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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
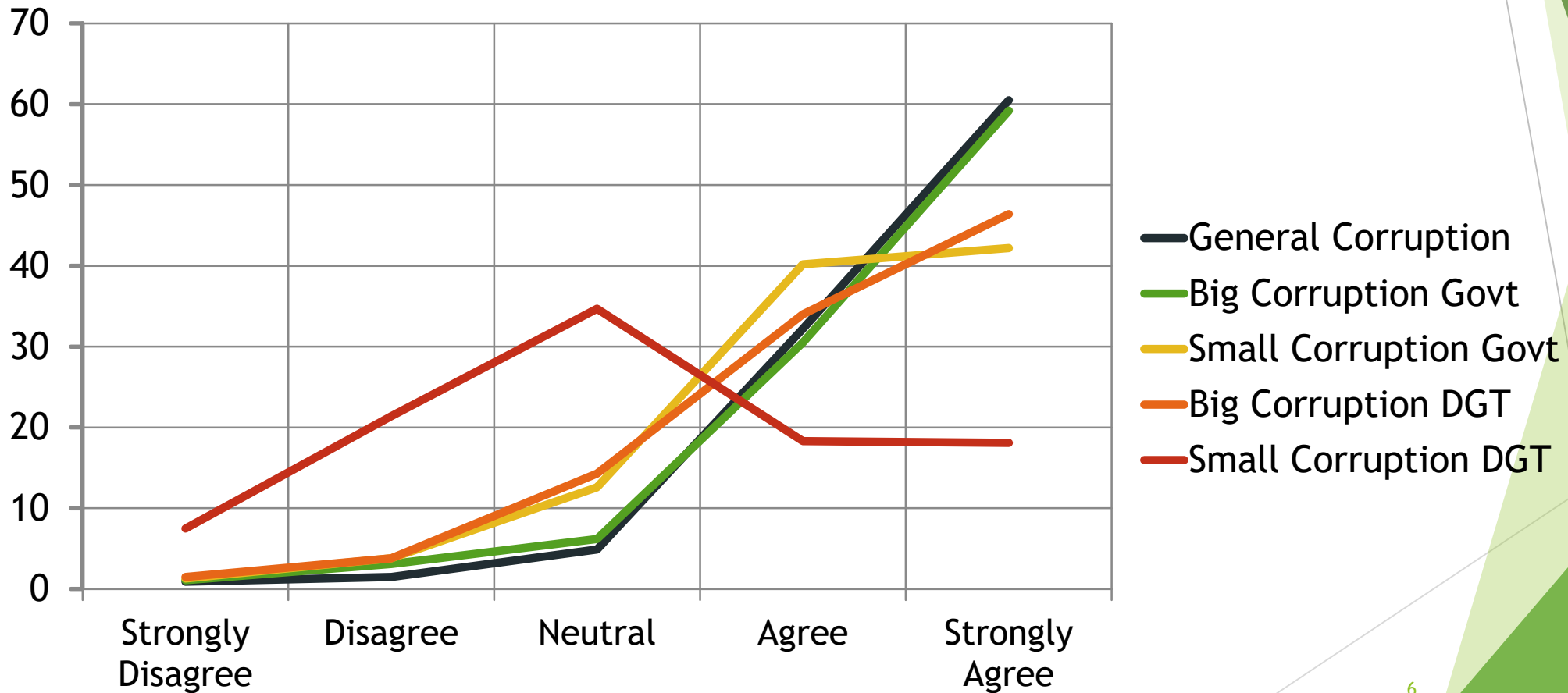
- Moderately fair
- Religious aspect

Distributive Fairness

- Exchange inequality

Retributive Fairness

- Reward
- Punishment

(Initial Findings)
Is Corruption Commonly Happened in Indonesia?

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.

Terima Kasih