

TAX INCENTIVES AND TRUST IN AUTHORITY: QUASI-VOLUNTARY TAX COMPLIANCE EXPERIMENTS

Ade Lisa Matasik^{a*)}, Wilma Dian Ardiyanti^{a)}, Surianti Mutia^{a)}

^{a)} Universitas Kristen Indonesia Toraja, Indonesia

^{*)}Corresponding Author: matasik.adelisa@gmail.com

Article history: received 29 June 2024; revised 21 August 2024; accepted 21 October 2024

DOI: <https://doi.org/10.33751/jhss.v8i2.9792>

Abstract. This study aims to analyze the role of giving tax incentives to voluntary tax compliance and to identify the relationship between trust in authority and voluntary tax compliance. This research is a quasi-experimental study using students who have studied taxation courses. This study used a 2 x 2 factorial design used in designing this study. The first factor is tax incentives which consist of two levels, namely: taxpayers who are aware of tax incentives and taxpayers who are not aware of tax incentives. The second factor is trust in authority which also consists of two levels, namely taxpayers have high trust in authority and taxpayers have low trust in authority. The results of the study show that taxpayers who are aware of tax incentives and have high trust in the tax authorities will produce high voluntary tax compliance. Taxpayers who also have high voluntary tax compliance. The results of the interaction show that taxpayers who are aware of tax incentives and/or have high trust in the tax authorities will show different voluntary tax compliance. The role of tax incentives has a big influence when compared to trust in the tax authorities.

Keywords: Tax Incentives; Trust in Authority; Voluntary Tax Compliance

I. INTRODUCTION

This countries, including Indonesia as a developing country, taxes are the most important element in supporting the state revenue budget. The government uses taxes to carry out national development to achieve the general welfare and prosperity of the people. The Directorate General (Ditjen) of Taxes, Ministry of Finance (Kemenkeu) as the manager of the tax system in Indonesia, seeks to carry out its main task, namely increasing tax revenue by updating the implementation of the tax system to be more modern. Taxpayers in Indonesia are divided into two, namely personal taxpayers and corporate taxpayers. For taxpayers, taxes are a manifestation of devotion and obligation to contribute to improving national development. The phenomenon of tax collection is an important phenomenon that is the task of the government and must be managed properly [1];[2].

Based on data, tax conditions showed a good improvement, with total tax revenue reaching IDR 162.23 trillion, growing by 48.60% (yoy) and 9.44% of the 2023 State Budget target. This increase was due to increasing economic activity in December, which was in line with the Christmas and New Year holidays, as well as the implementation of the Law on Harmonization of Tax Regulations (UU HPP). Net tax growth predominantly showed positive results, where the majority of tax types grew in January, such as final income tax which grew due to increased dividend payments to private individuals and the transfer of participating interest in oil and gas blocks, and domestic VAT grew due to an increase in

domestic consumption. However, there was a decrease in Personal Income Tax because tax assessment payments were not repeated this year. Economic sectors that grew positively were the construction services sector and real estate due to construction activities, as well as the financial services sector which grew strongly due to rising interest rates. Meanwhile, the information and communication sector experienced a decline due to non-recurring January 2022 dividend payments in January 2023. The 2023 (2023) According to, tax incentives are assistance provided by the government to taxpayers, both individuals and companies, to increase revenue or reduce business costs and risks. Tax incentives also function as tax facilities that can reduce tax rates so that the tax burden to be paid becomes smaller. The provision of tax incentives aims to encourage economic activity in a country and increase the tax revenue generated. Especially in developing countries, the provision of tax incentives is often used as an instrument to attract investment to the country. By providing tax incentives, investors' interest in investing in the country will increase because taxes imposed on certain types of investments will decrease and the net profit generated will increase. This can increase national income and state taxes which ultimately have a positive impact on a country's economy with a multiplier effect [3].

This good tax condition is inseparable from the provision of tax incentives during the COVID-19 pandemic. Tax incentive policy to encourage the ongoing economic recovery process and improve tax compliance. Based on the Ministry of Finance Regulation (PMK) Number 9 of 2022 concerning

Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic, some of the tax incentives provided are:

1. Article 22 Import Income Tax Incentives.
2. 50% reduction in Article 25 income tax installments
3. Construction Services Final Income Tax incentive is borne by the government for the Acceleration Program for Improving Irrigation Water Use
4. VAT incentives are borne by the government of 50% for house sales at the highest Rp2M and 25% for house sales above Rp2M to Rp5M.
5. PPNBM incentives are borne by the government for cars with a 1500cc engine capacity of 50%.

In addition to tax incentives, trust in the authorities is also thought to be one of the driving factors for voluntary tax compliance. The phenomenon that occurred in early February 2023, namely a corruption case committed by a tax official, Rafael Alun Trisambodo, attracted many questions because the amount of assets of IDR 56 billion and a luxurious lifestyle were considered not by his position. The case of former tax official Rafael Alun Trisambodo has lost public trust in the Directorate General of Taxes (DGT) of the Ministry of Finance (Kemenkeu). This case sparked many anti-tax protests from the public because the community considered that the competent authorities did not carry out their duties properly and fairly. The results of [4] showed voluntary tax compliance can be improved through increasing taxpayer confidence in tax authorities. However, there is a lot of negative information spread in the media about corruption committed by tax officials, so taxpayers' trust in tax authorities decreases. To overcome this, a strong commitment is needed from the tax authority to improve its integrity so that there are no more tax officers entangled in corruption cases.

Modern society tends to have a high level of compliance with tax regulations, or voluntary compliance. The self-assessment system can be applied effectively if the level of voluntary compliance has been established in the community, so there is no need for forced action in fulfilling tax obligations. In addition, if taxpayers believe that tax revenues are put to good use for national development, then the level of voluntary compliance will increase. The level of voluntary tax compliance is critical in determining the amount of tax revenue that can be collected. states that voluntary tax compliance includes raising awareness to comply with applicable tax regulations and tax administration without any action from tax authorities. Voluntary tax compliance is compliance that occurs due to the taxpayer's trust in the tax authority. However, previous research has shown that voluntary tax compliance rates are still low, and this could be a serious problem for the country's economy and development in the future, especially in Indonesia. [5];[6] ;[7].

This study aims to analyze the role of providing tax incentives on *voluntary tax compliance* and identify the relationship between trust in authority and voluntary tax compliance. The theoretical benefit of this research is to add insight and knowledge about tax incentives, voluntary tax compliance, and trust in authority. The practical benefit of this research is to provide understanding and input to the

government on tax incentive policies, the importance of trust in the authority, and voluntary tax compliance.

II. RESEARCH METHODS

AnThis study used a quasi-experimental method obtained directly from the subjects of this study. The subjects in this study are students who are and have studied taxation. Before taking the data, materials on tax incentives and trust in the authorities in the field of taxation in Indonesia will be provided to the subjects. The subject will be asked to play the role of a taxpayer. According to Nahartyo and Utami (2016) in research that focuses on individual cognitive aspects in making decisions on the information provided, students can be accepted as professional reviewers.

Table-1: Experiment Matrix

Tax Incentives		Trust in Authority	
		Tall	Low
		Cell 1	Cell 2
	Exist	Cell 1	Cell 2
	None	Cell 3	Cell 4

This study used a 2 x 2 facial design used in designing this study. The first factor is tax incentives which consist of two levels, namely: taxpayers who are aware of tax incentives and taxpayers who are not aware of tax incentives. The second feature is trust in authority which also consists of two levels, namely taxpayers have high trust in authority and taxpayers have low trust in authority.

Table 2. Research Indicators

Variable	Indicator
Tax Incentives	Know what is meant by tax incentive programs.
	Knowing the existence of tax incentive programs.
Trust in Authority	The willingness of the taxpayer to pay taxes after having trust or not in the authority
Voluntary Tax Compliance	Register as a taxpayer voluntarily
	Pay taxes on time voluntarily
	Voluntary tax return reporting

A pilot test will be run to check the effectiveness of the research instrument before it is carried out on the real experiment. Before starting the experiment, subjects will be given material on tax incentives and trust in tax authorities in Indonesia. The study will use paper and pen media, with four different modules consisting of statements that will make the subject: (1) know tax incentives and have high confidence in authority; (2) know tax incentives and have low confidence in authority; (3) is unaware of tax incentives and has high trust in authority; (4) is unaware of tax incentives and has low trust in authority.

The first step in filling out the module is that the subject will be asked to fill in personal information such as age, gender, and GPA. After that, subjects will be asked to read and understand information about obligations as taxpayers and check manipulation of the assigned role. Furthermore, the subject will be given narratives containing statements that correspond to the module obtained to manipulate knowledge

about tax incentives (present or none). Then, the subject will be asked to give a rating score (10 to 100) to check understanding of the manipulation given. The higher the score given, the higher the knowledge regarding tax incentives. After that, the subject will be given a narrative to manipulate the conditions of trust in authority (high or low). The manipulation will be tested by the way subjects fill out a scoring score (on a scale of 10 to 100) to indicate their level of trust in authority. The higher the score filled, the higher the level of trust of the subject in authority. Furthermore, subjects will be asked to provide an assessment score regarding their decision to comply with tax regulations voluntarily, based on conditions of knowledge regarding tax incentives and trust in previous authorities. The final stage is to conduct a debriefing aimed at returning the subject to its original condition and providing an explanation for the situation given during the experiment.

In the analysis of this research data, several steps will be taken. First, descriptive statistical analysis will be carried out for research subject data. Furthermore, a randomization effectiveness test will be conducted using one-way ANOVA with dependent variables of compliance level and independent variables such as gender, age, and student Grade Point Average (GPA). Manipulation checking will also be carried out by determining the subject's answer score to the questions given, and the subject will be declared to have passed the manipulation check if they successfully answered two questions in the achievement test section correctly. Furthermore, hypothesis testing will be carried out using independent t-tests for the first and second hypotheses, and two-way ANOVA for the third hypothesis. In addition, an additional analysis of the results of the two-way ANOVA test will be carried out by comparing the significance value on the matrix of the results of the interaction between fairness and perception of the government to see the consistency of the experimental matrix and see the mean compliance level score of each cell.

III. RESULT AND DISCUSSION

Pilot tests are carried out before conducting real experiments. Pilot tests were conducted to ensure the manipulation was well received by participants in the study. The participants who participated in this experiment amounted to 103 people who passed the achievement test with the condition of answering at least two achievement tests correctly, namely 92 people. Data on the demographic characteristics of participants in this study are age, gender, and GPA as shown in table III. Based on the results of the data analysis, participants with the highest number of ages were 20 years (44.6%), followed by 21 years old (39.1%). The largest number of participants by gender was female as much as 53.3%. The GPA of most participants ranged from 3.00 – 3.50 as much as 70.7% followed by participants with a GPA of > 3.50 as much as 27.2%.

Table 3. Demographic Characteristics Of Participants

By Age		
Age	Sum	Percentage
19	2	2,2 %
20	41	44,6 %
21	36	39,1 %
22	7	7,6 %
23	1	1,1 %
24	5	5,4 %
Total	92	100 %
By Gender		
Gender	Sum	Percentage
Law Law	43	46,7 %
Woman	49	53,3 %
Total	92	100 %
Based on GPA		
IPC	Sum	Percentage
2,50 – 2,99	2	2,2 %
3,00 – 3,50	65	70,7 %
> 3,50	25	27,2 %
Total	92	100 %

Randomization tests were also conducted in this study. This was done to prove that demographic characteristics did not affect the experiments conducted. The test results showed that age, gender, and GPA variables did not affect tax compliance. This is indicated by each significant level of age (0.187); gender (0.890) and GPA (0.921) over 0.5. Thus randomization of all three demographic characteristics proved effective.

Table 4. Randomization Test

Demographic Characteristic Variables	Sig.
Age	0,187
Gender	0,890
IPC	0,921

The next step is to ensure the *treatment* has been well received by the participants. The results of the manipulation test are shown in Table V, namely, there is a significant difference in the variable tax incentive between the group with tax incentives and the group with no tax incentives ($\text{sig } 0.000 < 0.05$). The variable of trust in the authority also showed a significant difference between the group that had a high level of trust in the tax authority and the group that had low trust in the tax authority ($\text{sig. } 0.010 < 0.05$).

Table 5. Manipulation Test

Variable		Average	Sig.
Tax Incentives	Exist	79,78	0,000
	None	58,26	
Trust in Authority	Tall	73,48	0,010
	Low	42,83	

After confirming the effectiveness of randomization and manipulation has been well received, a hypothesis test is then

carried out. This study aims to analyze the role of providing tax incentives on voluntary tax compliance and identify the relationship between trust in authority and voluntary tax compliance. The results of data testing using *an independent sample t-test* show that hypothesis 1 is accepted as evidenced by significant differences in the level of voluntary tax compliance between taxpayers who are aware of tax incentives and those who are not (sig. $0.000 < 0.05$). Average voluntary tax compliance shows a higher level of tax compliance in the group of taxpayers who are aware of tax incentives (82.15) than taxpayers who are not aware of tax incentives (54.43). The results of this analysis show that if taxpayers are aware of tax incentives, the level of tax compliance will be higher than no incentives. Tax incentives encourage voluntary compliance because tax incentives reduce the tax burden that taxpayers have to bear. The results of this study are in line with research by Prasetyo (2020) and Nurhaini (2022) which states that the provision of tax incentives affects improving tax compliance.

Table 6. Test The Hypothesis

Hipotesis		Voluntary Compliance Average	Sig.
H1: Taxpayers who are aware of tax incentives will result in high voluntary tax compliance.	Exist	82,15	0,000
	None	54,43	
H2: Taxpayers who have high trust in the authority will result in high voluntary tax compliance.	Tall	76,22	0,000
	Low	60,37	
H3: Taxpayers who know tax incentives and have high trust in the authority will result in the highest voluntary tax compliance.	1. There Are Tax Incentives – Trust in High Authority	84,04	0,000
	2. There Are Tax Incentives – Trust in Authority Is Low	80,09	
	3. No Tax Incentives – Trust in High Authority	67,68	
	4. No Tax Incentives – Trust in Low Authority	42,29	

The test results also showed that hypothesis 2 was accepted. It is proven that there is a significant difference in the level of tax compliance between taxpayers who have high trust in tax authorities and those who do not (sig. $0.000 < 0.05$). Taxpayers who had high trust in tax authorities showed higher voluntary tax compliance rates (76.22) than those with low trust in tax authorities (60.37). The results of this analysis show that if taxpayers have high trust in tax authorities [8];[9];[10], it will result in higher voluntary tax compliance than those who have low trust in tax authorities. Trust in the

authorities is also proven to encourage voluntary tax compliance because taxpayers believe that the taxes they pay have been managed properly so that the tax compliance they do is not in vain or not enjoyed by only some people. The results obtained are in line with the research [11].

The same thing is shown by hypothesis 3, namely that taxpayers in the condition of knowing the existence of tax incentives and having high trust in tax authorities have the highest average level of voluntary tax compliance at 84.04 with a significance level of $0.000 < 0.05$. This shows that taxpayers who are aware of tax incentives and have high trust in tax authorities result in the highest voluntary tax compliance compared to other conditions [12];[13];[14]. As per Table VII, intercellular interaction tests are also conducted to see voluntary tax compliance based on the conditions created. The interaction test results showed a significant difference between cell 1 (no tax incentive – trust in high authority) cell 3 (no tax incentive – trust in high authority) and cell 4 (no tax incentive – trust in low authority). However, there was no significant difference between cell 1 (there was a tax incentive – trust in high authority) and cell 2 (there was a tax incentive – trust in low authority). This shows that tax incentives have a bigger role than trust in authority. Meanwhile, when viewed from the side of cell 4 (no tax incentive – trust in authority is low), there is a significant difference between cell 4 and the other three cells [15];[16]. This shows that knowing there are tax incentives and having high trust in tax authorities will indicate voluntary tax compliance is different, either under either one condition (knowing there are tax incentives or having high trust in tax authorities) or both (knowing there are tax incentives and having high trust in tax authorities) [17];[18].

Table 7. Interaction Test

Interactions between cells		Coefficient	Say.
Cell 1. There Are Tax Incentives – Trust in High Authority	Salt 2	3,9508	0,842
	Salt 3	16,3598*	0,005
	Salt 4	41,7500*	0,000
Cell 2. There Are Tax Incentives – Trust in Authority Is Low	Salt 1	-3,9508	0,842
	Salt 3	12,4091	0,061
	Salt 4	37,7992*	0,000
Cell 3. No Tax Incentives – Trust in High Authority	Salt 1	-16,3598*	0,005
	Salt 2	-12,4091	0,061
	Salt 4	25,3902*	0,000
Cell 4. No Tax Incentives – Trust in Low Authority	Salt 1	-41,7500*	0,000
	Salt 2	-37,7992*	0,000
	Salt 3	-25,3902*	0,000

The results of this interaction test show that taxpayers who are aware of tax incentives and have high trust in tax authorities will show different voluntary tax compliance, either only one of the conditions experienced by the taxpayer or those who experience both than those who do not experience both. In addition, this study also shows the role of tax incentives has a great influence when compared to trust in tax authorities. This is because tax incentives are felt directly by taxpayers, namely the tax incentives provided directly

reduce the tax burden that must be borne by taxpayers. Meanwhile, trust in tax authorities is not felt directly by taxpayers but affects taxpayers' psychology.

IV. CONCLUSIONS

Based on the results of the analysis, it can be concluded that taxpayers who are aware of tax incentives will result in high voluntary tax compliance. Taxpayers who have high trust in tax authorities also have high voluntary tax compliance. In addition, taxpayers who experience both conditions are aware of tax incentives and have high trust in tax authorities resulting in the highest voluntary tax compliance. The interaction results show that taxpayers who are aware of tax incentives and/or have high trust in tax authorities will demonstrate different voluntary tax compliance. The role of tax incentives has a great influence when compared to trust in tax authorities. This is because tax incentives are felt directly by taxpayers, namely the tax incentives provided directly reduce the tax burden that must be borne by taxpayers. Meanwhile, trust in tax authorities is not felt directly by taxpayers but affects taxpayers' psychology.

REFERENCES

- [1] Alm, J. (2012). Testing Behavioral Public Economics Theories in the Laboratory. *Journal of Public Economics*, 96(9), 873–882.
- [2] Bone, H., & Indriani, D. (2022). The Effect Of Trust And Love Of Money On Voluntary Tax Compliance And Coercive Tax Compliance Of Individual Taxpayers Registered At KPP Pratama Samarinda. *Journal of Accounting and Taxation*, 23(1), 16–30.
- [3] Gobena, L. A., & Van Dijke, M. (2015). Compliance behavior in an Ethiopian tax regime: The role of fairness perceptions and government communication. *Journal of Economic Psychology*, 51, 186–199.
- [4] Hakim, L., Suharto, E., Wahid, N., & Alamsyah, H. (2017). The effect of tax knowledge, tax awareness and tax penalties on tax compliance: Evidence from Indonesia. *International Journal of Law and Management*, 59(6), 907–922.
- [5] Hartanto, A. P., & Scouts, B. A. (2022). Tax compliance: A literature study. *Journal of Accounting*, 9(2), 246–266.
- [6] Hernat, O. P. (2021). Tax incentives in Indonesia during the Covid-19 pandemic. *Mabis*, 12(1).
- [7] Ministry of Finance. (n.d.). Early in 2023, tax growth is excellent. Retrieved February 22, 2023, from <https://kemenkeu.kemenkeu.go.id/informasi-publik/publikasi/berita-utama/Awali-Tahun-2023,-Pertumbuhan-Pajak-Sangat-Baik>
- [8] Luttmer, E. F. P., & Singhal, M. (2014). Tax Morale. *Journal of Economic Perspectives*, 28(4), 149–168.
- [9] Matasik, A. L., & Damayanti, T. W. (2019). Recurring Tax Amnesty and Legal Certainty in Tax Compliance in Indonesia: A Quasi Experiment. *ASSETS: Journal of Accounting and Education*, 8(2), 126–137.
- [10] Melese, K. (2013). The determinants of voluntary tax compliance behavior in developing countries: Evidence from Ethiopian taxpayers. *Journal of Business Studies Quarterly*, 4(4), 78–95.
- [11] Noviyanti, S., Agustianto, J. P., & Kusyeni, R. (2023). Analysis of the implementation of taxpayer extensification in increasing personal income tax revenue at KPP Pratama Jakarta Kembangan in 2020–2021. *Journal of Public Administration Sciences*, 3, 51–64.
- [12] Permata, F. A., Setiawan, A., & Pranoto, P. (2014). The effect of justice, tax experience, and tax sanctions on taxpayer compliance in Malang City. *Scientific Journal of Accounting Economics Students*, 2(1), 1–16.
- [13] Radityo, D., Kalangi, L., & Gamaliel, H. (2019). Testing of Voluntary Tax Compliance Model on Individual Taxpayers at the Manado Pratama Tax Service Office. *JOURNAL OF ACCOUNTING AND AUDITING RESEARCH "GOODWILL,"* 10(2). <https://doi.org/10.35800/jjs.v10i2.26623>
- [14] Radityo, R., Faisal, F., & Yuniawan, A. (2019). The effect of trust in authorities and tax knowledge on voluntary tax compliance: Evidence from Indonesia. *Journal of Accounting and Taxation*, 11(5), 82–90.
- [15] Rizal, F. (2022). The effect of tax incentives on tax compliance with trust in authority as a mediation variable. *Journal of Accounting and Taxation*, 23(1), 58–68.
- [16] Sholih, M. W., Chariri, A., & Ubaidillah, M. (2020). Religiosity, Procedural Fairness, Trust in Tax Authorities, and Voluntary Tax Compliance. *Journal of Accounting, Finance and Auditing*, 1(2), 20–41. <http://publikasi.dinus.ac.id/index.php/jaka>
- [17] Simanjuntak, M., & Mukhlis, I. (2012). Factors affecting taxpayer compliance in tax return reporting. *Journal of Multiparadigm Accounting*, 3(1), 1–16.
- [18] Sitindaon, H., & Bandiyono, S. (2021). The impact of tax socialization and public trust on voluntary tax compliance in Indonesia. *Journal of Accounting and Taxation*, 13(1), 1–11.
- [19] Torgler, B., & Schneider, F. (2007). The Impact of Tax Morale and Institutional Quality on the Shadow Economy. *The Impact of Tax Morale and Institutional Quality on the Shadow Economy*, 28(2), 338–360.