

The Determinant Factors of Tax Consultant's Ethical Decision Making

Amanda Surya¹, Maria Stefani Osesoga²
{ amanda.surya@student.umn.ac.id¹, maria.stefani@umn.ac.id²}

Universitas Multimedia Nusantara, Indonesia¹, Universitas Multimedia Nusantara, Indonesia²

Abstract. The study aims to determine the effect of Machiavellianism, perception of the importance of ethics and social responsibility, ethical considerations and experience toward ethical decision making by tax consultants. Ethical decision making by tax consultants is very important so that when carrying out their work, tax consultants make decisions based on the tax consultant's code of ethics to encourage tax revenues. The object in this research are registered tax consultants located in Jakarta and Banten. A total of 157 questionnaires were distributed for this research, but only 101 questionnaires could be processed in this research using multiple linear regression methods. The result in this research were Machiavellianism had a negative significant effect on ethical decision making by tax consultant, while perception of the importance of ethics and social responsibility, ethical considerations, and experience had positive significant effect on ethical decision making by tax consultant.

Keywords: ethical considerations, ethical decisions, experience, Machiavellianism, perceptions of the importance of ethics and social responsibility, tax consultants.

1. Introduction

Realization of tax revenues in Indonesia from year 2017 to 2020 has not yet meet the target (Table 1).

Table 1. Realization of Indonesia Tax Revenue on State Budget

Year	Target (Trillion Rupiah)	Realization (Trillion Rupiah)	Achievements (%)
2017	1.472,7	1.343,5	91,2%
2018	1.618,1	1.518,8	93,9%
2019	1.786,4	1.546,1	86,5%
2020	1.404,51	1.282,8	91,3%

Source: Indonesia Ministry of Finance, 2021

With the implementation of self-assessment system, it is quite difficult for taxpayers to fulfill their tax obligations. Therefore, sometimes, taxpayer need tax consultant. Tax consultants are considered to be able to perform an important role in increasing awareness of taxpayers in paying taxes which can indirectly increase tax revenues. The role of tax consultants in the future will be very important as a partner of the Indonesia Tax Authority to raise public tax awareness and help taxpayers carry out their obligations properly. [1] state that the position of tax consultants is in two different interests: to increasing the amount of state revenue and to minimizing the client's tax cost. Tax consultant has an obligation to encourage taxpayers to pay taxes correctly in accordance with tax regulations, while also must fulfill the client's wishes to minimize paying the taxes. This condition creates a behavioral dilemma in the tax consulting profession, therefore tax consultants must always act professionally by obeying every applicable regulation and code of ethics.

Ethical decision making is an important factor so that when carrying out their work, tax consultants make decisions based on the applicable tax consultant code of ethics. [2] state that a person's ethical decision making will depend on the individual factors of the person making the decision, therefore it is deemed necessary to examine the factors that can strengthen the ethical decision making of tax consultants. Tax consultant's ethical decision making is the result of thinking based on an attitude of honesty, adhering to the truth of the data, and being responsible to assist clients in fulfilling their tax obligations in accordance with applicable regulations. This study was conducted to re-examine several factors that are thought to influence ethical decision making by tax consultants. These factors are Machiavellianism, perception of the importance of ethics and social responsibility, ethical considerations, and experience.

Machiavellianism is a process in which the individual gets more rewards than he gets when he does not manipulate[3]. The tax consultant with low Machiavellianism indicating that the tax consultant does not manipulate the data in the client's financial statements and has an affection for the surrounding environment. Tax consultant will adhere to the truth of the data, works honestly, and chooses social responsibility over personal needs so the resulting decisions are ethical. The perception of the importance of ethics and social responsibility is an individual's view of ethics when taking an action and the results of the action are in line with the interests of the community [1]. Tax consultants who realize the perception of ethics and social responsibility are important will behave in accordance with professional ethics so that in providing their services to client accordance with applicable regulations, and have integrity by prioritizing public interest. Thus, the resulting decisions are ethical.

Ethical considerations are the process by which individuals determine whether an alternative decision is right or wrong [4]. Tax consultants who have ethical considerations in themselves in providing their services are not based on an aggressive attitude and are objective when making decisions. Applying an attitude of honesty is a must in his work as a tax consultant and sticking to the truth of the data will resulting the ethical decisions. Experience is a process of learning and increasing behavioral potential obtained from formal and non-formal education [2]. Tax consultants, who have experience in themselves shown by having the ability to carry out their profession, can complete their duties properly and are able to contribute to the workplace and the surrounding environment and have knowledge about their profession so that they will always use ethical considerations in every decision taken and resulting ethical decisions. The various results of previous studies (please refer to literature review section) encourage the authors to re-examine factors that affect tax consultant's ethical decision making.

2. Literature Review

Tax Consultant's Ethical Decision Making

Tax consultant is a person who provides tax consulting services to taxpayers in order to perform their rights and fulfill their tax obligations in accordance with tax laws and regulations [5]. The importance of tax consultants rule encourage goverment to prepare bill draft which contain code of ethic for tax consultant which initiated by tax consultant association. There are four professional tax consulting organizations in Indonesia, namely the Indonesian Tax Consultant Association (IKPI), the Indonesian Public Tax Consultant Association (AKP2I), the Indonesian Tax Practitioner Consultant Association (Perkoppi), and the Indonesian Tax Consultant Professional and Practitioner Association (P3KPI).

Ethical decision making is a process in determining a decision that is in accordance with ethics and the result of the process is a decision that can be in the form of tax advice and the final tax product includes a tax return and reports related to tax planning [3]. Ethical

decision-making is the process of selecting a method from several alternatives and the resulting decisions do not violate legal norms and can be morally justified [1].

Machiavellianism

Machiavellian can be described as a personality that lacks affection in personal relationships, ignores conventional morality, and shows low ideological commitment. Machiavellian personality has a tendency to manipulate others and very low appreciation of others [3]. Machiavellianism in this study is measured by using indicators: ego, manipulative, aggressive, and lack of affection. [7] and [3] state that the Machiavellianism has a negative and significant effect on ethical decision making by tax consultants. However, [8] state that the Machiavellianism has no effect on ethical decision making by tax consultants.

Ha1: Machiavellianism has a negative effect on tax consultant's ethical decision making.

Perception of the Importance of Ethics and Social Responsibility

Perception of the role of ethics and social responsibility is an individual's view of ethics when going to take an action and the results of the action are in line with the interests of the wider community [1]. Perceptions of the importance of ethics and social responsibility in this study measured by using indicators: professional ethics, tax consultant responsibility, objectivity and integrity. [3], [1], [9], and [8] state that the perception of the importance of ethics and social responsibility has a positive and significant effect on ethical decision making by tax consultants.

Ha2: Perceptions of the importance of ethics and social responsibility have a positive effect on tax consultant's ethical decision making.

Ethical Considerations

Ethical considerations mean what considerations must be decided and done to overcome ethical dilemmas [9]. Ethical considerations in this study is measured by using indicators: being objective and responsible, avoiding violations at work, and not being aggressive. [3] and [9] state that ethical considerations have a positive and significant effect on ethical decision making by tax consultants.

Ha3: Ethical considerations have a positive effect on tax consultant's ethical decision making.

Experience

Experience is a process of learning and increasing behavioral potential obtained from formal and non-formal education [2]. Experience in this study is measured by using indicators: the ability to carry out the profession, work time span, and knowledge. [2], [11], and [12] state that experience has a positive effect on ethical decision making by tax consultants.

Ha4: Experience has a positive effect on tax consultant's ethical decision making.

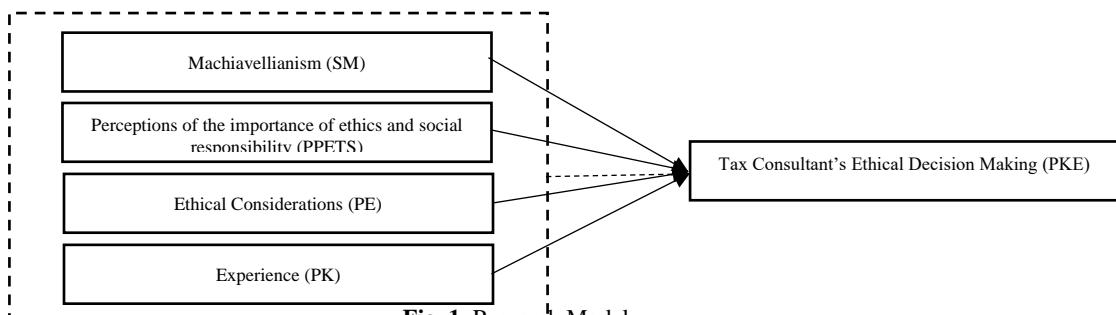


Fig-1: Research Model

3. Methodology and Data Analysis

The research object used in this study are registered tax consultants in Jakarta and Banten, with criterias: have handled at least three taxpayers (both private taxpayers and corporate taxpayers), have more than 3 years of working experience, and have attended technical training.

Dependent Variable

Dependent variable in this study is tax consultant's ethical decision making. Tax consultant's ethical decision making is a result of thinking based on honesty, sticking to the truth of data and responsibility to assist clients in fulfilling their tax obligations in accordance with tax regulations.

Independent variables

1. Machiavellianism
Machiavellianism is a behavior based on ego, manipulative, and aggressive nature in carrying out the profession and has no affection for the surrounding environment.
2. Perception of the Importance of Ethics and Social Responsibility
Perceptions of the importance of ethics and social responsibility are the views of individuals in behaving whether they are in accordance with professional ethics, responsible for their profession, objective and have integrity.
3. Ethical Considerations
Ethical consideration is the process by which individuals determine whether a decision is right or wrong objectively, not aggressively, and avoiding violations at work.
4. Experience
Experience is a process of increasing knowledge of the tax consultant's ability to predict and detect tax ethical issues, overcome any existing problems and be able to make decisions.

Data Collection and Sampling Techniques

The data used in this study is primary data and the sampling technique is convenience sampling. Researcher distributed questionnaire to the respondents in two ways: physical questionnaire and google form (online questionnaire).

Data Analysis Techniques

The data analysis technique used in this research is multiple linear regression analysis, with equation:

$$PKE = \alpha - \beta_1 SM + \beta_2 PPETS + \beta_3 PE + \beta_4 PK + e \quad (1)$$

Where:

PKE	= Tax Consultant's Ethical Decision Making
α	= Constant
$\beta_1, \beta_2, \beta_3, \beta_4$	= Regression constants
SM	= Machiavellianism
PPETS	= Perception of the Importance of Ethics and Social Responsibility
PE	= Ethical consideration
PK	= Experience
e	= Error

4. Research Result and Discussion

The data used in this study are respondents' answers of questionnaires that have been distributed to the Tax Consultant Office in the Jakarta and Banten areas.

Table 2. Questionnaire Distribution

Description	Amount	Percentage
Distributed Questionnaires	157	100%
Returning Questionnaires	108	68,79%
Unusable Questionnaire	7	6,48%
Usable Questionnaire	101	93,52%

The following are the results of validity test using Pearson Correlation and reliability test using Cronbach Alpha:

Table 3. Validity and Reliability Test

Variable	Sig. (2-Tailed)	Cronbach's Alpha Based on Standardized Items
Tax Consultant's Ethical Decision Making (PKE)	0,000	0,723
Machiavellianism (SM)	0,000	0,722
Perception of the Importance of Ethics and Social Responsibility (PPETS)	0,000	0,799
Ethical consideration (PE)	0,000	0,748
Experience (PK)	0,000	0,725

Based on the results in Table 3, it can be concluded that all variables are valid and reliable. Furthermore, the result of Normality Test using Monte Carlo exact Kolmogorov-Smirnov, shows sign. value of 0,057 which is greater than 0,05. So it can be said that the regression model is normally distributed. The results of multicollinearity test and heteroscedasticity test also show that data used in this research pass the classic assumption test.

Table 4. Hypothesis Results

		Coefficients ^a					
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	
1	(Constant)	9,351	3,549		2,635	0,000	
	SM	-0,169	0,062	-0,249	-2,712	0,008	
	PPETS	0,129	0,047	0,259	2,722	0,008	
	PE	0,129	0,062	0,198	2,068	0,041	
	PK	0,123	0,052	0,200	2,382	0,019	
R	0,647						
Adjusted R Square	0,394						
F	17,258						
Sig. F	0,000						

From Table 4, the adjusted R Square value of 0,394 which means that independent variables, namely Machiavellianism, perceptions of the importance of ethics and social responsibility, ethical considerations, and experience explain the dependent variable, tax consultant's ethical decision making by 39.4%. While the remaining 60.6% is explained by other independent variables that are not used in this study.

The results of F statistical test show the F value of 17,258 with a significance of 0,000 which is less than 0,05. These results indicate that the four independent variables: Machiavellianism, perceptions of the importance of ethics and social responsibility, ethical considerations, and experience simultaneously have a significant effect on ethical decision making by tax consultants. The F value more than F table ($17,258 > 2,47$) concluded that the sample regression function in estimating the actual value is correct or the model fits.

Based on Table 4, the regression equation is as follows:

$$PKE = 9,351 - 0,169 SM + 0,129 PPETS + 0,129 PE + 0,123 PK + e \quad (2)$$

The Machiavellianism variable (SM) shows a t-value of -2,712 with a significance level of 0,008 or less than 0,05. This result indicates that Ha1 is accepted, the Machiavellianism has a significant negative effect on ethical decision making by tax consultants. This result is in line with the researches by [1], [10], [3], [13], [7], and [14].

The perception of the importance of ethics and social responsibility variable (PPETS) shows a t-value of 2,722 with a significance level of 0,008 or less than 0,05 which indicate that Ha2 is accepted. The perception of the importance of ethics and social responsibility has a significant positive effect on tax consultant's ethical decision making. This result supported by research from [10], [1], [3], [9], [13], and [8].

The ethical consideration variable (PE) shows a t-value of 2,068 with a significance level of 0,041 or less than 0,05 thus Ha3 is accepted. It can be concluded that ethical considerations have a significant positive effect on ethical decision making by tax consultants. This result are in line with the result of research conduct by [3] and [9].

The experience variable (PK) shows the t value of 2,382 with a significance level of 0,019. Ha4 is accepted, which means experience has a significant positive effect on ethical decision making by tax consultants. This results are in line with the results of research by [2], and [11].

In conclusion, all the independent variables affected ethical decision making by tax consultants.

5. Implication and Suggestion for Future Research

The results of the study indicate that tax consultant must not have Machiavellianism in order to make an ethical decision. This can be achieved by having more frequent discussions related to considerations in decision making with fellow coworkers so that the decisions are not only for their own benefit. Tax consultant must be increasingly aware that the perception of ethics and social responsibility is important by attending seminars related to professional ethics organized by the Tax Authorities (Direktorat Jenderal Pajak) or tax consultant associations in order to understand more about their profession, better understand and always work in accordance with applicable tax consultant regulations, and make ethical decisions. Tax consultants are also expected to increase their knowledge of their profession by participating in technical training and increasing their certification levels to support their working experience. The Tax Consultant Code of Ethic must be quickly ratified, socialized, and implemented properly.

The suggestions put forward for future research are expanded the respondents, so that the research results can be generalized to all registered tax consultants in Indonesia. Also, future research can also support this quantitative research with qualitative research such as fit up with respondent interview.

6. References

- [1] T. H. Kusuma, H. N. Utami, and I. Ruhana, "Pengaruh Persepsi Peran Etika dan Tanggung Jawab Sosial, Sifat Machiavellian, dan Preferensi Risiko terhadap

- Pengambilan Keputusan Etis (Studi Pada Konsultan Pajak di Kota Malang),” *J. Perpajak.*, vol. 10, no. 1, 2016.
- [2] M. D. Harmana, M. G. Wirakusuma, and D. G. Wirama, “Pengaruh Idealisme, Pengalaman, Dan Komitmen Profesional Pada Pembuatan Keputusan Etis Konsultan Pajak Terdaftar Di Wilayah Bali-Nusa Tenggara,” *E-Jurnal Ekon. dan Bisnis Univ. Udayana*, vol. 10, p. 3549, 2017, doi: 10.24843/eeb.2017.v06.i10.p05.
- [3] F. D. Pitaloka and L. Ardini, “Analisis Faktor-Faktor Individual Dalam Pengambilan Keputusan Etis,” *J. Ilmu dan Ris. Akunt.*, vol. 6, no. 8, pp. 1–23, 2017.
- [4] C. Joneta, “Pengaruh Komitmen Profesional dan Pertimbangan Etis terhadap Intensi Melakukan Whistleblowing: Locus of Control sebagai Variabel Moderasi,” *JOM Fekon*, vol. 3, no. 1, 2016.
- [5] M. K. R. Indonesia, *Konsultan Pajak*. 2014.
- [6] P. Kristanto, *Menjadi Konsultan Pajak Kelas Dunia*. Jakarta: PT Elex Media Komputindo, 2013.
- [7] N. M. A. D. L. Dewi and K. T. Dwiyanti, “Faktor Dalam Pengambilan Keputusan Etis oleh Konsultan Pajak: Individual dan Situasional,” *J. Ilm. Akunt. dan Bisnis*, vol. 3, no. 1, pp. 23–25, 2018, [Online]. Available: <https://journal.undiknas.ac.id/index.php/akuntansi/article/view/2096>.
- [8] T. A. Tofiq and S. D. Mulyani, “Analisis Pengaruh Sifat Machiavellianisme, Etika dan Tanggung Jawab Sosial, Faktor Situasional dan Locus of Control terhadap Pengambilan Keputusan Etis oleh Konsultan Pajak,” *Sci. J. Reflect. Econ. Accounting, Manag. Bus.*, vol. 1, no. 4, pp. 1–10, 2018, doi: 10.5281/zenodo.1437014.
- [9] B. C. Hutami, “Pengaruh Faktor Individu terhadap Pengambilan Keputusan Etis Konsultan Pajak dalam Melakukan Tax Planning,” *J. Ilm. Mhs. Fak. Ekon. dan Bisnis*, vol. 7, no. 1, 2018.
- [10] M. Arrazaqu Arestanti, N. Herawati, and E. Rahmawati, “Faktor-Faktor Internal Individual dalam Pembuatan Keputusan Etis: Studi pada Konsultan Pajak di Kota Surabaya,” *J. Akunt. dan Investasi*, vol. 17, no. 2, pp. 104–117, 2016, doi: 10.18196/jai.2016.0048.104-117.
- [11] N. M. P. D. Yanti and A. A. K. A. Suardika, “Pengaruh Time Budget Pressure, Pengalaman Kerja, dan Komitmen Profesional pada Pengambilan Keputusan Etis Konsultan Pajak di Provinsi Bali,” *Hita Akunt. dan Keuang. Univ. Hindu Indones.*, vol. 1, no. 2, 2020.
- [12] M. G. Wirakusuma, “Pengalaman Memoderasi Pengaruh Idealisme dan Komitmen pada Keputusan Etis Konsultan Pajak di Wilayah Provinsi Bali,” *J. Ilm. Akunt. dan Bisnis*, vol. 14, no. 1, pp. 10–18, 2019, doi: 10.24843/jiab.2019.v14.i01.p02.
- [13] E. M. Windesi, “Pengaruh Faktor Individu: Persepsi Pentingnya Etika dan Tanggung Jawab Sosial, Sifat Machiavellianism, dan Locus of Control terhadap Pengambilan Keputusan Etis Akuntan Pajak dalam Perencanaan Pajak (Tax Planning),” *J. Ilm. Mhs. FEB*, vol. 5, no. 1, 2016.
- [14] N. Noviani and I. G. N. A. Suaryana, “Dampak Budaya Etis Organisasi Dan Sifat Machiavellian Pada Keputusan Etis Konsultan Pajak Di Provinsi Bali,” *Akuntabilitas*, vol. 11, no. 2, pp. 349–368, 2018, doi: 10.15408/akt.v11i2.8806.

Acknowledgments

We thanked Universitas Multimedia Nusantara for the support and all the respondents for their willingness to help this research.