

Understanding Tax Amnesty and Tax Compliance in Indonesia: an Institutional Approach

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ABSTRACT

This study was motivated by one of President Joko Widodo's projects, which is to build better infrastructure in Indonesia. Tax amnesty is used as a way of receiving undeclared assets expecting that Indonesia revenues will increase. This study focuses on the perception of both tax consultants and taxpayers. The interview was conducted to explore the points of interest as it was being developed. The analysis was done using institutional theory, analysis and discussion on their behavior towards tax amnesty are given based on the result of the research. This research uses interpretivism perspective to examine the meaning created by a human that differentiate human from physical phenomena. The data were collected from secondary data, archival data and complemented with semi-structured interviews. The finding suggests three themes associated with institutionalization of taxpayer compliance, namely rules and regulation, political economy, and social powers. These themes generate pressures on coercive isomorphism, as well as normative isomorphism. The result suggests establishing synergy and a dialectical process between the tax authorities and the taxpayer in conducting coaching, monitoring and fair enforcing of law to support taxpayer compliance.

ABSTRAK

Penelitian ini dimotivasi oleh salah satu proyek President Joko Widodo, yaitu membangun infrastruktur yang lebih baik di Indonesia, pengampunan pajak digunakan sebagai cara menerima aset yang tidak diumumkan. dengan harapan pendapatan Indonesia akan meningkat. Studi ini berfokus pada persepsi konsultan pajak dan pembayar pajak. Wawancara dilakukan untuk mengeksplorasi tempat-tempat menarik saat ini sedang dikembangkan. Menggunakan teori institusional, analisis dan diskusi tentang perilaku mereka terhadap tax amnesty diberikan berdasarkan hasil penelitian. Penelitian ini menggunakan perspektif interpretivisme untuk menguji makna yang diciptakan oleh manusia yang membedakan manusia dari fenomena fisik. Pengumpulan data diambil dari data sekunder; yang dianggap sebagai data arsip dan dilengkapi dengan wawancara semi-terstruktur. Hasil penelitian menyarankan tiga tema yang terkait dengan pelembagaan kepatuhan wajib pajak; aturan dan regulasi, ekonomi politik, dan kekuatan sosial. Tema-tema ini menghasilkan sebuah 'tekanan' isomorfisme koersif, serta isomorfisme normatif. Penelitian ini menyarankan untuk membangun sinergi dan proses dialektis antara otoritas pajak dan wajib pajak dalam melakukan pembinaan, pemantauan dan penegakan hukum yang adil untuk mendukung kepatuhan wajib pajak.

1. INTRODUCTION

The tax collected from society is used to improve citizen welfare, based on the principal and mechanism governed by the laws and regulations (Pertiwi, Azizah, & Kurniawan, 2014). In addition, the government measures to achieve the tax target

are based on several policies, among others through taxation policy to optimize tax revenue without disrupting the business investment climate. The tax policy which government-issued – must be directed toward economic and development improvement (Jamil, 2017). However, taxpayers often override tax

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payments or avoid paying taxes. One of them is by placing their assets or income abroad to be exempted from taxes. Based on the Tax Justice Network (TJN), Indonesia's financial assets in the State Tax Haven reach USD 331 billion. If estimated based on Indonesia's average real interest rate data from 2010-2015, the asset will be USD 430 billion or approximately IDR 5.844 trillion equivalent to a 52.7% GDP estimate by 2015 (Center for Indonesia Taxation Analysis, 2016). Indonesian citizen has many assets kept abroad to avoid tax payment. According to the data from the Directorate General of Taxation, net asset obtained from the total declaration of foreign property reaches Rp 103,61 trillion or 74,51% (Jefriando, 2016).

The scope of this research deals with tax amnesty development in Indonesia. Analysis and discussions were done to narrow down with the different perspectives from taxpayers and tax consultants. With these aims and benefits, the analysis leads to the research question, e.g., "What is the perception of the tax amnesty in Indonesia?" In the end, this study is expected to provide useful evidence and help the readers understand the development of tax amnesty so that they can reach and implement a better future strategy.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Tax Compliance In Indonesia

Out of all taxpayer number, only 10% repatriated their assets. Therefore, there are two possibilities for the rest of the 90%, whether they are already compliant or not. From the previous result of the tax amnesty program, the government notes that at least there are more than four thousand trillion and assets belong to Indonesian people or equivalent to 38%, which has been reported in Gross Domestic Product (GDP). Therefore, there is only 60% of taxpayers have paid their tax liability. Due to this reality, the government makes serious efforts to increase the tax ratio, from only 10% only previously to 13% in 2018. This rate is still less than Malaysia in 15% and Thailand in 16% (Kusuma, 2017). In this case, there are two possibilities concerning the taxpayers. One, there may be some people who comply with paying the taxes and those who might not be compliant with it.

Penetration and tax obedience in Indonesia is still low. According to the Central Bureau of Statistics (*Biro Pusat Statistik/BPS*), the Indonesian workforce in 2013 has reached 93.72 million. Ironically, only 29.4% are registered as taxpayers, and only 0.8% paid their tax in 2015. This also

happened to the taxpayer for the companies. Among 3.4 million companies, there is only 71.8% registered in the Directorate General of Taxation (*Direktorat Jenderal Pajak/DJP*), and only 10.9% have paid for their taxes. However, there are still many Indonesian citizens who have not reported assets abroad to avoid the obligation of taxation (Bank Mandiri, 2017).

According to Act Number 11 of 2016 about Tax Amnesty, tax amnesty is mandatory for Indonesian citizen who has already had taxpayer. Taxpayer number holders who are willing to do tax amnesty must pay redemption money, but they will not be subjected to administrative and criminal sanction as they will get if they paid in a usual way (Setyaningsih & Okfitasari, 2016). However, Taxpayers, both individuals and companies or institutions, tend to hide their valuable assets abroad to avoid paying taxes. The main reason is to increase their profit.

Tax compliance is a complex phenomenon when viewed from several perspectives. According to Feld & Bruno (2007), people are less interested in paying taxes because of the absence of direct incentives from the state. The taxes that have been paid are also not proportional to the benefits felt by the community. The public will pay taxes income they receive if they can proportionally feel the public service to the tax payment, the fair treatment of the government, and the transparent legal process from the government (Tumakaka, 2015).

Allingham and Sandmo (1972) mentioned that people tend not to pay taxes or pay taxes, but the taxes paid are not appropriate from actual income due to low government oversight and sanctions or penalties imposed on non-compliant taxpayers. If looking at the kingdom era, all citizens dutifully paid taxes or known as a royal tribute, because of the fear of a severe penalty if they do not pay taxes.

Taxpayers are not always obedient in fulfilling their tax obligations, and the behavior of taxpayer compliance is influenced by many factors. Barbuta-Misu (2011) divides tax compliance into two significant factors, namely economic and non-economic factors. For the economic factors, they are actual income levels, tax rates, tax benefits, penalties, tax audits, fines, and auditing probabilities. While the non-economic factors are: attitude toward taxes, personal, social and national norms, and perceived fairness of the tax system, other factors affecting taxpayer compliance are social behaviors and enforcement (Davis, Hecht & Perkins, 2003), confidentiality (Laury & Wallace, 2005), tax fairness (Chittenden & Foster, 2008), and

government issues regulation to end bank secrecy law. However, based on this study, the categories are divided into three; Rules and regulations, political economy, and social powers.

Some countries have applied tax amnesty to tackle tax evasion that has resulted in substantial reductions in state revenues such as Argentina, Denmark, Mexico, Philippines, Ecuador, and several states in the United States (Uchitelle, 1989). Also, to increase state revenue from taxes, countries that implement tax amnesties have long term goals, namely raising the awareness of taxpayers to pay taxes on time. Some studies have shown that tax amnesty is very useful for increasing tax revenues in the period when tax amnesty is done (Alm, Martinez-Vazquez, & Wallace, 2009; Uchitelle, 1989; Saraçoğlu & Çaşkurlu, 2011).

This study focuses on tax amnesty in which it can only be successful if taxpayers believe that tax amnesty will not be repeated. Tax amnesty should only be done once without regular repetition or shortly repeated. Thus, the tax amnesty can effectively increase the state's income on taxes and tax fulfillment by the taxpayers. However, it is essential to note that government action after the tax amnesty in a certain period is also very decisive for tax fulfillment and taxpayer awareness to pay taxes on time. A lot of tax amnesty fails because there is no attempt to enforce tax collection, an examination of effective tax fulfillment, penalties, and raising tax awareness (Uchitelle, 1989).

Institutional Theory

This theory tries to explain the variations and similarities of organizations regarding their structure and behavior, and to the view that organizational development is only a technical process to improve efficiency as a consequence of the rationality of actors operating the organization (Crank, 2003; Jepperson and Meyer, 1991; DiMaggio and Powell, 1991). Organizational forms (structures, control systems, and activities) and actors (including their actions) are more or less rooted in, shaped, and transformed by their external environment.

All claims of institutional theory lead to a definition that something identified on the higher level is used to explain a process and result on the lower analysis level (Clemens and Cook 1999; Amenta & Ramsey, 2010). Referring to Powell (2007), within the realm of the sociology of the organization, there are names such as John Meyer, Brian Rowan, Richard Scott, or Lynne Zucker as carriers of neo-institutionalism ideas. In their view, this formal organizational structure not only reflects

the technical demand and resource aids but also forms institutional pressure, including rationalized myths, the legitimacy of knowledge through education, profession, public opinion, or the law. These neo-institutionalism supporters emphasize that organizations are immersed in social and political environments so that organizational practices and structures are often reflections or responses to rules, beliefs, and habits that are already flying in the wider environment.

Scott (2001) argues that institutional theory gives a deep and genuine concern to the social structure. This theory discusses how structures, such as schemes, rules, norms, and routines, become authoritative forms for the occurrence of social behavior.

Institutional theories question how these things are made, combined, adapted in time and space. Institutional theories also argue that organizations that favor legitimacy will tend to try to adjust to external expectations or social expectations (DiMaggio & Powell 1983; Frumkin and Galaskiewicz, 2004; Ashworth et al., 2009) where the organization resides. Adjustment to external expectations or social expectations leads to an organizational tendency to separate their internal activities and focus on systems that are symbolic to external parties (Meyer and Rowan, 1977). Public organizations that tend to gain legitimacy will tend to have similarities or isomorphism (isomorphism) with other public organizations (DiMaggio and Powell, 1983). Figure 1 illustrates the institutional isomorphism, alongside its carriers and social bases: coercive, mimetic, and normative.

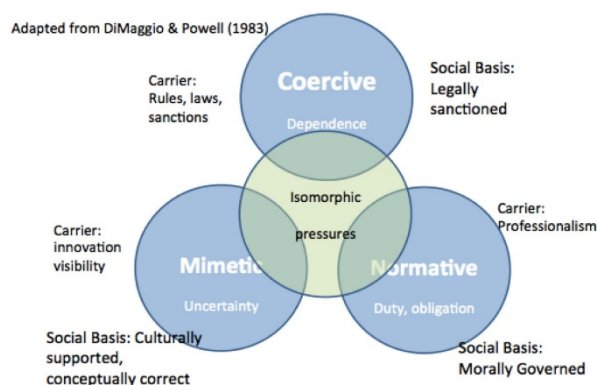


Figure 1
Institutional Theory Framework

Based on their theory, coercive isomorphism comes from political influence as well as rules and regulations. On the contrary, mimetic isomorphism occurs when organizations follow the behavior of others due to uncertainty. For that reason, they

mimic what the others are doing. Lastly, it is a normative isomorphism, which is associated with professional values and moral obligations, because one believes that it would be the right thing to do as a duty and obligations. This isomorphism drives organizations regarding their practices and behaviors. This theory is used and developed by the author after researching tax amnesty perspectives. Taxpayers and tax experts have their perspectives and point of view of tax amnesty, and it was all influenced by many different factors.

The factors above include political factors, economic factors, as well as norms and regulation influences, and pressures. The research examined if such actions of being compliant to tax amnesty are affected by those factors of the environment or not, and the kind of pressures the people are in that cause them to be compliant. Therefore, social norms, political situations, schemes, or even the history of Indonesia are essential to this research.

3. RESEARCH METHOD

This study employs exploratory research to discover in a deep understanding of phenomena within the society, and in fulfilling this purpose, the researchers conducted an in-depth study and deep analysis as well. This research also needs various types of knowledge coming from the interviewees that need to be interpreted for achieving the research objectives because this research uses epistemology assumption. Epistemology assumption deals with valid and legitimate knowledge, which is acceptable so that the researcher can communicate the knowledge to others (Saunders & Bristow, 2015). Additionally, the theme of this study is an institutional theory that is the actions and decision-making of organizations. This research uses an interpretivism perspective. From the interpretivism' perspective, research is used to examine the meaning created by a human that differentiates humans from physical phenomena (Saunders & Bristow, 2015). This social reality research is the implementation of tax amnesty and the automatic exchange of information. This research is expected to explain what people think of tax amnesty.

The data were collected from secondary data, which is considered as archival data. The data were collected before doing the research. They were analyzed and evaluated for getting the conclusion and fulfilling the research objectives. This leads to a thematic data analysis method, where the researcher identifies, analyzes, and reports the patterns of the data collected from the research. It used a content analysis that is a method to describe and quantify

the research object (Elo & Kyngas, 2008). This method also used to examine the documents obtained. By using this method, the authors will group the data according to the same category. From categorizing the data, the author will be able to obtain a description of tax amnesty and the automatic exchange of information in Indonesia.

The interview was also conducted, as well. In the process, there needs to be different perspectives on tax amnesty. In order to have different perspectives, two roles were taken as respondents. One would be taxpayers and the other tax consultants. Therefore, there were two taxpayers and two tax consultants. The interview leads the author to have a better insight into what they think of tax amnesty given their roles. The interview method used was a semi-structured interview. A general set of questions regarding tax amnesty was prepared; however, the authors developed more and explored new knowledge from the answers of the interviewees.

4. DATA ANALYSIS AND DISCUSSION

The following are themes that were found during the data analysis. Based on the Institutional Theory approach, this study addresses three major themes that influence the taxpayers' perception of the tax amnesty in Indonesia: Rules and Regulations, Political Economy, and Social Powers.

Rules and regulations

In Indonesia, there is also a known Banking Secrecy law, which is stated in the Banking Act. The legal basis of the bank secrecy provisions in Indonesia is preceded by the existence of Law no. 7 of 1992 on Banking, but later it has been amended by Law no. 10 the Year 1998.

The definition of bank secret by Law no. 7 of 1992 provided in Article 1 paragraph (16), which reads as follows:

"Bank secrets are anything related to finance and other matters of bank customers who – according to the prevalence of the banking world – must be kept secret."

Besides that, the Banking Act also provides a formulation of secret bank offense, as explained in Law no. 7 of 1992 Article 40 paragraph (1), which reads as follow:

"Bank is forbidden to give the information recorded on the bank about the financial condition and other matters of its clients, which it shall be kept confidential by the bank according to the prevalence in the banking world, except in the case explained in Articles 41, 42, 43 and 44."

Later, the formulation of bank secrecy offence has been amended by Law no. 10 in 1998 as provided in Article 40 paragraph (1). The new formula is read as follow:

“Bank is required to keep the confidential information about the client and depositors, except in the case of Article 41, Article 41A, Article 42, Article 43, Article 44, and Article 44A.”

Generally, banks in Indonesia are much concerned about the secrecy of their customers. The jargon that says 'secret' is also one of the strategies used by various banks to refuse if other parties want to know about someone in the bank. Currently, Indonesia is facing legal problems regarding the attitude of what should happen when there is a clash between the individual interests and wider community associated relating to the conduct of such binding secrecy. In regard to taxation, these conflicts involve high-ranking officials, the eradication of corruption (KPK), and money laundering agency, where their responsibility can somehow overlap one another.

According to the Hermansyah (2017), it has been so long that the banking secrecy becomes a tool for taxpayers to avoid tax audit liability exceeding information such as proof of income tax withholding in Article 4 paragraph (2) on Savings Interest or Time Deposit. The finding suggests that tax awareness and tax compliance in Indonesia need to be improved if they want it to become the spearhead of state income. One effort that can be done is the need for a continuous effort to change the compulsion tax image into a series of consciously conducted activities. However, there are still many assumptions about taxpayers. Several people do not know precisely the meaningful reciprocity of what has been paid to the state. This is because the taxpayers pay taxes not because they are proud of having a taxpayer status as in developed countries.

Our public tax compliance seems to be primarily enforced because, for now, Indonesia is not yet fully able to rely solely on public tax awareness. This is due to the number of components that contribute to inhibiting public awareness from paying taxes, thereby impacting the inhibition of the tax compliance process.

The alteration of Perppu No 1/2017 functioned as *compliance* in AEOL- *Automatic Exchange of Financial Account Information*). The aim of Perppu No 1/2017 is to create financial transparency and advocating taxation. It can be interpreted that it is

suitable for Indonesia and the business world, and all parties that they must support this effort. It is essential to note that this matter is the monitoring function to the access disclosure of taxpayer financial data, and do not let the data be accessed and misused by irresponsible persons.

The issuance of Perppu no. 1 of 2017 on the Access to Financial Information for Taxation was for strengthening the tax base to meet the target of tax revenue, also for maintaining the sustainability of the effectiveness of tax amnesty policy. This provision applies to all countries that implement AEOI. Information from each bank can be accessed by other countries. With the enactment of the Perppu, several articles in-laws are declared no longer valid as long as it is related to the implementation of Access to Financial Information for Taxation. They are Article 35 and 35A of Law no. 6 of 1983 concerning General Provisions and Tax Procedures as already amended several times, most recently by Law no. 16 of 2009; Article 40 and 41 of Act no. 7 of 1992 concerning Banking as amended by Act no. 10 of 1998; Article 47 of Law no. 8 the Year 1995 concerning Capital Market; Article 17, 27 and 55 of Law no. 32 of 1997 concerning commodity futures trading as amended by Law no. 10 of 2011, as well as Articles 41 and 42 of Law no. 21 of 2008 concerning Sharia Banking.

At the same time, the transparency and information exchange standards issued by the OECD are the information exchange on request based on their compliance with the administration and domestic law enforcement partners of such agreements (OECD, 2012). Bank secrecy or domestic tax interest requirements cannot be an excuse for not exchanging information; the existence of the desired information and the power, authority, and facilities to obtain such information; does not violate the right of the taxpayer and maintain the confidentiality of information exchanged (Eldijk, 2017). Besides, to support the policy of transparency and exchange of information by ECD, the abolition of the Bank Secrecy Perppu also responds to Indonesia's challenge to dare to involve the upper-class people with money and power. The problem is, in Indonesia, people with power are difficult to deal with and have their way to cover up what they want to cover. If the government allows this to happen, nothing will be recovered.

Political Economy

The second theme focuses on political stability, where it is an essential factor involved in the individuals' and organizations' decision making.

Political stability is what the people are trying to find. In relation to institutional theory (norms and regulations), people are scared to know that they hide their assets. Therefore, they want to declare and repatriate. However, political stability was absent; it makes them do not want to comply.

Back to Indonesia's political upheaval in 1998, many people brought their assets abroad due to political instability. The riot in May 1998 was the result of a culmination of economic catastrophe that hit Asia and the political crisis. The people's negative emotions are affected by the economic crisis, and it reached their boiling point (Wiwoho, 2017). People brought their money to Switzerland, Hong Kong, and others because they were worried and afraid to see the situation in Indonesia. It is similar to what happened within five years; political upheaval also took place in the capital city. The Jakarta city is a benchmark of the investment climate in Indonesia. Therefore, the elected government must be able to maintain the economic and political stability to remain conducive. After the election of the regional head (Pilkada) and the conviction of two-year imprisonment to the Governor of Jakarta Basuki Tjahaja Purnama (the famous name: Ahok) due to blasphemy, the political condition in the country continues to heat up. Both conditions are the reason why people are reluctant to bring their funds to Indonesia:

"People are now holding themselves from investment and consumption. And so are the business people that have assets or money outside of the country. Since they cannot bring the money to the home country, they just put it there and not doing anything about it to avoid suspicion". Tax Consultant, Male

"The feelings of security lacks as well. I cannot fully blame them because we can see and feel it ourselves how corruption is affecting this country, and how politics and business got mixed." Tax Consultant, Male

The tax amnesty program period II and III that ended in March 2017 coincided with the Jakarta Pilgub that was held in February 2017. This short period requires a conducive domestic situation, so the money repatriation abroad could soon come to Indonesia. The rise of demos, issues, and information, and information circulating mass media and social media ahead of the significant action on 4 November 2014 was seen counterproductive (Vebriyanto, 2016). The issues of governor Jakarta election only concerns the people of Jakarta, but the Tax Amnesty program is concerning the success of President Jokowi's

development. It has implications for hundreds of millions of Indonesian people.

The situation of the national stability interfered with the acceleration of development and investment through state revenues, and the follow-up program of Tax Amnesty Phase II and III, which was initiated by President Jokowi would fail. Therefore, it was not done maximally.

Currently, the taxation condition in Indonesia is faced with the Directorate General of Taxation's condition with its institutional design that has limited authority in encouraging the realization of effective and efficient tax administration. The proposal for change the institutional structure of a proper tax administration should, at least, have these following characteristics (Jenkins, 1994). First, it has financial independence. Second, the new agency/institution is granted autonomous administrative authority and can formulate its policy and its organizational goals. And lastly, the new agency/institution must be responsible for managing human resources internally. This is appropriate for the neo-institutional theory that states that organizations are immersed in social and political environments. Thus, organizational practices and structures are often the reflections or responses of the rules, beliefs, and habits that are built on the broader environment (DiMaggio and Powell, 1983).

Social Powers

Finally, the last theme is how the role of social powers affect governmental institutions. The government has AEOI access but not able to involve the men with power. The information open in AEOI is useless if they do not do anything with it. Supporting the policy, the Government of Indonesia also issued Government Regulation instead of Law No. 1 of 2017 concerning Access to Financial Information for Tax Purpose. Article 2 of Perppu mentioned that access to financial information for taxation includes access to receive and obtain financial information in the implementation of the provisions of the legislation in the field of taxation and the implementation of international agreements in the field of taxation.

In the long term, this tax amnesty can demoralize the taxpayers' compliance. It is due to the country being more facilitate the rich people, who are not obedient. According to interviews with experts, Indonesia's current challenge is to brave to 'touch' the upper-class who has money and power.

“The challenge for Indonesia right now is to be brave to involve those in the upper class that has money and power, because what government should focus on is put their attention to them – the upper-class – and not to the middle or lower class people.” Tax Consultant, Male

Although the government has abolished the bank secrecy policy and authorized the Directorate General of Taxation to access the information of funds deposited by the taxpayers, in reality, the government has not yet been able to involve the men with power. Sri Mulyani said, looking from the revenue, it was terrific. However, comparing with the number of participants that have taxpayer number, the level of participants was only around 10%. Thus, either 90% of the taxpayer number holder is already compliant, or they are just ignorant of the tax amnesty. Indonesia's participation in AEOI runs less effectively. It is due to the tax haven countries, which are the storage of Indonesian citizens' assets that do not necessarily follow a similar program (Sari, 2017).

Currently, although AEOI has been implemented, there are still many taxpayer assets that have not been reported and expatriated and declared, primarily funds those stored overseas. The asset is an approximate value that is not revealed in the tax amnesty program. McKinsey's study in December 2014 concerning assets under management mentions US \$ 250 billion or about Rp3.250 trillion of wealth owned by wealthy Indonesians abroad (Solomon Consulting Group, 2018). Indonesia's participation in AEOI guarantees the government to get financial data not only from domestic but also from Indonesian citizens who are abroad. With AEOI, the tax office can access information on Indonesian Citizens' assets saved abroad. Sri Mulyani stated that the Directorate General of Taxation has limitations on collecting taxpayers since there is no access to taxpayer financial data in the country automatically. This is also suspected of causing the stagnant tax ratio in Indonesia (Solomon Consulting Group, 2018).

The government has to be brave in pursuing the non-compliant taxpayers, especially those people in the upper-class people. One of the concerns is that the people who have money and power are untouchable, whereas probably they were the ones who have assets the most, compared to those in the middle and lower class. Within the next three years, the tax authorities will try to find anyone who does not comply with taxes. In the interview, it was stated:

“...So if it were found out that they have assets outside Indonesia that they did not report, they would escape tax amnesty forever.” Tax Consultant, Male

This AEOI Policy applies to those who have never participated in the tax amnesty. For those who have participated in the tax amnesty and did not declare their assets fully, whenever it would be found even they still hide their assets, 30% will be taken out of total assets. In the implementation of AEOI on Indonesian taxation, which needs to be mitigated by the existence of Perppu concerning the access to financial disclosure information for taxation purposes is related to public psychology or the community as a banking customer. This is because both the banking and financial business is a trusted business (Aziz, 2017). The customer those feel, though it is not a matter of secretion which is distinguished anymore, there is a matter of privacy in it. This signal, which the government should send to the public that the Perppu and the rules that follow will ultimately guarantee the protection of data to customers or who use (the financial information) is minimal. Those who use will also be supervised, and those who abuse will be punished.

The challenge for Indonesia in implementing tax amnesty: weak government needs to be restored. Especially if the amount of money goes to the individual pocket of the government, the program will not work effectively. If corruptions are likely to happen, it can demotivate taxpayer to pay their debts, and they would rather pay some amount of friendly-return to government officials. Therefore, Indonesia must have a solid foundation regarding the law, regulations, and government officials itself. This also relates to their ability to manage the information they receive through AEOI. They need to be able to work collaboratively and analyze the information wisely.

“It is probably one of my biggest concerns as a citizen because I would not want our money is used for individual interest” Tax Payer, Male.

Institutional theory is also about trust and the confidence of the public towards the law. People—who feel there is a justice of the tax authorities—will affect the level of public confidence so that the level of tax compliance will also increase. Trust is one of the aspects that build a social life, which is an element of social reality. Slippery slope model (Kirchler et al. 2008) supports the theory for improving voluntary compliance depending on the level of public trust in the tax authorities. People

who feel justice will be obedient to the obligations of taxation, but with the public trust in compliance tax authorities, it will not only increase compliance, but it will also increase voluntary compliance.

"I would rather be a good citizen rather than in the future, getting involved in other complications." Tax Payer, Female

According to institutional theory by Dimaggio and Powell, this would be the normative pressure, in which people have the moral values that come from themselves. They think that it would be their right and also obligation to follow the rules because they want to be a good citizen in the first place.

A study by Murphy (2004) proved that the trust of tax authorities also mediates the effect of procedural justice on tax compliance. In line with research by Gobeno and Marius (2015) proved that there is a correlation between procedural justice and tax compliance through the public trust to the tax authorities. The relationship of justice to tax compliance will get better with the high level of public trust in the tax authorities.

Indonesia had applied tax amnesty in 1984. However, the implementation has not been effective because the taxpayers themselves are less responsive and not followed by an integrated and comprehensive reform of the tax administration system. Likewise, the lack of disclosure and the increased information access to the public, including the control system of the Directorate General of Taxation itself. The weak government surely will increase the number of non-tax compliance and political instability that occurred in Indonesia.

"...However, the challenge now is on the law enforcement itself and how to uncover those who are not compliant and those who have powers. We are dealing with wealthy people, and although I know it is not exactly easy to uncover these data and consensus, we have to be fair and diligent in continuing this project." Tax Consultant, Male

The implementation of tax amnesty itself has made the Indonesian government position in public look weak because it would be kind enough to give forgiveness for taxpayers who previously did not obey tax. With the political instability and less integrated information disclosure mechanisms, it will further reduce the government's credibility as the tax authority itself. According to Prastowo (2015), from the inner side, coordination and consolidation have not been effective. Meanwhile,

the level of taxpayers' awareness and compliance, in general, is still low. This is reflected in the ineffectiveness of the reinventing policy program and the unloading pairs of regulations (Supriadi, 2015).

Another challenge would be sudden liquidity entering Indonesia generated from declared assets and repatriated funds. This can create a problem for the banking sector in Indonesia. In the short term, they will suddenly have a very high liabilities, and it can reduce their profit. Furthermore, if there is too much cash and liquidity that the bank holds, this can lead to higher inflation. To overcome this problem, the government already chose 18 financial institutions to handle the funds coming from undeclared assets and repatriation.

Tax amnesty will be successful if it is seen regarding the money collected. Indonesia needs its money back to pursue infrastructure development and other government plans. AEOI works as a tool that helps the implementation of tax amnesty succeed. It takes synergy and the dialectical process between the tax authorities in conducting coaching, monitoring, and fair enforcing of law to citizens. Stakeholders such as DPR, monetary authorities, law enforcement agencies, and others have to synergize to help the Directorate General of Taxation to encourage the participation of the taxpayer community. Also, we have to remind the ranks of the Directorate General of Taxation to conduct strict supervision of taxpayers. The Government and the House should be committed to improving the quality of the redistribution of tax money for the people's prosperity. In the interview, it has expressed their hope for implementing tax amnesty:

"Either way, I think the solution is just to become compliant to a tax amnesty. Because in the end, this is all for their welfare itself." Tax Payer, Female

"Happy citizens come from a government that is just." Tax Consultant, Male

"As a student, what you need to do is to understand this so you can contribute as a good citizen." Tax Consultant, Male

"People should not be scared of tax amnesty, rather use it as a chance to be compliant. To be redeemed" Tax Payer, Male.

There is a fact about the tax payment of Indonesian citizen, if it is observed from their income, the higher their income, the greater their

tendency to not pay taxes (Konfrontasi, 2016). Based on the interview result, stated that there are hopes to improve tax compliance through tax amnesty. Nevertheless, they acknowledge the difficulties in complying to pay tax for most Indonesian. They also hope that the government agency needs to take a further step in restraining taxpayers to support Indonesia's investment and consumption. The amount of effort done by Indonesia's government may be less than the expected taxpayer compliance by far. Hence, a strategic plan and action are needed to determine the correct pathway to increase compliance throughout the archipelago.

In general, Indonesia's tax amnesty is executed well. They were able to collect assets hidden during the tax amnesty period. Tax amnesty does not merely show the taxpayer's rights to the tax but, more importantly, is by improving the taxpayers' attitude and behavior so that it can increase the state revenue in the future. Indonesia should start preparing designs, construction plans, budgets, including how to build a better tax system after the establishment of the Perppu into Law. The objective is to establish a credible, reliable, transparent, and fair tax system that is sustained by a strong, competent, and full of integrity tax authorities.

Based on the results, coercive is the isomorphism that generally affects the way people are making decisions regarding compliant in tax amnesty. A lot of political-economic influences, public confidence, and social factors are involved, as well as the fact that tax amnesty is ruled by the government, and legal sanctions come with it as a consequence of them not being compliant. With the implementation of AEOI, there will be no more bank secrecy on customer data. In the end, it is expected to find taxpayer information that can be done optimally and indirectly. By doing so, the potential of state revenues will also increase.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

In relation to answering the research question, it can be said that tax amnesty effectively helps to support the Indonesia economy. The pressure generally comes from coercive, which means that it comes from political influence, and organizational legitimacy such as laws and regulations such as bank secrecy law and tax amnesty implementation, as well as a legal sanction as the consequences if a citizen is not following it. However, there is also a little normative pressure because it indicates that taxpayers want to comply in the first place. However, the fact that they still lack confidence in

our governmental institutions is holding them back most of the time. In practice, tax amnesty has a problem, mainly related to the taxpayers' reluctance to return their funds abroad to Indonesia. Although the bank secrecy act is being the reason why the taxpayers managed to hide their funds, there are far more issues regarding politics, socials, norms, and citizen confidence. Some other factors that cause low taxpayer compliance include public dissatisfaction with the public service, uneven infrastructure development, and the abundance of corruption cases conducted by high officials.

It takes synergy and the dialectical process between the tax authorities in conducting coaching, monitoring, and fair enforcing of law to citizens. It includes all the stakeholders such as DPR (House of Representatives), monetary authorities, law enforcement agencies, and others who have to synergize to help Directorate General of Taxation to encourage the participation of the taxpayer community. Also, the ranks of the Directorate General of Taxation must conduct strict supervision of taxpayers. If all the above efforts are made, the Government and the House will be committed to improving the quality of the redistribution of tax money for the people's prosperity.

The fact that Indonesia joins OECD also shows how fully committed they are to make this program a success. They will be able to overcome all the challenges if governments are wise about using the AEOI data, firm about the consequences, and can integrate other strategies along with tax amnesty. When it is done collaboratively, they will be able to generate more tax revenues that can be used for other essential purposes for the country, such as agricultural, maritime, education, infrastructure, or construction. In the end, it is not only the numerical data that is important but the sense of responsibilities it generated to the citizen and taxpayer of Indonesia.

Although public know tax amnesty has worked since its inception in 2018, the people that reported to tax amnesty were only 10% of the Indonesian that have taxpayer number. This research does not discover the rest of 90%, whether they are compliant already? Or, they are just silently holding back in investing and spending the money, so tax authorities do not discover their assets? This can be a future recommendation for future researchers to discover this area of interest.

A limitation of this research is that it covers the area of Jakarta, which may be different from other places in Indonesia. The other limitation is that qualitative research using interviews can be

subjective to the researcher. There is always a possibility of interviewees being biased and affected by the past or personal experience.

Along with the development, it would be better to see how the tax authority discovers the rest of the people that do not comply. In other words, it would be better to see what is coming after the tax amnesty program. The project is completed, and the recommendation is to find whether this tax amnesty gives a long term impact or not. This research contributes to the researchers with different points of view as well as perspectives towards the tax amnesty program. It is aimed to help all parties to understand the thinking process of different roles, such as taxpayers and tax experts. By understanding and acknowledging those differences in thinking and opinions, there would be a way to develop and implement better tactics and strategy for tax development that keeps on changing and improving for the betterment of society.

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