Tax Policy Design and Taxpayer's Perception of Fairness, Corruption, and Complexity
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Tax (Non)Compliance Vs. Inequality

Theory in taxation:
- Expected Utility Theory: Tax evasion causes inequality
- Behavioural Theory: Inequality leads to tax evasion.

Research questions:
- How do taxpayer’s perceptions influence tax compliance?
- How does DGT manage and improve the compliant behavior among taxpayers?

This is a preliminary result of a study on measuring tax compliance based on trust and power - Slippery Slope Framework (Kirchler, Hoelzl, & Wahl; 2008).

Mixed Methods: Survey to 500 taxpayers, interview to 15 taxpayers and 20 tax officials.
Perception of Fairness

(Wenzel, 2003)

Procedural Fairness
- Moderately fair
- Religious aspect

Distributive Fairness
- Exchange inequality

Retributive Fairness
- Reward
- Punishment
(Initial Findings)

Is Corruption Commonly Happened in Indonesia?

- General Corruption
- Big Corruption Govt
- Small Corruption Govt
- Big Corruption DGT
- Small Corruption DGT
(Initial Findings)

Perception of complexity

(Long and Swingen, 1987)

Still Complex
- number of computation
- law ambiguity
- frequent law changes
- excessive detail needed

Less Complex
- document requirement
- form of tax return
Tax Policy Design

Taxpayer’s characteristics based on their groups:

- Younger taxpayers assume tax system as less fair, and the older the respondent, the simpler they perceive the tax system.
- Female respondents see tax system as moderately fairer but more complex in comparison with male respondents.
- Higher education respondents view tax system as fairer but more complex, and corruption is higher compared to low education respondents.
- Respondents dealing with tax audit experienced difficulties and unfairness.

Recommendations:

- Proper approach for segmented taxpayers (cooperative or enforced).
- Tax training based on taxpayers’ characteristics and need.
- Review audit policies.
- Tax compliance improvement will reduce income inequality.
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