

**Curtin Business School  
Curtin Law School**

**The Role of Professional Tax Consultants in the Indonesian Tax System**

**Ahmad Komara**

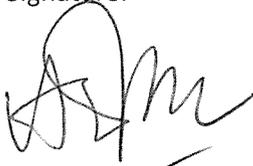
**This thesis is presented for the Degree of  
Doctor of Philosophy  
of  
Curtin University**

**August 2017**

## DECLARATION

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgement has been made. This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

Signature:

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by a series of connected loops and a final flourish.

Date: 4 August 2017

## ABSTRACT

This research investigated the role of professional tax consultants in the Indonesian tax system as well as factors affecting their decisions when advising clients. The focus of the investigation was on the practical roles played by tax consultants. However, the conceptual roles studied in previous research were also examined. Factors influencing tax consultants when providing advice investigated were grouped into three major categories based on features related to the client, decision context and tax consultants. The relationship between several major personal attributes and both the roles of and factors affecting tax consultants was also explored.

In this study, a mixed method approach was adopted combining a survey, interviews and focus group discussion (FGD). The survey generated 343 responses yielding a 14.20% response rate. Ten tax consultants from various backgrounds were recruited from the survey respondents to participate in the interviews. The FGD was organised once and involved 10 participants who were recruited by a gate keeper.

The study revealed that from a practical perspective tax consultants in Indonesia played a substantial role in the stage of tax return submission compared with the roles played before and after the phase. The proportion of the three groups of roles was 23.9% before, 48.6% during and 27.3% after the submission of tax returns. From a conceptual point of view, four major roles of tax consultants in the tax system were identified. Tax consultants may play a role as a taxpayer ally or a government supporter. When tax consultants play both roles to a relatively equal degree, they may be referred to as a hybrid tax agent. The final key role is that of a government sparring partner where tax consultants can challenge tax policies introduced by the government.

The study also revealed that there is a statistical relationship between the roles played by tax consultants and their personal attributes, except gender and educational background. Generally, it was indicated that the higher the level of certificate held, the older the age of tax consultants, the higher the level of education and the lengthier the experience of tax consultants, the more they played roles in the stage of tax return submission and in the subsequent processes after the return submission, and vice versa.

Regarding the second topic of the study, overall it was revealed that features related to the decision context outweighed the other two categories, which were client-related and tax

consultant–related features. The proportions were 30.35 representing client-related, 35.33 representing decision context–related and 34.32 representing tax consultant–related. This implies that the most influential factors on tax consultants when providing advice to clients were elements within the decision context category.

The study also showed a statistical relationship between 14 factors affecting tax consultants and personal attributes. The relationships, in general, imply that the associated factors would have more significant influence on the advice provided by tax consultants who hold a higher level of certificate, are older in age, higher in level of education and higher in position, and who have lengthier experience. Gender and background of education were excepted since these attributes were not sequenced on the basis of ranking.

Based on the findings, this study offers several recommendations to both the Government of Indonesia and tax consultants in Indonesia. The government, particularly the Directorate General of Taxes (DGT), as the Indonesian tax authority is recommended to commission more research on the role of tax consultants in the tax system and continuously reduce the number of grey areas in tax laws and regulations. Meanwhile, tax consultants are recommended to refrain from exploiting the loopholes of tax laws and regulations because this undermines the integrity of the tax system.

Despite its considerable contributions, this study acknowledges several limitations. The responses of the survey may contain bias because of the influence of tax consulting firms' policies to which respondents may be attached. Second, the number of interview participants and FGDs might need to be increased to gain a fuller understanding of the issues investigated. Finally, the reasons behind the relationship between both the role of tax consultants and the factors affecting them when advising clients, and personal attributes may need to be more studied.

## DEDICATION



### **To my dearest family**

My wife: *Soraya Dewi Sundari, S. Sos.*  
My children: *Fadhilah Aydan Kusuma, Hikmadhia Ariq Khairizky, Rafferty Aufa Kencana*

For their perpetual support, sacrifice and patience.

### **To my beloved parents**

My father: *Suwanda*  
My mother: *Sumiyati*

For their genuine love and endless prayers.

*'Verily! In the creation of the sky and the earth, and in the alteration of the night and the day, there are indeed signs for those with understanding'*  
(QS 3: 190)

## ACKNOWLEDGEMENTS

All praises and thanks be to Allah SWT, the Most Gracious and the Most Merciful for all the peace and blessings without which my doctoral journey could not have been finalised.

In this delightful opportunity, I would like to acknowledge my gratitude and appreciation to a few of numerous people who have supported and assisted me along my study journey. First, I would like to extend my truly grateful and appreciation to Professor Dale Pinto, my current main supervisor, who has provided me with deep insights and firm guidance during my efforts finishing this thesis while allowing me to work independently. To my associate supervisor Associate Professor Helen Hodgson I express my heartfelt thanks for her important support and constructive comments. I would also like to offer my sincerest gratitude to Professor Jeff Pope, my former main supervisor, for his continuous support from the very beginning of my study until I finalised my doctoral candidacy.

Let me also express my heartfelt thanks to Sukiatto Oyong and Teddy T. Suryoprabowo, respectively the President and Secretary General of the Association of Indonesian Tax Consultants (2014) for assisting me in undertaking the survey of this research. My sincere thanks also go to Sugianto and Wahyu Nuryanto for supporting me to organise an FGD for this study. Without their help, the data collection through survey and FGD might not have been successfully completed.

My sincere thanks are also owed to all colleagues in the Directorate General of Taxes office for their support and help, including Agung Budiwijaya, Muhamad Faisal Artjan and Bimo Nurendro. Similarly, I wish to extend my thanks to all fellow students in Perth (Budi Susila, Gorga Parlaungan, Budi Cahyono, Agung Kris, M. Abdul Khobir, Abid Halim and others) for all their support and encouragements. To Diana Williams and family in Perth, who have made my family feel at home when accompanying me studying, I also extend my warmest thanks.

Most of all, my special thanks and appreciation are due to my dearest wife, Soraya Dewi Sundari, my children Fadhilah Aydan Kusuma, Hikmadhia Ariq Khairizky and Rafferty Aufa Kencana for all the tears and sacrifices, patience and perpetual support during my study here in Perth, until the very end. Likewise, to my mother and father, my mother-in-law, my brothers, my sisters and brothers-in-law, and all other family members, deepest thanks for all their encouragement and prayers.

## CONFERENCE PRESENTATION

### Conference Presentation

Komara, Ahmad (2017). *Tax Practitioners' Role in the Tax System: Some Evidence from Indonesia*. Paper presented at the 29<sup>th</sup> Australasian Tax Teachers Association (ATTA) Conference, Victoria University of Wellington, Wellington, New Zealand.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ABSTRACT</b> .....	<b>iii</b>
<b>DEDICATION</b> .....	<b>v</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>vi</b>
<b>CONFERENCE PRESENTATION</b> .....	<b>vii</b>
<b>TABLE OF CONTENTS</b> .....	<b>viii</b>
<b>LIST OF APPENDICES</b> .....	<b>xii</b>
<b>LIST OF TABLES</b> .....	<b>xiii</b>
<b>LIST OF FIGURES</b> .....	<b>xv</b>
<b>LIST OF ABBREVIATIONS, ACRONYMS AND INDONESIAN TERMS</b> .....	<b>xvi</b>
<b>KEY GLOSSARY</b> .....	<b>xviii</b>
<b>CHAPTER 1 INTRODUCTION</b> .....	<b>1</b>
1.1 Background .....	1
1.2 Research on Tax Compliance and Tax Practitioners .....	2
1.2.1 Development of Research on Tax Compliance .....	2
1.2.2 International Development of Research on Tax Practitioners.....	3
1.2.3 Development of Research on Tax Practitioners in Indonesia .....	5
1.3 Indonesian Taxation.....	6
1.3.1 Background .....	6
1.3.2 Indonesian Tax System and Administration.....	8
1.4 Problem Statement.....	12
1.5 Research Objective .....	12
1.6 Significance of the Study .....	13
1.7 Key Terminologies .....	14
1.7.1 Tax Compliance .....	14
1.7.2 Professional Tax Consultants .....	14
1.7.3 Aggressive Tax Planning.....	15
1.8 Thesis Structure .....	15
1.9 Summary.....	17
<b>CHAPTER 2 LITERATURE REVIEW</b> .....	<b>18</b>
2.1 Introduction .....	18
2.2 Research on Tax Compliance .....	18
2.2.1 Definition of Tax Compliance .....	18
2.2.2 Tax Compliance Determinants.....	21
2.2.3 Tax Compliance–Related Theoretical Areas .....	22
2.3 Research on Tax Practitioners .....	23
2.3.1 Background .....	23
2.3.2 Motives of Taxpayers Engaging Tax Practitioners .....	24
2.3.3 The Role of Tax Practitioners in the Tax System.....	27
2.3.4 Factors Influencing Tax Practitioners When Advising Clients .....	29
2.3.5 The Impacts of Tax Practitioners’ Advice on Tax Compliance .....	34
2.4 Research on Tax Compliance in Indonesia .....	38
2.4.1 Background .....	38

2.4.2 Research on Tax Compliance and Tax Practitioners in Indonesia.....	38
2.5 Chapter Summary .....	40
<b>CHAPTER 3 RESEARCH DESIGN AND METHODS.....</b>	<b>41</b>
3.1 Introduction .....	41
3.2 Research Design.....	41
3.2.1 Research Paradigm .....	41
3.2.2 Mixed Methods Approach .....	42
3.3 Ethical Considerations .....	44
3.4 Survey .....	44
3.4.1 Background .....	44
3.4.2 Web-Based Survey .....	45
3.4.3 Population, Sample and Access .....	46
3.4.4 Pilot Study .....	48
3.4.5 Survey Development and Measurement.....	49
3.4.6 Data Collection Procedures.....	54
3.4.7 Data Analysis.....	56
3.5 Interviews .....	60
3.5.1 Background .....	60
3.5.2 Selection of Participants .....	61
3.5.3 Instrument Design.....	62
3.5.4 Data Collection Procedures.....	62
3.5.5 Data Analysis.....	63
3.6 Focus Group Discussion .....	65
3.6.1 Background .....	65
3.6.2 Selection of Participants .....	65
3.6.3 Data Collection Procedures.....	66
3.6.4 Data Analysis.....	66
3.7 Chapter Summary .....	67
<b>CHAPTER 4 TAXATION IN INDONESIA AND THE INVOLVEMENT OF PROFESSIONAL TAX CONSULTANTS IN THE TAX SYSTEM.....</b>	<b>68</b>
4.1 Introduction .....	68
4.2 Taxation in Indonesia.....	68
4.2.1 Background .....	68
4.2.2 Tax Laws and Types of Taxes in Indonesia .....	70
4.2.3 Tax Administration .....	73
4.2.4 Tax Revenue Performance .....	74
4.3 The Involvement of Professional Tax Consultants in the Tax System .....	78
4.3.1 Background .....	78
4.3.2 Tax Consultants and Their Organisation .....	78
4.3.3 Indonesian Tax Cycle.....	81
4.4 Government Policy Regarding Professional Tax Consultants .....	89
4.4.1 Legal Frameworks .....	89
4.4.2 Taxpayers' Representative and Proxy.....	90
4.4.3 Tax Consultants and Non-Tax Consultants .....	91
4.4.4 Tax Consultant Information System.....	93
4.5 Chapter Summary .....	93
<b>CHAPTER 5 THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM .....</b>	<b>94</b>
5.1 Introduction .....	94
5.2 Findings from Survey .....	94

5.2.1 Background .....	94
5.2.2 Response Rate and Representativeness of Respondents.....	95
5.2.3 Non-Response Bias .....	96
5.2.4 Respondents' Profile .....	97
5.2.5 Main Findings.....	99
5.2.6 Supplementary Findings .....	104
5.3 Interviews .....	107
5.3.1 Background .....	107
5.3.2 Profile of Participants.....	108
5.3.3 The Role of Tax Consultants.....	109
5.4 Focus Group Discussion .....	116
5.4.1 Background .....	116
5.4.2 Profile of Participants.....	117
5.4.3 Main Findings.....	118
5.5 Chapter Summary .....	120
<b>CHAPTER 6 FACTORS AFFECTING PROFESSIONAL TAX CONSULTANTS WHEN</b>	
<b>ADVISING CLIENTS.....</b>	<b>122</b>
6.1 Introduction .....	122
6.2 Findings from Survey .....	122
6.2.1 Background .....	122
6.2.2 Response Rate and Representativeness of Respondents.....	123
6.2.3 Non-Response Bias .....	124
6.2.4 Profile of Respondents.....	125
6.2.5 Main Findings.....	127
6.3 Interviews .....	134
6.3.1 Background .....	134
6.3.2 Profile of Participants.....	135
6.3.3 Main Findings.....	135
6.4 Focus Group Discussion .....	144
6.4.1 Background .....	144
6.4.2 Profile of Participants.....	144
6.4.3 Main Findings.....	144
6.5 Chapter Summary .....	148
<b>CHAPTER 7 DISCUSSION OF RESEARCH FINDINGS .....</b>	<b>149</b>
7.1 Introduction .....	149
7.2 The Role of Tax Consultants .....	149
7.2.1 Practical Roles .....	149
7.2.2 Conceptual Roles .....	162
7.2.3 Tripartite Relationship .....	166
7.2.4 The Relationship Between Personal Attributes and the Role of Tax Consultants.....	168
7.3 Factors Affecting Tax Consultant when Advising Clients.....	170
7.3.1 Background .....	170
7.3.2 Factors Influencing Tax Consultants .....	171
7.3.3 Relationship Between Personal Attributes and Influencing Factors .....	180
7.4 Chapter Summary .....	183
<b>CHAPTER 8 CONCLUSIONS, RECOMMENDATIONS AND RESEARCH LIMITATIONS .....</b>	<b>185</b>
8.1 Introduction .....	185
8.2 Conclusions.....	185
8.2.1 The Role of Tax Consultants.....	185

8.2.2 Factors Affecting Tax Consultants When Providing Advice .....	191
8.3 Policy Recommendations .....	195
8.4 Limitations of the Study.....	197
8.5 Recommendations for Future Research .....	198
8.6 Concluding Remarks .....	199
<b>REFERENCES.....</b>	<b>200</b>
<b>APPENDICES.....</b>	<b>213</b>

## LIST OF APPENDICES

APPENDIX A: Additional Findings.....	213
APPENDIX B: Organisational Structure of the Directorate General of Taxes .....	220
APPENDIX C: Pilot Study Evaluation Sheet (Indonesian and English Versions) .....	221
APPENDIX D: Pre-Notification Letter of Survey (Indonesian and English Versions) .....	223
APPENDIX E: Appearance of Survey Link on IKPI Website.....	225
APPENDIX F: Survey with Cover Sheet (Indonesian Version) .....	226
APPENDIX G: Survey with Cover Sheet (English Version) .....	235
APPENDIX I: Friendly Reminders #1, #2 and #3 (English Version) .....	245
APPENDIX J: Interview Information Sheet (Indonesian and English Versions).....	248
APPENDIX K: Interview Consent Form (Indonesian and English Versions).....	250
APPENDIX L: Interview Indicative Questions (Indonesian and English Versions).....	252
APPENDIX M: List of FGD Attendance.....	254
APPENDIX N: Thank You Note (Indonesian and English Versions) .....	256
APPENDIX O: Research Ethics Approval.....	258

## LIST OF TABLES

Table 3.1: Factors Affecting Tax Consultants When Advising Clients .....	52
Table 4.1: Current Indonesian Tax Laws .....	71
Table 4.2: Tax Revenue Performance Fiscal Year 2005–2014 .....	76
Table 4.3: Tax Revenue Per Type of District Tax Office .....	76
Table 4.4: Tax Return Submission Compliance .....	77
Table 4.5: List of Government Regulations on Tax Consultants .....	89
Table 5.1: Usable Responses.....	95
Table 5.2: Representativeness of Respondents.....	96
Table 5.3: Wave Analysis—The Role of Tax Consultants .....	96
Table 5.4: Types of Certificate and Gender of Respondents .....	97
Table 5.5: Educational Level and Age of Respondents .....	98
Table 5.6: Position and Educational Background of Respondents .....	98
Table 5.7: Number of Firm’s Branches and Length of Experience of Respondents.....	99
Table 5.8: Number of Employees and Years of Experience at Current Tax Firm .....	99
Table 5.9: Cross-Tabulated Data of the Practical Role and the Level of Certificate .....	101
Table 5.10: Relationship Between the Role and Level of Certificate.....	102
Table 5.11: Relationship Significance Between the Role and the Level of Certificate .....	103
Table 5.12: Type of Taxpayer Served by Tax Consultants.....	105
Table 5.13: Type of Tax Affairs Dealt with by Tax Consultants .....	105
Table 5.14: The Percentage of Tax Objections and Appeals Granted.....	106
Table 5.15: Type of Cases Mostly Requested for Tax Planning .....	107
Table 5.16: Profile of Participants in the Interviews.....	108
Table 5.17: Conceptual Role of Tax Consultants—Taxpayer Ally .....	110
Table 5.18: Conceptual Role of Tax Consultants—Mixed Role.....	111
Table 5.19: Motives of Taxpayers Engaging Tax Consultants—Lack of Capacity.....	113
Table 5.20: Motives of Taxpayers Engaging Tax Consultants – Complying the Tax Laws....	114
Table 5.21: Motives of Taxpayers Engaging Tax Consultants—Minimising Tax Exposure ..	114
Table 5.22: Motives of Taxpayers Engaging Tax Consultants—Mitigating Tax Risks.....	115
Table 5.23: List of Participants in the Focus Group Discussion.....	117
Table 5.24: Role of Tax Consultants—Dual Roles .....	118
Table 5.25: Role of Tax Consultants—Government Sparring Partner .....	119
Table 6.1: Usable Responses.....	123
Table 6.2: Representativeness of Respondents.....	124

Table 6.3: Wave Analysis of Responses—Factors Affecting Tax Consultants .....	124
Table 6.4: Types of Certificate and Gender of Respondents .....	125
Table 6.5: Educational Level and Age of Respondents .....	125
Table 6.6: Position and Educational Background of Respondents .....	126
Table 6.7: Number of Firm’s Branches and Length of Experience.....	127
Table 6.8: Number of Employees and Years of Experience at Current Tax Firm.....	127
Table 6.9: Client-Related Features.....	129
Table 6.10: Relationship Between Personal Attributes and Client-Related Features .....	130
Table 6.11: Decision Context Features .....	131
Table 6.12: Relationship Between Personal Attributes and Decision Context Features .....	132
Table 6.13: Tax Consultant–Related Features .....	133
Table 6.14: Relationship Between Personal Attributes and Tax Consultant–Related Features.....	134
Table 6.15: Factors Affecting Tax Consultants—Nature of the Transaction.....	136
Table 6.16: Factors Affecting Tax Consultants—Pertinent Tax Regulations.....	136
Table 6.17: Factors Affecting Tax Consultants—Tax Risks.....	137
Table 6.18: Definition of Grey Area .....	140
Table 6.19: Use of the Grey Area .....	141
Table 6.20: Factors Affecting Tax Consultants When Advising Clients—FGD .....	145
Table 7.1: Relationship Between Personal Attributes and the Role of Tax Consultants .....	169
Table 7.2: Ranking of Factors Influencing Tax Consultants .....	172
Table 7.3: Relationship Between Personal Attributes and Influencing Factors.....	181
Table 8.1: Summary of the Role of Tax Consultants in the Indonesian Tax System .....	186
Table 8.2: Summary of the Relationship Between Personal Attributes and the Role of Tax Consultants .....	191
Table 8.3: Mean Score Rating and Weight of Influencing Factors.....	192
Table 8.4: Summary of Relationships Between Personal Attributes and Influencing Factors .....	194

## LIST OF FIGURES

Figure 3.1: Research Design .....	42
Figure 3.2: Guidance for Using Statistical Analysis .....	59
Figure 4.1: The Indonesian National Income Fiscal Year 2016 .....	75
Figure 4.2: The Number of Tax Consultants in Indonesia 2008–2013 .....	79
Figure 4.3: The Indonesian Tax Cycle.....	82
Figure 4.4: Taxpayers’ Representative or Proxy .....	90
Figure 5.1: Practical Role of Tax Consultants in the Tax System.....	100
Figure 7.1: Practical Roles of Tax Consultants .....	150
Figure 7.2: Position of Tax Consultants.....	163
Figure 7.3: Tripartite Relationship .....	167
Figure 7.4: Tax Advice and Factors Influencing Tax Consultants .....	179

## LIST OF ABBREVIATIONS, ACRONYMS AND INDONESIAN TERMS

APBN	: Anggaran Pendapatan dan Belanja Negara (The Indonesian National Budget)
APJII	: Asosiasi Penyedia Jasa Internet Indonesia (Association of Indonesian Internet Provider)
Art.	: Article
ASEAN	: Association of Southeast Asian Nations
ATO	: Australian Taxation Office
AUD	: Australian dollar
CPA	: Certified Public Accountant
DGT	: Directorate General of Taxes
FGD	: Focus group discussion
G-20	: The Group of Twenty
GDP	: Gross Domestic Product
GNI	: Gross National Income
GPTP Law	: Law on General Provision and Taxation Procedure
IBM SPSS	: International Business Machine Statistical Product and Service Solutions
IDR	: Indonesian rupiah
IKPI	: Ikatan Konsultan Pajak Indonesia (Association of Indonesian Tax Consultants)
IMF	: International Monetary Fund
IRS	: Internal Revenue Service
IT Law	: Income Tax Law
KPK	: Komisi Pemberantasan Korupsi (Indonesian Corruption Eradication Agency)
LBT Law	: Land and Building Tax Law
LTO	: Large taxpayers tax office
MoF	: Ministry of Finance
MPR	: Majelis Permusyawaratan Rakyat (the People's Consultative Assembly)
MTO	: Medium taxpayers tax office
OECD	: Organisation for Economic Co-operation and Development
PILPRES	: Pemilihan Umum untuk Presiden (General Election for the President)
SIKoP	: Sistem Informasi Konsultan Pajak (Tax Consultant Information System)
STO	: Small taxpayers tax office
TCE	: Tax Counselling for the Elderly
TCMP	: Tax Compliance Measurement Programme
TPN	: Taxable Person Number
TRN	: Tax Registration Number
UB	: Universitas Brawijaya
UGM	: Universitas Gajah Mada
UI	: Universitas Indonesia
UNAIR	: Universitas Airlangga
UNDIP	: Universitas Diponegoro

UNDP	:	United Nations Development Programme
UNPAD	:	Universitas Padjadjaran
US	:	United States
USD	:	United States dollar
UUD 1945	:	Undang-Undang Dasar Tahun 1945 (The Constitution of Indonesia 1945)
VAT	:	Value added tax
VAT Law	:	Value Added Tax and Sales Tax on Luxury Goods Law

## KEY GLOSSARY

Aggressive tax advice	: Advice given by tax consultants to taxpayers that is designed to either avoid or evade taxes
Government sparring partner	: A position of tax consultants whereby they challenge tax policies introduced by the tax authority
Government supporter	: A position where tax consultants play a role to help the government improve taxpayer compliance
Grey area	: An area where a different interpretation between the tax authority and taxpayers may occur
Hybrid tax partner	: A position where tax consultants play dual roles both as a government supporter and taxpayer ally
Professional tax consultant	: A person who provides tax services to taxpayers after qualifying for certain criteria set out in the tax laws by which a tax consultant certificate is given
Tax appeal	: A request submitted to the Tax Court when taxpayers disagree with the tax objection decision
Tax attorney	: A person exercising tax rights and obligations on behalf of a taxpayer who can be either a professional tax consultant or a non-tax consultant
Tax audit	: A series of actions undertaken by tax auditors to ensure that taxpayers have fulfilled their tax obligations according to the prevailing tax laws and regulations
Tax avoidance	: A tax scheme used by taxpayers to take advantage of grey area in the tax laws and regulations
Tax compliance	: A situation where taxpayers comply with both formal and material rules set out in the tax laws and regulations
Tax evasion	: A tax scheme deliberately designed to evade taxes by breaching the tax laws
Tax investigation	: A series of actions undertaken by tax investigators to discover a suspect in a tax crime
Tax judicial review	: A request that can be submitted both by taxpayers and the tax authority to the Supreme Court on the tax court decision that is considered displeasing
Tax objection	: A procedure that can be undertaken where taxpayers are dissatisfied with the tax assessment notice issued by the tax authority
Tax Registration Number	: A number given to taxpayers serving both as an identity of the taxpayer and an instrument for tax compliance monitoring purposes
Tax return	: A medium used by taxpayers to report all their tax rights and obligations for a specified type of tax and a certain tax period
Taxable Person Number	: An acknowledgement letter issued to certain taxpayers who by law must undertake tax rights and obligations regarding value added tax
Taxpayer	: An individual or corporate who by law has met the criteria to pay taxes
Taxpayer ally	: A position of tax consultants where they place more weight on assisting taxpayers deal with certain tax cases for the benefit of the taxpayers

## **CHAPTER 1 INTRODUCTION**

### **1.1 Background**

For decades, the issue of tax compliance has captured much attention from various groups in society, especially national revenue authorities and academic scholars. These groups have devoted considerable efforts and resources to shedding light on countless aspects of this area of tax law. Numerous studies with different philosophical paradigms, methods and research subjects have been undertaken across many countries. Arguably, all those determinations are essentially aimed at the same objective—to help the government raise tax revenue by improving tax compliance and combatting non-compliance.

In line with the development of compliance studies, various models and research paradigms for analysing tax compliance behaviour have evolved. The literature shows that there are at least three main models in tax compliance studies, namely the economic model, psychology model and fiscal-social psychology model (see Devos 2014, 15–27; Kirchler 2007, 3; Pope and McKerchar 2011, 588). Even though these models seem to seek fundamentally similar objectives, their underlying assumptions differ.

The economic model tends to emphasise that tax compliance decisions are mainly influenced by economic factors. Hence, in analysing taxpayer compliance behaviour, the model focuses purely on economic motivations. This model is increasingly challenged on many fronts because it is incomplete and overlooks many other aspects (see Cuccia 1994, 4–5; Devos 2014, 19–20). The psychology model emerged to complement the economic model. Unlike the economic model, this model utilises non-economic variables to explore and explain tax compliance behaviour. The fiscal psychology model is a combination of the first and the second models, for it relates the issue of tax compliance behaviour to the benefits possibly received by taxpayers in return for their tax payments.

In more recent studies, the need to involve other related parties in analysing tax compliance behaviour has become a concern. Alm et al. (2012) outlined how the research paradigm for analysing tax compliance behaviour has shifted from the tendency to regard compliance behaviour as an individual decision influenced solely by economic circumstances and the difficult choice of social contributions to the collective behaviour of many different taxpayers and other related parties. Under the latter organising framework, the analysis of tax

compliance behaviour should consider many other related stakeholders, such as the government, tax authority and tax consultants, rather than merely one single taxpayer.

The veracity of the multi-party approach seems to hinge on the fact that the process of tax payments involves many parties. When taxpayers pay taxes, they often hire tax consultants. The tax authority, however, makes sure that tax rules and regulations are followed by the taxpayers accordingly, either through providing excellent services or enforcing activities. No less important is the role of other government institutions, especially when it comes to the disbursement of tax receipts (Alm et al. 2012).

However, studies on the role of tax practitioners seem to be still at a very early stage compared with studies into other areas of tax compliance. The literature shows that such studies started to be undertaken in the late 1980s and mushroomed in the early 1990s. Hite et al. (2003) pointed out that the most notable pioneering studies on this topic include Milliron (1988), Kaplan et al. (1988), Ayres, Jackson, and Hite (1989), and Duncan, LaRue, and Reckers (1989).

It is, therefore, relevant and timely to undertake a study on the role of tax practitioners in the tax system. The intention of this thesis was to deeply and thoroughly examine the role of professional tax consultants in the Indonesian tax system. More specifically, this research examined two major topics in relation to the involvement of tax consultants in the tax system, namely their roles in the tax system and the factors affecting their decisions when giving advice to taxpayers as their clients. The aim of this study was to shed light not only on the role of tax consultants in a developing nation where their involvement is increasing, but also on the complex relationships between the parties involved in taxpayers' compliance behaviour.

## **1.2 Research on Tax Compliance and Tax Practitioners**

### **1.2.1 Development of Research on Tax Compliance**

The study of tax compliance started in the late 1960s with the pioneering work of Schwartz and Orleans in 1967 (Jackson and Milliron 1986, 128). Following that study was research conducted by Allingham and Sandmo (1972), Srinivasan (1973) and Yitzhaki (1974), laying down a foundation for economic models of tax compliance behaviour analysis. Since then, numerous studies have been conducted with various research paradigms and models.

Regardless of the models and organising frameworks adopted, the determinants of tax compliance seem to have emerged as a key objective of the study on tax compliance. In a comprehensive review of tax compliance studies carried out between the 1970s and the mid-1980s, Jackson and Milliron (1986, 127–129) identified 14 variables as key determinants of tax compliance: ‘age, sex, education, income level, withheld income source, occupation, compliant peers, ethics, fairness, complexity, Internal Revenue Service (IRS) contact, sanction, probability of detections, and tax rates’.

In a comparable way, Richardson and Sawyer (2001) reviewed and synthesised tax compliance research undertaken from 1985 to 1997 and provided more explanation, especially of the definition of tax compliance, methodological aspects and theoretical areas. Interestingly, there are five additional determinants of tax compliance introduced in the review, namely ‘compliance costs, tax preparers, framing and positive inducements, and tax amnesty’ (Richardson and Sawyer 2001, 205).

In a more recent study, it was identified that tax compliance decisions are influenced by two major factors—economic and attitudinal factors (Pope and McKerchar 2011, 597). Further, the authors pointed out that there are four major variables involved in decisions made by taxpayers about whether to comply. These variables consist of the perceived possibility to evade, the degree of trust in government (tax authority), the formation of attitudes and the role of tax practitioners (Pope and McKerchar 2011, 591).

### **1.2.2 International Development of Research on Tax Practitioners**

As discussed earlier, the role of tax practitioners in shaping taxpayers’ compliance behaviour has not attracted much attention until recently. A study by the IRS in 1986 might be the first to examine the role of tax practitioners in the tax system. Since then, many studies have been undertaken. However, it seems that most research on tax practitioners has been undertaken in advanced countries. In a review of studies conducted by Hite et al. (2003), it is revealed that all studies were undertaken in developed countries, which were the United States (US), Australia and New Zealand. No such research has been undertaken in a less developed nation.

It might be reasonable that research on tax practitioners has been mostly undertaken in advanced countries, since in countries like the US, those in Europe, and Australia the majority of tax returns are likely to have been prepared by tax practitioners (see Collins, Milliron, and Toy 1990; Devos 2012; Leviner 2012). However, in developing nations where self-assessment

systems are generally adopted and tax revenues have become the backbone of national income, the role of professional tax consultants has been increasing significantly. This increasing role of tax consultants should be studied further considering their role in shaping taxpayers' compliance behaviour has become apparent.

In general, existing studies on the role of tax practitioners in relation to compliance behaviour of taxpayers seem to fall within four principal areas of interest (Hite and McGill 1992, 390; Hite et al. 2003). First, researchers seek to understand the reasons that taxpayers engage tax practitioners in their dealing with taxation matters. Arguably, this first area leads to the second area of interest, which is the role the tax practitioner plays in the tax system. Third, researchers investigate factors affecting tax professionals in making decisions when providing tax services to taxpayers. Finally, researchers explore the extent to which tax services provided by tax practitioners influence taxpayers' compliance behaviour.

More specifically, the position of tax practitioners, treading a line between the tax authority on one side and taxpayers on the other, enables them to take part in the tax system either as a government agent or a taxpayer advocate (Jackson and Milliron 1989). A later study revealed that tax practitioners tend to discourage non-compliance in a situation where tax issues are unambiguous. However, in ambiguous tax matters, their propensity is to encourage non-compliance (Klepper, Mazur, and Nagin 1991, 228). In the meantime, the existence of a large grey area in taxation seems to be inevitable considering the growing complexity of tax laws and regulations. Therefore, the conception that tax practitioners' role in encouraging non-compliance is significant might possibly be true.

Nevertheless, studies revealed that tax practitioners' judgment when advising taxpayers was influenced by many factors, including the prevailing legal framework, individual characteristics and clients' circumstances (see Lowe, Reckers, and Wyndelts 1993, 341). These factors might affect tax practitioners' decisions about whether to provide aggressive advice even in a situation where tax issues are ambiguous. In addition, many studies showed that reducing tax liability was not the most significant factor for taxpayers to engage tax practitioners. Rather, it was the intention to log accurate and correct tax returns that mostly induced taxpayers to hire tax practitioners. Further, the factual implications of this situation regarding tax revenue collection have not yet been clearly understood.

Therefore, a thorough investigation into the motives of taxpayers to engage tax practitioners, the roles played by tax practitioners in the tax system, the factors influencing tax

practitioners' decisions and the impact of tax practitioners' advice on tax compliance is not only challenging but also significantly valuable. As discussed earlier, to date, research on those matters has been conducted only in developed countries, while in developing nations like Indonesia there have only been a few studies and these were not comprehensive. In fact, countries with a self-assessment system like Indonesia rely heavily on taxpayers' voluntary compliance in collecting tax revenue. In addition, a growing trend for the use of tax practitioners in Indonesia has added significant weight to the need for a further and deeper study. As such, this study was intended to fill that gap and contribute to the body of cross-country studies on the matter, which is currently lacking. However, considering time and resource constraints, this study investigated only two of the issues from the perspective of tax practitioners.

### **1.2.3 Development of Research on Tax Practitioners in Indonesia**

Professional tax consultants have been involved in the Indonesian tax system since the 1960s. This can be traced back through the history of the Association of Indonesian Tax Consultants (Ikatan Konsultan Pajak Indonesia, also known as IKPI), which was founded in 1965 (IKPI 2014). However, statistical information on the use of tax consultants by taxpayers could not be found. In addition, studies on the role of professional tax consultants in Indonesia seem to be lacking. According to information from the president of the association, there has never been any comprehensive study on the role of professional tax consultants, notwithstanding the importance of the study for many stakeholders of the Association. This information was confirmed by the section head of organisation at the Directorate General of Taxes (DGT), who oversees policy management regarding tax consultants and who stated that the increasing role of professional tax consultants in the tax system needs to be addressed properly, especially in terms of policy. Yet, to date no one has undertaken comprehensive research on the matter.

Nevertheless, based on data obtained from digital libraries of the six biggest universities in Indonesia namely, the University of Indonesia (UI 2014), Padjadjaran University (UNPAD 2014), Diponegoro University (UNDIP 2014), Gadjah Mada University (UGM 2014), Brawijaya University (UB 2014) and Airlangga University (UNAIR 2014), it was found that there are some studies in the area of tax compliance, three of which are studies related to the role of tax professionals in the tax system. Siahaan (2005) was probably the first to study tax practitioners in relation to tax compliance behaviour. He investigated factors influencing decisions made by tax professionals in corporate tax reporting.

The second was Mustikasari (2008), who studied organisational and behavioural factors affecting tax professionals' non-compliance in corporate tax reporting. Finally, Mirasanty (2008) investigated the influence of tax modernisation and tax consultants' role in tax compliance through satisfaction. These studies have certainly provided insights into the role of tax professionals in the Indonesian tax system. However, the scope of the research was very limited and the subject was tax practitioners working in companies, not as professional tax consultants.

In addition, the search to discover whether there were studies on tax compliance focusing on tax practitioners in Indonesia was also undertaken in journal articles published either in Indonesia or internationally. Some studies were found on tax compliance in Indonesia, which were published in the *Indonesian Tax Review*, *Journal BPPK*, *Journal of Australian Taxation* or in the form of master or doctoral theses of Indonesian students studying overseas. However, research on the role of professional tax consultants in Indonesia could not be found.

### **1.3 Indonesian Taxation**

#### **1.3.1 Background**

Located in Southeast Asia, Indonesia is an archipelagic country encompassing more than 17,000 islands, covering an area equal to one-quarter of Australia (GA 2016; UNDP 2016). It is a tropical country having only two seasons, dry and wet seasons, with an average temperature of 27.9 degrees Celsius. The population number in 2015 reached 257.6 million, an increase of 24.9% from 206.3 million in 2000, making it the fourth most populous country in the world after China, India and the US (BPS 2015b; WB 2016)

The country is divided administratively into 34 provincial governments made up of 416 regencies and 98 cities (MoIA 2015). Provinces, regencies and cities have their own local governments and legislative bodies. Those local governments have been given a greater role in administering their regions since 2002. However, the areas of foreign policy, defence, the system of law and monetary policy remain the domain of the centre government (GoI 1999).

Today, Indonesia is the largest economy in Southeast Asia with an estimated gross domestic product (GDP) at the current price of USD861.9 billion in 2015, a slight decrease from the previous year of USD890.5 billion. In the last 15 years, the country's average gross national income (GNI) per capita has gradually increased from only USD560 in 2000 to USD3,440 in 2015. Classified as a lower-middle income country, Indonesia has also been able to reduce

the poverty rate by more than half since 1999 to 11.2% in 2015 (WB 2016). However, tremendous challenges lie ahead. The Indonesian Minister of Finance reported that the Gini coefficient has increased dramatically from .30 in 2003 to .41 in 2014 (Indrawati 2016).

Statistical data of the World Bank shows that Indonesia has indeed enjoyed a relatively high and stable economic growth for a long time. During the period between 1971 and 2000, Indonesia's economy grew at an average rate of 6.2% annually, with the highest rate of 9.78% achieved in 1973. After 2000, the economy steadily rose at an average rate of 5.3%. It seems that the economy experienced a dramatic downturn only when the oil crisis (1982) and Asian financial crisis (1998) hit the country. While during the oil crisis Indonesia still managed to achieve a growth of 1.1%, the Asian financial crisis caused the country's economic growth to sink to the lowest point ever of -13.1% (WB 2016).

Interestingly, it seems that there was a dramatic change in the way the Indonesian economy was financed. The achievement of a steady growth during the period between 1971 and 1985 was believed in large part to be due to the windfalls from oil and liquid natural gas-related revenue (Booth 1992; Gillis 1989). The world witnessed oil booms in 1973 and 1978 when the oil prices quadrupled to the highest level in history. As a member of the Organisation of Petroleum Exporting Countries, Indonesia arguably enjoyed this remarkable price increase, enabling it to fund its ongoing economic development.

By mid-1986, however, oil prices had plunged to the point that nobody had expected. As a result, oil-related revenue also dramatically declined. These circumstances directly affected the country's budget structure. For example, in the national budget of 1986, the ratio of oil-related revenue to GDP dropped to only 5.2%, one-third compared with that of 1981 (Gillis 1989, 81-82). Fortunately, the Indonesian government undertook a major tax reform in 1983. It seems that the reform enabled the government to cope with the crisis. The fall in oil-related revenue was compensated by the rise in non-oil-related tax revenue. In 1986, for instance, while oil-related revenue had dropped from 15.0% in 1981 to only 5.2% of GDP, the non-oil-related tax revenue had increased to 9.1% of GDP from only 6.1% in 1981, an increase of 49.2% (see Gillis 1989, 82; MoF 1982; MoF 1983; MoF 1984; MoF 1985; MoF 1986).

Currently, economic development in Indonesia appears to be heavily dependent on tax revenue. The national budget shows that over the last two decades the percentage of tax revenue to the total national income ratio has been ever on the increase. However, essential

problems with the tax system in Indonesia remain. The following section describes the development of taxation in Indonesia and the challenges it faces.

### **1.3.2 Indonesian Tax System and Administration**

The development of taxation in Indonesia can be divided into four stages. The first stage was during the kingdoms era, where taxes were collected in the form of offerings to the king and noble family. The second stage was the era in which taxation was administered by the colonial governments (Dutch and Japanese). The types of taxes imposed were mainly land and trade taxes (Lumbantoruan 1994; Ongkhokham 1987). The third stage was the period after the country gained independence in 1945 until 1983 when a major tax reform was initiated. The taxation system during this period was mostly inherited from the colonials, making it complicated, difficult to understand and unenforceable (Gillis 1989, 80; Heij 1993, 1). From 1983 until the present moment represents the last stage, in which the modern taxation system has been implemented.

After gaining independence in 1945, the Government of Indonesia attempted to fine-tune the tax system by enacting amendments, decrees and regulations. These deliberations were intended to support regional developments, redistribution of income and industrial growth. However, most of the efforts seemed unsuccessful, since the amendments made were incomprehensible, while the old system was both unusually complicated and outdated. As a result, a sufficient amount of tax revenues could not be generated and even the tax system had become a source of economic waste (Gillis 1989, 80).

In 1983, a major tax reform was undertaken to modernise outdated tax laws and regulations. This reform was considered radical and particularly notable, and it implemented 'far-reaching systemic changes' in tax policy and administration (Asher and Booth 1992, 42; Heij 1993, 3; Sandford 1993, 10). Arguably, the tax reform emphasised simplification of both tax structure and tax administration by broadening the income and consumption tax base with greater uniformity of and lower tax rates (Gillis 1989, 95).

Under the reform, a package of five new tax laws was passed. These laws introduced consisted of Law Number 7 Year 1983 Regarding Income Tax Law (IT Law), Law Number 8 Year 1983 Regarding Value Added Tax and Sales Tax on Luxury Goods (VAT Law), Law Number 12 Year 1985 Regarding Tax on Land and Building (LBT Law), Law Number 13 Year 1985 Regarding Stamp Duty (SD Law) and Law Number 6 Year 1983 Regarding General Provision

and Taxation Procedures (GPTP Law) stipulating general procedures of taxation for the four other laws enacted (Asher and Booth 1992, 42).

The reform has been considered successful in many respects (Asher 1997; Gillis 1989; Khalilzadeh-Shirazi and Shah 1991; Tanzi and Shome 1992). Not long after the inception of the reform, non-oil-related tax revenue increased remarkably. For example, despite a sluggish economy, non-oil tax revenue to GDP ratio in 1986 reached 9%, which was 50% greater than that in 1984. In addition, economic stability was arguably created since the implementation of value added tax (VAT) resulted not only in more tax revenue, stimulating a high stable economic growth, but also in insignificant effects on the price levels. The tax administration also improved by the simplification of tax procedures and the implementation of new information technology capable of reducing tax evasion (Gillis 1989, 105–108).

However, it seems that some crucial problems persist. It might be true that after the reform tax revenue increased remarkably but it remains low compared with neighbouring countries (Heij 1993, 12) and the tax revenue target has barely been realised. In 2000 for example, Indonesia's tax ratio (tax revenues as a percentage of GDP) was only 10.50%, the lowest in the region after Myanmar (5.50%). In contrast, the tax ratio of Malaysia and the Philippines were respectively 35% and 16% for the same year (Brondolo et al. 2008, 11). Besides, Indonesia's tax buoyancy has remained below 1 (0.96), implying that Indonesia's tax revenue is not sufficiently elastic relative to its GDP growth. Meanwhile, in some neighbouring countries it has been more than 1: Malaysia 1.15, Philippines 1.34, Singapore 1.12 and Thailand 1.12 meaning that the countries' tax revenue has been relatively elastic to its GDP growth (Uppal 2000, 25).

In addition, in the last two decades, the tax revenue target was only achieved twice, in 2004 and 2008. During the period of 2002 to 2010, the income tax revenue target, in particular, was never obtained. In that period, Indonesia's tax ratio was hovering at around 12%, which was still among the lowest compared with that of the G-20 countries. Statistical data showed that the highest tax ratio of 13.31% was achieved only in 2008, while the lowest at 11.06% was in 2009 (DGT 2012, 5). In comparison, the Association of Southeast Asian Nations (ASEAN) countries' tax ratio was approximately 15%, while in the Organisation for Economic Co-operation and Development (OECD) member countries the ratio was on average 33.8% (Arnold 2012, 5).

While broadening the tax base seems to be nearly exhausted and increasing the tax rates might not be feasible, especially from an international perspective (Heij 1993, 12), two other aspects could be associated with these challenging situations. These are tax administration and taxpayers' compliance. The administrative dimension is indeed crucial to the achievement of the reform goals, as Bird, de Jantscher and the International Monetary Fund (IMF) (1992, 326) pointed out—tax administration is central not peripheral to the tax reform. As the vehicle through which tax policy is implemented, tax administration creates the link between the legal system and the system in practice (Heij 1993, 15). Therefore, effective and efficient tax administration might be an essential factor in resolving the problems described above.

Nevertheless, in the area of tax administration, the Indonesian government has undertaken substantial changes several times after the reform in 1983. Notably, the organisational structure of the DGT was significantly transformed in 2002. The old-fashioned office model based on types of taxes has been altered to the new model based on functions. In implementing the levels, tax offices were grouped into three types, namely small taxpayers tax office (STO), medium taxpayers tax office (MTO) and large taxpayers tax office (LTO) (MoF 2002a). Adding to this, information technology systems for administering taxpayers and a new remuneration scheme for all tax officers have also been gradually improved. Nevertheless, problems remain.

It is, therefore, the second area—the level of taxpayers' compliance—that seems to be mostly responsible for the low tax revenue achievement (Ikhsan, Trialdi, and Syahrial 2005; Pakpahan 2012). Looking at statistical data of the DGT, it is revealed that the number of registered taxpayers was only 11.1% of the total population in 2014. In the same year, the compliance ratio in terms of annual income tax return submission was only 59%, indicating that only a half of registered taxpayers obliged to submit an income tax return filed their annual income tax returns (DGT 2015a). This might not reflect the true compliance level but at least it can be a benchmark indicating that the level of taxpayers' compliance needs to be improved.

To appropriately address these issues, a comprehensive understanding of taxpayers' compliance behaviour is required. However, as discussed earlier, determinants of taxpayers' compliance are complicated and range from economic to non-economic factors (Alm, Sanchez, and De Juan 1995). Economic factors include tax rate, probability of detection and

tax penalty, while non-economic factors include the chance to evade, the level of trust in government and the role of tax practitioners (Pope and Mc Kerchar 2011, 591).

This current study by no means intends to explore the whole issues of taxpayers' compliance since it is not possible considering time and resource constraints. Rather, it attempts to examine the role of tax practitioners in the Indonesian tax system, which in turn shape the compliance behaviour of Indonesian taxpayers. The rationale for the study rests on the fact that studies on the role of tax practitioners, and even tax compliance generally in Indonesia, are still lagging. Meanwhile, the role of tax practitioners in the Indonesian tax system seems to be significantly increasing.

More specifically, the increasing role of tax consultants arguably began with the implementation of tax reforms in 1983. This is because the reform shifted Indonesia's tax system from official assessment to self-assessment (Booth 1992, 45). Under official assessment, the tax authority determined tax dues and taxpayers were required to pay their taxes based on tax notices issued by the tax authority. In contrast, the self-assessment system grants taxpayers the authority to calculate, pay and report their taxes by themselves. The payment of taxes by taxpayers does not rely on the tax assessment notice issued by the tax authority (Gol 1983a, Art. 12).

For taxpayers to be able to meet this new requirement, it is then imperative for taxpayers to comprehend all relevant tax laws and regulations in place. Otherwise, they will not be compliant taxpayers. In fact, not all taxpayers have the capacity to cope with this requirement. Owing to certain reasons and circumstances, such as time constraints, limited knowledge and resources, it is not possible for taxpayers to understand and then apply all tax rules and regulations accordingly. Therefore, the need for a third party who can help and represent the taxpayers in undertaking their tax rights and obligations is inevitable.

In response to these circumstances, the GPTP Law stipulates that taxpayers can appoint an attorney to deal with taxation matters. It is promulgated that individual or corporate taxpayers may engage a proxy to exercise their tax rights and obligations in accordance with the provisions of the tax laws (Gol 1983a, Art. 32 [3]). This regulation provides taxpayers with space and opportunity to look for assistance from another party who has a better understanding of taxation matters. However, as discussed earlier, professional tax consultants play dual roles. On the one hand, they may promote tax compliance by helping taxpayers understand tax laws and regulations, but on the other, they may undermine the

integrity of the tax system by providing unacceptable tax advice, leading to non-compliance. These circumstances have rendered research on the role of professional tax consultants in the tax system to be pivotal and urgent.

#### **1.4 Problem Statement**

Professional tax consultants play a strategic role in the operation of tax systems since they can influence compliance decisions of taxpayers with considerable tax liabilities. Their tax knowledge and expertise enables them to help taxpayers understand and comply with the tax laws and regulations, but at the same time they may be used to provide unacceptable tax advice. A study by the OECD (2008) concluded that tax intermediaries, one of which is tax practitioner, may help taxpayers understand and comply with tax laws and regulations, but they may also have the capacity to promote and provide aggressive tax planning. Therefore, the notion that tax practitioners can either support or undermine the integrity of the tax system (Daly 2007; Jackson and Milliron 1989, 82; West 2016) carries weight.

In Indonesia, reliable statistical data on the number of tax returns prepared by tax practitioners or of taxpayers engaging tax practitioners could not be found. Tax return forms seem not to be designed to enable the DGT to collect sufficient data on the use of tax consultants by taxpayers. However, to the best of the author's knowledge, virtually all high wealth individual taxpayers and most large corporate taxpayers engage tax practitioners to deal with their taxation affairs. In fact, this segment of taxpayers contributes the most significant amount of tax revenue. Unfortunately, research on professional tax consultants in the country is currently lacking. The key role of tax consultants in the tax systems and the factors that influence their decisions when advising taxpayers as their clients is little understood.

#### **1.5 Research Objective**

In line with the problem statement as discussed earlier, this current research was undertaken to improve understanding of the roles professional tax consultants play in shaping Indonesian taxpayers' compliance behaviour. The results of this study are expected to add to the body of knowledge about tax compliance in general and tax consultants in particular. It is also expected that this research produces valuable recommendations for the Government of Indonesia, particularly the Indonesian tax authority, which will help to address professional tax consultants more appropriately and in turn will improve taxpayers' compliance.

To achieve the above objectives, this current research examines two major issues concerning professional tax consultants in Indonesia. First, it explores the major roles of professional tax consultants in the Indonesian tax system. It also examines whether various attributes of professional tax consultants, such as level of tax consultant certificate, age, gender, level of education and length of experience influence their roles in the tax system.

The second objective is to investigate factors affecting professional tax consultants' decisions when providing tax advice to their clients. Several variables suggested by previous studies, which were identified as factors influencing tax consultants' decisions, are studied and explored. The influence and relationships between those variables and tax consultants' attributes, such as level of tax consultant certificate, age, gender, level of education and length of experience, are also examined.

### **1.6 Significance of the Study**

The paradigm for analysing tax compliance behaviour has shifted from only looking at taxpayers to also scrutinising other related parties, including tax practitioners (Alm et al. 2012). In addition, the role of professional tax consultants in tax systems seems to be a critical determinant of tax compliance (Pope and McKerchar 2011; Richardson and Sawyer 2001). With their tax knowledge and expertise, professional tax consultants have the capacity to either support or undermine the integrity of tax systems (Jackson and Milliron 1989, 82). Therefore, it is essential to investigate their major roles and the factors affecting their decisions when advising taxpayers.

This research is expected to improve understanding of the role that professional tax consultants play in shaping tax compliance behaviour in Indonesia. This study will add theoretically to the body of knowledge regarding cross-country studies on the role of tax consultants, which is currently lacking in developing nations. Since this was a pioneer study in Indonesia, the research could provide a platform for further investigation into the matter in the country and in other developing nations where the involvement of professional tax consultants in the tax system has been increasing.

In terms of research methodology, a mixed method research using a combination of a survey, in-depth interviews and Focus Group Discussion (FGD) was the first to be employed in understanding the role of tax consultants. This produced more robust findings and resulted in a better comprehension of the matter. Finally, in practical terms, the findings of this study will help the Government of Indonesia and the tax authority to design more appropriate

policy concerning professional tax consultants and taxpayers, which in turn will improve taxpayers' compliance.

## **1.7 Key Terminologies**

### **1.7.1 Tax Compliance**

It seems there is no definition of tax compliance that has been unanimously agreed upon by researchers. The IRS, however, has introduced a definition that appears to be generally recognised. The IRS refers tax compliance to a situation when a taxpayer files 'accurate, timely and fully paid return without IRS enforcement efforts' (IRS 1986, quoted in Jackson and Milliron 1986, 130). However, the definition was criticised because it may not accommodate any correction to tax returns made by the tax authority or tax court later (Richardson and Sawyer 2001, 142). To this end, Roth, Scholz and Witte (1989, 2) suggested that 'compliance with reporting requirements means that the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue Code, regulations, and court decisions applicable at the time the return is filed'.

Pope and McKerchar (2011, 594), synthesising from previous literature, provided another definition by pointing out that 'compliance refers to a taxpayer fulfilling all of their legal obligations including filing of the required returns on time and reporting the relevant tax liability accurately and in accordance with the prevailing legislations'. The definition seems to be more neutral since it omits the additional feature covering court decisions that may not be applicable in certain situations. In this study, however, the definition of tax compliance suggested by Nurmantu (2005 148) is adopted, which states that tax compliance is a situation where a taxpayer exercises both formal and material rules set out in the tax laws and regulations.<sup>1</sup>

### **1.7.2 Professional Tax Consultants**

There are numerous terms used in the literature to represent tax practitioners. Notably, Devos (2012, 5) argued that it is hard to understand the concept of a single 'tax practitioner' because the term covers a diverse group of persons. Some studies used a single term to cover a broad definition (see Devos 2012; Leviner 2012). However, other studies differentiated

---

<sup>1</sup> See Chapter 2, Section 2.2.1.

between tax preparers and tax practitioners by describing their ability to represent taxpayers before the tax authority (see Dubin et al. 1992).

In Indonesia, any person who is appointed by taxpayers to undertake tax rights and obligations on their behalf is called a tax attorney. The attorney may be an employee of the taxpayers or a third party who is independent in nature. The third party assigned by taxpayers can be tax consultants or non-tax consultants<sup>2</sup>. While non-tax consultants can be anybody, a tax consultant is defined as a person who provides tax consultancy services to taxpayers in undertaking their tax rights and obligations in accordance with the prevailing tax laws and regulations (MoF 2014a, Art. 1 [1]). Given the context of Indonesia in this research, 'professional tax consultant' refers to the definition stipulated in the regulation. The terms of 'professional tax consultant' and 'tax consultant' will be interchangeably used instead of other terminologies. However, in the literature review and some parts of this thesis, other terms as mentioned above will be utilised to fit with the context of discussions.

### **1.7.3 Aggressive Tax Planning**

Tax consultants are commonly associated with aggressive tax planning. It is, therefore, important to define and understand the term. In this research, aggressive tax planning refers to a tax scheme that is deliberately designed to avoid or evade taxes. Tax avoidance can be defined as the arrangement of a taxpayer's affairs that aims at reducing tax liability by utilising strictly legal schemes but is usually in contradiction with the intent of the law (OECD 2016).

In contrast, tax evasion refers to an illegal arrangement designed to reduce tax liability by explicitly breaching the laws, for instance, by hiding income or information from the tax authorities (OECD 2016). Therefore, aggressive tax planning is classified as an unacceptable tax scheme, at least from the perspective of the tax authority. In practice, both tax avoidance and tax evasion seem difficult to define (OECD 2016) because the separating line between the two is unclear (Slemrod 2007, 26). However, Sandmo (2005, 645) argued that the distinction between the two terms rests conceptually on the legality of the tax scheme.

## **1.8 Thesis Structure**

This thesis is organised into eight chapters, beginning with an introduction elaborating a general preview of the thesis and ending with a conclusion and policy recommendations. A

---

<sup>2</sup> See Chapter 4, Section 4.4.3

literature review on tax compliance, a discussion of the research design and methods, a description of the Indonesian tax system and administration, and an analysis and discussion of the findings are consecutively presented in between. The structure of this thesis is presented in more detail as follows.

#### Chapter 1 Introduction

This chapter serves as an introduction for the thesis, presenting the background and objectives of the study as well as a general overview of the thesis.

#### Chapter 2 Literature Review

This chapter aims at providing readers with an overview of the development of tax compliance studies in general. A greater emphasis is placed on the studies about tax practitioners around the world and in Indonesia from the early stages of the studies to the present day.

#### Chapter 3 Research Design and Methods

This chapter provides the readers with an elaboration of the research paradigm followed by this current study. It describes how the research was designed and how the results were analysed.

#### Chapter 4 Taxation in Indonesia and the Involvement of Professional Tax Consultants in the Tax System

The purpose of this chapter is to provide a comprehensive portrayal of the current Indonesian tax system and administration as well as the involvement of professional tax consultants in the tax system.

#### Chapter 5 The Role of Professional Tax Consultants in the Indonesian Tax System

This chapter presents both the quantitative and qualitative results of the research on the role of professional tax consultants in the Indonesian tax system.

#### Chapter 6 Factors Affecting Professional Tax Consultants when Advising Clients

This chapter discusses the results of both the quantitative and qualitative analyses of the factors affecting professional tax consultants in advising taxpayers.

## Chapter 7 Discussion of Research Findings

In this chapter, major findings of the research are examined in a broader context incorporating the considerations of previous studies conducted both internationally and in Indonesia.

## Chapter 8 Conclusions, Recommendations and Research Limitations

This chapter concludes the thesis by providing the summary of the whole contents of the research and the policy recommendations. Acknowledgement of the research limitations and suggestions for future research direction are also presented.

### **1.9 Summary**

This chapter has provided readers with a brief introduction to the study, describing the details of the research presented in the next chapters. It contains a general overview of the research and discusses crucial information related to the achievement of the study objectives. More specifically, it elaborates the background information, including a brief description of the development of tax compliance studies, both internationally and in Indonesia, as well as a description of the taxation development in Indonesia that has led to the need for conducting the current study. The problem statement, objectives of the study, research significance and key terminologies used in this research were also discussed. The chapter ended with a presentation of the thesis structure.

## **CHAPTER 2 LITERATURE REVIEW**

### **2.1 Introduction**

In this chapter, literature pertinent to the study of tax compliance in general, and the study of tax practitioners in particular, is reviewed and discussed. The main objective is to provide readers with the background theory of and relevant references to the current study. To that end, this chapter is organised into three main parts: the study of tax compliance, the study of tax practitioners and the study of tax compliance in Indonesia.

More specifically, the chapter begins with a discussion about tax compliance studies in general, which consists of three key issues. The first issue concerns the definition of tax compliance. This is followed by a discussion of the determinants of tax compliance. A discussion about the theoretical areas relevant to the study of tax compliance forms the last issue in this part. The second part provides more in-depth discussion about the existing research on tax practitioners. Four areas are covered in this review, namely the motives of taxpayers engaging tax practitioners, the role of tax practitioners in the tax system, the factors affecting tax practitioners when advising taxpayers and the impact of tax practitioners' advice on taxpayer compliance. The final part of this chapter will present and discuss the study of tax compliance and tax practitioners in Indonesia.

### **2.2 Research on Tax Compliance**

#### **2.2.1 Definition of Tax Compliance**

Notwithstanding extensive studies, researchers have not come to a conclusive definition of tax compliance. Among others, the IRS refers to tax compliance as a situation when a taxpayer files an 'accurate, timely and fully paid return without IRS enforcement efforts' (IRS 1986, quoted in Jackson and Milliron 1986, 130). While this definition appears to be impartial in the sense that it covers intentional and unintentional non-compliance issues, it does not accommodate for any corrections to the tax return made by the tax authority or a tax court at a later date (Richardson and Sawyer 2001, 142). To this end, Roth, Scholz and Witte (1989, 2) pointed out that 'compliance with reporting requirements means that the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue Code, regulations, and court decisions applicable at the time the return is filed'.

The additional feature covering court decisions seems to make the definition of tax compliance more relevant and inclusive. In countries embracing a common law system where judges make law, court decisions are considered part of the laws and have similar authority to the laws (see Kirby 2006; Leeming 2013; Praja 2014). Therefore, they must be obeyed by all pertinent parties, including taxpayers dealing with the same tax transactions. However, in countries adopting a civil law tradition, like Indonesia, court decisions do not necessarily become binding jurisprudences since those countries do not follow the principle of precedent (see Fon and Parisi 2007; Harjanti 2015; Sinaga and Fatmawati 2014). Therefore, such an additional feature might not be relevant and appropriate to these countries.

In addition, this definition seems to assume that taxpayers would pay all taxes due after they have filed returns. In fact, while some taxpayers may submit their returns, they may make only partial payment or even not pay the taxes at all. The substantial amount of tax delinquency, which is currently one of the most prevalent problems encountered by the tax administration, proves the existence of this situation, particularly in Indonesia. Therefore, a more neutral but inclusive definition seems necessary.

Synthesising from previous literature, Pope and McKerchar (2011, 594) provided a better definition by pointing out that 'compliance refers to a taxpayer fulfilling all of their legal obligations including filing of the required returns on time and reporting the relevant tax liability accurately and in accordance with the prevailing legislations'. The use of the phrases '... including ...' and '... in accordance with the prevailing legislations ...' seems to make the definition more inclusive and neutral. Nevertheless, it seems that more explanation is necessary to clarify what constitutes other tax obligations with which the taxpayer should comply.

Nurmantu (2005, 148) suggested that taxpayer compliance be defined as a situation where taxpayers fulfil their entire tax obligations and undertake their tax rights. This definition seems straightforward but includes another important feature of compliance, which is tax rights, rather than emphasising solely the tax obligations. However, whether a taxpayer undertaking their tax rights partially constitutes non-compliance requires more in-depth analysis. Interestingly, Nurmantu further explains that tax compliance consists of two main components, which cover a broad aspect of taxation. The first is formal compliance, which is defined as a situation where a taxpayer complies with formal rules contained in the tax laws. For instance, a taxpayer files tax returns on or before the deadlines set by the tax laws. The second is material compliance, which refers to a situation where a taxpayer substantively

fulfils the material rules of taxation that is, following the letter and the spirit of the tax laws (Nurmantu 2005, 148–149).

Evidently, the first component deals with administrative obligations of the taxpayer in the tax system. These include being a registered taxpayer, fulfilling bookkeeping requirements, filing tax returns on time and paying taxes on time, pointed out by Komara (2012, 7–8) as the role of taxpayers in the tax cycle. Secondly, material or substantive compliance relates to the compulsion of taxpayers to pay their taxes in accordance with the stipulated amount that should be paid based on the tax laws (GPTP Law Article 32). Accordingly, under this definition a taxpayer who has fully complied with formal rule requirements might not necessarily be considered materially compliant. This is because they may file their returns containing an incorrect amount of taxes or pay only a partial amount of taxes owed though the returns have been submitted on a timely basis. Further, while the first component might be easily measured, the second needs investigation of the tax return before deciding whether taxpayers are complying with the prevailing laws.

In the context of Indonesia, the term ‘tax compliance’ refers to a taxpayer who meets the following criteria (MoF 2012b):

1. The taxpayer files tax returns on a timely basis.
2. The taxpayer has no tax delinquency for all type of taxes, except when the delinquency has been permitted in the form of postponement or being paid by instalments.
3. Financial statements are audited by public accountants or by government audit boards with unqualified opinion during the last three years in a row.
4. The taxpayer has never been punished by the court for tax crime actions during the last 5 years.

Even though the definition in the decree is solely intended to provide guidance for taxpayers who claim advance tax refunds under Article 17C (2) of the GPTP Law, it provides more extensive and concrete features of a compliant taxpayer. However, such criteria might add to the complexity of the term since the involvement of third parties is required to make a judgment on tax compliance, for instance the opinions of a public accountant regarding taxpayers’ financial statements, which may differ from one accountant to another in a similar case. In addition, the definition is also only applicable to corporate taxpayers since provision of financial statements might not be relevant to individual taxpayers.

### **2.2.2 Tax Compliance Determinants**

Voluntary compliance is central to the achievement of tax administration objectives, especially regarding the self-assessment system. In the last two decades, numerous studies have been undertaken to explore determinants of tax compliance to be able to appropriately encourage compliant behaviour. To date, the studies are based on at least three main models, namely the economic model, the psychology model and the fiscal psychology model (Kirchler 2007, 3; Pope and McKerchar 2011, 588). The fundamental focus of these models is identical—exploring the determinants of tax compliance. However, the economic model assumes that economic factors mostly shape the compliance decision while the basic assumption of the psychology model concerns non-economic variables. The fiscal psychology model is more a combination of the first and the second models.

In a comprehensive review of tax compliance studies carried out between the 1970s and 1985, Jackson and Milliron (1986) identified 14 variables as key determinants of tax compliance. They are 'age, sex, education, income level, withheld income source, occupation, compliant peers, ethics, fairness, complexity, IRS contact, sanction, probability of detections, and tax rates' (Jackson and Milliron 1986, 127–129). In a comparable way, Richardson and Sawyer (2001) reviewed and synthesised tax compliance research undertaken from 1985 to 1997 and provided more explanations, especially concerning the definition of tax compliance, methodological aspects and theoretical areas. Interestingly, there were five additional determinants of tax compliance introduced in the review, namely 'compliance costs, tax preparers, framing, positive inducements, and tax amnesty' (Richardson and Sawyer 2001, 205).

More specifically, pioneering the work on tax compliance, Allingham and Sandmo (1972) investigated factors associated with the decision of taxpayers of whether to comply with tax laws. The study was mainly based on the theory of economics of criminal activity developed by Becker (1968) using static and dynamic analytical models. The study suggested that the rate of penalty and the detection probability were crucial factors considered by taxpayers when deciding whether to evade taxes (Allingham and Sandmo 1972, 330). In addition, taxpayers' decisions about whether to declare everything in the tax returns was influenced by their knowledge about the probability of being investigated for all past returns once detected (Allingham and Sandmo 1972, 337). Yitzhaki (1974) in a note commenting on the study by Allingham and Sandmo, pointed out that tax rates and the basis for imposing penalty, either the amount of income evaded or the amount of evaded tax, also contributes

to the taxpayers' decision to avoid taxes. While these studies are considered a breakthrough and provide interesting ground for further research, it seems that the studies have somewhat ignored human elements.

In a more recent study, it was identified that the tax compliance decision is influenced by two major factors, economic and attitudinal factors (Pope and McKerchar 2011, 597). Further, Pope and McKerchar pointed out that there are four major variables involved in the decision of taxpayers of whether to comply. These variables consist of perceived possibility to evade, the role of tax practitioners, the level of trust in the tax authority and the formation of attitudes (Pope and McKerchar 2011, 591). This study included some non-economic aspects and once again emphasised the importance of the tax practitioners' role, as has been pointed out in the review by Richardson and Sawyer (2001).

### **2.2.3 Tax Compliance–Related Theoretical Areas**

There are at least five theoretical research areas closely related to the study of tax compliance. These include prospect theory, deterrence theory, cognitive structure theory, contingency theory and agency theory (Jackson and Milliron 1986; Richardson and Sawyer 2001). Prospect theory emphasises the assumption that choices made by an individual may be influenced by the way the decision is framed. More specifically, people tend to be risk takers when they perceive that they will have a loss outcome. In contrast, people will tend to be risk averse if they perceive that they are in a gain situation.

Deterrence theory attempts to examine the effect of several types and levels of sanction upon taxpayer behaviour concerning the decision of whether to comply with tax laws and other norms. Early tax compliance studies seemed to be undertaken mostly on the basis of this theory. Jackson and Milliron (1986) identified that numerous studies were based on this theory when they undertook a review of tax compliance studies. Meanwhile, cognitive structure theory seeks to investigate the relationship between attitudes, intentions and behaviour. Richardson and Sawyer (2001, 185) pointed out that the focus of numerous studies was more on the correlation between compliance variables and compliance attitudes than on the relationship between such attitudes and the actual compliance behaviour. Contingency theory, on the other hand, was built on the basis that it is not possible to build a universal model relevant to all scenarios because the nature of a model is dependent on the state of diverse contingency elements. The notable implication of this theory is that researchers are encouraged to undertake tax compliance study by focusing on specific groups

of taxpayers rather than on the whole taxpaying population (Richardson and Sawyer 2001, 248–247).

Lastly, agency theory elucidates the relationship between principals and agents. Pioneered by Ross and Mitnick in the 1970s (Mitnick 2006), the theory has been used in many research areas (Eisenhardt 1989). More specifically, it attempts to explain a relationship in which the principal delegates or hires the agents to perform a work that the principal is unable or unwilling to do. The most common example of this relationship includes shareholders (principal) and company executives (agent). The agency problem exists in circumstances where agents are striving to act in their own interests, which are different from those of their principals. Agency theory seems to be particularly relevant to the study of tax practitioners since it may be used to explain the relationship between tax practitioners, taxpayers and the tax authority. However, Jackson and Milliron (1986 144) noted that the research on tax practitioners is still in an embryonic stage. More particularly, Richardson and Sawyer (2001) pointed out that cross-country studies on the role of tax practitioners in the tax system are currently lacking.

## **2.3 Research on Tax Practitioners**

### **2.3.1 Background**

Research into the role of tax practitioners seems to have fallen behind compared with research into other areas of tax compliance. While studies of tax compliance began in the late 1960s with the ground-breaking work of Schwartz and Orleans (1967), the research on tax practitioners began in the late 1980s, mushrooming in the early 1990s. Hite et al. (2003 29) pointed out that the most notable pioneering studies on this topic include Milliron (1988), Kaplan et al. (1988), Ayres, Jackson and Hite (1989), and Duncan, LaRue and Reckers (1989).

Interestingly, there are various terms used in the literature to represent tax practitioners. The most commonly used terms, other than tax practitioners, include tax preparers, tax professionals, tax agents, tax consultants and professional tax advisers. Some studies distinguished the terms of tax preparers and tax practitioners by relating their ability to represent taxpayers before the tax authority (see Dubin et al. 1992). Other studies used a single term to cover a broad definition of tax practitioners (see Devos 2012; Leviner 2012). It was notably argued by Devos (2012, 5) that the concept of a single ‘tax practitioner’ is hard to understand because the term covers a variety of persons. Therefore, in this research, given the context of Indonesia, the definition of the term will refer to the relevant tax regulations

currently in place.<sup>3</sup> The term of professional tax consultants and tax consultants will be interchangeably used instead of other terminologies. However, in this chapter and some parts of the study other terms as mentioned above will be utilised to fit with the context of discussion.

The existing studies on taxpayer compliance behaviour, which focused on the role of tax practitioners, appear to cover at least four fundamental areas of interest (see Hite and McGill 1992; Hite et al. 2003). These areas, however, are closely related and often overlap. First, researchers investigated the motives of taxpayers hiring tax practitioners for their taxation matters (see Christensen 1992; Christian, Gupta, and Lin 1993; Collins, Milliron, and Toy 1990; Dubin et al. 1992; Sakurai and Braithwaite 2003; Stephenson 2010; Tan 1999). Second, researchers sought to understand the roles played by tax practitioners in the tax system (see Jackson and Milliron 1989; OECD 2008; Roth, Scholz, and Witte 1989), which also led to the investigation of the type of tax practitioners with reference to their relationships with other stakeholders (see Wurth and Braithwaite 2016).

Third, researchers attempted to shed light on factors influencing tax practitioners when advising taxpayers as their clients (see Ayres, Jackson, and Hite 1989; Cruz, Shafer, and Strawser 2000; Erard 1993; Hite and McGill 1992; Kaplan et al. 1988; Lai and Choong 2009; Lowe, Reckers, and Wyndelts 1993; Marshall, Smith, and Armstrong 2006; O'Donnell, Koch and Boone 2005; Spilker, Worsham, and Prawitt 1999; Tan 1999). This has also directed researchers to seek an understanding of the factors influencing taxpayers to adopt advice provided by tax practitioners (see Schmidt 2001; Tan and Braithwaite 2011). Fourth, researchers examined the relationship between tax advice provided by tax practitioners and taxpayer compliance behaviour (see Devos 2012; Erard 1993; Jackson and Milliron 1989; Klepper, Mazur, and Nagin 1991; Leviner 2012; Tomasic, Tomasic, and Pentony 1991).

### **2.3.2 Motives of Taxpayers Engaging Tax Practitioners**

In relation to the first main area of interest, four factors can be associated with the decision of taxpayers to engage tax practitioners. The first motive of taxpayers to hire tax practitioners is the preference to comply with relevant tax laws and regulations (see Christensen 1992; Collins, Milliron, and Toy 1990; Stephenson 2010; Tan 1999). The second motivation is to avoid tax penalties (see Dubin et al. 1992; Tan 1999). The third motivation driving taxpayers to engage tax practitioners is to decrease the likelihood of audit (see Christensen 1992; Dubin

---

<sup>3</sup> See Chapter 4, Section 4.4.3.

et al. 1992). The final reason for taxpayers to hire tax practitioners is to reduce tax liability (see Christensen 1992; Collins, Milliron and Toy 1990; Stephenson 2010).

Specifically, Collins, Milliron, and Toy (1990) investigated the motives of taxpayers' demands for tax practitioners using data obtained from household surveys in Oklahoma and Pennsylvania, US. The study revealed that filing correct tax returns was the fundamental intention of most taxpayers who engaged tax practitioners (70% of respondents), whereas reducing tax liability was the second primary motive (25% of respondents). Specifically, the study suggests that motives for filing accurate returns can be associated with strong norms, low tax understanding and high complexity of returns. In contrast, motives for reducing the tax burden can be linked to 'high income, low social responsibility, low tax knowledge, and increased age' (Collins, Milliron, and Toy 1990, 19).

Christensen (1992) examined perceptions of both taxpayers and tax practitioners regarding the importance of tax services and relates the difference of the perceptions to the taxpayers' views of tax service quality. The study was based on exchange theory with structural evaluation analysis used to evaluate the quality of services rendered by tax practitioners. According to this model, the quality of tax services can be viewed from both technical—consisting of three variables, 'tax saving, accurate return and audit likelihood'—and functional—also comprising three elements, 'understanding need, willingness to serve and communication skills', perspectives (Christensen 1992, 64). The results suggest that overall there was a great distinction between taxpayers' expectations and the actual services rendered by tax practitioners. Specifically, while taxpayers believed that tax practitioners did not sufficiently understand their needs, they seemed to require more aid in tax planning and tax information than was provided.

Tan (1999) studied the type of tax advice sought by taxpayers from tax practitioners in New Zealand. This study employed an experimental method resembling Hite and McGill's (1992) research. The findings suggest that taxpayers were more in favour of conservative tax advice than aggressive advice (Tan 1999, 443). According to the study, taxpayers seemed of the view that the principal factor for hiring tax practitioners was to lodge tax returns in accordance with the prevailing laws and to avoid tax penalties. As such, the preference of taxpayers to retain or terminate tax practitioners was mostly dependent on the working relationship than on the tax advice provided (Tan 1999, 444).

Based on a survey of 348 American taxpayers hiring tax practitioners and using factor analysis to develop a scale, Stephenson (2010) suggested that four main factors can be associated with the motivation of taxpayers engaging tax practitioners. Taxpayers seemed to hire professionals because they wanted to save time, protect themselves from or avoid contact with the tax authority, save money and comply with the relevant legal framework. While this research might provide useful insights into the rationale of why taxpayers hire tax practitioners and might be beneficial for tax practitioners in designing their marketing strategy, the results of this study have few implications for tax authorities in designing better policy either for taxpayers or tax professionals. Further studies should be undertaken, for instance to explore more the relationship between the motive of saving money and aggressive tax planning or between saving time and complexity of the tax laws.

Dubin et al. (1992) studied factors motivating taxpayers to hire tax practitioners in the US in which choices to prepare tax returns were divided into three types: by non-paid practitioners, by paid practitioners and self-prepared. Utilising a nested logit model with Tax Compliance Measurement Programme (TCMP) data, the findings suggested that the IRS audit rate and frequency of penalties were the main inducements for engaging tax practitioners (Dubin et al. 1992, 79). In addition, the reasons for taxpayers engaging tax practitioners were classified into three categories, namely, informational, service and strategic motives (Dubin et al. 1992, 75).

These studies have certainly shed light on the rationales of taxpayers engaging tax practitioners, which is useful not only for understanding taxpayers' behaviour but also for appropriately designing sound tax policy concerning both taxpayers and tax practitioners. However, the studies seem to have placed very little attention on the fact that there is a paradigm shift taking place in many countries regarding how tax authorities treat taxpayers. In Indonesia for example, the tax authority now treats taxpayers as strategic partners rather than adversaries or criminals. To that end, better services for taxpayers, including tax consultancy, are provided for free. Taxpayers may even submit complaints if the service provided by an officer is unsatisfactory. In addition, existing studies seem to have ignored the advancement of information technology. Taxpayers can easily access taxation rules and regulations on the internet for free or using certain software. In Indonesia, for instance, there are various taxation software packages on the market containing not only taxation rules and regulations but also tax court decisions and guidance on how to deal with taxation issues such as payroll tax and VAT.

### 2.3.3 The Role of Tax Practitioners in the Tax System

Many studies showed that in advanced countries such as the US, European countries and Australia, the majority of tax returns were prepared by tax practitioners (see Collins, Milliron, and Toy 1990; Devos 2012; Leviner 2012). In developing nations like Indonesia, there is no reliable statistical data on the matter. However, to the best of the researcher's knowledge, virtually all wealthy individual taxpayers and most large corporate taxpayers engage tax practitioners to deal with taxation affairs. In fact, this segment of taxpayers contributes the most significant amount of tax revenue.<sup>4</sup>

It is argued that tax practitioners tend to have visions and missions that are often incompatible with that of the tax authority. Consequently, tax policies concerning them should be strengthened so that taxpayers' compliance can be preserved and improved. These are some notable results of research conducted by Westat on behalf of the IRS in 1987 (Jackson and Milliron 1989). In response to these findings, Jackson and Milliron (1989) reanalysed some of the response data of the IRS study. Based on the analysis, they pointed out some drawbacks of the IRS study conclusions. Further, it was argued that the role of tax consultants lies somewhere on a line spanning between the government at one end and taxpayers at the other. They may indeed undermine the tax system but they are also able to support the integrity of the system. Therefore, the tax authority should take vigilant and reasonable measures towards tax consultants.

The study by Jackson and Milliron (1989) has introduced some interesting points on the role of tax practitioners in the tax system. Two powerful terms used to describe the role of tax practitioners, 'government agent' and 'taxpayer advocate', summarise the complex relationship between taxpayers, the government and tax practitioners. These terms were arguably based on a similar concept that divides the roles of tax practitioners into 'tax compliance work' and 'tax planning work', introduced by Frecknall-Hughes and Moizer (1999, 129–130). However, it seems that many questions remain unanswered by the introduction of those terms. These include whether there is a clear-cut between the two roles so that the roles of tax consultants can be easily divided into those categories. The factors influencing the position of tax consultants on the line spanning between the government and taxpayers also need further investigation. The current study examines some issues related to these

---

<sup>4</sup> See Chapter 4, Section 4.2.4.

queries. The two terms of government agent and taxpayer advocate are, therefore, used extensively in this study.

Roth, Scholz and Witte (1989) investigated the role of tax consultants from a different perspective. In their study, three main roles of tax practitioners were identified with the focus on the type of services provided. The first role was that of tax return preparer, where tax practitioners collect data from taxpayers and prepare appropriate returns. The second role was that of tax adviser, in which tax practitioners, using their knowledge of tax laws and regulations, help taxpayers reduce uncertainty about tax treatment for ambiguous tax issues. Finally, tax practitioners play a role as risk adviser, in which they use their knowledge beyond tax regulations. In this role, tax practitioners serve more as an intermediary who undertakes risk assessment regarding the probability of detection, the imposition of sanctions and other administrative issues. The last role seems to be consistent with the need of taxpayers for not only a technical tax expert but also a business adviser, as emphasised by Purdie and Roberts (1995).

As discussed in Section 2.3.2, Dubin et al. (1992, 75–76) argued that the motives of taxpayers engaging tax practitioners can be divided into three groups, namely informational, services and strategic purposes. This might be similar to the suggestions made by Roth, Scholz and Witte (1989), in that the categorisations can also be seen as the roles of tax practitioners in the tax system. As an information source, tax practitioners may provide taxpayers mostly with tax information, for instance to reduce uncertainty (see Scotchmer 1989). Tax practitioners may also play a role as service provider when they undertake mechanical endeavours such as preparing tax returns and representing taxpayers before the tax authority (Reinganum and Wilde 1991). Finally, tax practitioners may serve as a strategic alliance of taxpayers when they are actively involved, for instance, in designing strategies to reduce taxpayers' tax liability (see Collins, Milliron, and Toy 1990; Klepper and Nagin 1989).

In a subsequent study, the OECD (2008) pointed out that tax intermediaries, one of which was tax practitioners, play a crucial role in the tax system. With their expertise, tax consultants can help taxpayers understand and comply with the prevailing tax laws and regulations. At the same time, however, they may also lead taxpayers to non-compliance by designing and promoting unacceptable tax advice. In this matter, taxpayers and tax consultants are believed to have a supply and demand relationship. These findings appear to be consistent with the notion that tax practitioners can either support or undermine the integrity of the tax system (Jackson and Milliron 1989).

The most recent study by Wurth and Braithwaite (2016) investigated the role of tax practitioners from a different point of view. Using a survey of over 1,000 tax practitioners in Australia, their research focused on identifying the types of tax practitioners in relation to their position among all their stakeholders. Notable results of the study suggest that tax practitioners can be divided into four groups, namely 'duteous, contingent, aggressive, and outliers' (Wurth and Braithwaite 2016, 10-11). While the duteous group of tax practitioners were highly committed to both the tax system and business best practice, contingent tax practitioners seemed to be greater risk takers, leading to more acceptance of possible non-compliance activities in comparison with the duteous. Meanwhile aggressive practitioners were indicated by their lower confidence in the legitimacy of all income tax return items prepared for their clients, regardless of the level of visibility of the items. Outliers tended to show a more extreme pattern than that of the aggressive group of tax practitioners. In addition, Wurth and Braithwaite's (2016) study sought to understand the relationship between tax practitioners and their stakeholders using what the authors called a social and economic relational model.

The study has undoubtedly provided new and interesting insights into the position of tax practitioners in relation to their stakeholders, as well as into their characteristics. However, this study was undertaken in an advanced country where the tax system in place may have been much stronger than that in less developed countries such as Indonesia. In those countries, the tax system may be less prepared with the tax practitioners' practice on tax avoidance and evasion for which different approach to adopt by tax authority might be necessary. In addition, while this study provided a fresh perspective on tax practitioner issues, it may have been more intriguing if the study had delivered an in-depth analysis of how to transform a certain group of tax practitioners into another. This would be particularly beneficial for the tax authority in improving the level of taxpayer compliance.

#### **2.3.4 Factors Influencing Tax Practitioners When Advising Clients**

The second area of interest in research concerning the role of tax practitioners is about factors influencing tax practitioners when delivering advice to taxpayers. More specifically, Milliron (1988) attempted to build a conceptual model of factors affecting the aggressiveness of tax preparers. Using interviews with tax partners and managers from the Big Eight certified public accountant (CPA) firms in the US, the study sought to investigate factors influencing tax preparers when advising clients on ambiguous situations. There were 24 variables examined in this study, which were derived from prior research. These variables were divided

into three categories, namely client-related features, decision context features and preparer-related features. The notable finding of this study is that the factors influencing tax preparers when providing advice in an ambiguous situation were 30% client, 50% context and 20% preparer (Milliron 1988, 5). The current study largely adopted variables used in the research as above. However, this study seeks to investigate factors affecting tax consultants when providing advice to taxpayers in general situations instead of focusing on ambiguous circumstances. Further in the interviews, the issues related to grey area situations were explored more in depth. For the purpose of investigation, a mixed method was utilised, namely a survey, interviews and FGD.

In a later study, the factors influencing tax practitioners when advising taxpayers were also divided into three main classifications but using different terms and variables: 'law and regulatory environment', 'individual differences in professionals' and 'differences in clients and client conditions' (Lowe, Reckers, and Wyndelts 1993, 341). Adopting prospect theory developed by Tversky and Kahneman (1986) and reciprocity theory (see Cialdini 1984), the authors conducted a study to examine factors affecting the decisions made by tax practitioners. The study, which utilised an experimental method with 67 tax managers from one of the six largest CPA firms in the US as subjects, explored factors related to the second and third categories. The findings revealed that more experienced tax practitioners were less influenced by the withholding position of taxpayers. Conversely, less experienced tax practitioners were more influenced by the position, with a more conservative stance evident when taxpayers were in an under-withholding position. This study shed light on the relationship of the length of experience and client conditions with the decision made by tax practitioners. Nevertheless, the study used a simple tax case with a narrow range of grey area, and with subjects obtained from a single company. Therefore, the generalisation of such findings might be somewhat limited.

Ayres, Jackson and Hite (1989) conducted a study using an experimental method to examine whether the level of regulations to which tax practitioners were subjected influenced their judgment of ambiguous tax matters. The decisions regulated tax preparers and non-regulated tax practitioners were investigated through five different tax cases. The results showed that regulated tax preparers (in this case represented by CPAs) tended to be more in favour of taxpayers compared with non-regulated preparers when making decision about ambiguous tax matters. It was argued that the findings were consistent with economic theory, in that regulated tax preparers were hired by taxpayers because they had the

necessary tax skills and knowledge, enabling them to reduce tax payments (Ayres, Jackson, and Hite 1989, 306). However, the findings were based on the assessment of tax practitioners of the non-real cases presented, which may differ from what might be recommended to taxpayers in real cases. Consequently, there might be some missing links in this relation, which need to be examined in more depth.

In 1989, Kaplan et al., using an experimental technique, investigated the judgment of tax practitioners when providing tax advice to taxpayers. The findings suggested that for unambiguous tax matters the decisions of tax practitioners were not affected by either contact with the IRS or the length of practitioners' experience. Specifically, the decision of tax practitioners to provide aggressive tax advice was less likely in a situation of higher audit probability and the possibility of increased taxes. Regarding ambiguous tax affairs, the study found that decisions of tax practitioners were significantly influenced by the length of practitioners' experience rather than the audit probability. While the study shed light on some major factors influencing tax practitioners in making decisions, generalisation of the findings might not be possible since the series of cases in the study were very limited and may not reflect the same tax situation in other jurisdictions.

Ten years later, a study by Spilker, Worsham and Prawitt (1999) was undertaken to examine tax practitioners' judgment in relation to ambiguous tax issues in two different situations, namely tax compliance and planning context. Using an experimental method with 63 tax practitioners as subjects, a case with a more expanded possible ambiguity was used. In general, the findings suggested that tax practitioners' interpretations of ambiguity depended on whether there was a context of tax compliance or tax planning. Specifically, tax practitioners' decisions in the context of compliance were in favour of clients' interests, while in the tax planning context the practitioners used tax law precision to sustain aggressive advice. The findings of the study certainly provide the insight that different contexts resulted in dissimilar decisions made by tax practitioners, which in turn would have different policy implications to address. However, since only one case was used in the study, with limited variables investigated, more rigorous study needs to be conducted to gain more reliable evidence for generalisation.

Cruz, Shafer and Strawser (2000) investigated a relationship between the ethical judgment of tax practitioners in a situation where taxpayers placed pressure on practitioners to employ an aggressive tax position and behavioural intentions, which were represented by a multidimensional ethic scale. The multidimensional ethic scale consisted of five ethical

philosophies: moral equity, contractualism, utilitarianism, relativism and egoism were used to measure the rationales of tax practitioners in making decisions under pressing circumstances. The study employed an experimental approach using three tax cases with 67 tax practitioners working at two of the five largest public accounting firms as subjects. Results suggested that all dimensions except egoism influenced tax practitioners' ethical judgment, with moral equity followed by contractualism dimensions affected more heavily than other dimensions.

A subsequent study by Marshall, Smith and Armstrong (2006) investigated a relationship between tax practitioners' ethical judgment and the probability of audit and materiality of tax involved, both in terms of quantitative (the amount of tax) and qualitative (the severity of law violation) measures. The study utilised a survey distributed to 1,960 tax agents in Western Australia. The results suggest that a higher audit probability did not significantly influence tax practitioners' ethical judgment. In relation to materiality, the results were not considered to support the hypotheses about whether decisions made by tax practitioners were influenced by the amount of tax involved without further explanation. In addition, the study provided some evidence that tax practitioners might not be keen to support taxpayers in a situation where a violation of tax law is apparent. The scope of the study is limited in the sense that it covered only the Western Australian region and used a somewhat simple tax scenario. Therefore, external validity of the results might not be dependable without further investigation of a broader coverage of both regions and variables.

In their previous work, Marshall, Armstrong and Smith (1998) explored the ethical issues encountered by Australian tax practitioners in terms of both their importance and frequency. The study used a survey distributed to all tax practitioners registered with Taxation Board of Western Australia. The results suggest that 'confidentiality' followed closely by 'technical competence' were considered the most important ethical matters, while 'failure to make reasonable research' appeared to be the most frequent ethical issue followed by 'technical competence'. In addition, ethical issues that were considered both the most important and frequent consisted of six aspects: 'reasonable enquires, technical competence, continuing to act, tax avoidance, research, and concealing limitations in technical competence' (Marshall, Armstrong, and Smith 1998, 1275). While these findings provided some insights, especially into developing ethical standards for tax practitioners, the determinants of such variability could not be assessed. The study might also have possessed external validity flaws since the subjects were mostly small size tax practitioners.

O'Donnell, Koch and Boone (2005) studied the effect of domain knowledge and task complexity on tax practitioners' advice. In this study, domain knowledge was divided into procedural knowledge and outcomes perception, and complexity was measured among other things by the amount of information that should be gathered, the clarity of evaluation criteria that should be employed and the level of uncertainty (O'Donnell, Koch, and Boone 2005, 148). The results revealed that domain knowledge significantly influenced tax advice given by tax practitioners, but this was moderated by the increase of task complexity when associated with aggressive recommendations. This study extended the variable of domain knowledge and shed light on the influence of complexity on tax practitioners' judgment, especially when recommending aggressive tax advice. However, caution should be taken since subjects of the study may have made different decisions in the real world where they may have obtained more information compared with that given in the case of this experimental study.

Tomasic, Tomasic and Pentony (1991) undertook nationwide interviews with both tax practitioners and tax officers in Australia during 1989 and 1990 to investigate perceptions of tax practitioners' roles in the Australian tax system. The study concluded that the role of tax practitioners in Australia has changed for various reasons, including a reform of the tax system, the complexity of tax laws and the level of political support for the Australian Taxation Office (ATO). For instance, assisting taxpayers to be compliant is now as important as providing advice to minimise tax, and tax practitioners perceive themselves playing different roles, of which the degree of importance varies. There were six main roles of tax practitioners identified in the research, namely, 'independent adviser for their clients', 'unpaid employees of the ATO', 'intermediaries between the ATO and the taxpayer', 'compliance advisers', 'protector of their practice' and 'influencers of the systems' (Tomasic, Tomasic, and Pentony 1991, 247–251). Interestingly, the study revealed that in the view of tax practitioners, moral dimensions are involved in their decision making when advising clients. However, the impact of such morality on the work of both tax practitioners and tax officers cannot be confirmed (Tomasic, Tomasic, and Pentony 1991, 251).

While the above studies provided considerable insights into factors affecting decision-making by tax practitioners, it seems that those studies disregarded at least two key variables. First, the existing studies did not focus on the development of information technology, especially technology that enables the tax authority to access and track down taxpayers' transactions electronically. Second, many tax authorities have strengthened their cooperation with each

other to mitigate the possibility of international tax avoidance and evasion. Indonesia, for instance, has tax treaties with more than 60 countries and is a member of the Convention on Mutual Assistance in Tax Matters (DGT 2015b). These treaties enable the Indonesian tax authority to request not only an exchange of information about taxpayers' transactions but also assistance in tax collection from treaty partner countries.

Tan and Braithwaite (2011) flipped the point of view when investigating influential factors regarding aggressive tax advice from tax practitioners to taxpayers. The study used a survey distributed to 1,400 business taxpayers in New Zealand. While prior studies focused on the factors affecting tax practitioners when advising taxpayers, this research focused attention on the factors affecting taxpayers deciding whether to adopt aggressive advice provided by tax practitioners. Several factors were investigated, including 'sanction risk perception, personal risk propensity, risk expectation, personal tax ethics, business tax ethics, firm size, and audit experience'. While the last four factors seemed to have no impact, the study revealed that the first three factors appeared to have an important influence on taxpayer decisions regarding the advice given by tax practitioners.

### **2.3.5 The Impacts of Tax Practitioners' Advice on Tax Compliance**

Some previous studies revealed that tax returns prepared by higher qualified tax practitioners exhibited more non-compliance compared with returns prepared by lower qualified tax practitioners or with self-prepared returns (see Erard 1993; IRS 1987, quoted in Jackson and Milliron 1989, 77–78). Interestingly, this is inconsistent with the later studies by Sakurai and Braithwaite (2003) and Leviner (2012), who found that tax returns prepared by well-trained and regulated professionals resulted in the most compliant outcomes. These circumstances might be confirmed by Klepper, Mazur and Nagin (1991, 228) who concluded that tax practitioners would 'discourage non-compliance on legally unambiguous income sources but encourage non-compliance on ambiguous sources', which situation was referred to as the 'enforcer/ambiguity-exploiter effect'.

Specifically, the American tax authority (IRS) conducted a survey involving interviews with more than 1,700 tax preparers and 152 tax advisers in 1987. One of the most striking conclusions was that the behaviour of highly qualified practitioners when preparing returns was incompatible with the IRS mission regarding the grey area of tax laws and regulations. Jackson and Milliron (1989) responded to the findings by questioning the validity of the data and the scope of the survey and by criticising some terminologies used in the report. They were of the view that tax practitioners play a crucial role in supporting or undermining the

integrity of the tax system. They emphasised that ‘the practitioners’ role lies somewhere along a spectrum with government agent at one end and taxpayer advocate at the other’ (Jackson and Milliron 1989, 82). They concluded that the IRS might gain some short-term advantages if it forces tax practitioners’ position closer to the government but that this strategy might also impair the government’s interests. According to the conclusions of the IRS and the response by Jackson and Milliron, tax practitioners play a crucial role in the operation of the tax system. However, further study with sufficient data and greater validity needs to be undertaken to reveal and make a generalisation about whether tax practitioners’ position lies closer to the government or to the taxpayers.

Klepper, Mazur and Nagin (1991) examined the factors influencing taxpayers to engage with tax practitioners and the effects of tax practitioners’ recommendations on tax compliance. Using econometric modelling, the study suggested that taxpayers tended to engage with tax practitioners in a situations where they faced more complex tax returns, they had more income with lower education levels, they were subjected to higher tax rates but expenses for tax practitioners were fiscally deductible, there was a decreasing penalty on tax practitioners, and the penalty imposed on detected non-compliance could be reduced by tax practitioners (Klepper, Mazur, and Nagin 1991, 216–217). In relation to the effect of tax advice on compliance, the study revealed that ‘the magnitude of the effect of a preparer will depend on the opportunity for non-compliance’ (Klepper, Mazur, and Nagin 1991, 219). In addition, it was argued that tax practitioners’ prepared returns exhibited more compliance than did self-prepared returns concerning unambiguous income, whereas in situations concerning ambiguous income the reverse was apparent, in that tax practitioners’ prepared returns displayed more non-compliance than did self-prepared returns (Klepper, Mazur, and Nagin 1991, 218). The study concluded that on unambiguous tax issues tax practitioners tend to discourage non-compliance while on ambiguous issues encourage non-compliance. This situation was referred to as the ‘enforcer/ambiguity-exploiter effect’ (Klepper, Mazur, and Nagin 1991, 228).

Erard (1993) conducted a more comprehensive study employing an econometric model with IRS TCMP data of 1979 and the IRS Commissioner Annual Report of 1978 and 1979 as the main sources of data. Specifically, the study undertook a joint analysis of three categories of tax preparation mode—‘(1) tax preparation by CPA or lawyer’, ‘(2) tax preparation by or assistance from a non-CPA, non-lawyer’ and ‘(3) Self-preparation of taxes’ (Erard 1993, 167)—and tax compliance with the use of micro-level data. Factors influencing the mode of

preparation and tax compliance decisions were also investigated. The findings revealed that taxpayers who were older, married, had complex returns and had many forms and schedules to complete tended to hire tax practitioners. The level of income seemed to be an insignificant factor compared with the source of income in this relationship. Interestingly, the study suggested that CPA- or lawyer-prepared returns and non-CPA- or non-lawyer-prepared returns displayed more significant non-compliance than when the returns were self-prepared by the taxpayers at a magnitude of 4.5 and 0.15 times, respectively.

A more recent and comprehensive study of the role of tax practitioners in shaping compliance behaviour was conducted in the US by Leviner (2012). The study investigated the trends and patterns of compliance behaviour using two main independent variables, namely tax return characteristics and preparation mode. The returns examined consisted of two types, the simpler 1040 Form and the more complex and ambiguous Schedule C Form. Several items of those returns were explored as main indicators, including adjusted gross income, total tax, earned income tax credit and filing status. The mode of preparation referred to the type of returns preparer, which consisted of eight groups, specifically, CPA, attorney, enrolled agent, large national chain, other professional tax preparer, friend/relative, IRS / volunteer income tax assistance (VITA) / tax counselling for the elderly (TCE), other and taxpayer. Overall, the study revealed that tax returns prepared by CPAs, attorneys and IRS/VITA/TCE representatives exhibited the most compliant behaviour in many respects. In contrast, returns prepared by other professionals and other preparers showed less compliant outcomes. Interestingly, the returns prepared by an enrolled agent and a large national chain, which were directly supervised and regulated by IRS, displayed some of the least compliant results. Some findings of this study are consistent with previous studies in that tax returns prepared by well-trained and well-regulated professionals resulted in the most compliant outcomes (see Hasseldine and Hite 2003; Sakurai and Braithwaite 2003).

Using a survey, Devos (2012) explored the relationship between tax advice provided by tax practitioners and the tax compliance behaviour of Australian individual taxpayers. The sampling frame was divided into an evader group and a non-evader group of taxpayers based on ATO records, and a chi-square test was used as a statistical instrument to explore the relationships among variables in the questions. The findings revealed that, in general, there was a statistically significant relationship between the demand for hiring tax practitioners and tax compliance behaviour. A significant relationship between the aggressive advice of tax practitioners and compliance behaviour was also acknowledged, though only among the

non-evader group. However, the relationship between aggressive advice and tax practitioners' termination and compliance of both groups of taxpayers was slightly significant. The study suggested that a growing trend in the use of tax practitioners combined with the problem of tax law complexity may signify the opportunity for aggressive tax advice. These circumstances might be mitigated through several avenues, such as closing loopholes, simplifying the tax system and implementing a formal code of conduct for tax practitioners. It is worth noting that these findings also imply that Australian individual taxpayers seem to be more selective in retaining or terminating their tax practitioner (Devos 2012, 23–24). While the results have confirmed several findings of previous studies, a more thorough research needs to be undertaken covering more variables of compliance behaviour and from different perspectives.

In a more general review, Sakurai and Braithwaite (2003) undertook a survey of 2,040 Australian taxpayers investigating their perceptions of an ideal tax preparer. They identified three measurements that became the underlying criteria for an idealised tax practitioner. The majority viewed that an idealised tax preparer was one who is truthful, straightforward and risk averse. A sophisticated but cautious tax practitioner in minimising tax payment with conflict avoidance became the second type of favourite tax practitioner. The least popular tax practitioner was one who was creative and willing to provide aggressive tax planning advice as well as possessing good network connections with the tax authority. These findings might lead to the conclusion that most Australian taxpayers tend to comply and rely on an honest tax preparer. However, the study was unable to identify which group of taxpayers preferred either the cautious, honest tax preparer or the aggressive tax adviser. It was also unable to distinguish which tax practitioners provided aggressive advice and which cautious advice. As a result, the tax authority might encounter a serious problem if, in fact, those who prefer aggressive tax advisers are large taxpayer groups while the aggressive advisers are the highly qualified ones.

In addition, Hite and McGill (1992) investigated taxpayers' perspectives on aggressive tax advice provided by tax practitioners. The study employed an experimental approach using a survey distributed to US taxpayers as subjects. The results suggested that taxpayers strongly preferred conservative over aggressive tax advice from their tax practitioners. Taxpayers strengthened this view with their decision to change tax practitioners if they did not agree with the tax practitioners' advice, especially aggressive advice (Hite and McGill 1992, 398). The study provides an insight that the preference for aggressive tax advice seems to come

from tax practitioners rather than from taxpayers. However, the tax scenario provided to subjects in the study was limited in terms of scope and time frame, thus it may not represent an actual situation.

## **2.4 Research on Tax Compliance in Indonesia**

### **2.4.1 Background**

Despite the role of professional tax consultants in Indonesia having long been recognised, studies on their roles in the Indonesian tax system seem to be lacking. Based on information from the president of the Association of Indonesian Tax Consultants, to the author's best knowledge there has never been any comprehensive study on the role of professional tax consultants, despite the importance of such research for many stakeholders of the association. This information was confirmed by the section head of organisation at DGT, who oversees the management of policy concerning tax consultants. He stated that the increasing role of professional tax consultants in the tax system needs to be addressed properly in terms of policy; yet to the author's best knowledge, no one has undertaken comprehensive research into the matter.

### **2.4.2 Research on Tax Compliance and Tax Practitioners in Indonesia**

There was only a handful of studies found that related to tax compliance, particularly the role of tax professionals in Indonesia. Three studies identified to be closely related were undertaken by Siahaan (2005), Mustikasari (2008) and Mirasanty (2008). While these studies certainly provided insights into the role of tax professionals in Indonesia, the scope of the research seemed to be very limited. The subject of the studies was also tax professionals working in companies rather than professional tax consultants. In addition, the literature review of the studies seemed to be insufficient. Nevertheless, Susila (2014) undertook research on the cost of compliance of large taxpayers in Indonesia, although some of the findings explained little about the involvement of tax consultants in large taxpayers' taxation dealings.

Siahaan (2005) was probably the first to study tax professionals in relation to tax compliance behaviour. He investigated factors influencing decisions made by tax professionals in corporate tax reporting. The study used a survey distributed to 154 tax professionals with at least one year's experience working in medium- and large-scale manufacturing companies in Surabaya, East Java. The main findings of the study were that the effect of a supportive environment and the risk of audit on tax professionals' compliance behaviour was positive

and significant, while the effect of complexity of tax laws and trust was insignificant. The study could have been improved by broadening the samples and deepening the theories provided in the literature review. Moreover, the study was conducted from the perspective of taxpayers.

Mustikasari (2008) studied organisational and behavioural factors affecting tax professionals' non-compliance in corporate tax reporting. A survey was conducted with 233 tax professionals with at least one year's experience working in 124 medium- and large-scale manufacturing companies in Surabaya, East Java. The study found that attitude towards non-compliance behaviour positively influenced tax professionals' intentions. Meanwhile, subjective norms, moral obligation and perceived behavioural control negatively influenced tax professionals' intentions. The inclusion of more regions and sectors as well as a deeper literature review would probably have improved the validity and general application of this study. In addition, the subject of study was tax professionals as employees of corporate taxpayers rather than professional tax consultants, as in this current research.

Mirasanty (2008) investigated the influence of tax modernisation and the tax consultant role on tax compliance through satisfaction. The survey was distributed to 40 taxpayers who were the clients of tax consultants in Surabaya, East Java. A notable finding from this study was that tax modernisation dominantly affected taxpayer satisfaction compared with the role of tax consultants. In addition, the role of tax consultants had a more dominant influence on taxpayer compliance than did tax modernisation. However, the sample used in the study was very limited and only covered the Surabaya region from the perspective of taxpayers rather than professional tax consultants

Finally, Susila (2014), who investigated the tax compliance cost of large taxpayers in Indonesia, pointed out some findings related to the role of tax practitioners in Indonesia. In the study, it was revealed that large taxpayers generally engaged tax practitioners in their dealings with taxation matters. Those from the retail and wholesale trading sector and real estate sector seemed to hire practitioners the most. The motives of the taxpayers hiring tax consultants were mainly to deal with routine tax matters (49%) and preparing tax returns (43%). The findings of this study shed some light on the role of tax consultants in Indonesia, but only for large taxpayers and from the perspective of the taxpayers.

## 2.5 Chapter Summary

This chapter has provided an elaboration of the studies relevant to the current research. The chapter, however, contains a discussion not only about the research into tax practitioners but also about the research into tax compliance in general. Theoretical areas relevant to the study of tax compliance were also briefly discussed. These were intended to provide readers with a brief background about the position of the study on tax practitioners among other studies related to tax compliance.

The study of tax practitioners falls within at least four categories. Research investigating the motives of taxpayers engaging tax practitioners is the first category, followed by studies examining the role of tax practitioners in the tax system in the second category. While the third category relates to the research exploring factors affecting tax practitioners when advising taxpayers, the fourth category of research attempts to understand the impact of tax practitioner advice on taxpayer compliance.

More specifically, prior studies have clearly demonstrated that tax practitioners play a strategic role in shaping tax compliance behaviour. Their position, on a continuum between the tax authority at one end and taxpayers at the other, enables them to engage in the tax system either as a government agent or a taxpayer advocate. The existing studies revealed that tax practitioners tend to discourage non-compliance in a situation where tax issues are unambiguous. However, in ambiguous tax matters, their propensity is to encourage non-compliance. Meanwhile, the existence of a large grey area in taxation is inevitable considering the growing complexity of tax laws and regulations. Therefore, the conception that tax practitioners play a significant role in encouraging non-compliance might be true.

Nevertheless, many studies have shown that tax practitioners' judgment when advising taxpayers was influenced by many factors, including client-related features, decision context features and tax practitioner-related features. These factors might affect the decision of tax practitioners regarding whether to provide aggressive advice, even in a situation where the tax issues in question are unambiguous. In contrast, many studies revealed that reducing tax liability was not the most significant factor for taxpayers to engage tax practitioners. Rather, it was the intention to log accurate and correct tax returns that mostly induced taxpayers to hire tax practitioners, though these findings might be influenced by a conservative view of the taxpayers as subjects of the research.

## **CHAPTER 3 RESEARCH DESIGN AND METHODS**

### **3.1 Introduction**

The purpose of this chapter is to provide a comprehensive account of how this research was planned and carried out, as well as how the data collected was prepared and analysed. Hence, it focuses on the research design and methods employed in this study and the procedure used to analyse the data collected. For that purpose, this chapter is divided into four parts: the research design, the implementation of a survey, conducting the interviews and the organisation of a focus group discussion (FGD).

An explanation of the basic design of the research covers three central issues, namely the research paradigm, the mixed methods approach and the ethical considerations. Further, how the population was approached and accessed, and the implementation of a pilot study will be discussed. Data collection procedures through the implementation of a self-administered web-based survey, interviews and an FGD, along with the strategy for analysing the data, are also elaborated on and explained.

### **3.2 Research Design**

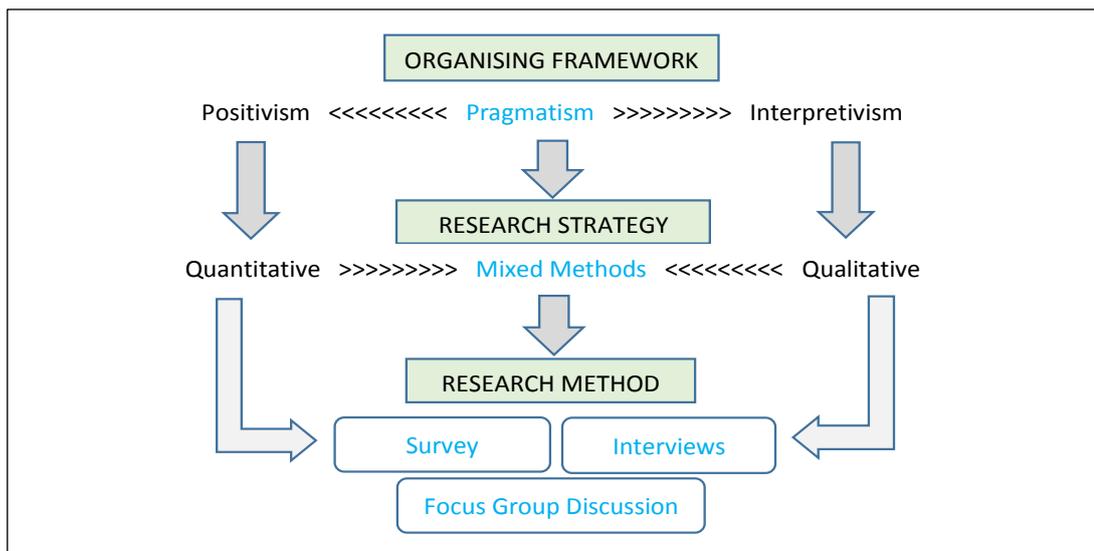
#### **3.2.1 Research Paradigm**

The term research paradigm refers to the general philosophical orientation used by a researcher (Creswell 2014, 6), signalling fundamental assumptions that orient the research (McKerchar 2010, 63). The preference for a research paradigm reflects the researcher's ontological views and epistemological beliefs (McKerchar 2010, 71). The organising framework followed will largely shape the research strategy adopted by a researcher. Arguably, the research strategy is not simply a method or methods used to collect data, but rather should be understood as a plan through which researchers reach their objectives (Saunders, Lewis, and Thornhill 2012, 173).

Two fundamental philosophical paradigms widely recognised are positivism and interpretivism (see Creswell and Plano Clark 2011; McKerchar 2008; Saunders, Lewis, and Thornhill 2012). Positivism relies on deductive reasoning and is characterised by the utilisation of quantitative methodology in generating knowledge with the view that researchers and their subjects are separated. Conversely, under interpretivism, knowledge is generated based on inductive reasoning and qualitative methodology, combined with the

subjectivity of researchers since they are considered undetachable from the subjects of the study (McKerchar 2008).

Even though these paradigms seem to be polar opposites, a continuum in the middle ground between the two is possible (McKerchar 2008, 7; Saunders, Lewis, and Thornhill 2012, 129). Pragmatism and critical realism are two approaches that inhabit this middle ground. The two approaches offer alternative paradigms that enable researchers to utilise both elements of quantitative and qualitative approaches, which might be more suitable for certain studies (McKerchar 2008, 8). It is argued that these paradigms are associated with the use of mixed methods research under which the complexities of the world are investigated through multiple means to produce greater insights and better understanding (Creswell and Plano Clark 2011, 4–5; Saunders, Lewis, and Thornhill 2012, 140). The relationship between the research paradigm and the research strategy for this current study is presented in Figure 3.1 below.



Source: Author

Figure 3.1: Research Design

### 3.2.2 Mixed Methods Approach

This study employed a multiple methods research design since it combined both quantitative and qualitative data collections and analysis. The foundation for this choice rests on the consideration that taxation is a multi-faceted social phenomenon, especially when it involves human behaviour (McKerchar 2008, 4). Thus, the decision to incorporate more than one method in the study was made because it could produce more robust outcomes.

Various terms are used to describe the mixed method approach, such as integration, synthesis, mixed research and multi-methods. However, the latest development seems to refer to the approach as mixed methods research (Teddlie and Tashakkori 2011, 5). The approach can be broadly defined as ‘the type of research in which a researcher or team of researchers combines elements of quantitative and qualitative research approaches (e.g. use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration’ (Johnson, Onwuegbuzie, and Turner 2007, 123).

Further, Johnson and Onwuegbuzie (2004, 14) pointed out that a key feature of mixed methods research is its methodological pluralism. The development of this is quite a new solution to understanding quantitative or qualitative approaches as being mutually exclusive. The mix, in fact, often results in superior research compared with simply one approach or the other. Arguably, this is because the mixed method allows researchers to use the strengths of both in a single study to overcome any pitfalls or limitations in the other. Adding to that, convergence and corroboration of findings from each method employed could also provide stronger evidence for a conclusion.

It is worth noting, however, that like other research methods, a mixed method study also possesses drawbacks. Creswell (2014, 218–219) identified that the key challenge of a mixed method approach relates to the resource capacity of the researcher in terms of time, funding, and data collection and analysis capability. For this study, the time frame of four years from the commencement and funding provided by the Australia Award Scholarship and the University was sufficient to achieve the objectives. In addition, the use of technological instruments, namely web-based survey for collecting data and IBM SPSS for analysing quantitative data, helped the researcher minimise difficulties related to the data collection and analysis.

Considering the nature of the research questions, and in line with the adoption of mixed methods, this study utilised a survey as the first research strategy. In addition, in-depth interviews and an FGD were undertaken to gather broader and deeper perspectives of the research issues. McKerchar (2010, 125) argued that in the area of tax, law and accounting the most common research strategies are survey<sup>5</sup>, experiment and interviews<sup>6</sup>. However, experimentation was not chosen because it poses considerable risks in making

---

<sup>5</sup> See Section 3.4.

<sup>6</sup> See Section 3.5.

generalisations and is not appropriate to addressing a wide array of research problems (McKerchar 2010, 138).

### **3.3 Ethical Considerations**

This research involved humans as subjects in a survey, in-depth interviews and FGD. Even though this kind of taxation research is commonly considered a low-risk undertaking, any possible ethical risks to the participants was anticipated in advance. First, following Curtin University's ethical conduct policy in accordance with the National Statement on Ethical Conduct in Human Research and the Australian Code for the Responsible Conduct of Research, ethics approval from the University Human Research Ethical Committee was obtained before the commencement of data collection processes. The ethics approval was granted on 10 April 2014 and is valid until 2019 (Appendix O).

In addition, to protect participants from being exposed to any possible risks, data collected were treated confidentially. To that end, the data were stored in the safest possible places, using lockable data storage for hardcopy and password-protected devices for softcopies. Participants in the survey were not required to put their identity on the question sheet, except for those who were willing to participate in the interview sessions. They were also given an opportunity to unconditionally withdraw from participating at any time. This anonymous and voluntary treatment was explicitly stated in the survey materials and was verbally reinforced as necessary.

Interviews and FGD were also undertaken on a voluntary basis. However, participants to the interview had to sign a consent letter stating their willingness to participate in the study. Initials rather than full names were used to identify interview and focus group transcripts. Finally, all contributions from the participants were explicitly acknowledged verbally through a thank you note sent to their email addresses.

### **3.4 Survey**

#### **3.4.1 Background**

The definition of survey in literature varies (see Lee, Benoit-Bryan, and Johnson 2012, 87; Leeuw, Hox, and Dillman 2008, 4–14; Scheuren 2004, 9). In general, however, a survey can be defined as a systematic data collection procedure to draw a portrayal of the population in question. It has become the most extensively used method in soliciting data by social and other applied science researchers and is perceived to be dependable (McKerchar 2010, 125;

Saunders, Lewis, and Thornhill 2012, 177). Even though surveys might be time-consuming and somewhat dependent on the willingness of respondents, soliciting data through survey questions enables researchers to gather standardised data that can be easily compared, understood and explained (Saunders, Lewis, and Thornhill 2012, 178).

There are various types of survey, dependent on what perspective is utilised. From the standpoint of research subject coverage, surveys are divided into two main categories, namely, census and sampling surveys. While census covers all elements in the population, a sampling survey gathers data from only a subset of the population (Daniel 2012, 3). Surveys can also be divided into cross-sectional surveys and longitudinal surveys (Babbie 1990, 56; Fraenkel, Wallen, and Hyun 2012, 394). Under the first type of survey, data are collected at one point in time, while the second solicits data at different points in time and reports the changes and explanations over the time frame (Babbie 1990, 56–57). In addition, Rea and Parker (2005, 8–23) suggested five types of survey based on implementation, namely mail-out surveys, telephone surveys, in-person interviews, intercept surveys and web-based surveys.

#### **3.4.2 Web-Based Survey**

The current research utilised a web-based survey, which has become increasingly popular (Porter and Whitcomb 2003, 579), as the first strategy for collecting data. A web-based survey refers to a computer and internet assisted data collection procedure involving one or a combination of emails and web pages (de Vaus 2014, 123). In this study, two email addresses and two web pages were used. The email addresses were utilised as avenues for communicating with research subjects and collecting responses. The web pages, which were Ikatan Konsultan Pajak Indonesia (IKPI) and SurveyMonkey websites, were used to provide the link to the survey and embed the survey itself, as well as collect responses.

A mail survey was initially planned considering that it can cover a large, geographically dispersed sample, maintain anonymity and avoid interviewer bias (Babbie 1990, 275; Rubin and Babbie 2013, 148). However, the population of this current study was not located on just one island; rather, it was scattered over different islands all around the country. Therefore, the web-based survey seemed to be more appropriate because it is faster and more reliable than postal delivery services, and more cost-effective as well.

More specifically, while it would have taken just days for mail to reach those who are located on the same island as the researcher, for those who were on other islands, it might have

taken weeks or even months for the mail to reach them and to arrive back with the researcher. Organising a mail using faster mail service might have been possible, but would have meant additional costs. In terms of delivery costs, using standard postage for delivering the mail to respondents is still much more expensive compared with the cost of subscribing to an internet-based survey.

As an illustration, the lowest rate for delivering one-way mail is IDR 1,500, meaning that for return mail the cost would be IDR 3,000 per mail (PoI 2014). Thus, IDR 6,870,000 (IDR 3,000 times 2,290) would be needed to deliver mail to 2,290 respondents. The cost of copying the survey would also add to the total cost of the mail survey. A survey consisting of eight pages of A4 paper would cost approximately IDR 1,200. The cost for 2,290 paper-based surveys would then be IDR 2,748,000. Therefore, the total cost of delivering the mail survey would be IDR 9,618,000. In contrast, the cost of a gold type membership for a one-year subscription at SurveyMonkey was only IDR 1,980,000, meaning that this method was far more economical than the cost of a mail survey.

The choice of using a web-based survey was also based on consideration of the following. First, the targeted population consisted of specialised people who were well identified, since they were a group of persons having a specific identification number and bound by certain government regulations. They were also well educated and internet literate persons since they were required to meet certain levels of education and requirements under government rules. Second, professional tax consultants are presumably busy people who appreciate time very highly. Therefore, ample time to complete the survey was necessary. The web-based survey allowed them to have more time to consider response choices and to complete the questions. In addition, the web-based survey enabled respondents to receive and complete it conveniently in their home, office or even on-the-go without compromising their confidentiality and security (Rea and Parker 2005, 11–12).

### **3.4.3 Population, Sample and Access**

A population can be defined as a collection of statistical units of the same nature constituting the reference universe during the study of a given research problem (Dodge 2008, 428). It includes, but is not limited to, people, animals, businesses, buildings, motor vehicles or events. The population should be clearly identified and a good match with the purpose of the study (Daniel 2012, 6). This is because the accuracy and appropriateness of the population or sampling frame would influence the generalisation reliability of the study results (McKerchar 2010, 149).

For the purpose of this study, the targeted population was professional tax consultants in Indonesia, which were divided into three categories based on their qualification, namely, Certificate A, B and C<sup>7</sup>. This was deemed to be the most appropriate sampling frame because the objective of the research was to investigate the role of professional tax consultants in the Indonesian tax system. Further, in this study, all elements rather than a subset of the population were included. It is argued that a study using sampling can also produce a reliable generalisation of the population. However, considering the study objectives, the nature of the population and research design (Daniel 2012, 36), a complete enumeration or census seemed to be more appropriate for this study.

More specifically, Daniel (2012) suggested that total enumeration is favourable if there is a need to include small segments of the population and the study is considered important. As discussed earlier, this study was crucial and timely as it is expected not only to contribute to the body of knowledge but also to produce sound policy recommendations to the Government of Indonesia. In addition, this study is also a pioneer study on the matter in the country, so the findings will form a basic platform for further studies. For that reason, a complete enumeration seemed to be a better choice.

Regarding the nature of the population, Daniel (2012 32–33) argues that complete enumeration is favourable if the number of population is relatively small and difficult to access. The number of professional tax consultants in Indonesia is arguably insignificant compared with either the number of registered taxpayers or tax officers. According to the IKPI and DGT websites, the number of professional tax consultants as of 31 December 2013 was 2,290 persons (DGT 2013; IKPI 2013). Conversely, the number of registered taxpayers at the same time reached approximately 30 million, while the number of tax officers was of around 32,000 persons. In addition, professional tax consultants are considered a group of persons who are difficult to access for research purposes. This is largely because they are very mobile, since their clients might be scattered all around the country. Therefore, the most appropriate approach would be a total enumeration.

Another advantage of total enumeration compared with sampling or partial enumeration relates to error in a research study. A sampling study might be more practical (Fink 2013, 79) and produce valid and reliable conclusions; however, the generalisation reliability of the results of a sampling study is significantly dependent on the sampling design (McKerchar

---

<sup>7</sup> See Chapter 4, Section 4.4.3.

2010, 149). In contrast, census or total enumeration might be somewhat impractical but it is not subject to sampling error since it does not deal with sampling issues.

Access to the population was obtained through both traditional and internet-mediated channels, which is known as hybrid access (Saunders, Lewis, and Thornhill 2012, 210). The official websites of the IKPI and the DGT were the initial access to the sampling frame since they provided a list of registered professional tax consultants along with other relevant information, such as their qualifications, their offices and their addresses. Discussions with the board of the IKPI were conducted to discover any possible facilities that could provide access to the sampling frame without compromising the potential respondents' rights to privacy (McKerchar 2010, 149).

Familiarity with the relevant organisation, having sufficient time to make contact either with existing or with new organisations, providing a clear method of access and the purpose of the research, as well as establishing credibility, are believed to be useful strategies to gain access (Saunders, Lewis, and Thornhill 2012, 210). Therefore, the researcher's current familiarity with the population environments became a valuable avenue to achieve the required access. Further, taking advantage of existing contacts with several members of the IKPI, pre-survey contacts were undertaken before conducting the main survey. These proved to be beneficial to overcome organisational concerns about granting access and to provide the population with clear information about the purpose of the research. In addition, formal letters from the University and the IKPI as a gatekeeper were sent to the sampling frame to build the researcher's credibility.

#### **3.4.4 Pilot Study**

A pilot study aims to assess potential problems that may arise during field work, including the validity of the questions and reliability of the data that will be collected (Saunders, Lewis, and Thornhill 2012, 451). A pilot study is also generally undertaken to evaluate the overall research processes, including the mode of delivery and collection of the survey. More specifically, it is commonly conducted to assess the time needed to complete the questions, the instruction clarity, possible ambiguities and inappropriateness of questions, and the effectiveness of the layout (Bell 2010).

Accordingly, a pilot study was conducted before commencing the actual field study. The purpose of this pilot study was to measure the average time spent on completing the survey and to discover the most appropriate mode of survey delivery. It was also undertaken to

ensure the instruction clarity, the appropriateness of questions and the layout effectiveness. In addition, to accommodate any other valuable input, an open-ended question was added to the evaluation sheet distributed to the participants. The pilot study evaluation sheet is presented in Appendix C.

To that end, a tentative survey along with an evaluation sheet was distributed to two groups of respondents who agreed to participate in the pilot study. The first group comprised 10 officials of the DGT who were considered to have intense interactions with professional tax consultants, while the second group comprised 25 professional tax consultants working in Jakarta. Participants in the pilot study were requested to read and answer all questions in the survey and then provide an evaluation by filling out the evaluation sheet provided.

Following the distribution of the survey instrument, a series of discussions were held during the last week of this pilot study. The discussions were undertaken separately with five tax consultants, one tax official from the head office of DGT, and four tax auditors from LTOs. These discussions were held mainly because the completed responses received after a three-week period was far below expectations. There were only two complete responses received out of 35 surveys distributed, or a response rate of 5.71%. During the discussions, it was revealed that respondents mostly preferred to provide feedback to the researcher verbally than through the evaluation sheet.

The feedback obtained from respondents comprised four primary issues, which were the mode of survey delivery, content, language and layout. Regarding the mode of delivery, a web-based survey was recommended and then adopted instead of a mail survey as initially planned. The content and language of the survey that needed revision consisted of two questions in Part I and five questions in Part II. The revisions were undertaken to make the questions more appropriate to the circumstances of the population and easier to answer, as well as to overcome technical difficulties relating to the template provided by the survey provider. The number of questions on one page was also reduced to only six to seven questions so that respondents did not need to scroll down too much. For these modification purposes, a Human Research Ethics Committee (HREC) Protocol Amendment Request was submitted accordingly.

#### **3.4.5 Survey Development and Measurement**

Designing a survey is a crucial step in collecting primary data. This is because the design and structure of the survey influences, to some extent, the internal validity and reliability of the

data collected, as well as the response rate (Saunders, Lewis, and Thornhill 2012, 428). To that end, a blend of strategies recommended in the literature was adopted (see Dillman 2007; Rubin and Babbie 2013; Saunders, Lewis, and Thornhill 2012).

More specifically, the survey design and organisation in this study were largely based on social exchange theory and consisted of three core elements, namely, rewards, costs and trust, as elaborated in the Total Design Method (Dillman 2007, 14). Using short and easy questions, omission of subordinating language to avoid embarrassment and inconvenience, combined with minimum inquiry into personal matters were among the measures utilised in this study to reduce social costs (Dillman, Smyth, and Christian 2009, 25–27). In addition, stressing the importance of the task of filling out the survey, which was supported by endorsement from legitimate institutions (in this case Curtin University and the Association of Indonesian Tax Consultants), was another way to improve trust and response rates (Groves, Singer, and Corning 2000, 307).

Finally, personalising the layout, delivering thank you notes and providing social validation were several ways to convey rewards (Dillman 2007, 15–21), even though no tangible token of appreciation was given. A cover letter with detailed information about the researcher and clear instructions on how to participate in the survey, and a three-reminder system were delivered (see Babbie 1990, 261–262; Mc Kerchar 2010, 146).

The survey was divided into four parts. Each part was separated by a subheading allowing respondents to easily recognise that they were about to answer a certain part of the survey. General instruction was placed at the top of the survey while specific instruction was written following each subheading before the questions. The general instruction informed respondents that the survey was divided into four parts and each part had its own characteristics. Therefore, careful reading of each instruction provided was necessary. It also highlighted the need to answer all questions honestly and sincerely in accordance with their own situations and experiences to maintain the validity of the survey.

The first part of the survey consisted of 10 questions requesting respondents to provide personal attributes such as age, gender, type of certificate held and educational background. In this part, seven questions were designed as closed-ended and three were open-ended questions with a closed-ended format. The intention of including the latter type of question was to accommodate any other possible answers to the question as well as to gain richer information (de Vaus 2014, 100; Rea and Parker 2005, 44). The question about educational

background, for instance, was an open-ended question with a closed-ended format. This is because arguably tax consultants would have an educational background in economics, business or law. However, they may also come from other disciplines since the regulation does not limit the educational background of a person who wants to be a tax consultant (MoF 2014a, Art. 2).

In the second part of the survey, there were 18 questions about tax consultants' professional experience. The types of questions in this part were closed-ended, open-ended questions with a closed-ended format, and filter or contingency questions. As in the first part, open-ended questions with a closed-ended format question in this part were intended to provide more capacity for respondents to give an answer that was not available in the list provided. Several questions were designed as contingency questions for better clarity and to provide ease of answering for the respondents (Rea and Parker 2005, 45).

The second part of the survey essentially contained variables related to the roles that professional tax consultants may play in the Indonesian tax system. These variables were derived from taxpayers' rights and obligations, as stipulated in the GTP Law, where professional tax consultants arguably take part by providing advice. As discussed further in the next chapter, six major undertakings that have become an integral part of a tax cycle in the tax system were included. These consisted of registering tax identification number, preparing tax returns, dealing with tax notifications and counselling, dealing with tax audits and investigations, organising tax objections and submitting appeals to tax court. Besides, some other relevant variables were also included, such as tax planning.

The third part of the survey consisted of 30 questions divided into four subgroups of questions. The first subgroup of questions asked respondents about their general attitudes towards the tax system, while the second, third and fourth groups explored the factors affecting tax consultants when giving recommendations to their clients. The type of questions employed in this part was numerical rating questions using a five-point Likert scale, considering that the most common scale is four to seven (Wakita, Ueshima, and Noguchi 2012, 534). The composition of the questions was guided by the variables, which are considered the factors affecting tax consultants in providing recommendations, as suggested in previous research. However, the sequence of the questions followed logic rather than merely groups. The list of variables explored can be seen in the Table 3.1 below.

Table 3.1: Factors Affecting Tax Consultants When Advising Clients

No	Variable	Sub-Variable
1.	Client-related features	Client Business Scale, Client Loyalty, Client Type of Taxpayer, Client Value, Client Attitude Towards Risk, Tax Position, Tax Savings
2.	Decision context features	Credibility of Bookkeeping, Consultation Fee, Use of Grey Area, Consultants' Licence Cancellation, Tax Audit Probability, Tax Penalty on Client, Tax Penalty on Consultants, The Value of Tax Case
3.	Tax consultant-related features	Working Contract Cancellation, Honesty and Integrity, Moral Responsibility, Other Tax Consultants' Opinions, Reliability of Recommendation, Attitude Towards Tax Avoidance, Willingness to Help

Source: Adapted from Milliron (1988), A Conceptual Model of Factors Influencing Tax Preparers' Aggressiveness

The last part of the survey was a question asking respondents whether they were willing to participate in the interview session. Respondents were informed that the session would be undertaken at a time and venue agreed by both the researcher and participants. The question was designed as a Yes or No question. While respondents who answered 'No' could then resume the survey, those who ticked 'Yes' were requested to provide their contact telephone number or email address in the column provided.

Before respondents could begin filling out the survey, there was a one-page cover sheet to read on the first page. This cover sheet provided a brief but comprehensive explanation about the survey. Five matters that were highlighted covered the objective of the current research, its voluntary nature, confidentiality and ethical issues, the provision of a contact person in case of any enquiry, appreciation of those participating, and the request that respondents answer all questions honestly and sincerely independent from any influence. The last was intended specifically to reduce any possible response bias and improve the validity of the research.

The cover sheet utilised the coloured Curtin University logo along with the Curtin Business School contact address as a heading to improve the credibility of the research (de Vaus 2014, 139) and the response rate (Chawla, Balakrishnan, and Smith 1992, 307; Faria and Dickinson 1996, 66; Greer and Lohtia 1994, 47; Ladik, Carrillat, and Solomon 2007, 268–269). The title of the current research was placed after the heading with bold letters highlighted with green colour, while identity along with a signature of the researcher was placed after the main text of the coversheet. The coversheet was addressed to tax consultants since they were the subjects of the current research. The coversheet and survey are presented in Appendix F and G).

Regarding the level of measurements, this survey utilised nominal, ordinal and interval scales. A nominal scale refers to the placement of survey data into categories without any ordering or ranking. The categorisation is simply for identification and enumeration purposes with respect to the frequency of incidence (Rea and Parker 2005, 61; Zikmund 2003, 296). An ordinal scale involves ordering or ranking data to describe the characteristics of variables. However, the categorisation in ordinal variables does not reflect the degree of variance among these categories. Meanwhile, survey data that can be ordered from low to high in a meaningful way is categorised as interval data (de Vaus 2014, 204).

For the first and second parts of the survey, only nominal and ordinal scales were employed. The nominal scale was used mostly for personal attribute questions, such as gender and qualifications, while the ordinal scale was utilised for questions containing a certain rank, such as length of experience and age. All questions in the third section utilised the interval scale adopted from a five-point Likert scale, which is broadly accepted in taxation studies (see Abdul-Jabbar 2009; Hasseldine, Kaplan, and Fuller 1994; Mohd Ali 2013; Pope 1993; Richardson 2005). These variables were assumed to have an equal distance from one point to another for the purpose of assessing participants' attitudes towards certain matters (de Vaus 2014, 181; Joshi et al. 2015, 401).

The model developed in this research regarding the topic of factors affecting tax consultants' decisions when advising clients was adapted from previous studies, especially the work by Milliron (1988). Using 22 variables categorised into three main groups derived from previous research, Milliron investigated factors mostly affecting tax preparers' advice in ambiguous tax situations. The research used a four-point scale to identify the extent to which variables identified affected tax advice, namely A for 'absolutely essential consideration', B for 'important, but not essential', C for 'minor consideration' and D for 'unimportant or not relevant' (Milliron 1988, 13).

In this research, most variables employed by Milliron (1988) were adopted. However, the scale for each variable was increased to five points using a Likert scale. Accordingly, instead of asking respondents to put a letter of A, B, C or D, this research requested respondents to tick a box indicating their agreement ('strongly agree' and 'agree'), 'neutral', or disagreement ('disagree' and 'strongly disagree') to the statement describing such variables. For this purpose, the current research used a web-based self-administered survey. Face-to-face interviews were indeed undertaken but used to deepen and broaden the perspectives obtained from the survey. Another notable difference is that the current research aims at

identifying the factors affecting tax consultant decision-making in general tax situations rather than merely in ambiguous tax circumstances. The rationale for these modifications rests on the consideration that this is pioneering research on the matter in Indonesia, conducted using different research methods.

#### **3.4.6 Data Collection Procedures**

As discussed earlier, in this research a web-based self-administered survey was employed. For this purpose, a paid survey account was subscribed from an internet-based survey provider, SurveyMonkey™. The provider was chosen since it provided survey features that best matched the needs of this research at an affordable cost. A paid account instead of the free account was selected because the free version offered very limited features. Crucial features provided with the paid account included a password-protected survey, unlimited survey questions and responses, 24/7 support, and the ability to export data and reports for further analysis.

After setting up an account, all survey questions were uploaded one by one to the website following the survey template provided. A combination of a green and orange colour background was chosen to make the survey more interesting and appealing as well as to improve the response rate (Beebe et al. 2007, 1188). The green colour is believed to have soothing effects on eyes while yellow encourages a good mood (Fehrman and Fehrman 2000, 55). To protect the survey from being accessed by unintended respondents, a password was created. Lastly, a web link to access the survey was generated automatically by the service provider, which for this current survey was <https://www.surveymonkey.com/r/KOMARA>.

The next step was to choose whether this link would be directly given to potential respondents via an invitation email or was placed on a website that was familiar to them. If the link to the survey was given in the invitation email, respondents would be able to directly access the survey by clicking it. This might provide an easier access for respondents who were willing to participate in the survey promptly. However, this alternative had the potential to create problems for those who would like to participate later. Therefore, the second alternative was selected. The link to the survey was placed on the website of IKPI, considering that all respondents would be familiar with the website. The appearance of the web link on the website of IKPI is presented in Appendix E.

After all preparations as discussed above were completed, a pre-survey information email was sent to all tax consultants using a blast-email system possessed by IKPI. This kind of pre-

notification letter has been suggested to help improve the response rate in a web-based survey (Fan and Yan 2010, 137). The email contained three crucial messages. First, it informed all tax consultants about the study that would be undertaken by the researcher. Second, it provided information on how tax consultants could participate in the study, including the link to IKPI website and the use of a password to access the survey (Dillman 2007, 286). Finally, it outlined the nature of the survey, including anonymity, confidentiality and voluntary matters. The letter is presented in Appendix D.

The assurance of anonymity and confidentiality along with an elucidation of the survey together with the URL where the survey can be accessed and completed is believed to help maximise the response rate in a web-based survey (de Vaus 2014, 138–139). In addition, three follow-up emails were sent through the blast-email system of IKPI as a friendly reminder (Appendix H and I). The first reminder was sent to all in the sampling frame two weeks after posting the survey online. The second and final friendly reminders were sent consecutively after three weeks of the previous reminders. The reminders were sent to all in the sampling frame as the sources of survey responses cannot be identified. In these reminders, a statement of appreciation to those who had already completed the survey was given. The direct link to the survey, in addition to the link that could be accessed via the IKPI website, was also provided to speed up the completion of the survey for non-responders.

In addition, potential respondents were provided with an alternative way to respond, to resolve unreliable internet connection in some regions of the country and to allow some respondents who might find it easier to examine and respond to a survey if it was presented offline (Dillman 2007, 369). For this purpose, two avenues through which potential respondents could complete the survey were provided. First, they could access and complete it fully online. For this online mode, respondents needed to go to the IKPI website, click the survey link provided, input the password and complete the survey right away. Secondly, respondents could also use an offline mode by which they first downloaded the survey file available on the IKPI website to their own device. Afterwards, they could open it using a password provided and complete it at their convenience without worrying that the internet connection would be lost while they were responding to the questions. The completed survey was then sent to a dedicated email address maintained by IKPI as a gatekeeper.

Even though it would be very unlikely that a respondent would complete a survey using both channels available—since completing a survey is time-consuming and the respondents were busy people, some measures to guard against this were implemented. First, in the

information sheet distributed as an introduction to the survey, it was clearly stated that the respondents may choose one of the two alternative channels but were prohibited from taking both. Second, in the remainder letters, this statement was clearly repeated. Lastly, during data screening all attribute data were carefully read and compared to ensure that there were no identical answers.

In this current research, neither monetary nor non-monetary incentives to improve the response rate of the survey were used. This is because the research utilised a self-administered web-based survey, which made it impossible to send money or the like to respondents. The second reason is that small amounts of money given to professional tax consultants may be found offensive or inappropriate. Finally, the limited budget of the research also made it impossible. In addition, providing an incentive, either monetary or non-monetary, is not believed to boost response rates (Kalafatis and Tsogas 1994, 137; Sánchez-Fernández, Muñoz-Leiva, and Montoro-Ríos 2011, 513). However, an email expressing deep gratitude and appreciation was sent to all respondents of the survey (Appendix N).

#### **3.4.7 Data Analysis**

Data analysis refers to the use of statistical and qualitative techniques to describe and interpret responses collected from survey respondents (Fink 2013, 115). Quantitative data collected in this research were analysed using the latest version of IBM SPSS, which is version 22. The word IBM stands for International Business Machine, while SPSS refers to Statistical Product and Service Solutions, previously known as Statistical Package for Social Sciences.

Data collected through the online survey were directly recorded as an electronic file in the database of the web-based survey provider. Meanwhile, data from the offline survey were coded and entered manually by the researcher to the database. After being inputted, the data from the offline survey were combined automatically with those from the online survey, forming one electronic data file. However, data from the online and offline surveys could still be identified and separated. For the purpose of data analysis, the combined data file was then downloaded from the provider data base in the form of both MS Excel and SPSS format files.

For the purpose of data analysis, the downloaded data file was broken down into two files. The first file contained respondent attribute data along with participants' responses to questions in the second part of the survey. The second file encompassed the same attribute data from the respondents but only with responses to questions in the third part of the

survey. This extraction was deemed necessary to avoid confusion while analysing data since there were two different issues investigated in this study. As discussed earlier, the two issues examined were the role of professional tax consultants in the Indonesian tax system and the factors affecting professional tax consultants at the time of providing advice to taxpayers as their clients.

In the first stage, data files were prepared and screened. This was important to maintain validity and reliability of the data. During the process, all cases in each data file were carefully screened line by line to check the accuracy of data entry, duplication of responses and missing values. Checking for accuracy was necessary since some of the responses were received through an offline channel and entered into the database manually. Since respondents might use both channels available to participate in the survey, the possibility of response duplication was also scrutinised. Cases with a sizeable number of missing values were deleted to avoid the possibility of bogus relationships with independent variables, while in other cases, mean substitutions were utilised to replace the missing data.

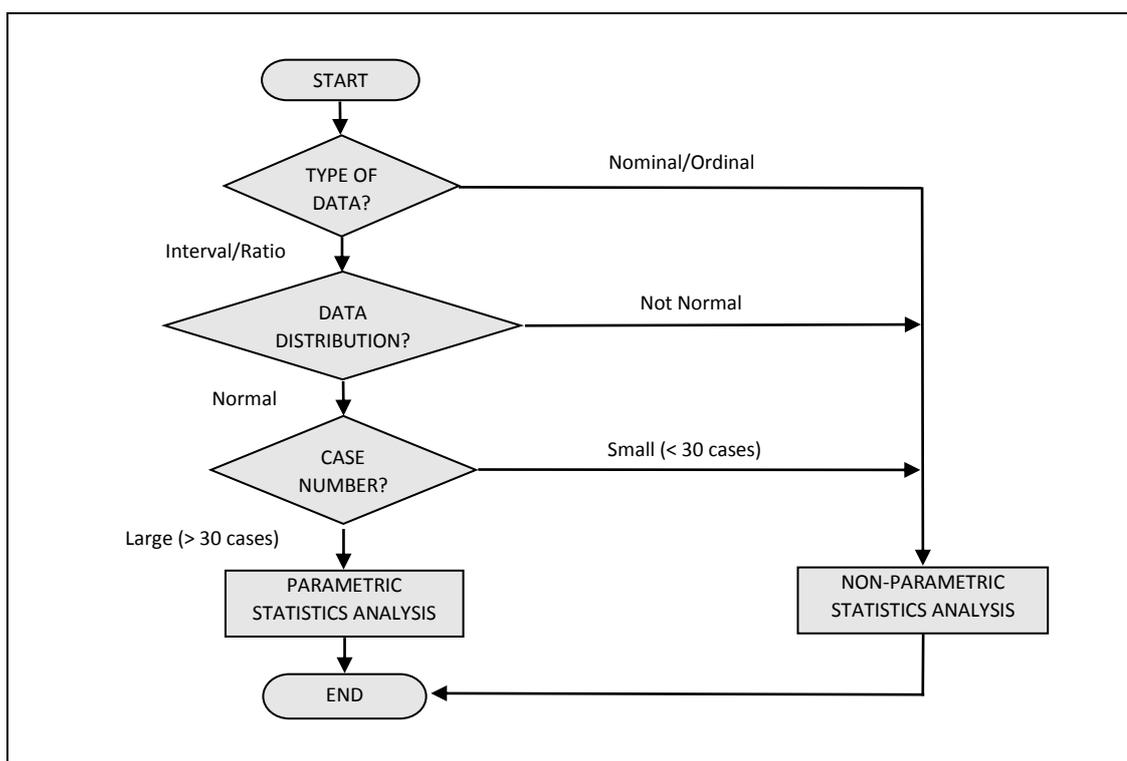
After the preparation and screening of data were finalised, each file was then analysed using the statistical software IBM SPSS version 22. The primary analysis of the data was undertaken using descriptive statistics, which consisted of three main measurements, namely, frequency distribution, central tendency (the mean, median and mode) and variation (range and standard deviation). The descriptive statistics were first utilised to describe and summarise the background of each respondent and the responses they provided. The respondents of this study were mapped based on the level of certificates they possessed, which were Certificate A, B or C. The respondents were then categorised based on their attribute data, for instance, gender, age, level of education and position.

To answer the research questions, an analysis using cross-tabulation was undertaken. This is a statistical procedure to identify whether a relationship between variables in question exists. It can also be used to measure the degree of such a relationship or association (Rea and Parker 2005, 180). The procedure encompasses various approaches and uses different statistical tests dependent on the number of variables being analysed. It may be used to analyse data using nominal, ordinal and interval data or a combination of the three. Using this procedure, different variables being examined are tabulated into a matrix presented in a table with independent variables in one part and predictors in another, using rows and columns accordingly.

Following this procedure, to examine the first research question, namely the role of professional tax consultants in the Indonesian tax system, independent variables obtained from the first section of the survey and dependent variables generated from the second section were tabulated. More specifically, frequency distribution analysis was first undertaken to assess the major roles played by tax consultants in the tax system generally. The cross-tabulation analysis was then used to examine the relationships between those variables. A Pearson chi-square test was used to identify such relationships and a contingency coefficient was used to measure the strength of the relationship.

Similarly, to analyse the factors influencing professional tax consultants' decisions when giving advice to their clients, the independent variables from the first section and the predictors from the third section of the survey were tabulated. The predictors, consisting of three main variables, namely, client-related features, decision context features and tax consultant-related features were tabulated based on the attribute data of the tax consultants. The relationship between those variables was then assessed using the Pearson chi-square test.

Figure 3.2 below illustrates the procedure of choosing an appropriate statistical analysis based on the data obtained from a study. As shown in the figure, a parametric analysis is used when three conditions are fulfilled, that is, the type of data obtained is interval or ratio, the distribution of data is normal and the number of cases investigated is large. In contrast, a non-parametric analysis is considered more suitable to use if one, two or all three conditions cannot be satisfied. It is worth noting, however, that the results of both analyses are considered justified.



Source: Adapted from Singgih Santoso (2015), *Menguasai Statistik Nonparametrik*

Figure 3.2: Guidance for Using Statistical Analysis

The data obtained for analysis in the current research was partially not in the form of interval or ratio data. Therefore, non-parametric analysis was considered more appropriate (Santoso 2015, 5). As a result, the data analysis procedure as described above was admittedly simple since it did not involve complex data screening procedures or sophisticated statistical techniques. The research regarding the role of tax practitioners has just developed in less than three decades and researchers in this area seem to focus on many different issues (Hite et al. 2003). While those studies have significantly added to the understanding of the role of tax practitioners, it seems a commonly accepted study model has not yet been generated.

In Indonesia, the role of tax consultants is little known despite their increasing role in the tax system. This research is probably the first comprehensive study to be undertaken on the issue. By providing basic and simple statistical analysis of the issue, this research can hopefully lay foundations for future studies. Statistics have certainly served as and are believed to be powerful instruments in analysing data yet, 'statistics are like a bikini, what they reveal is interesting but what they conceal is vital' (Sandford 2000, 6). However, the triangulation approach was employed in the current research. The results of the quantitative

analysis were explained by and corroborated with the findings from the qualitative approach to strengthen the reliability of the outcomes, as suggested in the literature (see Denzin 2012; Howe 2012; Jick 1979; Mathison 1988; Morse 1991).

### **3.5 Interviews**

#### **3.5.1 Background**

Interviewing is probably an old technique (Denzin and Lincoln 2003, 64) but is considered a powerful tool to explore questions more in depth regarding processes, beliefs and experiences (McKerchar 2010, 153). Various typologies have been used to differentiate forms of interviews. These might be divided into organised and non-organised interviews or focused and non-directive interviews. The most commonly used typology, however, characterises interviews into structured, semi-structured and unstructured interviews. Differentiating these typologies is believed to add understanding to the nature of research interviews, yet in reality the typologies overlap each other (Saunders, Lewis, and Thornhill 2012, 374).

The main difference among the latter type of interviews rests on the way they are carried out. In a structured interview, researchers record interviewees' answers to predetermined interviewer-administered questions. The semi-structured interview is usually carried out using a set of key questions or themes. The interview processes will be based on those key questions and themes. In contrast, the unstructured interview is more an informal interview where the interviewer intends to explore in depth a general issue in the area of interest (Saunders, Lewis, and Thornhill 2012, 374–375). The choice between those types of interviews, however, is largely dependent on the strategy, purposes and research questions (Fontana and Frey 1994, 373).

In this research, the main purpose of the interviews was to explore in depth and explain the findings of the survey. It is argued that interviews allow researchers to gain rich information useful for investigating the complexities of the subject matter and offer an opportunity to further clarify the rationales behind the findings of a survey (McKerchar 2010, 120). A semi-structured type of interview was chosen since it provides more flexibility compared with structured interviews. It also allows the researcher more room to probe for other relevant information through additional questions (Simmons 2008, 247). In addition, a face-to face interview was selected to maintain the continuity of the session until the end, whereas in a

telephone interview, for instance, Loosveldt (2008, 211–212) anticipated that participants may disconnect the phone before the interview ended.

To avoid bias that would affect the reliability and validity of the data collected in an interview, Saunders, Lewis and Thornhill (2012, 388) suggested nine points to consider. These included aspects that relate to the researcher's appearance, questioning processes and the ability to fully and accurately record data. More specifically, the researcher needs to be aware of his or her appearance at the interview and the impact of any behaviour during the interview, among other things, by demonstrating attentive listening skills. This was particularly relevant to the interview process in this study since the interviewees were professional tax consultants who presumably appreciated a professional appearance and their time very highly.

The opening comments, the approach to questioning and the appropriate use of diverse types of questions are also key to ensuring the interview process runs well. To that end, even though the researcher may have a list of themes and questions to be covered, their use and order might differ from interview to interview considering the organisational context and the flow of conversation (Saunders, Lewis, and Thornhill 2012, 374). Lastly, to fully and accurately record interview data, an electronic device to record all the conversation during an interview was prepared with the interviewee's consent.

### **3.5.2 Selection of Participants**

Interviewees were selected from survey respondents indicating a willingness to participate. As discussed earlier, in Section IV of the survey, participants were asked whether they were willing to take part in the interview sessions. Those who were not keen to participate could just click 'No', while those who were willing to join in needed to click 'Yes' and provide contact details either in the form of an email address or a telephone number or both.

There were 62 out of 343 survey respondents who indicated a willingness to participate in the interview sessions. This number was admittedly far higher than previously expected. Unfortunately, considering budget and time constraints, it was not possible to involve all of them in the interview sessions. Therefore, participants were then selected taking into consideration representativeness of each professional qualification, length of experience and gender to ensure that views of the participants would represent all segments of professional tax consultants. However, appreciation was shown to all interested persons by sending them an email and short message service thanking them for their interest in participating.

Additionally, they were notified that because of time and budget limitations, not all interested persons would be selected as an interviewee, and that those who were selected would be contacted further to schedule the time and venue for the interview.

Based on this purposive sampling, 15 persons were selected to participate in the interview sessions. They were contacted through the channel they provided, which was by telephone or email. From those 15 candidates, only 11 persons could be successfully contacted. In this preliminary contact, the researcher first took the opportunity to thank them for their interest in participating and then proposed a date for the interview. The choice of venue for the interview was given to interviewees for their convenience. One person withdrew his participation on the day the interview was scheduled. Therefore, the interview sessions involved only 10 participants. The number is admittedly less than that of suggested in literature which was around 12 to 15 (see Guest, Bunce and Johnson 2006, 74; Kvale 1996, 102). However, the number was deemed sufficient considering the purpose of the interviews and that since after 10 interviews, there was arguably no new information emerged.

### **3.5.3 Instrument Design**

In this study, the inquiry formed a series of open-ended questions based on research objectives and preliminary findings from a survey. This interview instrument was developed after some responses from the survey had been received and preliminary data analyses had been undertaken. More specifically, the inquiry included the perceptions of tax consultants on tax systems, especially in the areas of fairness, comprehensiveness and administration, the role of tax consultants in the tax system, tax advisory decision-making processes, the grey area and tax compliance in general. To accommodate any other issues that might be important but possibly missed, the last question asked interviewees to provide any comments, suggestions or concerns about taxation in Indonesia.

### **3.5.4 Data Collection Procedures**

Potential participants were contacted via email about two weeks prior to the anticipated date of interview. A tentative date and time was offered, while the venue choice was given to participants. Upon agreement by participants, another email was sent to provide brief details about the topic coverage, estimated interview duration and confidentiality assurance. A list of indicative questions for the interview and interview information sheet were also provided (Appendix J and L).

On the date, time and venue agreed, participants and the researcher undertook a one-on-one meeting. Three ethical considerations were considered during the interview sessions, namely 'informed consent', 'right to privacy' and 'protection from harm' (Denzin and Lincoln 2003, 89). With that in mind, before commencing the interview, participants were informed verbally about the nature of the interview, as described in the email. In addition, they were requested to sign a consent letter (Appendix K). The participants were also aware that they may withdraw from participating at any time and that the interview would be electronically audio recorded. The recording was intended to complement the note taking to avoid any missing information that may influence the validity of the data collected (Fielding and Thomas 2008, 257). After all questions had been responded to, interviewees were given the opportunity to convey any suggestions or concerns about taxation in Indonesia.

After the interview was finalised, a statement of appreciation was explicitly conveyed. The participants were also informed about any possible follow-up session in the future if necessary. A small token of appreciation in the form of a key ring was also given to all participants. This small souvenir valued at around AUD2.50 each was bought from a souvenir shop at the E-Shed Market, Fremantle which is well-known for cheap but good-quality souvenir products.

### **3.5.5 Data Analysis**

There is a great variety of methods for analysing qualitative data. Analytic induction, grounded theory analysis, narratives and meaning, ethnomethodology and conversation analysis, discourse analysis, semiotics, and documentary and textual analysis are within this variety (Punch 2005, 196–228). Ritchie et al. (2014, 270–271) outlined 10 analysis traditions, including life histories, content analysis, interpretive phenomenological analysis and thematic analysis. While those techniques are often interrelated, overlapping and complementary, as well as—in some instances—mutually exclusive (Punch 2005, 194), the objectives may be essentially identical, which are to describe, explain and develop a theory of the phenomenon (Flick 2014, 369–370). Narrative analysis and thematic analysis, however, are considered the most suitable approaches for research in the area of tax, law and accounting (McKerchar 2010, 230–232).

Therefore, thematic analysis shaped the analysis of qualitative data in this research. The data were analysed manually as the number of interview participants was considered manageable. A blend of procedures suggested by Burnard (1991) and Creswell (2014) was adopted. More specifically, there were seven stages that were undertaken to prepare,

analyse and present the data. First, data collected from the interview in the form of recorded audio were organised and prepared. Each recording was listened to carefully several times and at the same time transcribed into text. The data from each participant were then sorted and organised based on the interview questions. Second, all text data were read and re-read for the researcher to become immersed in the data. This process was undertaken to seek a general idea of the information as well as to reflect on its overall meaning. During this process, some common ideas were collected and written down.

The third stage involved the process of coding, which is considered the heart of qualitative data analysis (Creswell 2007, 148), since coding is analysis (Punch 2005, 199). During this process, text data were dismantled into segments of text in the form of either paragraphs, sentences or phrases. These segments of texts were assembled into sub-themes, which were then placed into broader themes. These themes were further grouped into larger perspectives and labelled using certain terms. This categorisation or coding process was refined and adjusted based on its patterns considering descriptive codes from predetermined themes and inferential codes derived from emergent themes (Creswell 2007, 187).

The fourth stage was the process of checking and rechecking categorisation of the themes. This was undertaken by requesting two PhD student colleagues to read thoroughly the categorisation that had been made and then provide feedback regarding whether adjustments were necessary. This is important to maintain validity of the categorising process (Burnard 1991, 464). The fifth stage was generating descriptions of interview participants to establish the relationship with sub-themes, themes and perspectives that had been identified. The detailed information regarding participants was developed individually to enable the production of multiple perspectives supported by diverse quotations and specific evidence.

In the sixth stage, the findings of the analysis were examined. The pattern of sub-themes, themes and perspectives was analysed. The relationship within and between groups was also examined. Further, for a more vibrant illustration, variations in both patterns and relationship were highlighted by developing tables or figures. The final stage was interpreting the data and writing it up. Based on the findings of the analysis, possible meanings of data were conveyed both from the perspective of literature or theory and the researcher's personal experience (Creswell 2009, 189).

## **3.6 Focus Group Discussion**

### **3.6.1 Background**

As a supplementary data source, an FGD was undertaken. Kitzinger and Barbour (1999, 4) defined focus groups as group discussions that attempt to examine a particular set of issues. This approach essentially differs from a group interview generally in that it uses group interactions to generate data. In a focus group, participants are encouraged to talk to each other instead of answering each question in turn.

Even though this approach might prove difficult to undertake since the researcher must gather several people in the same place at the same time, it is argued that this method is expedient for the study of attitudes and experiences around particular topics (Kitzinger and Barbour 1999, 5–10). It also allows the researcher to explore mutual experiences of participants, which is not possible during interviews (Michell 1999, 36). Further, McKerchar (2010, 167) suggested that this method is suitable for research in taxation since it can potentially reveal new areas to be explored because the interaction among participants may trigger conversations that may not emerge in a one-on-one interview.

However, the literature gives different suggestions about group size and composition, as well as the length of discussion. McKerchar (2010, 164) advised that a focus group should involve six to eight people for a duration of about two hours. Meanwhile, Kitzinger and Barbour (1999, 8) pointed out that according to market literature the ideal number of participants is between eight and 12. With regards to composition, they further argued that homogeneity of participants might result in a more productive discussion but that heterogeneity is often thought to be more enlightening.

### **3.6.2 Selection of Participants**

The FGD was initially planned to be organised with the help of IKPI as the gatekeeper. Ten persons selected by the IKPI were scheduled to attend the FGD, which would be held in the office of the IKPI. However, two days before the actual day of the FGD, many potential participants withdrew their willingness to participate, so the FGD was cancelled. It was fortunate, however, that the FGD could finally be organised with the help and generosity of PT MUC, a leading professional tax consultant company located in Jakarta.

Bringing professional tax consultants to the same place at the same time solely for a research purpose was admittedly challenging. Because of this difficulty, participants to the FGD were

selected by the gatekeeper, which in this case was PT MUC. However, they were recruited based on selection criteria that had been predetermined by the researcher. The FGD was held on Friday 19 September 2014 and attended by 16 tax consultants with various backgrounds holding a different level of tax consultant certificates (Appendix M). This number is slightly higher than that suggested by the literature, as discussed earlier, but the discussion was deemed to be successful and effective since all participants engaged actively with each other.

### **3.6.3 Data Collection Procedures**

The FGD was held in the office of PT MUC located in Jakarta. After being opened by managing director of the company, the discussion was led by the researcher. To make the discussion effective several factors suggested by McKerchar (2010, 166) were taken into account, including appropriate setting, the atmosphere created and the means of data collection.

To that end, a 15-minute presentation was delivered to the audience to provide the background to the research and crucial aspects of the discussion. More specifically, the researcher conveyed to the audience the objective of discussion, the nature of participation and the confidentiality of participants' identity and data collected. In addition, the researcher emphasised that the discussion was expected to be undertaken in an informal setting where everyone had the same opportunity to speak and extend his or her opinions. No opinions would be judged right or wrong; instead, all would be recorded and analysed for the purpose of the study.

Participants to the discussion were not required to sign a consent form. However, the researcher informed them verbally about this at the preliminary presentation. During the discussion, the focus of the conversation was strictly limited to the issues guided by the survey and the interviews previously undertaken, even though an informal atmosphere was maintained. In addition, with the consent of participants, an electronic audio recording was utilised to avoid missing any details of the discussion.

### **3.6.4 Data Analysis**

Two major approaches that may be utilised to analyse data collected from an FGD are analytic induction and logical analysis. Analytic induction analyses data by eliminating anomalous findings, whereas logical analysis seeks to discover profound premises and then explores and organises the relationships between such premises (Frankland and Bloor 1999). However, the FGD in this study was undertaken once since it was only a supplementary data

collection procedure. The focus of discussion also encompassed the same issues as those present in the interview sessions. In addition, the process of analysing the focus group data involves essentially similar procedures as those of analysing other qualitative data (Kitzinger and Barbour 1999, 16). Therefore, the analysis of data collected from the discussion followed the procedures applied to analyse the qualitative data from the interviews, without disregarding context and interaction among participants during the discussion (McKerchar 2010, 164).

### **3.7 Chapter Summary**

This chapter has outlined the research design of this study, beginning with a discussion of the philosophical paradigm embraced. This research was based on a paradigm sitting between two opposing research organising frameworks, namely positivism and interpretivism. The research strategy, which must be understood comprehensively as the overall research plan to achieve the objectives of the research, follows the paradigm adopted. Accordingly, a mixed methods approach using a combination of a survey, face-to-face interviews and FGD was employed. The discussion of this chapter was then mainly divided into three parts. In the first part, the mixed methods approach was elaborated and discussed. The implementation of the survey using a web-based self-administered instrument, the targeted population of the study and the procedure to analyse the data collected was elucidated in the second part. The elaboration of the data collection and analysis procedures of the interviews and FGD was explained in the last part.

**CHAPTER 4**  
**TAXATION IN INDONESIA AND THE INVOLVEMENT OF**  
**PROFESSIONAL TAX CONSULTANTS IN THE TAX SYSTEM**

**4.1 Introduction**

This chapter discusses all pertinent information regarding taxation in Indonesia. It aims to provide readers with a comprehensive understanding of the current development of the Indonesian tax system and administration as well as the involvement of professional tax consultants in the tax system.

More specifically, the chapter begins with a brief background of Indonesia followed by a discussion about the tax laws currently in place and the types of taxes imposed in the country. The organisation administering taxes and its tax performance over the last decade is then outlined. Next, the Indonesian tax cycle unfolding the rights and obligations of both taxpayers and the tax authority stipulated by the Law on General Provision and Taxation Procedure is explained, and this is where tax consultants are most likely to be involved. The last part examines the most recent regulations in relation to tax consultants in Indonesia.

**4.2 Taxation in Indonesia**

**4.2.1 Background**

Indonesia is an archipelagic country located in Southeast Asia stretching around the equator amid the Pacific and Indian Oceans. It comprises more than 17,000 islands, with only about 6,000 being inhabited. Sumatera, Java, Kalimantan, Sulawesi and Irian Jaya are among the biggest islands, while small islands include Bali, Lombok, Flores, Bangka and Belitung. The total land area of the country is around 1.8 million square kilometres, ranking it the largest archipelagic country in the world (BPS 2015a; Hargo 2016; UNDP 2016).

In 2010, the population of the country reached 237,641,326 people, of which more than 50% lived on Java Island. The number increased to 258,316,051 in 2016, making Indonesia the most populous country in the world after China, India and the US. Interestingly, there are various ethnic groups living in the country, speaking more than 700 different languages and embracing different religions and faiths. However, the biggest part of the population is represented by the Javanese at around 40.1%, followed by the Sundanese at 14.5%, while other groups represent less than 4% each (CIA 2016).

After an extended period of colonisation, Indonesia gained independence in 1945. To unify the people of many ethnic, religious and cultural backgrounds, a unitary form of government was established. More specifically, under the 1945 Constitution, Indonesia became a unitary state in the form of a republic headed by a president (GoI 1945, Art. 1 [1]). Previously appointed by MPR (the People's Consultative Assembly), the president has been elected directly by the people through a PILPRES (general election for the president) since 2004. He or she shall hold office for a term of five years and may subsequently be re-elected to the same office, but only for one further term. These new systems are based on the amendments to the constitution legislated lastly in 2002 (GoI 1945, Art. 6A & 7).

Since the end of the New Order era (1966–1998), the Indonesian government has encountered pressure from the provincial regions for a less centralised system of government. As a response, Law No. 22/1999 Regarding Regional Government was then enacted. The law came into force on 1 January 2001 and was last amended in 2004 by Law No. 32/2004. Based on the law, the 34 provincial governments, comprising 416 regencies and 98 cities (MoIA 2015), have their own local governments with legislative, executive and judicial bodies taking a similar pattern to that at the national level (GoI 1999). In addition, the local governments have been given a greater role in administering their regions, except in the area of foreign policy, defence, the system of law and monetary policy, which remain fully managed by the central government (GoI 1999, Art. 10).

In terms of the economy, Indonesia is one of the few countries in the world capable of maintaining a relatively high and stable level of economic growth. World Bank data show that, during the last decade, the country has achieved an average economic growth rate of around 6 to 8% per year. Accordingly, the GDP at current prices has been continuously growing to reach USD890.5 billion in 2014, positioning Indonesia as 16<sup>th</sup> among the other 199 countries in the world (WB 2015a). With a GNI per capita of around USD3,630 per year, the World Bank has categorised Indonesia as a lower-middle income country.

Even though the estimated amount of GDP at current prices in 2015 (USD861.9 billion) has slightly decreased from that of the previous year, Indonesia is considered the largest economy in Southeast Asia. The country has successfully elevated the average GNI per capita from only USD560 in 2000 to USD3,440 in 2015. It has also been able to reduce the poverty rate by more than half since 1999 to 11.2% in 2015 (WB 2016). However, the Indonesian Gini coefficient seems to have increased dramatically from .30 in 2003 to .41 in 2014, reflecting that there are major challenges ahead (Indrawati 2016; WB 2015b, 6).

This is arguably one among many triggers for the new government under President Joko Widodo to focus national development on building infrastructure around the country. However, while this choice might be effective in minimising the Gini coefficient in the long run, in the short run it arguably has positioned the country as being in desperate need of funds. In the meantime, like many other modern economies, Indonesia relies heavily on tax revenue. The Indonesian National Budget of 2016 indicated that tax revenue was projected to contribute more than 75% of the total national income, a 12% increase from the previous year (MoF 2016a). Consequently, it is imperative to make improvements to the tax system and administration, in the hope that the level of taxpayers' compliance can be enhanced, which in turn will boost tax revenue.

#### **4.2.2 Tax Laws and Types of Taxes in Indonesia**

The 1945 Indonesian Constitution stipulates that all taxes and levies that are compulsory in nature shall be based on laws (GoI 1945, Art. 23A). Accordingly, all types of taxes administered in the country are regulated by tax laws. As discussed earlier, under the tax reform of 1983, a package of new tax laws has been enacted. The package contains the following tax laws (Asher and Booth 1992, 42; Siahaan 2010, 91–94):

- Law Number 7 Year 1983 regarding Income Tax.  
This law was passed both to replace and integrate the two separate income tax laws previously implemented, namely Corporate Income Tax Law (*Ordonantie Pajak Perseroan/PPS*) and Individual Income Tax Law (*Ordonantie Pajak Pendapatan/PPD*).
- Law Number 8 Year 1984 regarding Value Added Tax and Sales Tax on Luxury Goods.  
This law was implemented to modernise and update the old sales tax law of 1951.
- Law Number 9 Year 1985 regarding Land and Building Tax.  
This law was enacted to simplify the seven ordinances relating to property tax inherited from colonials (Soemitro 1986, quoted in Asher and Booth 1992, 46).
- Law Number 10 Year 1985 regarding Stamp Duty.  
This law was legislated to replace the old SD law of 1921.
- Law Number 6 Year 1983 regarding General Provision and Taxation Procedures.  
This law was introduced to stipulate general rules and procedures of taxation for the other four laws enacted.

In broad terms, those laws can be divided into two categories, namely formal and material laws (Brotodihardjo 2013, 72). The GPTP Law is a formal law because it contains procedural

norms on how to conduct tax assessment, collect taxes and supervise tax administrators, and it encompasses the rights and obligations of taxpayers and other related parties. In contrast, all the other four laws are material laws since they stipulate rules explaining legal circumstances, actions and occurrences that are subject to tax, tax subjects, tax rates, and legal relationship between taxpayers and the government (Brotodihardjo 2013, 44–48).

Over the last three decades, the five tax laws above have been refined several times. As shown in Table 4.1 below, while laws on land and building tax and stamp duty have been perfected only once, laws on income tax and VAT have been modified three times. The Law on General Provision and Taxation Procedure has been amended four times, albeit the last amendment just modifying one article—Article 37A, known as a sunset policy article (Suharsono 2013). The sunset policy was a mini tax amnesty implemented during the period of 2008–2009. Interestingly, the name of initial laws (law number and year) have always been carried forward to the new laws. This arguably shows that the principles embedded in the initial laws are upheld and all changes to the laws are simply made to modify and update the previously enacted laws.

Table 4.1: Current Indonesian Tax Laws

No.	Type of Tax Law	Year of Enactment/Amendment			
		1983–1985	1994	2000	2007–2009
1.	General Provision and Taxation Procedure	Law No. 6/1983	Law No. 6/1983 as amended by Law No. 9/1994	Law No. 6/1983 as amended by Law No. 16/2000	Law No. 6/1983 as lastly amended by Law No. 16/2009
2.	Income Tax	Law No. 7/1983	Law No. 7/1983 as amended by Law No. 10/1994	Law No. 7/1983 as amended by Law No. 17/2000	Law No. 6/1983 as lastly amended by Law No. 36/2008
3.	Value Added Tax and Sales Tax on Luxury Goods	Law No. 8/1983	Law No. 8/1983 as amended by Law No. 11/1994	Law No. 8/1983 as amended by Law No. 18/2000	Law No. 6/1983 as lastly amended by Law No. 42/2009
4.	Land and Building Tax	Law No. 12/1985	Law No. 12/1985 as amended by Law No. 12/1994	-	-
5.	Stamp Duty	Law No. 13/1985	Law No. 6/1983 as amended by Law	-	-

Source: Author

The Government of Indonesia has also introduced the following tax laws to complement the operation of the core tax laws above:

- Law on Tax Collection with Coercive Warrant (Law No. 19/1997 as amended by Law No. 19/2000)

- Law on Tax on the Acquisition of Land and Buildings (Law No. 21/1997 as amended by Law No. 20/2000)
- Law on Tax Courts (Law No. 14/2002)
- Law on Local Tax and Retribution (Law No. 18/1997 as lastly amended by Law No. 28/2009)
- Law on Tax Amnesty (Law No. 11/2016).

According to the respective consideration of the laws, Law No. 19/1997 was enacted to supplement and elucidate in detail the procedure for collecting taxes using coercive warrants as regulated by Article 20 Paragraph (1) of the GPTP Law (GoI 1997b). Meanwhile, the consideration for passing Law No. 21/1997 was that both land and buildings give the owner social and economic advantages, making it appropriate to impose a tax on buyers for the acquisition of the two types of asset (GoI 1997c). Law No. 14/2002, conversely, was passed to replace Law No. 17/1997 on the Tax Dispute Settlement Body since the establishment of the body was not considered suitable for the judicial system in Indonesia (GoI 2002). Law No. 18/1997 was legislated to substitute the old Emergency Law No. 11 and 12 Year 1957 regarding Local Taxes and Retributions. The amendment made in 2009 was the basis for transferring the administration of land and building tax (city and village sectors) from the central government to the local governments (GoI 1997a).

As the legal basis for the implementation of a tax amnesty programme, the Government of Indonesia enacted Law No. 11/2016 in 2016. The Law defines tax amnesty as the abolition of tax payable and the discharge of administrative and criminal sanction by declaring assets and paying compensation to the state in accordance with the Law (GoI 2016, Art. 1). The programme was mainly intended to boost economic growth and restructuring through asset repatriation, to support the continuing tax reform programme (one of which through the extension of a tax database), and to raise tax revenue both in the short and long run for financing the ongoing national development (GoI 2016, Art. 2 [2]). The programme was expected to run from 1 July 2016 to 31 March 2017 (DGT 2016a).

Taxes in Indonesia can be categorised into two major groups, namely central and local taxes (Pohan 2014, 67–68). Central taxes consist of four main types: income tax, both individual and corporate; VAT and sales tax on luxury goods; tax on land and building; and stamp duty. Local taxes encompass various types of taxes, which might differ from one local government to another. These taxes include motor vehicle tax, hotel tax, radio tax, advertisement tax and transfer of title tax. Local governments, both level one (provinces) and level two (regencies

and cities), are responsible for administering such taxes. It is worth mentioning, however, that under Law No. 28/2009 regarding Local Taxes and Local Retributions, the administration of tax on land and building (city and village sectors) has been gradually transferred to local governments since 2010 (Komara 2012, 4; Samudra 2015, 260).

#### **4.2.3 Tax Administration**

The main institution for administering taxation in Indonesia is the DGT. Established initially based on the Decree of Cabinet Presidium No. 75/U/KEP/11/1966 in the year 1966, the organisation is administered under the Ministry of Finance (MoF; Soemitro and Sugiharti 2010, 162; Wikipedia 2016). However, the institutional design of the DGT has evolved over time and was significantly changed in 2002 (MoF 2002a). More specifically, the old-fashioned office model based on types of taxes was altered to a new one based on functions. At the implementing level, district tax offices were re-grouped into three types, namely STO, MTO and LTO. Moreover, an information technology system for administering taxpayers was continuously modernised and remuneration schemes for all tax officers were gradually improved (MoF 2012a).

According to the most recent MoF decree, the DGT function includes the following (MoF 2015d, Art. 381):

- To formulise and implement taxation policies
- To set norms, standards, procedures, and criteria in the area of taxation
- To provide technical guidance and evaluation
- To carry out administration of the DGT
- To undertake other functions mandated by the MoF.

Being the biggest institution under the MoF with more than 32,000 employees, the DGT is divided into two parts, namely the head office and the operational office. The head office encompasses one secretariat, 14 directorates and four experts, all of which are in Jakarta. Conversely, the operational office consists of 33 regional tax offices managing 332 district tax offices and 207 tax counselling and consultation units, one taxation data and document processing centre, and two taxation data and document processing offices. The regional tax office comprises one regional tax office of large taxpayers, one regional tax office of special Jakarta, which are in Jakarta, and 31 regional tax offices situated around Indonesia (DGT 2015b).

Meanwhile, the district tax offices, as discussed earlier, are divided into three categories as follows:

- District tax office for large taxpayers (LTO)  
The LTOs currently number only four, all of which are in Jakarta. LTO 1 administers large taxpayers from mining and mining supporting service sectors and LTO 2 deals with large taxpayers from manufacturing, trade and service sectors. In the meantime, LTO 3 manages the state-owned companies from manufacturing and trade sectors, while LTO 4 administers the state-owned companies from the service sector and high wealth individuals (DGT 2015c, 44).
- District tax office for medium taxpayers (MTO)  
There are now 19 MTOs located in the capital city of certain provinces and 9 special district tax offices situated in Jakarta. These offices manage regional large taxpayers and special large taxpayers of foreign corporates and individuals, foreign investments enterprises and public listed companies.
- District tax office for small taxpayers (STO)
- The number of STOs is currently 309 located around the country. Administering the largest number of taxpayers, the STOs only manage small size local and regional corporates and individuals.

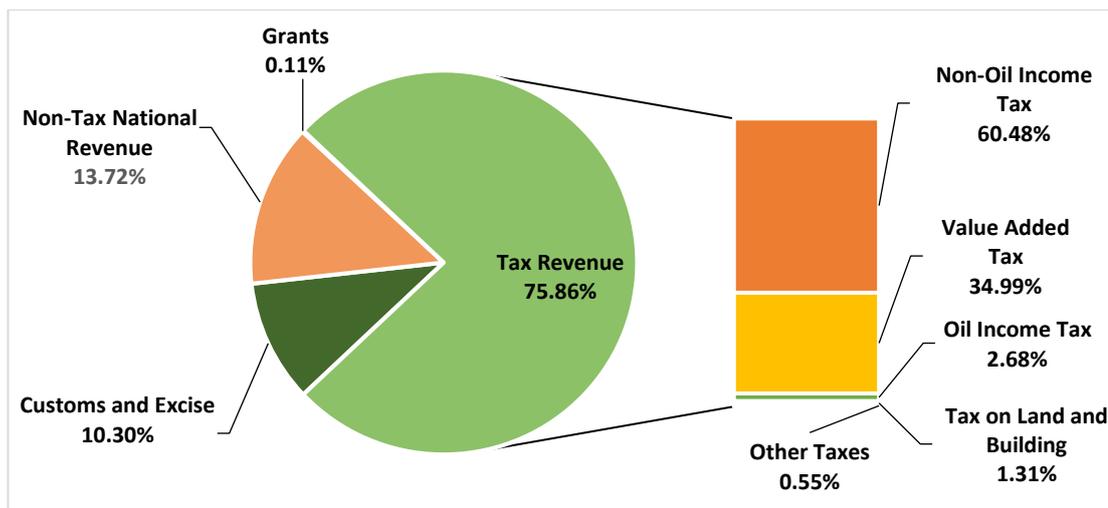
The current DGT organisational structure is presented in Appendix B.

#### **4.2.4 Tax Revenue Performance**

The Indonesian APBN–P<sup>8</sup> 2016 showed that the amount of total national income was estimated to be IDR1,786.20 trillion, a slight decrease from that of the previous year, which was IDR1,793.60 trillion (MoF 2016b). However, as can be seen from Figure 4.1 below, in that fiscal year tax revenue was projected to reach 75.86% of the total national income, an increase of 12.76% from 2015. Non-tax national income, such as income from natural resources and shared profits of the state-owned companies, contributed to the national income at 13.72%, followed by revenue from customs and excise at 10.3% and income from grants at just 0.11% (MoF 2016b).

---

<sup>8</sup> APBN–P (*Anggaran Pendapatan dan Belanja Negara—Perubahan*) is the Indonesian National Budget, which has been revised because of changes in certain macro-economic assumptions, such as the estimated economic growth, exchange rate and interest rate.



Source: Revised Indonesian National Budget 2016, MoF

Figure 4.1: The Indonesian National Income Fiscal Year 2016

In the bar of pie chart shown above, it is shown that non-oil income tax was expected to be the biggest donor to the total tax revenue with a share of 60.48%. VAT revenue, accounting for 34.99%, was in second position. The share of both types of taxes differed significantly from that of 2015 where non-oil tax revenue only accounted for 46.24% of the total tax revenue, while VAT revenue contributed 43.68%. Further, in 2016, revenue from oil income tax supported the tax revenue at 2.68%, followed by revenue from land and building tax at 1.31%, and other taxes at 0.55%.

The fact that tax revenue has become the backbone of national income can also be witnessed from the tax revenue performance in the last decade, as portrayed in Table 4.2 below. It is shown that the tax revenue target set by the government has been ever on the increase. During the period of 2005–2014, the percentage of tax revenue to the national income ratio accounted for more than 60%, except for the years 2006 and 2008 (DGT 2015a). In addition, the realisation of tax revenue seems promising since it was never below 90%. However, during that period the tax revenue target was achieved only in 2008. The target set by the government was also based on a low tax ratio compared with that of other countries.

Table 4.2: Tax Revenue Performance Fiscal Year 2005–2014

No.	Fiscal Year	Total National Revenue (billion IDR)	Tax Revenue		Percentage to Target (%)	Percentage to National Rev. (%)	Tax Ratio (%)
			TARGET	REALISATION			
			(billion IDR)	(billion IDR)			
1.	2005	493,920.00	302,158.40	298,535.80	98.80	60.44	12.51
2.	2006	636,150.00	371,703.78	358,199.40	96.37	56.31	12.25
3.	2007	706,110.00	432,516.17	425,372.40	98.35	60.24	12.43
4.	2008	979,200.00	534,530.79	571,007.25	106.84	58.32	13.31
5.	2009	847,230.00	577,386.78	544,661.99	94.31	64.28	11.06
6.	2010	991,490.00	661,498.61	627,463.42	94.97	63.31	11.24
7.	2011	1,205,320.00	763,670.01	742,719.86	97.26	61.62	11.77
8.	2012	1,332,310.00	885,026.60	835,827.93	94.44	62.74	11.90
9.	2013	1,423,710.00	995,213.89	921,398.11	92.58	64.72	11.81
10.	2014	1,545,460.00	1,072,374.36	985,132.09	91.86	63.74	10.88

Source: DGT, Buku Saku Pajak Dalam Angka (Tax in Number Pocket Book), 2015

From the perspective of the size of taxpayers, large corporate and individual taxpayers currently contribute the biggest chunk of tax revenue. Even though the number of these segments of taxpayers was far below the number of medium and small taxpayers (less than 1% of the total number of taxpayers), they were capable of contributing more than 30% to the revenue. As shown in Table 4.3 below, large taxpayers have on average contributed 33.42% of tax revenue during the last five years. Combined with revenue from medium taxpayers, the contribution of large taxpayers to tax revenue accounted for 71.19%. In contrast, the share of revenue contributed by the remaining taxpayers was only 28.81% on average for the same period.

Table 4.3: Tax Revenue Per Type of District Tax Office

No.	Fiscal Year	Tax Revenue						Total	
		STO		MTO		LTO		(billion IDR)	(%)
		(billion IDR)	(%)	(billion IDR)	(%)	(billion IDR)	(%)		
1.	2011	204,438.26	24.46	22,375.66	38.57	309,014.02	36.97	835,827.94	100.00
2.	2012	229,814.52	24.94	369,663.87	40.12	321,919.72	34.94	921,398.11	100.00
3.	2013	268,177.54	27.22	404,681.25	41.08	312,273.31	31.70	985,132.10	100.00
4.	2014	324,081.92	30.55	398,013.59	37.52	338,733.99	31.93	1,060,829.50	100.00
5.	2015	407,641.56	36.87	349,164.47	31.58	348,950.60	31.56	1,105,756.63	100.00

Source: DGT, Buku Saku Pajak Dalam Angka (Tax in Number Pocket Book), 2015

These figures provide a good portrait of the role of tax consultants in the tax system being crucial since the amount of tax liability they may be involved in is significant. As discussed earlier, there was no statistical data available on the number of taxpayers engaging tax consultants in Indonesia. However, based on the experience of the author (who has worked at the DGT for more than 20 years), it seems that virtually all large and medium taxpayers have engaged tax consultants in their taxation dealings.

In addition, Table 4.4 below shows the number of registered taxpayers and compliance ratios in terms of annual income tax return submissions. Despite the increasing number of registered taxpayers, tax compliance ratios in terms of annual income tax return submissions seem to be alarming. In 2014, the number of registered taxpayers reached 27,942,570, consisting of 1,760,108 corporate taxpayers, 16,880,649 individual taxpayers and 471,833 government treasuries. This number almost doubled compared with that of 2010, which was 15,911,576, and more than five times larger than the number in 2007, which was only 4,805,290.

Table 4.4: Tax Return Submission Compliance

Description	Fiscal Year				
	2010	2011	2012	2013	2014
Number of registered taxpayers	15,911,576	19,112,590	22.564.969	24.886.638	27.942.570
Number of taxpayers obliged to submit tax return	14,101,933	17,694,317	17.659.278	17.731.736	18.357.833
Number of annual income tax returns submitted	8,202,309	9,332,656	9.482.480	9.963.154	10.828.808
<b>Compliance ratio</b>	<b>58%</b>	<b>53%</b>	<b>54%</b>	<b>56%</b>	<b>59%</b>

Source: DGT, Buku Saku Pajak Dalam Angka (Tax in Number Pocket Book), 2015

However, during the last five years recorded, the compliance ratio hovered around 55%, indicating that only slightly more than half of registered taxpayers obliged to submit income tax returns filed their annual income tax returns. In 2014, for instance, the compliance ratio was 59%, an increase of only 3% in 2013 and 1% in 2010. These figures reflect only formal tax compliance, indicating how taxpayers in the country responded to the administrative policy of tax return submission. The level of material tax compliance may arguably be far lower than the formal compliance.

## **4.3 The Involvement of Professional Tax Consultants in the Tax System**

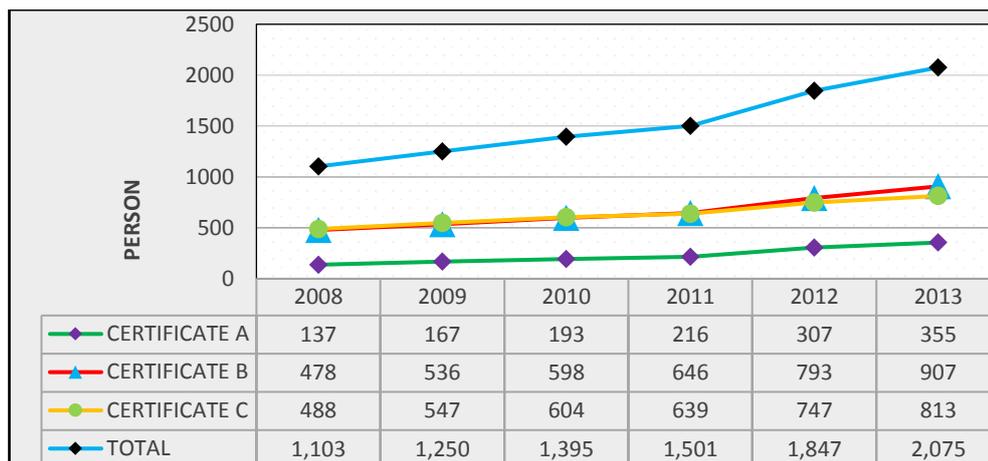
### **4.3.1 Background**

The involvement of tax consultants in the Indonesian tax system began in the 1960s. This can be traced back to the establishment of the tax consultant association known as IKPI on 27 August 1965 (IKPI 2014). Unfortunately, there is very little known about the legal framework enacted by the government as the basis for regulating tax consultants before the major tax reform in 1983. This might be because their roles in the tax system were considered insignificant, since tax revenue had not yet become a national concern and the country was still using the official assessment system.

However, Presidential Decree No. 6/1964 regarding Tax Amnesty and the Minister of Revenue, and Financing and Supervisory Decree No. PUM 04–04–1/1965 regarding Tax Consultant Procedure seem to be the earliest government regulations to have a close relationship with the early involvement of tax consultants (Sambodo 2008). Following the issuance of the presidential decree, tax consultants were invited and briefed by the MoF to help the government make the tax amnesty programme successful. The government then issued the ministerial decree in 1965 as further direction for tax consultants (IKPI 2014). Unfortunately, the document of the ministerial decree could not be found.

### **4.3.2 Tax Consultants and Their Organisation**

The number of tax consultants in Indonesia has been increasing from year to year. As can be seen in Figure 4.2 below, the total number of tax consultants by the end of 2013 was 2,075 persons, double that of 2008 when it was only 1,103. On average, the growth rate of tax consultants in Indonesia during that period was 13.58% per year, reaching the highest rate of growth in 2012 at 23.05% and the lowest point in 2011 with only 7.60%.



Source: DGT, Division of Organisation and Procedure, 2014 (modified)

Figure 4.2: The Number of Tax Consultants in Indonesia 2008–2013

The number of registered tax consultants in Indonesia as of 12 December 2016 reached 3,369 persons, almost triple that of 2008 (DGT 2016c). However, the number is still far below the number of registered taxpayers in the country, which was 27,942,570 in 2014, meaning that there was only one tax consultant for every 12,759 taxpayers. In addition, despite tax consultants have been long involved in the tax system, statistical data on the use of tax consultants by taxpayers could not be found. The queries put on the current forms of tax returns seems to be insufficient for the DGT to obtain the data on the use of tax consultants.

As a comparison, in Australia, the number of registered tax practitioners in 2015 was 71,858<sup>9</sup> persons (TPBAu 2015, 33), while the number of taxpayers in the same year was 17,973,900<sup>10</sup> (ATO 2015, 8), meaning there was one tax practitioner for every 250 taxpayers. Further, according to Australian Taxation Office (ATO) statistical data, around 78% of individual and 96% of corporate income tax returns were prepared by tax practitioners (TPBAu 2016, 6).

Before 2015, the only organisation where professional tax consultants affiliated with was the Association of Indonesian Tax Consultants, known as IKPI. Founded in 1965, it was the first association established in the country given authority by the government to organise the tax consultant certification process and continuing professional training. Accordingly, it is a requisite that a person eligible to be a tax consultant shall be registered as a member of the association before being granted a licence (MoF 2002b, Art. 2).

<sup>9</sup> This includes tax agents (40,593), business activity agents (14,936) and tax (financial) advisers (16,329).

<sup>10</sup> This consists of seven types of clients, namely employers, trusts, individuals, small businesses, large business groups and superannuation funds, self-managed superannuation fund and practitioners.

More specifically, IKPI was initially established in Jakarta on 27 August 1965 by four persons: the founding father, namely J. Sopaheluwakan, and Drs. A. Rahmat Abdisa, Erwin Halim and A. J. L. Loing. The name *Ikatan Konsultan Pajak Indonesia*, previously known as *Ikatan Konsulen Pajak Indonesia*, was acclaimed in a conference held in Bandung on 27 November 1987. Since 2001, IKPI has been an active member of Asia Oceania Tax Consultant Association based in Tokyo, Japan (IKPI 2014).

It is worth mentioning that IKPI became a gatekeeper when fieldwork for this research was undertaken. As the only tax consultant association at that time, IKPI maintained a database of all tax consultant personal data and generously granted access necessary for this study to all participants. Moreover, IKPI gave permission to use its website to place the survey link and created an official email account dedicated solely to the purpose of sending and receiving offline survey instruments to and from respondents.

Since the enactment of MoF Regulation No. 111/PMK.04/2014, IKPI is no longer the only tax consultant association in Indonesia. The regulation has opened up an opportunity for Indonesian tax consultants to be members of and establish an association other than IKPI. It sets out the following requirements for an association to be a tax consultant association recognised by the DGT (MoF 2014a, Art. 18 and 19):

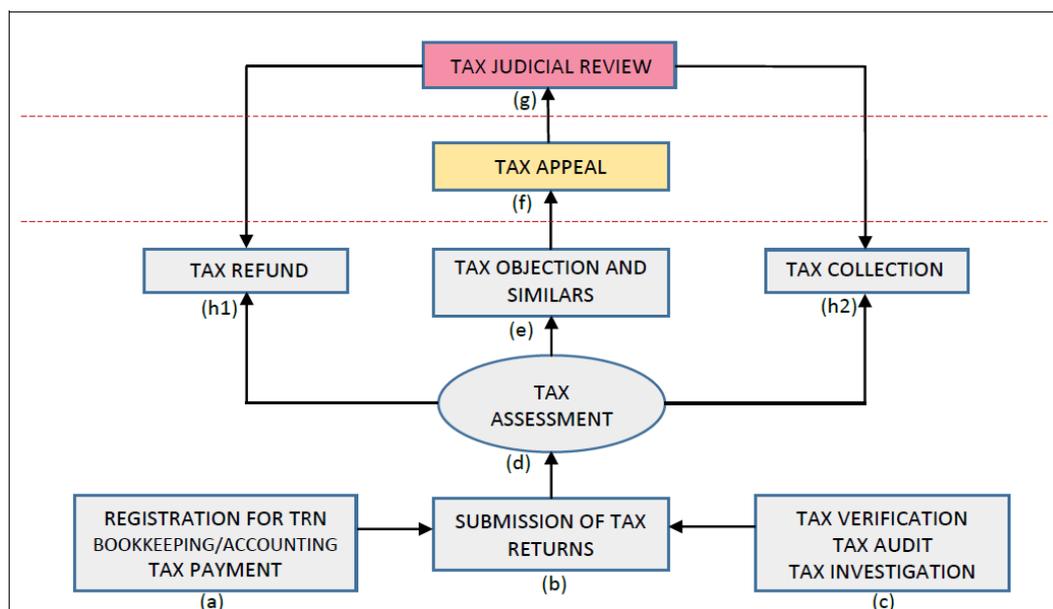
- A legal entity in accordance with the prevailing laws
- Having an organisation charter and article of association
- Having a board of director appointed by members' summit
- Having ongoing professional development programmes
- Having an ethical code of conduct and tax consultant professional standards
- Having a Council of Honour to supervise, assess and resolve breaches of code of conduct and professional standards.

Up to the time when this thesis was written, there were two associations recognised by the DGT (DGT 2015d), the first being *Ikatan Konsultan Pajak Indonesia*, known as IKPI (Indonesian Tax Consultant Association), and the second being *Asosiasi Konsultan Pajak Publik Indonesia*, known as AKP2I (Indonesian Public Tax Consultant Association). Both associations are based in Jakarta, the capital city of Indonesia.

### 4.3.3 Indonesian Tax Cycle

The GPTP Law sets out the rights and obligations of both taxpayers and the tax authority. The law also elaborates the procedures on how these tax rights and obligations can be exercised. The series of tax rights and obligations stipulated in the law can be presented as the Indonesian tax cycle, since most parts of them are interrelated and can be repetitive in nature (Komara 2012, 8). All stages in the tax cycle, especially those involving the rights and obligations of taxpayers, are arguably the place where professional tax consultants are most likely to involve. As the OECD (2008) reported, there is a supply and demand relationship between taxpayers and tax consultants. Taxpayers who need tax assistance fall on the demand side while tax consultants fall on the supply side. Therefore, the services provided by tax consultants are arguably shaped by the demand for services by taxpayers. Conversely, the demand of taxpayers will be largely dependent on the tax rights and obligations that they are exercising.

Figure 4.1 below illustrates that the tax cycle begins with the process of registration for a tax registration number (TRN) and ends with either the granting of a tax refund or the action of tax collection. This is because the registration process is arguably the initial step for any type of taxpayer to be able to entirely fulfil their tax obligations and exercise their tax rights. Tax refund and tax collection is considered the final output of all processes in the cycle. A tax refund will be granted in the case where the amount of tax that has been paid by taxpayers exceeds the amount of tax that should be paid in accordance with the relevant tax laws, and is reflected in the amount yielded from tax assessment, objection, and appeal or judicial tax review (GoI 1983a, Art. 17). Conversely, tax collection will be undertaken by the tax authority when the amount of tax paid by taxpayers is less than it should be, which is mirrored in the amount written on the tax assessment, objection, and appeal or judicial tax review (GoI 1983a, Art. 18).



Source: Adapted from Ahmad Komara (2012): Cara Mudah Memahami Ketentuan Umum dan Tata Cara Perpajakan

Figure 4.3: The Indonesian Tax Cycle

In addition, as shown in Figure 4.3 above, processes in the Indonesian tax system can be divided into three main parts (separated by a red dash line) involving three different government institutions. In the first part, all processes occur within the authority of the DGT. Tax dispute resolution, including tax objection as a crucial part of the process, is still managed by the DGT in this stage. Even though a different unit of the DGT, independent from the unit issuing disputed tax assessments that has been dedicated, the division is still organisationally under the authority of the DGT.

If taxpayers are dissatisfied with the decision made by the DGT in the dispute, they may raise the issue by submitting a tax appeal to the Tax Court. The court is independent from the DGT since it is at the same organisational level as the DGT, albeit still being administratively under the MoF. The final part involves an autonomous institution, namely the Supreme Court, which is the highest level of court in the Indonesian judicial system. Either taxpayers or the tax authority may escalate the decision made by the Tax Court regarding a tax dispute by submitting a request for judicial review to the Supreme Court. The detail of each process within the cycle is presented in the sections below.

**Tax Registration Number.** The GPTP Law requires that every taxpayer shall be registered at the DGT and accordingly be given a TRN known as *Nomor Pokok Wajib Pajak* (Gol 1983a, Art. 2 [1] & [2]). Taxpayers who are taxable under VAT Law shall also be confirmed as a taxable

person for VAT purposes and assigned a taxable person number (TPN). For this, the DGT shall issue a confirmation letter for the taxable firm. These numbers function as an identity of the taxpayers utilised to exercise tax rights and fulfil tax obligations, and they serve as an administrative instrument for taxpayer compliance monitoring purposes (Lubis, Lubis, and Djuanda 2010, 2).

Even though an individual or a corporation can pay taxes without a TRN, the registration for a TRN arguably serves as the starting point for taxpayers to be able to fully exercise their tax rights and obligations. The simplest example is that taxpayers cannot submit any tax returns before they have registered and they possess a TRN, even though submitting tax returns is a tax obligation. It is also impossible for taxpayers to exercise their tax rights, such as requesting a tax refund, without a TRN, except in the case where a tourist claims a VAT refund when leaving the country for good (GoI 1983c, Art. 16E [3]).

As a part of the efforts to boost the number of registered taxpayers, the DGT has undertaken major changes in the way taxpayers can register. Before 1998, all registration procedures were manually conducted. This created a significant burden not only on the taxpayers but also on the administration. The process is now much easier since taxpayers may use an online facility (DGT 2008a, 2008b; MoF 2015a). However, the use of the latest information technology may only be beneficial for people who are internet literate. According to the Association of Indonesian Internet Provider (APJII)<sup>11</sup> survey of 2016, the level of internet penetration in Indonesia has reached 51.8%. However, the dispersion of users is geographically uneven. The survey shows that 65% of users were on Java Island, followed by users on Sumatera Island at 15.7%. The users on other islands accounted for less than 7% each (APJII 2016, 6).

**Bookkeeping and Accounting.** It is stipulated in the GTP Law that corporate taxpayers shall maintain bookkeeping (GoI 1983a, Art. 28 [1], [2], [3] and [4]). Individual taxpayers engaging in business activities or independent personal services, except for those who are permitted to calculate net income by using the Net Deemed Profit, shall also retain bookkeeping. The bookkeeping should enable taxpayers to determine the amount of tax that must be paid. Accordingly, accounts should be maintained in good faith, consistently and in accordance

---

<sup>11</sup> APJII (*Asosiasi Penyedia Jasa Internet Indonesia*) is the association of internet service provider in Indonesia. It annually undertakes a survey on the profile of internet users in Indonesia.

with the generally accepted accounting principle, which in this case is the Indonesia Accounting Standards.

The GPTP Law does not require the taxpayer to maintain separate bookkeeping for tax purposes from bookkeeping for commercial intentions. When taxpayers are preparing tax returns, all they should do is make appropriate fiscal adjustments to the financial statements generated from commercial bookkeeping to fit with tax return requirements. This is the reason for not using bookkeeping as a variable in the survey for this study. However, the question connected to this in the survey was designed to be closed-ended with an 'others please specify' type of question.

**Tax Payment.** As discussed earlier, from the perspective of taxation, bookkeeping maintained by taxpayers is mainly intended to identify what types of taxes are payable and to what extent the amount of such taxes is incurred from each business transaction. Having done the identifications, taxpayers shall immediately pay the tax to the designated places or by using a certain electronic procedure allowed by tax regulations (MoF 2014c, Art. 10). This is in accordance with the provision of the GPTP Laws stipulating that taxpayers shall pay taxes without relying on the notice of tax assessment issued by the tax authority (Gol 1983a, 12).

However, paying taxes in some circumstances might not be as simple as it seems. The due date of payment for one type of tax differs from another (MoF 2014c, Art. 2). Further, the provisions of tax laws enable taxpayers to postpone or instal the payment of taxes that might be considered tax facilities but add to this complexity. Taxpayers who are unable to pay a certain amount of tax payable because of a liquidity problem, for instance, may request a postponement or instalment. However, a series of complicated requirements must be fulfilled (MoF 2014c, Art. 20–30).

**Submission of Tax Return.** In GPTP Law, it is mandated that taxpayers fill out, file and sign tax returns correctly, completely and clearly using Indonesian or a foreign language as permitted by the Minister of Finance (Gol 1983a, Art. 3[1] and [2], and Art. 4 [1]). The use of other than IDR currency is also permissible by the decree of the Minister of Finance. The term 'correctly' implies that the tax returns should reflect the correct calculation of taxes payable, appropriate application tax laws and true circumstances of the taxpayers. While the term 'completely' shall be understood as the inclusion of all necessary data and information, the term 'clearly' means that all elements of the tax returns should be clearly reported (Gol 1983a, Elucidation of Art. 3 [1]).

There are two types of tax returns, namely annual and periodic (Gunadi 2002, 13; Komara 2012, 34). The tax return prepared by taxpayers may be in the form of hardcopy or softcopy known as e-SPT (electronic tax returns). The tax return must be submitted to the tax office, either directly or using a courier such as the post office, before the due date stipulated in the laws. However, the submission of tax returns may be postponed because of certain circumstances, as prescribed in the laws. The submitted return can also be corrected during the period permitted by the regulations (MoF 2014d).

The four processes described above may be categorised as a series of initial (registration) but repetitive (bookkeeping, tax payment and tax return submission) tax obligations of taxpayers under the laws. Conversely, the other three processes, namely, tax verification, audit and investigation, are by law the obligations of the DGT, which can also be viewed as the authority of the DGT. The following sections describe these processes in detail.

**Tax Verification.** Tax verification is defined as a series of activities carried out to assess whether a tax return and its attachments have been completely filled out, including whether the writing of and calculation in the tax return have been accurately undertaken (GoI 1983a, Art. 1 [30]). From the definition, it is evident that the process is a preliminary activity undertaken by the tax authority related to the submission of tax returns. Komara (2012, 56) pointed out that this process consists of two main activities, namely tax return assessment and recording. Tax return assessment encompasses the activities to examine completeness and accuracy of tax returns, while tax recording covers the activities to input all or parts of tax return elements into the DGT information system by copying, uploading and/or scanning (DGT 2016b, Art. 1 [15] and [17]).

In practice, tax verification is also conducted to verify information obtained by the DGT that is different from the data reported by taxpayers in their tax returns. This triggers the issuance of tax notifications to taxpayers and leads to a tax counselling process. Interestingly, the term 'tax verification'<sup>12</sup> has different definitions that have emerged in the Government Regulation No. 74/2011. Tax verification in this regulation was defined as a series of examinations to verify the fulfilment of both subjective and objective tax obligations or the calculation and payment of taxes based on a request from taxpayers or other information, possessed or obtained by the DGT (GoI 2011, Art. 1). Further, it is stipulated that the purpose of the verification is to issue or cancel a TRN, confirm or cancel a taxable firm, and issue tax

---

<sup>12</sup> The original term of verification used in the GTP Law Article 1 (30) is 'penelitian', while in the Government Regulation No. 74/2011 it is 'verifikasi'.

assessment notices (MoF 2012c, Art. 2). However, the Supreme Court has cancelled all regulations related to the 'second' verification based on a judicial review requested by the Indonesian Chamber of Commerce (GoI 2013).

**Tax Audits.** In the GPTP Law, it is stipulated that the DGT has authority to undertake a tax audit to assess taxpayers' compliance with tax obligations and achieve other objectives in the framework of implementing tax laws (GoI 1983a, Art. 29 [1]). The term 'tax audit' is defined as a series of activities carried out to collect and process data, information and/or evidence, which is conducted objectively and professionally based on an audit standard to assess taxpayers' compliance to tax obligations and/or to achieve other goals in the framework of implementing provisions of the tax laws (GoI 1983a, Art. 1 [25]).

The scope and procedure for undertaking a tax audit is more specifically regulated by the MoF Regulation No. 184/2015. Based on the regulation, a tax audit for the purpose of assessing taxpayers' compliance may be conducted, *inter alia*, in the following circumstances:

- Taxpayers request a tax refund on the basis of Article 17B of the GPTP Law
- Taxpayers undertake merger, consolidation, expansion, liquidation or are going to leave Indonesia for good
- Taxpayers submit a tax return, which has been selected, based on a risk analysis, to be audited.

In the meantime, a tax audit for the purpose of achieving other objectives may be conducted, among others, to grant a TRN ex-officio, determine the commencement of production relating to the granting of taxation facilities and fulfil the request for exchange of information from tax treaty partner countries (MoF 2015b).

**Tax Investigations.** According to the GPTP Law, investigation of criminal offences in the taxation field is defined as a series of activities carried out by an investigator to seek and gather evidence to disclose a criminal offence in the taxation field as well as to find a suspect (GoI 1983a, Art. 1 [31]). The investigation shall be conducted by a tax investigator, more specifically a certain government officer within the DGT to whom has been granted a special authority to undertake tax investigation based on the tax laws and regulations. In the process, a tax investigator may request assistance from a member of other law enforcement bodies (GoI 1983a, Art. 44). A tax investigation is inseparable from the process of tax audit since it is usually a follow-up process after undertaking an audit.

**Tax Objections.** In a situation where taxpayers do not agree with the amount of taxes assessed by the DGT, they may log a complaint known as tax objection to the DGT in accordance with the GPTP Law (GoI 1983a, Art. 25 [1] and [2]). The objection may cover the substance, the formality, the whole or only parts of the tax assessment issued. It should be submitted in writing in Indonesian language with the amounts of tax payable, tax withheld or tax losses as calculated by the taxpayers explicitly stated and supported by clear and sufficient evidence.

In practice, there are five other complaints similar to the tax objection: the request for correction; reduction or elimination of sanction; cancellation of tax assessment notice; cancellation of tax collection notice; and cancellation of tax audit results (GoI 1983a, Art. 36). These complaints shall also be submitted only to the DGT within a time frame prescribed in the laws. The crucial difference between a tax objection and these five other complaints is that the latter cannot be escalated to the tax court when taxpayers remain unsatisfied with the results (MoF 2013a, 2013b, 2015c).

**Tax Appeals.** Pursuant to the GPTP Law, taxpayers may submit a tax appeal to the tax court against the decision on tax objection issued by the DGT (GoI 1983a, Art. 27). This is an opportunity given to taxpayers to challenge the tax objection results through an institution beyond the DGT authority. The submission of appeals shall be in written Indonesian language along with clearly stated reasons not later than three months after the reception date of the objection decision, except for a forced major situation. A copy of the decision shall also be attached to the request letter (GoI 1983a, Art. 27 [3]).

The procedure for submitting a request for tax appeal is also promulgated in the Law regarding Tax Court (GoI 2002, Art. 35, 36 and 37). In addition to the prerequisites as stipulated in the GPTP Law, it is mandated that taxpayers pay at least 50% of the tax payable assessed by DGT since this is stated on the notice of tax assessment requested for appeal. Interestingly, the GPTP Law stipulates that in the case of a taxpayer submitting an appeal, the amount of taxes owed based on the notice of tax assessment may not be paid until one month after the decision of the Tax Court on the appeal is issued (GoI 1983a, Art. 27 [5a]). It is worth mentioning that the appeals may take a year to conclude since the Tax Court shall issue the decision within one year at the latest and may be extended for three months (GoI 2002, Art. 81).

**Tax Judicial Review.** The Law on Tax Courts gives an opportunity to both taxpayers and the tax authority to submit a request for a judicial review to the Supreme Court against the decision of the Tax Court on a tax appeal (Gol 2002, Art. 77 [3]). The possible reasons for requesting a review include:

- The Tax Court decision is based on fake evidence
- There is new written evidence found
- The Tax Court has granted something more than requested, or
- The Tax Court decision is evidently breaching the applicable laws (Gol 2002, Art. 91).

The request may be submitted within three months of the relevant evidence being found or the decision of the Tax Court being received. The Code Procedure used by the Supreme Court to deal with the request is that regulated by Law No. 14/1985 regarding the Supreme Court (Gol 1985, Art. 90). Within six months at the latest, the Supreme Court shall issue a decision and the decision shall be read in a publicly open trial (Gol 1985, Art. 93).

**Tax Refund and Tax Collection.** The final outcome of all processes in the tax cycle can be a tax refund or tax collection. The tax refund will be granted if, based on the tax assessment, audit, investigation, objection, appeal or judicial review, the amount of tax that has been paid by a taxpayer exceeds the amount that should be paid in accordance with tax laws and regulations (Gol 1983a, Art. 17). In contrast, tax collection will be undertaken by the DGT if, based on tax assessment, audit, investigation, objection, appeal or judicial review, the amount of tax that has been paid by a taxpayer is less than the amount that should be paid in accordance with tax laws and regulations (Gol 1983a, Art. 18).

It is worth mentioning that, for the purpose of this study, not all processes described above have been included as variables of the types of tax services mostly provided by tax consultants. The process of tax payment, for instance, arguably does not need any specific knowledge from tax consultants. Bookkeeping and accounting may be important for taxpayers to calculate taxes payable, but by law taxpayers are not mandated to maintain bookkeeping differently from that for commercial purposes. Conversely, providing tax information only was added as a variable since this is a common tax service provided by tax consultants. In addition, tax notification and counselling emerged as a variable since this is born from the process of tax assessment based on tax verification. However, the questions

in the survey for this issue were designed to be open-ended with a closed-ended format enabling respondents to provide another answer beyond those offered on the list.

#### 4.4 Government Policy Regarding Professional Tax Consultants

##### 4.4.1 Legal Frameworks

Since the tax reform in 1983, the government policy towards tax consultants appears to have become clearer and well documented. The GPTP Law as the highest point of reference for regulating tax consultants in the country stipulates the following (Gol 1983a, Art. 32 [3]):

###### Article 32

###### Paragraph (3)

An individual or entity may appoint a proxy by a power of attorney to exercise rights and fulfil obligations of the individual or entity in accordance with the provisions of the tax laws.

###### Elucidation of Paragraph (3)

This paragraph provides scope and opportunity to a Taxpayer to seek assistance from another party who understands taxation issues to become the Taxpayer's legal representative and on his behalf assist in exercising his taxation rights and responsibilities. Such assistance shall include performing formal and material duties as well as securing the rights of a Taxpayer as stipulated under the rules in the taxation laws.

Based on the Article, several implementing regulations in the form of government regulation, MoF regulation and Director General of Taxes regulations have been issued. However, these operational regulations appear to keep changing over time. For example, prior to the introduction of MoF Decree No. 229/2014, there were three MoF decrees passed, namely MoF Decree No. 576/KMK.04/2000, No. 97/PMK.03/2005 and No. 22/PMK.03/2008. Three MoF regulations, namely MoF Decree No. 98/PMK.03/2005, No. 485/KMK.03/2003 and No. 294/KMK.04/1998, were also in force before the enactment of MoF Regulation No. 111/2014. The list of current tax laws and regulations concerning professional tax consultants can be seen in Table 4.5 below.

Table 4.5: List of Government Regulations on Tax Consultants

No.	Type of Regulation	Year/Date Issued	Description
1.	Law No. 6/1983 as lastly amended by Law No. 16/2009 concerning General Provisions and Taxation Procedures	2009	Article 32 paragraph (1), (2), (3) and (4)
2.	Government Regulation No. 74/2011 concerning Procedure on Exercising Tax Right and Obligations	29/12/2011	Articles 49 to 52
3.	MoF Decree No. 229/PMK.03/2014 concerning Requirements and Implementation of the Right and Obligation of Tax Attorney	18/12/2014	
4.	MoF Decree No. 111/PMK.03/2014 concerning Tax Consultants	09/062014	
5.	Director General of Taxes Regulation No. 13/PJ/2015	09/12/2014	

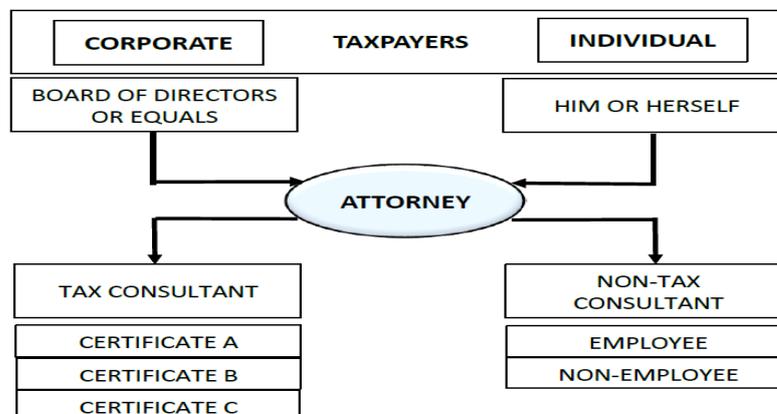
Source: Author

#### 4.4.2 Taxpayers' Representative and Proxy

In exercising taxation rights and obligations, corporate taxpayers differ conceptually from individual taxpayers. While an individual taxpayer can undertake taxation rights and obligations by him or herself, it is impossible for a corporate taxpayer to do the same since a corporation is an abstract construct. Therefore, a corporation shall be represented by a person when dealing with its taxation matters. For this purpose, the GTP Law has promulgated that corporate taxpayers shall be represented by a board of directors or equals (Gol 1983a, Art. 32).

However, neither the executive boards nor an individual taxpayer may be able to exercise taxation rights and obligations because of certain circumstances, such as limited knowledge and time constraints. In this situation, under the GTP Law, both are given the opportunity to appoint a proxy to exercise their taxation rights and obligations. The proxy shall be appointed by a power of attorney, which is further regulated in the MoF decree. Figure 4.4 below illustrates the relationship of parties involved in the fulfilment of tax rights and obligations.

As illustrated in Figure 4.4, the types of taxpayers generally consist of corporate and individuals. In dealing with taxation matters, a corporate taxpayer shall be represented by a board of directors or equals, while an individual taxpayer is represented by him or herself (Gol 1983a, Art. 32). In some circumstances, a proxy may be appointed either by corporate or individual taxpayers. The proxy, which is represented by tax attorney, may be either tax consultants or non-tax consultants. Tax consultants are divided based on their qualifications into levels A, B and C.



Source: Adapted from Ahmad Komara (2012), Cara Mudah Memahami Ketentuan Umum dan Tata Cara Perpajakan

Figure 4.4: Taxpayers' Representative or Proxy

#### **4.4.3 Tax Consultants and Non-Tax Consultants**

In elucidation of GPTP Law, it is elaborated that taxpayers are given the opportunity to seek assistance from another party who comprehends taxation matters (GoI 1983a, Art. 32). This person may become a taxpayers' legal representative who is, on their behalf, exercising tax right and obligations. The proxy, as discussed earlier, can be either tax consultants or non-tax consultants.

Further, a tax consultant is defined as a person who provides tax consultation services to taxpayers in exercising taxation rights and fulfilling taxation obligations in accordance with tax laws and regulations (MoF 2014a, Art. 1). The persons are given a licence by the Director General of Taxes to act as a professional tax consultant after successfully undertaking certification processes and fulfilling other predetermined requirements. More specifically, a person who wants to become a tax consultant should meet all the following requirements:

- Be an Indonesian Citizen.
- Reside in Indonesia.
- Have no employment relation with government/state and regional government owned companies.
- Do good deeds proven by a police record.
- Have a TRN.
- Be a member of a professional tax consultant association.
- Hold a tax consultant certificate (MoF 2014a, Art. 2).

An exception is made to a person who has previously worked at the DGT. This person should meet the above requirements with additional criteria, as follows. For a person who resigned from being an employee of the DGT, the person should have resigned from the DGT voluntarily and have been dismissed by the DGT with respect, with a time lapse of two years after the date of a formal resignation letter issued by the DGT. Conversely, a person who has retired from the DGT should fulfil these additional requirements:

- Been employed with the DGT for at least 20 years
- Never been punished by a heavy sanction in accordance with personnel regulations
- Retired from the DGT with a right to receive a pension payment, and
- A period of two years since the date of a formal retirement letter.

The certificate of tax consultant, as one of the requirements for becoming a professional tax consultant, is divided into three categories, namely levels A, B and C. This certification grouping indicates the level of a tax consultant expertise in providing taxation services to taxpayers:

- Tax Consultant Certificate Level A  
The Level A certificate shows the level of tax consultant expertise in providing services in the area of taxation to individual taxpayers, except taxpayers who reside in an Indonesian tax treaty partner country.
- Tax Consultant Certificate Level B  
The Level B certificate shows the level of tax consultant expertise in providing services in the area of taxation to individual and corporate taxpayers, except taxpayers in the form of foreign investment companies, permanent establishments and taxpayers who reside in an Indonesia tax treaty partner country.
- Tax Consultant Certificate Level C  
The level C certificate shows the level of tax consultant expertise in providing services in the area of taxation to individual and corporate taxpayers without any exception (MoF 2014a, Art. 4).

Regarding non-tax consultants, it is stipulated that a proxy appointed by taxpayers who are non-tax consultants may include both employees of the taxpayers and other parties (Gol 2011, Art. 49 [2]). Interestingly, MoF regulation limits the criteria of non-tax consultants to only employees of taxpayers (MoF 2014b, Art. 2 [4]). Further, the personnel shall also be active employees receiving income from the taxpayers who are listed as regular employees and the name is reported on monthly Income Tax Return Article 21.

As a comparison, the previous MoF regulation provided a wider coverage for non-tax consultants (MoF 2008, Art. 4). They may be employees of the taxpayers or other parties. The limitation was given only to the taxpayers to whom they delivered tax services. More specifically, Article 4 of the regulation stipulates that either employees or non-employees may be appointed as a proxy only by taxpayers who meet the following criteria:

- An individual taxpayer who does not engage in business activities or conduct independent personal services

- An individual taxpayer who engages in business activities or conducts independent personal services with total gross sales or revenues of no more than IDR1,800,000,000 a year, and
- A corporate taxpayer with total gross sales of no more than IDR2,400,000,000 a year.

#### **4.4.4 Tax Consultant Information System**

The DGT has recently launched a website dedicated to managing tax consultants in Indonesia (MoF 2014a; DGT 2015e). The website's address is <https://konsultan.pajak.go.id/> and it is formally called the *Sistem Informasi Konsultan Pajak*, or in short, SIKoP or Tax Consultant Information System. The SIKoP is under the authority of and managed by the secretariat of DGT.

The SIKoP is an interactive website not only beneficial for tax consultants but also for taxpayers and the public in general. Using a username and password, registered tax consultants can login and access all necessary information about government policy concerning tax consultants. The website also facilitates the registration of new tax consultants to be able to obtain a professional licence. For taxpayers and the general public, the website provides all relevant information about each registered tax consultant, including his or her certificate levels, office address and operational status, whether active, under notice or suspended. Therefore, taxpayers may choose and engage tax consultants who are most appropriate for their tax circumstances. This also can prevent taxpayers from dealing with fake tax consultants.

#### **4.5 Chapter Summary**

This chapter has provided a portrayal of the current tax system and administration in Indonesia, including tax revenue performance during the last decade. A brief background of the Indonesian demographic, governance and economic circumstances has been presented as the introduction. An elaboration of the prevailing tax laws, type of taxes imposed and the present tax administration followed. In addition, the involvement of tax consultants in the Indonesian tax system has also been discussed. This covered issues relating to the number and association of tax consultants in the country and the taxpayers' rights and obligations where tax consultants are most likely to play a role. The final section discussed the most recent government policies related to tax consultants.

## **CHAPTER 5**

### **THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM**

#### **5.1 Introduction**

This chapter presents and discusses findings from the survey and interviews as well as the focus group discussion (FGD), covering the topic of the role of professional tax consultants in the Indonesian tax system. To that end, the discussion in this chapter is divided into three main sections.

The discussion of findings from the web-based self-administered survey will begin this chapter. The background of the survey, the response rate and representativeness of respondents as well as the profile of respondents are initially presented. Next, the discussion covers statistical analyses of the survey responses regarding the issue of the role of tax consultants. The second part discusses findings from the interviews that are also related to the issue of tax consultant role in the tax system. In this section, the discussion encompasses three main elements namely the profile of respondents, the conceptual and practical role of tax consultants in the tax system and the motives of taxpayers engaging tax consultants. The chapter will conclude with the presentation and discussion of findings from the FGD.

#### **5.2 Findings from Survey**

##### **5.2.1 Background**

As discussed earlier in Chapter 3, the targeted population of this study was professional tax consultants in Indonesia while the methods employed encompassed a web-based survey, interviews and FGD. However, there were two major topics investigated in the study, namely the role of professional tax consultants in the Indonesian tax system and the factors affecting professional tax consultants when advising taxpayers as their clients. Both issues were respectively explored in sections 2 and 3 of the survey. In addition, the two issues were also covered together in the interviews and FGD.

Considering the above circumstances, the analysis of data derived from both survey and interviews as well as FGD was separated based on the topic discussed. This division was deemed necessary for several reasons. First, not all respondents answered the questions in both sections 2 and 3 of the survey with equal completeness. Second, the number of responses that could be further analysed for the first and second issues was significantly

different. Finally, the separation enabled the data analysis to be more clearly presented and easily understood.

### 5.2.2 Response Rate and Representativeness of Respondents

In total, the number of survey responses received was 343. This represents 14.98% of the population of professional tax consultants in Indonesia, which was 2,290 persons. Of 343 responses, 195 responses were received online while the remaining 148 were gained via the offline channel. As can be seen from Table 5.1 below, the number of unusable responses was 18 in total, yielding 325 total usable responses. Therefore, a net of 14.2% response rate was generated.

Table 5.1: Usable Responses

Description	Web-based Survey		Total
	Online	Offline	
Population	-	-	2,290
Total responses	195	148	343
Unusable	16	2	18
<b>Total usable responses</b>	<b>179</b>	<b>146</b>	<b>325</b>

The unusable responses gained from both online and offline channels were mostly due to significant incompleteness. Table 5.1 above shows that the largest number of unusable responses was received from the online channel. The respondents may have been eager to participate in the survey since this study did not involve any sensitive issues, but unreliable internet connection in the country may have affected their participation. In addition, respondents may have terminated the online survey before completion, as indicated by Sax, Gilmartin and Bryant (2003, 424) and Dillman (2008, 171).

Table 5.2 below shows the breakdown of respondents based on their level of certificate and gender compared with the actual population at the time the surveys were undertaken. Even though the response rate was admittedly rather low, the number of usable responses is deemed to be reasonably representative. For a population of 2,000 with a 95% level of confidence, a sample of 322 is required to be representative (Saunders, Lewis, and Thornhill 2012, 264). Fowler (2009, 44) even argued that a sample of 150 people is sufficient to describe a 15,000 or 15 million population with almost the same degree of accuracy. In addition, the coefficient correlation between the number of respondents and the actual number of the population stratified by the level of certificate and gender were consecutively 0.91 and 1.00, indicating that there was a close relationship between the respondents and

population. The percentages of respondent stratified by both certificate and gender were also insignificantly different from those of the population, except for Certificate A and C. However, the respondents with a level C certificate had previously held a level A certificate. Therefore, respondents with level C certificates could arguably represent respondents with level A certificates instead. This may have been different if the number of respondents with a Certificate A had been larger than those with a Certificate C.

Table 5.2: Representativeness of Respondents

Type of Certificate/Gender	Number of Professional Tax Consultants				Total (%)
	Actual	(%)	Respondent	(%)	
(1)	(2)	(3)	(4)	(5)	(4):(2)
Certificate A or equal	511	22.3	44	13.5	8.6
Certificate B or equal	949	41.5	132	40.6	13.9
Certificate C or equal	830	36.2	149	45.8	18.0
<b>Total</b>	<b>2,290</b>	<b>100.0</b>	<b>325</b>	<b>100.0*</b>	<b>14.2*</b>
Female	389	17.0	70	21.5	18.0
Male	1,901	83.0	255	78.5	13.4
<b>Total</b>	<b>2,290</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>	<b>14.2*</b>

\* Because of rounding, the total does not exactly equal the sum of the added elements.

### 5.2.3 Non-Response Bias

Table 5.3 below shows a wave analysis for responses regarding the topic of the role of tax consultants in the tax system. Suggested by Armstrong and Overton (1977) and Wallace and Mellor (1988), a wave analysis estimates the non-response bias and has been used in several studies (see Abdul-Jabbar 2009; Brau and Fawcett 2006). As can be seen in Table 5.3, there were two types of survey based on the channel used, namely online and offline. Using the date of friendly reminders sent to respondents as the splitting line, the online survey was divided into four periods. However, the offline survey could not be separated since the date of the responses could not be traced back. This is because offline responses were sent to the researcher after being accumulated by the gatekeeper.

Table 5.3: Wave Analysis—The Role of Tax Consultants

Aspects	Survey Period				Total Online	Total Offline	Overall
	Period #1	Period #2	Period #3	Period #4			
The number of usable responses	<b>86</b>	<b>30</b>	<b>39</b>	<b>24</b>	<b>179</b>	<b>146</b>	<b>325</b>
Frequency (percentage):							
- Roles before tax return submission	20.93	16.67	28.21	25.00	22.35	26.03	23.90
- Roles during tax return submission	56.98	60.00	48.72	58.33	55.87	39.73	48.60
- Roles after tax return submission	22.09	23.33	23.08	16.67	21.79	34.25	27.30

Overall, as shown in Table 5.3, the frequency of responses for the roles in tax return submission were the highest compared with the frequency of the other two categories of tax consultant roles. More specifically, the frequency of responses for the roles of tax consultants during tax return submission in periods #2, #3 and #4 were correspondingly 60.00%, 48.72% and 58.33%, indicating a difference of 5.3%, 14.5% and 2.4% from the result in the initial period, which was 56.98%. Even though the total offline result compared with the initial frequency result indicated a moderate difference of 30.3%, the total online result and overall result respectively indicated only a 1.9% and 14.7% difference from the initial result. Applying equal calculations, the comparative results for the other two roles also generated insignificant to moderate differences. Considering this result, it can be concluded that the variance between tax consultants who responded and did not respond was arguably not significant.

#### 5.2.4 Respondents' Profile

In this section, the profile of respondents to the survey on the issue of the role of professional tax consultants is discussed and presented. It is worth noting that because of rounding, the totals do not always exactly equal the sum of the elements.

It is revealed that most responses were received from the highest qualification of professional tax consultants. More specifically, as can be seen from Table 5.4 below, tax consultants holding a level C certificate contributed to the total responses at 45.8%, followed by tax consultants with a level B certificate at 40.6%. The remaining 15.6% represented tax consultants with a level A certificate. In terms of gender, 78.5% of respondents were male, while female respondents accounted for only 21.5%. Indeed, the actual population shows that the number of male tax consultants was far higher (83.0%) than that of female consultants (17.0%).

Table 5.4: Types of Certificate and Gender of Respondents

Type of Certificate	Gender		Total (%)
	Female (%)	Male (%)	
Certificate A or equal	3.7	9.8	15.6
Certificate B or equal	7.7	32.9	40.6
Certificate C or equal	10.2	35.7	45.8
<b>Total</b>	<b>21.5</b>	<b>78.5</b>	<b>100.0</b>

Based on level of education, it can be seen from Table 5.5 below that tax consultants with bachelor and master degrees were the largest proportion of the total respondents (95.1%),

while those with a doctoral degree accounted for only 3.1%. In addition, most respondents were aged above 40 years old, representing about two-thirds of the total respondents, followed by those who were aged between 25–39 years old. The rest were those who were aged less than 25 years old and who had an educational level of bachelor degree (2.5%), and others (0.3%).

Table 5.5: Educational Level and Age of Respondents

Educational Level	Age (Year)				Total (%)
	18–24 (%)	25–39 (%)	40–55 (%)	> 55 (%)	
Bachelor	2.5	22.5	27.7	8.6	61.3
Master	0.0	8.3	17.5	8.0	33.8
Doctor	0.0	0.6	0.7	1.8	3.1
Other <sup>13</sup>	0.3	0.6	0.6	0.3	1.8
<b>Total</b>	<b>2.8</b>	<b>32.0</b>	<b>46.5</b>	<b>18.7</b>	<b>100.0</b>

In terms of position, the biggest group of respondents was tax consultants who are owners of a tax firm (44.6%), followed by partner (20.6%) and manager (15.7%). As shown in Table 5.6 below, this group of respondents mostly had educational backgrounds of economics and business, representing more than three-quarters of the total respondents (81.2%). The residual comprised those who were in the position of team member<sup>14</sup>, supervisor and others, and who had other than economic and business educational backgrounds—namely law, political science, administrative science and others.

Table 5.6: Position and Educational Background of Respondents

Position	Educational Background					Total (%)
	Economic & Business (%)	Law (%)	Political Science (%)	Administrative Science (%)	Others <sup>15</sup> (%)	
Team member	4.0	0.3	0.3	0.9	0.6	6.2
Supervisor	5.8	0.3	0.0	1.2	0.0	7.4
Manager	12.0	0.0	0.0	1.8	1.8	15.7
Partner	16.9	1.5	0.0	0.9	1.2	20.6
Owner	37.5	2.8	0.6	0.9	2.8	44.6
Others <sup>16</sup>	4.9	0.0	0.0	0.3	0.3	5.5
<b>Total</b>	<b>81.2</b>	<b>4.9</b>	<b>0.9</b>	<b>6.2</b>	<b>6.8</b>	<b>100.0</b>

<sup>13</sup> The respondents indicated that they had other educational levels, namely, diploma, accountant or undergoing doctorate study.

<sup>14</sup> Team member is commonly associated with tax consultants in the lowest level of position.

<sup>15</sup> Based on responses received, other educational background was categorised into four groups, namely, 'combinations of law and economics & business', 'information technology and economics & business', 'information technology', and 'fishery'.

<sup>16</sup> Other positions encompassed three categories, namely, directors (a position under a partner), university lecturer, and standalone tax consultants (sole proprietorship).

The responses received also revealed that the clear majority of respondents were working at a tax firm with less than five branches (94.5%). The rest of the respondents worked at a tax firm with more than five branches, accounting for only 5.5% of the total. Interestingly, 41.5% of respondents had less than five years' experience as tax consultants, while those with more than 20 years' experience accounted for only 6.8%. The remainder were those who had experience as a tax consultant of between 5 to 20 years.

Table 5.7: Number of Firm's Branches and Length of Experience of Respondents

Number of Firm's Branches	Length of Experience (Years)				Total (%)
	< 5 (%)	5–10 (%)	11–20 (%)	> 20 (%)	
< 5	39.7	26.8	21.2	6.8	94.5
5–10	1.5	0.6	0.3	0.0	2.4
11–25	0.3	0.0	0.0	0.0	0.3
> 25	0.0	1.2	1.6	0.0	2.8
<b>Total</b>	<b>41.5</b>	<b>28.6</b>	<b>23.1</b>	<b>6.8</b>	<b>100.0</b>

Based on years of employment at the current tax firm, it is revealed that most respondents had been working in the current tax firm for less than 5 years (40%). However, those who have had been employed in the current firm between 5–20 years accounted for 52%. The remainder had been in the job for less than 20 years (8%). As shown in Table 5.8, the largest group of respondents was from tax firms whose number of employees was below 10 (55.1%). Those who were from a tax firm with more than 100 employees accounted for only 16.3%.

Table 5.8: Number of Employees and Years of Experience at Current Tax Firm

Number of Firm's Employees	Number of Working Years at Current Firm (Years)				Total (%)
	< 5 (%)	5–10 (%)	11–20 (%)	> 20 (%)	
< 10	26.5	16.3	8.3	4.0	55.1
10–25	4.6	5.5	6.2	2.5	18.8
26–50	2.8	2.2	1.5	0.3	6.8
51–100	0.9	1.2	0.9	0.0	3.1
> 100	5.2	3.1	6.8	1.2	16.3
<b>Total</b>	<b>40.0</b>	<b>28.3</b>	<b>23.7</b>	<b>8.0</b>	<b>100.0</b>

## 5.2.5 Main Findings

### 5.2.5.1 Introduction

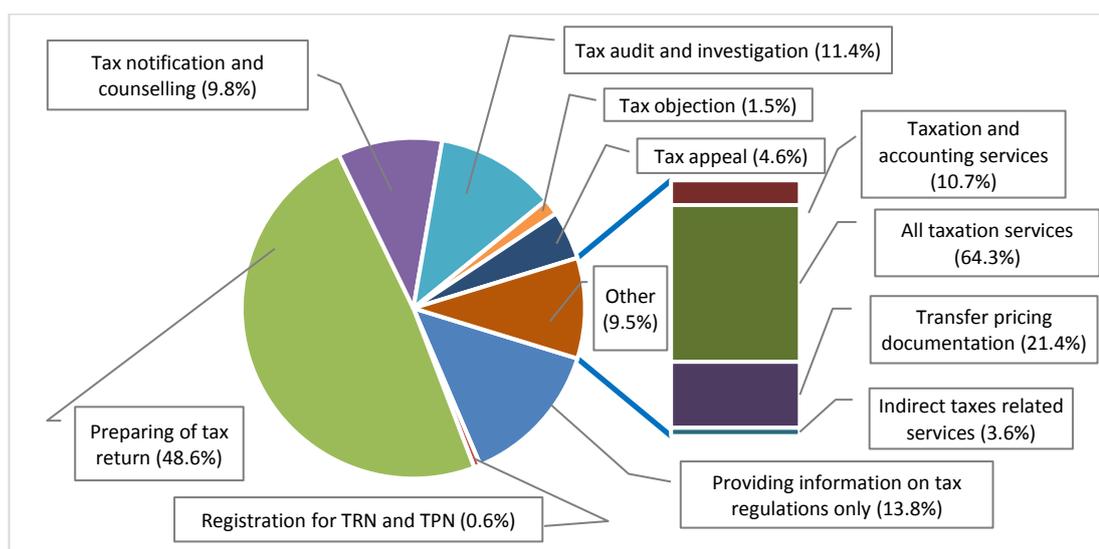
The main findings regarding the roles professional tax consultants play in the tax system is discussed in the following subsections. The discussion encompasses the most frequent tax services provided by tax consultants to taxpayers as their clients, based on statistical frequency analysis. This is followed by a discussion about the relationship between the

personal attributes of respondents, such as level of certificate of tax consultants, gender and age, and the role of tax consultants, including the statistical significance of the relationship.

### 5.2.5.2 Roles of Tax Consultants

To explore the major roles that tax consultants play in the tax system, respondents were required to answer a series of questions based on their experience. The main question relating to this was based on the Indonesian tax cycle, as discussed in Chapter 4.<sup>17</sup> The question required respondents to provide information on the most frequent tax services provided to their clients by choosing an appropriate answer from a list of possible tax services. It is worth noting that considering the tax cycle, the list of tax services provided could arguably be sequenced from preliminary to advanced tax services.

The bar of pie chart shown below (Figure 5.1) summarises the respondents' responses to the question. Most respondents stated that preparation of tax returns, accounting for 48.6%, was the tax service most frequently provided to taxpayers. Providing tax information, accounting for only 13.8%, was in second place, followed by assisting taxpayers during tax audit and investigation (11.4%). All other types of tax service accounted for below 10%; these were, respectively, assisting tax notification and counselling (9.8%), dealing with tax appeal (4.6%), handling taxpayers' tax objections (1.5%) and helping taxpayers to register for their TRN and TPN (0.6%).



Source: Author

Figure 5.1: Practical Role of Tax Consultants in the Tax System

<sup>17</sup> See Chapter 4, Section 4.3.3.

Respondents who elected other services accounted for 9.5%. From the elaborations given by respondents, this category can be divided into four groups, namely, a combination of all kinds of tax services, tax and accounting services, transfer pricing documentation and indirect tax-related services. As shown in Figure 5.1, the largest number of respondents choosing this category stated that the most frequently provided tax service to the clients was a mix of all kinds of tax services (64.3%). Assisting taxpayers to deal with transfer pricing documentation was in second position (21.4%), followed by helping taxpayers in tax and accounting (10.7%), and servicing taxpayers in the area related to indirect taxes (3.6%).

Further examination using cross-tabulation analysis revealed the statistical relationship between those types of tax services and the respondents' personal attributes, as well as the significance of the relationship. Table 5.9 below shows the cross-tabulated data between two variables, namely, the types of services mostly provided by tax consultants (shown in rows) and the level of respondents' certificates (shown in columns). Each cell of the table represents the count and proportion of the total, calculated in percentage, of responses provided by respondents with different levels of certificate.

Table 5.9: Cross-Tabulated Data of the Practical Role and the Level of Certificate

			Crosstab			Total
			3. Certificate of Tax Consultant last held			
			Certificate A or equal	Certificate B or equal	Certificate C or equal	
8. What is the most frequent tax affair of the clients that you have handled?	Other (please specify)	Count	2	11	18	31
		% of Total	.6%	3.4%	5.5%	9.5%
	Providing information on tax regulations only	Count	8	19	18	45
		% of Total	2.5%	5.8%	5.5%	13.8%
	Registration of Tax Identification and Taxable Person Number	Count	1	0	1	2
		% of Total	.3%	0.0%	.3%	.6%
	Preparation of tax return	Count	22	79	57	158
		% of Total	6.8%	24.3%	17.5%	48.6%
	Tax notification and counselling	Count	7	12	13	32
		% of Total	2.2%	3.7%	4.0%	9.8%
	Tax audit and investigation	Count	2	8	27	37
		% of Total	.6%	2.5%	8.3%	11.4%
	Tax objection	Count	0	1	4	5
		% of Total	0.0%	.3%	1.2%	1.5%
Tax appeal	Count	2	2	11	15	
	% of Total	.6%	.6%	3.4%	4.6%	
<b>Total</b>	Count	44	132	149	325	
	% of Total	13.5%	40.6%	45.8%	100.0%	

As shown in Table 5.9, the most frequently provided tax service by tax consultants was preparing a tax return, which accounted for 48.6% of the total responses, as revealed earlier using frequency analysis. However, from this cross-tabulation, it is evident that respondents with a level B certificate contributed the largest proportion of that number at 24.3%, followed by respondents with level C and B certificates at 17.5% and 6.8%, respectively. Likewise, helping taxpayers in the process of tax audit and investigation, accounting for

11.4%, was contributed by responses from tax consultants with a level C certificate at 8.3%, followed by level B at 2.5% and level C at 0.5%.

Table 5.10 below shows the result of chi-square tests indicating the statistical relationship between the tax services provided and the level of certificates held. The  $p$ -value, represented by Asymp. Sig. (2-sided) of 0.002, which is less than 0.05, indicated that there is a positive statistical relationship between the level of certificate and the tax services provided. This relationship implies that respondents with level A certificates tended to provide preliminary tax services, such as providing tax information only, or helping taxpayers to register and to prepare tax returns. In contrast, the respondents with level C certificates tended to provide advanced tax services, from preparing tax returns and assisting taxpayers during tax audit and investigation to dealing with tax appeals. However, the  $p$ -value indicates the existence of a statistical relationship but does not measure the strength of the relationship. Therefore, other statistical tests were required.

Table 5.10: Relationship Between the Role and Level of Certificate

<b>Chi-Square Tests</b>			
	<b>Value</b>	<b>df</b>	<b>Asymp. Sig. (2-sided)</b>
Pearson Chi-Square	33.475 <sup>a</sup>	14	.002
Likelihood Ratio	34.888	14	.002
Linear-by-Linear Association	3.059	1	.080
N of Valid Cases	325		

The result of statistical tests measuring the strength of relationship between the tax services provided and the level of certificate held is presented in Table 5.11. As shown in the table, there are various tests that can be used to determine the strength of relationship between variables in questions. However, the contingency coefficient was considered the most appropriate measure for this study because it takes into account the types and number of variables. Various rules were used to interpret the strength of the associations (see Cohen 1988; Pallant 2007), but in this study the measure suggested by Field (2009, 170) was utilised, where the value of  $\pm .10$  was considered weak,  $\pm .3$  was considered moderate and  $\pm .5$  was considered strong. Table 5.11 shows that the contingency coefficient was 0.306, which is around 0.30, indicating that the statistical relationship between the two variables was moderate. The value of Approx. Sig of 0.002 again indicated that there was a statistical relationship between the two variables in question, as discussed earlier.

Table 5.11: Relationship Significance Between the Role and the Level of Certificate

		Symmetric Measures			
		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Nominal by Nominal	Phi	.321			.002
	Cramer's V	.227			.002
	Contingency Coefficient	.306			.002
Ordinal by Ordinal	Kendall's tau-b	.095	.050	1.898	.058
	Kendall's tau-c	.093	.049	1.898	.058
	Gamma	.143	.075	1.898	.058
	Spearman Correlation	.109	.057	1.978	.049 <sup>c</sup>
Interval by Interval	Pearson's R	.097	.055	1.755	.080 <sup>c</sup>
N of Valid Cases		325			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Using a similar procedure as described above, the statistical relationship between the types of tax services mostly provided and other personal attributes of the respondents was examined. The strength of the relationship between those variables was also measured. The results of those examinations are presented in the following sections.

**Gender.** Regarding gender, it was revealed that there was no statistical relationship between the types of tax services provided and gender, indicated by the  $p$ -value represented by Asymp. Sig. (2-sided) of 0.732, which was more than 0.5. Using a contingency coefficient within the symmetric measures, it was also discovered that the value of Approx. Sig. was 0.732, confirming that there was no statistical relationship between the two variables. Since there was no statistical relationship between those variables, it was not relevant to measure the strength of the relationship. The finding implies that the knowledge about tax consultant gender could not be used to predict the types of tax services that tax consultants mostly provided.

**Age Group.** Examination using both chi-square tests and symmetric measures shows that there was a positive statistical relationship between the types of services provided and the age of respondents. The  $p$ -value from chi-square tests as well as the value of Approx. Sig. of the contingency coefficient from symmetric measures showed the same value of 0.005, which was less than 0.05. In addition, the value of the contingency coefficient of 0.336 indicated that the relationship between the two variables was also modest. The figures indicated that younger tax consultants were inclined to provide preliminary tax services, while older tax consultants tended to deliver more advanced services.

**Level of Education.** In terms of level of education, statistical tests showed that there was a positive association between the type of tax services provided and the respondents' level of

education. The  $p$ -value generated was 0.000, which was less than 0.05, implying that there was a positive relationship between the two variables. In addition, the contingency coefficient of 0.380 indicated that the strength of association between those variables was moderate. These statistical measures showed that the higher the level of education of tax consultants the more advanced tax services they may provide to their clients.

**Educational Background.** While level of education was indicated to have a positive relationship, statistical tests show that the respondents' educational background did not have an association with the types of tax services provided by tax consultants. The  $p$ -value generated from chi-square tests was 0.430, greater than 0.05, implying that there was no statistical association between the two variables in question. This indicated that the educational background of tax consultants could not be used to understand the types of tax services they may provide to their clients.

**Position.** The  $p$ -value generated for assessing the relationship between the respondents' position and the types of tax services provided was 0.002. Since the value was less than 0.05, it indicated a positive statistical association between those variables. Further examination showed that the relationship between the two variables was strong, since the value of the contingency coefficient was 0.406. These statistical figures implied that the position of tax consultants could be used to predict the types of tax services they provided to the clients. Since the relationship was positive, it indicated that the higher the position of tax consultants the more advanced the types of tax services they may provide.

**Length of Experience.** The respondents' length of experience was indicated to have a positive statistical relationship with the types of tax services provided by tax consultants. The  $p$ -value yielded from the chi-square tests of 0.010, which was larger than 0.05, indicated that there is a positive association between the respondents' length of experience and the types of tax services provided. Further, the value of the contingency coefficient of 0.327 shows that the association was moderate. These measures reveal that less experienced consultants tended to provide preliminary tax services. In contrast, more experienced consultants tended to deliver more advanced types of tax services.

#### **5.2.6 Supplementary Findings**

In this section, supplementary but relevant findings are presented. The discussion covers the issues of whether the respondents had experience dealing with individual and corporate taxpayers. It also discusses the involvement of the respondents in the process of tax

objection, tax appeal and tax planning. It is hoped that the findings will enrich the understanding of the role of tax consultants in the tax system, as previously discussed.

It was revealed that most respondents had experience dealing with both individual and corporate taxpayers. However, the respondents seemed to have dealt more with corporate taxpayers than with individual taxpayers. As shown in Table 5.12, the respondents indicating that they had served corporate taxpayers accounted for 94.8%, while those who had dealt with individual taxpayers accounted for 88.9%. This might be because corporate taxpayers have more financial ability to engage tax consultants than do individual taxpayers in general. In addition, taxation issues of corporate taxpayers might also be more complicated than those encountered by individual taxpayers, driving corporate taxpayers to seek assistance from tax consultants.

Table 5.12: Type of Taxpayer Served by Tax Consultants

Tax Consultants' Experience	Type of Taxpayer			
	Individual		Corporate	
	Frequency*	Per cent	Frequency*	Per cent
Yes	289	88.9	308	94.8
No	36	11.1	17	5.2
<b>Total</b>	<b>325</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>

\*n = 325

Regarding tax affairs, it was revealed that respondents who had experience dealing with tax planning was greater in number than those who had dealt with tax objections and tax appeals. As can be seen in Table 5.13 below, the majority of respondents had experience with tax planning (72.9%), followed by those who had experience with tax objections at 66.8% and with tax appeals at 53.8%. This might be because the number of requests for tax planning was much higher than the number of tax objections and appeals. Tax planning might be a part of the daily activities of taxpayers. In the meantime, the number of tax appeals was also lower than the number of tax objections, since a tax appeal is a subsequent request in the case where taxpayers are dissatisfied with the DGT decision about the tax objection.

Table 5.13: Type of Tax Affairs Dealt with by Tax Consultants

Tax Consultants' Experience	Type of Tax Dealing					
	Tax Objection		Tax Appeal		Tax Planning	
	Frequency	Per cent	Frequency	Per cent	Frequency	Per cent
Yes	217	66.8	175	53.8	237	72.9
No	108	33.2	150	46.2	88	27.1
<b>Total</b>	<b>325</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>

Further analysis using cross-tabulation showed that there was a positive relationship between tax objection, tax appeal and tax planning experience, and the level of certificate, position and the length of experience of the respondents, since the *p*-value yielded from the statistical tests was less than 0.05. However, the strength of relationship between those variables varied. Tax objection and tax appeal experience of the respondents seemed to have a strong association with the level of certificate (contingency coefficient = 0.326 and 0.390, respectively) and the length of experience (contingency coefficient = 0.302 and 0.339, respectively). The position of the respondents appeared to have a weak relationship with both tax objection and tax appeal experience (contingency coefficient = 0.193 and 0.262, respectively). Interestingly, the respondents' experience of tax planning had, indeed, a positive statistical association with the respondents' level of certificate, position and length of experience but the relationship was relatively weak (contingency coefficient = 0.204, 0.273 and 0.160, respectively).

It is also interesting to note that the percentage of tax objection cases granted was inversely proportional to the percentage of tax appeal cases won by taxpayers. As shown in Table 5.14 below, the percentage of tax objection granted by the DGT declined from 56.2% to only 5.0% proportionate to the increasing value of request granted, which was measured from less than 10% to more than 75%. Conversely, the percentage of tax appeal granted by the Tax Court increased, except for the percentage of request granted less than 10%, from only 4.5% to 42.6%. This might show that there was a significant differently interpretation of tax laws and regulations between the DGT and the Tax Court.

Table 5.14: The Percentage of Tax Objections and Appeals Granted

Percentage of Request Granted	Type of Request			
	Tax Objection		Tax Appeal	
	Frequency	Per cent	Frequency	Per cent
< 10 %	123	56.2	32	18.2
10–25 %	35	16.0	8	4.5
26–50 %	26	11.9	23	13.1
51–75 %	24	11.0	38	21.6
76–100 %	11	5.0	75	42.6
<b>Total</b>	<b>219</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>

It was also discovered that issues related to corporate income tax have become the most requested area of tax planning. In Table 5.15 below, it can be seen that most respondents stated that tax planning was requested for issues related to corporate income tax (66.3%), followed by individual income tax (15.8%). Other issues related to Income Tax Article 21 (employment tax), VAT and Income Tax Article 26 (cross-border tax) accounted for less than

6%. As for 'others', which accounted for 6.7%, most respondents stated that they had provided tax planning for all types of taxes (4.9%), the remaining 1.8% dealt with corporate restructuring, transfer pricing and international tax. This might be because corporate income tax encompasses many more issues of tax planning than other types of taxes.

Table 5.15: Type of Cases Mostly Requested for Tax Planning

Type of Cases	Frequency	Percentage
Individual income tax	38	15.8
Corporate income tax	159	66.3
Income Tax Article 21	13	5.4
Income Tax Article 26	2	0.8
Value added tax	12	5.0
Others	16	6.7
Total	240	100.0

## 5.3 Interviews

### 5.3.1 Background

The face-to-face interviews were undertaken to provide more explanation about the issues covered in the survey. As with the survey, interview materials covered the two major topics explored in this study, namely the role of professional tax consultants and the factors affecting tax consultant decisions when advising taxpayers. This section presents and discusses the findings of the interviews related to the first topic. Findings connected to the second theme will be conveyed and discussed in Chapter 6. However, the participants' profile is elaborated in detail in this chapter. The discussion of participants in the interviews in Chapter 6 will refer to this section.

There were two central issues explored in interviews related to the first topic. First, respondents were expected to provide more explication on the role of tax consultants in the tax system. As discussed in Section 4, the survey explored the role of tax consultants based on a series of taxpayers' tax rights and obligations. Broader and deeper views of respondents in this matter, especially on both conceptual and practical points of view regarding tax consultant roles were examined. Second, respondents were required to provide their views on the motive of taxpayers engaging tax consultants. This is because tax services provided by tax consultants were largely shaped by the demand of taxpayers. Therefore, examination of the motives of taxpayers hiring tax consultants was also crucial and relevant.

For the purpose of analysis, a verbatim approach was used, in that all interview data were fully transcribed into text. This was to avoid missing any information, which may have led to an incomplete presentation of the views of participants in the interview. However, since the interviews were undertaken in local language (Bahasa Indonesia), the translation into English was only performed for the quotations used for analysis purposes. No adjustments were made to the sentences delivered by the participants, except when the sentences became illogical at the time of translation into English. To ensure that the translation reflected the closest intended meaning of the participant views, two PhD colleagues from Indonesia were requested to provide assessments.

### 5.3.2 Profile of Participants

As discussed in Chapter 3, participants in the interviews were recruited from respondents to the survey who indicated a willingness to join and could be contacted. The composition of participants was initially made to be proportionate so that all segments of tax consultants were represented. However, since participation in the interviews was voluntary in nature, the composition could not be fully managed.

Nevertheless, as can be seen in Table 5.16 below, participants in the interviews, involving 10 tax consultants, came from various backgrounds. The diverse backgrounds of the participants were likely to deliver diverse views from different standpoints, which was expected to provide plentiful information for this research. This supplementary but crucial information was expected to broaden and deepen the quantitative findings gained from the survey.

Table 5.16: Profile of Participants in the Interviews

No	Code of Participant (Label)	Personal Attribute					
		Certificate	Gender	Age Group (year)	Length of Experience (year)	Level of Education	Position
1.	RS-001	C	M	> 55	< 5	Doctor	Director
2.	RS-002	B	F	40–55	< 5	Bachelor	Owner
3.	RS-003	C	M	40–55	10–20	Master	Partner
4.	RS-004	C	F	25–39	5–10	Bachelor	Manager
5.	RS-005	B	M	40–55	< 5	Master	Manager
6.	RS-006	B	M	25–39	5–10	Bachelor	Owner
7.	RS-007	C	M	40–55	5–10	Master	Owner
8.	RS-008	C	M	> 55	< 20	Doctor	Partner
9.	RS-009	C	M	40–55	10–20	Master	Partner
10.	RS-010	C	M	> 55	< 5	Doctor	Owner

As shown in Table 5.16 above, participants consisted of seven tax consultants holding level C certificates and three tax consultants with level B certificates. Even though tax consultants with level A were not represented, views from tax consultants with level C and level B were arguably representative since these participants had previously held level A certificates. The case might have been different if tax consultants with level C certificates had not been represented.

In terms of gender, there were eight male and two female participants. All male participants held a level C certificate, except for two participants with experience less than 10 years who held level B certificates. More than two-thirds of male participants were in the position of either owner or partner and the remaining, having experience less than five years, were manager and director. All age groups of tax consultants were represented except for those in the age group below 25 years. More specifically, there were five participants in the age group of 40–55 years, three were in the age group above 55 years and two were in the age group of 25–29 years. The participants' highest level of education was doctor and the lowest was bachelor, with roughly equal distribution among the three levels of education represented.

### **5.3.3 The Role of Tax Consultants**

#### *5.3.3.1 Conceptual and Practical Role*

To gain more in-depth understanding of the role tax consultants play in the tax system, the participants were asked to provide their views on tax consultants' roles, both from conceptual and practical perspectives. Responses revealed that most participants believed that tax consultants are more supportive of taxpayers. Interestingly, the arguments for this position provided by respondents differed significantly. Other respondents were of the view that tax consultants are more supportive of the government, since they led taxpayers to comply with tax laws. Yet others observed that it was hard to make a clear distinction regarding whether the role of tax consultants was more on the taxpayer side or on the government side. This is generally because tax consultants play a dual role.

Table 5.17: Conceptual Role of Tax Consultants—Taxpayer Ally

Sub-Theme	Quotations
Taxpayer ally	'In the short run, today, tax consultants, in a changing situation, unstable, they are, indeed, taxpayer advocate, in the sense that ... eh ... these are your tax rights, these are your tax obligations, you should fulfil your tax obligations but you can also claim your tax rights, so do not only claim your rights. That's the role of tax consultants now'. (RS-001, level C, M, Director)
	'Tax consultants were often ... often ... doing things that supported taxpayers, as taxpayer advocate. It is still a long way off that they will become government agents, who then promote so-called voluntary tax compliance ... still far away.' (RS-005, level B, M, Manager)
	'Tend to be taxpayers advocate.' (RS-007, level C, M, Owner)

As can be seen in Table 5.17 above, these respondents were convinced that tax consultants were more on the side of taxpayers. However, the first quotation emphasises that tax consultants not only make taxpayers aware of their tax obligations but also of their tax rights. In addition, some participants stated that tax consultants sided more with the taxpayer because they were paid by taxpayers, as illustrated in the following quote:

In my view, tax consultants served as a bridge between taxpayers and the government. They are, indeed, in the middle of them. However, it is undeniable that tax consultants were paid by taxpayers. Therefore, if they are called as taxpayer advocate, that is also true. (RS-006, level B, M, Owner)

Some other participants had different arguments for why tax consultants served more as a taxpayer supporter than a government agent. One participant argued that tax consultants were more supportive of taxpayers because they were not given an opportunity, while another contended that the issue of earning a living has become the reason. The following quotes show their reasoning:

Actually, serving as a government agent is good too. However, we have never undertaken this role. For example, to become a proxy or a tax attorney in the Tax Court ... tax laws stipulated that all parties, all parties mean tax authority and taxpayers, didn't they? ... They can appoint a tax attorney implying that the government can also appoint us, tax consultants. Up to this time, the government had their own ... always had their own (never hire tax consultants). (RS-007, level C, M, Owner)

Tax consultancy is surely a profession. In Indonesia, this profession is regulated by the government, but ... how can I say ... it is still becoming a profession for people earning their living ... not for dedication. Here, if we talk about this, it is more about materialistic issues ... self-interest of each professional ... how they can protect their personal interests. Nah, this is the driver for tax consultants ... to be an advocate of taxpayers. (RS-005, level B, M, Manager)

The fact that the government had requested tax consultants to serve as a government partner but did not have any monitoring system in place was another reason that tax

consultants acted more as taxpayer advocates. The following quotation from a participant on this issue reveals this view:

Besides tax consultants still needing clients to increase their revenues, they also do not feel that there is a need to support the government. The government had indeed requested tax consultants to be partners but there was no monitoring system, no standards installed. Therefore, something with no monitoring system would not be effective. (RS-005, level B, M, Manager)

Interestingly, only one participant stated that tax consultants were more supportive of the government. It is argued that tax consultants have led taxpayers to follow tax rules and regulations, therefore they serve as government supporters rather than taxpayer allies, as revealed in the quotation below:

The DGT considered us, tax consultants, have led taxpayers to non-compliance, that's the tendency, that's the perception. In fact, we are not like that. We showed the clients ... this is what you should do ... we were leading them to that direction. We led them to comply with tax regulations. (RS-002, level B, F, Owner)

Table 5.18 provides quotations from participants arguing that the role of tax consultants cannot be separated clearly, whether serving as a government supporter or a taxpayer ally.

Table 5.18: Conceptual Role of Tax Consultants—Mixed Role

Sub-Theme	Quotations
Mixed role	'We cannot clearly separate that ... oh ... our mission is to help the DGT so that taxpayers become tax compliant, paying taxes, or on the contrary, we lead taxpayers to non-compliance so that they do not pay taxes. I think we cannot make a separation like that or a clear dichotomy as such. (RS-004, level C, F, Manager)
	'It is up to the DGT ... very much dependent on the DGT. If the DGT can embrace them, I saw ... we have much helped explain (tax regulations) to society in seminars, and cooperated with the DGT happily. The speakers were sometimes from the DGT or from us, tax consultants. (RS-008, level C, M, Partner)
	'We tried to become a mediator. We were not on the taxpayers' side nor on the DGT side ... in this case ... which one was holding the truth ... we actually sought the real truth ... when we talked about a dispute, for instance, between taxpayers and the DGT ... we certainly looked at the real truth. (RS-009, level C, M, Partner)

It is interesting that the argument provided by participants that tax consultants play dual roles, both as a government supporter and a taxpayer ally, varies. As can be seen from the second quotation in Table 5.18 above, it was argued that the role played by tax consultants was dependent on the attitude of the DGT towards tax consultants. Further, as shown in the third quote, there was also a different rationale stating that tax consultants were seeking the truth, so they were arguably in a neutral position. However, some other participants observed that the background of tax consultants matters, as in the quotation below:

We have to look at the tax consultants' background ... if they were once working with the DGT ... ex DGT officers ... they may become government agents ... they can help (the government) because they know that they are providing tax services to taxpayers and that the government needs to achieve tax revenue targets ... they can play a role here. For those playing a role as taxpayers' advocate, they can be divided into two categories. First, they are the ones whose living is fully financed by taxpayers so they are willing to do whatever taxpayers need. Second, they do not sufficiently comprehend tax laws and regulations ... professionally and ethically ... and also do not have a good network (RS-010, level C, M, Owner)

From a practical perspective, it was discovered that the most frequent tax service provided by tax consultants was tax return preparation, which can be categorised as clerical work. This has confirmed the findings from the survey. The quotation below reflects this view:

When we talked about the type of tax services delivered ... most tax services provided by tax consultants were in the preparation stage or preparing tax returns. This means that their services may be categorised within the clerical level because they have inputted, filled out tax returns. (RS-004, level C, F, Manager)

However, it was argued that the services provided by tax consultants in Indonesia, in terms of technical aspects, cannot be standardised, as illustrated in the following quote:

There is no standard yet. In my view ... the further the location from Jakarta (the capital city), the more frivolous. The work is much simpler ... meaning that in a location far away from Jakarta, tax consultants are only filling out tax returns ... preparing tax returns perfunctorily ... they only input the data they obtained. In contrast, there are more sophisticated transactions in Jakarta making the relationship between taxpayers and tax consultants more intensive. We have more ... for instance ... helped groups of companies. I am of the view that in Jakarta on average the services delivered are more sophisticated ... except in certain regions. (RS-008, level C, M, Partner)

The fact that the practical tax services delivered by tax consultants cannot be standardised might be influenced by the size of taxpayers. The quotation below mirrors this reasoning.

In technical terms, it depends on taxpayers' business segment ... for small and medium enterprises, tax consultants provide services more on reporting and filling out tax returns. In contrast, for large companies, they provide services more on strategic issues. Tax consultants will be involved when the companies are undertaking corporate actions like selling or buying shares or assets. (RS-006, level B, M, Owner)

#### *5.3.3.2 Motive of Taxpayers Engaging Tax Consultants*

As discussed earlier, there is a supply and demand relationship between tax consultants and taxpayers where the first party falls on the supply side while the latter falls on the demand side. Based on this consideration, the role played by tax consultants is arguably also shaped by the motivation of taxpayers hiring tax consultants. Therefore, the recognition of what are actually the motives of taxpayers engaging tax consultants is important and relevant. For this

purpose, the participants were also requested to provide their views on the issue based on their experience.

Responses revealed four main motives of taxpayers hiring tax consultants. Half of the participants stated that lack of capacity, complying with tax laws and minimising tax exposure are the primary motives for taxpayers engaging tax consultants, while mitigating tax risks was indicated by 40% of participants. Other motives that emerged during the interviews were avoiding tax payment, preventing abuse by tax authority and seeking a tax intermediary.

As can be seen in Table 5.19, some quotations from respondents show that lack of capacity has become one of the main reasons for taxpayers engaging tax consultants. The lack of capacity might mean that the taxpayers did not have sufficient knowledge or human resources to fulfil their tax obligations or exercise their tax rights.

Table 5.19: Motives of Taxpayers Engaging Tax Consultants—Lack of Capacity

Sub-Theme	Quotations
Lack of capacity	'Mostly because their lack of knowledge, lacking knowledge in regard to regulations, on how to calculate taxes, what are taxpayers' rights and obligations. Just lack of knowledge, if they already knew, there is no point they engage tax consultants'. (RS-002, level B, F, Owner)
	'In most instances, taxpayers do not have sufficient human resources to fulfil tax obligations or to pursue their objectives in implementing regulations. Therefore, the first reason is that taxpayers do not have sufficient human resources.' (RS-005, level B, M, Manager)
	'Most of them do not understand, do not know ... they do not want to deal with something complicated and make them have a headache.' (RS-006, level B, M, Owner)

Related to this motive, some participants identified three situations that triggered taxpayers to use tax consultants' services in their tax dealings. As can be seen from the quotations below, the type of transaction, the size of company and the complexity of the tax issues have made taxpayers hire tax consultants:

Usually they do not know ... do not know about non-routine transactions, they need tax consultants. Why? ... A simple example, this company will make a cooperation with a foreign enterprise in the form of joint operation, joint venture or other forms ... they do not understand this ... it is non-routine transaction. They certainly hired us [tax consultants]. (RS-007, level C, M, Owner)

When we talk about small companies ... they were more asking about compliance issues ... because in terms of compliance, they have not yet understood, how to prepare tax returns, how to make a report, and so on ... they asked simple questions ... because their capacity, the capacity of other people in the company is also limited. (RS-009, level C, M, Partner)

In more complicated cases, and containing significant risk ... usually it is also because the lack of taxpayers' knowledge ... or the employees can feed the necessary information but management or owner are not quite confident with their employees' capability. Therefore, one level up, in this case, there is a need for more specific knowledge from tax consultants. (RS-005, level B, M, Manager)

Table 5.20 below presents quotations from respondents indicating that complying with tax laws was a motive for taxpayers hiring tax consultants.

Table 5.20: Motives of Taxpayers Engaging Tax Consultants – Complying the Tax Laws

Sub-Theme	Quotations
Complying tax laws	'At first, they for sure, wonder how to keep following the rules, fulfilling tax obligations correctly.' (RS-003, level C, M, Partner)
	'They want to comply. Therefore, they hire tax consultants.' (RS-006, level B, M, Owner)
	'Those who came to us, on average, the first they want to know tax regulations, so that they can pay taxes in accordance with the prevailing regulations ... because they do not want to have problems. Law certainty is the priority.' (RS-008, level C, M, Partner)
	'On average, those I handled were, the first ... they do not want to ... the point is ... they do not want to implement tax regulations incorrectly ... so this is more about compliance basis. When we talk about big groups, it is surely about compliance basis.' (RS-009, level C, M, Partner)

In relation to this motive, a participant was of the view that this was also influenced by the fact that both big tax consultant firms and tax authorities have put in place certain measures to ensure that actions leading to non-compliance can be prevented. The quotation in question follows:

In all consulting companies, especially big tax consulting firms, there is so-called risk management, there is no point to non-compliance with laws, such as bribery etc., because tax consultants are susceptible to that area, no more like that. In addition, tax authority has also a code of conduct. (RP-001, level C, M, Director)

As shown in Table 5.21, minimising tax exposure has also become one of the main motives of taxpayers engaging tax consultants.

Table 5.21: Motives of Taxpayers Engaging Tax Consultants—Minimising Tax Exposure

Sub-Theme	Quotations
Minimising tax exposure	'However, if there are some regulations that can be used, for instance facilities etc., they can be well utilised.' (RS-003, level C, M, Partner)
	'From taxpayers' point of view, why they hire tax consultants, certainly there are efficiency factors, meaning that when we talk about tax we talk about cost, talking about something to pay. Therefore, their expectation when engaging tax consultants, though there is some tax consultant fee, is to have tax efficiency in total.' (RS-004, level C, F, Manager)

'They just want to know that everything has been done, and tax consultants usually have a way to minimise their tax exposure. Therefore, I think ... this is why they want to use tax consultants.' (RS-005, level B, M, Manager)

However, some of the participants argued that minimising tax exposure was only for non-routine transactions because for routine transactions taxpayers have a capacity to handle the cases by themselves, or they may request assistance from tax officers for free. In addition, taxpayers seek tax savings after they understand the situation and feel safe. The following quotations reflect these circumstances:

Now it is more about ... to my experience ... more about tax savings from their non-routine transactions ... current motivation. In a routine case ... they do not want to hire tax consultants now because they are sure that they can handle it by themselves, or if it is hard ... there is an account representative. (RS-007, level C, M, Owner)

If there is tax saving, it is okay ... but it is the last goal. Taxpayers coming to my office were not directly asking for minimising taxes. They wanted to know how to achieve that ... then how to gain law certainty. New companies coming ... they wanted us to undertake tax due diligence ... they want to be safe first. Afterwards ... if they can get tax savings ... they take it. (RS-008, level C, M, Partner)

Table 5.22 shows quotations from respondents who indicated that one of the motives of taxpayers hiring tax consultants was to mitigate tax risks. More specifically, it was necessary to measure tax risk mitigation when dealing with certain cases as a strategy, or where there might be some multiple interpretations of the laws.

Table 5.22: Motives of Taxpayers Engaging Tax Consultants—Mitigating Tax Risks

Sub-Theme	Quotations
Mitigating tax risks	'And also it can be something related to transactions, for instance, they want to buy or sell shares or assets ... they will ask tax consultants ... what is my risk as a seller? Or as a buyer ... if I buy this business ... what is inherited obligations, inherent risk for me? Therefore, they are actually making calculations of the transaction ... they want to know ... it seems to minimise tax risk.' (RS-005, level B, M, Manager)
	'Strategy for sure ... What is the best strategy from both commercial and tax perspectives? ... not in a negative sense ... abusing taxation ... but they want to see whether or not there will be higher tax consequences ... is tax becoming more costly or not by undertaking this transaction?' (RS-009, level C, M, Partner)
	'They want to see whether or not there is a tax risk on what they did. This means ... if it is in a grey area, whether or not there is a risk ... and how to mitigate the risk. Nah ... when we talk about this area ... where there is no black and white ... thus what we did was how to mitigate the risk.' (RS-009, level C, M, Partner)

Even though only a few participants raised this issue, it seems that avoiding tax payments has also become one of the motives of taxpayers using tax consultant services. However, it is argued that the taxpayers did not essentially try to avoid paying taxes, rather they wanted

to postpone tax payment because of certain reasons such as financial insolvency, as shown in the quotation below:

Indeed, motivation to avoid taxes is always there ... why is this, not because taxpayers do not want to pay taxes actually ... no ... but more about timing. Their awareness to pay taxes is actually high. But, from a practical point of view, misuse of tax revenue broadcast in the news is still prevalent, and cash flow condition of the taxpayers is also not good ... It is not to avoid paying taxes basically ... but to make ... a postponement. (RS-007, level C, M, Owner)

Interestingly, it also emerged that one of the taxpayers' motives to hire tax consultants is to avoid being abused by tax authorities. A participant argued that taxpayers wanted to ensure that their tax rights were not abused by tax authorities. This might be related to another motive of taxpayers hiring tax consultants, which is to seek an intermediary. It was argued that tax consultants have an ability to serve as a bridge between taxpayers and tax authorities so that any possible problems arising because of the interactions between the two can be avoided. The quotations below show these situations:

Taxpayers need tax consultants because they feel their rights were abused by tax authority. Therefore, they hire tax consultants ... to make sure that their rights are not being abused by the tax authority. (RS-001, level C, M, Director)

Here, tax consultants were considered to have a good networking which can bridge taxpayers and tax authority. In this case, tax consultants play a role as an intermediary where taxpayers can ask the tax authority through them without worrying that their questions will have devious implications that cannot be anticipated by the taxpayers. Therefore, they choose to hire tax consultants ... let them ask the questions to the tax authority so that the problems can be localised. (RS-005, level B, M, Manager)

## **5.4 Focus Group Discussion**

### **5.4.1 Background**

The FGD was organised to obtain supplementary data and information on the issues explored in this study. More specifically, as in the interviews, two topics were covered during the FGD, namely the role of professional tax consultants in the tax system and the factors affecting tax consultants when advising their clients. The FGD was undertaken for a duration of around two hours, discussing two topics with more than six active participants. Therefore, expecting to gain a broader and deeper understanding of the topics might not be possible. However, there were, indeed, some issues that did not emerge during the one-on-one interviews, which came to the surface and enriched the findings from the interview sessions.

### 5.4.2 Profile of Participants

Participants in the FGD were recruited by the help of a gatekeeper, PT MUC, a leading tax consulting firm in Indonesia. Gatekeeping was conducted partly to avoid bias and to maintain independence of the researcher. The gatekeeper was requested to make the composition of participants balanced so that the perspectives gained represented all segments of tax consultants. However, since the nature of participation was voluntary, the arrangement could not be fully anticipated.

The total number of participants in the FGD was 16 persons, but only 10 persons met the requirements to be the subject of this research. Therefore, the other six persons were requested to act only as observers or silent participants. As shown in Table 5.23 below, the qualified participants were tax consultants with various personal attributes. Because of these different characteristics, a diversity of perspectives was expected to enrich the data and information for this research.

Table 5.23: List of Participants in the Focus Group Discussion

No.	Code of Participant (Label)	Personal Attribute		
		Certificate	Gender	Position
1.	DP-001	B	Female	Supervisor
2.	DP-002	B	Male	Supervisor
3.	DP-003	C	Male	Partner
4.	DP-004	C	Male	Managing Partner
5.	DP-005	C	Female	Partner
6.	DP-006	A	Female	Assistance/Staff
7.	DP-007	C	Female	Manager
8.	DP-008	C	Male	Manager
9.	DP-009	C	Male	Manager
10.	DP-010	C	Male	Partner

As shown in Table 5.23 above, all levels of tax consultant were represented, with seven tax consultants holding level C certificates, two level B certificates and one a level A certificate. The participants also occupied various positions from the lowest of assistance staff to the highest level of managing partner. In terms of gender, there were six male and four female participants. More specifically, all male participants held level C certificates, except for one who held a level B certificate. In contrast, two female participants were tax consultants with level C certificates, one with a level B and another with a level A certificate. The lowest position of male participants was supervisor while the highest was managing partner. Meanwhile, the female participants were from virtually all levels of position, namely general staff, supervisor, manager and partner (one person each).

The elaboration of the FGD participants' profiles in Chapter 6 will refer to this section, since the FGD also covered the topic discussed in that chapter.

### 5.4.3 Main Findings

Participants in the FGD were required to provide their views on the role of professional tax consultants in the tax system from both conceptual and practical perspectives. Most participants eagerly responded to the questions. However, it seems that the participants were more comfortable talking about the conceptual role of tax consultants than their practical roles. This might be because the area of discussion on conceptual roles is broader and more interesting since it reflects the position of tax consultants in their relationships with taxpayers and the government.

Even though the rationales were different from those that came to the surface during the one-on-one interviews, it was revealed that most participants tended to believe that tax consultants play a mixed role in the tax system. The participants stated that the roles of tax consultants both as government agent and taxpayer advocate were inseparable because they not only sought tax efficiency but also educated taxpayers regarding tax regulations. This was reflected in the quotations in Table 5.24 below:

Table 5.24: Role of Tax Consultants—Dual Roles

Sub-Theme	Quotations
Mixed roles	'What we did was how to make a synergy between tax compliance and tax efficiency. Nah ... it may be true that taxpayers were hoping that tax consultants becoming their tax advocate ... but in terms of outcomes ... tax consultants may act as a government agent. They educate taxpayers about tax regulations ... the regulations that might contain some multi-interpretations, can be defined clearly and implemented.' (DP-003, level C, M, Partner)
	'It is too difficult to determine in which direction tax consultants' tendency was, because they have two unseparated functions. Taxpayers' goal hiring tax consultants was surely to become their advocate, but ... it is undeniable that tax consultants have become an agent of the government when delivering tax regulations to the taxpayers.' (DP-007, level C, F, Manager)
	'Today, tax consultants play a role more as an adviser. In this case, in my opinion, they cannot be said to be taxpayer advocate or government agent ... but in the middle, because the transactions have not yet been done.' (DP-009, level C, M, Manager)

In addition, some participants provided a more specific reason that the roles of tax consultants as government agent and taxpayer ally cannot be separated, as provided in the quotations below:

It is possible that our advice, which in the beginning was expected by taxpayers to reduce tax liability ... but in fact, causes the amount of taxes that should be paid by taxpayers bigger, after a simulation was made. Eventually, this was also my experience, they did not have other choices, except to take it. (DP-003, level C, M, Partner)

There are factors influencing someone’s opinion whether tax consultants were government agent or taxpayer advocate ... his [sic] comprehension of tax regulations ... and his [sic] personal interests. If tax consultants were asked ... they may tend to say that they are government agents. In contrast, if the DGT officers were asked, then, they may be of the view that tax consultants were only seeking something to the advantage of their clients. (DP-002, level B, M, Supervisor).

However, one participant said confidently that tax consultants were the advocates of taxpayers rather than agents of the government as revealed in the quotation below:

In my view ... [tax consultants] still tend to serve as taxpayer advocate, because ... in my experience ... taxpayers seeking or engaging tax consultants was to support their interests, uphold their interpretations of tax regulations. (DP-010, level C, M, Partner)

Interestingly, the possibility that tax consultants play a role as a government sparring partner, instead of a government agent or taxpayer advocate, emerged during the discussion. One participant was of the view that tax consultants may serve as a government sparring partner if they were given an opportunity to. Another participant was convinced that tax consultants have served as a sparring partner to the government at the time they challenged tax regulations, such as during a trial in the Tax Court or when they submitted a request for a ruling. Table 5.25 below provides quotations from the participants regarding this issue.

Table 5.25: Role of Tax Consultants—Government Sparring Partner

Sub-Theme	Quotations
Government sparring partner	‘It has not yet become a common practice for the DGT to release an exposure draft of regulations publicly. Therefore, the role as a sparring partner of the government has not been effective since the channel has not yet been opened. What would be criticised if the regulations we received have been enacted?’ (DP-010, level C, M, Partner)
	‘In terms of directly playing a role as government sparring partner ... it may be still very limited ... the channel as we discussed was still unopened. However, if we talked about playing the role indirectly, the DGT when designing tax regulations was also challenged by cases trialled in the Tax Court, or at the time taxpayers, through their tax consultants, were asking for rulings to make certain regulations more obvious.’ (DP-003, level C, M, Partner)
	‘In regard to the role as sparring partner of the government, in my opinion, even the tax consultant association has not yet been able to function as a policy contributor for the DGT. There is still a kind of fear when criticising a regulation.’ (DP-008, level C, F, Manager)

## 5.5 Chapter Summary

This chapter has analysed the role of tax consultants in the Indonesian tax system from both technical and theoretical perspectives based on findings from the survey, interviews and FGD. The survey revealed that most respondents were of the view that the role of tax consultants in Indonesia is technically still in an embryonic stage of development, considering the tax cycle as discussed in Chapter 4. Preparation of tax returns was considered the most frequent type of tax service they provided to their clients (48.6%), followed by providing tax information only (13.8%) and assisting the clients dealing with tax audits and investigations (11.4%). The share of other types of tax services provided was below 10% each. Further investigation using cross-tabulation analysis indicated that respondent attributes of age, level of education, position and length of experience had a positive relationship with the types of tax services provided to the clients. Meanwhile, variables of gender and educational background seemed not to have an association with the type of tax services delivered. However, most of the respondents were revealed to have been involved in the processes of tax objection (66.8%), tax appeal (53.8%) and tax planning (72.9%) of their clients.

The participants in the interviews further corroborated what was revealed from the survey. It was confirmed by the participants that the most frequent tax service provided to the clients from a technical perspective was tax return preparation. However, other participants stated that this cannot be standardised since the role played by tax consultants was dependent on several factors. Location seemed to have influenced the type of tax services provided by tax consultants. This might be because the location reflects another factor, which is the client business segments—as emphasised by the other participants. More particularly, it was stated that tax consultants tended to provide clerical types of tax services for small and medium companies whereas for big enterprises, tax consultants were delivering more strategic tax advice.

Interestingly, from a theoretical perspective, most respondents admitted that tax consultants have played a role more as taxpayer advocate than government agent. The fact that tax consultants are paid by their clients was the first reason for this. The second was that tax consultants rely on consultation fees for their living. The third was that they are not given sufficient opportunity by the tax authority to work more closely with the government. Finally, a respondent stated that the government has not had a reliable monitoring system to supervise tax consultants. Other participants, however, were convinced that the role played by tax consultants cannot be separated either as taxpayer advocate or government agent.

This is because the role played is shaped by the attitude of the DGT towards tax consultants. In addition, a participant stated that tax consultants are in a neutral position since they are arguably seeking the truth.

To enrich the findings, the role of tax consultants was also viewed from the demand side. For this purpose, the motives of taxpayers hiring tax consultants from the perspective of tax consultants were also investigated. It was revealed that four main motives have triggered taxpayers to engage tax consultants, namely lacking capacity, complying with tax regulations, minimising tax exposure and mitigating tax risks.

The FGD seemed to support the view that tax consultants play a dual role in the tax system and the roles cannot be easily separated, though the rationales that came to the surface were different. The participants stated that tax consultants were indeed helping taxpayers to achieve tax efficiency. However, at the same time they were also socialising and educating taxpayers on how to implement tax regulations accordingly. Interestingly, the discussion revealed that tax consultants may also play a role as a government sparring partner rather than a taxpayer advocate or a government agent. This may be conducted by providing a different draft of tax regulations to the parliament or challenging tax regulations during trials in the Tax Court.

## **CHAPTER 6**

### **FACTORS AFFECTING PROFESSIONAL TAX CONSULTANTS WHEN ADVISING CLIENTS**

#### **6.1 Introduction**

In this chapter, findings from the survey, interviews and focus group discussion (FGD) concerning the factors affecting professional tax consultants when providing tax advice to their clients are presented and discussed. As in Chapter 5, the discussion encompasses three main parts sourced from different procedures of data collection and analysis. However, some parts of the chapter, namely those concerning the interview and the FGD participant profiles, will refer to Chapter 5, since those topics were elaborated in detail in the previous chapter.

The chapter will begin with an elaboration of the survey response rate and representativeness as well as of the profile of survey respondents. A discussion on the findings of the survey regarding the factors affecting tax consultants when advising their clients will follow. Further, tax consultants' perceptions of the tax system and administration will also be elaborated. Based on the interviews, the next part will discuss in depth the factors influencing tax consultants both in general terms and in relation to grey area situations. The issue of the grey area and aggressive tax advice in particular will also be investigated. The last part will present a discussion about the chapter's topic based on the findings from FGD.

#### **6.2 Findings from Survey**

##### **6.2.1 Background**

As discussed earlier in Chapter 5, the survey covered two major topics, namely, the role of tax consultants in the tax system and the factors affecting tax consultants when advising their clients. In this chapter findings from the survey regarding the second topic will be discussed. It is important to note that the research subjects for both topics were the same, namely professional tax consultants in Indonesia. The research instrument employed for each topic—a survey—was also the same; however, in addition to a section about personal attributes, the survey was further divided into two main sections. One section investigated the topic of the role of tax consultants while the other examined the factors influencing tax consultants when advising their clients. Moreover, the screening analysis indicated a significant difference between the number of usable responses for the first and second topics. Therefore, a separation of analysis on response rate, representativeness of respondent and respondents' profile was considered essential.

### 6.2.2 Response Rate and Representativeness of Respondents

As presented in Chapter 5, the total number of survey responses received was 343, representing 14.20% of the total population, which was 2,290 persons. There were 195 respondents who submitted their responses online, while the other 148 delivered their responses via an offline channel. Table 6.1 below shows the number of unusable and usable responses, as well as the total number of responses received, specifically for the second topic of this study. As shown in the Table 6.1, the number of unusable responses was 42, sourced mostly from the online channel, which was 38, while the number of unusable responses from the offline avenue was only 4.

Unusable responses were mostly due to incomplete answers in the survey. The number of questions in this section, which was greater than that in the section regarding the first topic of the study, might be the reason for this incompleteness. The questions placed in the last section of the survey might also not have been completed because of respondent fatigue or internet connection problems. Finally, respondents may have terminated the connection before completing the online survey, as pointed out by Dillman (2008, 171).

Table 6.1: Usable Responses

Description	Web-Based Survey		Total
	Online	Offline	
Population	-	-	2,290
Total responses	195	148	343
Unusable	38	4	42
<b>Total usable responses</b>	<b>157</b>	<b>144</b>	<b>301</b>

Table 6.2 below presents a breakdown of respondents based on level of certificate and gender. It also provides a comparison of the number of respondents with the actual population classified by level of certificate and gender. Even though Saunders, Lewis and Thornhill (2012, 264) suggested that for a population of 2,000 with a 95% level of confidence, a sample of 322 is required to be representative, Fowler (2009, 44) argued that a sample of 150 people can sufficiently be used to explain 15,000 or 15 million population with almost the same accuracy level. In addition, the proportion of respondents compared with population stratified by level of certificate and gender was relatively close.<sup>18</sup> Therefore, the total of 301 responses usable for further analysis was arguably representative.

<sup>18</sup> See Chapter 5, Section 5.2.2.

Table 6.2: Representativeness of Respondents

Type of Certificate/Gender	Number of Professional Tax Consultants				Total (%)
	Actual	(%)	Respondent	(%)	
(1)	(2)	(3)	(4)	(5)	(4):(2)
Certificate A or equal	511	22.3	41	13.6	8.0
Certificate B or equal	949	41.5	121	40.2	12.8
Certificate C or equal	830	36.2	139	46.2	16.7
<b>Total</b>	<b>2,290</b>	<b>100.0</b>	<b>301</b>	<b>100.0</b>	<b>13.1</b>
Female	389	17.0	65	21.6	16.7
Male	1,901	83.0	236	78.4	12.4
<b>Total</b>	<b>2,290</b>	<b>100.0</b>	<b>301</b>	<b>100.0</b>	<b>13.1</b>

### 6.2.3 Non-Response Bias

In this study, a wave analysis, as suggested by Armstrong and Overton (1977) and Wallace and Mellor (1988) was used to estimate the non-response bias. Table 6.3 presents the wave analysis for responses regarding the topic of factors affecting tax consultants when advising clients. As shown in Table 6.3, the survey was grouped into two categories based on the channel used, namely online and offline. The online survey was divided into four periods separated by friendly reminders sent to the respondents. The offline survey, however, could not be divided because responses received were collected by the gatekeeper and sent to the researcher after being accumulated. As a result, the date of the offline responses could not be traced back.

Table 6.3: Wave Analysis of Responses—Factors Affecting Tax Consultants

Aspects	Survey Period				Total Online	Total Offline	Overall
	Period #1	Period #2	Period #3	Period #4			
The number of usable responses	93	37	40	25	157	144	301
The mean score:							
- Client-related features	2.90	2.89	2.85	2.69	2.86	2.74	2.80
- Decision context features	3.36	3.32	3.32	3.18	3.32	3.20	3.26
- Tax consultant-related features	3.19	3.21	3.09	3.10	3.16	3.18	3.17

Generally, as can be seen from the table, the mean score of decision context features for each period of survey, total online and total offline was the highest aspect compared with the other two features, as was the mean score of decision context features for the overall responses. For client-related features, the mean score after the first reminder was 2.89, or a difference of 0.32% from the result of the initial survey opening. The mean scores after the second and final reminders were respectively 2.85 and 2.69, which indicated a difference of 1.83% and 7.29% from the initial responses. The mean score for the overall responses was

2.80, which was a 3.39% difference from the initial responses. Using a similar comparison, the results for decision context features and tax consultant–related features also generated insignificant differences (below 6%). Therefore, it can be inferred that there was no significant deviation between tax consultants who responded and those who did not.

#### 6.2.4 Profile of Respondents

As shown in Table 6.4, responses to the survey were mostly received from male tax consultants and those with the highest level of qualifications. More specifically, female tax consultants contributed only 21.6%, while male consultants provided 78.4% of the total responses. This was not surprising since the number of female tax consultants (17%) was indeed much lower than male consultants (83.0%). It was also revealed that responses from tax consultants with a level C certificate accounted for 46.2% while those from consultants with level B and A certificates were respectively 40.2% and 13.6%.

Table 6.4: Types of Certificate and Gender of Respondents

Type of Certificate	Gender		Total (%)
	Female (%)	Male (%)	
Certificate A or equal	3.7	10.0	13.6
Certificate B or equal	8.0	32.2	40.2
Certificate C or equal	10.0	36.2	46.2
<b>Total</b>	<b>21.6</b>	<b>78.4</b>	<b>100.0</b>

Regarding age, Table 6.5 below shows that tax consultants within the age group of more than 40 years old contributed the largest number of responses (66.1%). The other 31.2% was from those in the age group of 25–39 years, while the remaining 2.7% was contributed by those below 25 years old. In terms of educational level, tax consultants with a bachelor degree dominated the number of responses with a 61.1% contribution, followed by those with a master degree (33.6%). The remaining 5.3% of responses came from tax consultants with a doctorate degree (3.3%) and other (2.0%).

Table 6.5: Educational Level and Age of Respondents

Educational Level	Age (Year)				Total (%)
	18–24 (%)	25–39 (%)	40–55 (%)	> 55 (%)	
Bachelor	2.3	22.3	27.6	9.0	61.1
Master	0.0	7.6	17.6	8.3	33.6
Doctor	0.0	0.7	0.7	2.0	3.3
Other <sup>19</sup>	0.3	0.6	0.7	0.3	2.0
<b>Total</b>	<b>2.7</b>	<b>31.2</b>	<b>46.5</b>	<b>19.6</b>	<b>100.0</b>

<sup>19</sup> The respondents indicated that they had other educational levels, namely diploma, accountant and undergoing doctorate study.

From the perspective of position, it was revealed that most respondents were owners of a tax consulting firm. More specifically, as shown in Table 6.6, responses from tax consultants who were owners accounted for 43.5%, followed by partners and managers with contributions respectively of 21.3% and 15.9%. The remaining 19.3% of responses were from supervisors (7.0%), team members<sup>20</sup> (6.3%) and other (6.0%). Table 6.6 also shows that the respondents were mainly from an economic and business background (80.1%), while those from others accounted for less than 10% each.

Table 6.6: Position and Educational Background of Respondents

Position	Educational Background					Total (%)
	Economics & Business (%)	Law (%)	Political Science (%)	Administrative Science (%)	Others <sup>21</sup> (%)	
Team member	4.0	0.3	0.3	1.0	0.7	6.3
Supervisor	5.3	0.3	0.0	1.3	0.0	7.0
Manager	12.3	0.0	0.0	2.0	1.7	15.9
Partner	17.3	1.7	0.0	1.0	1.3	21.3
Owner	35.9	3.0	0.7	1.0	3.0	43.5
Others <sup>22</sup>	5.3	0.0	0.0	0.3	0.3	6.0
<b>Total</b>	<b>80.1</b>	<b>5.3</b>	<b>1.0</b>	<b>6.2</b>	<b>6.8</b>	<b>100.0</b>

Respondents working at a tax firm with less than five branches contributed the majority of responses. As shown in Table 6.7 below, responses received from this group of respondents accounted for 94.7%, while the remaining 5.3% was from those working in a tax firm with 5–10 branches (2.7%), 11–25 branches (0.3%) and more than 25 branches (2.3%). It is then not surprising that most respondents had less than five years' experience since small companies are usually the starting point for graduates to pursue their career. Table 6.7 demonstrates that tax consultants with less than five years' experience contributed 40.9% of responses, while those with more than 20 years of experience accounted for only 7.0%. The residual of respondents had experience of 5–20 years.

<sup>20</sup> See Chapter 5, Section 5.2.4.

<sup>21</sup> Based on responses received, other educational background could be categorised into four groups, namely, 'a mixture of law and economic & business', 'a combination of information technology and economic & business', 'information technology', and 'fishery'.

<sup>22</sup> Other positions encompassed three categories, namely directors (a position under a partner), university lecturer and standalone tax consultants (sole proprietorship).

Table 6.7: Number of Firm's Branches and Length of Experience

Number of Firm's Branches	Length of Experience (Years)				Total (%)
	< 5 (%)	5–10 (%)	11–20 (%)	> 20 (%)	
< 5	40.9	27.6	19.3	7.0	94.7
5–10	1.7	0.7	0.3	0.0	2.7
11–25	0.3	0.0	0.0	0.0	0.3
>25	0.0	1.3	1.0	0.0	2.3
<b>Total</b>	<b>42.9</b>	<b>29.6</b>	<b>20.6</b>	<b>7.0</b>	<b>100.0</b>

Table 6.8 shows that the majority of respondents were tax consultants from a tax firm with less than 10 employees (55.5%), followed by tax consultants from a tax firm whose number of employees was between 10 and 25 persons. Interestingly, responses from tax consultants working in a tax firm with more than 100 employees was in third place with a 15.9% contribution, much larger than responses from tax consultants working in medium-sized tax firms, which contributed only 10%. In terms of length of experience at the current firm, the biggest segment of respondents was tax consultants with less than five years' experience (27.6%). This is in line with the proportion of respondents based on length of experience as tax consultants in general as discussed earlier based on Table 6.7.

Table 6.8: Number of Employees and Years of Experience at Current Tax Firm

Number of Firm's Employees	Number of Years' Working at Current Firm (Years)				Total (%)
	< 5 (%)	5–10 (%)	11–20 (%)	> 20 (%)	
< 10	27.2	16.3	7.6	4.3	55.5
10–25	4.3	6.0	6.0	2.3	18.6
26–50	2.7	2.3	1.7	0.3	7.0
51–100	0.7	1.3	1.0	0.0	3.0
> 100	5.3	2.7	7.0	1.0	15.9
<b>Total</b>	<b>40.2</b>	<b>28.6</b>	<b>23.3</b>	<b>8.0</b>	<b>100.0</b>

## 6.2.5 Main Findings

### 6.2.5.1 Introduction

The number of factors influencing tax consultants when providing advice to their clients is probably uncountable. The literature, however, shows that researchers have identified many of them and have categorised them into several major elements (see Lowe, Reckers, and Wyndelts 1993). In this study, a categorisation introduced by Milliron (1989) was utilised, by which the factors affecting tax consultants when advising their clients were divided into three categories, namely client-related features, decision context features and tax consultant-related features.<sup>23</sup>

<sup>23</sup> See Chapter 3, Section 3.4.5.

To explore those factors, respondents were required to provide their views on 22 items. Of 22 items, seven factors were categorised as client-related features while another eight items were categorised into decision context features. The residual seven items formed tax consultant-related features. Further, a five-point Likert scale was utilised to measure the items, for which an analysis procedure suggested in the literature was adopted (see Boone Jr and Boone 2012; Harpe 2015; Suliyanto 2011). For the purpose of analysis, however, the scales were narrowed down into three categories, namely agree, neutral and disagree. The 'agree' category included responses within the scales of 'agree' and 'strongly agree', while the 'disagree' group encompassed the scales of 'disagree' and 'strongly disagree'. Meanwhile, the category of 'neutral' was kept in the same group of responses forming its own group. The reduction of scale was intended to make the analysis of findings simpler but stronger. This approach has been introduced in a number of previous studies (see Abdul-Jabbar 2009; Faridy et al. 2016; Raihana 2013; Torgler 2007). In addition, an analysis of the mean score for each of the elements and the relationship between factors influencing tax consultants when advising clients and the personal attributes of respondents was conducted.

Further, responses to two statements in the first category, four in the second category and two in the third category were inverted since the statements were designed as a negative affirmation or to have a negative meaning. The statements are listed below.

CRF_4	My recommendations are not influenced by clients' tax position whether overpayment, underpayment or nil.
CRF_6	Whether my client is an individual or corporate taxpayer does not influence the recommendation I provide.
DCF_3	It is not important for me whether or not my clients will be audited after implementing my recommendation.
DCF_4	The amount of fee paid by clients for my recommendation is not so important for me.
DCF_5	It is fair that tax consultants providing a wrong recommendation should bear some parts of the tax penalties.
DCF_6	Tax consultants' licence should be suspended or cancelled if the consultants recommend clients to undertake tax avoidance or evasion.
TCRF_5	I choose to cease a working contract with clients if they want me to provide a recommendation that breaches the tax rules.
TCRF_6	In my view, it is normal that taxpayers always want to avoid paying taxes.

#### *6.2.5.2 Factors Affecting Tax Consultants' Advice*

##### *6.2.5.2.1 Client-Related Features*

The summary of respondents' views on factors affecting tax consultants when advising their clients, categorised as client-related features, is presented in Table 6.9. As seen from the table, more than 50% of respondents accepted that the client value to tax consultants was

highly influential (CRF\_2). The size of the client’s business was also acknowledged by 43.2% of respondents to be a crucial factor (CRF\_5). Interestingly, respondents’ views seemed to be almost equally divided regarding tax savings, though the majority of 37.5% considered it a crucial factor (CRF\_1). The client’s risk-taker attitude (CRF\_3), tax position (CRF\_4) and type of taxpayers (CRF\_6) were not accepted as influential factors when tax consultants advised clients. Further, almost 90% of respondents also acknowledged that loyalty of their clients was not a crucial factor when advising clients (CRF\_7).

Table 6.9: Client-Related Features

Item	Influencing Factor	Mean	Median	Mode	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
CRF_1	Tax savings	3.03	3.00	4.00	1.00	91 30.2%	97 32.2%	113 37.5%
CRF_2	Client value	3.52	4.00	4.00	.89	41 13.6%	90 29.9%	170 56.5%
CRF_3	Client attitude towards risk	2.49	2.00	2.00	.90	161 53.5%	107 35.5%	33 11.0%
CRF_4	Client tax position*	2.82	3.00	2.00	.93	121 40.2%	97 32.2%	83 27.6%
CRF_5	Client business scale	3.18	3.00	4.00	.90	77 25.6%	94 31.2%	130 43.2%
CRF_6	Client type of taxpayer*	2.76	3.00	2.00	1.01	141 46.8%	78 25.9%	82 27.2%
CRF_7	Loyalty of client	1.82	2.00	2.00	.74	262 87.0%	32 10.6%	7 2.3%
<b>CRF</b>	-	<b>2.80</b>	<b>2.86</b>	<b>2.86</b>	<b>0.91</b>			

Note: N = 301

\* Inverted

In addition, as shown in Table 6.9, the mean score for influencing factors in this category was 2.80, implying that respondents were not in strong agreement that the factors were influential. The average standard deviation score of .91 also indicated that response discrepancy among respondents was quite high. More specifically, client value to tax consultants had the highest mean score (3.52), while loyalty of client had the lowest (1.82). This implies that the first-mentioned factor was agreed by respondents to be the most influential factor in this category, while the latter was the least. Meanwhile, the factor that had the highest standard deviation was the type of clients, whether individual or corporate.

Table 6.10 below summarises the statistical relationships between seven major personal attributes of respondents and influencing factors in the category of client-related features. Cross-tabulation analysis was used to investigate such relationships. The table presents the *p*-value generated through chi-square tests and the contingency coefficient yielded from symmetric measures. While the *p*-value indicates the existence of a relationship between two variables in question, the contingency coefficient represents the strength of the relationship. The relationship was considered to exist if the *p*-value was less than the level of

significance, known as  $\alpha$  (alpha), which is set at 0.05. The contingency coefficient is denoted in Table 6.10 by NA (Not Applicable) if there was no statistical relationship between the variables. To measure the strength of relationship, a rule of thumb was used where weak was for a contingency coefficient of around .10, moderate for around .30 and strong for around .50<sup>24</sup>.

Table 6.10: Relationship Between Personal Attributes and Client-Related Features

No.	Personal Attribute	Influencing Factor													
		CRF_1		CRF_2		CRF_3		CRF_4		CRF_5		CRF_6		CRF_7	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1.	Level of certificate	0.00	0.27	0.01	0.26	0.66	NA	0.13	NA	0.33	NA	0.58	NA	0.30	NA
2.	Age	0.12	NA	0.66	NA	0.91	NA	0.07	NA	0.04	0.26	0.42	NA	0.41	NA
3.	Gender	0.26	NA	0.27	NA	0.15	NA	0.73	NA	0.03	0.19	0.02	0.19	0.16	NA
4.	Level of education	0.06	NA	0.91	NA	0.21	NA	0.02	0.27	0.12	NA	0.07	NA	0.82	NA
5.	Educational background	0.25	NA	0.90	NA	0.47	NA	0.43	NA	0.10	NA	0.17	NA	0.69	NA
6.	Position	0.04	0.31	0.77	NA	0.38	NA	0.08	NA	0.12	NA	0.19	NA	0.21	NA
7.	Length of experience	0.58	NA	0.45	NA	0.58	NA	0.32	NA	0.12	NA	0.39	NA	0.24	NA

Note: CRF\_1 : Tax savings  
 CRF\_2 : Client value  
 CRF\_3 : Client attitude towards risk  
 CRF\_4 : Client tax position  
 CRF\_5 : Client business scale  
 CRF\_6 : Client type of taxpayer  
 CRF\_7 : Loyalty of client  
 N = 301  
 $\alpha = 0.05$   
 Column (c), (e), (g), (i), (k), (m), (o): *p*-value  
 Column (d), (f), (h), (j), (l), (n), (p): Contingency Coefficient

As shown in Table 6.10, none of the personal attributes were shown to have a statistical relationship with two influencing factors in this category, namely client attitude towards risk and loyalty of clients. Level of certificate and position had a modest statistical relationship with the feature of tax savings. However, the relationship between position and tax savings seemed to be stronger than that of level of certificate and tax savings, since the contingency coefficient for the position was larger (0.31 > 0.27). Level of certificate seemed also to have a moderate statistical relationship with the factor of client value. Meanwhile, age and level of education appeared to have a statistical relationship with only one variable. While age had an association with client business scale, level of education had a relationship with client tax position; both relationships were modest. Gender had an association with two factors, namely client business scale and client type of taxpayer, though the relationships seemed to be weak. Educational background and length of experience appeared to have no statistical relationship with all features in this category.

#### 6.2.5.2.2 Decision Context Features

Table 6.11 demonstrates the perceptions of respondents about the factors influencing tax consultants when providing advice, which are grouped into decision context features. As

<sup>24</sup> See Chapter 5, Section 5.2.5.2.

shown in the table, the tax penalty possibly imposed on taxpayers because of tax consultants' advice was agreed by 90% of respondents to be an influencing factor (DCF\_8). More than 60% of respondents also accepted value of tax case (DCF\_2) and the possibility of tax audit (DCF\_3) as major factors. Penalty on tax consultants was agreed to be an unimportant element (DCF\_5). Meanwhile, consultation fee was accepted as an important factor by respondents, although nearly the same number of respondents were in a neutral position (DCF\_4). It is interesting to note that 64.1% of respondents agreed that the suspension or cancellation of licence was not an influential factor (DCF\_6). However, 62.5% of respondents also acknowledged that taking advantage of the grey area is a crucial element (DCF\_1). Hence, respondents considered the two factors almost equally important, though the factors seemed to follow opposite directions.

Table 6.11: Decision Context Features

Item	Influencing Factor	Mean	Median	Mode	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
DCF_1	Utility of grey area	3.57	4.00	4.00	.87	38	75	188
DCF_2	Value of tax case	3.48	4.00	4.00	.87	12.6%	24.9%	62.5%
DCF_3	Probability of tax audit*	3.68	4.00	4.00	.88	49	70	182
DCF_4	Consultation fee*	3.14	3.00	4.00	.86	16.3%	23.3%	60.5%
DCF_5	Tax penalty on consultants*	2.79	3.00	2.00	1.02	35	67	199
DCF_6	Cancellation of consultant licence*	2.31	2.00	2.00	.97	11.6%	22.3%	66.1%
DCF_7	Credibility of client bookkeeping	3.02	3.00	4.00	1.05	77	105	119
DCF_8	Tax penalty on clients	4.12	4.00	4.00	.64	25.6%	34.9%	39.5%
						140	86	75
						46.5%	28.6%	24.9%
						193	74	34
						64.1%	24.6%	11.3%
						100	86	115
						33.2%	28.6%	38.2%
						8	22	271
						2.7%	7.3%	90.0%
<b>DCF</b>	<b>-</b>	<b>3.26</b>	<b>3.38</b>	<b>3.50</b>	<b>.90</b>			

Note: N = 301

\* Inverted

Table 6.11 shows the mean score for this category to be 3.26, higher than that of the previous category, implying that there was a strong agreement of respondents with the factors within the category, despite the standard deviation for this category being a little high (.90). Based on the statistical figures, the imposition of tax penalty on clients because of tax consultant recommendations seemed to be the most influential factor in this category since it had the highest mean score of 4.12. Moreover, it also had the lowest standard deviation of .64, indicating a low discrepancy in the responses provided for this factor. Probability of audit and use of the grey area were in second and third positions with mean scores of 3.68 and 3.57, respectively, and almost the same standard deviations. In the meantime, cancellation of tax

consultant licence and imposition of penalty on tax consultants seemed to be the factors least considered by tax consultants when advising clients, though the standard deviation for those factors was close to 1 (.97 and 1.02).

Table 6.12 presents the summary of statistical tests on the relationship between respondents' seven main personal attributes and the influencing factors in the category of decision context features. The statistical procedures to obtain the figures in the table were the same as discussed earlier in Section 6.2.3.2.1. As shown in the table, six of seven personal attributes appeared to have a statistical association with the factors of probability of audit. All the relationships seemed to be moderate since the contingency coefficient was around 0.30, except for the relationship involving level of certificate. Besides having a statistical relationship with probability of audit, age also had a modest association with the factors of use of the grey area and credibility of client bookkeeping. Gender and educational background appeared to have a respectively weak and moderate relationship with value of tax case. Meanwhile, level of education seemed to have a modest relationship with the factor of consultant fee and credibility of client bookkeeping. Interestingly, none of the personal attributes were shown to have a statistical relationship with three influencing factors, namely tax penalty on consultants, cancellation of consultant licence and tax penalty on clients. The *p*-value of these variables were all greater than .05 yielding a contingency coefficient of NA. However, for formatting reason (the table spills out the margin), columns for these three variables were not included in the table.

Table 6.12: Relationship Between Personal Attributes and Decision Context Features

No.	Personal Attribute	Influencing Factor									
		DCF_1		DCF_2		DCF_3		DCF_4		DCF_7	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1.	Level of certificate	0.93	NA	0.00	0.26	0.04	0.23	0.10	NA	0.97	NA
2.	Age	0.04	0.26	0.11	NA	0.00	0.33	0.11	NA	0.04	0.26
3.	Gender	0.64	NA	0.01	0.20	0.03	0.39	1.00	NA	0.07	NA
4.	Level of education	0.08	NA	0.76	NA	0.08	NA	0.00	0.34	0.01	0.28
5.	Educational background	0.71	NA	0.04	0.29	0.02	0.30	0.28	NA	0.38	NA
6.	Position	0.08	NA	0.06	NA	0.02	0.32	0.83	NA	0.36	NA
7.	Length of experience	0.36	NA	0.26	NA	0.00	0.30	0.08	NA	0.12	NA

Note: DCF\_1 : Utility of grey area  
 DCF\_2 : Value of tax case  
 DCF\_3 : Probability of tax audit  
 DCF\_4 : Consultation fee  
 DCF\_5 : Tax penalty on consultants (omitted)  
 DCF\_6 : Cancellation of consultant license (omitted)  
 DCF\_7 : Credibility of client bookkeeping  
 DCF\_8 : Tax penalty on clients (omitted)

N = 301  
 $\alpha = 0.05$   
 Column (c), (e), (g), (i), (k): *p*-value  
 Column (d), (f), (h), (j), (l): Contingency Coefficient

### 6.2.5.2.3 Tax Consultant–Related Features

The perceptions of respondents about the factors affecting tax consultants when providing advice, categorised as tax consultant–related features, is summarised in Table 6.13 below. More than 90% of respondents acknowledged moral responsibility to improve tax compliance as a crucial factor (TCRF\_7). Honesty and integrity was also agreed by 87.0% of respondents to be a key factor (TCRF\_3). Around 50% of respondents believed that providing reliable recommendations was crucial (TCRF\_2). Interestingly, 35.9% of respondents accepted the opinion of other tax consultants as an influential factor but 40.1% acknowledged a neutral position towards this factor (TCRF\_4). This is somewhat similar to the perception of taxpayer attitude towards avoiding taxes (TCRF\_6). Approximately 45% of respondents disagreed with the notion that taxpayers desire to avoid taxes is normal, while 30.7% were in a neutral position. Meanwhile, working contract (TCRF\_5) and willingness to help (TCRF\_1) were not considered influential factors.

Table 6.13: Tax Consultant–Related Features

Item	Influencing Factor	Mean	Median	Mode	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
TCRF_1	Willingness to help	2.04	2.00	2.00	.88	232 77.1%	46 15.3%	23 7.6%
TCRF_2	Reliability of recommendation	3.45	4.00	4.00	.84	35 11.6%	110 36.5%	156 51.8%
TCRF_3	Honesty and integrity	4.11	4.00	4.00	.63	3 1.0%	36 12.0%	262 87.0%
TCRF_4	Other consultants' opinions	3.12	3.00	3.00	.85	69 22.9%	129 42.9%	103 34.2%
TCRF_5	Cancellation of working contract*	1.69	2.00	2.00	.75	271 90.0%	25 8.3%	5 1.7%
TCRF_6	Taxpayer attitude towards tax avoidance*	3.32	3.00	3.00	1.04	68 22.6%	102 33.9%	131 43.5%
TCRF_7	Moral responsibility to improve taxpayer compliance	4.46	5.00	5.00	.65	3 1.0%	14 4.7%	284 94.4%
<b>TCRF</b>	<b>-</b>	<b>3.17</b>	<b>3.29</b>	<b>3.29</b>	<b>.80</b>			

Note: N = 301

\* Inverted

As shown in Table 6.13, the influencing factors in this category had a mean score of 3.17, indicating that respondents strongly confirmed the importance of the factors when advising clients. Interestingly, the standard deviation of the factors in this category (.80) was also lower than that of the two previous categories, meaning that there was less divergence among responses regarding the matter. Further, moral responsibility to improve taxpayer compliance and honesty and integrity had the highest mean scores of 4.46 and 4.11, respectively, implying that both factors were the most influential elements in this category. Moreover, the two factors also had the lowest standard deviation, meaning there was no significant discrepancy among respondents regarding these particular factors. In contrast,

cancellation of the working contract with clients and willingness to help the clients seemed to be the least important factors to consider since they had the lowest mean scores of 1.69 and 2.04, respectively.

Table 6.14 presents the statistical figures for the relationship between selected personal attributes and the influencing factors within the category of tax consultant–related features. The procedure for obtaining the figures was also the same as elaborated in Section 6.2.3.2.1. As can be seen in the table, there was no statistical relationship identified between personal attributes and the features of cancellation of working contract, client attitude towards tax avoidance and moral responsibility. Level of certificate and age had a modest statistical association with the factor of willingness to help, while position seemed to have a stronger relationship with the feature. Level of education had a moderate relationship with honesty and integrity, as was the case with the relationship between length of experience and reliability of recommendation. Meanwhile, educational background had a moderate statistical association with the factor of other consultants’ opinions.

Table 6.14: Relationship Between Personal Attributes and Tax Consultant–Related Features

No.	Personal Attribute	Influencing Factor													
		TCRF_1		TCRF_2		TCRF_3		TCRF_4		TCRF_5		TCRF_6		TCRF_7	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1.	Level of certificate	0.02	0.24	0.48	NA	0.21	NA	0.62	NA	0.40	NA	0.31	NA	0.39	NA
2.	Age	0.01	0.29	0.57	NA	0.12	NA	0.97	NA	0.80	NA	0.42	NA	0.58	NA
3.	Gender	0.08	NA	0.17	NA	0.44	NA	0.09	NA	0.78	NA	0.08	NA	0.86	NA
4.	Level of education	0.22	NA	0.75	NA	0.00	0.27	0.74	NA	0.54	NA	0.25	NA	0.85	NA
5.	Educational background	0.78	NA	0.37	NA	0.11	NA	0.01	0.32	1.00	NA	0.28	NA	1.00	NA
6.	Position	0.01	0.34	0.29	NA	0.14	NA	0.41	NA	0.06	NA	0.54	NA	0.59	NA
7.	Length of experience	0.41	NA	0.01	0.29	0.18	NA	0.37	NA	0.80	NA	0.94	NA	0.74	NA

Note: TCRF\_1 : Willingness to help  
TCRF\_2 : Reliability of recommendation  
TCRF\_3 : Honesty and integrity  
TCRF\_4 : Other consultants’ opinions  
TCRF\_5 : Cancellation of working contract  
TCRF\_6 : Client attitude towards tax avoidance  
TCRF\_7 : Moral responsibility

N = 301  
 $\alpha = 0.05$   
Column (c), (e), (g), (i), (k), (m), (o): p-value  
Column (d), (f), (h), (j), (l), (n), (p): Contingency Coefficient

## 6.3 Interviews

### 6.3.1 Background

As discussed earlier in Chapter 5, the interview sessions covered both the topics of the role of tax consultants in the tax system and the factors affecting tax consultants when providing advice to their clients. The one-on-one interviews were organised to obtain a broader and more in-depth understanding about several significant issues emerging from the survey. The interview sessions for the second topic were undertaken to gain the views of participants about the factors that they considered when providing recommendations, and to understand

other pertinent issues based on the preliminary findings of the survey that needed further explication.

More specifically, three key issues were explored during the interview. First, participants were asked to provide their views on the factors considered when they were delivering tax advice to their clients, both in a general and in grey area situations. The issue of a grey area, including its definition, significance and usage, was also further investigated. Finally, the perceptions of participants about the current tax system and administration were examined.

### **6.3.2 Profile of Participants**

The interviews sessions involved 10 participants holding different levels of tax consultant certificates. The participants also had various backgrounds in terms of age, gender, position, level of education and educational background. They were recruited from the participants in the survey who indicated a willingness to join in their survey responses.<sup>25</sup>

### **6.3.3 Main Findings**

#### *6.3.3.1 Factors Affecting Tax Consultants when Advising Clients*

Eight items came to surface during the interviews as factors influencing tax consultants when providing tax advice to clients. These comprise nature of tax transaction, relevant tax regulations, tax risks, integrity, tax service fee, tax savings, views of others including the tax authority's and law enforcement environment. However, participants seemed to view that the first three factors, namely nature of tax case, relevant tax regulations and tax risks, to be the major factors they first considered when making recommendations to their clients.

Regarding the nature of tax case, participants stated that an analysis of the facts and circumstances of the tax case presented for advice was undertaken before further work to review all pertinent tax regulations. It was also argued that every business is unique, meaning that it has its own characteristics different from others. Therefore, tax consultants need to understand the core aspects of their clients' businesses, particularly those related to the tax case encountered in advance. The quotations in Table 6.15 represent these views from participants:

---

<sup>25</sup> See Chapter 5, Section 5.3.2.

Table 6.15: Factors Affecting Tax Consultants—Nature of the Transaction

Sub-Theme	Quotations
The nature of transaction	'How the client undertook businesses is a factor. Every business has its own characteristics. We looked at the substance of their businesses.' (RS-001, level C, M, Director)
	'The nature of the case encountered was considered before going further to review the pertinent regulations.' (RS-004, level C, M, Partner)
	'Before talking legal basis, it is factual analysis ... the analysis of the transactions in question will surely become the first consideration'. (RS-009, level C, M, Partner)

The second factor indicated by the participants as a major factor affecting their advice was related tax regulations, as shown in the quotations in Table 6.16 below.

Table 6.16: Factors Affecting Tax Consultants—Pertinent Tax Regulations

Sub-Theme	Quotations
Pertinent tax regulations	'The most important thing is how to implement tax regulations accordingly. Therefore, recommendations delivered were directed to comply with the Indonesian tax system ... should this transaction by law be taxed or not? If it is taxable then it should be taxed accordingly.' (RS-003, level C, F, Manager)
	'The first factor is the related tax regulations, what the textual regulations are and its interpretation comprehended by tax consultants ... meaning how were the tax regulations related to the tax case for which the advice was requested. The second is that we measure or predict how the tax office views the pertinent regulations'. (RS-004, level C, M, Partner)
	'The first is legal basis. When we were providing advice I certainly talked about the legal basis in the first instance.' (RS-009, level C, M, Partner)

The relevant tax regulation was also viewed as an influential factor to consider when advising clients in a grey area situation. Besides, it seems that paying no taxes at all was not preferred by tax consultants, as clear in the quotation below:

A grey area is indeed the place where we can help the clients as they wish. However, as I mentioned before, tax regulations should come first. I may help the clients to reduce their taxes but they cannot pay no taxes at all ... pay the taxes according to your ability. (RS-002, level B, F, Owner).

Table 6.17 below enlists some quotations from participants stating that tax risks influenced tax consultants when providing advice to their clients. The risks were not only related to the clients but also to the tax consultant because of their advice. While the risks faced by the clients might only be from the tax authority, the risk of tax consultants might be from both their clients and the tax authority. The quotations below reflect these views:

Table 6.17: Factors Affecting Tax Consultants—Tax Risks

Sub-Theme	Quotation
Tax risks	‘We measured the recommendation from the inherited risks ... the client risks when they applied our recommendations and our risks due to our advice. We were not using the classification whether the client has been our customer for a long time, or they are aggressive. Instead, we are more concerned on how to avoid risks both the clients' risks and ours.’ (RS-004, level C, M, Partner)
	‘First is the risk for him or herself as tax consultants. In providing advice, there might be risks for tax consultants came from the clients or from the government.’ (RS-005, level B, M, Manager)
	‘For me, the safety of clients was number one, meaning that I tried to protect the clients from any possible tax risks.’ (RS-006, level B, M, Owner)

In a grey area situation, some participants stated that they prepared several alternative recommendations along with its potential risks. The participants also stressed that the decision to take certain advice among the alternatives provided was in the hands of their clients. These opinions are reflected in the quotations below:

In a grey area situation, we have to open everything ... meaning that if the clients want to be aggressive it does not mean that there is no risk ... the decision-making is not on us as tax consultants. We served only as the mouthpiece of the clients ... we told them ... if you take this ... this is the risks ... if you take that ... here is the risks. Therefore, they will not blame us in the future, otherwise we will have to bear the penalty. (RS-006, level B, M, Owner)

As I mentioned before ... grey area is a risk ... so if I have to give a recommendation in this area ... I will tell the client all possible risks which might be encountered. We usually do not recommend the client to take advantage of the grey area. We prefer to deal with something clear. However, if I have to deal with this grey area, I will tell the clients ... this is a grey area ... but here are the risks ... so that they are fully aware of the issue. This is because we as tax consultants only provide advice, the clients are the ones who will implement them. (RS-009, level C, M, Partner)

Some participants emphasised that the integrity of tax consultants is an important factor that would shape their recommendations to their clients. Education provided by a well-organised tax firm was considered to enable tax consultants to maintain this integrity. The quotations below illustrate these views:

In my view, it is value. I observed that in Indonesia, there are no standards. Those who have been educated with good value, their integrity will be maintained.... we provided advice accordingly. However, there are many tax consultants who only took brevet classes<sup>26</sup> and then set up a business by him or herself, no one has educated him or her ... nah they are doubtful. I saw that those from well-organised consulting firms, the integrity is maintained. (RS-008, level C, M, Partner)

<sup>26</sup> Brevet is a non-formal educational programme specifically designed to provide participants with the skills and knowledge in the area of taxation.

This is not about age, this is about morality or integrity of tax consultants. (RS-010, level C, M, Owner)

Other participants admitted that tax savings was a factor considered by tax consultants when advising clients. The participants argued that meeting the expectation of the clients, one of which was tax savings, would add value to their recommendations to the clients. These views are reflected in the quotations below:

Tax savings was taken into consideration, it surely becomes a variable because clients expect to get recommendations which would give them tax saving. From the eyes of clients, tax consultants will get a credit when they were able to provide recommendations which have a quantitative value ... oh ... I got this amount of tax saving. Of course, tax saving is our consideration. (RS-004, level C, M, Partner)

What is expected by the clients? ... That is the second consideration. (RS-005, level B, M, Manager)

However, there were participants who were confident that gaining tax savings was not important. They were willing to help clients to achieve tax savings but were of the view that following tax regulations should come first, as in the quotations below:

It is not about tax savings ... meaning that if you want to do this and that ... that's okay but firstly please follow the tax rules. (RS-002, level B, F, Owner)

Tax savings do not really matter, the most important thing is that clients follow tax regulations accordingly. If they follow the regulations they actually would gain tax savings. (RS-003, level C, F, Manager).

The consultation fee was also considered by some participants as a factor influencing tax consultants when providing advice to clients. By satisfying the expectation of their clients, tax consultants would earn profits from them, as shown in the quotation below:

Tax consultants are seeking profits. Therefore, a significant consultation fee is a factor. We are providing advice with the hope that clients are satisfied. (RS-002, level B, F, Owner)

Some participants stated that past experiences were considered important factors besides written references. For this purpose, the participants emphasised the need for good networking with both people from the same profession and the tax authority. The quotation below reflects this view:

For any case, we have to ask others ... a reference is not only from books but based on experience ... we summarise it. We have to learn a lot ... have many friends both from the same profession and from the tax authority. (RS-010, level C, M, Owner)

It is interesting that some participants had views beyond factors closely related to their relationship with the tax authority and clients. They considered that the current law enforcement processes, especially related to the corruption eradication efforts by the

governments, might also be considered when tax consultants provided advice, as in the quotation below:

In Indonesia, the current law enforcement situation was also a factor. The stricter supervisory from many government institutions, for instance, the massive corruption eradication actions in other areas than taxation, has created an atmosphere where people have begun to be cautious in doing their business. (RS-005, level B, M, Manager)

Instead of stating whether loyalty of a client was a factor, one participant described predicting the attitude of clients based on their origins. It was stated that taxpayers from a certain region or country tended to be non-compliant, while those from other regions or countries tended to be compliant. This view is shown in the quotation below:

Loyalty of a client is usually not considered. If I can be a bit racist, clients can be identified whether they wish to minimise their taxes to the lowest or not from their originality. Clients from this area or country tend to comply ... they will pay the tax if they should, but those from another area tend to be non-compliant. (RS-003, level C, F, Manager)

Without mentioning whether a penalty imposed on tax consultants was a factor considered when advising clients, some participants implicitly stated that a recommendation given, especially in a grey area, was based on interpretation, therefore it could be unfair to impose a sanction on tax consultants. The quotation below shows this view:

In a grey area situation, it is hard to impose a penalty on tax consultants because the recommendation in a grey area is based on interpretation so that it's very subjective. However, for tax cases that have been regulated clearly yet they still play around ... they deserved to be sanctioned. (RS-006, level B, M, Owner)

#### *6.3.3.2 Grey Area and Aggressive Tax Advice—Interviews*

The survey revealed that tax consultants were of the view that there is still a significant grey area in the Indonesian tax laws and regulations.<sup>27</sup> Interestingly, most respondents to the survey indicated that it is acceptable to use the grey area, though they stated that improving taxpayer compliance is part of their moral responsibility. It is, therefore, not only interesting but also crucial to explore both the definition and usage of the grey area from the perspective of tax consultants.

In general, the participants seemed to agree that the grey area is a place where different interpretations between taxpayers and the tax authority may arise. More particularly, these differences may be in the interpretation of a certain rule or a certain fact related to transactions, which give rise to the imposition of a kind of tax. Further, some participants

---

<sup>27</sup> See Appendix A.

stated that the interpretation might be narrowed down to whether a transaction is subject or not subject to tax. Additionally, the grey area may be divided into areas that are more towards white and areas that are more towards black. The quotations in Table 6.18 below shows the participants' views on the definition of the grey area:

Table 6.18: Definition of Grey Area

Sub-Theme	Example of Quotation
Definition	'The grey area is a place where we can argue because each person may read and understand a regulation differently. For the same sentence in a certain tax regulation, I may have 'this' interpretation while the tax authority may have 'that' interpretation.' (RS-002, level B, F, Owner)
	'When talking about the grey area, we can still divide it into two categories. There are grey areas which tend to be black and tend to be white ... talking grey area is talking about interpretation of whether this particular item should be taxed or not based on the laws.' (RS-004, level C, M, Partner)
	'The grey area is an area where taxpayers and tax authority, in interpreting a certain fact, may be different ... in interpreting a certain regulation, may also be different. This may also applicable in the implementation stage ... taxpayers and the tax authority may have the same view on a certain fact but they may have a different interpretation when implementing a regulation on that fact.' (RS-005, level B, M, Manager)

Some participants stated that the grey area is a risk and has created legal uncertainty since the tax treatments for certain transactions are unclearly defined. The grey area comprises many issues, as described earlier, including the area of tax subjects, tax objects and tariff. Because of this uncertainty, the tax treatments of certain dealings become debatable, leading to a dispute when a tax audit was undertaken and the tax liability was eventually assessed by the tax authority.

Regarding the use of the grey area, most participants seemed to have a similar attitude. As can be seen in Table 6.19 below, they were of the view that the grey area is indeed the place where tax consultants can assist taxpayers to gain tax savings. Some participants even explicitly stated that grey area is a loophole that can be used to gain tax efficiency without breaching the laws. These views are reflected in the quotations below:

Table 6.19: Use of the Grey Area

Sub-Theme	Quotations
Usage	'If it is in a grey area ... as its name, grey area ... it did not breach any law. As taxpayer advocates, we tell the clients, this case is in a grey area. Therefore, if we were told not to tell taxpayers about this ... what is the tax consultant for? Tax consultants, indeed, play in that grey area.' (RS-001, level C, M, Director)
	'In a grey area, we can struggle for the interests of taxpayers. Conversely, in an area where tax regulations have been clear, we cannot do that.' (RS-002, level B, F, Owner)
	'The grey area is an opportunity for us to design tax planning. The grey area is a place where there is no certainty ... each head has different interpretations. Nah, this has become a loophole for tax consultants or taxpayers to minimise tax liability.' (RS-003, level C, F, Manager)

Some participants stated that a situation where there is a contradiction between a higher level of tax regulation and a lower one may also become a grey area. In this situation, the clients will be given tax advice that results in the lowest possible tax liability. This is because there will be a procedure for dispute settlement in which taxpayers can argue and would most likely win the case, as related in the quotation below:

In a context where there was a contradiction between the lower regulation and the higher one, I would advise the clients to take the lowest tax possible though there might be some risks when being audited. It is true that administratively it should be taxed but there is a legal procedure for dispute. This is what I saw ... is there a law contradiction, or unclear at all? ... For both we recommend advice that gives advantages to the taxpayers. (RS-007, level C, M, Owner)

In addition, some participants stated that tax consultants may take other advantages of the grey area. They will use it not only to design tax advice that will benefit the client related solely to its transactions, but also for other purposes that will give advantages to tax consultants, as described in the quotation below:

It [the grey area] may be used to broaden their tax services to the clients. For example, tax consultants will offer a service to request a ruling from the tax authority in regards to the grey area. In addition, the tax consultants may serve as a mediator of the clients to talk with tax officers about the transactions that are in a grey area. Finally, it may be used to design a structure or a tax scheme that might be appropriate for other clients. This will generate a lot of income for the consultants. (RS-005, level B, M, Manager)

However, some participants seemed to be aware of the risks associated with the grey area, both for the clients and tax consultants themselves. Therefore, they stated that they undertook analysis and notified the clients about all possible risks of taking advantage of the grey area. The quotations below explain these situations:

When we view that a transaction is in a grey area, we are also aware of the consequences. For example, if we thought that a certain transaction is not taxable but then tax authority decided that it is taxable ... this will become our responsibility. In contrast, if we told the

clients that a certain transaction is taxable while the clients were hoping that it is not taxable as it is in a grey area ... this will also reduce our clients' satisfaction with our service. Therefore, when providing tax advice, we usually will make a categorisation based on the level of the risk, namely high risk, medium risk and low risk. (RS-004, level C, M, Partner)

That is an opportunity that can be used ... as long as it is safe. However, we have to make an analysis ... whether this can be challenged or not. If we can defend our position, we use it. We were certainly paid by taxpayers ... so we told them this is a grey area ... do you dare to take it? ... But 75% win, 25% lose, for instance. (RS-008, level C, M, Partner)

Some participants recognised the role of their clients when providing advice in the grey area situation. The participants stated that their clients might be aware of the risks when taking advantage of a grey area but that they still sought an aggressive approach for several reasons. First, they thought that there might be a possibility that the tax authority was not aware of the case, since they believed that there must be other cases that had a much greater value than theirs. Second, they wanted to take advantage of the present value of money by buying time. They realised that there would be a future risk but the value of money gained now was considered more important:

There were clients who will be okay (to take advantage of the grey area) ... they said ... not all tax officers would be aware of this case ... there were still many bigger cases than this. In addition, from the perspective of the present value of money, we can save now ... we may be audited in the future but may be in five years from now ... if they had cash flow difficulties, they thought ... let it be ... If there would be a case, we talked about it later. The most important thing is that we do not have to pay now. (RS-006, level B, M, Owner)

These circumstances have been considered to give advantages for both sides, namely tax consultants and the clients, as shown in the quotation below:

In fact, this has created benefits for both sides ... meaning that when the client was buying time, tax consultants would be pleased ... why? ... Because there would be more fees if the tax authority was undertaking a tax audit ... if the clients submitted tax objections ... again more fees will be gained ... if, further, the clients escalated the case to the tax court for appeal ... fees again. On the other side, the client has also got benefits because of the present value of money ... they save now and pay later. (RS-006, level B, M, Owner)

Interestingly, some participants stated that the grey area sometimes caused taxpayers great confusion. Taxpayers may even discontinue their plan to run a business when they understand that there are no clear tax treatments for their case, as described in the quotation below:

There were some taxpayers who did not dare to do business because they were afraid that there would be no clear tax treatments for their business. For instance, they may have conducted a kind of business, they only got profits of around 5–10% ... but when the tax authority made an assessment, they had to pay 25% of tax with 48% penalty. Consequently, they gave up ... it was better not to do business than to take the wrong steps. (RS-009, level C, M, Partner).

Regarding the issue of aggressive tax advice, several reasons that have triggered tax consultants to be aggressive were conveyed by the participants. Among those reasons were expecting to obtain a higher return, to gain good credit with their clients and to build a good image in the eyes of the clients. A quotation below represents this.

In general, ... people are aggressive ... in my view ... because they want to get a high return from their action ... by providing aggressive advice the consultants may look like a good problem solver in the eye of their clients. They dared to take risks, usually to build an image so that people can see ... oh, he was able to make a breakthrough ... in fact, the future risk is very high. (RS-009, level C, M, Partner)

Some participants stated that they preferred not to be aggressive, except in a situation where the risks could be well anticipated. Others were not keen to be aggressive because the deviation of a certain tax structure might be high, even though at the beginning it might be considered conservative in nature. The quotations below reflect these views:

In practice, [tax] planning was based on corporate planning. They made plan A, B and C for commercial purposes. In general, we prefer not to be aggressive ... we take one of three choices that is not so aggressive because ... when we implemented the plan ... the deviation might be high. For example, my client would like to undertake a right issue, they would certainly be aggressive ... oh ... we would take over company X, buy assets, conduct business expansion and so on. Then, these were put in the media for public exposure. At the time, the DGT read the information ... the DGT would trace them into financial statements ... they would be questioning ... we would be overwhelmed. Don't be aggressive. (RS-007, level C, M, Owner).

I am not a type of tax consultant keen to undertake an aggressive structure ... If I relate this issue to the grey area situation ... the grey area is a risk ... I would surely look at the related tax regulations. In the case that we would take the opportunity ... we usually have experiences ... plentiful information ... (for example) oh ... this partner has dealt with this issue and won the case in the Tax Court ... so we can learn from the previous cases. In this situation, we dare to take the opportunity of the grey area ... because the risk has been clear ... I mean the risk is measurable. (RS-009, level C, M, Partner)

However, it was surprising that not all participants shared the view of the definition of aggressive tax planning as generally described in literature. More specifically, when the participants were asked about aggressive tax advice, some of them wondered what the term actually means, as in the quotation below:

What is aggressive? There should not be a term of aggressive because it seems like attacking. In fact, I would say that if there was a mistake made by the DGT, we would be aggressive to restore taxpayer rights. That's my understanding about the term of aggressive. (RS-001, level C, M, Director)

Some participants had views that tax consultants were aggressive when they had a vision of the client's future. They did not think only about short-term orientations. Rather, they provided tax advice to the clients both for the short-term goals and for the long-term

objectives. This was intended to help taxpayers prepare for the future development of their businesses and have a strong fundamental grasp of taxation issues.

## **6.4 Focus Group Discussion**

### **6.4.1 Background**

As discussed earlier, the FGD was undertaken to gain supplementary information regarding the issues explored in this study. More specifically, as in the interview sessions, the FGD explored more in depth the factors influencing tax consultants when delivering advice to their clients, both in general and grey area situations. Pertinent issues related to the grey area and aggressive tax planning were also discussed more in depth. In addition, the FGD covered the perception of tax consultants of the tax system and administration.

It is worth noting that the process of collecting data through a FGD seems to be unique to each situation. Since the FGD enabled participants to interact with each other, most participants tended to provide different views from one another. It became like a competition to discover a new idea. On the one hand, the explication of one idea seemed to be limited because each participant focused more on having a new idea than exploring more in depth the idea uttered by another participant. On the other hand, this situation enriched the data obtained for the research since each participant was under pressure to raise a new idea.

### **6.4.2 Profile of Participants**

As discussed in Chapter 5, there were 16 participants to the FGD.<sup>28</sup> However, six participants were not qualified to subjects of this study for certain reasons. As a result, there were 10 participants who actively participated in the FGD. All levels of certificate of tax consultants, gender and positions seemed to be represented. Thus, the information gained through the FGD represented the views of all tax consultants, as expected.

### **6.4.3 Main Findings**

#### *6.4.3.1 Factors Affecting Tax Consultants When Providing Recommendations*

From the discussion, nine items were identified as factors influencing tax consultants when delivering tax advice to their clients. Table 6.20 below lists those factors along with quotations from the participants of the FGD. Three major factors revealed in the interview

---

<sup>28</sup> See Chapter 5 Section 5.4.2.

sessions seemed to emerge again during the discussion. These included pertinent tax regulation, nature of the tax case in question and tax risks.

Table 6.20: Factors Affecting Tax Consultants When Advising Clients—FGD

Sub-Theme	Quotations
Pertinent tax regulations	'When minimising tax risk becomes the concern ... it means that relevant tax regulations should be understood ... that was what we excavated ... here, there are tax regulations relating to your case.' (DP-004, level C, M, Managing Partner)
	'For me personally, the most important thing was tax regulations ... to comply with tax regulations ... that was my first consideration when providing advice to my clients.' (DP-008, level C, F, Manager)
	'Comprehension of tax regulations ... will make the quality of recommendation different.' (DP-007, level C, F, Manager)
Nature of tax case	'When we delivered advice ... the crucial issue is that the consultants should get the true and comprehensive information. From that information, the consultants would be able to notify the position of the client case in question along with all relevant regulations. Like a medical doctor, we are not healing patients ... no ... we only showed the clients that they were in this position ... these are the pros and cons.' (DP-003, level C, M, Partner)
Tax risk	'Reducing tax exposure ... it is the first thing to consider. What we usually consider ... to ensure that ... our recommendation would not raise a tax problem in the future.' (DP-004, level C, M, Managing Partner)
Previous case	We also viewed ... oh ... there was a similar case ... we undertook research on previous cases during tax audit or tax appeal ... here, this case has been granted or not granted.' (DP-004, level C, M, Managing Partner)
	'A similar tax case that has previously occurred has also become a factor taken into account.' (DP-002, level B, M, Supervisor)
Position of the DGT	'The DGT position on the same case ... we always consider that ... we provided the clients alternative advice but we also notified them the DGT position on the previous case.' (DP-006, level A, F, Team Member)
Client business practice	'In my view ... the most important consideration is comprehension of the client's business practice ... meaning that tax consultants understood forms of transactions conducted by the clients.' (DP-009, level C, M, Manager)
Personal experience	'For me personally, to provide a recommendation ... the experience as tax consultant was an important factor.' (DP-007, level C, F, Manager)
International tax cooperation	'International cooperation was also a factor influencing our recommendation ... we, here, always took into account that factor.' (DP-001, level B, F, Supervisor)
Client culture	'Our clients on average were foreign investment companies that have been well established ... most of them were compliant in their original country. These have shaped our culture meaning that we were influenced by our client culture.' (DP-003, level C, M, Partner)

An interesting point was raised by participants of the FGD regarding the process of delivering tax advice to the clients. It was stated that factors influencing tax consultants when advising clients before the transactions were undertaken were different from influencing factors before the transactions were conducted. When tax advice was requested before a related transaction was undertaken, tax consultants would be more conservative. Tax consultants

considered the tax risks more and the imposition of a tax penalty though tax efficiency was still considered, as shown in the quotation below:

In the planning stage ... our approach was more conservative ... the weight might be put more on avoiding penalty, mitigating tax risks, though it should be combined with tax efficiency ... because the value of our advice will be decreasing without it. If we just told the clients ... you just pay it ... our advice will have no value ... but we also ensure that our advice can avoid a tax penalty while also gain tax efficiency ... we showed the clients both the bad and good sides. (DP-003, level C, M, Partner)

Further, the participant stated that in the post-transaction situation, pertinent tax regulations were more emphasised to build stronger arguments defending the position of the clients. The focus was on how to win the case when a tax dispute had to be escalated to the tax objection process or appeal at the Tax Court. In this situation, the interpretation gap concerning tax rules between tax consultants and the tax authority might be wider. The quotation below reflects this view:

In the post-transaction stage, if there was a dispute ... we were no longer talking about tax penalty ... yet we were more exploring tax regulations which can be used to strengthen, build arguments to defend our clients position creating an opportunity to win in a dispute resolution process ... in this situation, the weight of being taxpayer advocate might be higher. The difference in interpretation on tax regulations might be very noticeable between tax consultants and the DGT in this case. (DP-003, level C, M, Partner)

#### *6.4.3.2 Grey Area and Aggressive Tax Advice—FGD*

In the FGD, participants were also requested to convey their views on the issue of the grey area and aggressive tax planning. Even though their responses were somewhat more unstructured compared with those received through the interview sessions, the ideas that emerged certainly enhanced the views gathered via the interviews. The participants were of the view that aggressive tax planning is on average illegitimate because it breaches the laws, as clear in the quotations below:

Talking about aggressive tax planning is no longer about legitimate or not ... because aggressive tax planning is on average illegitimate for sure. (DP-005, level C, F, Partner)

Aggressive in my view, is a deliberate breach of laws ... concealing or un-reporting an item ... meaning that it has been an evasion in nature. (DP-10, level C, M, Partner)

Tax consultants might design an aggressive tax plan by taking advantage of the disparity of tax rules among countries, as revealed in the quotation below:

The service delivered by tax consultants is indeed, taking advantage of the loopholes at the maximum ... in international taxation context ... the disparity of tax regulations among nations has been exploited to make a company paying zero tax. That is aggressive. (DP-005, level C, F, Partner)

Interestingly, the term 'aggressive' can also be viewed in a positive way, as in the situation explained in the quotation below:

In my view, the term aggressive in a positive sense is when clients are more advanced than us [tax consultants] at looking at financial transactions. There might be no tax regulations yet on the transactions they undertook. If it is in this context ... I saw it is positive. It is a challenge for the tax authority to design a tax regulation on the issues. (DP-004, level C, M, Managing Partner)

It was also revealed that tax consultants might become aggressive because their clients were aggressive. This is because the client culture could influence the culture of their tax consultants, as shown in the quotation below:

The client culture would influence our culture. If we map tax consultants as well as taxpayers ... there are various types. There were tax consultants who were aggressive because their clients were aggressive. I would say that the type of law breaking clients would influence tax consultants to dare breaking the laws. (DP-003, level C, M, Partner)

The FGD revealed an interesting point when a participant stated that a grey area can be exploited not only by taxpayers but also by the tax authority. It was said that in a grey area, the tax authority might impose an excessive tax while taxpayers might also avoid tax excessively (to the lowest point). In fact, there were generally accepted principles or similar cases that can be drawn to overcome the grey area issue. The quotation below elaborates this view:

A grey area situation ... could be exploited not only by taxpayers but also by tax officers. Because the tax treatments were unclear, a tax might be imposed excessively or a taxpayer might avoid paying the tax excessively. The most important thing is that the information gathered was correct and comprehensive ... this is because even though the tax rules might be unclear, there are generally accepted principles, some other similar cases that can become an analogy, or fairness issues, which can be considered. (DP-003, level C, M, Partner)

Another interesting issue raised during the FGD was about an international practice requesting taxpayers (both corporates and individuals) implementing a tax planning scheme to quote the tax consultants providing the advice. The participant was of the view that tax consultants only delivered products, so it would not be fair to be held accountable for what the clients did. It is stated that tax consultants can only send a message to the clients about being fair, as explained in the quotation below:

In international practice ... when a company is implementing a tax planning scheme, the company must quote who is providing the advice. In fact, we are not responsible whatsoever ... but in the international practice ... our reputation was held accountable ... tax consultants even have to give a report to the tax authority on what types of tax services they provided. We actually only deliver products ... therefore it is not fair to blame us as

we only deliver products. What we can do is send a message to the clients ... you have done business here, earned profits here, then leave something here. (DP-005, level C, F, Partner)

## 6.5 Chapter Summary

This chapter has presented the findings of the survey, interviews and FGD on the topic of factors affecting tax consultants when providing advice to clients. The findings from the survey revealed that influencing factors categorised as tax consultant-related features outweighed the other two elements, namely client-related and decision context features. More specifically, the composition of the three influencing features based on the current study was 30.35% related to client, 35.33% related to context and 34.32% related to tax consultants. In addition, it was revealed that not all personal attributes had a significant statistical relationship with the factors influencing tax consultants when advising the clients. Level of certificate and age appeared to have a statistical relationship with the highest number of influencing factors (5), while length of experience seemed to have an association with the lowest number of factors (2). Further, gender and level of education had an association with four features. Meanwhile, background of education and position had an association with three factors. The strength of the relationships varied, ranging from the lowest of 0.19 to the strongest of 0.39 measured as a contingency coefficient.

The interviews and FGD revealed several factors influencing tax consultants when advising clients beyond those investigated in the survey. These included the nature of the tax case, pertinent tax regulations, client culture and international cooperation. These factors can be used to enrich and explain the features investigated in the survey. In addition, the interviews and FGD explored the issue of the grey area and aggressive tax planning, which has commonly been associated with the role of tax consultants in the tax system. Interestingly, participants seemed to have a common comprehension of the definition of a grey area but appeared to have diverse understandings about the term 'aggressive'. More specifically, a grey area was generally defined as an area where different interpretations between taxpayers and the tax authority may arise. This may concern the nature of transactions or the relevant tax regulations. Meanwhile, the term aggressive was understood from at least two different perspectives. First, it was defined as an illegitimate action by taxpayers to avoid and evade taxes. Second, it was understood as a progressive action by taxpayers to undertake business transactions for which appropriate tax treatments were not available. This is arguably because the tax laws have not yet stipulated a regulation on how to treat such transactions.

## **CHAPTER 7**

### **DISCUSSION OF RESEARCH FINDINGS**

#### **7.1 Introduction**

This chapter discusses in more depth the findings from all methods adopted in this study, namely, survey, interviews and focus group discussion (FGD). More specifically, the findings from the survey will be consolidated with, and elucidated more in depth by, the findings from both interviews and FGD. The discussion will also include the context of this study, which is the tax system and administration in Indonesia, including relevant tax laws and regulations. In addition, the findings of this study will be compared with the findings from prior studies.

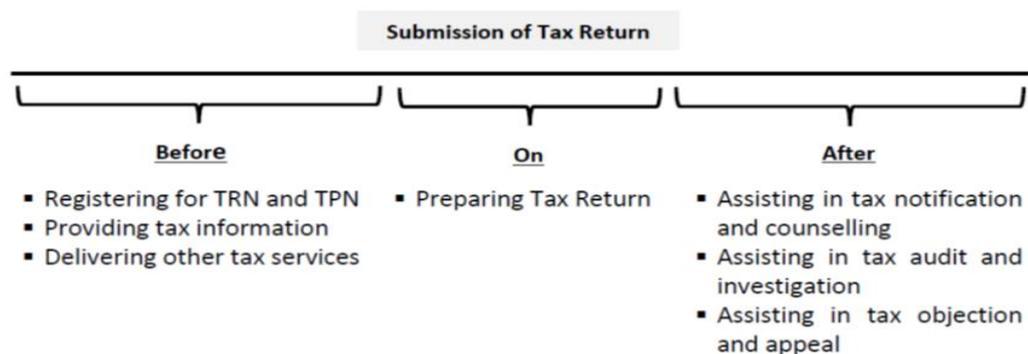
Consequently, the chapter is divided into two major parts based on the topics investigated in the current study. The first part discusses the findings regarding the role of tax consultants in the Indonesian tax system. Findings from the survey on this topic will be corroborated with the results from interviews and FGD, as well as examined from the context of the tax system and administration in Indonesia. Findings from prior studies will also form an integral part of the discussion. The second part of the chapter presents and discusses the study results concerning the factors affecting tax consultants when advising clients. The discussion will encompass not only the corroboration of findings from the survey, interviews and FGD but also the relationship of the findings with the Indonesian tax system and administration and results from previous studies.

#### **7.2 The Role of Tax Consultants**

##### **7.2.1 Practical Roles**

###### *7.2.1.1 Background*

Regarding the tax cycle discussed in Chapter 4, the practical role of tax consultants in the Indonesian tax system can be divided into three major groups, namely the role before, during and after the submission of tax returns, as shown in Figure 7.1. Registering for a TRN and TPN, providing tax information, and other services are categorised into the first group. It is noted that providing tax information may be conducted not only before the submission of tax returns but also during the entire process of the tax cycle. However, for the simplification of analysis, the service is included in the first area.



Source: Author

Figure 7.1: Practical Roles of Tax Consultants

Meanwhile, other services are also included in the first group, considering that this area encompasses services related to tax accounting and transfer pricing documentation as well as mixed services, which are arguably most relevant to the taxation dealings prior to the submission of tax returns. While the second area only includes preparation of tax returns, the third area consists of helping taxpayers in the process of tax notification and counselling, aiding taxpayers in dealing with tax audits and investigations, and assisting taxpayers during the process of tax dispute settlements.

The discussion in the following sections will further investigate a possible explanation for the findings, and will cover the rationales and implications of the role of tax consultants based on the findings. Findings from interviews and FGD will be triangulated to provide deeper explanations. The discussion will also include relevant results from prior studies and the context of the Indonesian tax system and administration.

#### *7.2.1.2 Role Before Submission of Tax Returns*

As discussed earlier, the role of tax consultants before the submission of tax returns consists of three types of service, namely registration of TRN and TPN, providing tax information and other services. The survey revealed that the responses for these types of services accounted for 23.9% in total. An explication for each role in this category is presented in the discussion below.

**Registration of TRN and TPN.** Based on the survey, registration for a TRN and a TPN was the least requested type of service provided by tax consultants to clients. Only 0.6% of respondents stated that the service was the most frequent tax service they provided. The following discussion attempts to explicate this finding in more detail.

As discussed in Chapter 4, prior to 1998 taxpayers registered themselves for obtaining a TRN and a TPN manually. They had to go personally to the appropriate DGT office for their region, fill out certain forms and attach certain documents. This created a considerable burden on taxpayers since they had to spend much time going back and forth to the DGT office and the process took several days in most instances. As a result, they might prefer to seek assistance from others such as tax consultants to deal with their issues.

However, in line with the intention to boost the number of registered taxpayers, the DGT has made a substantial improvement in the process of TRN and TPN registration. Taxpayers are now provided with options regarding whether to register offline as usual, with the guarantee that the process will only take one day, or online. In addition, the DGT has also opened tax counters in public areas such as shopping malls and airports to make it easier for taxpayers to register. For employees, registration for TRN and TPN may be collectively undertaken by their employer. The improvements in registration processes have arguably facilitated both an individual and a corporation to become a registered taxpayer with a TRN and a TPN, if applicable. Moreover, since 2014 it has been stipulated that an individual taxpayer cannot appoint a tax attorney to register him or herself to obtain both a TRN and a TPN (MoF 2014b, Art. 2). In other words, this new regulation has mandated individual taxpayers to fulfil this specific tax obligation by him or herself, which in turn has limited the area of tax services that can be delivered by tax consultants regarding the registration issue.

**Providing Tax Information.** The survey revealed that the role of providing tax information to clients ranked second with 13.8% of responses in support. In line with the findings of Dubin et al. (1992), tax consultants were indeed demanded by taxpayers, among others, to serve as an information source. The delivery of information might be conducted in certain stages or during the entire process of tax cycle. The discussion of possible rationales and implications of this finding is presented in the following paragraphs.

The first and foremost reason for taxpayers to engage tax consultants to serve as information sources seems to be the high complexity of tax laws and regulations. Indonesia has been identified as a country with one of the most complicated tax systems in the world (WB 2017). The existence of various levels and considerable amounts of tax regulations, as well as significant ambiguous areas, as emphasised by respondents of the survey, have probably caused this complexity. This has created great confusion for taxpayers when dealing with their taxation issues. The information obtained from tax consultants is expected to help reduce the confusion and uncertainty, as supported by Scotchmer (1989).

The second reason, as Dubin et al. (1992) pointed out, is that tax consultants may serve only as a taxpayer information source, help to deal with mechanical work or become a partner in strategic issues. These choices have different implications for both parties. From the perspective of taxpayers, the consultation fee for obtaining tax information only might be much cheaper compared with the cost that would be borne if tax consultants were requested to be involved in mechanical dealings. The taxpayer may also be able to estimate the cost of tax consultants more accurately and limit the amount that they should pay, which probably directly influences their cash flow. This is arguably because they can determine in advance the type of information needed, the amount of time and the time frame of the consultations.

The third reason to engage a tax consultant as an information source is that taxpayers may request the services of tax information from tax consultants because they are merely testing the tax consultants. Based on the testing results, they may further select the most appropriate tax consultants to manage their taxation dealings or to tackle other taxation issues. Finally, the choice to obtain tax information only could also imply that taxpayers have the capacity to deal with their taxation matters themselves but feel less confident to undertake matters alone. As emphasised by a participant in the interview, taxpayers might have sufficient capacity in terms of knowledge or human resources but they might feel unconfident without the involvement of tax consultants.

For tax consultants, this role might diminish the consultation fees that would be received but would probably also reduce the risks faced. As pointed out by participants of the interviews, the risks faced by tax consultants can be from both the tax authority and taxpayers. The higher the involvement of tax consultants in the tax dealings of taxpayers, the higher the risks that might be encountered. In addition, this role may also become a way for tax consultants to promote their other services by providing accurate and effective tax information. If taxpayers are satisfied with the results of the tax information delivered, tax consultants could expect that the taxpayers will expand the coverage of services in the next contractual agreement.

Finally, the fourth role of tax consultants regarding tax information, as suggested by Dubin et al. (1992), is forming a strategic alliance with taxpayers. As revealed in the survey, the majority of tax consultants (72.9%) had experience helping taxpayers deal with tax planning. Being an information source, tax consultants might be involved not only in exploring relevant tax laws and regulations supporting certain transactions undertaken by taxpayers, but also

in assessing the possible risks that might be faced in the future because of the implementation of the transactions.

**Delivering Other Services.** The survey revealed that other services, with 9.5% of responses, was the fifth most frequent type of service provided by tax consultants. As discussed in Chapter 5, tax consultant services in this category included mixed services, transfer pricing documentation, tax accounting and services for indirect taxes. A mixed service means that all types of tax service were delivered by the respondents with relatively equal frequency. Traced back to the original responses, it seems that respondents who chose this option were tax consultants with more than 20 years of experience, aged more than 55 years old and with the highest level of certificate. They might have delivered many kinds of tax services over a very long period making it difficult for them to identify the type of tax service most frequently provided.

Transfer pricing<sup>29</sup> documentation is essentially a part of the bookkeeping that should be maintained by taxpayers. However, the documentation is only required for certain taxpayers undertaking transactions with affiliations. According to MoF Decree No. 213/PMK.03/2016, the requirement to produce transfer pricing documentation is only for taxpayers conducting intra-company transactions that have a gross sales of more than IDR50 million in a year, an intra-company transaction for tangible goods at the amount of more than IDR20 million, an intra-company transaction for services and intangible goods at the amount of more than IDR5 million or an intra-company transaction with taxpayers resided in a country whose tax rates are lower than those applicable in Indonesia. From this, it can be inferred that the demand for tax consultant services in this matter might be high since the value involved could be significant and the complexity of the issues probably high. However, the transactions seemed to involve a group company and were arguably few.

Regarding tax accounting services, as discussed in Chapter 4, the GPTP Law does not require taxpayers to maintain separate bookkeeping for taxation purposes. Taxpayers just need to make certain fiscal adjustments to their financial statements at the end of the year to file tax returns. However, undertaking fiscal adjustments might be a significant hurdle for some

---

<sup>29</sup> Transfer pricing has both neutral and pejorative definitions. From a neutral perspective, it is defined merely as the price charged for the goods or services by one division of a company to another division of the same company for management accounting purposes (Blocher et al. 2005, 396; Maher, Stickney, and Weil 2008, 781). However, in a pejorative sense, it refers to 'a systematic manipulation of prices in order to reduce profits artificially, cause losses, avoid taxes or duties' (Plasschaert 1979, 1; OECD 2016).

taxpayers since they might lack capacity. This was one of several notable motives of taxpayers engaging tax consultants, as discussed in Chapter 5. As a result, assistance from tax consultants to maintain bookkeeping that will result in the easiest way to make fiscal adjustments when necessary is required. In addition, involving tax consultants in this area might also become part of taxpayers' intentions to anticipate any possible tax risks in the future as early as possible.

Finally, tax consultant services regarding indirect taxes appear to have a relationship with the process of importation. When taxpayers import goods, either capital goods, raw materials or other goods, they must deal with several import duties, including import duty, VAT on import and income tax on import. Failing to meet these tax requirements might result in the banning of goods imported from entering the country. For that purpose, tax services in this area seem to be in demand.

#### *7.2.1.3 Role in the Submission of Tax Returns*

As discussed in Chapter 5, the survey revealed that the preparation of tax returns was the most frequent tax service provided by tax consultants to taxpayers as their clients. This was supported by 48.6% of survey responses received. This result seems to be consistent with the findings by Susila (2014) suggesting that large taxpayers in Indonesia mostly engaged tax consultants to help both routine compliance dealings and tax return preparation. Arguably, the preparation of tax returns is the biggest part of routine compliance work since taxpayers should file the returns regularly, either monthly or annually. In addition, the number of taxpayers obliged to submit tax returns was contributing significantly to the high demand for tax services in this area. As discussed in Chapter 4, in 2014 there were more than 18 million taxpayers categorised into the group of taxpayers obliged to file tax returns.

To play the role of preparing tax returns, it is imperative for tax consultants to solicit data and information from the taxpayers and then complete the tax return with all required forms and schedules, either online or offline (Roth, Scholz, and Witte 1989). However, the trigger for taxpayers to hire tax consultants for this purpose (making this role the most frequently delivered tax service to them) might differ from one taxpayer to another. Referring to the findings of the interviews, virtually all motives of taxpayers engaging tax consultants suggested by the participants seemed to be associated with the motive of taxpayers to engage tax consultants for this specific purpose. The following discussion investigates this

particular role by explaining the relationship between the motives of taxpayers engaging tax consultants and the role of preparing tax returns.

**Lack of Capacity.** First, this finding indicates that many taxpayers wanted to submit tax returns but they do not have sufficient capacity to do so. As revealed during the interviews, one of the main motives of taxpayers engaging tax consultants was taxpayer lack of capacity, related to at least three significant issues, namely knowledge, time and human resources. Some taxpayers may not have enough knowledge on filling out tax returns while some others may be knowledgeable but do not have sufficient time since they focus more on their businesses. For corporate taxpayers with more complicated transactions, human resources might also have become a problem.

Secondly, the finding may also imply that the type and form of tax returns to be submitted is indeed difficult to understand and fill out for most taxpayers. Currently, there are so many kinds of tax return, which might have created considerable confusion for a number of taxpayers. The tax return is mostly designed dependent on the category of taxpayer and the type of related taxes. Below is a list of tax returns according to the latest tax regulations:

1. Annual income tax returns, consisting of—
  - a. Corporate annual income tax returns—
    - i. Corporate annual income tax return in IDR (Form 1771)
    - ii. Corporate Annual Income Tax Return for corporate taxpayers permitted to maintain bookkeeping in English using USD currency (Form 1771/\$)
  - b. Individual annual income tax returns—
    - i. Individual annual income tax return for individual taxpayers who are conducting business and dependent personal services (Form 1770)
    - ii. Individual annual income tax return for individual taxpayers who are employees or pensioners of private company, state-owned company, government institutions including member of armed forces and police with gross annual income more than IDR 60 million or less than 60 million but having income from other sources (Form 1770 S)
    - iii. Individual Annual Income Tax Return for individual taxpayers who are employees or pensioners of private company, state-owned company, government institutions including member of armed forces and police with gross annual income of IDR 60 million or less (Form 1770 SS)
2. Periodic income tax returns, consisting of—

- a. Periodic income tax returns of Articles 21 and 26
  - b. Periodic income tax return of Article 22
  - c. Periodic income tax returns of Articles 23 and 26
  - d. Periodic income tax return of Article 25
  - e. Periodic income tax return of Article 4(2)
  - f. Periodic income tax return of Article 15
3. Periodic VAT return
  4. Periodic VAT return for VAT withholders

The difference of due date for submission of those tax returns might also add to the complexity encountered by taxpayers. For example, individual income tax returns should be submitted at the latest within three months after the end of tax year while the deadline for logging corporate income tax returns is at the latest within four months after the end of the tax year (GoI 1983a, Art. 3). The deadline for submission of periodic tax returns seems to be more complicated. The deadline for periodic tax returns is in general at the latest 20 days after the end of tax period. However, there are various exceptions. Periodic tax returns for income tax Article 22 and VAT and sales tax on luxury goods withheld by the Directorate General of Customs and Excise should be submitted weekly on the last working day in the following week. Adding to this, periodic tax returns for income tax Article 22 and VAT and sales tax on luxury goods withheld by a government treasurer<sup>30</sup> should be submitted within 14 days following the end of tax period.

**Mitigating Tax Risk.** A tax return is the first port for both taxpayers and the DGT to have more extensive interactions. It is true that under the self-assessment system in Indonesia, tax returns submitted by taxpayers are considered correct unless the DGT obtains data or information showing otherwise (GoI 1983a, Art. 12). However, the GPTP has granted authority to the DGT to undertake tax audits to ensure that taxpayers have fulfilled their tax obligations accordingly (GoI 1983a, Art. 29). To that end, tax returns have become the initial basis for the DGT to select which taxpayers will be audited.

More specifically, tax returns may become a trigger for a tax audit in the following circumstances. First, the return claims a refund because of tax overpayment (GoI 1983a, Art. 17B). Second, the return shows a financial loss. Third, the return is submitted after the due

---

<sup>30</sup> A government treasurer is defined as a person who is assigned, on behalf of the central or local government, to receive, store and pay/transfer the government money, securities or goods (GoI 2004, Art. 1 [14]).

date set by the laws. Finally, the return meets the predetermined criteria for being audited (MoF 2015b, Art. 4). While the last criteria might not be easily anticipated, the rest are more in the hands of taxpayers to control. Considering these criteria, taxpayers may engage tax consultants to prepare tax returns that would not lead to a tax audit or decrease the likelihood of audit (Christensen 1992; Dubin et al. 1992).

**Complying with Tax Regulations.** Complying with tax laws and regulations was identified in the interview sessions as a motive for taxpayers to engage tax consultants, as discussed in Chapter 5 as well as in the prior literature (see Christensen 1992; Collins, Milliron, and Toy 1990; Tan 1999; Stephenson 2010). This might also have induced the high demand for a tax consultant service in the preparation of tax returns in Indonesia. Arguably, tax returns can be a medium serving to reflect both formal and material tax compliance of taxpayers. When taxpayers are able to submit tax returns on or before the due date set by the tax laws, they will be categorised as compliant taxpayers in terms of formal compliance. The return will also reflect the material compliance if all required data and information has been included. It might be true that material compliance can only be correctly identified after the tax return has been audited. However, under the self-assessment system in Indonesia, all data and information presented by taxpayers in their tax returns shall be considered true and correct unless the DGT obtains data and information showing otherwise (GoI 1983a, Art. 12).

**Reducing Tax Liability.** The amount of income tax liability for a certain tax year can only be calculated by the end of the tax year. However, to facilitate the taxpayers' tax liability, income tax law has stipulated that taxpayers shall pay monthly income tax (Income Tax Article 25) based on the amount of income tax liability reported in the previous year (GoI 1983b, Art. 25). The taxpayers shall pay the remaining, if any, on or before they submit an annual income tax return (GoI 1983b, Art. 29). Engaging tax consultants in this instance may not be beneficial to help reduce the amount of monthly income tax since it has been paid throughout the year. However, the consultants may be able to help reducing the amount of total taxable income that will be reported in the return. This will render the amount of final payment (Income Tax Article 29) to be less than it would have been or even zero. As stated by a participant in the interviews, this might be not only because the taxpayer wants to avoid paying taxes but also to postpone the payment of tax.

Finally, the finding may also be related to the fact that tax return submission levels in Indonesia are relatively low, as discussed in Chapter 4.<sup>31</sup> Taxpayers might be eager to submit their tax returns but they may not find or cannot afford to pay someone to help. On the one hand, this implies that tax consultant services have focused on this issue, since the demand for it has been very high. Conversely, the existing number of tax consultants might be insufficient to fulfil the demand of taxpayers. In this context, the introduction of internet-based tax return submission procedures might be helpful. Taxpayers may not need to line up at the tax office to submit tax returns if they can file the returns from home or the office. However, considering the current internet penetration level in the country, this approach would seem to be somewhat ineffective (APJII 2016). In addition, taxpayers may face double confusion by using this internet facility. First, they must understand everything about tax returns, and second, they must also be computer and internet literate.

#### *7.2.1.4 Role After the Submission of Tax Returns*

The roles of tax consultants after the submission of tax returns consisted of four types of services, namely assisting taxpayers in the process of tax notification and counselling, tax audit and investigation, tax objection and tax appeal. The following discussion attempts to investigate more deeply both the reasons and implications of each finding.

**Assisting in Tax Notification and Counselling.** It was revealed from the survey that the type of service provided by tax consultants in the form of assisting taxpayers during the process of tax notification and counselling was in fourth position with 9.8% responses. Referring to the tax cycle, as discussed in Chapter 4, tax notification and counselling is the outcome of verification conducted by the DGT. Tax notification consists of a letter sent to taxpayers by the DGT notifying of certain issues and requesting more explanation regarding taxpayers' taxation dealings. The letter usually contains certain questions that must be addressed by taxpayers, either through giving an explanation supported by necessary documents or by revising their tax returns. The basis for the DGT writing the letter comprises any irregularities found in the tax return data or any information obtained by the DGT that is different from that reported by taxpayers in their tax returns.

Meanwhile, tax counselling is a process whereby taxpayers can provide a thorough explanation as a response to the notification letter. In this instance, taxpayers may assert to the DGT that all data reported in the tax returns are correct by providing additional evidence

---

<sup>31</sup> See Chapter 4, Section 4.2.4.

as necessary. If the DGT accepts the arguments and supporting evidence provided by the taxpayers, the case will be closed. Otherwise, the case might be escalated to the process of tax audits.

The number of tax notification letters issued by the DGT, as well as counselling processes that have been undertaken by the DGT and taxpayers, could be used as a benchmark for how great the demand is for tax consultant services in this particular dealing. Unfortunately, these data could not be found. However, to the researcher's best knowledge, having experience as a section chief of tax monitoring and consultation responsible for sending tax notifications and undertaking tax counselling, the number of taxpayers hiring tax consultants to tackle this issue was relatively higher than that of taxpayers handling it by themselves.

The reason most taxpayers used tax consultant services for this matter might be because this process was considered somewhat risky. The process can be considered an initial stage of the tax cycle, which rarely involves a significant value. In addition, the atmosphere and time frame for resolving the issue are also friendlier compared with those of a tax audit and investigation process. However, the outcome of this process might be problematic for taxpayers since the DGT may request taxpayers to make an amendment to their tax returns. If taxpayers agree and submit the revision, the tax case in this process will be closed. Otherwise, the case will be escalated to tax audit processes, which might place the taxpayers in a more problematic situation. Therefore, assistance from tax consultants for this specific issue might be highly needed.

**Assisting in Tax Audit and Investigation.** Assisting taxpayers in the process of tax audit and investigation was revealed in the survey as the third most frequent type of service provided by tax consultants, sustained by 11.4% of respondents. Tax audit is essentially different from tax investigation in many aspects. While a tax audit is undertaken primarily to ensure the compliance of taxpayers (Gol 1983a, Art. 29), a tax investigation is conducted to define a suspect of a tax crime. As such, a tax investigation is usually a follow-up step of a tax audit where tax crime issues are found. It consists of two main stages, namely an audit of preliminary evidence and an investigation.

In 2015, there were only 781 tax investigation cases including audit of preliminary evidence cases, a 17.3% decrease from that of in 2014, which was 944 cases (DGT 2015b, 66–67). The demand for tax consultant services for this specific dealing might be high since the issues that emerge in the process can be complicated and involve a significant monetary value. However,

tax consultants might be much more cautious about becoming involved in the process. This might be because the risks contained in the case do not only relate to the amount of tax liability and administrative penalty but also to criminal sanctions, which may take the form of being sentenced to prison and/or significant penalties (Gol 1983a, Art. 38 and 39). Considering the small number of cases and the elevated risk that might be involved, as previously stated, it is reasonable to assume that the amount of tax services for this particular matter might not be so high.

Meanwhile, the number of tax audit cases was far above the number of tax investigations. In 2015, the number of tax auditors at the DGT increased more than one-fourth, from 4,682 in 2014 to 5,884 persons. This might be the reason for the increase in tax audit reports issued, from 30,448 in 2014 to 33,612 reports in 2015 (DGT 2015b, 64). The figures could serve as a good clue of the higher demand of taxpayers for assistance from tax consultants for audits compared with assistance for tax investigation issues.

In addition, as discussed in Chapter 4, a tax audit involves an examination of taxpayers' bookkeeping, including all relevant records and evidence (Gol 1983a, Art. 1 [25]). A tax audit is usually a post-audit, meaning that it is conducted after a tax year has ended. However, it may be undertaken not only for a previous year but also for multiple years with the scope of only one type of tax or of all taxes. Considering these circumstances, considerable efforts might be necessary to deal with the process, for which the assistance of tax consultants might become inevitable.

Finally, if the auditors are examining taxpayers' bookkeeping, the probability that other tax cases would come to the surface might be high. In-depth examination and testing of all records and supporting evidence undertaken by the auditor may lead to many problematic tax areas. This would most probably put taxpayers into an overwhelming situation. The need for tax consultant services in this situation seems to be irresistible, both to protect and defend taxpayers' positions and to isolate the tax case as part of tax risk mitigations, as emphasised by some participants in the interviews, discussed in Chapter 5. This circumstance has also been emphasised by Roth, Scholz and Witte (1989) who suggested that tax consultants may serve as a tax adviser and a risk adviser whereby they can develop novel arguments supporting favourable interpretations of tax regulations related to the emergent case.

**Assisting with Tax Objections.** The role of assisting taxpayers in dealing with tax objections was revealed to be in seventh place among eight roles investigated, supported by 1.5% of responses. As discussed in Chapter 4, the term tax objection encompasses all dispute settlement procedures referring to GTP Law Article 25 and 36. Based on the law, there are six types of dispute settlement process that can be taken by taxpayers, namely tax objection, request for correction, reduction or elimination of sanction, cancellation of tax assessment notice, cancellation of tax collection notice and cancellation of tax audit results.

In 2015, 112,038 tax objection cases for which DGT decisions were issued were finalised (DGT 2015b, 69). The number was a significant increase from that in 2014, which was only 52,573 (DGT 2014, 66). Because tax objection cases were requested based on tax assessment notices, which were issued separately for each type of tax (Gol 1983a, Art. 25), the number was much higher than that of tax audit cases, which was around 30,000 cases in both 2014 and 2015.

Considering the figures above, the demand for tax services provided by tax consultants for this matter was expected to be higher than the demand for services for tax audit and investigation. The survey, in fact, revealed that the role of tax consultants for this particular issue was only approximately 7% of the role for tax audit and investigation. There are at least two rationales that can be associated with this finding. First, tax objection is a procedure of tax dispute settlement that is processed within the organisation of the DGT. Even though a dedicated unit independent from the unit issuing tax assessment notices has been assigned to process the matter, taxpayers might believe that both units are under the same management. As a result, taxpayers might expect that outcomes from tax objections would most probably uphold the tax assessment notice. Therefore, it might not be beneficial to hire tax consultants in this regard. The first rationale is supported by the second in that, based on the survey, it was revealed that the number of tax objection cases granted was less than the tax appeal cases granted by the Tax Court.<sup>32</sup>

**Assisting with Tax Appeals.** Based on the survey, tax consultant roles in helping taxpayers deal with tax appeal cases was in the sixth position, endorsed by 4.6% of respondents. As discussed in Chapter 4, the term tax appeal refers to the procedure of tax dispute settlement that can be undertaken by taxpayers against the decision of the Director General of Taxes on tax objections. The appeal request should be submitted to the tax courts fulfilling all the

---

<sup>32</sup> See Chapter 5, Section 5.2.6.

requirements set in the relevant laws to be processed. During the trials, taxpayers or their attorney and the representative of the DGT are invited to meet face-to-face and given an opportunity to defend their tax positions. Today, the tribunals are held in three cities, namely Jakarta, Surabaya and Jogjakarta.

According to the DGT annual report (2015b, 70), there were 5,908 tax appeal cases for which court judgments were issued, a slight increase from 2014, when 5,884 cases were issued. Despite the number of tax appeal case being lower than that of tax objections cases, the percentage of cases won by the taxpayers was in reverse. As revealed in the survey, the percentage of tax appeals granted (taxpayers won the case) was higher, in contrast to the tax objection cases granted. This might why taxpayers engage tax consultants more for this specific matter than for tax objection cases.

Moreover, in relation to the motives of taxpayers engaging tax consultants as discussed in Chapter 5, the need for tax services by tax consultants for this issue might relate more to the taxpayers' lack of capacity than to other motives. During the trials, both representatives should be able not only to present materially all necessary evidence but also to verbally offer evidence about their tax positions to the judges. This would certainly require a deep understanding of taxation as well as interpersonal skills, especially regarding how to convince people. Therefore, it would be reasonable that tax consultant assistance is required by taxpayers for this matter.

Lack of time and human resources might also be a considerable constraint for taxpayers, forcing them to hire tax consultants. Trials for tax appeals usually take place once in two weeks and the Court decision may be issued within a year period after the first trial. Meanwhile, the locations for trials are also available only in three cities. For taxpayers who are not based in the cities, this might be a significant obstacle. Therefore, the need to hire tax consultants is amplified.

## **7.2.2 Conceptual Roles**

### *7.2.2.1 Background*

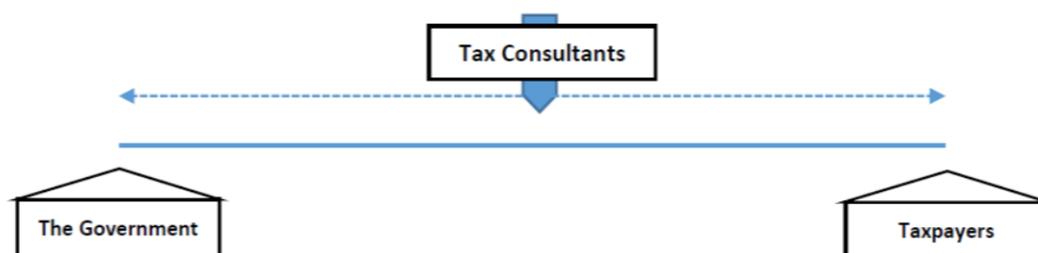
The current study was not designed to explore the role of tax consultants from a conceptual perspective, as discussed earlier in Chapter 1. Rather, the focus of this study was to investigate the role of tax consultants in the context of the Indonesian tax system and administration from the practical point of view. However, during the interview sessions and

FGD, most participants were more enthusiastic when discussing the conceptual role of tax consultants than their practical roles. This could be because the scope of the discussion is much wider and more interesting since the coverage includes the relationship between tax consultants and taxpayers as well as tax consultants and the tax authority. In contrast, the scope of discussion in relation to the practical role of tax consultants might be considered limited.

Despite these circumstances, the discussion presented in the following sections will hopefully enrich the understanding of tax consultant roles in the Indonesian tax system, as discussed in Section 7.2.1.

### 7.2.2.2 Taxpayer Ally or Government Supporter

Derived from the study by Milliron (1989), Figure 7.2 attempts to depict the conceptual role of tax consultants in the tax system. As shown in the figure, the position of tax consultant lies somewhere on a line spanning between the government and taxpayers. It may lie precisely in the middle or incline either towards the government or taxpayers. When the position of tax consultants is closer to the government, they may be known as government agents. In contrast, the term of a taxpayer advocate will be used in the case where tax consultants are closer to taxpayers.



Source: Author

Figure 7.2: Position of Tax Consultants

In the interviews, it was revealed that most participants supported the role of tax consultants being taxpayer allies or 'client advocates' (Jackson and Milliron 1989). To some extent, tax consultants in this category may arguably include the aggressive type of tax practitioners, as suggested by Wurth and Braithwaite (2016). Based on the interviews, three major factors can be associated with this finding. First, tax consultants are paid by taxpayers. Like other professions such as accountants, engineers and lawyers, tax consultants sell products to their customers, who are taxpayers, in the form of tax services. In relation to agency theory,

taxpayers serve as the principal while tax consultants play the agent. Under a certain kind of agreement, tax consultants undertake the duties of taxpayers for which taxpayers make a payment in return. This factor was amplified by the fact that most of the consultants used their profession more to earn a living, as indicated by a participant in the interview. As a result, they gave more attention to finding customers and earning as much revenues as possible, though they may feel they have a moral responsibility to improve taxpayer compliance.

Second, the government does not give sufficient opportunity to tax consultants to do more on the side of the tax authority. As quoted by a participant of the interviews, the Law on Tax Courts stipulates that both parties may be represented by one or more attorneys with a special attorney letter (Gol 2002, Art. 34 [1]). This means that both parties—taxpayers and the DG—can be represented by tax consultants in the case of tax appeals. In fact, the DGT has never assigned tax consultants to be an attorney when dealing with tax appeals against taxpayers.

Third, tax consultants do not feel that there is a need to support the government. The government has designed a system to manage and supervise the operation of tax consultants. However, the system seems to be ineffective, as pointed out by a participant in the interviews—the government has indeed put in place a kind of monitoring system but it is not appropriately enforced. In addition, tax consultants see no benefits that will be gained by supporting the government.

The third factor seems to be exaggerated by the fourth, which is the existence of so many loopholes in the tax laws and regulations. This has been confirmed by the survey finding that there are still huge grey areas in the tax laws and regulations. The loopholes can be utilised by tax consultants to assist taxpayers reduce their tax liability and generate benefits. Finally, the penalties on tax consultants currently in place seem to be poorly communicated, causing them to be ineffective. As a result, the imposition of a penalty on a tax consultant is not an appropriate deterrent for other tax consultants.

The interviews also revealed that tax consultants may play a role as government supporters or 'government agents' (Jackson and Milliron 1989). This is because they have helped internalise the tax laws and regulations as well as guide taxpayers on how to implement such laws and regulations. More specifically, when tax consultants assist taxpayers, they do not only design tax advice that will be of benefit to taxpayers but also help taxpayers understand

the tax laws and regulations relevant to the tax case being advised. Therefore, tax consultants have become the extending hand of the government. This type of tax consultant may be the kind referred to as a dutiful tax practitioner in the study by Wurth and Braithwaite (2016).

Nevertheless, there were only a few participants who agreed that the position of tax consultants is closer to the government. This finding is particularly important since the subject of the current study was tax consultants. During the FGD, a participant questioned the possible bias of this research in that the responses collected from the interviews and FGD might not reflect the true circumstances. It was assumed that tax consultants would tend to consider themselves as government agents instead of taxpayer advocates because being a government agent would give a good impression. In fact, the interviews and FGD showed that most participants stated that tax consultants indeed incline towards being taxpayer advocates.

#### *7.2.2.3 Hybrid Tax Agent*

Notwithstanding the discussion in the previous section, the interviews and FGD revealed that the position of tax consultants may not be strictly either a government supporter or a taxpayer ally. Instead, the two roles of tax consultants are non-detachable, since consultants are considered to undertake both roles simultaneously. As a result, it is hard to measure whether tax consultants serve as a government supporter or a taxpayer ally. This has triggered the emergence of the third role of tax consultants, which is to serve as a hybrid tax agent. This role may relate to the type of tax practitioners known as 'contingent', indicated by Wurth and Braithwaite (2016).

At least four statements conveyed by participants in the interviews confirmed this with various rationales. First, when tax consultants are advocating for taxpayers, at the same time they are internalising tax laws and regulations. One participant stated that taxpayers who initially do not understand the laws may become more aware of the laws after being assisted by tax consultants, especially when dealing with those having multiple interpretations. Second, tax consultants often deliver advice that is contrary to that expected by taxpayers. For instance, initially taxpayers may expect that tax consultants will be able to reduce their tax liability, but tax consultants, in the end, may provide advice that makes the tax liability higher.

Third, tax consultants, as an intermediary, try to be independent, seeking the true solution for a tax case presented by taxpayers. The output, therefore, is in accordance with the

prevailing tax laws and regulations based on their interpretations, not the tax authorities' or taxpayers'. This was confirmed by another statement that being an adviser cannot be said to serve as being a government agent or taxpayer advocate, especially if the transaction in question has not been conducted.

Interestingly, there is another type of role that tax consultants may play in the tax system instead of acting as a government agent or a taxpayer advocate. During the FGD, it was revealed that tax consultants may take a role as a government sparring partner. In this role, tax consultants—and not necessarily when they are representing taxpayers—may challenge the policy introduced by the tax authority. For instance, when the government launched a plan to amend the tax laws, tax consultants, personally or collectively through their association, involved themselves actively in the parliament hearing. For example, they delivered views and a draft proposal that differed from that prepared by the tax authority. This would arguably enrich the views and add to the effectiveness of the new laws and regulations since tax consultants have a good understanding of how such laws and regulations are implemented in practice by taxpayers.

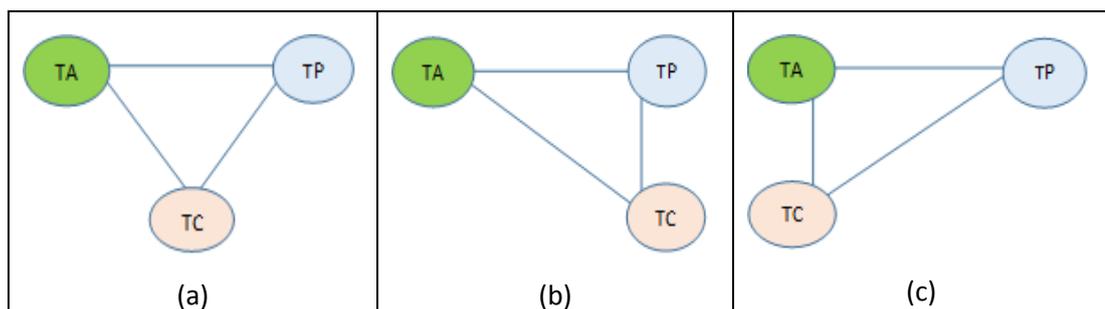
However, as emphasised by participants in the FGD, the channel through which tax consultants can challenge the policy of tax authority has not been wide open. For example, it has not been a common practice in the country for drafts of tax law and regulation amendments to be publicly exposed by the government before being determined to be enacted. Adding to this, as echoed by some participants in the interviews, tax consultants' views have not been considered appropriately or they have even been disregarded despite tax consultants having been intensively involved, conveying their visions in the public hearings in parliament.

### **7.2.3 Tripartite Relationship**

Based on the discussion in sections 7.2.1 and 7.2.2 above, the relationship between the tax authority, tax consultants and taxpayers can be viewed as a tripartite relationship. All parties have their own rights and responsibilities based on the tax laws and regulations in force. The tax authority ensures that tax consultants operate following guidelines set by the government and that taxpayers fulfil their tax obligations in accordance with the prevailing tax laws. In turn, tax consultants help taxpayers fulfil their tax obligations accordingly, while taxpayers are responsible for fulfilling their tax obligations, including paying and reporting their taxes.

Figure 7.3 below demonstrates the relationship between the tax authority (TA), tax consultants (TC) and taxpayers (TP) who are clients of tax consultants. Tax consultants are depicted below the tax authority and taxpayers since, referring to agency theory,<sup>33</sup> tax consultants serve direct or indirectly as an agent of both the tax authority and taxpayers. More specifically, tax consultants are agents of taxpayers since by contract the tax authority was hired and paid for by taxpayers. Further, tax consultants can also be considered an agent of the tax authority since by law tax consultants must follow all relevant guidelines and regulations, otherwise they will be subject to penalty.

The line connecting the parties represents the distance of relationship between them. The shorter the line, the closer the relationship between them, and vice versa. The equilateral triangle or isosceles triangle shown in Figure 7.3 (a) implies that tax consultants are in a neutral position. They are neither inclining towards the tax authority nor towards taxpayers. In this situation, tax consultants maintain their position more as an intermediary than as taxpayers' advocate or government agent.



Source: Author

Figure 7.3: Tripartite Relationship

Conversely, the right-angled triangles in Figure 7.3 (b) and (c) show an unequal distance between tax consultants and the tax authority, and tax consultants and taxpayers. In the first case (Figure 7.3 [b]), tax consultants are closer to the taxpayers, and may be defined as taxpayers' advocate. In the second, they incline more towards the tax authority, and may be termed a government agent. In reality, the distances among the three parties might be dissimilar, forming various types of triangles, including a scalene triangle where all sides of the triangle are different

As discussed in Chapter 5, there are many factors influencing the distance between tax consultants and taxpayers, and tax consultants and the government, in this case represented

<sup>33</sup> See Chapter 2, Section 2.2.3.

by the tax authority. First, tax consultants are indeed paid by taxpayers. Therefore, it is logical that tax consultants have always tried to defend, uphold and protect the interests of taxpayers in taxation issues. To some extent, tax consultants may have the right to defend their own interests against taxpayers in the sense that they provide advice in accordance with tax laws and regulations. However, taxpayers have the right to cancel the engagement contract if they consider that consultants go against their intentions. Findings from the study by Collins, Milliron and Toy (1990) suggested that tax preparers were more concerned about their relationship with taxpayers than the imposition of penalties. The strength of those two powers will determine the direction of tax consultants to be either closer to the government or to the taxpayers.

The second factor is the attitude of the tax authority leaders. Findings from the interviews revealed that the approach taken by the tax authority towards tax consultants is influential. When the tax authority considered tax consultants more as a partner than an adversary, tax consultants were willing to help the tax authority, such as explaining tax regulations to taxpayers. They could cooperate to improve the level of taxpayer compliance. In contrast, tax consultants maintained a distance from the tax authority when they were accused of leading taxpayers towards non-compliance. These points lend support to the findings that tax consultants can either support or undermine the integrity of the tax system (Jackson and Milliron 1989; OECD 2008).

Finally, by law the tax administrator has an authority to regulate the way tax consultants operate their businesses (GoI 1983a, Art. 32). Under this power, the tax authority may design a certain mechanism to ensure tax consultants operate as intended by the laws, including the imposition of sanctions for tax consultants who deviate, as pointed out by Reinganum and Wilde (1991). However, as participants in the interviews stated, the effectiveness of the mechanism will be largely dependent on a monitoring system. In a situation where the monitoring system is not in existence or weakly enforced, the position of tax consultants might not be closely aligned with the tax authority.

#### **7.2.4 The Relationship Between Personal Attributes and the Role of Tax Consultants**

Earlier tax compliance studies have investigated the relationship between personal attributes of both taxpayers and tax practitioners and taxpayer compliance behaviour. This study was not designed to examine those relationships, instead it explored the relationship between the personal attributes of tax consultants and the role of tax consultants played in the Indonesian tax system in relation to the tax cycle. As discussed in Chapter 5, statistical tests

were conducted to examine the association between the role and seven major personal attributes of the participants, namely age, gender, level of certificate, level of education, educational background, position and length of experience. A summary is presented in Table 7.1 below.

As shown in Table 7.1, gender and educational background did not have a statistical relationship with the role tax consultants played in the tax system since the  $p$ -value was above the significance value or alpha, which was set to 0.05. This means that the knowledge about tax consultants' gender and educational background cannot be used as predictors of the roles tax consultants play in the tax system. Meanwhile, other personal attributes had a statistical relationship with the role of tax consultants since the  $p$ -value of the attributes was less than 0.05.

Table 7.1: Relationship Between Personal Attributes and the Role of Tax Consultants

No.	Personal Attribute	Statistical Relationship	
		$p$ -value	Contingency coeff.
1	Level of tax consultant certificate	0.002	0.306
2	Gender	0.732	NA
3	Age	0.005	0.336
4	Level of education	0.000	0.380
5	Background of education	0.403	NA
6	Position	0.002	0.406
7	Length of experience	0.010	0.327

Note: n = 325  
 $\alpha$  = 0.05  
 NA = Not Applicable

More specifically, position, with a contingent coefficient of 0.406, had the strongest relationship with the role of tax consultants. It is interesting that the strength of relationship between the level of tax consultant certificate and the role played by tax consultants was outweighed by that of other personal attributes, including the position. This indicates that the level of tax consultant is less influential compared with other personal attributes on the role tax consultants played. This may also imply that taxpayers appoint tax consultants more based on other attributes, such as age, level of education and length of experience than on the level of certificate held by the tax consultant. However, all personal attributes can be predictors of the type of role that tax consultants play in the tax system.

The positive statistical relationship implies that tax consultants with a higher position, older age, higher level of tax education and lengthier experience tend to have more roles in the tax service areas during and after the submission of tax returns. Indeed, such personal attributes can be associated with higher expertise, which make them more suitable to the role in the

subsequent events of the tax return preparation process. Meanwhile, the process of tax counselling, audit, investigation as well as prior processes needs expertise more of tax laws and regulations. Tax dispute settlements requires both expertise in taxation and communication as well as in networking; tax consultants with a higher position older age, higher level of tax education and lengthier experience are assumed to have mastered those three required areas of expertise.

### **7.3 Factors Affecting Tax Consultant when Advising Clients**

#### **7.3.1 Background**

This current study investigated factors that influence tax consultants when providing tax advice to taxpayers as their clients. Even though the factors examined in this study were derived from prior studies, the objectives of the study were different. Prior studies tended to focus on investigating the factors affecting tax practitioners when delivering advice in ambiguous situations. These studies seemed to explore the factors solely in relation to the aggressive attitude of tax consultants. In contrast, this study sought to understand factors that are considered by tax consultants when advising clients in general situations, in both ambiguous and unambiguous tax circumstances.

Two main rationales formed the basis for departure. First, the current study was a pioneer study on the role of tax consultants in Indonesia and perhaps in developing nations. It was expected to produce a basic platform that will be useful for studies in the future. Therefore, the study was designed to be as simple as possible, though all academic research requirements were met. Second, as this study was the first to be undertaken in this area, tax consultants in Indonesia were possibly not accustomed to participating in academic research projects. In addition, they are also persons who value their time very highly. Therefore, any sensitive issues were avoided as much as possible in case they triggered unexpected disruption of the research. The use of the term of aggressive in the survey title, for instance, may be considered a negative stereotyping of tax consultants that could result in unanticipated resistance. In fact, based on a study in Ireland, for instance, tax consultants were acknowledged to enhance the tax system instead of undermining it (Daly 2007, 8). Arguably, the survey, unlike the interviews and FGD, did not provide sufficient space for the researcher and respondents to experience much direct interaction in which all necessary explanations could be delivered. This is also why the issues relating to the grey area and aggressive advice of tax consultants were discussed more during the interviews and FGD.

### 7.3.2 Factors Influencing Tax Consultants

As discussed in Chapter 6, the factors influencing tax consultants when providing advice to clients were divided into three categories, namely client-related features, decision context features and tax consultant-related features. The survey revealed that the mean score of the first category was 2.80, while the second and the third were 3.26 and 3.17, respectively. Therefore, the overall weighting was 30.35% related to client, 35.33% related to context and 34.42% related to tax consultants. Overall, this composition is in line with the findings of Milliron (1988, 5), in which decision context features had the largest weighting. However, regarding the other two features, she found that the weighting for client-related features was larger than for tax consultant factors. In contrast, this study reveals tax consultant related-features had more weighting than client-related elements.

The findings imply that tax consultants in Indonesia are more independent when advising taxpayers as their clients. As emphasised by participants in the interviews, tax consultants only provided advice, while the decision of whether to adopt the advice was always in the hands of taxpayers. Interestingly, it seems that tax consultants in Indonesia place relatively equal concern on their own and their clients' interests. This seems to indicate that a balance both in terms of risk and gain was maintained by clients and by tax consultants. Consultants may always seek a win-win solution in all tax advice situations.

Table 7.2 below enlists all influencing factors investigated in this study, along with the mean score and standard deviation. The list provided a good indication to assess issues surrounding an item (Milliron 1988), since the mean and standard deviation represented the degree of agreement by respondents and the level of divergence among responses on an item.

Table 7.2: Ranking of Factors Influencing Tax Consultants

No.	Code	Influencing Factors	Mean	Standard Deviation
1.	TCRF_7	Moral responsibility to improve taxpayer compliance	4.46	.65
2.	DCF_8	Tax penalty on clients	4.12	.64
3.	TCRF_3	Honesty and integrity	4.11	.63
4.	DCF_3	Probability of tax audit	3.68	.88
5.	DCF_1	Utility of grey area	3.57	.87
6.	CRF_2	Future benefits from clients	3.52	.89
7.	DCF_2	Value of tax case	3.48	.87
8.	TCRF_2	Reliability of recommendation	3.45	.84
9.	TCRF_6	Client attitude towards tax avoidance	3.32	1.04
10.	CRF_5	Client business scale	3.18	.90
11.	DCF_4	Consultation fee	3.14	.86
12.	TCRF_4	Other consultants' opinions	3.12	.83
13.	CRF_1	Tax savings	3.03	1.00
14.	DCF_7	Credibility of client bookkeeping	3.02	1.05
15.	CRF_4	Client tax position	2.82	.93
16.	DCF_5	Tax penalty on consultants	2.79	1.02
17.	CRF_6	Client type of taxpayer	2.76	1.01
18.	CRF_3	Client attitude towards risk	2.49	.90
19.	DCF_6	Cancellation of consultant licence	2.31	.97
20.	TCRF_1	Willingness to help	2.04	.88
21.	CRF_7	Loyalty of client	1.82	.74
22.	TCRF_5	Cancellation of working contract	1.69	.75

With reference to Table 7.2, moral responsibility to improve taxpayer compliance surprisingly occupies the first line with the highest mean score of 4.6 and a standard deviation of 0.65, among the lowest. The role played by tax consultants as taxpayer advocate, as revealed in the discussions of the first topic of the role of tax consultants in the tax system, seems not to undermine tax consultants' moral responsibility to help the government improve the level of taxpayer compliance. Interestingly, this finding is inconsistent with the finding of Milliron (1988, 6) which positioned moral responsibility in the second last influential factor with a standard deviation of 1.1. Prior findings implied that the variable was considered relatively unimportant compared with others and showed a great discrepancy among the responses for this item.

Religious beliefs and cultural background seem to play a significant role in shaping this attitude, defeating the demand for merely fulfilling materialistic needs. This was backed by at least two statements made by the interview participants. First, when delivering advice, one participant always sent a message to clients, to the effect that, 'you have done business here in the country, you have earned income here, so please do not take all the income outside the country, leave some here'. Second, another participant had a similar contribution: 'I may help clients to reduce their taxes but they cannot pay no taxes at all'. However, there was also a possibility that respondents to the current study would like to give a good impression by providing the kind of response indicated by a participant in the FGD

that seeking perceptions about tax consultants from tax consultants might result in 'only good' findings.

In the third position is honesty and integrity, which arguably has a close relationship with the first variable since it is commonly perceived that a person maintaining these features will usually uphold moral responsibility. In practice, this variable may be manifest in the actions of following tax laws and regulations accordingly. The current law enforcement environment where the corruption eradication body (KPK) has been enthusiastically combatting corruptive actions seemed to have created a cleaner business atmosphere, as emphasised by a participant in the interviews. In addition, as revealed in the interviews and FGD, tax laws and regulations were among the major factors influencing tax consultants when advising their clients. Interestingly, the variance of honesty and integrity is among the lowest, implying that there were fewer dissimilarities of attitude towards this element.

The imposition of tax penalty on clients resulting from tax advice provided by tax consultants and the probability of tax audit occupy the second and fourth places, respectively, in Table 7.2. Both factors were mentioned as part of the risks faced by taxpayers, which tax consultants always attempted to anticipate. Tax risk, indeed, based on both the interview and FGD, has become one of the major factors influencing tax consultants when advising clients. A notable statement made by a participant in the interviews supporting this was, 'our first concern is to make taxpayers sleep well'. In addition, the finding regarding tax penalties on clients seems to be consistent with Milliron's (1988) prior study, which stated that penalty for understatement was one of the most influential factors for tax consultants (positioned in third place).

It is worth mentioning that in the context of Indonesia, according to the GTP Law, taxpayers are subject to tax penalties for both intentional and unintentional errors. While unintentional errors are usually part of administrative infringements, intentional errors tend to be categorised as a criminal breach of tax laws and regulations. Tax sanctions in the form of interest, fines and incremental payments are imposed for violations categorised as administrative errors (see Article 8, 9, 13, 14 and 15 of the GTP Law). Meanwhile, tax penalties in the form of fines and imprisonment are imposed for any offence in the tax crime category (see Article 39 and 41 of the GTP Law). The imposition of both sanctions is usually based on the assessment processed through tax audits.

Interestingly, the current study shows that the risks faced by tax consultants are significantly disregarded. The three factors associated with them, namely penalty on tax consultants, suspension of licence and cancellation of working contract, are placed in the sixteenth, nineteenth and the last ranking in Table 7.2. However, the variance of such variables was among the highest, implying a considerable discrepancy of attitude towards these three elements. In contrast, Milliron's (1988) study suggested that preparer penalty occupied second place in the most influential factors affecting tax consultants, with a low level of divergence.

Regarding probability of audit, the study by Milliron (1988) placed the variable in fifteenth position, indicating that it was a somewhat unimportant factor considered by tax consultants. In contrast, in the current study it was revealed that likelihood of audit was considered one of the most influential factors for tax consultants when advising clients. As elaborated in the discussion of the first topic of the role of tax consultants in the tax system, a tax audit may trigger an exposure to other tax cases. As a result, tax consultants always attempt to mitigate the risk of being audited in the first place. Moreover, future benefits from the client can be secured by tax consultants if they can prevent clients from being audited, which could lead to the imposition of tax penalties. Therefore, it was logical that the likelihood of audit was considered one of the principal factors to be considered, and future benefits from clients closely followed (in sixth position).

Use of the grey area is in the fifth most influential factor considered by tax consultants when advising clients. This is consistent with the finding of the prior study by Milliron (1988), which placed the factor in fourth position. Besides, this has echoes with the role of tax consultants in the tax system as taxpayer advocate, as revealed in the discussion of the first topic of the role of tax consultants in the tax system. Nevertheless, this view seems to contrast with the attitude of tax consultants positioning moral responsibility, honesty and integrity at the highest level among other factors. One possible explanation for this is that, in the eyes of both taxpayers and tax consultants, taking advantage of the grey area is acceptable. Exploiting loopholes in the tax laws and regulations is not considered to breach any tax laws, as pointed out by a participant in the interviews. In addition, another interview participant admitted that a grey area is an opportunity to help clients minimise their tax liability, which is not possible in unambiguous areas. Tax consultants are aware of the consequences but inability to make use of the loopholes will diminish client satisfaction. This seems to be

consistent with the 'ambiguity-exploiter effect', suggested by Klepper, Mazur and Nagin (1991).

More specifically, as discussed in Chapter 6, a grey area is defined as an area where the tax authority and taxpayers may have different interpretations. The divergence may concern both the nature of the transaction and the regulations relevant to the transaction. However, the central issue of the grey area concerns whether a certain item or transaction is taxable. Interestingly, even though the grey area has been considered a risk, use of the grey area seems to be broadly acceptable if it is safe, meaning that the associated risk is measurable. More particularly, to anticipate the risks when advising clients tax consultants convey several alternative tax treatments for a certain transaction, along with all their possible risks. Even though the decision is in the hands of taxpayers, tax consultants tend to advise taxpayers to take the one that is more dependable.

Further, there are five features on the list in Table 7.2 that have the highest variance, namely client attitude towards tax avoidance, tax savings, credibility of client bookkeeping, tax penalty on tax consultants and the type of taxpayers (individual or corporate). In general, this indicates that there was considerable discrepancy regarding the attitude of respondents towards the variables. The high variance of the client attitude towards tax avoidance factor was probably because some respondents viewed that taxpayers have indeed influenced the way tax consultants deliver their advice. This is in line with a statement delivered by a participant in the FGD that 'we [tax consultants] were influenced by our client culture'. In the meantime, those who tend to consider the feature unimportant may consider that tax consultants should be independent to avoid being held responsible by clients in the future. A noteworthy statement made by an interview participant in this regard was, 'we served only as the mouthpiece of the clients ... the decision-making is not on us [tax consultants]'.

Regarding the tax savings feature, it seems that tax consultants were divided between those who placed tax savings as the first priority and those who considered tax savings a by-product of implementing tax regulations accordingly. Tax consultants who prioritise tax savings may concur with the statement of a participant in the interviews that, 'tax saving is taken into account ... because clients expect to receive recommendations which would give them tax savings'. Others may view that tax savings should come later, after following tax laws and regulations, as emphasised by an interview participant who stated that 'if they follow the regulations they actually would gain tax savings'. While the first group seemed to support the exploitation of the grey area more, since tax consultants are indeed taxpayer advocates,

the latter group tended to agree that tax laws and regulations are the main influence for tax consultants when advising clients, as revealed in the interviews and FGD.

Credibility of client bookkeeping and the tax type of client, whether individual or corporate, were also high variance features. The first factor might relate to the perception of tax consultants about the party responsible for the bookkeeping. More specifically, there were consultants who not only delivered tax advice but also provided bookkeeping assistance. The bookkeeping service may form part of the whole tax service provided or be an extra service delivered to clients. Those who provided bookkeeping assistance may be of the view that the credibility of client bookkeeping is not important since it is they who prepare it. Conversely, tax consultants who considered that bookkeeping is the client responsibility may believe that the credibility of client bookkeeping is a crucial element. In addition, credibility of client bookkeeping may also be connected to the reliability of recommendation, since this is a major basis for providing reliable advice. The nature of tax case factor, as stressed by participants of the interviews and FGD, can also be associated with the feature, since bookkeeping was shown to be a crucial source for tax consultants to obtain necessary data and information regarding the tax case in question.

In the meantime, the client type of taxpayer may relate to the value of tax case (ranked seventh on the list) and the ability of the client to pay additional consultation fees or taxes. Tax consultants providing advice mostly to individual taxpayers may be of the view that the tax type of clients is not important since the value of the tax case may not be significant, while client ability to pay additional fees and taxes is also limited. In contrast, those who delivered tax advice more to corporate taxpayers may consider the feature a crucial factor since the value of the case may be significant, while the client's ability to pay extra charges may vary from one client to another.

Regarding eight other factors, the results from the current study are generally consistent with the findings of prior studies. Loyalty of client, for instance, was placed third last in the previous study by Milliron (1988, 6) while in this study it is second last. This implies that tax consultants do not give much attention to the length of time the clients have engaged with them when providing advice. Interestingly, the factor was positioned far below the future benefit from client factor, which was in sixth place. This might indicate that the latter feature only applies to new clients.

The factor of considering other tax consultants' opinions when advising clients occupies twelfth place. This feature relates to at least two other factors, as pointed out by participants in the interviews and FGD, namely, previous cases handled by tax consultants and prior position of the DGT on similar cases. A related statement of a participant backing this was, 'For any case, we have to ask others ... we have to learn a lot ... have many friends both from the same profession and from the tax authority'. Those who considered that reliability of recommendation was crucial should arguably take this feature seriously, since it was one of the variables shaping the reliability of advice.

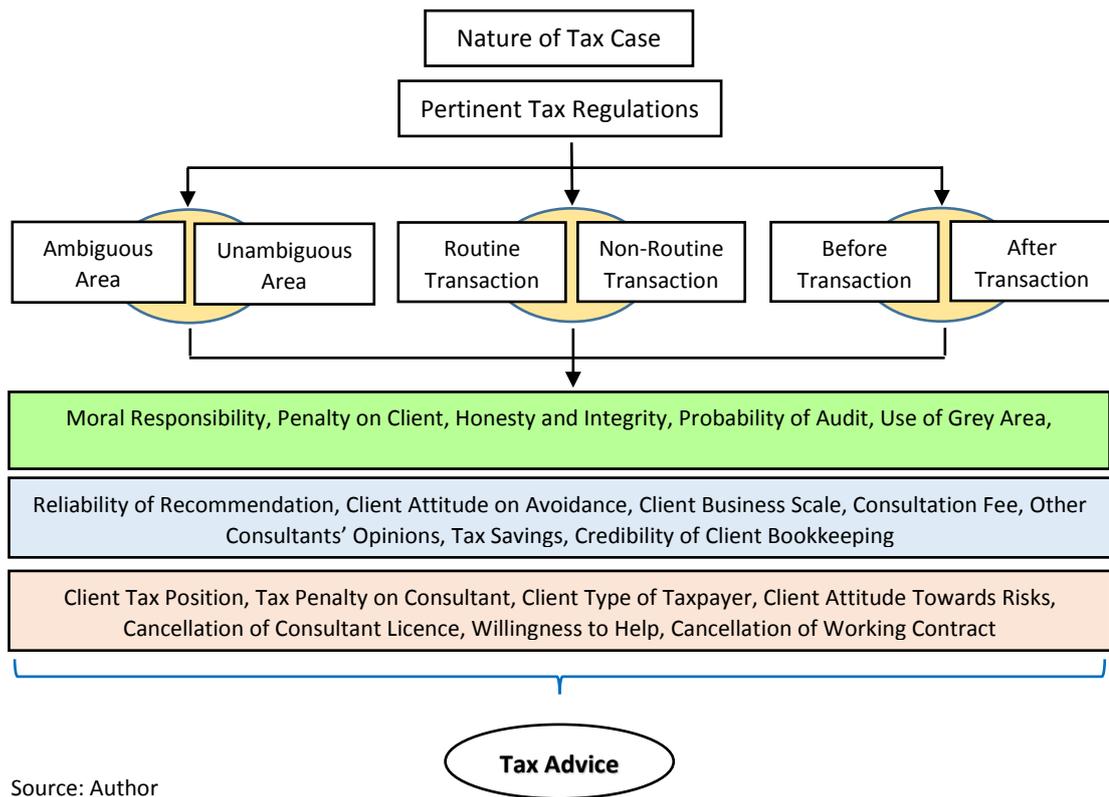
While consultation fee relates to economic motivation, willingness to help may be more about non-economic inducement of tax consultants. Consultation fee is in eleventh position on the list, implying that it is a fairly influential factor considered by tax consultant when advising clients. As admitted by an interview participant, 'tax consultants are seeking profits ... therefore, a consultation fee is a factor' to be considered. In the meantime, willingness to help taxpayers improve their tax compliance, which occupies the twentieth position, appears to be much less important, indicating that tax consultants are inclined to pursue economic benefits. Since the position of willingness to help is in a reverse position compared with moral responsibility, this implies that the noble intention of improving taxpayers' compliance might not be sufficiently materialised.

The factor of reliability of recommendation was considered crucial since it is positioned eighth on the list. The factor of tax risk, as emphasised by participants in the interviews and FGD, seems be closely connected to this feature. Tax consultants who pay much attention to mitigating tax risks would arguably be concerned about the reliability of their recommendations. Meanwhile, ranked tenth on the list, client business scale was also viewed an important feature. This is probably because the bigger the scale of the client business, the higher the risk that may be encountered. A big business is commonly associated with more complex economic transactions, which would give rise to a higher tax risk.

Several notable features rose to the surface during the interviews and FGD that are not included on the list presented in Table 7.2 above. Two of those factors are the nature of tax case requested for advice and tax regulations relevant to the tax case. Tax consultants are like a medical doctor who does not heal a patient, but rather diagnoses the patient to be able to assess his or her conditions and then provide appropriate medicine. Comprehension of the nature of the tax case, combined with knowledge of the relevant tax regulations, helps

tax consultants to understand the tax position of their clients' cases. This will then assist tax consultants to determine the appropriate advice for the clients.

Figure 7.4 portrays in a schematic picture factors influencing tax consultants when advising clients. The nature of tax case and relevant tax regulations help tax consultants identify the client tax case position. Based on the analysis of both features, the context of the tax case for which advice is requested was identified. Three major concerns in this context are whether the tax case requested for advice represents an ambiguous situation, whether the tax transaction giving rise to the tax case has already been undertaken or is still in the planning stage, and whether the transaction is a routine or non-routine dealing. A series of factors divided into three layers based on importance are considered when deciding on alternative approaches to advice. Finally, a number of tax recommendations are delivered to clients along with associated risks and advantages.



Source: Author

Figure 7.4: Tax Advice and Factors Influencing Tax Consultants

More specifically, the identification of whether a tax case is within the grey area or not is particularly important for tax consultants to measure the risks associated with the case. If the case falls into part of an unambiguous area, it may be easier for tax consultants to decide on the type of advice since they tend to strictly follow the laws. In contrast, if the case is within the grey area, a more comprehensive risk assessment will be undertaken for each alternative recommendation provided because, as emphasised by a participant in the interviews, the 'grey area is a risk'. However, tax consultants tend to exploit loopholes for the maximum benefits of taxpayers in this particular situation.

In addition, whether the tax case requested for advice is a routine or non-routine dealing has also become a concern for tax consultants. Routine tax cases, such as payroll taxes and submission of monthly tax returns, seem to contain less tax risk compared with non-routine cases, such as merger, acquisition, capital expenditure and initial public offering. Therefore, tax consultants are likely to take into account more considerations and put more efforts into the non-routine cases. However, a non-routine transaction, especially when the transaction has not been undertaken, appears to provide more flexibility for tax consultants to provide

advice. Strong indications were also identified that tax consultants would provide a more aggressive tax advice in this instance.

The attitudes of tax consultants towards a client tax case seem also to differ depending on whether the transaction giving rise to the case has been undertaken, or whether it is still being planned. As pointed out by a participant in the FGD, tax consultants are more conservative when dealing with a tax case in the planning stage. In this instance, the focus will be more on mitigating tax risks, including avoiding tax penalties, though tax efficiency would also be considered. In contrast, in a case where the transaction has already been undertaken, tax consultants no longer focus on tax risks or tax penalty, rather the focus is more on the exploration of tax laws and regulations that could be used to uphold the tax position of the client. Winning the case in a dispute resolution process is the goal in this circumstance.

Nevertheless, based on the interviews, there were indications that tax consultants provide aggressive tax advice in a situation where the transaction falls into an ambiguous area, is a non-routine dealing and has not yet been undertaken. More particularly, aggressive tax advice is usually delivered when tax consultants pursue higher profits and can obtain good credit with their clients. A participant in the interviews emphasised that tax consultants providing aggressive tax advice may also be those who are considered good problem solvers because of their ability to make a breakthrough. Therefore, aggressive tax advice seems to be dependent not only on the attitude of tax consultants but also on the context of tax cases requested for advice.

Interestingly, it seems that the term aggressive has been differently interpreted. Some defined the term as it was commonly referred to in the literature, in that aggressive tax advice is an illegitimate action conducted by taxpayers to avoid paying taxes with or without the assistance of tax consultants. Others interpreted the term aggressive as a breakthrough in conducting business transactions that are beyond the scope of tax treatments stipulated in the tax laws currently in place. While this might be an opportunity for tax consultants to use loopholes, the situation has also often placed both tax consultants and taxpayers in considerable confusion.

### **7.3.3 Relationship Between Personal Attributes and Influencing Factors**

Table 7.3 presents a summary of the statistical relationships between selected personal attributes of respondents and the factors influencing tax consultants when advising clients.

As shown in the table, only 14 of 22 influencing factors were indicated to have a statistical relationship with personal attributes. Boxes shaded with the colour black represent no relationship found between the two correspondent variables. While the *p*-value indicates the existence of a statistical relationship, and the contingency coefficient (Cont. coeff.) specifies the strength of the relationship.

Table 7.3: Relationship Between Personal Attributes and Influencing Factors

No.	Influencing Factors		Cer	Age	Sex	LEdu	BEdu	Pos	Exp
1.	CRF_1	Tax savings	<i>p</i> -value	0.00				0.04	
			Cont. coeff.	0.27				0.31	
2.	CRF_2	Client value	<i>p</i> -value	0.01					
			Cont. coeff.	0.26					
3.	CRF_4	Client tax position	<i>p</i> -value			0.02			
			Cont. coeff.			0.27			
4.	CRF_5	Client business scale	<i>p</i> -value		0.04	0.03			
			Cont. coeff.		0.26	0.19			
5.	CRF_6	Client type of taxpayer	<i>p</i> -value			0.02			
			Cont. coeff.			0.19			
6.	DCF_1	Use of grey area	<i>p</i> -value		0.05				
			Cont. coeff.		0.26				
7.	DCF_2	Value of tax case	<i>p</i> -value	0.00		0.01		0.04	
			Cont. coeff.	0.26		0.20		0.29	
8.	DCF_3	Probability of audit	<i>p</i> -value	0.04	0.00	0.03		0.02	0.02
			Cont. coeff.	0.23	0.33	0.39		0.30	0.32
9.	DCF_4	Consultation fee	<i>p</i> -value			0.00			
			Cont. coeff.			0.34			
10.	DCF_7	Credibility of client bookkeeping	<i>p</i> -value		0.04		0.01		
			Cont. coeff.		0.26		0.28		
11.	TCRF_1	Willingness to help	<i>p</i> -value	0.02	0.01				0.01
			Cont. coeff.	0.24	0.29				0.34
12.	TCRF_2	Reliability of recommendation	<i>p</i> -value						0.01
			Cont. coeff.						0.29
13.	TCRF_3	Honesty and integrity	<i>p</i> -value			0.00			
			Cont. coeff.			0.27			
14.	TCRF_4	Other consultants' opinions	<i>p</i> -value				0.01		
			Cont. coeff.				0.32		

Note: Cer: Level of certificate  
 LEdu: Level of education  
 BEdu: Background of education  
 Pos: Position  
 Exp: Length of experience

The following sections elucidate a more detailed discussion about the relationship of each personal attribute investigated.

**Level of Certificate.** The level of tax consultant certificate had a moderate statistical relationship with five factors affecting tax consultants when providing advice to clients. These factors are tax savings, client value, value of tax case, likelihood of tax audit and willingness to help. The existence of the relationships implies that the knowledge of the level of certificate could be used as a predictor of whether the five factors are considered crucial when advising clients. More specifically, the highest level of tax consultant tended to consider tax savings, client value, tax case value, probability of audit and willingness to help

to be more important than do those at the lower levels. This may be associated with the degree of rationality possessed by each level of tax consultants when making decisions.

**Age.** Age appears to have a statistical relationship with five different factors to a moderate degree. The factors include the scale of client business, use of grey area, probability of tax audit, credibility of client records and willingness to help. The relationship indicates that age can be used to predict the degree of importance of the five factors when tax consultants advise clients. The older the age of the tax consultant, the more important they consider the factors. Interestingly, the strength of relationship between age and probability of audit seems to be higher than that of level of certificate. This might suggest that even if the highest level of certificate is not possessed, the older tax consultants tend to be more cautious. Age may also relate to length of experience, which was also indicated to have a strong relationship with the likelihood of audit.

**Gender.** Gender was found to have a statistical relationship with four features influencing tax consultants when advising clients. The degree of relationship with three factors, namely client business scale, client type of taxpayer and value of tax case seemed to be weak. However, the relationship with probability of audit appeared to be moderate and was the strongest among all other relationships examined in this study. Interestingly, the sequence of gender in the survey was female first and then male. Therefore, male tax consultants were arguably more aware of the likelihood of audit than were female consultants.

**Level of Education.** The analysis revealed that level of education had a moderate statistical relationship with four elements, namely client position, consultation fee, credibility of client records, and honesty and integrity. While the relationship with three seemed to be moderate, the association with consultation fee appeared to be among the strongest. This indicates that the higher the education level, the more important consultants consider the consultation fee. The high degree of expertise and high cost of education that can be associated with a higher level of education might relate to this issue.

**Educational Background.** Regarding educational background, a modest statistical relationship was indicated with value of tax case, while a strong relationship was found with probability of audit and other consultants' opinions. The sequence of educational background found through the survey was economics and business first, law, political science, administrative science and others later. Therefore, it seems that tax consultants with other than an economic and business, or a law background appeared to pay more attention

to the likelihood of audit and other consultants' views. This was arguably because consultants with these qualifications might have less tax expertise compared with those with economics and business or law backgrounds.

**Position.** Position had a moderate statistical relationship with three factors, namely tax savings, value of tax case and willingness to help. This implies that the higher the position, the more that tax consultants consider the three factors to be crucial. Regarding tax savings and value of tax case, the higher-level tax consultants might seek to maintain a good image in the eyes of clients since clients usually measure their advice according to the amount of tax savings that can be offered. Not only can the loyalty of clients be maintained by this attitude, but also can the sustainability of the company operation be secured. Moreover, the higher position seems to drive tax consultants to be more helpful to clients. Monetary incentives might no longer be their essential objectives; rather they focus more on non-economic missions, such as fulfilling moral responsibility to improve taxpayer compliance, as well as preserving a good image, as mentioned earlier.

**Length of Experience.** A modest statistical relationship between length of experience and two influencing factors, namely, probability of audit and reliability of recommendation, was revealed, with only slightly different strengths. This relationship indicates that tax consultants with lengthier experience tend to place more concern on both factors. Paying more attention to the probability of audit and the reliability of recommendation appear to relate closely to mitigating tax risks, which was one of the main motives of taxpayers engaging tax consultants. The consultants with lengthy experience seem to realise that a high reliability of recommendation will help taxpayers minimise the likelihood of audit, which might otherwise lead to other risks since other tax cases may be exposed during the audit.

#### **7.4 Chapter Summary**

This chapter has presented a comprehensive discussion relating to the research findings for the first and second topics of the current study derived from the survey, interviews and FGD. Regarding the first topic of this study, the practical and conceptual role of tax consultants in the tax system has been elaborated. From a practical point of view, the role of tax consultants can be divided into three categories, namely the roles before, during and after the submission of tax returns. The role of tax consultants in the preparation of tax returns dominated the total roles of tax consultants, with a contribution of 48.6%. Meanwhile, the

roles played by tax consultants before and after the submission of tax returns were divided almost equally.

From a conceptual perspective, the role of tax consultants in the Indonesian tax system seems to be more closely aligned with taxpayers than with the government. However, some still believe that the roles of taxpayer advocate and government agent cannot be separated. This has led to the third role played by tax consultants, which is a hybrid tax partner. Interestingly, there is yet another role that has been played by tax consultants in the tax system, though it might not yet be sufficiently effective. This role was identified as that of a sparring partner of the government. Playing this role, tax consultants may challenge tax laws and regulations introduced by the tax authority. However, the channel through which tax consultants may take part in this role has not been easily accessible.

The statistical relationship between seven major personal attributes and the role played by tax consultants has also been investigated. It was revealed that five of seven attributes had a statistical relationship with the role of tax consultants, implying that these attributes may become a predictor of the role played by tax consultants. These consist of age, level of certificate, level of education, length of experience and position. The other attributes, which are gender and educational background, seem to have no statistical relationship with the role played by tax consultants in the tax system.

Regarding the second topic, 22 variables were investigated through the survey. The degree of importance found for some features is consistent with the findings from prior studies, while others are in contrast. The features consistent with prior studies include tax penalties on clients, the use of grey areas in the tax laws and value of tax case, while those that are inconsistent comprise moral/social responsibility, penalty on tax consultants and probability of tax audits. The remaining factors were only slightly different from those in the findings of previous studies. Several other factors that influenced tax consultants when advising clients emerged during the interviews and FGD. These include the nature of tax case, relevant tax regulations, client culture, international tax cooperation and general law enforcement environment. Finally, the examination of the statistical relationship between selected personal attributes and the factors affecting tax consultants when delivering advice to clients was explained.

## **CHAPTER 8**

### **CONCLUSIONS, RECOMMENDATIONS AND RESEARCH LIMITATIONS**

#### **8.1 Introduction**

This chapter draws conclusions for the entire discussion presented over chapters 5, 6 and 7 to address the research questions posed in Chapter 1. For this purpose, the chapter is divided into five main parts. In the first part, conclusions will be drawn from the research findings elaborated in chapters 5 and 6 and the discussion of the findings in Chapter 7. The conclusion will be presented based on the topics investigated in the current research, considering the research questions discussed in Chapter 1. More specifically, this part will begin with the conclusion regarding the topic of the role of tax consultants in the Indonesian tax system. This will also include a discussion of the relationship between the roles played by tax consultants and selected personal attributes. Afterwards, the conclusion for the findings on the second topic, namely factors affecting tax consultants when advising clients, will be discussed. The relationships between major personal attributes and the influencing factors will form an integral part of this section.

While the second part will present strategic recommendations, the third part will convey the limitations of the current research. The recommendations will be delivered to both the tax authority and tax consultants in Indonesia. By addressing strategic issues related to tax consultants, it is expected that the level of taxpayer compliance can be improved. The limitations of the research will be presented to display the weaknesses of the current study, followed by suggestions for the direction of future research. A concluding remark will bring the chapter to end.

#### **8.2 Conclusions**

##### **8.2.1 The Role of Tax Consultants**

###### *8.2.1.1 Practical Roles*

Addressing the first research question regarding the first topic of this study, Table 8.1 below summarises the findings from the survey regarding the role of tax consultants in the Indonesian tax system from a practical perspective. Overall, there are three major roles played by tax consultants, namely the role before, during and after the submission of tax returns. As can be seen in Table 8.1, results from the survey suggest that the role played by 48.6% of tax consultants concerned the preparation of tax returns. The remaining 51.4% was

divided into two other major roles, which are the role before the submission of tax returns (23.9%) and after submission (27.3%).

Table 8.1: Summary of the Role of Tax Consultants in the Indonesian Tax System

Role Category	Practical Role of Tax Consultant	Magnitude*	
The role before tax return submission	Providing tax information	13.8 %	23.9 %
	Registering for a TRN and TEN	0.6 %	
	Delivering other services	9.5 %	
The role during tax return submission	Preparing tax returns	48.6 %	48.6 %
The role after tax return submission	Assisting in tax notification and counselling	9.8 %	27.3 %
	Helping with tax audit and investigation	11.4 %	
	Aiding tax objections	1.5 %	
	Helping tax appeals	4.6 %	

\*Because of rounding, the total is not 100%.

More specifically, the role before tax return submission consists of three practical roles, namely providing tax information (13.8%), registering for a TRN and TPN (0.6%) and delivering other types of services (9.5%). Meanwhile, the role played after tax return submission encompasses four practical elements, which are assisting taxpayers in tax notification and counselling processes (9.8%), helping with tax audit and investigation (11.4%), aiding tax objections (1.5%) and helping tax appeals (4.6%).

**The Role Before Tax Return Submission (23.9%).** As can be seen in Table 8.1, the role of tax consultants before the submission of tax returns occupies the last position with a 23.9% share. The most significant contributor to this role is providing tax information (13.8%), followed by delivering other services (9.5%). Meanwhile, the role played in the process of TRN and TPN registration seems to provide an insignificant contribution of only 0.6%.

The role in providing tax information, as the biggest contributor to the first group of roles, is also in second position for the roles played by tax consultants generally. The first factor that may relate to the significant role of providing tax information is the complexity of tax laws and regulations. This complexity is probably caused by the existence of various levels and a great amount of tax regulations, as well as a considerable grey area. The second might be that this role covers tax planning services, which are probably in high demand, as supported by the finding of the survey that most respondents were involved in tax planning conducted by taxpayers. Finally, the informational tax service provided by tax consultants may be considered by taxpayers cheaper and more manageable than the other types of tax services.

The second biggest contributor for the first group of roles, which was delivering other services, can be associated with the high demand for the provision of tax services in the areas of transfer pricing documentation, tax accounting and indirect tax issues. A mixed tax service, which was a part of this category, is an exception since this probably emerged because of the indecisive responses of some survey respondents. Meanwhile, the role of tax consultants in helping taxpayers to register for a TRN and TPN, which was insignificant, might relate to the issuance of MoF regulations, refraining individual taxpayers from requesting tax consultant assistance for this issue. The improved facilities to make the registration process easier provided by the tax authority for taxpayers might also reduce the need for taxpayers to hire tax consultants for this specific purpose.

**The Role of Tax Return Submission (48.6%).** Five factors can be associated with the finding that the role in the preparation of tax returns has become the biggest part of the general tax consultant role in the Indonesian tax system. First, the number of taxpayers obliged to submit tax returns is tremendous, far higher than the number of tax consultants. This implies that the demand for tax return preparation assistance is also very high. To make an analogous comparison, if the number of taxpayers who demand the assistance of tax consultants is only 1% of the total number of taxpayers obliged to file returns ( $1/100 \times 18,000,000 = 180,000$ ),<sup>34</sup> the number is still far higher than the number of all other tax cases, including tax audit and investigation, and dispute settlement ( $30,448 + 944 + 52,573 + 5,884 = 89,849$ ).<sup>35</sup> However, the first factor seems to be inseparable from the second factor, which is taxpayers' lack of capacity.

Findings from the interviews and FGD revealed that taxpayers' lack of capacity has become a major inducement for taxpayers hiring tax consultants. Preparing tax returns is not only about inputting data into tax return forms, either manually or using computers, but also about soliciting all relevant data and information to be able to complete all the attachments and schedules. Fiscal adjustments may also be necessary to convert financial statements into appropriate and useful data for tax purposes. Further, there are many types of tax return, while the due dates for each return are different from one to another. These circumstances probably place a considerable burden on taxpayers to submit tax returns, especially on those who do not have sufficient capacity both in terms of knowledge and time, as well as human resources for employers.

---

<sup>34</sup> See Chapter 4, Section 4.2.4.

<sup>35</sup> See Chapter 7, Section 7.2.1.4.

The third factor making the role in the preparation of tax returns the most significant is most likely related to the motive of taxpayers to comply with tax laws and regulations. Under the self-assessment system, taxpayers have been given an authority to calculate, pay and report their own taxes without relying on tax assessment notices issued by the tax authority. A tax return is the accountability report submitted by taxpayers as a response to the implementation of the system. It serves as a depiction of taxpayer compliance both formally and materially. As a result, taxpayers might try to make all necessary efforts to file the most accurate tax returns, for instance, by hiring a tax consultant.

The fourth reason that tax consultants play a significant role in tax return preparation might be that taxpayers consider tax returns to contain considerable tax risks that need to be mitigated. Considering the tax cycle, the data and information presented in tax returns seem to comprise the initial information for the tax authority to assess taxpayer compliance. By law, tax returns are the main basis for undertaking a tax audit. Recognising this, taxpayers might engage tax consultants to ensure that their tax returns will contain the lowest possible risks and reduce the likelihood of being audited.

The final factor that can be associated with the significant role of tax consultants in the preparation of tax returns is the intention of taxpayers to reduce their amount of tax liability. A tax return, especially an annual income tax return, is a medium for a taxpayer to report his or her final tax liability for a certain tax year. Therefore, taxpayers may need assistance from tax consultants to make the final calculation of their taxable income, which will result in the desired amount of tax liability. This does not necessarily reflect the fact that taxpayers want to avoid taxes, but rather that taxpayers want to make a postponement because of certain financial difficulties.

**The Role After Submission of Tax Returns (27.3%).** As shown in Table 8.1, the role played after tax return submission has a contribution of 27.3% to the total role of tax consultants in the Indonesian tax system. Assisting in the process of tax audit and investigation contributed the biggest portion with 11.4%, while assisting taxpayers deal with tax notifications and counselling was in second place with a 9.8% contribution. The role of helping taxpayers deal with tax appeals and tax objections contributed, respectively, 4.6% and 1.5% to this group.

The significant role of tax consultants in assisting taxpayers during tax audit and investigation may refer to the high demand by taxpayers for this matter. A tax audit might be a problematic issue for taxpayers because dealing with a tax audit process needs not only a deep knowledge

of tax but also considerable time and energy expended. In addition, a tax audit might lead to the emergence of other tax problems since during the process all necessary records and evidence are reviewed. Therefore, the assistance of tax consultants might be highly required both to compensate for the taxpayers' lack of capacity and to mitigate possible further tax risks.

Assisting with tax notifications and counselling has also made a high contribution to this group of roles. Mitigating the possible risks that will be encountered by taxpayers because of unsuccessfully resolving the issue during the process can be associated with this. The process of tax notification and counselling is probably an initial stage of the intense interaction between taxpayers and the DGT. However, the outcome can lead to a more problematic situation for taxpayers, especially when the matter is decided by the DGT to be escalated to the process of tax audit and investigation. Therefore, the need for assistance from tax consultants to reduce the likelihood of being audited is probably high.

The role of tax consultants in the process of tax dispute settlements of both tax objection and appeal was 6.1% in total. Dealing with a tax dispute settlement requires considerable effort since it concerns tax audit and investigation. Therefore, the demand for tax consultant assistance for this purpose is also high. However, the number of cases found in this study was much lower than the cases of tax audit and investigation, resulting in a lower demand for assistance from tax consultants. It is worth noting that the role of tax consultants in the tax appeal process is higher than that of in tax objections. This may be because the number of cases granted in tax appeals is higher than that granted in tax objections.

#### *8.2.1.2 Conceptual Roles*

Four conceptual roles of tax consultants in the Indonesian tax system were identified. These include the role as taxpayer advocate, government agent, hybrid tax partner and government sparring partner. The fine line between those roles, however, can barely be recognised as one role may not be able to stand alone or may overlap another. The segregation of the roles is more dependent on the perspective used to consider the matters.

**Taxpayer Ally.** A tax consultant seems to play a role in the Indonesian tax system as an ally of taxpayers. This is mainly because they are hired and paid by taxpayers. The existence of a significant grey area in tax laws and regulations has also induced tax consultants to be more aligned with taxpayers. They appeared to consider that exploiting loopholes in the tax system is acceptable. The exploitation has not only benefited taxpayers but also tax consultants since

the effectiveness of tax consultants in the sight of taxpayers is usually measured by the amount of tax savings offered. Adding to this, an ineffective monitoring system implemented by the government regarding tax consultants, as well as a lack of opportunity given to tax consultants to be more closely aligned with the government, seems to exaggerate this situation.

**Government Supporter.** The role of tax consultants as a government supporter was undoubtedly recognised. When hired by taxpayers, they have directly or indirectly socialised tax laws and regulations for the taxpayers. Especially when a certain regulation in the tax laws contains multiple interpretations, tax consultants help taxpayers understand and implement the regulations. However, the extent to which this role has been undertaken appears to be largely dependent on the attitude of the tax authority leaders. When the tax authority considers tax consultants as partners rather than adversaries, tax consultants are most likely willing to help the government. In contrast, being accused of leading taxpayers into non-compliance causes tax consultants to maintain distance with the authority.

**Hybrid Tax Agent.** The role as a hybrid tax agent is a combination of both playing a role as a taxpayer ally and as a government supporter. From this perspective, tax consultant roles cannot be separated since consultants simultaneously undertake the two roles. More specifically, tax consultants certainly assist taxpayers deal with their taxation matters including, in many instances, reducing their tax liability. However, at the same time they also aid taxpayers, to some extent, to comply with tax laws and regulations. For instance, they help taxpayers prepare and submit tax returns on a timely basis. In addition, taxpayers are most likely to strictly uphold the implementation of tax laws and regulations in unambiguous tax areas.

**Government Sparring Partner.** Being a government sparring partner means that tax consultants challenge the policies designed by the tax authority. Undertaking this role, tax consultants either represent themselves or their association may challenge the draft of tax laws and regulations introduced by the government. The drafter of tax regulations from the government side might have extensive theoretical knowledge about taxation but may be lacking in field experience. Tax consultants, conversely, have not only expertise in taxation but also hands-on experience in the implementation of tax regulations for taxpayers. The synergy between the two would arguably make the new established tax laws and regulations more applicable and effective. However, the channel through which tax consultants may play this role does not yet appear to be open.

### 8.2.1.3 Relationship Between Personal Attributes and Tax Consultant Roles

Table 8.2 addresses the second research question in the first topic of the study, presenting the summary of the relationship between selected personal attributes and the role played by tax consultants. As shown in the table, gender and background of education were not indicated to have a statistical relationship with the role of tax consultants. It was then inferred that the knowledge about tax consultant gender and background of education cannot be used to predict the role they play in the tax system. Meanwhile, other personal attributes appeared to have a moderate relationship with the role played by tax consultants, except for position, which had a strong relationship with the role played by tax consultants.

Table 8.2: Summary of the Relationship Between Personal Attributes and the Role of Tax Consultants

No.	Personal Attribute	Statistical Relationship	
		Existence	Degree
1	Level of tax consultant certificate	Yes	Moderate
2	Gender	No	NA
3	Age	Yes	Moderate
4	Level of education	Yes	Moderate
5	Background of education	No	NA
6	Position	Yes	Strong
7	Length of experience	Yes	Moderate

More specifically, the higher level of tax consultants' certificates seems to be more important in the roles during or after the submission of tax returns. Similarly, the older the age and the higher the educational level of tax consultants, the roles they play tend to be more concerned with the preparation of tax returns or in the stage after the returns have been filed. Likewise, the lower the position and the shorter the experience of tax consultants, the roles tax consultants play are more concerned with the process during or before the submission of tax returns.

## 8.2.2 Factors Affecting Tax Consultants When Providing Advice

### 8.2.2.1 Influencing Factors

The following discussion addresses the first research question of the second topic in this study. The factors influencing tax consultants when advising clients may be unlimited but prior studies have identified and categorised several major features. In the current study, the factors investigated consist of 22 elements grouped into three categories, namely client-related features, decision context features and tax consultant-related features. While the

second group comprised eight factors, the first and the second category encompassed seven factors each.

The summary of mean score ratings for each factor per group and the weight of each group to the total is presented in Table 8.3 below. More specifically, the table presents the list of all elements investigated in this study categorised into three groups. Each factor was sequenced within the group based on its mean score from highest to the lowest. The weight of each group of factors is presented in the right column. Assorted colours of shading identify the rating of factors: yellow for seven factors with the highest mean score, blue for eight factors with the lowest mean score and green for the remaining factors.

Table 8.3: Mean Score Rating and Weight of Influencing Factors

No.	Influencing Factors	Mean Rating Per Group	Group Weight
1	Client value	3.52	-
2	Client business scale	3.18	-
3	Tax savings	3.03	-
4	Client tax position	2.82	-
5	Client type of taxpayer	2.76	-
6	Client attitude towards risk	2.49	-
7	Loyalty of client	1.82	-
<b>Client-Related Features (Mean/Weight)</b>		<b>2.80</b>	<b>30.35</b>
1	Tax penalty on clients	4.12	-
2	Probability of tax audit	3.68	-
3	Utility of grey area	3.57	-
4	Value of tax case	3.48	-
5	Consultation fee	3.14	-
6	Credibility of client bookkeeping	3.02	-
7	Tax penalty on consultants	2.79	-
8	Cancellation of consultant licence	2.31	-
<b>Decision Context Features (Mean/Weight)</b>		<b>3.26</b>	<b>35.33</b>
1	Moral responsibility to improve taxpayer compliance	4.46	-
2	Honesty and integrity	4.11	-
3	Reliability of recommendation	3.45	-
4	Client attitude towards tax avoidance	3.32	-
5	Other consultants' opinions	3.12	-
6	Willingness to help	2.04	-
7	Cancellation of working contract	1.69	-
<b>Tax Consultant-Related Features (Mean/Weight)</b>		<b>3.17</b>	<b>34.32</b>
<b>Total Weight</b>			<b>100.00</b>

As seen in Table 8.3 above, the proportion of the three categories of factors to the total was 30.35% client-related, 35.33% decision context and 34.42% tax consultant-related features. Overall, this means that when advising clients, tax consultants have considered factors related to the decision context to be more important than those in the other two groups of features. In other words, the advice provided by tax consultants was shaped more significantly by the factors in the category of decision context features than by the other two categories.

As shown in Table 8.3, the factors can also be sequenced based on their weight to the total into three groups, layered into strong (7 factors), moderate (7 factors) and weak (8 factors). The seven strongest influencing factors (shaded yellow) were moral responsibility, tax penalty on clients, honesty and integrity, probability of audit, the use of grey area, client value and value of tax case. Conversely, the seven factors that moderately influenced tax consultants (shaded green) consisted of reliability of recommendation, client attitude to avoidance, client business scale, consultation fee, other consultants' opinions, tax savings and credibility of client bookkeeping. Meanwhile, the factors with a weak influence on tax consultants (shaded blue) encompassed eight elements, namely client tax position, tax penalty on consultants, client type of taxpayer, client attitude towards risk, cancellation of consultant licence, willingness to help and cancellation of working contract.

It might seem promising that tax consultants have placed moral responsibility and honesty and integrity within the three most influential factors when advising clients. Regardless of any possible bias and variance in practice, it may be inferred that both factors have become the fundamental principles embraced by tax consultants in Indonesia. The two factors have arguably shaped the tax consultant attitudes towards tax compliance issues.

Nevertheless, there was also a strong indication that tax consultants in Indonesia believe that taking advantage of loopholes in the tax laws and regulations to help clients reduce their tax liability is acceptable. This attitude echoes the indication that tax consultants play roles in the tax system more as taxpayer advocates than as government agents. Therefore, this situation indicates a significant mismatch with the attitude in which moral responsibility and honesty and integrity were in first place when providing advice to clients. Considering statements conveyed by tax consultants during the interviews and FGD, and the concept of unacceptable tax advice as generally understood, the difference in understanding on the principle of tax avoidance and evasion between tax consultants and the tax authority seems to have considerably contributed to this incongruity. More specifically, while the tax authority considers both tax avoidance and evasion as unacceptable tax practices, tax consultants seem to consider only tax evasion as unacceptable. Tax avoidance, which in practice is undertaken by exploiting loopholes, was still viewed as a non-breaching tax law action both by taxpayers and tax consultants.

### 8.2.2.2 Relationship Between Personal Attributes and Influencing Factors

Table 8.4 presents a summary of the statistical relationships between personal attributes and factors affecting tax consultants when advising clients, addressing the second research question in the second topic of the current study. As discussed in chapters 6 and 7, a statistical relationship was investigated between eight major personal attributes and 22 factors affecting tax consultants when advising clients. Overall, as shown in the table, it is identified that personal attributes have a statistical relationship with only 14 out of 22 influencing factors. The degree of relationship was indicated to be different from one to another.

Table 8.4: Summary of Relationships Between Personal Attributes and Influencing Factors

Personal Attribute	Factor Affecting Tax Consultant		Degree of Relationship
	Category	Detail	
Level of certificate	Client-related features	Tax savings	Moderate
		Client value	Moderate
	Decision context features	Value of tax case	Moderate
		Probability of audit	Moderate
Tax consultant–related features	Willingness to help	Moderate	
Age	Client-related features	Client business scale	Moderate
		Use of grey area	Moderate
	Decision context features	Probability of audit	Moderate
		Credibility of client bookkeeping	Moderate
Tax consultant–related features	Willingness to help	Moderate	
Gender	Client-related features	Client business scale	Weak
		Client type of taxpayer	Weak
	Decision context features	Value of tax case	Weak
Probability of audit		Moderate	
Level of education	Client-related features	Client tax position	Moderate
		Consultation fee	Moderate
	Decision Context Features	Credibility of client bookkeeping	Moderate
Tax consultant–related features	Honesty and integrity	Moderate	
Background of education	Decision context features	Value of tax case	Moderate
		Probability of audit	Moderate
	Tax consultant–related features	Other consultants' opinions	Moderate
Position	Client-related features	Tax savings	Moderate
		Probability of audit	Moderate
	Tax consultant–related features	Willingness to help	Moderate
Length of experience	Decision context features	Probability of audit	Moderate
	Tax consultant–related features	Reliability of recommendation	Moderate

As can be seen in Table 8.4, level of tax consultant certificate and age had a statistical relationship with five factors, while gender and level of education had an association with four factors each. Meanwhile, level of education and educational background had a

relationship with three elements. Length of experience, however, had an association with only two factors. In general, the existence of the relationships implies that the knowledge about personal attributes can be used to predict the associated factors affecting tax consultant when advising clients. More particularly, the higher the level of certificate, the older the age, the higher the education, the higher the position and the lengthier the experience, the more tax consultants were influenced by the associated factors and vice versa. An exception applied for gender and background of education since their data were classified as a nominal type of data, which was not ordered based on rating. However, from the sequence of answer regarding gender in the survey, where female was placed first and then male, it may be inferred that male tax consultants tend to be more affected by the associated factors than do female. Regarding educational background, the sequence was economics and business, law, political science, administrative science and others. Therefore, tax consultants with an economics and business background or close tend to be less affected by the connected factors.

### **8.3 Policy Recommendations**

Five policy recommendations are presented for the government, in particular the tax authority, and two recommendations are presented for professional tax consultants in Indonesia. The following paragraphs provide recommendations for the government.

First, research on tax compliance generally and the role of tax consultants in particular should be encouraged. Undertaking studies in the area should be given priority for tax officers who are assigned to pursue a higher education either overseas or in Indonesia. In addition, Tax Experts to the Director General should be empowered to conduct research in this matter. This would not only add to the understanding of the related issues but also become a reliable basis for 'scientific, evidence-based policy', which has been widespread and considered effective in many advanced countries.

Second, the government is recommended to continuously reduce as much as possible the grey area in the tax laws and regulations. As revealed in this study, the grey area in the tax laws and regulations is recognised to be immense. Since tax consultants viewed that exploitation of the grey area is acceptable, the grey area is used by tax consultants for the benefits of taxpayers. This has also been a major motive of tax consultants to be more aligned with taxpayers than with the government. Meanwhile, this study has also revealed that a grey area exists not only when there is a discrepancy in interpreting certain regulations

because of unclear and unsynchronised laws and regulations, but also in interpreting the nature of business transactions. Therefore, tax cases handled by tax consultants giving rise to a tax dispute might become a good place to identify the grey area. This is because the tax advice is most likely provided based on the grey area identified by tax consultants. In addition, business-related training should be delivered to tax officers dealing with taxpayers' cases. This would help close the gap in interpreting the nature of transaction, which often results in a tax dispute. The reduction of the grey area would in turn be expected to help increase taxes revenue.

Third, the ties with professional tax consultants should be strengthened based on good faith and a mutual relationship. The important roles of tax consultants in the tax system, since they can either support or undermine the integrity of tax systems, have been acknowledged by many studies. This research has also revealed that the attitude of tax consultants is in some way influenced by the attitude of the tax authority. Therefore, the relationship with tax consultants should be maintained and improved, not only with vigilant approaches but also based on trust.

Fourth, the government should provide sufficient facilities to increase the number of tax consultants in the country. This research has shown that the ratio of tax consultants to the number of taxpayers in Indonesia is far below that of other countries. While in Indonesia the ratio is 1:12,759, in Australia for instance, the ratio is just 1:250, meaning that there is one tax consultant for 12,759 taxpayers in Indonesia and one for just 250 taxpayers in Australia.<sup>36</sup> In addition, the level of qualification should be extended beyond the three layers currently in place. The segregation of tax practitioners in the US may be a good example for a benchmark. The need for more tax consultants is also based on the findings of this study identifying that the demand for tax returns preparations is huge. Since the ratio of tax return submission has been very low and relatively stagnant in the last decades, the increasing number of tax consultants may help reduce this alarming figure, which in turn will support the efforts to increase tax revenues.

Fifth, continual professional education for tax consultants should cover not only taxation issues but also provide a sufficient focus on morality and integrity issues as well as the principle of tax avoidance and evasion matters. This study indicates a mismatch of the attitudes of tax consultants. While tax consultants consider moral responsibility, honesty and

---

<sup>36</sup> See Chapter 4, Section 4.3.2.

integrity very important, conversely, they have a perception that exploiting the loopholes of tax laws and regulation is acceptable. This attitudinal contradiction should be appropriately addressed because it may jeopardise the achievement of taxes revenue.

Finally, measures to enable the DGT to obtain statistical data on the use of tax consultants by both individual and corporate taxpayers, particularly in preparing their tax returns, should be designed and implemented. This data is crucial to understand the magnitude of the tax consultant involvement in the tax system. In addition, establishing a statutory agency under a tax consultant law which manages all matters related to tax consultants should be considered. The Australian model where the Tax Practitioner Board has become the sole agency managing all issues related to tax agents, founded under the Tax Agent Service Act 2009 might become a good benchmark.

The recommendations for tax consultants are as follow.

First, tax consultants are encouraged to refrain from promoting unacceptable tax advice to taxpayers as their clients. It should be borne in mind that both tax avoidance and evasion practices are unacceptable in the sight of tax authorities worldwide. The grey area currently in existence may be tempting to exploit but, as a participant in the interviews noted, 'there must be general rules and fairness principles' that can be used to address the grey area in an appropriate way. In addition, exploiting the grey area aggressively would put both tax consultants and taxpayers at considerable risk.

Second, it is expected that tax consultants can be more proactive about playing a role as a government sparring partner. Without relying on this channel to be opened widely by the tax authority, tax consultants should progressively deliver their views and stances on any new policies introduced by the authority. This will enable the policies to be more effective in practice, and thus the objective of tax systems and administration would be easier to achieve.

#### **8.4 Limitations of the Study**

Notwithstanding the contributions offered, this study admittedly contains several limitations. The first limitation concerns the possible bias of the responses obtained in the study. Some respondents may operate as an independent professional tax consultant but many were employees of a tax consulting firm. While measures were put in place to gain independent responses, some views of the respondents may still have been influenced by the policies of their tax firms.

Second, the response rate of the survey in this study appeared to be within the average for rates in developing nations. Therefore, responses were arguably representative for drawing conclusions and making generalisations. However, the numbers of interview participants and FGD conducted were somewhat limited, though there are no conclusive rules offered in the qualitative literature regarding the matter.

Third, the relationship between personal attributes and the roles played by tax consultants as well as the factors affecting tax consultant decisions was explored. However, the investigation used a rather simple non-parametric statistical analysis. Even though both parametric and non-parametric analysis are justified, more robust statistical analysis might generate more reliable results. Besides, the analysis has also placed more weight on statistical relationships, for which the rationales behind the relationships might not have been sufficiently examined.

Finally, while tax consultant related regulations in Indonesia have been examined, a comparative analysis of those regulations with that of in other countries has not been covered in the current study. This different regulatory regime across countries may influence tax practitioners' attitudes and the level of their competencies, and also have some implications toward taxpayer compliance behaviour in the related country.

## **8.5 Recommendations for Future Research**

The scope of this study was limited to two topics, namely the role of tax consultants in the tax system and the factors affecting tax consultants when advising clients. However, there are at least four issues related to the research on tax consultants. The other two are the motives of taxpayers engaging tax consultants and the impact of tax consultant advice on tax compliance. Therefore, future research in Indonesia could take the other areas as topics for investigation to provide a more comprehensive understanding of the issues in this area. In addition, the second topic of this study could be extended by examining the factors affecting taxpayers to adopt the advice of tax consultants. Finally, the subject of this research was professional tax consultants in Indonesia. Alternatively, future research could take tax officers and taxpayers as the subjects. This could be expected to provide different views of the role of tax consultants, which would complement the present understanding of the issue.

## **8.6 Concluding Remarks**

Research on the role of professional tax consultants in the tax system is a crucial aspect of studies related to tax compliance. However, research on tax consultants seems to be still in a very embryonic stage of development. The current study could be the first to be undertaken in Indonesia and therefore represents a pioneering work for developing countries. Despite its limitations, this study has resulted in important findings regarding the role of tax consultants in the Indonesian tax system and the factors affecting tax consultants when advising clients. The knowledge gained from this study is expected to improve the understanding and enrich the development of research on the role of tax consultants, particularly in developing nations.

The current study has acknowledged the crucial role of tax consultants in the operation of the tax system. It indicates that preparing tax returns has become the central role of tax consultants in the Indonesian tax system, while tax consultants admitted that their position was closely aligned with taxpayers than with the government. Moral responsibility, and honesty and integrity were found to be among the most influential factors affecting tax consultants when advising clients, but the use of a grey area and client value were also in the same crucial position. These notable findings could be used by the Government of Indonesia, in particular the tax authority, as the basis for redesigning policies concerning tax consultants in which taxpayer compliance could be preserved and improved.

## REFERENCES

- Abdul-Jabbar, Hijattulah. 2009. 'Income Tax Non-Compliance of Small and Medium Enterprises in Malaysia: Determinants and Tax Compliance Costs', PhD thesis, Curtin Business School. School of Economics and Finance, Curtin University of Technology.
- Allingham, Michael G., and Agnar Sandmo. 1972. 'Income Tax Evasion: A Theoretical Analysis.' *Journal of Public Economics* 1 (3-4): 323-338.
- Alm, James, Erich Kirchler, Stephan Muehlbacher, Katharina Gangl, Eva Hofmann, Christoph Kogler, and Maria Pollai. 2012. 'Rethinking the Research Paradigms for Analysing Tax Compliance Behaviour.' *Tulane Economics Working Paper Series* 1210. <http://econ.tulane.edu/RePEc/pdf/tul1210.pdf>
- Alm, James, Isabel Sanchez, and Ana De Juan. 1995. 'Economic and Noneconomic Factors in Tax Compliance.' *Kyklos* 48 (1): 3-18.
- APJII (Asosiasi Penyelenggara Jasa Internet Indonesia). 2016. *Penetrasi Dan Perilaku Pengguna Internet Indonesia*. Jakarta, Indonesia: APJII.
- Armstrong, J. Scott, and Terry S Overton. 1977. 'Estimating Nonresponse Bias in Mail Surveys.' *Journal of Marketing Research* 14 (3): 396-402.
- Arnold, Jens. 2012. 'Improving the Tax System in Indonesia.' *OECD Economic Department Working Papers* (998): 0\_1.
- Asher, Mukul. 1997. 'Reforming the Tax System in Indonesia.' *Tax Reform in Developing Countries* 235: 127.
- Asher, Mukul G., and Anne Booth. 1992. 'Fiscal Policy.' In *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era*, edited by Anne Booth, 41-75. Kuala Lumpur: Oxford University Press.
- ATO (Australian Taxation Office). 2015. *Commissioner of Taxation Annual Report 2014-2015*. Canberra, Australia: ATO.
- Ayres, Frances L., Betty R. Jackson, and Peggy S. Hite. 1989. 'The Economic Benefits of Regulation: Evidence from Professional Tax Preparers.' *The Accounting Review* 64 (2): 300-312. doi: 10.2307/248004.
- Babbie, Earl R. 1990. *Survey Research Methods*. Boston, Massachusetts: Cengage Learning.
- Becker, Gary S. 1968. 'Crime and Punishment: An Economic Approach.' *Journal of Political Economy* 76 (2): 169-217. doi: 10.1086/259394.
- Beebe, Timothy J., Sarah M. Stoner, Kari J. Anderson, and Arthur R. Williams. 2007. 'Selected Questionnaire Size and Color Combinations Were Significantly Related to Mailed Survey Response Rates.' *Journal of Clinical Epidemiology* 60 (11): 1184-1189. doi: 10.1016/j.jclinepi.2007.01.006.
- Bell, Judith. 2010. *Doing Your Research Project: A Guide for First-Time Researchers in Education, Health and Social Science*. 5th ed. Maidenhead, United Kingdom: McGraw-Hill.
- Bird, R. M., M. C. de Jantscher, and IMF (International Monetary Fund). 1992. *Improving Tax Administration in Developing Countries*. Washington DC: International Monetary Fund.
- Blocher, Edward J., Kung H. Chen, Gary Cokins, and Thomas W. Lin. 2005. *Cost Management: A Strategic Emphasis*. 3rd ed. Boston, MA: McGraw-Hill.
- Boone Jr, Harry N., and Deborah A Boone. 2012. 'Analyzing Likert Data.' *Journal of Extension* 50 (2): n2.
- Booth, Anne. 1992. 'Introduction: Growth and Structural Transformation in the New Order.' In *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era*. edited by Anne Booth, 1-23. Kuala Lumpur: Oxford University Press.

- BPS (Badan Pusat Statistik). 2015a. 'Luas Daerah Dan Jumlah Pulau Menurut Provinsi, 2002-2015'. BPS-Statistics Indonesia. <https://www.bps.go.id/index.php/linkTabelStatis/1366>.
- . 2015b. 'Penduduk Indonesia Menurut Provinsi 1971, 1980, 1990, 1995, 2000 Dan 2010'. BPS-Statistics Indonesia. <https://www.bps.go.id/linkTabelStatis/view/id/1267>.
- Brau, James C., and Stanley E. Fawcett. 2006. 'Initial Public Offerings: An Analysis of Theory and Practice.' *Journal of Finance* 61 (1): 399–436. doi: 10.1111/j.1540-6261.2006.00840.x.
- Brondolo, John, Carlos Silvani, Eric Le Borgne, and Frank Bosch. 2008. *Tax Administration Reform and Fiscal Adjustment: The Case of Indonesia (2001–07)*. Washington, DC: International Monetary Fund.
- Brotodihardjo, R. Santoso. 2013. *Pengantar Ilmu Hukum Pajak*. 23rd ed. Jakarta, Indonesia: Refika Aditama.
- Burnard, Philip. 1991. 'A Method of Analysing Interview Transcripts in Qualitative Research.' *Nurse Education Today* 11 (6): 461–466.
- Chawla, Sudhir K., P. V. Balakrishnan, and Mary F. Smith. 1992. 'Mail Response Rates From Distributors.' *Industrial Marketing Management* 21 (4): 307–310. doi: 10.1016/0019-8501(92)90039-V.
- Christensen, Anne L. 1992. 'Evaluation of Tax Services: A Client and Preparer Perspective.' *The Journal of the American Taxation Association* 14 (2): 60.
- Christian, Charles W., Sanjay Gupta, and Suming Lin. 1993. 'Determinants of Tax Preparer Usage: Evidence from Panel Data.' *National Tax Journal* 46 (4): 487–503. <http://www.jstor.org/stable/41789041>.
- CIA (Central Intelligence Agency). 2016. 'The World Fact Book: East and South East Asia—Indonesia'. CIA. Accessed 05 April, <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>.
- Cialdini, Robert B. 1984. *Influence: How and Why People Agree to Things*. New York, NY: Quill.
- Cohen, Jacob. 1988. *Statistical Power Analysis for the Behavioral Sciences*. 2nd ed. Hoboken, NJ: Taylor and Francis.
- Collins, Julie H., Valerie C. Milliron, and Daniel R. Toy. 1990. 'Factors Associated with Household Demand for Tax Preparers.' *Journal of the American Taxation Association* 12 (1): 9–25.
- Creswell, John W. 2014. *A Concise Introduction to Mixed Methods Research*. Los Angeles, CA: Sage Publications.
- Creswell, John W. 2007. *Qualitative Inquiry and Research Design: Choosing Among Five Approaches*. 2nd ed. Thousand Oaks, CA: Sage Publications.
- . 2009. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. 3rd ed. Thousand Oaks, CA: Sage Publications.
- Creswell, John W., and Vicki L. Plano Clark. 2011. *Designing and Conducting Mixed Methods Research*. 2nd ed. Thousand Oaks, CA: Sage Publications.
- Cruz, Cheryl A., William E. Shafer, and Jerry R. Strawser. 2000. 'A Multidimensional Analysis of Tax Practitioners' Ethical Judgments.' *Journal of Business Ethics* 24 (3): 223–244. doi: 10.2307/25074281.
- Cuccia, Andrew D. 1994. 'The Economics of Tax Compliance: What Do We Know and Where Do We Go?' *Journal of Accounting Literature* 13 (81): 1–25.
- Daly, Frank. 2007. 'Tax Advisers—Undermining or Enhancing the Tax System?' Address given at the *Confédération Fiscale Européenne International Conference on Professional Affairs, Brussels Europe*, 20 November.
- Daniel, Johnnie. 2012. *Sampling Essentials: Practical Guidelines for Making Sampling Choices*. Los Angeles, CA: Sage Publications.
- de Vaus, David A. 2014. *Surveys in Social Research*. 6th ed. Crows Nest, NSW: Allen & Unwin.

- Denzin, N. K., and Y. S. Lincoln. 2003. 'Collecting and Interpreting Qualitative Research.' Thousand Oaks, CA: Sage Publications.
- Denzin, Norman K. 2012. 'Triangulation 2.0 \*.' *Journal of Mixed Methods Research* 6 (2): 80–88. doi: 10.1177/1558689812437186.
- Devos, Ken. 2012. 'The Impact of Tax Professionals Upon the Compliance Behaviour of Australian Individual Taxpayers.' *Revenue Law Journal* 22 (1): 31.
- . 2014. *Factors Influencing Individual Taxpayer Compliance Behaviour*. Dordrecht, Netherlands: Springer Netherlands.
- DGT (Directorate General of Taxes). 2008a. *Peraturan Direktur Jenderal Pajak Nomor 44/Pj./2008 Tentang Tata Cara Pendaftaran Nomor Pokok Wajib Pajak Dan/Atau Pengukuhan Pengusaha Kena Pajak, Perubahan Data Dan Pemindahan Wajib Pajak Dan/Atau Pengusaha Kena Pajak*, Jakarta, Indonesia: DGT.
- . 2008b. 'Tata Cara Pendaftaran NPWP Dengan Sistem E-Registration'. DGT. Accessed 15 July, <http://www.pajak.go.id/sites/default/files/ereg.pdf>.
- . 2012. *Buku Saku Pajak Dalam Angka 2002–2011*, edited by Directorate General of Taxes. Unpublished.
- . 2013. Daftar Konsultan Pajak. Direktorat Jenderal Pajak. Accessed 30 December, <http://www.pajak.go.id>.
- . 2014. *Laporan Tahunan 2014 Direktorat Jenderal Pajak*. Jakarta, Indonesia: DGT.
- . 2015a. *Buku Saku Pajak Dalam Angka*, edited by Directorate General of Taxes. Unpublished.
- . 2015b. *Laporan Tahunan 2015 Direktorat Jenderal Pajak*. Jakarta, Indonesia: DGT.
- . 2015c. *Laporan Tahunan 2015 Kanwil DjP Wajib Pajak Besar*. Jakarta, Indonesia: Regional Tax Office for Large Taxpayers.
- . 2015d. *Pengumuman Nomor Peng-02/Pj.01/2015 Tentang Asosiasi Konsultan Pajak Dan Penyampaian Surat Keputusan Keanggotaan Asosiasi Konsultan Pajak*, edited by Directorate General of Taxes, Jakarta, Indonesia: DGT.
- . 2015e. *Peraturan Direktur Jenderal Pajak Nomor Per-13/Pj/2015 Tentang Petunjuk Pelaksanaan Ketentuan Konsultan Pajak*, edited by DGT. Jakarta, Indonesia: DGT.
- . 2016a. Amnesti Pajak. Direktorat Jenderal Pajak. Accessed 5 January, <http://www.pajak.go.id/content/amnesti-pajak>.
- . 2016b. *Peraturan Direktur Jenderal Pajak Nomor Per-01/Pj/2016 Tentang Tata Cara Penerimaan Dan Pengolahan Surat Pemberitahuan Tahunan*, edited by DGT, Jakarta, Indonesia: DGT.
- . 2016c. 'Sistem Informasi Konsultan Pajak (Sikop)'. DGT. Accessed 12 December, <https://konsultan.pajak.go.id/>.
- Dillman, Don A. 2007. 'Mail and Internet Surveys: The Tailored Design—2007 Update.' Hoboken, NJ: John Wiley.
- Dillman, Don A. 2008. 'The Logic and Psychology of Constructing Questionnaires.' In *International Handbook of Survey Methodology*, edited by Joop J. Hox, Edith D. de Leeuw, and Don A. Dillman, 161–175. New York, NY: Lawrence Erlbaum Associates.
- Dillman, Don A., Jolene D. Smyth, and Leah Melani Christian. 2009. *Internet, Mail, and Mixed-Mode Surveys: The Tailored Design Method*. 3rd ed. Hoboken, NJ: Hoboken: John Wiley & Sons.
- Dodge, Yadolah. 2008. *The Concise Encyclopedia of Statistics*. New York, NY: Springer New York.
- Dubin, Jeffrey A, Michael J. Graetz, Michael A. Udell, and Louis L. Wilde. 1992. 'The Demand for Tax Return Preparation Services.' *The Review of Economics and Statistics* 74 (1): 75–82.
- Duncan, William A., D. W. LaRue, and Philip M. J. Reckers. 1989. 'An Empirical Examination of the Influence of Selected Economic and Noneconomic Variables in Decision Making by Tax Professionals.' *Advances in Taxation* 2 (1): 91–106.

- Eisenhardt, Kathleen. 1989. 'Agency Theory: An Assessment and Review.' *Academy of Management. The Academy of Management Review* 14 (1): 57–74 .
- Erard, Brian. 1993. 'Taxation with Representation: An Analysis of the Role of Tax Practitioners in Tax Compliance.' *Journal of Public Economics* 52 (2): 163–197. doi: [http://dx.doi.org/10.1016/0047-2727\(93\)90019-P](http://dx.doi.org/10.1016/0047-2727(93)90019-P).
- Fan, Weimiao, and Zheng Yan. 2010. 'Factors Affecting Response Rates of the Web Survey: A Systematic Review.' *Computers in Human Behavior* 26 (2): 132–139. doi: 10.1016/j.chb.2009.10.015.
- Faria, A. J., and John R. Dickinson. 1996. 'The Effect of Reassured Anonymity and Sponsor on Mail Survey Response Rate and Speed with a Business Population.' *Journal of Business and Industrial Marketing* 11 (1): 66–76. doi: 10.1108/08858629610112300.
- Faridy, Nahida, Brett Freudenberg, Tapan Sarker and Richard Copp. 2016. 'The Hidden Compliance Cost of VAT: An Exploration of Psychological and Corruption Costs of VAT in a Developing Country.' *eJournal of Tax Research* 14 (1): 166–205.
- Fehrman, K., and C. Fehrman. 2000. *Color: The Secret Influence*. California: Prentice Hall.
- Field, Andy P. 2009. *Discovering Statistics Using Spss*. 3rd ed. London: Sage Publications.
- Fielding, N., and H. Thomas. 2008. *Qualitative Interviewing*. In *Researching Social Life*, edited by G. Nigel Gilbert. 3rd ed. Los Angeles, CA: Sage Publications.
- Fink, Arlene. 2013. *Conducting Research Literature Reviews: From the Internet to Paper*. Los Angeles, CA: Sage Publications.
- Flick, Uwe 2014. *The Sage Handbook of Qualitative Data Analysis*. Los Angeles, CA: Sage Publications.
- Fon, Vincy, and Francesco Parisi. 2007. 'Judicial Precedents in Civil Law Systems: A Dynamic Analysis.' *International Review of Law and Economics* 26 (2006): 519–535.
- Fontana, Andrea, and James H. Frey. 1994. 'Interviewing: The Art of Science.' In *Handbook of Qualitative Research*, edited by Norman K. Denzin and Yvonna S. Lincoln, 361–376. Thousand Oaks, CA: Sage Publications.
- Fowler, Floyd J. 2009. *Survey Research Methods*. 4th ed. Thousand Oaks, CA, London: Sage Publications.
- Fraenkel, Jack R., Norman E. Wallen, and Helen Hyun. 2012. *How to Design and Evaluate Research in Education*. 8th ed. New York, NY: McGraw-Hill Humanities/Social Sciences/Languages.
- Frankland, Jane, and Michael Bloor. 1999. 'Some Issues Arising in the Systematic Analysis of Focus Group Materials.' In *Developing Focus Group Research*, edited by Rosaline S. Barbour and Jenny Kitzinger, 144–155. London: Sage Publications.
- Frecknall-Hughes, Jane, and Peter Moizer. 1999. 'Taxation and Ethics.' In *Taxation: An Interdisciplinary Approach to Research*, edited by Margaret Lamb, Andrew Lymer, Judith Freedman, and Simon James. New York, NY: Oxford University Press.
- GA (Geoscience Australia). 2016. Australia's Size Compared. GA. Accessed 21 November, <http://www.ga.gov.au/scientific-topics/national-location-information/dimensions/australias-size-compared>.
- Gillis, Malcolm. 1989. *Tax Reform in Developing Countries*. Vol. 1. Durham, North Carolina: Duke University Press.
- Gol (Government of Indonesia). 1945. *Undang-Undang Dasar Tahun 1945*. Jakarta, Indonesia: Gol.
- . 1983a. *Undang-Undang Nomor 6 Tahun 1983 Sttd Undang-Undang Nomor 16 Tahun 2009 Tentang Ketentuan Umum Dan Tata Cara Perpajakan*. Jakarta, Indonesia: Gol.
- . 1983b. *Undang-Undang Nomor 7 Tahun 1983 Sttd Undang-Undang Nomor 36 Tahun 2008 Tentang Pajak Penghasilan*. Jakarta, Indonesia: Gol.

- . 1983c. *Undang-Undang Nomor 8 Tahun 1983 Sttdt Undang-Undang Nomor 42 Tahun 2009 Tentang Pajak Pertambahan Nilai Dan Pajak Penjualan Atas Barang Mewah*. Jakarta, Indonesia: Gol.
- . 1985. *Undang-Undang Nomor 14 Tahun 1985 Tentang Mahkamah Agung*. Jakarta, Indonesia: Gol.
- . 1997a. *Undang-Undang Nomor 18 Tahun 1997 Sttdt Undang-Undang Nomor 28 Tahun 2009 Tentang Pajak Daerah Dan Retribusi Daerah*. Jakarta, Indonesia: Gol.
- . 1997b. *Undang-Undang Nomor 19 Tahun 1997 Tentang Penagihan Pajak Dengan Surat Paksa*. Jakarta, Indonesia: Gol.
- . 1997c. *Undang-Undang Nomor 21 Tahun 1997 Sttdt Undang-Undang Nomor 20 Tahun 2000 Tentang Bea Perolehan Hak Atas Tanah Dan Bangunan*. Jakarta, Indonesia: Gol.
- . 1999. *Undang-Undang Nomor 22 Tahun 1999 Sttdt Undang-Undang Nomor 32 Tahun 2004 Tentang Pemerintah Daerah*. Jakarta, Indonesia: Gol.
- . 2002. *Undang-Undang Nomor 14 Tahun 2002 Tentang Pengadilan Pajak*. Jakarta, Indonesia: Gol.
- . 2004. *Undang-Undang Nomor 1 Tahun 2004 Tentang Perbendaharaan Negara*. Jakarta, Indonesia: Gol.
- . 2011. *Peraturan Pemerintah Nomor 74 Year 2011 Tentang Tata Cara Pelaksanaan Hak Dan Pemenuhan Kewajiban Perpajakan*. Jakarta, Indonesia: Gol.
- . 2013. *Putusan Mahkamah Agung Nomor 73 P/Hum/2013 Tentang Uji Materiil Terhadap Pasal-Pasal Dalam Peraturan Pemerintah Nomor 74 Tahun 2011 Antara Kadin Indonesia Vs Presiden Ri*. Jakarta, Indonesia: Supreme Court of the Republic of Indonesia.
- . 2016. *Undang-Undang Nomor 11 Tahun 2016 Tentang Pengampunan Pajak*. Jakarta, Indonesia: Gol.
- Greer, Thomas V., and Ritu Lohtia. 1994. 'Effects of Source and Paper Color on Response Rates in Mail Surveys.' *Industrial Marketing Management* 23 (1): 47–54. doi: 10.1016/0019-8501(94)90026-4.
- Groves, R. M., E. Singer, and A. Corning. 2000. 'Leverage-Saliency Theory of Survey Participation: Description and an Illustration.' *Public Opinion Quarterly* 64 (3): 299.
- Guest, G., Bunce, A., and Johnson, L. 2006. 'How Many Interviews Are Enough?: An Experiment with Data Saturation and Variability.' *Field Methods* 18 (1): 59–82.
- Gunadi. 2002. *Indonesia Taxation 2002: A References Guide*. Jakarta, Indonesia: Multi Utama Publishing.
- Hargo, Dody Usodo. 2016. 'Jumlah Pulau Di Indonesia. Dewan Ketahanan Nasional RI'. Accessed 5 June, <https://dkn.go.id/ruang-opini/9/jumlah-pulau-di-indonesia.html>.
- Harjanti, Adriana Dwi. 2015. 'Kekuatan Mengikat Yurisprudensi Dalam Penyelesaian Sengketa Pajak.' <http://www.bppk.kemenkeu.go.id/publikasi/artikel/167-artikel-pajak/20491-kekuatan-mengikat-yurisprudensi-dalam-penyelesaian-sengketa-pajak>.
- Harpe, Spencer E. 2015. 'How to Analyze Likert and Other Rating Scale Data.' *Currents in Pharmacy Teaching and Learning* 7 (6): 836–850. doi: 10.1016/j.cptl.2015.08.001.
- Hasseldine, D. John, Steven E. Kaplan, and Lori R. Fuller. 1994. 'Characteristics of New Zealand Tax Evaders.' *Accounting and Finance* 34 (2): 79–93. doi: 10.1111/j.1467-629X.1994.tb00271.x.
- Hasseldine, John, and Peggy A. Hite. 2003. 'Framing, Gender and Tax Compliance.' *Journal of Economic Psychology* 24 (4): 517–533. doi: 10.1016/S0167-4870(02)00209-X.
- Heij, Gitte. 1993. *Tax Administration and Compliance in Indonesia*. Perth, WA: Asia Research Centre on Social, Political and Economic Change, Murdoch University.
- Hite, Peggy A., and Gary A. McGill. 1992. 'An Examination of Taxpayer Preference for Aggressive Tax Advice.' *National Tax Journal* 45 (4): 389–403.

- Hite, Peggy, John Hasseldine, Abeer Al-Khoury, Simon James, Steve Toms, and Marika Toumi. 2003. 'Tax Practitioners and Tax Compliance.' In *Contemporary Issues in Taxation Research*, edited by Andrew Lymer and David Salter, 17–44. Aldershot: Ashgate.
- Howe, Kenneth R. 2012. 'Mixed Methods, Triangulation, and Causal Explanation.' *Journal of Mixed Methods Research* 6 (2): 89–96. doi: 10.1177/1558689812437187.
- Ikhsan, Mohamad, Ledi Trialdi, and Syarif Syahrial. 2005. 'Indonesia's New Tax Reform: Potential and Direction.' *Journal of Asian Economics* 16 (6): 1029–1046.
- IKPI (Ikatan Konsultan Pajak Indonesia). 2013. *Data Konsultan Pajak*. Jakarta: IKPI. CD-ROMS.
- . 2014. 'Sejarah IKPI'. IKPI. Accessed 14 February, <http://www.ikpi.or.id>.
- Indrawati, Sri Mulyani. 2016. 'Yang Muda Yang Beraksi: Peranan Pemuda Dalam Mensukseskan Pembangunan Berkelanjutan Yang Inklusif'. Accessed 8 August, <https://finance.detik.com/berita-ekonomi-bisnis/d-3261622/ini-pidato-lengkap-sri-mulyani-di-kampus-ui-hari-ini>.
- Jackson, B. R. Milliron, Valerie C. 1989. 'Tax Preparers-Government Agents or Client Advocates.' *Journal of Accountancy* 167 (5): 76.
- Jackson, Betty R., and Valerie C. Milliron. 1986. 'Tax Compliance Research: Findings, Problems, and Prospects.' *Journal of Accounting Literature* 5 (1): 125–165.
- Jick, Todd D. 1979. 'Mixing Qualitative and Quantitative Methods: Triangulation in Action.' *Administrative Science Quarterly* 24 (4): 602–611. doi: 10.2307/2392366.
- Johnson, Burke, Anthony J. Onwuegbuzie, and Lisa A. Turner. 2007. 'Towards a Definition of Mixed Methods Research.' *Journal of Mixed Methods Research* 1 (2): 112–133.
- Johnson, R. Burke, and Anthony J. Onwuegbuzie. 2004. 'Mixed Methods Research: A Research Paradigm Whose Time Has Come.' *Educational Researcher* 33 (7): 14–26.
- Joshi, Ankur, Saket Kale, Satish Chandel, and D. K. Pal. 2015. 'Likert Scale: Explored and Explained.' *British Journal of Applied Science and Technology* 7 (4): 396.
- Kalafatis, S. P., and M. H. Tsogas. 1994. 'Impact of the Inclusion of an Article as an Incentive in Industrial Mail Surveys.' *Industrial Marketing Management* 23 (2): 137–143. doi: 10.1016/0019-8501(94)90015-9.
- Kaplan, Steven E., Philip M. J. Reckers, Stephen G. West, and James C. Boyd. 1988. 'An Examination of Tax Reporting Recommendations of Professional Tax Preparers.' *Journal of Economic Psychology* 9 (4): 427–443. doi: [http://dx.doi.org/10.1016/0167-4870\(88\)90012-8](http://dx.doi.org/10.1016/0167-4870(88)90012-8).
- Khalilzadeh-Shirazi, Javad, and Anwar Shah. 1991. 'Tax Reform in Developing Countries.' *Finance and Development* 28 (2): 44.
- Kirby, Michael. 2006. 'Precedent—Report on Australia.' Paper presented at the *International Academy of Comparative Law Conference, Utrecht, Netherlands, 17 July 2006*. [http://www.hcourt.gov.au/assets/publications/speeches/former-justices/kirbyj/kirbyj\\_17jul06.pdf](http://www.hcourt.gov.au/assets/publications/speeches/former-justices/kirbyj/kirbyj_17jul06.pdf)
- Kirchler, Erich. 2007. *The Economic Psychology of Tax Behaviour*. Cambridge, UK: Cambridge University Press.
- Kitzinger, Jenny, and Rosaline Barbour. 1999. 'Introduction: The Challenge and Promise of Focus Groups.' In *Developing Focus Group Research: Politics, Theory and Practice*, edited by Jenny Kitzinger and Rosaline Barbour. London, UK: Sage Publications.
- Klepper, Steven, Mark Mazur, and Daniel Nagin. 1991. 'Expert Intermediaries and Legal Compliance: The Case of Tax Preparers.' *Journal of Law and Economics* 34 (1): 205–229. doi: 10.2307/725419.
- Klepper, Steven, and Daniel Nagin. 1989. 'The Role of Tax Preparers in Tax Compliance.' *Policy Sciences* 22 (2): 167–194.
- Komara, Ahmad. 2012. *Cara Mudah Memahami Ketentuan Umum Dan Tata Cara Perpajakan*. Jakarta, Indonesia: Bee Media Indonesia.
- Kvale, S. 1996. *Interviews: An Introduction to Qualitative Research Interviewing*. Thousand Oaks, CA: Sage Publications.

- Ladik, Daniel M., François A. Carrillat, and Paul J. Solomon. 2007. 'The Effectiveness of University Sponsorship in Increasing Survey Response Rate.' *The Journal of Marketing Theory and Practice* 15 (3): 263–271. doi: 10.2753/MTP1069-6679150306.
- Lai, Ming-Ling, and Kwai-Fatt Choong. 2009. 'Self-Assessment Tax System and Compliance Complexities: Tax Practitioners' Perspectives.' Paper presented at the 2009 *Oxford Business & Economics Conference Program, Oxford, UK, June 24–29*. [http://gcbe.us/2009\\_OBEC/data/Ming-Ling%20Lai,%20Kwai-Fatt%20Choong.doc](http://gcbe.us/2009_OBEC/data/Ming-Ling%20Lai,%20Kwai-Fatt%20Choong.doc).
- Lee, Geon, Jennifer Benoit-Bryan, and Timothy P. Johnson. 2012. 'Survey Research in Public Administration: Assessing Mainstream Journals with a Total Survey Error Framework.' *Public Administration Review* 72 (1): 87–97. doi: 10.1111/j.1540-6210.2011.02482.x.
- Leeming, Mark. 2013. 'Theories and Principles Underlying the Development of the Common Law—the Statutory Elephant in the Room.' *UNSW Law Journal* 36(3): 1002–1029.
- Leeuw, Edith D. de , Joop J. Hox, and Don A. Dillman. 2008. 'The Cornerstone of Survey Research.' In *International Handbook of Survey Methodology* edited by Edith Desirée de Leeuw, J. J. Hox and Don A. Dillman. New York, NY: Lawrence Erlbaum Associates.
- Leviner, Sagit. 2012. 'The Role Tax Preparers Play in Taxpayer Compliance: An Empirical Investigation with Policy Implications.' *Buffalo Law Review*. 60: 1079.
- Loosveldt, G. 2008. 'Face-to-Face Interviews'. In *International Handbook of Survey Methodology* edited by Edith Desirée de Leeuw, J. J. Hox and Don A. Dillman: 201–220. New York, NY: Lawrence Erlbaum Associates.
- Lowe, D. Jordan, Philip M. J. Reckers, and Robert W. Wyndelts. 1993. 'An Examination of Tax Professionals' Judgments: The Role of Experience, Client Condition and Reciprocal Obligation.' *Journal of Business and Psychology* 7 (3): 341–357. doi: 10.2307/25092387.
- Lubis, Irwansyah, Ardiansyah Lubis, and Gustian Djuanda. 2010. *Review Pajak Orang Pribadi Dan Orang Asing*. Jakarta: Salemba Empat.
- Lumbantoruan, S. 1994. *Akuntansi Pajak*. Jakarta: Grasindo.
- Maher, Michael W., Clyde P. Stickney, and Roman L. Weil. 2008. *Managerial Accounting: An Introduction to Concepts, Methods and Uses*. 10th ed. Mason, Ohio: Thomson South Western.
- Marshall, Rex L., Robert W. Armstrong, and Malcolm Smith. 1998. 'The Ethical Environment of Tax Practitioners: Western Australian Evidence.' *Journal of Business Ethics* 17 (12): 1265–1279. doi: 10.2307/25073960.
- Marshall, Rex, Malcolm Smith, and Robert Armstrong. 2006. 'The Impact of Audit Risk, Materiality and Severity on Ethical Decision Making: An Analysis of the Perceptions of Tax Agents in Australia.' *Managerial Auditing Journal* 21 (5): 497–519.
- Mathison, Sandra. 'Why Triangulate?' *American Educational Researcher Association* 17 (2): 13–17.
- McKerchar, M. 2010. *Design and Conduct of Research in Tax, Law and Accounting*. Pyrmont, NSW: Lawbook Co..
- McKerchar, Margaret A. 2008. 'Philosophical Paradigms, Inquiry Strategies and Knowledge Claims: Applying the Principles of Research Design and Conduct to Taxation. *eJournal of Tax Research* 6 (1): 5–22.
- Michell, Lynn. 1999. 'Combining Focus Group and Interviews.' In *Developing Focus Group Research: Politics, Theory and Practice*, edited by Rosaline S. Barbour and Jenny Kitzinger. London, United Kingdom: Sage Publications.
- Milliron, Valerie C. 1988. 'A Conceptual Model of Factors Influencing Tax Preparers' Aggressiveness.' *Contemporary Tax Research* 1: 1–15.

- Mirasanty, Endah. 2008. 'Pengaruh Modernisasi Perpajakan Dan Peran Konsultan Pajak Terhadap Kepatuhan Wajib Pajak Melalui Kepuasan Wajib Pajak.' Surabaya, Indonesia: Universitas Airlangga.
- Mitnick, Barry M. 2006. 'Origin of the Theory of Agency.' <http://www.pitt.edu/~mitnick/agencytheory/agencytheoryoriginrev11806r.htm>.
- MoF (Ministry of Finance). 1982. 'Nota Keuangan Dan Rancangan Anggaran Pendapatan Dan Belanja Negara 1981–1982.' Jakarta, Indonesia: Government of Indonesia.
- . 1983. 'Nota Keuangan Dan Rancangan Anggaran Pendapatan Dan Belanja Negara 1982–1983.' Jakarta, Indonesia: Government of Indonesia.
- . 1984. 'Nota Keuangan Dan Rancangan Anggaran Pendapatan Dan Belanja Negara 1983–1984.' Jakarta, Indonesia: Government of Indonesia.
- . 1985. 'Nota Keuangan Dan Rancangan Anggaran Pendapatan Dan Belanja Negara 1984–1985.' Jakarta, Indonesia: Government of Indonesia.
- . 1986. 'Nota Keuangan Dan Rancangan Anggaran Pendapatan Dan Belanja Negara 1985–1986.' Jakarta, Indonesia: Government of Indonesia.
- . 2002a. 'Keputusan Menteri Keuangan Nomor 65/Kmk.01/2002 Tentang Organisasi Dan Tata Kerja Kantor Wilayah Direktorat Jenderal Pajak Wajib Pajak Besar Dan Kantor Pelayanan Pajak Wajib Pajak Besar.' Jakarta, Indonesia: MoF.
- . 2002b. 'Keputusan Menteri Keuangan Nomor 485/Kmk.03/2003 Tentang Konsultan Pajak Indonesia.' Jakarta, Indonesia: MoF.
- . 2008. 'Peraturan Menteri Keuangan Nomor 22/Pmk.03/2008 Tentang Persyaratan Serta Pelaksanaan Hak Dan Kewajiban Seorang Kuasa.' Jakarta, Indonesia: MoF.
- . 2012a. 'Keputusan Menteri Keuangan Nomor 185/Kmk.01/2012 Tentang Road Map Reformasi Birokrasi Kementerian Keuangan Tahun 2010–2014.' Jakarta, Indonesia: MoF.
- . 2012b. 'Peraturan Menteri Keuangan Nomor 74/Pmk.03/2012 Tentang Tata Cara Penetapan Dan Pencabutan Penetapan Wajib Pajak Dengan Kriteria Tertentu Dalam Rangka Pengembalian Pendahuluan Kelebihan Pembayaran Pajak.' Jakarta, Indonesia: MoF.
- . 2012c. 'Peraturan Menteri Keuangan Nomor 146/Pmk.03/2012 Tentang Tata Cara Verifikasi.' Jakarta, Indonesia: MoF.
- . 2013a. 'Peraturan Menteri Keuangan Nomor 8/Pmk.03/2013 Tentang Tata Cara Pengurangan Atau Penghapusan Sanksi Administrasi Dan Pengurangan Atau Pembatalan Ketetapan Pajak.' Jakarta, Indonesia: MoF.
- . 2013b. 'Peraturan Menteri Keuangan Nomor 11/Pmk.03/2013 Tentang Tata Cara Pembetulan.' Jakarta, Indonesia: MoF.
- . 2014a. 'Peraturan Menteri Keuangan Nomor 111/Pmk.03/2014 Tentang Konsultan Pajak.' Jakarta, Indonesia: MoF.
- . 2014b. 'Peraturan Menteri Keuangan Nomor 229/Pmk.03/2014 Tentang Persyaratan Serta Pelaksanaan Hak Dan Kewajiban Seorang Kuasa.' Jakarta, Indonesia: MoF.
- . 2014c. 'Peraturan Menteri Keuangan Nomor 242/Pmk.03/2014 Tahun 2014 Tentang Tata Cara Pembayaran Dan Penyetoran Pajak.' Jakarta, Indonesia: MoF.
- . 2014d. 'Peraturan Menteri Keuangan Nomor 243/Pmk.03/2014 Tentang Surat Pemberitahuan.' Jakarta, Indonesia: MoF.
- . 2015a. 'Peraturan Menteri Keuangan 182/Pmk.03/2015 Tentang Tata Cara Pendaftaran Nomor Pokok Wajib Pajak, Penguatan Pengusaha Kena Pajak, Penghapusan Nomor Pokok Wajib Pajak, Dan Pencabutan Penguatan Pengusaha Kena Pajak.' Jakarta, Indonesia: MoF.
- . 2015b. 'Peraturan Menteri Keuangan Nomor 184/Pmk.03/2015 Tentang Tata Cara Pemeriksaan.' Jakarta, Indonesia: MoF.
- . 2015c. 'Peraturan Menteri Keuangan Nomor 202/Pmk.03/2015 Tentang Tata Cara Pengajuan Dan Penyelesaian Keberatan.' Jakarta, Indonesia: MoF.

- . 2015d. 'Peraturan Menteri Keuangan Nomor 234 /Pmk.01/ 2015 Tentang Organisasi Dan Tata Kerja Kementerian Keuangan.' Jakarta, Indonesia: MoF.
- . 2016a. 'Anggaran Pendapatan Dan Belanja Negara (Apbn) 2016.' Jakarta, Indonesia: MoF.
- . 2016b. 'Informasi Apbnp 2016.' Jakarta, Indonesia: MoF.
- Mohd Ali, Nor Raihana. 2013. 'The Influence of Religiosity on Tax Compliance in Malaysia'. PhD thesis, Curtin Business School, School of, Economics and Finance, Curtin University.
- MoIA (Ministry of Internal Affairs). 2015. 'Permendagri Ri Nomor 56 Tahun 2015 Tentang Kode Dan Data Wilayah Administrasi Pemerintahan.' Jakarta, Indonesia: MoIA, Republic of Indonesia.
- Morse, M. Janice. 1991. 'Approaches to Qualitative–Quantitative Methodological Triangulation.' *Nursing Research* 40 (2): 120–123.
- Mustikasari, Elia. 2008. 'Faktor Perilaku Dan Lingkungan Organisasi Yang Mempengaruhi Ketidakpatuhan Tax Professional Dalam Melaksanakan Kewajiban Perpajakan Pada Perusahaan Industri Pengolahan Di Surabaya.' Surabaya, Indonesia: Universitas Airlangga.
- Nurmantu, Safri. 2005. *Pengantar Perpajakan*. 3rd ed. Jakarta, Indonesia: Granit Jakarta.
- O'Donnell, Ed, Bruce Koch, and Jeff Boone. 2005. 'The Influence of Domain Knowledge and Task Complexity on Tax Professionals' Compliance Recommendations.' *Accounting, Organizations and Society* 30 (2): 145–165. doi: <http://dx.doi.org/10.1016/j.aos.2003.12.003>.
- (OECD) Organization for Economic Co-operation and Development. 2008. *Study into the Role of Tax Intermediaries*. Paris, France. <http://www.oecd.org/tax/administration/39882938.pdf>.
- . 2016. Glossary of Tax Terms. Accessed 2 February, <http://www.oecd.org/ctp/glossaryoftaxterms.htm>.
- Onghokham. 1987. *Runtuhnya Hindia Belanda*. Jakarta: Gramedia.
- Pakpahan, Robert. 2012. 'Tax Reform in Indonesia: Issues, Challenges and Solutions.' Paper presented at the *IMF-Japan High Level Tax Conference for Asia Pacific Countries, Tokyo, Japan, February 2*.
- Pallant, Julie. 2007. *Spss Survival Manual: A Step by Step Guide to Data Analysis Using Spss for Windows*. 3rd ed. Maidenhead, United Kingdom: Open University Press.
- Plasschaert, Sylvain R. F. 1979. *Transfer Pricing and Multinational Corporations : An Overview of Concepts, Mechanisms and Regulations*. Farnborough, United Kingdom: Saxon House.
- Pohan, Chairil Anwar. 2014. *Pembahasan Komprehensif Pengantar Perpajakan: Teori Dan Konsep Hukum Pajak*. Jakarta, Indonesia: Mitra Wacana Media.
- Pol (Post of Indonesia). 2014. Surat Pos Biasa. PT Pos Indonesia. Accessed 08 February,
- Pope, Jeff. 1993. 'The Compliance Costs of Major Commonwealth Taxes in Australia. PhD thesis, Curtin University.
- Pope, Jeffrey, and M. McKerchar. 2011. 'Understanding Tax Morale and its Effect on Individual Taxpayer Compliance. *British Tax Review* 5: 587–600. '
- Porter, Stephen R., and Michael E. Whitcomb. 2003. 'The Impact of Contact Type on Web Survey Response Rates.' *Public Opinion Quarterly* 67 (4): 579–588. doi: 10.1086/378964.
- Praja, Juhaya S. 2014. *Teori Hukum Dan Aplikasinya*. 2nd ed. Bandung, Indonesia: Pustaka Setia.
- Punch, Keith F. 2005. *Introduction to Social Research: Quantitative and Qualitative Approaches*. 2nd ed. London, UK: Sage Publication.

- Purdie, C., and M. Roberts. 1995. 'Really Useful Research.' *Behavioral Tax Research: Prospects and Judgment Calls*. Sarasota, FL: American Taxation Association (1995): 127–149.
- Rea, L. M., and R. A. Parker. 2005. 'Designing and Constructing Survey Research.' San Francisco, CA: Jossey-Bass.
- Reinganum, Jennifer F., and Louis L. Wilde. 1991. 'Equilibrium Enforcement and Compliance in the Presence of Tax Practitioners.' *Journal of Law, Economics, and Organization* 7 (1): 163–181.
- Richardson, Grant. 2005. 'A Preliminary Study of the Impact of Tax Fairness Perception Dimensions on Tax Compliance Behaviour in Australia.' *Australian Tax Forum* 20 (3): 407–434.
- Richardson, Maryann, and Adrian Sawyer. 2001. 'A Taxonomy of the Tax Compliance Literature: Further Findings, Problems and Prospects' *Australian Tax Forum* 16: 137–320.
- Ritchie, Jane, Jane Lewis, Carol McNaughton Nicholls, and Rachel Ormston. 2014. *Qualitative Research Practice: A Guide for Social Science Students and Researchers*. 2nd ed. Los Angeles, CA: Sage Publications.
- Roth, Jeffrey A, John T. Scholz, and Ann D. Witte. 1989. *Taxpayer Compliance: An Agenda for Research*. Vol. 1. Philadelphia, Pennsylvania: University of Pennsylvania Press.
- Rubin, Allen, and Earl R. Babbie. 2013. *Brooks/Cole Empowerment Series: Research Methods for Social Work*. Boston, Massachusetts: Cengage Learning.
- Sakurai, Yuka, and Valerie Braithwaite. 2003. 'Taxpayers' Perceptions of Practitioners: Finding One Who Is Effective and Does the Right Thing?' *Journal of Business Ethics* 46 (4): 375–387. doi: 10.2307/25075114.
- Sambodo, Agus. 2008. 'Konsultan Pajak: Peluang Dan Tantangan'. Accessed 30 June, <https://docs.google.com/presentation/d/12n2roVjPVle4U3cK8wVLAL6MySmJIP8d7TR4w5zwyuM/preview?slide=id.i0>.
- Samudra, Azhari Aziz. 2015. *Perpajakan Di Indonesia, Keuangan Pajak Dan Retribusi Daerah*. Jakarta, Indonesia: Raja Grafindo Persada.
- Sánchez-Fernández, Juan, Francisco Muñoz-Leiva, and Francisco Javier Montoro-Ríos. 2011. 'Improving Retention Rate and Response Quality in Web-Based Surveys.' *Computers in Human Behavior*. doi: 10.1016/j.chb.2011.10.023.
- Sandford, Cedric. 1993. *Successful Tax Reform: Lessons from an Analysis of Tax Reform in Six Countries*.
- . 2000. *Why Tax Systems Differ: A Comparative Study of the Political Economy of Taxation*. Perrymead, United Kingdom: Fiscal Publications.
- Sandmo, Agnar. 2005. 'The Theory of Tax Evasion: A Retrospective View.' *National Tax Journal* 58 (4): 643–663.
- Santoso, Singgih. 2015. *Menguasai Statistik Nonparametrik*. Jakarta, Indonesia: Elex Media Komputindo.
- Saunders, M. N. K., P. Lewis, and A. Thornhill. 2012. *Research Methods for Business Students*. Upper Saddle River, New Jersey: Pearson Education.
- Sax, Linda, Shannon Gilmartin, and Alyssa Bryant. 2003. 'Assessing Response Rates and Nonresponse Bias in Web and Paper Surveys.' *Journal of the Association for Institutional Research* 44 (4): 409–432. doi: 10.1023/A:1024232915870.
- Scheuren, Fritz. 2004. *What is a Survey?* 2nd ed. Washington, DC: American Statistical Association.
- Schmidt, Dennis R. 2001. 'The Prospects of Taxpayer Agreement with Aggressive Tax Advice.' *Journal of Economic Psychology* 22 (2): 157–172. doi: 10.1016/S0167-4870(01)00027-7.

- Schwartz, Richard D., and Sonya Orleans. 1967. 'On Legal Sanctions.' *University of Chicago Law Review* 34 (2): Article 3.  
<http://chicagounbound.uchicago.edu/uclrev/vol34/iss2/3>.
- Scotchmer, Suzanne. 1989. 'Who Profits from Taxpayer Confusion?' *Economics Letters* 29 (1): 49–55. doi: 10.1016/0165-1765(89)90172-9.
- Siahaan, Fajar O. P. 2005. 'Faktor-Faktor Yang Mempengaruhi Perilaku Kepatuhan Tax Professional Dalam Pelaporan Pajak Badan Pada Perusahaan Industri Manufaktur Di Surabaya.' Surabaya, Indonesia: Program Ilmu Ekonomi, Universitas Airlangga.
- Siahaan, MARIHOT PAHALA. 2010. *Hukum Pajak Elementer: Konsep Dasar Perpajakan Indonesia*. Jogjakarta, Indonesia: Graha Ilmu.
- Simmons, R. 2008. 'Questionnaires.' In *Researching Social Life*, edited by G. Nigel Gilbert. 182–205. Los Angeles, CA: Sage Publications.
- Sinaga, Reindra Jasper H., and Fatmawati. 2014. *Precedent in the Perspective of the Constitutional Law. (Analyzed from the Sources of Constitutional Law and the Judiciary Independence)*. Depok, Indonesia: Fakultas Hukum, Universitas Indonesia.
- Slemrod, Joel. 2007. 'Cheating Ourselves: The Economics of Tax Evasion.' *Journal of Economic Perspectives* 21 (1): 25–48.
- Soemitro, Rochmat, and Dewi Kania Sugiharti. 2010. *Asas Dan Dasar Perpajakan (1) (Edisi Revisi)*. Jakarta, Indonesia: Refika Aditama.
- Spilker, Brian C., Ronald G. Worsham, Jr, and Douglas F. Prawitt. 1999. 'Tax Professionals' Interpretations of Ambiguity in Compliance and Planning Decision Contexts.' *Journal of the American Taxation Association* 21 (2): 75–89.
- Srinivasan, Thirukodikaval N. 1973. 'Tax Evasion: A Model.' *Journal of Public Economics* 2 (4): 339–346.
- Stephenson, Teresa. 2010. 'Measuring Taxpayers' Motivation to Hire Tax Preparers: The Development of a Four-Construct Scale.' In *Advances in Taxation*, edited by Toby Stock. 95–121. Bingley, UK: Emerald Group Publishing.
- Suharsono, Agus. 2013. 'Memahami Sunset Policy Dalam Undang-Undang Kup. Badan Pendidikan dan Pelatihan Keuangan RI'. Accessed 12 May, <http://www.bppk.kemenkeu.go.id/publikasi/artikel/167-artikel-pajak/12589-memahami-sunset-policy-dalam-undang-undang-kup>.
- Suliyanto. 2011. 'Perbedaan Pandangan Skala Likert Sebagai Skala Ordinal Atau Skala Interval.' In *Prosiding Seminar Nasional Statistika*, edited by Tatik Widiharih, Suparti, Tarno, Rukun Santoso, Sudarno. 51–60. Semarang, Indonesia: Universitas Diponegoro.
- Susila, Budi. 2014. 'The Compliance Costs of Large Corporate Taxpayers in Indonesia.' PhD thesis, Curtin Business School. School of Economics and Finance, Curtin University of Technology.
- Tan, Lin, and Valerie Braithwaite. 2011. 'Agreement with Tax Practitioners' Advice under Tax Law Ambiguity.' *New Zealand Journal of Taxation Law and Policy* 17: 267–288. <http://hdl.handle.net/1885/33411>.
- Tan, Lin Mei. 1999. 'Taxpayers' Preference for Type of Advice from Tax Practitioner: A Preliminary Examination.' *Journal of Economic Psychology* 20 (4): 431–447. doi: [http://dx.doi.org/10.1016/S0167-4870\(99\)00016-1](http://dx.doi.org/10.1016/S0167-4870(99)00016-1).
- Tanzi, Vito, and Parthasarathi Shome. 1992. 'The Role of Taxation in the Development of East Asian Economies.' In *The Political Economy of Tax Reform, Nber-Ease Volume 1*, edited by Takatoshi Ito and Anne O. Krueger 31–65. Chicago: University of Chicago Press.
- Teddlie, Charles, and Abbas Tashakkori. 2011. 'Mixed Methods Research.' In *The Sage Handbook of Qualitative Research*, edited by Norman K. Denzin and Yvonna S. Lincoln : 285–300. Thousand Oaks, CA: Sage Publications.

- Torgler, B. 2007. *Tax Compliance and Tax Morale: A Theoretical and Empirical Analysis*. Cheltenham: Edward Elgar.
- Tomasic, R., B. Tomasic, and Pentony. 1991. 'Taxation Law Compliance and the Role of Professional Tax Advisers.' *Australian and New Zealand Journal of Criminology* 24 (3): 241–257.
- TPBAu (Tax Practitioner Board Australia). 2015. *Tax Practitioners Board Annual Report 2014–2015*. Canberra, ACT: Tax Practitioners Board. [https://www.tpb.gov.au/sites/g/files/net1481/f/annual\\_report\\_2014-15\\_pdf.pdf?v=1472623169](https://www.tpb.gov.au/sites/g/files/net1481/f/annual_report_2014-15_pdf.pdf?v=1472623169).
- . 2016. *Tax Practitioners Board Corporate Plan 2016 – 2017*. Canberra, ACT: Tax Practitioners Board. [https://www.tpb.gov.au/sites/g/files/net1481/f/tpb\\_corporate\\_plan\\_-\\_2016-17.pdf](https://www.tpb.gov.au/sites/g/files/net1481/f/tpb_corporate_plan_-_2016-17.pdf)
- Tversky, Amos, and Daniel Kahneman. 1986. 'Rational Choice and the Framing of Decisions.' *Journal of Business* 59 (4): S251-S278. doi: 10.1086/296365.
- UB (Universitas Brawijaya). 2014. Koleksi Lokal. E-Library Universitas Brawijaya. University of Brawijaya. <http://elibrary.ub.ac.id/>.
- UGM (Universitas Gajah Mada). 2014. 'Thesis, Disertasi, Paper Akademis.' Universitas Gajah Mada Library. University of Gajah Mada. 21 October, <http://lib.ugm.ac.id/en/>.
- UI (Universitas Indonesia). 2014. 'Karya Ilmiah Mahasiswa Tingkat Doktor.' Universitas Indonesia Library. University of Indonesia. 15 October, <http://lib.ui.ac.id/>.
- UNAIR (Universitas Airlangga). 2014. 'Koleksi Digital Paper Akademis.' Perpustakaan Universitas Airlangga. University of Airlangga. 19 October, <http://www.lib.unair.ac.id/index.php?lang=id>.
- UNDIP (Universitas Diponegoro). 2014. 'Daftar Thesis.' Library Portal: Perpustakaan Universitas Diponegoro. University of Diponegoro. 17 October, <http://digilib.undip.ac.id/v1/>.
- UNDP (United Nation Development Program). 2016. 'About Indonesia'. UNDP. Accessed 29 July, <http://www.id.undp.org/content/indonesia/en/home/countryinfo.html>.
- UNPAD (Universitas Padjadjaran). 2014. 'Karya Ilmiah.' Unpad Open Respository. Bandung, Indonesia: University of Padjadjaran. 12 October, <http://pustaka.unpad.ac.id/>
- Uppal, J. S. 2000. *Taxation in Indonesia*. Yogyakarta, Indonesia: Gadjah Mada University Press.
- Wakita, Takafumi, Natsumi Ueshima, and Hiroyuki Noguchi. 2012. 'Psychological Distance between Categories in the Likert Scale: Comparing Different Numbers of Options.' *Educational and Psychological Measurement* 72 (4): 533–546. doi: 10.1177/0013164411431162.
- Wallace, R. S. Olusegun, and C. J. Mellor. 1988. 'Nonresponse Bias in Mail Accounting Surveys: A Pedagogical Note.' *British Accounting Review* 20 (2): 131–139.
- WB (World Bank). 2015a. 'Global Economic Prospect'. WB. Accessed 2 January, <http://databank.worldbank.org/data/download/GDP.pdf>.
- . 2015b. *Taxes and Public Spending in Indonesia: Who Pays and Who Benefits?* Washington, DC: The World Bank Group. <http://documents.worldbank.org/curated/en/167241468196450488/Taxes-and-public-spending-in-Indonesia-who-pays-and-who-benefits>.
- . 2016. 'Country Data: Indonesia'. WB. Accessed 4 September, <http://www.worldbank.org/en/country/indonesia>.
- . 2017. *Paying Taxes 2017*. Washington, DC: The World Bank Group and PwC.
- West, Michael. 2016. 'Tax Avoidance" Masters Revealed'. *The New Daily*. Accessed 11 July, <http://thenewdaily.com.au/money/finance-news/2016/07/11/architects-global-tax-avoidance-revealed/>.

- Wikipedia. 2016. 'Direktorat Jenderal Pajak'. Accessed 23 January, [https://id.wikipedia.org/wiki/Direktorat\\_Jenderal\\_Pajak](https://id.wikipedia.org/wiki/Direktorat_Jenderal_Pajak).
- Wurth, Elea, and Valerie Braithwaite. 2016. 'Tax Practitioners and Tax Avoidance: Gaming through Authorities, Cultures and Markets.' *RegNet Research Paper, No. 119*, School of Regulation and Global Governance (RegNet). Canberra: Australian National University. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2848567](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2848567)
- Yitzhaki, Shlomo. 1974. 'Income Tax Evasion: A Theoretical Analysis.' *Journal of Public Economics* 3 (2): 201–202.
- Zikmund, William G. 2003. *Business Research Methods*. 7th ed. Cincinnati, OH: Thomson/South-Western.

Every reasonable effort has been made to acknowledge the owners of copyright material. I would be pleased to hear from any copyright owner who has been omitted or incorrectly acknowledged.

## APPENDICES

### APPENDIX A: Additional Findings

#### PERCEPTION TOWARDS TAX SYSTEM AND ADMINISTRATION

##### 1. Survey Findings

To gain a general view of tax consultants about the current tax system and administration, respondents were asked to give their perceptions about eight items. Table A1.1 summarises the participant's perceptions about each item. Approximately 40% of respondents agreed that tax rules and regulations currently in place are sufficiently comprehensive (PTS\_2), information technology implemented has been effective (PTS\_6) and anti-abuse rules have been able to prevent tax avoidance and evasion (PTS\_8). Around 35% of respondents also acknowledged that international cooperation has been effectively implemented, though 48.8% of respondents were in a neutral position (PTS\_7). Interestingly, regarding the issue of human resources, for both items, namely professionalism (PTS\_4) and responsiveness (PTS\_5), respondents were almost equally divided among those who agreed, disagreed and were neutral. While 48.8% of respondents stated that the current tax system has not assured fairness (PTS\_1), almost 80% of respondents acknowledged that grey areas are still huge (PTS\_3).

Table A1.1: Perceptions of Tax System and Administration

Item	Statement	Mean	Mode	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
PTS_1	The current tax system in Indonesia assures fairness for all taxpayers.	2.67	2.00	.86	147 48.8%	94 31.2%	60 19.9%
PTS_2	In my view, the prevailing tax rules and regulations are sufficiently comprehensive.	3.12	4.00	.87	80 26.6%	98 32.6%	123 40.9%
PTS_3	There are still many grey areas in the tax rules and regulations.	2.11	2.00	.71	239 79.4%	48 15.9%	14 4.7%
PTS_4	In general, tax officers have sufficient capability and professionalism to handle taxation issues.	3.04	4.00	.93	104 34.6%	83 27.6%	114 37.9%
PTS_5	The tax office is very responsive to any concern about taxation issues raised by taxpayers.	3.01	4.00	.88	105 34.9%	85 28.2%	111 36.9%
PTS_6	Sophisticated technology has been used by the tax office to trace taxpayers' transactions.	3.17	4.00	.94	82 27.2%	87 28.9%	132 43.9%
PTS_7	International cooperation through tax treaty and other means has been effectively implemented by the tax administration.	3.17	3.00	.75	56 18.6%	141 46.8%	104 34.6%
PTS_8	Anti-tax avoidance rules promulgated in the tax laws have effectively prevented tax avoidance and evasion.	3.26	4.00	.82	58 19.3%	113 37.5%	130 43.2%
<b>PTS</b>	-	<b>2.94</b>	<b>3.38</b>	<b>0.85</b>			

## 2. Interview Findings

During the interviews, participants were also requested to provide their views on the current tax system and administration. These views were intended to explain more of the findings from the survey. More specifically, issues related to the tax system raised were fairness and comprehensiveness of tax regulations, while those related to tax administration were human resources and information technology. In addition, the issue related to international cooperation was discussed.

Regarding the fairness issue, as shown in Table A1.2, some participants considered that the tax system in place has been great since a self-assessment system has been adopted and tax laws have been perfected several times. Others stated that the laws have been fair since all stakeholders were involved at the time tax laws were designed.

Table A1.2: Fairness of Tax Laws and Regulations—Positive Views

Sub-Theme	Quotations
Positive views	‘Our tax system has been great and modern since 1983. We are heading to the principle of self-assessment system.’ (RS-001, level C, M, Director)
	‘Tax regulations have been perfected several times and the adoption of self-assessment system has started since 1983. This means that it has been quite long time with continuing improvements making the openness, and the equality of rights and obligations between tax authority and taxpayers much better.’ (RS-004, level C, M, Partner)
	‘In my view, from the perspective tax laws and regulation, it has been fair. It has been representative because the tax subject and object have been clearly defined. There are exemptions which have been regulated by lower regulations. I can say this because when tax laws were designed ... all stakeholders were involved ... business chamber, taxpayers, academician as well as the DGT officers.’ (RS-010, level C, M, Owner)

However, most participants seemed to believe that tax regulations in Indonesia have not yet been reflected fairness. Some participants argued that an excessive number of tax regulations has caused considerable confusion and reduced law certainty for taxpayers. Others stated that the current laws have favoured the government more since the draft was prepared by the government. Others highlighted that the unfairness is not in the law itself but in the implementation processes. Table A1.3 enlists some quotations on these views.

Table A1.3: Fairness of Tax Laws and Regulations—Negative Views

Sub-Theme	Quotations
Negative views	‘I considered the law enforcement process was still unfair ... there are excessive number of regulations resulting in no law certainty for the taxpayers. In addition, too many kinds of taxes administered by so many different institutions have made a considerable confusion for the taxpayers.’ (RS-007, level C, M, Owner)
	‘Because the draft was made by the government, it puts more weight on the government ... it seems just to make the job of the government easier ... if necessary, principles may be breached. Lastly, we requested a judicial review on Government Regulation No. 74, which I heard ... it can be granted.’ (RS-008, level C, M, Partner)
	‘In my view, the unfairness did not lay on the law itself ... but I highlighted the implementation of the laws. There should be training for both Tax Auditor and Account Representative, which can lead them to have the same view on the rationales for issuance and the objectives of a tax regulation. The second, there should be rulings openly issued by the DGT to close the loopholes in the grey area to create a law certainty for taxpayers.’ (RS-009, level C, M, Partner)

Further, a participant gave attention to the implementation of the self-assessment system. The participant was of the view that a high tax compliance with mutual trust between taxpayers and the DGT is a prerequisite for the successful implementation of the system. Currently, the self-assessment system in place is only a name because there is no trust between the tax authority and taxpayers, as shown in the quotation below:

In fact, the major tax reform in 1984 has emphasised the implementation self-assessment system. In my view, this is where the mismatch lays because the self-assessment system required a high tax compliance ... What is happening now is that self-assessment is only in theory. The DGT focused more on big taxpayers. Consequently, there was no trust among each other. There should be trust between the DGT and taxpayers in a self-assessment system. ... they distrusted each other making self-assessment diluted ... up to this time ... self-assessment has been only a name. (RS-008, level C, M, Partner)

Table A1.4 below shows participants’ views on the comprehensiveness of the current tax laws and regulations. The participants considered that lower regulations have been sufficiently introduced to explain more what is stipulated in the laws. Many loopholes have also been closed by the implementation of general anti-abuse rules stipulated in Article 18 of the Income Tax Law.

Table A1.4: Comprehensiveness of Tax Laws and Regulations—Positive Views

Sub-Theme	Quotations
Positive views	‘In my view ... the general anti-avoidance rules have been sufficiently good. In particular, Article 18 of the GTP Law has closed many loopholes in the Indonesian regulations.’ (RS-004, level C, M, Partner)
	‘Tax Laws are indeed simple ... containing only principle rules .... However, there are lower regulations as the implementing regulations.’ (RS-006, level B, M, Owner)
	‘I think ... all has been relatively detailed ... implementing regulations ... the procedure on how to calculate, report, pay taxes, submit an objection, a cancellation up until an appeal and a judicial review has been comprehensive and good.’ (RS-007, level C, M, Owner)

Nevertheless, as shown on Table A1.5 below, other participants viewed that the implementation of regulations in relation to Article 18, in particular, has not been sufficiently detailed. Others highlighted the capacity of both law designer and legislator who have been considered incompetent, making the laws neither comprehensive nor systematic. Loopholes in existence are also still considered significant, causing taxpayers hesitance to implement the regulations accordingly.

Table A1.5: Comprehensiveness of Tax Laws and Regulations—Negative Views

Sub-Theme	Quotations
Negative views	‘Article 18 of the GTP Law is an instrument or an authority given to the DGT to prevent and combat tax avoidance. However, this regulation has not been further elucidated into lower regulations to be more detailed. As a result, taxpayers do not realise that the DGT has this authority ... so there is a need for more detailed regulations.’ (RS-005, level B, M, Manager)
	‘It is not comprehensive at all ... this is because the ones who made changes were incompetent ... brought to the parliament, who was also incompetent. When there was a public hearing, I was almost always invited to the hearing ... sometimes I represented the business chamber or tax consultants ... but the voice of society was not heard ... it was only a drama ... our voice was heard but disregarded. As a result, the laws are no longer systematic. The ones who designed the laws also did not understand terms ... the terms collided with each other ... suddenly a new term emerged.’ (RS-008, level C, M, Partner)
	‘I observed that there are some regulations that still have loopholes causing taxpayers hesitance to implement those regulations. This has sometimes created difficulties for taxpayers ... meaning that the current laws should be elucidated in lower regulations and be synchronised with other laws. There are sometimes missing links among the regulations.’ (RS-009, level C, M, Partner)

It is also interesting that a participant raised an issue about the relation between tax laws and other laws. The participant stated that tax law is a specialised law so that the coverage

was limited. This has also caused some mismatches among the laws. Therefore, a harmonisation between tax laws and other laws is important, as in the quotation below.

Because tax laws are specialised laws ... sometimes there are some mismatches with other laws such as Laws on Limited Corporation, Laws on Treasury, Criminal Code, and Civil Code. Today, there is a need for harmonisation not only related to all regulations within the tax authority but also with other laws. This harmonisation will create more law certainty for taxpayers.’ (RS-010, level C, M, Owner)

In terms of human resources, most participants seemed to agree that the human resources working at the DGT have been recruited through a strict and transparent process. As a result, the quality of human resources was considered reliable since all level of tax officers have provided taxation services very well. Table A1.6 below reflects these views.

Table A1.6: Human Resources—Positive Views

Sub-Theme	Quotations
Positive views	‘I think the quality of human resources at the DGT has been very good considering a tight recruitment scheme both from state-managed college and general universities. The recruitment processes have been transparent making the possibility of fraud very unlikely.’ (RS-004, level C, M, Partner)
	‘The human resources have been sufficiently good with a tight recruitment procedure though their performance can still be improved.’ (RS-005, level B, M, Manager)
	‘The distribution of human resources has been good both in terms of quantity and quality. They approached taxpayers as partners just like tax consultants to their clients. When there was a problem, taxpayers could talk to a higher rank of officer such as section chief and the officer provided appropriate information. At a higher level, Head of Tax Office has also been good.’ (RS-007, level C, M, Owner)

Some participants, however, still considered that the distribution of tax officers should be altered in that the proportion of tax auditors should be the biggest component compared with others, as in many other countries. The professionalism of account representatives has also become a concern since they now serve as the front door of the DGT. Moreover, more education and training about other matters than taxation should be given to tax officers. These views are reflected in the quotations below.

Table A1.7: Human Resources—Negative Views

Sub-Theme	Quotations
Negative views	‘The distribution is not appropriate ... too many at the back office than auditor. In fact, most countries have auditors more than the others ... the others were only supporting.’ (RS-001, level C, M, Director)
	‘I saw ... lately ... the Account Representative (AR) is less professional. They should master all aspects of taxation but sometimes they do not. Now,

	everything must go through one door which is AR ... they should know everything then.' (RS-002, level B, F, Owner)
	'In my view, the DGT officers still need more technical training ... not only about taxation but also other matters such as business practices and the like.' (RS-004, level C, M, Partner)

Another participant emphasised the need to increase the number of tax officers since the ratio between tax officers and taxpayers was considered still to be very low compared with that of other countries. Their performance could also be improved if there is a strong leadership and conducive environment, as explained in the quotation below:

The ideal number of tax officer is around 60,000 ... if we compared with that of other countries. In my view, the current human resources can be optimised with a strong leadership, organisation independency and no intervention from other institutions. These will make them work comfortably to obtain the objectives of the organisation. (RS-010, level C, M, Owner)

Regarding information technology implemented by the DGT, some participants viewed that it has been considerably improved resulting in a good handling of tax returns submission as in a quotation below.

In regard with infrastructure, the information technology at the DGT has been improved considerably. It is good for processing tax returns and the like. (RS-007, level C, M, Owner)

However, most of the participants considered that the information technology system has been a big challenge for the DGT. It has not yet been effectively used to manage taxpayer data to support the achievement of an appropriate tax revenue. This might be because the system has been unnecessary changed from time to time, causing considerable data redundancy. The quotations below show the participants' views on this issue.

Table A1.8: Information Technology—Negative Views

Sub-Theme	Quotations
Negative views	'Information technology is a big problem. The DGT has an opportunity to manage considerable data submitted by taxpayer each month but due to the IT problem the data could not be used properly to generate appropriate national income.' (RS-005, level B, M, Manager)
	'Regarding the IT system ... it has been changed all the time. When the director was changed a new IT [information technology] system was introduced. As a consequence, many data were duplicated, redundant. Spaces were created ... recording was repeated resulting in a very heavy load to the system. Therefore, data cleansing is necessary and duplication should be avoided. In addition, IT is not only about hardware, an effective software is necessary to be implemented enabling the creation of a strong database.' (RS-010, level C, M, Owner)

In relation to international issues, the participants seemed to focus on the implementation of a tax treaty or double taxation agreement<sup>37</sup> between the Government of Indonesia and other countries. In general, participants viewed that international cooperation that has been undertaken by the DGT has been good, as in the quotation below:

International cooperation has been great, we as practitioners working outside the DGT knew that DGT officers have been good.’ (RS-001, level C, M, Director)

However, other participants were of the view that a tax treaty should be further elucidated in lower regulations for tax consultants and taxpayers to easily understand the contents. The participants also stated that the implementation of other aspects of a tax treaty still needs to be improved. In addition, the division of the DGT managing international affairs has also become a concern of participants. The quotations below show participants’ views on this issue.

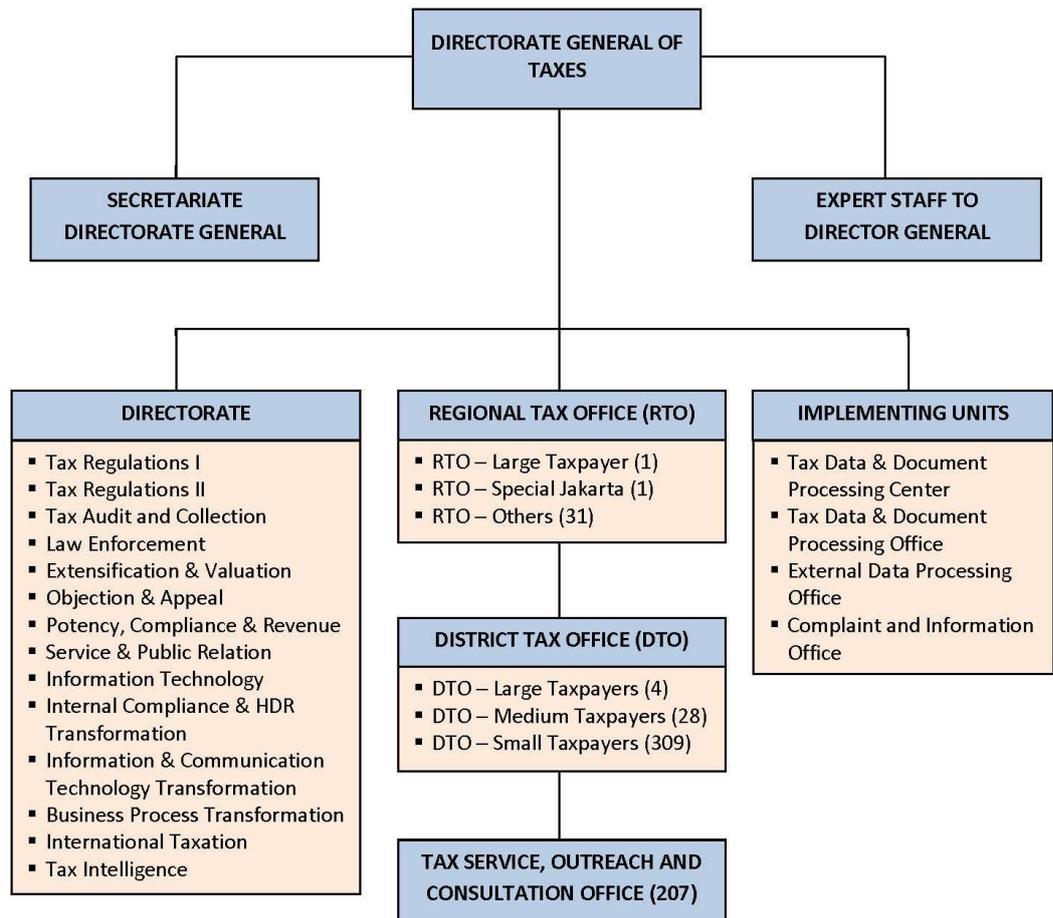
Table A1.9: International Issue—Negative Views

Sub-Theme	Quotations
Negative views	‘Sometimes I do not understand when reading tax treaty ...it is not clear because it contains only general rules. I do not ‘click’ to read the tax treaty because there are no further implementing regulations ... the elucidation is limited.’ (RS-002, level B, F, Owner)
	‘I think the implementation of a tax treaty is still very limited as the DGT relied only on the Certificate of Domicile. From the DGT perspective, it might be a protection against tax abusive practices but for taxpayers, this has become a constraint when the formality was implemented rigidly. In fact, there are some other mechanisms such as exchange of information and the like which I think still need to be improved.’ (RS-004, level C, M, Partner)
	‘Unfortunately, international affairs have been marginalised, only managed by sub-directorate. Last time, there was a directorate managing the affairs. I do not know why it is marginalised ... as a result, taxpayers can feel that the response from the DGT was slow in regard to, for example, advanced pricing arrangements.’ (RS-001, level C, M, Director)

<sup>37</sup> The double taxation agreement is an agreement between the Government of Indonesia and other countries on the elimination of double taxation and the prevention of fiscal evasion and avoidance.

## APPENDIX B: Organisational Structure of the Directorate General of Taxes

### ORGANISATIONAL STRUCTURE OF DIRECTORATE GENERAL OF TAXES



Source: Directorate General of Taxes, Annual Report 2015 (modified)

## APPENDIX C: Pilot Study Evaluation Sheet (Indonesian and English Versions)



**CURTIN BUSINESS SCHOOL**  
 GPO Box U1987 Perth, Western Australia 6845  
 Phone: +61 8 9266 7796 or +61 8 9266 7756  
 Fax No: +61 8 9266 3026

### LEMBAR EVALUASI PILOT STUDY PERAN KONSULTAN PAJAK PROFESIONAL DALAM SISTEM PERPAJAKAN INDONESIA

I. Waktu yang Bapak/Ibu perlukan untuk menyelesaikan semua pertanyaan: \_\_\_\_\_ menit

II. Mekanisme penyampaian dan pengumpulan kuesioner yang paling cocok menurut Bapak/Ibu:

- Online menggunakan web-based survey
- File kuesioner dikirim dan dikumpulkan kembali via email
- Manual menggunakan kertas kuesioner dikirim per-pos dengan amplop balasan berperangko

III. Pendapat terkait pertanyaan-pertanyaan dalam kuesioner

Mohon untuk bagian berikut Bapak/Ibu dapat memberikan pendapat atas pertanyaan pada kuesioner dengan memilih salah satu jawaban yang tersedia di kolom sebelah kanan.

NO	PERNYATAAN	SKALA				
		Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
1.	Petunjuk pengisian kuesioner jelas dan lengkap	○	○	○	○	○
2.	Bahasa yang digunakan mudah dimengerti	○	○	○	○	○
3.	Pertanyaan mudah dijawab atau direspon	○	○	○	○	○
4.	Layout dan huruf yang digunakan jelas dan efektif	○	○	○	○	○

NO	PERTANYAAN	JAWABAN	
		Ya	Tidak
5.	Apakah ada pertanyaan yang membingungkan atau ambigu?	○	○
6.	Apakah ada pertanyaan yang sensitif?	○	○
7.	Apakah ada topik besar atau penting lain yang belum tercakup dalam pertanyaan?	○	○

Apabila Bapak/Ibu menjawab "Ya" untuk salah satu atau seluruh pertanyaan nomor 5, 6 dan 7, mohon dituliskan kuesioner bagian mana dan nomor berapa, beserta penjelasannya pada kolom di bawah ini:

IV. Saran/Pendapat/Tanggapan lainnya

Jika Bapak/Ibu memiliki saran, pendapat atau tanggapan lainnya, silakan diisikan pada kolom di bawah ini.

----- SELESAI – TERIMA KASIH -----

**PILOT STUDY EVALUATION SHEET  
 THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM**

**I. The amount of time for you to answer all questions in the questionnaire: \_\_\_\_\_ minute**

**II. The most appropriate way to deliver and collect the questionnaire:**

- Online through a web-based survey
- Questionnaire file is sent and collected via email
- Using paper questionnaire sent via post office with a return paid stamp envelope

**III. View on questions in the questionnaire:**

For the following section, please provide your views by choosing the most appropriate answer available in the right side column.

NO	STATEMENT	SCALE				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Instructions are clear and complete	○	○	○	○	○
2.	Language used is easily understood	○	○	○	○	○
3.	Questions are easy to respond	○	○	○	○	○
4.	Layout and fonts used are clear and effective	○	○	○	○	○

NO	QUESTION	ANSWER	
		Yes	No
5.	Is there any confusing question?	○	○
6.	Is there any sensitive question?	○	○
7.	Is there any other important topic which should be included in the questionnaire?	○	○

If you tick 'Yes' for one or all questions no. 5, 6 and 7, please provide the related question and section in the questionnaire and give an appropriate comment in the column below:

**IV. Other comment or suggestion**

If you have any other comment or suggestion, please write it down in the column below.

----- END – THANK YOU -----

## APPENDIX D: Pre-Notification Letter of Survey (Indonesian and English Versions)

Yth. Bapak/Ibu Konsultan Pajak  
Di  
Tempat

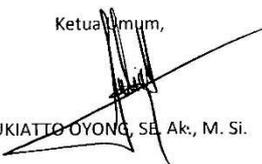
Dengan ini disampaikan bahwa mulai tanggal 1 Juli 2014 pada website IKPI akan ditautkan sebuah survey penelitian penting mengenai *"Peran Konsultan Pajak Profesional dalam Sistem Perpajakan Indonesia"*. Penelitian tersebut dilakukan oleh Sdr. Ahmad Komara, mahasiswa doktoral dari Curtin University, Perth, Australia. Sehubungan dengan hal tersebut, perlu kiranya disampaikan beberapa hal sebagai berikut:

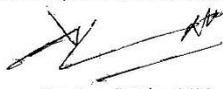
1. Profesi konsultan pajak di Indonesia telah berkiprah sejak lebih dari 40 tahun yang silam. Namun demikian, sampai dengan saat ini belum pernah dilakukan penelitian yang komprehensif dan mendalam tentang hal tersebut. Oleh karena itu, penelitian di atas memiliki nilai strategis tidak saja terhadap dunia pengetahuan tetapi juga terhadap profesi konsultan pajak di Indonesia;
2. Penelitian ini melibatkan seluruh konsultan pajak profesional (bersertifikat) di Indonesia dan akan dilakukan dengan beberapa metode, yang salah satu diantaranya adalah melalui kuesioner yang akan tersedia untuk diikuti baik secara *online* maupun *offline*. Tautan atau link untuk mengikuti survey melalui kuesioner tersebut akan diletakkan pada website IKPI ([www.ikpi.or.id](http://www.ikpi.or.id)) mulai 1 Juli 2014;
3. Dalam rangka menghindari keikutsertaan dari pihak yang bukan subjek penelitian (bukan konsultan pajak profesional), maka akses terhadap kuesioner tersebut memerlukan *password* tertentu yang akan diberikan di bagian bawah surat ini;
4. Di samping itu, untuk menjaga kehandalan dan validitas penelitian, peserta penelitian diharapkan hanya menggunakan salah satu cara saja dalam mengisi kuesioner penelitian, yakni *online* atau *offline* dan tidak menggunakan dua-duanya. Dalam hal Bapak/Ibu memilih cara *online*, maka Bapak/Ibu dapat langsung mengisi kuesioner yang tersedia secara *online*. Apabila Bapak/Ibu memilih *offline*, maka Bapak/Ibu perlu mengunduh file kuesioner terlebih dahulu melalui *link* yang tersedia, kemudian mengisi dan mengirimkannya via email ke Sekretariat IKPI ([sekretariat1@ikpi.or.id](mailto:sekretariat1@ikpi.or.id)), Jakarta.
5. Keikutsertaan dalam penelitian ini bersifat anonim sehingga Bapak/Ibu tidak diharuskan untuk memberikan identitas apapun. Untuk itu, Bapak/Ibu dapat memberikan pendapat dalam kuesioner tersebut secara bebas sesuai dengan situasi, kondisi, serta pengalaman yang dirasakan sendiri.

Mengingat pentingnya penelitian tersebut, khususnya bagi profesi konsultan pajak di Indonesia, dengan ini dimohon bantuan agar Bapak/Ibu dapat kiranya meluangkan waktu untuk ikut berpartisipasi mengisi kuesioner penelitian dimaksud.

Demikian disampaikan, atas kerjasama yang baik dan partisipasi Bapak/Ibu dalam penelitian di atas, diucapkan banyak terima kasih.

**Password:** 1a2b3c4d

Ketua Umum,  
  
SUKIATTO OYONG, SE, Ak., M. Si.

Ketua Dept. Pembinaan Anggota  
  
Drs. Suradi Toha, MM

Dear Professional Tax Consultants,

This is to inform you that starting July 1<sup>st</sup>, 2014 on the IKPI website will be put a link to an important research survey on "The Role of Professional Tax Consultants in the Indonesian Tax System". The research was conducted by Mr. Ahmad Komara, a doctoral student from Curtin University, Perth, Australia. In connection with this, it should be conveyed several things as follows:

1. Tax consultant profession in Indonesia has involved in the tax system since more than 40 years ago. However, until now there has never been a comprehensive and in-depth study of it. Therefore, the above research has strategic value not only to the world of knowledge but also to the profession of tax consultant in Indonesia;
2. This research involves all professional tax consultants (certified) in Indonesia and will be conducted with several methods, one of which is through questionnaires that will be available to be filled out either online or offline. A link to participate the survey through the questionnaire will be posted on the IKPI website ([www.ikpi.or.id](http://www.ikpi.or.id)) starting July 1<sup>st</sup>, 2014;
3. In order to avoid the participation of non-research subjects (not professional tax consultants), access to the questionnaire requires a certain password to be provided at the bottom of this letter;
4. In addition, to maintain the reliability and validity of the research, study participants are expected to use only one way in filling out the research questionnaire, i.e. online or offline and do not use both. In the case of choosing an online way, you can directly fill in the questionnaire that is available online. If you choose offline, then you need to download the questionnaire file first through the available link, then fill it in and send it via email to IKPI Secretariat ([secretariat1@ikpi.or.id](mailto:secretariat1@ikpi.or.id)), Jakarta.
5. Participation in this study is anonymous so that you are not required to provide any identity. Therefore, you can provide opinions in the questionnaire freely in accordance with your own situation, conditions, and experience.

Given the importance of the research, especially for the tax consultant profession in Indonesia, you are kindly requested to share some time to participate by filling out the research questionnaire.

Thank you very much for your kind cooperation and participation.

Password: 1a2b3c4d

Sincerely,

*Signed*

Sukiatto Oyong, SE., Ak., M.Si.  
President

*Signed*

Drs. Suradi Toha, MM.  
Head of Member Development Division

## APPENDIX E: Appearance of Survey Link on IKPI Website



## APPENDIX F: Survey with Cover Sheet (Indonesian Version)



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

### Peran Konsultan Pajak Profesional Dalam Sistem Perpajakan Indonesia

Yth. Bapak/Ibu Konsultan Pajak

Di Indonesia, konsultan pajak telah berkiprah sejak lebih dari 40 tahun yang lalu. Meskipun demikian, sejauh ini belum ada penelitian yang dilakukan secara komprehensif dan mendalam mengenai peran konsultan pajak dimaksud dalam sistem perpajakan di Indonesia. Penelitian ini dimaksudkan untuk meninjau peran penting konsultan pajak dalam sistem perpajakan di Indonesia. Selain itu, penelitian ini juga bertujuan untuk mengetahui faktor-faktor yang mempengaruhi konsultan pajak dalam memberikan rekomendasi kepada para kliennya. Penelitian yang kami lakukan ini merupakan bagian dari program penelitian doktoral dari Curtin Business School, Curtin University, Perth, Western Australia.

Untuk keperluan tersebut, dengan ini dimohon bantuan Bapak/Ibu untuk dapat kiranya mengisi kuesioner terlampir\*. Waktu yang dibutuhkan untuk mengisi kuesioner tersebut kira-kira tiga puluh menit. Partisipasi Bapak/Ibu dalam penelitian ini merupakan kontribusi yang besar tidak hanya terhadap ilmu pengetahuan tetapi juga terhadap profesi konsultan pajak dan pemerintah Indonesia, khususnya dalam menyempurnakan kebijakan terkait konsultan pajak dan meningkatkan kepatuhan Wajib Pajak. Keikutsertaan dalam penelitian ini bersifat sukarela dan anonim kecuali bagi mereka yang dengan sukarela bersedia mengikuti sesi wawancara. Di samping itu, informasi dan data yang diperoleh dari survei ini bersifat rahasia serta akan digunakan semata-mata untuk kepentingan penelitian ini.

Apabila Bapak/Ibu memiliki pertanyaan terkait penelitian ini, silakan menghubungi saya melalui email [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) atau telepon di nomor +61416607070 (Australia) atau +6281289976688 (Indonesia).

Perlu disampaikan pula bahwa penelitian ini telah mendapatkan persetujuan dari *Curtin University Human Research Ethics Committee* dengan surat persetujuan tertanggal 10-04-2014. Apabila Bapak/Ibu memerlukan klarifikasi, silakan menghubungi *Secretary, Curtin University Human Research Ethics Committee, Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845*.

Setelah Bapak/Ibu membaca keterangan ini, silakan mengisi seluruh pertanyaan dalam kuesioner secara offline, setelah selesai silakan disimpan (*save*) kemudian kirimkan file yang sudah diisi tersebut melalui email ke [sekretariat1@ikpi.or.id](mailto:sekretariat1@ikpi.or.id) untuk proses selanjutnya.

Atas kerjasama yang baik dan partisipasi Bapak/Ibu dalam penelitian ini kami ucapkan terima kasih yang tak terhingga.

Hormat kami,

AHMAD KOMARA  
PhD Research Student  
Curtin Business School  
Curtin University  
Perth, Western Australia

*\* Perlu kami sampaikan bahwa tidak ada jawaban yang benar atau salah atas pertanyaan dalam kuesioner ini. Kuesioner ini pun tidak dimaksudkan untuk menguji kemampuan dari Bapak/Ibu konsultan pajak. Untuk itu, kami mohon dengan sangat kepada Bapak/Ibu untuk dapat kiranya mengisi kuesioner terlampir dengan sepenuh hati sesuai dengan situasi, kondisi, pengalaman dan pendapat pribadi serta terbebas dari pengaruh apapun atau siapapun sehingga validitas penelitian ini dapat terjaga dengan baik.*

## PETUNJUK UMUM

Kuesioner ini terdiri dari 4 bagian. Masing masing bagian memiliki substansi dan pola pertanyaan yang berbeda. Untuk itu, dimohon agar petunjuk masing-masing bagian dibaca terlebih dahulu dengan seksama sebelum menjawab pertanyaan. Selain itu, dimohon juga Bapak/Ibu dapat memberikan jawaban yang sesuai dengan situasi, kondisi, pengalaman dan pendapat pribadi masing-masing dan terbebas dari pengaruh siapapun. Hal ini sangat penting untuk menjaga validitas dari penelitian ini. Terima kasih.

### BAGIAN I INFORMASI PERSONAL

Berikut adalah pertanyaan yang menyangkut informasi personal. Mohon setiap pertanyaan berikut dijawab dengan cara memberikan tanda conteng (✓) pada kotak yang tersedia. Apabila Bapak/Ibu memilih jawaban "Lainnya", mohon diberikan penjelasan singkat pada tempat yang telah disediakan.

1. Usia
  - 18 – 24 tahun
  - 25 – 39 tahun
  - 40 – 55 tahun
  - > 55 tahun
  
2. Jenis kelamin
  - Perempuan
  - Laki-laki
  
3. Sertifikat konsultan pajak yang dimiliki terakhir
  - Sertifikat A atau yang setara
  - Sertifikat B atau yang setara
  - Sertifikat C atau yang setara
  
4. Pendidikan tertinggi
  - Sarjana
  - Magister
  - Doktor
  - Lainnya :
  
5. Latar belakang utama pendidikan
  - Ekonomi & bisnis (termasuk akuntansi, manajemen, dan keuangan)
  - Hukum
  - Sosial Politik
  - Ilmu Administrasi
  - Lainnya :
  
6. Posisi atau jabatan saat ini
  - Staf/Anggota Tim
  - Supervisor/Ketua Tim
  - Manajer
  - Partner
  - Pemilik/Owner
  - Lainnya :

7. Berapa banyak kantor cabang yang dimiliki perusahaan anda saat ini?
  - < 5
  - 5 – 10
  - 11 – 25
  - > 25
  
8. Berapa banyak pegawai yang bekerja pada perusahaan anda termasuk anda sendiri?
  - < 10
  - 10 – 25
  - 26 – 50
  - 51 – 100
  - > 100
  
9. Berapa lama kira-kira anda telah berprofesi sebagai konsultan pajak?
  - < 5 tahun
  - 5 – 10 tahun
  - 11 – 20 tahun
  - > 20 tahun
  
10. Berapa lama kira-kira anda telah bekerja pada perusahaan atau kantor konsultan pajak saat ini?
  - < 5 tahun
  - 5 – 10 tahun
  - 11 – 20 tahun
  - > 20 tahun

#### **BAGIAN II PENGALAMAN PROFESI**

Berikut adalah pertanyaan yang terkait dengan pengalaman profesi. Mohon setiap pertanyaan berikut dijawab dengan cara memberikan tanda centang (v) pada kotak yang tersedia. Apabila Bapak/Ibu memilih jawaban "Lainnya", mohon kiranya diberikan penjelasan singkat pada tempat yang telah disediakan.

1. Selama ini pernahkah anda berpindah tempat bekerja sebagai konsultan pajak?
  - Ya
  - Tidak silakan lanjut ke pertanyaan no. 4
  
2. Berapa kali anda pernah berpindah tempat bekerja termasuk yang saat ini?
  - < 3 kali
  - 3 – 5 kali
  - > 5 kali
  
3. Apa yang menjadi alasan utama anda berpindah tempat bekerja?
  - Kompensasi kurang baik
  - Lingkungan bekerja kurang nyaman
  - Karakteristik klien tidak sesuai harapan
  - Integritas pimpinan atau rekan kerja dipertanyakan
  - Kurang kondusif untuk pengembangan diri
  - Lainnya:
  
4. Pernahkan anda memberikan pelayanan perpajakan kepada Wajib Pajak (WP) Orang Pribadi?
  - Ya
  - Tidak silakan lanjut ke pertanyaan no. 6

5. Berapa kira-kira jumlah WP Orang Pribadi yang pernah menjadi klien anda termasuk yang sekarang?
- < 5
  - 5 – 10
  - 11 – 20
  - 21 – 50
  - > 50
6. Pernahkan anda memberikan pelayanan perpajakan kepada Wajib Pajak Badan?
- Ya
  - Tidak silakan lanjut ke pertanyaan no. 8
7. Berapa kira-kira jumlah WP Badan yang pernah menjadi klien anda termasuk yang sekarang?
- < 5
  - 5 – 10
  - 11 – 20
  - 21 – 50
  - > 50
8. Apakah jenis pelayanan perpajakan yang paling sering anda berikan kepada klien?
- Pemberian informasi ketentuan perpajakan saja
  - Pengurusan NPWP dan atau Surat Pengukuhan Sebagai PKP
  - Penyusunan Surat Pemberitahuan (SPT)
  - Himbauan dan konseling
  - Pemeriksaan atau penyidikan
  - Keberatan
  - Banding
  - Lainnya:
9. Pernahkan anda menangani kasus keberatan?
- Ya
  - Tidak silakan lanjut ke pertanyaan no.11
10. Berapa kira-kira persentase jumlah kasus keberatan yang anda tangani diputuskan oleh DJP diterima seluruhnya atau diterima sebagian?
- < 10 %
  - 10 – 25 %
  - 26 – 50 %
  - 51 – 75 %
  - 76 – 100 %
11. Pernahkan anda menangani kasus banding di Pengadilan Pajak?
- Ya
  - Tidak silakan lanjut ke pertanyaan no.13
12. Berapa kira-kira persentase jumlah kasus banding yang anda tangani diputuskan oleh Pengadilan Pajak dikabulkan seluruhnya atau sebagian?
- < 10 %
  - 10 – 25 %
  - 26 – 50 %
  - 51 – 75 %
  - 76 – 100 %

13. Pernahkah anda membantu klien melakukan perencanaan pajak?
- Ya
- Tidak silakan lanjut ke pertanyaan no.15
14. Jenis pajak apakah yang paling sering diminta oleh klien untuk dilakukan perencanaan pajaknya?
- Pajak Penghasilan (PPh) Orang Pribadi
- PPh Badan
- PPh Pasal 21
- PPh Pasal 23
- PPh Pasal 26
- Pajak Pertambahan Nilai (PPN)
- Lainnya:
15. Apakah yang menjadi dasar utama bagi anda atau perusahaan anda untuk menetapkan biaya jasa konsultan yang dibebankan kepada klien?
- Tarif tertentu per satuan waktu (per menit/jam/hari dst.)
- Jumlah *lump sum* per kasus silakan lanjut ke pertanyaan no. 17
- Persentase tertentu dari nilai kasus yang ditangani silakan lanjut ke pertanyaan no. 18
- Tidak tahu
- Lainnya:
16. Berapa kira-kira rentang biaya jasa konsultan per jam atau ekuivalen yang dibebankan kepada klien?
- < Rp 1.000.000
- Rp 1.000.000 – Rp 5.000.000
- Rp 5.000.001 – Rp 10.000.000
- Rp 10.000.001 – Rp 25.000.000
- > Rp 25.000.000
17. Berapa kira-kira rentang jumlah *lump sum* biaya jasa konsultan per kasus yang dibebankan kepada klien?
- < Rp 10.000.000
- Rp 10.000.000 – Rp 25.000.000
- Rp 25.000.001 – Rp 50.000.000
- Rp 50.000.001 – Rp 100.000.000
- > Rp 100.000.000
18. Berapa kira-kira rentang persentase biaya jasa konsultan dari nilai kasus yang ditangani yang dibebankan kepada klien?
- < 5 %
- 5 – 10 %
- 11 – 25 %
- 26 – 50 %
- > 50 %

### **BAGIAN III PENDAPAT TENTANG PERPAJAKAN**

Untuk pernyataan-pernyataan berikut, dimohon Bapak/Ibu dapat memberikan pendapat dengan sepenuh hati. Mohon bubuhkan tanda centang (✓) pada kotak yang tersedia sesuai skalanya.

1. Sistem perpajakan Indonesia saat ini telah memberikan keadilan bagi seluruh Wajib Pajak.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

2. Menurut saya, peraturan perpajakan yang berlaku saat ini cukup komprehensif.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

3. Saya berpendapat masih terdapat banyak *grey area* di dalam peraturan perpajakan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

4. Pemanfaatan *grey area* untuk penghematan pajak menurut saya sesuatu hal yang boleh saja dilakukan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

5. Petugas Direktorat Jenderal Pajak secara umum telah cukup profesional dan mumpuni dalam menangani masalah perpajakan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

6. Direktorat Jenderal Pajak cukup responsif dengan masalah perpajakan yang dihadapi dan disampaikan oleh Wajib Pajak.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

7. Teknologi yang digunakan Direktorat Jenderal Pajak untuk penelusuran transaksi Wajib Pajak menurut saya sudah cukup canggih.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

8. Kerjasama internasional melalui Persetujuan Penghindaran Pajak Berganda (P3B) dan lainnya yang dijalin Direktorat Jenderal Pajak sudah cukup efektif dilaksanakan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

9. Ketentuan perpajakan untuk mencegah penghindaran pajak telah efektif mencegah terjadinya penghindaran dan pengelakan pajak.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

10. Bagi saya, nilai dari kasus pajak yang sedang ditangani merupakan hal yang penting dipertimbangkan saat memberikan rekomendasi kepada klien.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

11. Saya bersedia melakukan apa saja untuk membantu klien dalam menghemat pajaknya.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

12. Saat saya memberikan rekomendasi, jumlah penghematan pajak merupakan hal yang terpenting untuk dipertimbangkan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

13. Tidak penting bagi saya apakah Wajib Pajak akan diperiksa atau tidak setelah melaksanakan rekomendasi saya.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

14. Saya selalu yakin dengan kehandalan rekomendasi yang saya berikan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

15. Jumlah fee yang diberikan klien atas rekomendasi yang saya berikan menurut saya tidak terlalu penting.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

16. Kepentingan klien harus dijaga dengan baik karena berguna untuk pencapaian tujuan kantor saya yang lain, seperti untuk penetrasi pasar.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

17. Pengenaan sanksi perpajakan kepada konsultan pajak apabila memberikan rekomendasi yang salah menurut saya wajar diterapkan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

18. Saya lebih mementingkan kejujuran dan integritas daripada pengenaan sanksi apapun bentuknya.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

19. Konsultan pajak yang merekomendasikan penghindaran atau pengelakan pajak sudah sewajarnya dicabut ijin prakteknya.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

20. Saya lebih suka klien yang berani mengambil resiko atau memiliki sifat *risk taker* dalam bidang perpajakan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

21. Rekomendasi saya tidak akan terpengaruh oleh posisi perpajakan klien, apakah lebih bayar, kurang bayar atau nihil.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

22. Saya atau kantor saya akan membebankan fee yang tinggi kepada klien yang sistem pembukuannya tidak handal.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

23. Keputusan rekomendasi yang saya berikan kepada klien selalu dipengaruhi oleh skala usaha klien tersebut.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

24. Saya sangat berhati-hati apabila ada kemungkinan klien dikenakan sanksi perpajakan akibat rekomendasi saya yang keliru.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

25. Bagi saya, apakah klien merupakan WP Orang Pribadi atau WP Badan tidak ada pengaruhnya terhadap rekomendasi yang saya berikan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

26. Saat memberikan rekomendasi kepada klien, saya selalu memperhatikan pendapat dari kantor konsultan lain.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

27. Lebih baik memutuskan kontrak kerja dengan klien daripada saya harus memberikan rekomendasi yang melanggar ketentuan perpajakan.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

28. Menurut saya, hal yang wajar apabila Wajib Pajak yang menjadi klien saya selalu ingin menghindari pajak.

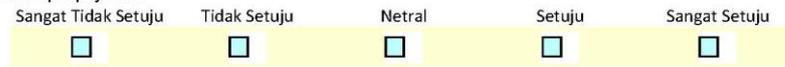
Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

29. Sebagai konsultan pajak, saya merasa bertanggung jawab untuk ikut serta meningkatkan kepatuhan Wajib Pajak.

Sangat Tidak Setuju	Tidak Setuju	Netral	Setuju	Sangat Setuju
<input type="checkbox"/>				

30. Saya akan menuruti permintaan klien yang loyal kepada kantor saya meskipun kadang-kadang melanggar ketentuan perpajakan.

Sangat Tidak Setuju      Tidak Setuju      Netral      Setuju      Sangat Setuju



#### BAGIAN IV SESI WAWANCARA

Sebagai bagian dari penelitian ini, wawancara pendalaman (*in-depth interview*) akan diselenggarakan pada waktu dan tempat yang akan ditentukan kemudian oleh peneliti dan partisipan. Untuk keperluan tersebut, apakah Bapak/Ibu bersedia untuk berpartisipasi dalam sesi wawancara:

- Ya      Mohon dituliskan alamat Bapak/Ibu yang bisa dihubungi  
(Telepon atau email):
- Tidak

----- SELESAI -----  
TERIMA KASIH

## APPENDIX G: Survey with Cover Sheet (English Version)



**CURTIN BUSINESS SCHOOL**  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

### SURVEY OF THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM

Dear Professional Tax Consultants,

This study is a part of doctoral research programs of the Curtin Business School, Curtin University, Perth, Western Australia. The aim of this survey is to investigate the major role of professional tax consultants in the Indonesian tax system. It also intends to examine factors affecting professional tax consultants when providing advice to clients.

To that intent, we would like to request your kind assistance to complete the attached questionnaire\*. It takes approximately thirty minutes to complete the questionnaire. Your participation would be a great contribution not only to the body of knowledge but also to the government of Indonesia, especially in designing more appropriate policy towards tax consultants and improving taxpayers compliance. Participation in this survey is voluntary and except for those who are willing to participate in the interview session, anonymous. In addition, information and data gathered from this survey will be kept confidential and used solely for the purpose for this research. We also assure that any individualised information you provide will not be revealed or sent to the Indonesian government or tax authority. Recommendations made for the government will be based on the overall findings of this study.

If you have any further queries about the questionnaire or anything about this research, you may contact me, either via email at [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) or phone at +61416607070 (Australia) and +6181289976688 (Indonesia).

It is also worth to mention that this study has been approved by the Curtin University Human Research Ethics Committee with the approval letter number 10-04-2014. Should you have any concern about this research or need verification of the approval, please contact Secretary, Curtin University Human Research Ethics Committee, Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845.

After reading this information, please click next and start filling out the questionnaire online. After completing the questionnaire please click submit and your responses will be automatically transferred to an online database for further processes.

Thank you very much. Your kind cooperation and willingness to complete the survey are highly appreciated.

Sincerely yours,

Signed.

AHMAD KOMARA  
PhD Research Student  
Curtin Business School  
Curtin University  
Perth, Western Australia

---

\* Please note that there is no right or wrong answer to the questions. We kindly request your willingness to complete the questionnaire sincerely and honestly based on your own views, situation and experience independent from any influence from whosoever or whatsoever, so that the research validity can be maintained.

SURVEY QUESTIONNAIRE  
THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM

## GENERAL INSTRUCTION

This questionnaire consists of 4 parts. Each part has different question substance and type. Please read its respective instruction carefully before answering the questions. In addition, please answer all questions sincerely and honestly according to your own views, circumstances and experience. This is very important to maintain the validity of the research. Thank you.

## PART I PERSONAL INFORMATION

The following are questions regarding your personal information. Please kindly put a tick (✓) in the most appropriate answer available. If you choose "Other", please write a brief explanation in the space provided.

1. Age
  - 18 – 24 year
  - 24 – 39 year
  - 40 – 55 year
  - >55 year
2. Gender
  - Female
  - Male
3. Certificate of Tax Consultant lastly held
  - Certificate A or similar
  - Certificate B or similar
  - Certificate C or similar
4. Highest educational level
  - Bachelor
  - Master
  - Doctor
  - Other: \_\_\_\_\_
5. Major educational background
  - Economics & Business (including accounting, management, and finance)
  - Law
  - Political Science
  - Administrative Science
  - Other: \_\_\_\_\_
6. Current position
  - Staff/Team Member
  - Supervisor/Team Leader
  - Manager
  - Partner
  - Owner
  - Other: \_\_\_\_\_

7. How long have you been in the tax consultant profession?
  - 0 – 5 year
  - 6 – 10 year
  - 11 – 20 year
  - >20 year
8. How long have you become a tax consultant in the current company or tax consultant firm?
  - 0 – 5 year
  - 6 – 10 year
  - 11 – 20 year
  - >20 year
9. How many branches does your firm have now?
  - < 5
  - 6 – 10
  - 11 – 25
  - > 25
10. How many employees are working in your firm including yourself?
  - < 10
  - 10 – 25
  - 26 – 50
  - 51 – 100
  - > 100

#### PART II PROFESSIONAL EXPERIENCE

The following are questions regarding your professional experience. Please kindly put a tick (√) in the most appropriate answer available. If you choose “Other”, please write a brief explanation in the space provided. For questions no. 16 to 19 please fill in with an appropriate amount of rupiah or percentage.

1. Have you ever moved from one tax consultant firm to another?
  - Yes
  - No please go to question no. 4
2. How many times have you moved from one to another tax consultant firm including the current office?
  - < 3 times
  - 3 – 5 times
  - > 5 times
3. What is the main reason for you to move from one to another tax consultant firm?
  - Reward and compensation
  - Working environment
  - Characteristics of clients
  - Integrity of leaders and peers
  - Personal development
  - Other: \_\_\_\_\_
4. Have you ever handled any tax affairs of an individual taxpayer?
  - Yes
  - No please go to question no. 6

5. How many individual taxpayers have become your clients up to this time?
- < 5
  - 5 – 10
  - 11 – 20
  - 21 – 50
  - > 50
6. Have you ever handled any tax affairs of a corporate taxpayer?
- Yes
  - No please go to question no. 8
7. How many corporate taxpayers have become your clients up to this time?
- < 5
  - 5 – 10
  - 11 – 20
  - 21 – 50
  - > 50
8. What is the most frequent tax affair of the clients that you have handled?
- Providing information on tax regulations only
  - Registration of Tax Identification and Taxable Entity Number
  - Tax Returns submission
  - Tax Notification and Counseling
  - Tax Audit or Investigation
  - Objection
  - Appeal
  - Other: \_\_\_\_\_
9. Have you ever handled any tax objection case?
- Yes
  - No please go to question no.11
10. What is the approximate percentage of the objection cases you have handled that were decided by DGT with entirely or party accepted?
- < 10 %
  - 10 – 25 %
  - 26 – 50 %
  - 51 – 75 %
  - 76 – 100 %
11. Have you ever handled any tax appeal case in the Tax Court?
- Yes
  - No please go to question no.13
12. What is the approximate percentage of the appeal cases you have handled that were determined by Tax Court with entirely or party granted?
- < 10 %
  - 10 – 25 %
  - 26 – 50 %
  - 51 – 75 %
  - 76 – 100 %

13. Have you ever requested by clients to undertake a tax planning?  
 Yes  
 No please go to question no.15
14. What type of tax mostly requested by clients for the tax planning?  
 Individual Income Tax  
 Corporate Income Tax  
 Income Tax Article 21  
 Income Tax Article 23  
 Income Tax Article 26  
 Value Added Tax  
 Other: \_\_\_\_\_
15. What is the basis for you or your office to charge a client for your tax services?  
 A rate per time unit (per minute/hour/day etc.)  
 A lump sum amount per case ... please go to question no. 17  
 A percentage from the value of a case handled ... please go to question no. 18  
 I do not know  
 Other: \_\_\_\_\_
16. How much is the approximate range of the tax service fee per time unit charged to the clients?  
 < Rp 1.000.000  
 Rp 1.000.000 – Rp 5.000.000  
 Rp 5.000.001 – Rp 10.000.000  
 Rp 10.000.001 – Rp 25.000.000  
 > Rp 25.000.000
17. How much is the approximate range of the lump sum tax service fee per case charged to the clients?  
 < Rp 10.000.000  
 Rp 10.000.000 – Rp 25.000.000  
 Rp 25.000.001 – Rp 50.000.000  
 Rp 50.000.001 – Rp 100.000.000  
 > Rp 100.000.000
18. How much is the approximate range of the percentage of tax service fee from the value of the case charged to the clients?  
 < 5 %  
 5 – 10 %  
 11 – 25 %  
 26 – 50 %  
 > 50 %

### PART III ATTITUDE TOWARDS TAXATION

The following statements require a sincere opinion from you to answer. Please kindly put a tick (√) in the most appropriate box based on the scale provided.

NO	STATEMENT	SCALE				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	The current tax system in Indonesia assures fairness for all taxpayers.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

2.	In my view, the prevailing tax rules and regulations are sufficiently comprehensive.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
3.	There are still many grey areas in the tax rules and regulations.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
4.	For me, it is acceptable to use grey areas to gain tax saving for clients.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
5.	In general, tax officers have sufficient capability and professionalism to handle taxation issues.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
6.	Tax office is very responsive to any concern about taxation issues raised by taxpayers.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.	Sophisticated technology has been used by tax office to trace down taxpayers' transactions.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.	International cooperation through tax treaty and other means has been effectively implemented by the tax administration.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.	Anti tax avoidance rules promulgated in the tax laws have effectively prevented tax avoidance and evasion.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
10.	The value of the tax case being handled is always considered important when advising clients.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.	I am willing to do anything to help my clients to gain tax savings.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
12.	When advising clients, the amount of tax saving should be treated as the most important consideration.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13.	It is not important for me whether or not my clients will be audited after implementing my recommendation.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.	I always feel confident with the reliability of my recommendation.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
15.	The amount of fee paid by clients for my recommendation is not so important for me.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
16.	Client interests should be prioritized because they may be useful to reach other objectives of my firm.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
17.	It is fair that tax consultants providing a wrong recommendation should bear some parts of tax penalties.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
18.	I consider honesty and integrity more important than the imposition of any kind of sanctions.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

19.	Tax consultants' license should be suspended or cancelled if the consultants recommend clients to undertake tax avoidance or evasion.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.	I am in favor of clients who are risk taker.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.	My recommendations are not influenced by clients' tax position whether overpayment, underpayment or nil.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
22.	I or my firm charge more fees to clients that have bad bookkeeping system.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
23.	The size of clients' business always affects my recommendations.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
24.	I am very cautious if there is a possibility that my client will be penalized due to my recommendation.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
25.	Whether my client is an individual or corporate taxpayer does not influence the recommendation I provide.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
26.	In providing a recommendation, I always consider other consultant firms' opinion on similar matters.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
27.	I choose to cease a working contract with clients if they want me to provide a recommendation that breaches the tax rules.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
28.	In my view, it is normal that taxpayers always want to avoid paying taxes.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
29.	As a tax consultant, I feel obliged to improve taxpayers' compliance.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
30.	I am willing to fulfill a request from a loyal client though sometimes it might go against the tax rules.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

**PART IV INTERVIEW SESSION**

As part of this study an in-depth interview will be undertaken at time and venue mutually agreed later between the researcher and participants. For that purpose, are you willing to participate in the interview session?

- Yes Please provide your contact detail  
(Telephone or email): .....
- No

----- THE END -----  
THANK YOU

## APPENDIX H: Friendly Reminder #1, #2 and #3 (Indonesian Version)



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

Jakarta, 18 Juli 2014

Yth. Bapak/Ibu Konsultan Pajak Profesional

Sekitar dua minggu yang lalu, Bapak/Ibu telah diundang untuk berpartisipasi dalam sebuah penelitian mengenai Peran Konsultan Pajak Profesional dalam Sistem Perpajakan Indonesia. Untuk keperluan tersebut, tautan (*link*) atas sebuah kuesioner penelitian telah ditempatkan pada *website* Ikatan Konsultan Pajak Indonesia ([www.ikpi.or.id](http://www.ikpi.or.id)) dan diberitahukan kepada Bapak/Ibu.

Apabila Bapak/Ibu telah mengisi kuesioner penelitian dimaksud, baik melalui cara *online* ataupun *offline*, kami menghaturkan terima kasih dan penghargaan yang setinggi-tingginya. Namun demikian, apabila Bapak/Ibu belum melakukannya, dimohon dengan sangat untuk mengisi kuesioner tersebut sekarang. Kami sangat menghargai bantuan Bapak/Ibu karena hanya dari partisipasi dan pendapat Bapak/Ibu peran konsultan pajak profesional di Indonesia dapat diperdalam dan dipahami.

Apabila Bapak/Ibu mengalami kesulitan dalam mengakses atau mengisi kuesioner di atas, silakan menghubungi kami melalui email di [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) atau nomor telepon 081289976688

Hormat kami,

A handwritten signature in blue ink, appearing to read "Ahmad Komara".

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

Jakarta, 8 Agustus 2014

Yth. Bapak/Ibu Konsultan Pajak Profesional

Sekitar tiga minggu yang lalu, kepada Bapak/Ibu telah dikirimkan *friendly reminder* untuk berpartisipasi dalam penelitian mengenai Peran Konsultan Pajak Profesional dalam Sistem Perpajakan Indonesia. Sebagaimana Bapak/Ibu telah ketahui, untuk keperluan penelitian tersebut tautan (*link*) atas sebuah kuesioner survey telah ditempatkan pada *website* Ikatan Konsultan Pajak Indonesia ([www.ikpi.or.id](http://www.ikpi.or.id)) dan diberitahukan kepada Bapak/Ibu.

Apabila Bapak/Ibu telah mengisi kuesioner penelitian dimaksud, baik melalui cara *online* ataupun *offline*, sekali lagi kami menghaturkan terima kasih dan penghargaan yang setinggi-tingginya. Namun demikian, apabila Bapak/Ibu belum melakukannya, dimohon dengan sangat untuk mengisi kuesioner tersebut sekarang. Kami sangat menghargai bantuan Bapak/Ibu karena hanya dari partisipasi dan pendapat Bapak/Ibu peran konsultan pajak profesional di Indonesia dapat diperdalam dan dipahami.

Apabila Bapak/Ibu mengalami kesulitan dalam mengakses atau mengisi kuesioner di atas, silakan menghubungi kami melalui email di [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) atau nomor telepon 081289976688

Sekedar mengingatkan, kuesioner survey dapat diakses melalui [www.ikpi.or.id](http://www.ikpi.or.id) atau tautan langsung melalui <https://www.surveymonkey.com/s/KOMARA> dengan password 1a2b3c4d.

Hormat kami,

A handwritten signature in blue ink, appearing to read "Ahmad Komara".

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

Jakarta, 15 September 2014

Yth. Bapak/Ibu Konsultan Pajak Profesional

Surat ini merupakan *friendly reminder* terakhir yang disampaikan dengan hormat kepada Bapak/Ibu untuk berpartisipasi dalam penelitian mengenai Peran Konsultan Pajak Profesional dalam Sistem Perpajakan Indonesia. Sebagaimana Bapak/Ibu telah ketahui, untuk keperluan penelitian tersebut tautan (*link*) atas sebuah kuesioner survey telah ditempatkan pada *website* Ikatan Konsultan Pajak Indonesia ([www.ikpi.or.id](http://www.ikpi.or.id)) dan diberitahukan kepada Bapak/Ibu.

Apabila Bapak/Ibu belum berpartisipasi mengisi kuesioner penelitian dimaksud, dimohon dengan sangat untuk melakukannya sekarang karena kesempatan berharga untuk berkontribusi kepada dunia ilmu pengetahuan umumnya dan profesi konsultan pajak khususnya akan segera berakhir. Dalam hal Bapak/Ibu telah mengisi kuesioner penelitian dimaksud, baik melalui cara *online* ataupun *offline*, sekali lagi kami menghaturkan terima kasih dan penghargaan yang setinggi-tingginya. Kami sangat menghargai bantuan Bapak/Ibu karena hanya dari partisipasi dan pendapat Bapak/Ibu peran konsultan pajak profesional di Indonesia dapat diperdalam dan dipahami.

Apabila Bapak/Ibu mengalami kesulitan dalam mengakses atau mengisi kuesioner di atas, silakan menghubungi kami melalui email di [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) atau nomor telepon 081289976688

Sekedar mengingatkan, kuesioner survey dapat diakses melalui [www.ikpi.or.id](http://www.ikpi.or.id) (untuk *online* dan *offline*) atau tautan langsung melalui <https://www.surveymonkey.com/s/KOMARA> (hanya untuk *online*), dengan password 1a2b3c4d.

Hormat kami,

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia

## APPENDIX I: Friendly Reminders #1, #2 and #3 (English Version)



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

Jakarta, 18 July 2014

Dear Professional Tax Consultants

About two weeks ago, you have been invited to participate in a research on the Role of Professional Tax Consultants in the Indonesian Tax System. For that purpose, a link of a research questionnaire has been placed on the website of the Association of Indonesian Tax Consultants ([www.ikpi.or.id](http://www.ikpi.or.id)) and notified to you.

If you have completed the research questionnaire, either online or offline, we express our gratitude and highest appreciation. However, if you have not done so, please fill out the questionnaire now. We really appreciate your help because only from your participation and opinion the role of professional tax consultants in Indonesia can be deepened and understood.

If you are having difficulty in accessing or completing the above questionnaire, please contact us by email at [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) or phone number 081289976688

Kind regards,

A handwritten signature in blue ink, appearing to read "Ahmad Komara".

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

Jakarta, 8 August 2014

Dear Professional Tax Consultants,

About three weeks ago, to you have been sent a friendly reminder to participate in research on the Role of Professional Tax Consultants in Indonesian Tax System. As you know, for the purposes of the study a link to the survey questionnaire has been placed on the website of the Association of Indonesian Tax Consultants ([www.ikpi.or.id](http://www.ikpi.or.id)) and notified to you.

If you have completed the research questionnaire, either through online or offline, we once again extend our gratitude and highest appreciation. However, if you have not done so, please fill out the questionnaire now. We really appreciate your help because only from your participation and opinion the role of professional tax consultants in Indonesia can be deepened and understood.

If you are having difficulty in accessing or completing the above questionnaire, please contact us by email at [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) or phone number 081289976688

Just to remind, the survey questionnaire can be accessed through [www.ikpi.or.id](http://www.ikpi.or.id) or direct link via <https://www.surveymonkey.com/s/KOMARA> with password 1a2b3c4d.

Kind regards,

A handwritten signature in blue ink, appearing to read "Ahmad Komara".

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

Jakarta, 15 September 2014

Dear Professional Tax Consultants,

This letter is the last friendly reminder delivered with respect to you to participate in research on the Role of Professional Tax Consultants in the Indonesian Tax System. As you are aware, for the purposes of the study a link to a survey questionnaire has been placed on the website of the Association of Indonesian Tax Consultants ([www.ikpi.or.id](http://www.ikpi.or.id)) and notified to you.

If you have not participated in the research questionnaire, please do so now because the valuable opportunity to contribute to the general world of science and the profession of tax consultants in particular will come to an end soon. In case you have filled out the research questionnaire, either through online or offline, we once again extend our gratitude and highest appreciation. We really appreciate your help because only from your participation and opinion the role of professional tax consultants in Indonesia can be deepened and understood.

If you are having difficulty in accessing or completing the above questionnaire, please contact us by email at [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) or phone number 081289976688

Just to remind, the survey questionnaire can be accessed through [www.ikpi.or.id](http://www.ikpi.or.id) (for online and offline) or direct link via <https://www.surveymonkey.com/s/KOMARA> (online only), with password 1a2b3c4d.

Kind regards,

A handwritten signature in blue ink, appearing to read "Ahmad Komara", written over a light blue rectangular background.

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia

## APPENDIX J: Interview Information Sheet (Indonesian and English Versions)



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7756 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

### LEMBAR INFORMASI PENELITIAN PERAN KONSULTAN PAJAK PROFESIONAL DALAM SISTEM PERPAJAKAN INDONESIA

Terima kasih atas kesediaan Bapak/Ibu untuk ikut berpartisipasi dalam penelitian ini. Lembar informasi yang Bapak/Ibu baca ini akan memberikan informasi lebih rinci mengenai penelitian yang sedang saya lakukan. Setelah Bapak/Ibu membaca lembar informasi ini dengan seksama dan memutuskan untuk ikut berpartisipasi, dimohon Bapak/Ibu dapat menandatangani lembar persetujuan mengikuti penelitian sebagaimana terlampir.

Saya, Ahmad Komara, adalah mahasiswa Doktoral pada program S3 di Curtin Business School, Curtin University, Perth, Australia. Sebagai bagian dari program penelitian Universitas, saat ini Curtin Business School sedang melaksanakan penelitian tentang kepatuhan Wajib Pajak. Salah satu topik penelitiannya adalah mengenai peran konsultan pajak profesional dalam sistem perpajakan di Indonesia. Penelitian ini juga merupakan bagian dari program penelitian dalam rangka penulisan disertasi doktoral saya.

Penelitian ini dilakukan untuk melihat secara lebih komprehensif peran konsultan pajak dalam sistem perpajakan di Indonesia. Secara khusus, penelitian ini bermaksud untuk mengidentifikasi apa saja peran utama yang dilakukan oleh konsultan pajak di Indonesia. Selain itu, penelitian ini juga hendak meninjau faktor-faktor apa saja yang mempengaruhi konsultan pajak dalam menetapkan rekomendasi kepada Wajib Pajak sebagai kliennya.

Penelitian di berbagai negara menunjukkan bahwa konsultan pajak memegang peran yang penting dalam sistem perpajakan. Dengan pengetahuan dan keahliannya, konsultan pajak profesional dapat mendukung atau melemahkan integritas sistem perpajakan. Berdasarkan hal tersebut, pemahaman yang lengkap dan mendalam mengenai peran konsultan pajak dan faktor-faktor yang mempengaruhi mereka dalam memberikan rekomendasi kepada Wajib Pajak sangat diperlukan. Hasil penelitian ini akan dapat memberikan gambaran komprehensif mengenai peran konsultan pajak dalam sistem perpajakan di Indonesia dan membantu pemerintah dalam menciptakan kebijakan perpajakan yang lebih tepat, khususnya terkait konsultan pajak, sehingga keadilan pajak dapat ditegakkan dan kepatuhan Wajib Pajak dapat ditingkatkan.

Penelitian ini akan dilakukan dengan menggunakan beberapa metode. Salah satu metode yang akan dilaksanakan adalah wawancara pendalaman (*in-depth interview*) atas hasil analisis sementara dari survei melalui kuesioner. Meskipun demikian, wawancara ini tidak dimaksudkan untuk mengukur kemampuan atau pengetahuan Bapak/Ibu melainkan untuk melihat pandangan, pendapat serta persepsi dari Bapak/Ibu secara lebih mendalam. Wawancara akan memakan waktu kurang lebih 30 sampai dengan 45 menit. Para pihak yang akan terlibat dalam wawancara adalah beberapa konsultan pajak dan pihak terkait lainnya yang menyatakan kesediaan untuk berpartisipasi.

Perlu disampaikan pula bahwa partisipasi dalam penelitian ini bersifat sukarela. Oleh karena itu, Bapak/Ibu dapat menarik diri dari keikutsertaan kapan saja dan tanpa syarat. Data dan informasi yang Bapak/Ibu sampaikan dalam penelitian ini bersifat rahasia dan tidak ada yang dapat mengaksesnya kecuali saya sendiri sebagai Peneliti. Selain akan menjadi bagian dari disertasi doktoral, hasil penelitian ini juga mungkin akan dipublikasikan dalam publikasi akademik. Meskipun demikian, identitas personal dari para partisipan tidak akan diungkapkan.

Apabila Bapak/Ibu memerlukan informasi lainnya terkait penelitian ini, silakan menghubungi kami melalui alamat email [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) atau melalui nomor telepon +61416607070 (Australia) dan +6281298876688 (Indonesia)

Penelitian ini telah mendapatkan persetujuan dari the *Curtin University Human Research Ethics Committee* dengan persetujuan nomor 10-04-2014. Bapak/Ibu dapat meminta verifikasi atas persetujuan etik ini dengan berkirim surat kepada *Secretary, Curtin University Human Research Ethics Committee, Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845.*

Demikian disampaikan, atas bantuan dan partisipasi Bapak/Ibu diucapkan terima kasih yang tak terhingga.



**CURTIN BUSINESS SCHOOL**  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

**INFORMATION SHEET**  
**THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM**

Thank you very much for your willingness to participate in this research project. This information sheet provides you more detailed elucidations about the research. After you read this information sheet thoroughly, you may proceed to sign a consent form as attached if you decide to participate in this study.

I, Ahmad Komara, am a doctoral research student at Curtin Business School, Curtin University, Perth, Australia. As a part of the university research programs, the Curtin Business School is currently undertaking research on tax compliance, one of which is about the role of professional tax consultants in the Indonesian tax system. This research is also part of research programs towards completing my doctoral dissertation.

The aim of this research is to investigate the role of professional tax consultants in the Indonesian tax system. More particularly, this research intends to examine what major roles played by the professional tax consultants in the Indonesian tax system. It also aims to explore factors affecting professional tax consultants when providing advice to clients.

Research in many countries shows that tax practitioners play a critical role in the tax system. With their tax knowledge and expertise, professional tax consultants have capacity to either support or undermine the integrity of tax systems. It is therefore, essential to investigate what are actually their major roles and what factors are affecting their decision when advising taxpayers. Findings of this study will not only provide a comprehensive understanding of the role of tax consultants in the Indonesian tax system but also help the government of Indonesia to design more appropriate policy, especially toward professional tax consultants, which in turn would promote more equity and improve taxpayers' compliance.

This study utilises mixed method research. As a part of the mixed methods, an in-depth interview will be undertaken regarding some significant issues surfaced from the results of questionnaire survey. It is worth noting however, that the interview is by no means intended to assess your skill or knowledge rather it is to gain insights more deeply on the issues based on your professional observations, views and perceptions. The interview session will take about 30 to 45 minutes. Participants to the interview consist of several professional tax consultants and other related parties who are willing to involve in this research.

Please be advised that participation in this research is voluntary. Therefore, you may withdraw from participation at any time without the need to provide any reasons. Information and data obtained through this research will be kept strictly confidential and accessible only to me as the researcher. The information and data from this research will be utilised for doctoral dissertation writing and may also be published in academic journals. However, personal identity of all respondents will not be revealed.

If you have any further queries about this research, you may contact me either via email at [ahmad.komara@postgrad.curtin.edu.au](mailto:ahmad.komara@postgrad.curtin.edu.au) or phone at +61416607070 (Australia) and +6181289976688 (Indonesia).

Please note that this study has been approved by the Curtin University Human Research Ethics Committee with the approval letter number 10-04-2014. Should you have any concern about this research or need verification of the approval, please contact Secretary, Curtin University Human Research Ethics Committee, Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845.

Your kind assistance and participation in this research are highly appreciated.

## APPENDIX K: Interview Consent Form (Indonesian and English Versions)



**CURTIN BUSINESS SCHOOL**  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

### LEMBAR PERNYATAAN PERSETUJUAN PERAN KONSULTAN PAJAK PROFESIONAL DALAM SISTEM PERPAJAKAN INDONESIA

Saya setuju untuk berpartisipasi dalam penelitian dengan topik sebagaimana tercantum di atas. Saya telah membaca dan memahami isi dari lembar informasi tentang penelitian ini. Saya juga telah diberikan penjelasan yang memadai oleh Peneliti tentang maksud dan tujuan dari penelitian ini. Kesempatan untuk bertanya tentang segala sesuatu yang terkait dengan penelitian ini juga telah diberikan kepada saya.

Saya memahami bahwa apabila informasi yang saya berikan dalam penelitian ini akan digunakan dalam laporan atau publikasi akademik lainnya maka nama atau identitas saya lainnya tidak akan digunakan terkait dengan informasi yang saya berikan tersebut kecuali saya secara eksplisit memberikan persetujuan bahwa nama dan identitas saya lainnya dimaksud dapat teridentifikasi ketika dikutip.

Saya memahami bahwa keikutsertaan dalam penelitian ini bersifat sukarela sehingga saya dapat mengundurkan diri dari penelitian ini kapan saja dan tanpa harus memberikan alasan apapun. Apabila saya mengundurkan diri maka informasi yang saya berikan akan segera dihapus dan tidak akan digunakan dalam penelitian ini.

Saya mengerti bahwa dengan persetujuan ini berarti bahwa saya bersedia dengan sukarela diwawancara oleh Peneliti. Saya juga mengerti bahwa persetujuan ini juga berarti bahwa saya setuju wawancara ini direkam oleh Peneliti.

Tempat : .....

Waktu : .....

Nama dan Tandatangan Partisipan : .....



**CURTIN BUSINESS SCHOOL**  
 GPO Box U1987 Perth, Western Australia 6845  
 Phone: +61 8 9266 7796 or +61 8 9266 7756  
 Fax No: +61 8 9266 3026

**CONSENT FORM**  
**THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM**

I agree to participate in this research project of which the topic is the role of professional tax consultants in the Indonesian tax system. I have read the Information Sheet of this research and understand its contents. I have also been given sufficient explanation by the researcher about the objectives of this research and opportunity to ask any questions regarding this research.

I understand that if the information that I provide in this research will be utilised in reports or other academic publications, my name or other identifying characteristics will not be revealed except I provide an explicit permission to the researcher.

I understand that my participation in this research is voluntary so that I can withdraw from participation at any time without the need to provide any reasons. I also understand that if I withdraw from participation, the information that has been provided will be deleted and will not be utilised in this research.

I understand that by signing this consent I agree to be voluntarily interviewed by the researcher and that the interview will be electronically recorded.

Venue : .....

Time : .....

Participant's name and signature : .....

## APPENDIX L: Interview Indicative Questions (Indonesian and English Versions)

### INDICATIVE QUESTIONS "THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM"

1. Bagaimana persepsi konsultan pajak terhadap sistem perpajakan Indonesia?
  - Ketentuan perundangan
  - Organisasi
  - Sumberdaya manusia
  - Infrastruktur: IT
  - Perbandingan dengan Negara lain
2. Apakah peranan yang dimainkan konsultan pajak dalam sistem perpajakan?
  - Peran secara umum (konseptual)?
  - Peran teknis?
3. Apakah motivasi Wajib Pajak menyewa konsultan pajak?
4. Apakah faktor-faktor yang mempengaruhi rekomendasi yang diberikan oleh konsultan pajak kepada klien?
  - Kenapa aggressive?
  - Kenapa tidak aggressive?
5. Apakah kecenderungan Wajib Pajak dalam menjalankan hak dan kewajiban perpajakan ke arah kepatuhan atau ketidakpatuhan?
6. Apakah kecenderungan konsultan pajak dalam melayani Wajib Pajak mengajak kepada kepatuhan atau ketidakpatuhan?
7. Apakah ada hal-hal lain yang perlu disampaikan?

**INDICATIVE QUESTIONS**  
**"THE ROLE OF PROFESSIONAL TAX CONSULTANTS IN THE INDONESIAN TAX SYSTEM"**

1. What is the perception of tax consultant to Indonesian taxation system?
  - Tax laws and regulations
  - Organisation
  - Human Resources
  - Infrastructure: Information Technology
  - Comparison with other countries
2. What is the role of tax consultants in the tax system?
  - Role in general (conceptual)?
  - Technical role?
3. What are the motivations of taxpayers engaging a tax consultant?
4. What are the factors affecting tax consultants when providing an advice to their clients?
  - Why aggressive?
  - Why not aggressive?
5. What is the tendency of taxpayers in exercising taxation rights and obligations, towards compliance or non-compliance?
6. Does the tax consultant's tendency in serving the taxpayers call for compliance or non-compliance?
7. Is there anything else that you would like to convey?

APPENDIX M: List of FGD Attendance

FOCUS GROUP DISCUSSION  
 "PERAN KONSULTAN PAJAK PROFESIONAL DALAM SISTEM PERPAJAKAN INDONESIA"

DAFTAR HADIR

NO	NAMA	SERTIFIKAT A / B / C	JABATAN/POSISI	PARAF
1.	[REDACTED]		Staff (Anggota Tim)	[REDACTED]
2.	[REDACTED]	B	Senior Tax	[REDACTED]
3.	[REDACTED]		senior tax	[REDACTED]
4.	[REDACTED]		TP Manager	[REDACTED]
5.	[REDACTED]		TP analyst	[REDACTED]
6.	[REDACTED]		TP analyst	[REDACTED]
7.	[REDACTED]	B	Transfer Pricing (TP) Supervisor	[REDACTED]
8.	[REDACTED]	C	Partner	[REDACTED]
9.	[REDACTED]	C	Managing Partner	[REDACTED]
10.	[REDACTED]		Supervisor	[REDACTED]
11.	[REDACTED]	C	Partner	[REDACTED]
12.	[REDACTED]	A	asst Staff	[REDACTED]
13.	[REDACTED]	C	Manager	[REDACTED]



## APPENDIX N: Thank You Note (Indonesian and English Versions)



CURTIN BUSINESS SCHOOL  
GPO Box U1987 Perth, Western Australia 6845  
Phone: +61 8 9266 7796 or +61 8 9266 7756  
Fax No: +61 8 9266 3026

### UCAPAN TERIMA KASIH

Jakarta, 01 Oktober 2014

Yth. Bapak/Ibu Konsultan Pajak Profesional

Sehubungan dengan akan segera berakhirnya studi lapangan yang kami lakukan, perkenankan kami, dengan sepenuh ketulusan hati, menghaturkan terima kasih dan penghargaan yang setinggi-tingginya atas partisipasi Bapak/Ibu dalam penelitian mengenai Peran Konsultan Pajak Profesional dalam Sistem Perpajakan Indonesia. Secara lebih khusus, kami juga menyampaikan ucapan terima kasih dan apresiasi yang tinggi kepada Bapak/Ibu yang telah bersedia mengikuti sesi *in-depth interview* dan *focus group discussion*. Mengingat berbagai keterbatasan dalam penelitian ini, mohon dimaklumi bahwa tidak semua mendapat kesempatan untuk mengikuti sesi wawancara dan diskusi fokus grup tersebut. Kepada Bapak/Ibu yang tidak mendapat kesempatan kami juga mengucapkan terima kasih dan penghargaan yang setinggi-tingginya.

Perlu kiranya kami sampaikan bahwa pendapat, persepsi dan informasi yang Bapak/Ibu sampaikan baik melalui kuesioner, wawancara maupun diskusi fokus grup merupakan kontribusi yang signifikan terhadap dunia ilmu pengetahuan khususnya dan profesi konsultan pajak pada umumnya. Sebagaimana telah disampaikan, data dan informasi tersebut hanya akan digunakan untuk keperluan penelitian ini. Secara individual data dan informasi dimaksud akan tetap dijaga kerahasiaannya.

Akhirnya, teriring doa semoga Bapak/Ibu senantiasa sehat wal afiat serta sukses, kami menghaturkan permohonan maaf apabila dalam penyelenggaraan penelitian ini terdapat hal-hal yang kurang berkenan di hati. Apabila dikemudian hari diperlukan, kami mohon perkenan untuk melakukan kontak kembali dengan Bapak/Ibu terkait penelitian ini.

Salam hormat,

A handwritten signature in blue ink, appearing to read "Ahmad Komara".

Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia

#### **Catatan:**

Meskipun tautan kuesioner *survey* pada *website* Ikatan Konsultan Pajak Indonesia ([www.ikpi.or.id](http://www.ikpi.or.id)) akan segera dihapuskan, tetapi Bapak/Ibu yang belum berpartisipasi dan berminat mengikuti *survey* masih dapat mengakses kuesioner tersebut melalui <https://www.surveymonkey.com/s/KOMARA> dengan password 1a2b3c4d.

## THANK YOU NOTE

Jakarta, 01 October 2014

Dear Professional Tax Consultants,

As our field study is approaching to an end, please allow us, with all the sincerity of heart, to extend our grateful and appreciation as high as possible for your participation in research on the Role of Professional Tax Consultants in the Indonesian Tax System. More specifically, we also express our gratitude and high appreciation to those who have been willing to participate in the interview session and focus group discussion. Given the limitations in this study, please understand that not all have the opportunity to participate in the interview session and focus group discussion. To those who did not get a chance we also thank and express the highest appreciation.

We would like to acknowledge once again that your opinion, perception and information given through questionnaires, interviews or focus group discussion is a significant contribution to the world of science in general and the profession of tax consultants in particular. As already communicated, such data and information will only be used for the purpose of this research. Individually, such data and information will be kept confidential.

Finally, accompanied by prayer may you always healthy and success, we apologies for any inconvenience caused by the implementation of this research. In the future, if it is necessary, we would like to ask your permission to make a contact again with you related to this research.

Kind regards,



Ahmad Komara  
PhD Research Student  
Curtin Business School, Curtin University  
Perth, Western Australia

**Note:**

Although the survey questionnaire link on the Association of Indonesian Tax Consultant website ([www.ikpi.or.id](http://www.ikpi.or.id)) will soon be eliminated, those who have not participated and are interested in participating the survey can still access the questionnaire via <https://www.surveymonkey.com/s/KOMARA> with password 1a2b3c4d.

## APPENDIX O: Research Ethics Approval



Curtin Business School  
School of Business Law and  
Taxation

GPO Box U1987  
Perth Western Australia 6845  
Telephone +61 8 9266 7798  
Facsimile +61 8 9266 3222  
Web [curtin.edu.au](http://curtin.edu.au)

Mr Ahmad Komara  
47 State Street  
Victoria Park, WA 6100

10-04-2014

### **Re: Application for Approval of Research with Low Risk**

Dear Ahmad,

This is to confirm that your "Application for Approval of Research with Low Risk," for project titled, "The Role of Professional Tax Consultants in the Indonesian Tax System," have been approved based on the information provided to the Curtin Law School. This approval will be valid until 09-04-2019. Please ensure that your research data be stored for 5 years.

If you have any queries, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink, appearing to read "Deepa", written over a horizontal line.

Dr Deepa Sharma

**Research Officer | Research Ethics Coordinator**

**Curtin Law School**  
**Curtin University**  
Tel | +61 8 9266 4757  
Fax | +61 8 9266 3222  
Email | [d.sharmaacharya@curtin.edu.au](mailto:d.sharmaacharya@curtin.edu.au)