Analysis of the Effectiveness of the Voluntary Disclosure Program on Taxpayer Compliance at the Koja Pratama Tax Service Office in 2022

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ABSTRACT: This research is motivated by taxpayers' lack of awareness in fulfilling their tax obligations and disclosing their assets in annual tax returns, resulting in decreased compliance levels and tax ratio in Indonesia. The government has implemented a Voluntary Disclosure Program to encourage taxpayers to fulfill their obligations and disclose their assets voluntarily, with the expectation of improving compliance. This study aims to analyze the effectiveness of the program's implementation at the Koja Pratama Tax Service Office in 2022, including identifying inhibiting factors and efforts made to implement the program. Qualitative research methods were used, with primary data obtained from informant interviews and secondary data from interviews, observations, and documentation. The results indicate that while concrete targets have been achieved, they have not significantly impacted taxpayer compliance due to suboptimal target setting and realization. Obstacles faced in implementing the program include limited knowledge of potential participants due to an online mechanism and limited field access for employees. Efforts are being made to maximize data on potential taxpayers to increase participation rates.

Keywords: Effectiveness, Voluntary Disclosure Program, Taxpayer Compliance

INTRODUCTION

The Indonesian government has enacted the Harmonization of Tax Regulations Act (HTRA) on October 7, 2021. The HTRA includes several new tax regulations, one of which is the Voluntary Disclosure Program (VDP) for Taxpayers. The objective of the VDP is to encourage tax compliance by allowing taxpayers to disclose undisclosed assets. The Ministry of Finance has stated that the target of this program is not to increase state revenue, but rather towards long-term voluntary compliance by taxpayers (González Canché, 2022; Liu et al., 2011).

There are several similarities between the VDP and the 2016 tax amnesty. Firstly, both programs share the same target of strengthening tax compliance. Secondly, the target participants of the VDP and tax amnesty are similar. During the tax amnesty, all taxpayers, including individuals and

businesses, were targeted for asset disclosure, while the VDP targets taxpayers who have participated in the tax amnesty. Thirdly, the VDP also aims for voluntary repatriation of assets from the participants. Lastly, there are no penalties for voluntary asset disclosure in both the tax amnesty and the VDP, although the VDP has a different rate compared to the tax amnesty (Christl et al., 2020; Cnossen, 2018; Drucker et al., 2020; Murray, 1997; Ravenda et al., 2020).

However, looking further, after the tax amnesty program, Indonesia's tax ratio has experienced a declining trend. Since 2016, the tax ratio has decreased from 9.2 percent to 9 percent. In 2017, it further decreased to 8.5 percent, and in 2018, it only slightly increased to 8.8 percent. Then, in 2019, Indonesia's tax ratio dropped again to 8.4 percent, and in 2020, it sharply declined to 6.9 percent due to the impact of the Covid-19 pandemic. If the main objective of the VDP is to increase taxpayer compliance, then the failure of the tax amnesty program suggests otherwise .

Learning from the failure of the 2016 tax amnesty, the Institute for Development of Economics and Finance (INDEF) stated that the tax amnesty was unsuccessful. The realization of state revenue from repatriated capital during the tax amnesty fell far short of the target, reaching only Rp147 trillion out of the estimated Rp1,000 trillion. Furthermore, there were issues with repatriated capital data, with only Rp138 trillion being repatriated within one year after the tax amnesty ended .

Moreover, there was no significant increase in tax revenue as promised after the tax amnesty program. Some countries have implemented multiple tax amnesty programs. In this article, we will briefly discuss the tax amnesty programs in Argentina and Ireland. In Argentina, the first implementation of tax amnesty in 1987 faced challenges and failures due to the lack of changes in the tax system and the frequency of tax amnesty programs. This policy was also not accompanied by increased tax enforcement. In 2009, a partial tax amnesty was reintroduced, aimed at stopping criminal charges against tax evaders. Argentina involved the OECD in implementing the tax amnesty, with the cooperation making it difficult for taxpayers to hide their assets abroad. The success of Argentina was also supported by clear regulations and sanctions, attractive tax rates, and high levels of public trust in their new government (Brunner et al., 2013; Jara et al., 2023; Revesz, 2020; Sørensen, 1994).

On the other hand, the first tax amnesty program in Ireland had a policy of allowing non-compliant taxpayers to pay their obligations without the threat of penalty fines and interest or prosecution. This was followed by subsequent tax amnesty programs with different policies and rates. However, the success of Ireland's tax amnesty programs was also supported by strong tax enforcement measures and effective communication with taxpayers (Alvarez et al., 2019; Dawkins, 2013; Dzhurbina & Fateev, 2016; Maharani & Baroroh, 2020; Mashuri & Ermaya, 2019)

In conclusion, while the Voluntary Disclosure Program (VDP) in Indonesia shares similarities with the tax amnesty program, the failure of the tax amnesty in achieving its objectives raises questions about the effectiveness.

METHOD

This study uses the method of qualitative method (Boyd & Ashley, 2006; Bräutigam et al., 2019). According to Miles & Huberman (1992:16), analysis consists of three concurrent activities: data reduction, data presentation, and drawing conclusions/verification. These three activities are further elaborated as follows:

1. Data Reduction: Data reduction refers to the process of selection, focusing on simplification, abstraction, and transformation of raw data from field notes. Data reduction occurs continuously throughout the qualitative research project. Anticipation of data reduction is evident when the researcher decides (often unconsciously) the conceptual framework of the research area, research questions, and data collection approach. During data collection, further stages of reduction take place (e.g., summarizing, coding, identifying themes, creating clusters, making partitions, writing memos). Data reduction/transformation continues even after field research, until a complete final report is composed. Data reduction is part of analysis, which sharpens, classifies, directs, eliminates unnecessary elements, and organizes data in such a way that final conclusions can be drawn and verified. Data reduction does not necessarily have to be quantification. Qualitative data can be simplified and transformed in various ways, such as through strict selection, summarization, categorization into broader patterns, etc. Occasionally, data can also be converted into numbers or rankings, but this action is not always wise.

2. Data Presentation: Miles & Huberman define data presentation as a set of organized information that allows for drawing conclusions and taking actions. They believe that better data presentations are a key way to ensure valid qualitative analysis, including various types of matrices, graphs, networks, and charts. All of these are designed to combine organized information in a cohesive and easily understandable form. Thus, an analyst can see what is happening and determine whether drawing the correct conclusions or continuing the analysis according to the suggestions conveyed by the presentation may be useful.

3. Drawing Conclusions: According to Miles & Huberman, drawing conclusions is just part of a whole configuration of activities. Conclusions are also verified during the research process. Verification may involve a brief reconsideration that crosses the analyst's mind (researcher) while writing, a review of field notes, or it may be more thorough and labor-intensive with a reexamination and exchange of ideas among peers to develop intersubjective agreement or extensive efforts to place a finding within a set of other data. In short, the meanings that emerge from other data must be tested for their accuracy, reliability, and fit, which is their validity. Final conclusions do not only occur during the data collection process, but they need to be verified to be truly accountable..

RESULT AND DISCUSSION

This research aims to determine the effectiveness of the Voluntary Disclosure Program on tax compliance in the Koja sub-district of North Jakarta by conducting research at the Koja Pratama Tax Office in North Jakarta. The results of this research are obtained through data collection

process, using documentation techniques, and conducting interviews to obtain primary data. Interviews are conducted with informants to obtain reliable information. In addition, the researcher also conducts field research to obtain secondary data.

The research results have been compiled based on the data collection process, which includes primary data. Primary data refers to data obtained directly by the researcher from original sources. The primary data for this research was collected through in-depth interviews with informants related to the voluntary disclosure program. The informants include Mr. Jummy (as part of the counseling and public relations division of KPP Pratama Koja), Mr. Raihan (as part of the general and internal compliance division of KPP Pratama Koja), Mr. Dian Wahyudin (as a lecturer at STIAMI), Mr. Afdan (as a taxpayer), Mr. Suswanto (as a taxpayer), and Mr. Manto (as a taxpayer).

The results of the interviews are presented in Table IV. 2 in the form of verbatim tables. The first interview question is about the target of the voluntary disclosure program, and the informants provided answers regarding the target taxpayers who have participated in the tax amnesty program before December 31, 2015, or taxpayers who have disclosed their assets from 2016 to 2020. The second interview question is about the objective of the voluntary disclosure program, and the informants mentioned that the main objective is to increase state revenue, especially during the COVID-19 pandemic, and to improve taxpayer compliance.

In conclusion, there are two categories of targets in the voluntary disclosure program: taxpayers who have participated in the tax amnesty program before December 31, 2015, and taxpayers who have not disclosed their assets from 2016 to 2020, specifically for individual taxpayers. The main objective of the program is to increase state revenue and improve taxpayer compliance.

The voluntary disclosure program (PPS) has achieved its goals according to the informants. It has been effective in increasing taxpayer compliance and revenue collection. The procedure for PPS involves first conducting socialization to inform taxpayers about the program and providing them with links to tutorials and step-by-step instructions for participation. Taxpayers can report their assets online through self-assessment, and the reported data will be reviewed by tax officials at the Koja Tax Office. If the reported data meets the requirements, taxpayers will receive proof of acceptance. However, if the reported data is found to be inconsistent with the regulations, the process can be cancelled. The PPS has a dedicated call center to address any inquiries related to the program. Overall, the PPS has been successful in achieving its objectives in increasing taxpayer compliance in the Koja Tax Office.

The limitation of online system compared to face-to-face interaction, as it is difficult to determine the potential of individuals based solely on data, and the movement is restricted. The inability to maximize knowledge about potential individuals due to limited data and restricted movement. The awareness of taxpayers in participating in the program and disclosing their actual assets.

In conclusion, the obstacles in implementing the Voluntary Disclosure Program are limited data and restricted movement due to COVID-19, which hinder the ability to identify potential

participants directly, and the awareness of taxpayers in participating in the program and disclosing their assets.

The quality and capability of human resources at KPP Pratama Koja has improved due to the online system, which has made it easier to handle a large number of taxpayers in the area. The online system has reduced the need for manpower and streamlined procedures, allowing for online consultations and interactions with taxpayers. The facilities and infrastructure at KPP Pratama Koja are considered sufficient to support the activities of employees and the needs of taxpayers. The office provides the necessary resources, including those specifically for taxpayers, to facilitate their compliance. The Program Pengungkapan Sukarela (Voluntary Disclosure Program) is expected to improve taxpayer compliance as it provides an opportunity for taxpayers to voluntarily disclose their assets, with specific rates and sanctions for undisclosed assets. The government's expectation is to increase taxpayer compliance through this program (Bynner et al., 2022; Santis et al., 2019).

The efforts made by KPP Koja to overcome the barriers in the voluntary disclosure program include maximizing the data they have, providing guidance, and sending letters to encourage participation.

Based on Table IV.3, it is known that taxpayer compliance data from 2018 to 2020 was lower than the target, with only a slight increase in 2021 to 101% in terms of percentage, but the target and realization of taxpayer compliance decreased. This indicates that the increase in the percentage of taxpayer compliance in KPP Pratama Koja is due to the lowering of targets based on the previous year's realization, whereas it should be based on predictions of potential future revenue.

Based on Table IV.4, it is known that the realization of taxpayers participating in the Voluntary Disclosure Program has exceeded the target. However, the target and realization of taxpayers participating in the program were not maximized due to limited knowledge of which taxpayers have the potential to participate, and it is based on limited data. Additionally, there is a lack of human resources directly involved in the field or potential areas, due to mobility limitations caused by COVID.

The research was conducted based on data obtained from interviews with certain parties, written data (secondary data), aiming to determine the effectiveness of the voluntary disclosure program in optimizing tax compliance at the Pratama Tax Service Office Jakarta Koja in 2022. The research on the effectiveness of the voluntary disclosure program on taxpayer compliance is based on the theory of effectiveness by Duncan (in Steers 1985:53), which includes goal attainment, integration, and adaptation. To further examine the implementation of the voluntary disclosure program by the Pratama Tax Service Office Koja, the researcher conducted interviews with relevant informants regarding the effectiveness of the organization through the measurement of goal attainment, integration, and adaptation. Goal attainment refers to the achievement of set targets in terms of quality, quantity, and time. Effectiveness is generally associated with productivity and focuses on achieving the set goals. The research calculates the effectiveness of the voluntary disclosure program by comparing the actual participants of the program with the target participants

set by the Pratama Tax Service Office Jakarta Koja. Based on the target number of taxpayers participating in the voluntary disclosure program, which is 326, and the actual number of taxpayers participating in the program, which is 922, the effectiveness of the voluntary disclosure program is calculated to be 282%. This indicates a high level of effectiveness in increasing taxpayer compliance through the voluntary disclosure program at the Pratama Tax Service Office Jakarta Koja.

CONCLUSION

Based on the Data Findings, Data Results and Discussions that the researchers have conveyed, it can be concluded:

1. The effectiveness of the Voluntary Disclosure Program on tax compliance at the Koja Pratama Tax Office in Jakarta can be seen from the achievement of objectives, integration, and adaptation. In terms of achieving objectives, it is observed that the concrete targets have been achieved, but they have not had a significant impact on tax compliance due to suboptimal target setting and realization, which is why it is considered ineffective. The integration criteria are reviewed from the aspect of socialization process, where continuous socialization about the voluntary disclosure program is needed to improve effectiveness with the hope of generating public understanding and increasing tax compliance. The limitations of employees in conducting socialization and the lack of intensity of socialization to the public are considered ineffective. The adaptation criteria are reviewed from the aspect of human resources and infrastructure, where the capacity of human resources is still limited. On the other hand, the infrastructure aspect is well provided by the Koja Pratama Tax Office to meet the needs of employees and the public. However, the limited number and capacity of field officers in conducting tax identification and socialization in the field are considered ineffective.

2. The constraints that occur in the implementation of the Voluntary Disclosure Program at the Koja Pratama Tax Office are:
   a. Limited data on potential taxpayers who could participate in the Voluntary Disclosure Program.
   b. Lack of human resources directly involved in socialization and field data collection due to limited mobility.

3. The efforts made by the Koja Pratama Tax Office to overcome obstacles in the implementation of the Voluntary Disclosure Program are:
   a. Maximizing the use of tax data that the Koja Pratama Tax Office has to reach all potential taxpayers.
   b. Sending emails to potential targets of the Voluntary Disclosure Program for communication and socialization purposes.

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