Online Tax System Implementation Through Digitalization Of Tax Administration On Cost And Benefit

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Abstract- The implementation of the tax system through digitalization of tax administration for cost benefits in practice there is still an unpreparedness of the government in preparing internet-based tax service infrastructure which has an impact on benefits for users as well as inefficient spending on online tax revenue, especially in DKI Jakarta. This writing aims to describe the application of an online tax system in terms of costs and benefits in digitizing tax administration. The results of the discussion through a literature review show that there is still a need for corrective steps for tax authorities on behalf of the government in providing online tax service infrastructure in order to improve the ease of access and simplicity of online tax service procedures, which causes a mismatch of benefits expected by online tax users, resulting in inefficiency in terms of tax online contributions on local tax revenue. Improvement of online tax service infrastructure and socialization of tax digitalization by tax authorities are important in maintaining the sustainability of online tax service users.

Index Terms- Online Tax System, Digitalization of Tax Administration, Benefits and Costs

INTRODUCTION

The current tax reform emphasizes more on digitalization of tax administration in terms of tax procedure by developing tax administration organization, information system and competence of professional tax personnel (Juswanto & Simms, 2017). Digital transformation of tax administration can be relied on to modify the conventional tax procedure by adopting digital platform to analyze data collection and tax obligation which generates safer tax revenue collection and control (Vukovic, 2020).

Digital transformation in tax system is aligned with the speed of digital adoption and transformation in every aspect of community life as a significant challenge to the government which gives rise to the development of electronic government (e-government). E-government serves as a form of new technology adoption in every aspect of government activities. Tax administration has often been in the forefront of change given the technology which promotes the increase of efficiency, productivity, effectiveness, simplicity, and fairness in the environment with limited cost (Bentley, 2020). The concept of e-government also serves as an indicator set by the government to maximize public services, one of them is tax sector (Lailiyah & Sebayang, 2019).

In the e-government administration, tax sector has become the most strategic source of state revenue. Various innovations in dissemination and tax collection procedure have been made by the government to facilitate the communities to pay tax through online tax system using information technology as an effort of the government to increase taxpayer compliance. If appropriately implemented, online tax system will result in time and cost saving for the government while providing quality public services to the communities easily, affordably and fast (Bestari, Sinaga & Saudi, 2019).

Observing the administration of online tax system by the provincial government of DKI Jakarta through Badan Pajak and Retribusi Daerah (BPRD) after the enforcement of Governor of DKI Regulation Number 224 of 2012 on Hotel, Restaurant, entertainment and Parking Business Tax Payment and Reporting through Online System through the current changes, it is apparent that from 2016 to 2019, there was in increase in the number of Taxpayers of the four types of taxes utilizing online tax application yet not counterbalanced with the increase in the number of Taxpayers using online tax application as presented in the following table.

Table 1
Summary of Online Tax Application User Taxpayer Data
In DKI Jakarta Province for the Year 2016 – 2019

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The contribution of hotel tax revenue to the local tax revenue in DKI Jakarta from 2016 to 2019 was considered less effective with an average not exceeding 5%. This ineffectiveness has been caused by the number of Hotel Taxpayers lacking awareness of the importance to register, pay, and report their hotel taxes to the local authority (Hadi, 2021). Meanwhile, the contribution from restaurant tax to local tax revenue in DKI Jakarta during the same period achieved only 8% and was considered as less effective due to minimum field data collection for taxable restaurants and dissemination of restaurant taxpayers (Hadi, 2021). The growth rate of entertainment tax and its contribution to local revenue in DKI Jakarta during the same period achieved only an average of 1.8% which was very ineffective given the fact that entertainment tax has not been considered as significant component in contributing to local revenue (Reza, 2021).

The issue faced by the government in administering online tax system is to bring together tax administration with the mechanism of digitalization into online tax system which is shown by the failure mostly caused by non-integrated electronic management and information system of the government which led to waste of financial resources, energy and technology (Vukovic, 2020). This paper will address in-depth discussion through literature study related to implementation of online tax system with the objective to describe the implementation of online tax system viewed from cost and benefit in the digitalization of tax administration.

### Electronic tax system and Technology Acceptance Model

Electronic tax system (e-tax) according to Wasao (2014) is an online platform which facilitates the Taxpayer to access tax services through internet. Electronic-based system is a platform through which Taxpayer may access all online services without physical contact with the service providers. In taxation, there is a relationship between tax authority responsible for collecting tax on behalf of the government and Taxpayer or user of digital tax services (Ofurum et al., 2018).

E-tax has become one of the procedures applied by the tax authority which allows the Taxpayer to apply for tax refund and pay tax in a timely manner (Nigth & Bananuka, 2018). E-tax services has been recognized as a potential tool for tax service innovation and cost saving, both for the taxpayers and tax collecting authority. This service also combines the preparation of tax, online request for tax refund and online tax payment on a single platform (Rahman, 2020).

E-tax system facilitates the tax authority to avoid errors while handling manual application and helps detect tax evasion through data matching. The data collected through online tax information may help the tax authority check the tax declaration more efficiently and accurately. In addition, the data allows the policy maker to develop fair and comprehensive tax policy. On the other hand, e-tax service method can be relied to ensure ease of access, provision of data and e-government services to the community members, organization, employees and other entities (Akram, Malik, Shareef, & Awais Shakir Goraya, 2019; Bélanger & Carter, 2008; Dwivedi, 2016).

The success of e-tax services is highly dependent on the dissemination by the government to the Taxpayers to receive and use the services on a regular basis. If the taxpayers do not use e-tax services, e-tax services will potentially fail and public fund will be wasted (Lallmahommed et al., 2017). In order to obtain optimum benefit from government investment in digitalization, it is necessary by the government to encourage the taxpayers to shift from offline platform to online (Veeramootoo et al., 2018).

The continuing increase in e-tax users may provide potential benefits covers the reduced operational cost and increased profit. The continuing increase in number of e-tax users will inspire the tax authority to design various measures to ensure that users use e-tax system. This reflects user behavior relevant to the information system in the e-tax services after initial adoption which may change based on the experience from users in e-tax system, which would eventually increase or decrease the use of e-tax in the future (Santhanamery & Ramayah, 2018).

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Table 1 shows the growth in the number of Taxpayers of hotel, restaurant, entertainment and parking taxes with the Taxpayer using online tax application in 2016 until 2019 despite the increase in number of Taxpayer but the percentage of increase in the number of Taxpayers using online tax application did not achieve 10%.

The continuing increase in number of e-tax users may provide potential benefits covers the reduced operational cost and increased profit.
In the acceptance or adoption of information technology, there is a theoretical model which can be used to describe the end-users’ acceptance behavior developed by Davis (1989) into Technology Acceptance Model/TAM). TAM model comprises three dimensions: (1) perceived usefulness; (2) perceived ease of use, (3) attitude and behavioral intention to use. The dimension of perceived usefulness and perceived ease of use could build the confidence of end users in technology and accordingly predict the behavior of users toward technology which in turn could predict the acceptance in users. Perceived usefulness and perceived ease of use is significantly correlated to the present use and predict the future use which overall shows that perceived usefulness has more dominant correlation to the use of system compared with perceived ease of use. Perceived ease of use influences indirect acceptance technology through perceived usefulness. TAM becomes a dominant model to investigate the user’s acceptance technology and provides an explanation on causality of individual in various technologies, users, and varying organizational contexts (Theriou, 2015; Thalassinos et al., 2015; Rupeika-Apoga and Nedovis, 2015: Grima et al., 2016).

From the perspective users through TAM model, one of them is Micro, Small and Medium Scale Business Enterprise, there was a finding of perception of acceptance or adoption of digitalization they can use if it is believed that use of information technology will provide benefit in the increase of activities and financial performance. In the perspective of ease, integration of information technology in accounting information system will be used if it is believed that it’s use is simply ease with low cost (Taherdoost, 2018).

Voluntary tax compliance will be achieved if Taxpayers possess positive behavior to the tax refund reporting and payment of tax payable. The behavior of Taxpayer to self-assessment should be promoted to achieve the improved level of tax compliance (Nawawi & Salin, 2018). According to Khaddafi, et.al (2018), the implementation of electronic tax system will rely on the perception of ease of use of system tax, intensity behavior and user satisfaction. This implies that Taxpayers should be pleased and motivated to use electronic tax system, however the tax system must also be easy to use. Users of electronic tax system should feel pleased to interact with electronic tax system. Zaidi et.al (2017) found that it will be easier for the Taxpayers with computer skill to adopt electronic tax system than those who do not.

The adoption of digitalization technology is considered as contributing significantly to the development of innovative business model (Baines, et.al, 2017). In addition, the use of internet-based digitalization technology is believed to have caused many parties to have more benefits, such as automation and optimization of the process predicted to increase productivity and profitability with low cost, significantly accelerate the production, and minimize error (Grubic, et.al, 2018).

This describes the relevance ion the implementation of digitalization of tax administration in the services using e-tax system through Technology Acceptance Model (TAM) as one of the instruments that provides explanation on causality in individuals in various technologies, users, and varying organizational contexts which necessitates investigation into cost and benefit analysis perceived by the users of e-tax services to increase activities and financial performance which in turn will predict the successful or non-successful e-tax services by the government through tax authority to the Taxpayers to receive and use the services on a regular basis.

Cost and Benefit

The effectiveness of the conventional tax procedure and rules is faced by the challenge in economic digitalization and new digital economy. The effectiveness of tax should be supported by tax administrative feasibility to enforce legislations in an efficient manner. Nevertheless the conventional management and supervision of tax obligation faces the challenges related to tax administration in the era of digitalization which can be categorized into: (1) access to third party information; (2) requirements for registration and reporting by the Taxpayer to the economic Transaction; (3) withholding through tax subject or intermediary in tax consumption; (4) self-assessment or tax refund completed before using information from the third party; (5) taxpayer audit and penalties (Miguez, 2018).

The conventional tax principles can inform and guide the development of tax system. However, not all tax principles have the same impact on digital economy tax. For instance, vertical equity is usually applied to personal tax, while digital economy is centered on business, where progressive tax is not present. Several underlying tax principles are aimed at examine the policy consideration (equity, benefit, neutrality), while other principles are aimed at facilitating the tax administration (assurance, simplicity, validity). The potential impacts include unfair tax not acceptable to the communities on its validity or simplicity. This promotes the use of digital technology which creates new business model to operate differently from traditional business model where the presence of digital element influences the economic condition of the Taxpayer yang menjalankan model business comparable from business perspective, meskipun berpotensi berbeda from perspective tax (Lucas-Mas & Junquera-Varela, 2021).

In the era of self-assessment system, tax awareness of the Taxpayer plays an important role to taxpayer compliance. The level tax education and knowledge becomes an important matter to ensure tax administration to run effectively. The implementation of this system may allow the Taxpayer to assess the tax obligation correctly and submit the tax refund form in a timely manner (Palil and Akir, 2013). Eriksen and Fallan as quoted by Palil and Akir (2013) said that each person will be correctly informed of tax regulations and respect the tax system which would encourage them to be more compliant to pay tax than to avoid tax. Tax knowledge may also increase awareness and ethics of each individual to minimize the tendency to non-compliance with tax obligation.

An efficient tax administration will encourage voluntary tax compliance using all methods, including penalties. In the tax compliance literatures, the perception of the Taxpayer of tax system fairness as an important factor which significantly influences the tax compliance behavior. If tax system is perceived unfair by the communities, there will be potential failure and result in taxpayer non-compliance. The perception of Taxpayer is largely dependent on the knowledge and experience so that awareness of taxation issues and tax knowledge has dominant effect on level of taxpayer compliance (Palil & Akir, 2013).

The implementation of digital technology is in terms of tax compliance model with cost and benefit may generate issues on financial incentive identified by audit, penalty and tax rate based on the paradigm which considers tax payer as economic rationale or
seeking profit motivated by the opportunity and benefit will cause tax evasion by the Taxpayer if the expected benefit exceeds the cost imposed. This theory emphasizes on the prevention of penalties, interest rate which contributed and brought positive impact on preventing tax evasion (Saw, 2019).

The benefit from the point of view of tax evasion would mean cash saving from tax evaded which results in increase of cash flow to the company offering the opportunity for further investment which would in turn increase the company value. The cost and benefit from tax aggressiveness to the company vary relative to the nature of ownership structure in the company. Tax aggressiveness will advantage the company and shareholders in tax saving, potential non-tax cost the amount of which is relative to the ownership structure and control of the company. Non-tax cost includes loss of efficiency in the internal control, lease agency cost, potential penalty, potential tax incentive, and damage to organizational legitimacy (Annuar, et.al, 2014). On the other hand, the essence of the cost-benefit analysis is that (1) individual preference is well represented, (2) social option means individual aggregation and (3) if the benefit exceeds the cost, the project or policy will have potential benefit (Hwang, 2016).

**DISCUSSION**

According to Wasao (2014), electronic tax system (e-tax) is an online platform which allows the Taxpayers to access tax services via internet. Services include tax identification number, refund application and registration of payment application and compliance certificate. Electronic tax system was first launched in the United States, where Internal Revenue Services started to offer tax refund e-filing only for tax refund (Muturi & Kiarie, 2015). Maisiba and Atambo (2016) viewed that e-tax system increased the tax compliance since it facilitated faster accessibility to tax services without physical visit to tax authority. Haryani, Motwani, and Matharu (2015) further suggested that easy-to-use, safe and reliable system will provide easy payment mode, variety and user friendly services would increase voluntary tax compliance. Globally, tax environment changes rapidly, and electronic tax system is a modern way of tax authority to interact with Taxpayer (Muturi & Kiarie, 2015).

Analysis on the benefit from online tax system is focused on the relationship between behavior to the electronic tax system and tax compliance (Simuyu & Jagongo, 2019; Ondara, et.al, 2016; Maisiba & Atambo, 2016; Al-Debei, et.al, 2015). The findings by Simuyu and Jagongo (2019) suggested that there is a significant relation between perception to the online tax reporting in terms of ease and simplicity in tax filing and safe system, and this increase the level of tax compliance. Ondara, et.al (2016) suggested the strong relation between behavior to the electronic tax system and tax compliance. Al-Debei et.al (2015) also suggested that positive and direct consumer behavior to the online system is influenced by the trust and perceived reputation of website, and this implies that if the taxpayer views or assesses safe electronic tax system, they will trust and adopt same.

Electronic tax system is one of the mechanisms tax authority can be proud of which allows the Taxpayer to file tax refund in a timely manner. Consequently, Taxpayer will tend to be compliant in paying the tax voluntarily if tax system is transparent and if the Taxpayer expects the government to use the tax for its intended use. Ibrahim, Musah, and Abdul-Hanan (2015) documented if Taxpayers have the trust in the government, they will pay the tax, meanwhile Nkundabanyanga et.al, (2017) viewed that for the taxpayers to pay the tax, they must consider the government offers a kind of exchange. Government must be present to provide services to the citizens/taxpayers insofar as there are equality level in the amount of tax paid to the government and service cost offered by the government to the taxpayer. There are records that Taxpayers are confident that the government will treat all of its citizens equally, they will tend to comply with tax law.

Tax compliance is a highly important matter for the government to provide public goods and reallocate the assets (Jayawardane, 2016). To enable the government to provide public goods and to reallocate the assets, Taxpayers will be required to comply with and pay the amount of tax payable in an appropriate and punctual manner (Musimenta et.al, 2017; Nkundabanyanga, et.al, 2017; Jayawardane, 2016). Tax revenue sustains the economic development and finance the social programs and infrastructure investment (Ibrahim, Musah, & Abdul-Hanan, 2015).

In many cases, the implementation of online tax system should reduce the cost and provide much larger benefits. Nevertheless, in the developing country like Indonesia, the issue is not that simple. Wimayo (2019) examined the differences in compliance cost incurred before and after using the E-Filing application for E-Filing corporate taxpayers user the result of which shows that compliance cost after use of e-filing vary from the previous, where compliance cost is lower. Putri, Yuhertiana, and Puspitasari (2019), taking an case example in Surabaya city, found that online tax payment through ATM and m-banking in the three banks collaborating with Surabaya City BPKPD is still perceived as complicated by the Taxpayers where anxiety in making online tax payment caused them to pay their taxes in cash with the teller where change in system from offline to online would require time for the communities to adapt. The same finding was shown from the research conducted by Lailiyah and Sebayang (2020) which views the ineffective implementation of online tax due to internal constraints such as technological capacity, taxpayer awareness, taxpayer accuracy and external constraints such as server down, limited facility, unstable internet connection of taxpayer. Despite the issue on one hand, on the other hand, the implementation tax online may also indicate the success as expressed by Tarmidi, Fitria, and Purwaningsih (2017) taking an example case in East Jakarta City showing that the implementation of online tax application brought significantly positive impact on taxpayer compliance.

From the above discussion, it is shown that the use of internet-based technology into e-tax system has become a choice for the tax authority as a reliable innovation in tax services to ensure ease of access and provision of data as well as online tax services provided by the government for the e-tax system users. The success will be highly dependent on the continuity of users in benefiting from e-tax system.
TAM model through benefit and cost analysis perceived by the Taxpayer as e-tax users showed the causality from the increase and decrease of e-tax users where most e-tax users still perceive the ineffectiveness in the benefit expected due to government lacking of preparedness for the tax digitalization infrastructure adopting internet-based technology. This condition will bring adverse impact on the continuity of taxpayers as e-tax users which may potentially lead to failure and non-benefit from the cost incurred from public fund by the tax authority as e-tax service provider.

Continuous increase in the number of e-tax users will provide potential benefits to cost saving in tax collection and efficiency in online services. However in practice, the implementation of online tax system in DKI Jakarta providing e-tax services for restaurant, hotel, entertainment and parking tax from 2016 to 2019 indicated that the increase in the number of Taxpayers was not straightly aligned with the number of taxpayers as online tax application users which caused less successful contribution of tax digitalization to the increase in local revenue dominantly sourced from local tax.

In taxation according to Ofurum, et.al (2018) it is suggested that there is a relation between tax authority responsible for collecting tax in favor of the government and the taxpayers or users of digital tax services. In Indonesia, self-assessment system has been applied, however in practice, there is lack of taxpayer awareness and inoptimized online tax services provided by the tax authority on behalf of the government which is attributable to the lack of readiness of e-tax infrastructures resulting in inoptimized tax revenue to the increase in local revenue. This condition reflects the ineffective online tax administration which potentially result in increased non-compliance of the taxpayer.

CONCLUSIONS

The discussion result from the literature study in this paper may conclude that the implementation of ONLINE tax system through DIGITALIZATION of TAX administration on cost benefit by the tax authority on behalf of the local government in Indonesia mainly in DKI Jakarta will still need s corrective measures to continuously increase the taxpayers as online tax system user and optimize the provision of DIGITALIZATION infrastructure of TAX administration to provide the benefits expected by e-tax users and to improve the cost efficiency in tax collection through e-tax system to contribute to tax revenue with increased compliance of Taxpayer with reliable digitalization of tax administration.

This is aligned with the current tax reform which emphasizes more on the DIGITALIZATION of TAX administration through ease of access and simplicity in tax procedure through provision of tax digitalization infrastructure which creates benefit to broader communities from the allocation of tax revenue by the government, and improved professional competence of tax personnel to avoid potential tax evasion.

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