two people, namely taxpayers who applied PMK no.09 of 2021 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease Pandemic 2019 and tax consultants in the local area, the city of Gresik. The informant's profile is presented in the attachment section. Next, we confirm to the informant to make an appointment regarding the interview schedule. After obtaining an agreement, the researcher draws up interview guidelines (questions and units of analysis). The first interview was conducted with the informant of the taxpayer who participated in the utilization of the Tax Incentive facility, namely Mr. KA (initials). Then a second interview with a local tax consultant who wanted his name to be mentioned in the form of initials, namely Mr. AM. The interview process lasted approximately one hour for each informant.

The next stage is data processing. Researchers work on transcribing interview data into texts. The transcription results are then further processed by marking the significance. Furthermore, the researcher grouped these meanings into several themes of discussion. The final stage is to present the data in the research result report and provide the researcher's justification of the observed phenomenon based on the data obtained

Tax Incentives Are Effective Or Not

Based on the results of interviews which conduced with informants, researchers found that one of the reasons whythe taxpayers follow Tax Incentives is the profit and loss. The point is that the taxpayer takes into account and compares the amount of money to be paid for several alternatives first, before deciding to join the Tax Incentive program. The meaning of profit and loss is seen from which is smaller in nominal, whether it is the correction of tax returns or tax incentives. When the taxpayer feels that the correction of the tax return shows that the amount of money to be paid is smaller than the Tax Incentive, then the taxpayer tends to choose to correct the tax return, and vice versa. As stated by Mr. KA: "Well, we will see the case first and then participate in what is not. I first calculate which one is the smaller payment". Based on the opinion of Mr. KA above, it can be seen that taxpayers follow tax incentives when there is a financial benefit. Taxpayers feel benefited when the amount of money paid for taxation purposes is relatively low. When the Tax Incentive option raises a higher nominal compared to the correction of tax returns, then taxpayers are reluctant to participate in the Tax Incentive program.

In addition to the problem of the large amount of rupiah paid when correcting the tax return, the element of profit and loss is also based on considerations of the significance of the non-conformity of the report. MSME Tax Incentive is a government policy in the form of reducing or exempting the tax burden borne by MSME actors. The existence of MSME tax incentives is certainly very useful in the midst of the Covid-19 virus pandemic for MSME actors. This policy is expected to support MSMEs to survive and bounce back through the pandemic period

As stated by Mr. AM: "if what you want to correct is not significant, the tax return that wants to adjust to the PMK facility is quite significant and it is recommended to correct the tax return for those who have already reported. In fact, the PMK encourages MSMEs". Based on the statement of mr. AM's tax consultant above, it can be concluded that Tax Incentives are recommended for people who have met the criteria to take advantage of the facility

Mr. AM continued to explain that "The utilization of facilities from the PMK that is implemented is still not many MSMEs that apply it, even though it will not reduce their income". From what he conveyed, there are several possibilities that we have learned, the first is that the use of FMD has not been utilized much because the community does not want to take advantage of these facilities, or the second is that the community is still not familiar with related to tax incentives.

The enactment of PMK No. 9 2021 to provide incentives for MSMEs, does not cause a reduction in the receipt of the Final Income Tax for MSMEs even though it is known that by utilizing these incentives taxpayers no longer need to make tax deposits. From the identification of obstacles in the implementation of FMD on tax incentives for MSMEs, the author concludes that there are still obstacles, both from the tax authorities and the MSME Taxpayer

5 Conclusion

This research successfully uncover the meanings of informant expressions related to the effectiveness of Tax Incentives in an effort to improve taxpayer compliance. Based on the grouping of statement above, it can be concluded that on the one hand Tax Incentives can be said to be effective even though the use of these facilities is still uneven

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