

Tax Compliance among Taxpayers is Low

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Finance Minister Sri Mulyani Indrawati said in the past few years Indonesian tax revenue was very low. Tax ratio also decreased even lower than those in other countries.

“Our tax revenue in the past few years is far below target. Taxpayer compliance to report their wealth is low that makes the tax ratio low, too,” she said on Thursday (20/10) in a keynote speech during the “What Motivates Tax Compliance?” seminar at Faculty of Economics and Business UGM.

Sri Mulyani mentioned the complicated taxation regulations were one of the causes for the low compliance, thus, the government would amend these regulations.

“We would amend the Taxation Draft Law (KUP) and Income Tax Draft Law (Pph). Tax regulation would be improved so as to not create complexities whilst increasing tax compliance among taxpayers,” she described.

The government would also encourage the Tax Directorate General for improvement through HR professionalism and integrity. “To increase the tax ration, the government has established the tax

amnesty," she explained.

Other resource persons in the seminar were Prof. James Alm, Ph.D., President of Southern Economic Association, USA., Prof. Bambang Riyanto, Ph.D., and Dr. Arti Adji, UGM both lecturers.

Prof. James Alm explained the strategies for tax compliance. Compliance depends much of understanding and motivation of individuals and companies to pay taxes or not. The government, for example, can improve tax administration by giving simpler and easier services for taxpayers. "Government has to build trust and convince people that the taxes are managed well," he said.

Prof. Bambang Riyanto highlighted the impact of tobacco duties structure to industry in Indonesia. There was incompliance among tobacco industry to tobacco duties. "The incompliance is predicted to happen due to the structure of tobacco tariff duties that are very complicated, coming in 12 tariff levels," he said.

The research done by Prof Bambang, Dr. Arti Adji and Dr. Elan Satriawan showed that the tobacco industry tends to cheat more in a complicated duties tariff structure. In the future, it is important to simplify such structures as stated in the industry roadmap for tobacco products. Medium duties tariff can be implemented so as to not destroy small tobacco industries.

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