

The Justice and Tax System against Tax Authority in Makassar City Tax Service Office

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ABSTRACT

This study aims to determine the role of the government in regulating the behavior of taxpayers in maximizing the results of state tax revenues in Makassar City. Realization of regional revenue agency tax reached IDR 195 billion or almost 15% of the target. This number increased from the last report in the first quarter as of March 15, which was IDR 120 billion. Given that it is still early in the year, the reported realization is still quite far from the 2021 target of IDR 1.3 trillion. The tourism sector is calculated to be a sector whose realization is still minimal. The realization of hotel tax currently only reaches IDR 16 billion, while the target reaches IDR 70 billion. The entertainment tax in Makassar City is reported to have only reached IDR 2.3 billion from the target of IDR 67 billion. Although minimal, the realization also shows a positive trend compared to last year where there were no deposits at all. The tax sector has an important role in economic growth in Indonesia. Large-determining the capacity of the state budget, both for financing development and routine budgets that occur in the country. The sustainability of tax collection is still difficult for the state due to the low level of taxpayer compliance in carrying out their obligations as Indonesian citizens. The need for motivation to increase compliance to pay taxes and increase public confidence that tax distribution is carried out according to existing rules for the welfare of the people.

Keywords: Effect of Justice, Taxation System, Taxpayer Compliance.

Introduction

Throughout the history of human civilization, tax collection has been a hallmark of almost all societies that create and share public goods. Tax non-compliance and identifying the determinants of compliance to ensure the contribution of citizens to the public interest is of utmost importance (Isnaini & Karim, 2021). Understanding the phenomenon of the importance of tax compliance through the theory of planned behavior (TPB) approach becomes the guideline in this research.

The theory of planned behavior (TPB) is a further development of the theory of reason action (TRA). The construct that does not yet exist in TRA is perceived behavioral control. This construct is added to understand the limitations that individuals have in carrying out certain behaviors. Compliance in paying taxes can be influenced by several factors, one of which is tax justice. Justice is one component of a good tax system (Arnold, 2012).

Justice plays an important role in the behavior of taxpayers in reporting taxes. The key to tax compliance behavior is tax justice. Taxpayers will tend to avoid paying taxes if the tax system is considered unfair. Most of the previous studies

examining the effect of tax equity on compliance show consistent results that tax equity has a positive impact on voluntary compliance (Nurfadila, 2020). Another factor that affects taxpayer compliance is the tax system, currently, the Directorate General of Taxes of the Republic of Indonesia is developing a support system that is expected to facilitate taxpayers in calculating, reporting, and paying their taxes, namely the existence of e-SPT, e-NPWP, drop boxes, and e-banking. Before the current system was developed by the directorate general of taxes, taxpayers were required to come to the nearest tax service office to report and pay their tax obligations. However, with the new internet-based system, taxpayers do not need to come to the nearest tax service office (Rabiya et al, 2021).

This system renewal will increase the perception of taxpayers about the taxation system along with the ease of carrying out tax obligations. Taxpayers will feel that paying taxes is an obligation when the level of public trust in the government is high (Faizal & Palil, 2015). Taxpayer trust increases when taxpayers feel that the results of the taxes they pay can be managed well by policymakers and have benefits that are felt indirectly by them, either through social assistance subsidies, adequate infrastructure, or other forms of policies

that are fair to the public interest in general (Bagheri et al, 2020). Government power is assumed by the role of the government in regulating the behavior of taxpayers so that they can maximize the results of state tax revenues (Syukur et al, 2021).

Fair in the legislation, among others, impose taxes in general and evenly, and adjusted to the ability of each. While fair in its implementation, namely by giving taxpayers the right to file objections,

Literature Review

Justice is a principle that becomes the main substance in policy formulation. The principle of justice is something very abstract and subjective so it is very difficult to find a formula that can fulfill all aspects of justice (Yulianti & Kurniawan, 2019). No policy can satisfy all parties if on the one hand a policy is considered fair, but it is not necessarily fair if viewed from the other side. Justice is a tax imposed on an individual that should be in proportion to the ability to pay taxes or the ability to pay and by the benefits received. The tax collection system in Indonesia uses a self-assessment system which is a tax collection system that gives taxpayers the confidence to calculate, pay, and self-report the amount of tax that should be owed based on tax laws and regulations (Purnawan, 2011).

The tax justice approach is divided into two, namely 1) the principle of benefit and 2) the principle of ability to pay. The principle of benefit refers to a tax system that is categorized as fair if the taxpayer's participation is proportional to the benefits of government services (Maddatuang et al, 2021). While the principle of ability to pay is a taxation system that is only seen from the side of taxation without paying attention to the expenditure side, where everyone must pay expenses made by the government by their respective ability to pay. Tax justice is based on the management of taxation to meet public spending based on the proportion of wealth and income of the people (Karim et al, 2021).

This principle is adopted by all countries to meet the demands of justice in law. Conceptually, tax equity implies a process of redistribution of

delays in payments, and submit appeals to the tax advisory council. Tax collection must be fair and equitable, that is, taxes are imposed on individuals who must be in proportion to their ability to pay taxes (ability to pay) and by the benefits received. If taxpayers get proper justice, it will increase their compliance behavior in paying taxes (Zelmiyanti, 2017). On the other hand, if the taxpayer gets minimal justice and the taxpayer feels aggrieved, then it is not impossible to reduce his compliance in paying taxes.

society's wealth in which the rich pay more than the poorer (vertical dimension) (Kline, 2015). Public perception of the fairness of the taxation system in force in a country greatly influences the implementation of good taxation in that country. This public perception will affect tax compliance behavior and tax avoidance behavior. People will tend to disobey and avoid tax obligations if they feel the prevailing tax system is unfair (Colm, 1934).

The taxation system is described as a tax collection system which is a manifestation of the dedication and participation of taxpayers to directly and jointly carry out tax obligations needed to finance state administration and national development (Desi, 2021). Taxpayers are given the trust to carry out cooperation or a sense of national togetherness through calculating, calculating, paying, and self-reporting the amount of tax payable (self-assessment), so that through this system tax administration can be carried out more neatly, controlled, simple, and easily understood by the taxpayer (Górecki & Letki, 2021). The legal basis for taxation is a basic legal reference that strengthens the conduct of an activity, or in other words, that underlies the implementation of an existing policy (Hartner et al, 2008).

In the development in Indonesia, three tax collections have been carried out, namely:

1. Official Assessment System

Through this system, the amount of tax is determined by the tax authorities by issuing a tax assessment letter that the taxpayer is passive (Murphy, 2005). A tax levy that

authorizes the government to determine the amount of tax owed.

2. Self-Assessment System

The opposite of the official assessment system, this system gives full trust, authority, and responsibility to taxpayers to calculate, calculate, pay and report themselves the amount of tax owed by taxpayers.

3. Withholding Tax System

This system is a tax collection system that authorizes third parties to withhold or collect the amount of tax owed by the taxpayer. Tax system with tax rates and the possibility of corruption in any system. So the description of the tax system is about the high and low tax rates and where the collected tax contributions are, are they used for public expenditure, or are they corrupted by the government or by tax officials? The tax system hurts tax evasion (Christians, 2016). This means that the taxpayers consider that the better the tax system, the behavior of tax evasion is considered as unethical behavior (Bin et al, 2020). However, if the tax system is getting worse, then tax evasion behavior is considered as behavior that tends to be ethical.

Methods

This research is survey research which is included in the quantitative method. The quantitative research method is a research method used to examine a particular population or sample to test the established hypothesis, this method is based on the philosophy of positivism, uses research instruments for data collection, and data analysis is quantitative/statistical (Sugiyono, 2010). The type of data used in this research is quantitative data. Quantitative data is data in the form of numbers or qualitative data that is numbered.

The source of data used in this study is primary data. Primary data is research data obtained directly from the source or the first party. Primary data is specifically collected by researchers to answer research questions (Supriyono, 2018). Primary data in this study is data obtained from the results of respondents' answers to the questionnaires distributed. The populations in this study are all individual taxpayers registered at the Makassar City Tax Office. The sampling technique used in this study is convenience

Taxpayer compliance is the degree to which taxpayers follow applicable laws and regulations in reporting tax payable. Meanwhile, according to the Decree of the Minister of Finance No. 544/KMK.04/2000, states that: "Tax compliance is the act of the Taxpayer in fulfilling his tax obligations by the provisions of the legislation and tax implementation regulations in force in a country". In this study, researchers used indicators, namely:

1. Awareness of taxpayers as citizens.
2. The cost consequences of non-compliance are very high.

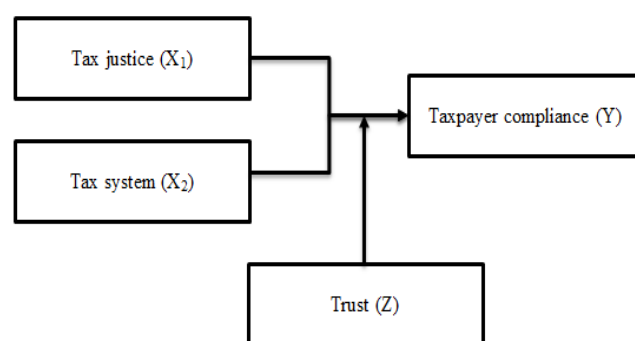


Figure 1. Conceptual Framework

sampling which is included in the non-probability sampling. Convenience sampling is a technique in selecting samples, researchers have no other considerations except based on convenience.

The collected data was then analyzed using descriptive and multivariate statistical analysis techniques. Statistical analysis used in this study is the mean, standard deviation, frequency, and percentage. While the multivariate data analysis technique used confirmatory factor analysis. We used computer software to assist in data analysis, namely Winstep, SPSS version 23, and Moment Structure Analysis version 23. Specifically, the data analysis used in this study used Structural Equation Modeling (SEM) data analysis techniques. To ensure the statistical suitability of the SEM model, the sample covariance matrix value should not differ significantly from the population covariance matrix value.

To ensure the suitability of the data model with the research model, there are two forms of the model fit index, namely the overall fit index and

the component fit index (Kline, 2015). The overall conformity index measured was the statistical test score of chi-square, degree of freedom, probability (p), and RMSEA (Root Mean Square Error of Approximation). The chi-square value should not be statistically significant for the rejected null hypothesis fails, the DF value is positive, and the p-value exceeds 0.05. The null hypothesis states that the sample covariance is not

significantly different from the population covariance. However, the chi-square value is sensitive to sample size. The number of variables, and the normality of all variables, so that researchers use other alternatives in determining the suitability of the model, namely GFI (Goodness of fit index), CFI (Comparative Fit Index), TLI (Tucker Lewis Index).

Result

A. Respondent Demographic Profile

Table 1. Respondent Demographic Profile

Variable		F	%
Gender	Female	66	66.0
	Male	34	34.0
	Lecturer/Teacher	35	35.0
Work	Employee	30	30.0
	Entrepreneur	16	16.0
	Civil servant	18	18.0
	Housewife	1	1.0
Age	20-25 Years	10	10.0
	26-31 Years	17	17.0
	32-36 Years	40	40.0
	37-45 Years	17	17.0
	46-55 Years	9	9.0
	> 55 Years	7	7.0

Table 2. Descriptive Statistics

Variable	Average	Standard deviation	Category
Tax justice	4.022	0.994	High
Tax system	4.263	0.816	High
Taxpayer compliance	4.016	0.875	High
Trust	4.241	0.884	High

B. Internal Consistency Reliability

1. Composite Reliability (CR) values of 0.6-0.7 are accepted in exploratory studies, in other studies, values between 0.7 and 0.9 are satisfactory; values of 0.7 to 0.95 are also good. Values below 0.6 indicate not achieving

reliability, Value 0.90 (especially exceeding 0.95) - indicates that all items can measure the same phenomenon, so it needs to be reconsidered.

2. The average variance extracted, value at least 0.5.

Table 3. Average Variance Extracted

	Cornbrash's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0.718	0.738	0.809	0.461
X1*Z	1	1	1	1

X2	0.757	0.846	0.829	0.507
X2*Z	1	1	1	1
Y	0.817	0.881	0.877	0.604
Z	0.89	0.918	0.918	0.691

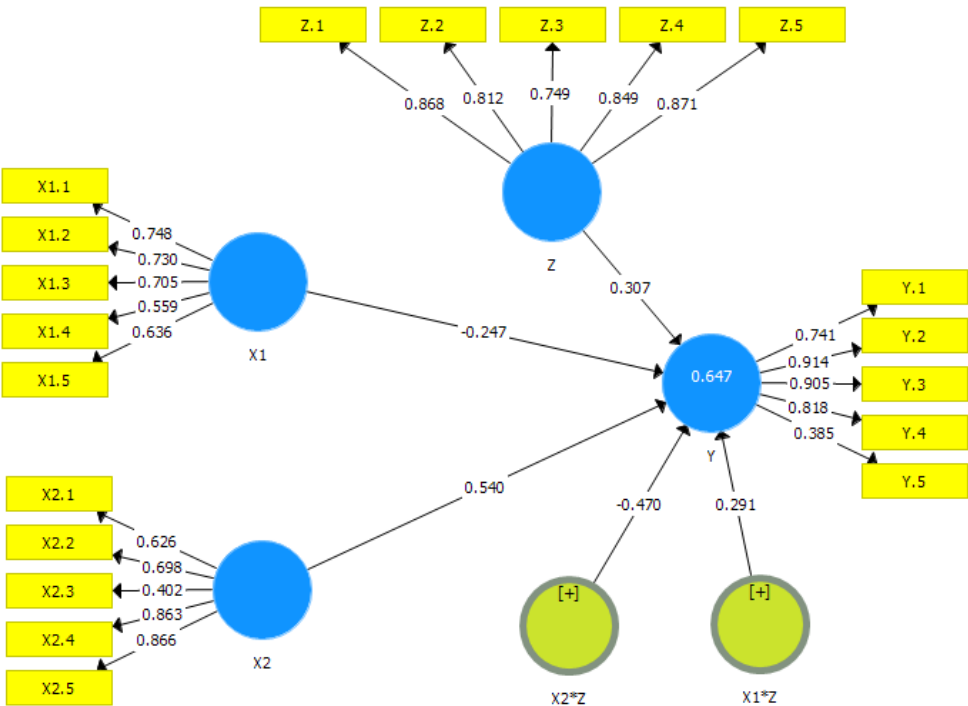


Figure 2. Items X1.4, X2.3, Y.5 Discarded/Removed

Table 4. After the item is discarded						
	X1	X1*Z	X2	X2*Z	Y	Z
X1 * Z		1.2				
X1.1	0.785					
X1.2	0.704					
X1.3	0.71					
X1.5	0.654					
X2 * Z				1.103		
X2.1			0.618			
X2.2			0.687			
X2.4			0.867			
X2.5			0.888			
Y.1					0.75	
Y.2					0.923	
Y.3					0.906	
Y.4					0.824	
Z.1						0.866
Z.2						0.816

Z.3	0.745
Z.4	0.849
Z.5	0.871

Table 5. Cornbrash's Alpha

	Cornbrash's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0.681	0.681	0.806	0.511
X1*Z	1	1	1	1
X2	0.777	0.838	0.854	0.599
X2*Z	1	1	1	1
Y	0.874	0.889	0.914	0.728
Z	0.89	0.924	0.917	0.69

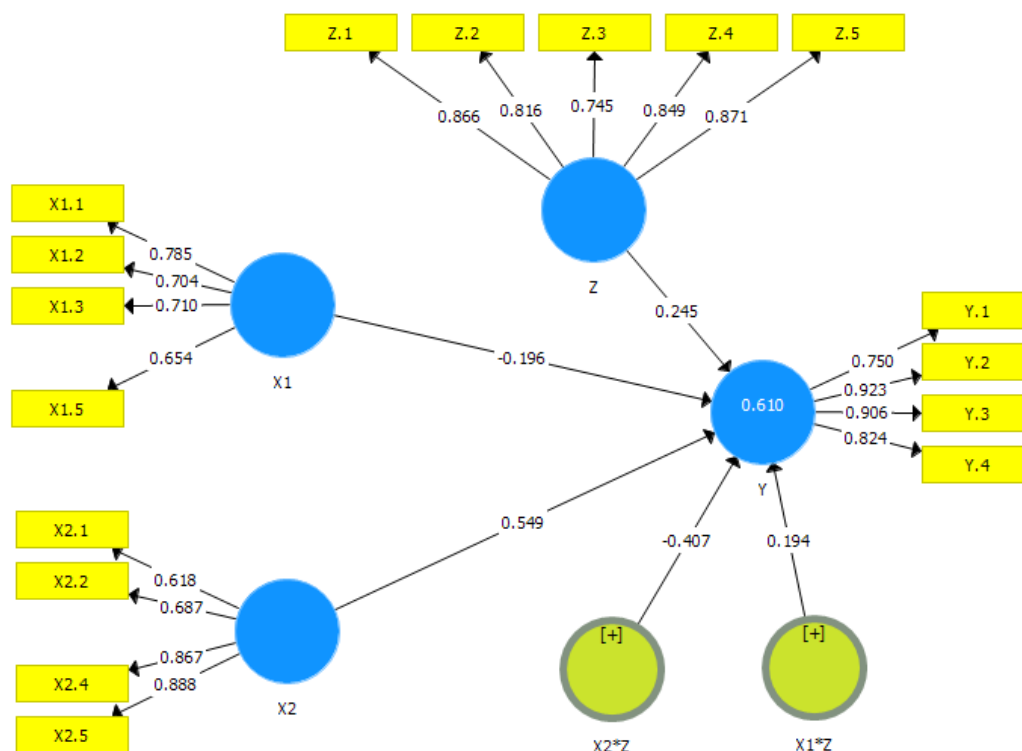


Figure 3. Composite Reliability (CR) Values

C. Hypothesis Test

Table 5. Coefficient of Determination

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 -> Y	0.196	0.155	0.089	2.198	0.028
X1*Z -> Y	0.294	0.166	0.098	2.986	0.048

X2 -> Y	0.549	0.551	0.096	5.736	0.000
X2*Z -> Y	0.407	0.366	0.141	2.888	0.004
Z -> Y	0.245	0.231	0.115	2.125	0.034

Based on the table above shows that:

1. Tax justice has a positive and significant effect on taxpayer compliance (Original sample = 0.196; $t = 2.198$; $p = 0.028 < 0.05$).
2. The tax system has a positive and significant effect on taxpayer compliance (Original sample = 0.549; $t = 5.736$; $p = 0.000 < 0.05$).
3. Trust has a significant role as moderating tax justice on taxpayer compliance (Original sample = 0.294; $t = 2.986$; $p = 0.048 < 0.05$).
4. Trust plays a significant role as a moderator of the tax system on taxpayer compliance (Original sample = 0.407; $t = 2.888$; $p = 0.004 < 0.05$).

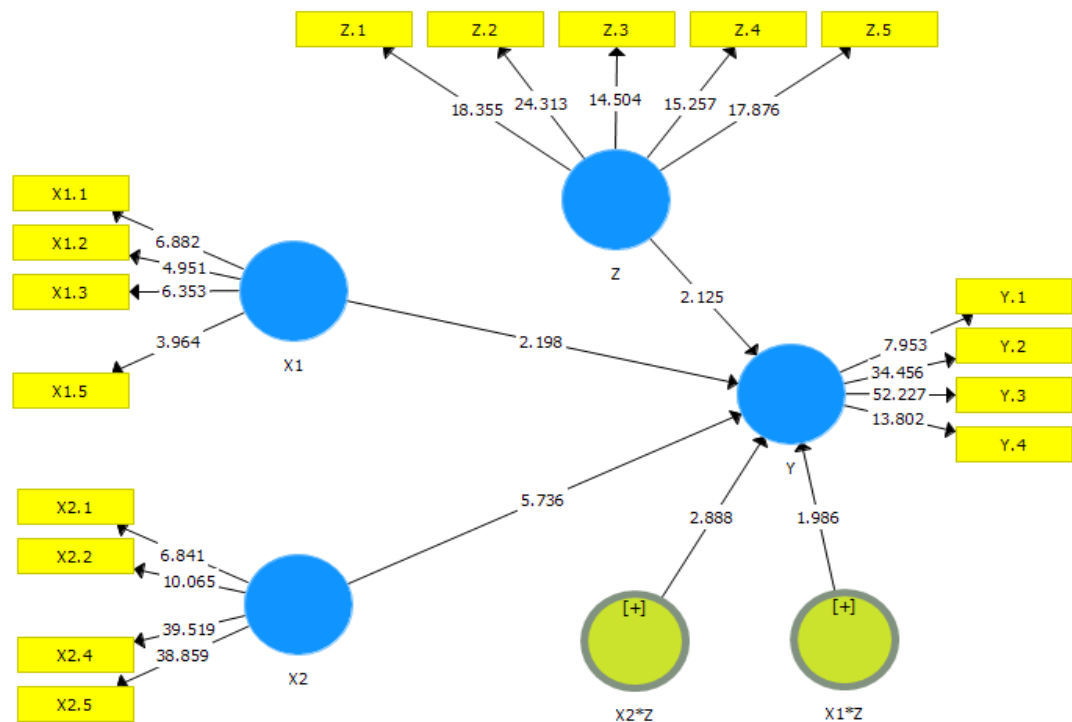


Figure 4. Graphical Representation of the Model after the Bootstrap Procedure (n = 5000 bootstrap samples)

Discussions

Based on the results of research that examines the effect of justice and sister taxation on taxpayer compliance and moderated by trust in the tax authorities described above, there are several things that can be explained in this study, namely as follows:

A. The effect of justice on taxpayer compliance

Based on the results of the regression equation obtained and described previously, it is known that the value of the tax justice regression coefficient with taxpayer compliance. So from the results of these equations, it can be seen that if the tax system felt by taxpayers is easy to understand, it will increase taxpayer compliance. This makes

taxpayers report their taxes on time. Respondents believe that their compliance behavior will increase if they are treated fairly and fairly when dealing with tax authorities and if they have confidence in tax authorities. Findings show how tax authorities can improve their compliance through their actions with taxpayers.

Justice is a principle that becomes the main substance in policy formulation. The principle of justice is something very abstract and subjective so it is very difficult to find a formula that can fulfill all aspects of justice. No policy can satisfy all parties if on the one hand a policy is considered fair, but it is not necessarily fair if

viewed from the other side. Justice is a tax imposed on an individual that should be proportional to the ability to pay taxes or ability to pay and by the benefits received (Syakura & Baridwan, 2014). This study aims to determine the effect of tax knowledge and perceptions of justice on taxpayer compliance with government regulation no. 46 of 2013 registered at the Makassar City Tax Office and to determine the effect of tax knowledge and perceptions of justice on mandatory compliance. The results of this study indicate that knowledge of taxation affects taxpayer compliance, and perceptions of fairness affect taxpayer compliance.

B. The effect of the tax system on taxpayer compliance

Based on the results of the regression equation obtained and described previously, it is known the value of the regression coefficient of the taxation system with taxpayer compliance. So from the results of the equation, it can be seen that if the justice felt by taxpayer's increases, the resulting taxpayer compliance will also increase. The taxation system is described as a tax collection system which is a manifestation of the dedication and participation of taxpayers to directly and jointly carry out tax obligations needed to finance state administration and national development.

This study aims to examine whether the effect of the taxation system, perceptions of tax justice, tax discrimination, and understanding of taxation on taxpayer compliance with taxpayers registered in the Makassar City Tax Office. The results of the study prove that the taxation system has a significant effect on taxpayer compliance, tax justice has a significant effect on taxpayer compliance, tax discrimination has a significant effect on taxpayer compliance, and understanding of taxation has a significant effect on taxpayer compliance.

C. Trust has a significant role in moderating tax justice on taxpayer compliance

Based on the results of the regression equation obtained and described previously, it is known that the regression coefficient value of Trust plays a significant role as a moderator of tax justice on taxpayer compliance. So from the results of the equation, it can be seen if the trust will moderate

the effect of justice felt by taxpayers on taxpayer compliance. Trust is something that is expected of honesty and cooperative behavior based on sharing the same norms and values. Taxpayers may have various kinds of beliefs about behavior, but when they are faced with a certain event, only a few of these beliefs arise to influence the behavior. It is this little belief that stands out in influencing individual behavior.

The purpose of this study is to provide empirical evidence about the effect of tax fairness on tax compliance with trust in tax authorities as an intervening variable. The results show that tax justice has a significant positive effect on tax compliance, (2) tax justice has a significant positive effect on trust, (3) trust has a significant positive effect on tax compliance, (4) trust mediates the relationship between tax justice and tax compliance.

D. Trust has a significant role as a moderator of the tax system on taxpayer compliance

Based on the results of the regression equation obtained and described previously, it is known that the value of the regression coefficient of confidence plays a significant role as a moderator of the taxation system on taxpayer compliance. So from the results of these equations, it can be seen if the trust will moderate the effect of the tax system on taxpayer compliance. Trust is something that is expected of honesty and cooperative behavior based on sharing the same norms and values (Salmina et al, 2019). Taxpayers may have various kinds of beliefs about behavior, but when they are faced with a certain event, only a few of these beliefs arise to influence the behavior. It is this little belief that stands out in influencing individual behavior.

For a tax system based on the concept of voluntary compliance to function effectively, taxpayers must have a positive perception of fairness. They should feel that, in the long run, they are getting their money's worth for the taxes they pay. There are three key aspects to processing justice in Indonesia in general. First, the political process allows taxpayers to influence how and to what extent they are taxed. Second, the tax system includes protections that allow taxpayers to challenge the assessed tax. Third, tax

managers are expected to treat taxpayers with

Conclusion

Taxpayers will improve their tax compliance behavior if they feel fairness in determining their tax payments. Taxpayers will improve their tax compliance behavior if they feel that the tax system can be accessed easily by them. Trust in tax authorities influences the relationship between tax justice and taxpayer compliance. Trust in tax authorities influences the relationship between the tax system and taxpayer compliance. This shows

respect.

that tax justice, the taxation system, and trust in tax authorities are important factors in encouraging taxpayer compliance in paying their taxes. This research has implications not only on practice but also on the literature on the effect of tax justice, taxation system, and trust on tax compliance. This research is also expected to provide valuable information for the government to create a fair taxation system.

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