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The Effect of Implementation of the Modern Tax Administration System on Taxpayer Compliance of Free Workers at the Makassar Tax Office

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ABSTRACT
This study aims to determine the effect of implementing a modern tax administration system on the compliance of independent worker taxpayers at the Tax office in Makassar. This research used qualitative research methods. Qualitative research is conducted naturally, and the data collected is generally qualitative. This study used data collection techniques through literature review, interviews, and documentation. The results showed that there was an effect of the implementation of the modern tax administration system on taxpayer compliance. The current tax administration system includes (1) organizational structure modernization, (2) organizational procedure modernization, (3) organizational strategy modernization, and (4) organizational culture modernization. This simultaneously and partially affects taxpayer compliance within the Tax Service Office. Placement of employees done by their capacity, capability, reorganization, regeneration, training, and self-capacity development programs. This is done to increase the competence of employees of the Directorate General of Taxes in providing services to taxpayers to improve taxpayer compliance.

Keywords: system; administration; modern tax; self-employed worker; taxpayer

INTRODUCTION

Tax is a citizen's obligation and a form of devotion to the state, the interchange of which may not be directly felt by taxpayers but is nevertheless compelling. Taxes serve as one of the main pillars of state revenue and are of utmost importance, as they provide the primary source of government and development financing. The dominance of taxes as a revenue source is natural, considering the limited availability of natural resources. Unlike taxes, which have an unlimited lifespan, the availability of natural resources is finite, making taxes a vital alternative for sustaining state revenue, especially with the increasing population. Moreover, taxes are dynamic and adapt to the country's and its people's social and economic developments.

The demand for increased revenue, improvements, and fundamental changes in all aspects of taxation necessitates periodic tax reforms in the form of enhancements to tax policies and administration systems. These reforms aim to expand the tax base further, enabling the optimal collection of available tax revenue while upholding the principles of social justice and providing excellent service to taxpayers. Additionally, as Zain (2003) stated, the taxation system comprises three elements: Tax Policy, Tax Law, and Tax Administration.

The taxation system is a method or mechanism for managing tax liabilities owed by taxpayers, channeling them into the state treasury. Indonesia employs *the Self-Assessment System* as its tax collection system, which has replaced *the Official Assessment System*. The Official Assessment System was a tax collection system that granted tax authorities the authority to determine the amount of tax payable each year by the provisions of the applicable tax law. However, this system was considered inefficient due to its time-consuming procedures, resulting in suboptimal state tax revenue. This is evident from the employment status of the primary workforce in South Sulawesi as of August 2022, with a total working population of 4.35 million people.

Tax reform is carried out to meet the demands in the field of taxation, such as increasing revenue, increasing taxpayer awareness and compliance, and various other fundamental changes. Tax reform in Indonesia began with the enactment of Law Number 6 of 1983 on General Provisions and Tax Procedures on December 31, 1983. One of the objectives of tax reform is to create an effective and efficient taxation system, leading to a significant increase in state revenue from taxation.

Hence, the initial step in achieving optimal tax revenue is to enhance the tax policy and administration system. This endeavor is symbolized by establishing the Directorate General of Taxes' vision, which is becoming a public service model by implementing a world-class tax system and management that engenders trust and pride within the community. Directorate General of Taxes also set a fiscal mission, including effectively and efficiently collecting domestic revenue from the tax sector to support government financing independence by tax laws. Notably, policy reforms are being implemented by an amendment to the Taxation Law, specifically Law No. 28 of 2007, which encompasses General Provisions and Tax Procedures. A prominent area of focus in tax reform is the modernization of tax administration.

The modernization of tax administration is being implemented to enhance the efficiency of tax collection and optimize taxes as a vital source of state revenue. In addition, the modernization of the tax administration system also seeks to foster a transformation in the behavior of tax officials and instill the core values of the Directorate General of Taxes. This, in turn, will significantly enhance the Directorate General of Taxes' capacity to oversee tax policy implementation effectively.

According to Article 1 Number 1 of Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 regarding General Provisions and Procedures for Taxation, tax is a mandatory contribution to the state owed by individuals or entities that are compelling based on the law, by not receiving a direct reward and being used for state purposes for the greatest prosperity of the people. Additionally, Bohari (2018) defines tax as a compulsory financial contribution to the state imposed on those legally obligated to pay it. Regulations establish this obligation, and the collected funds are allocated for financing public expenditures associated with government responsibilities.

According to Brotodihardjo (2003), taxes are contributions to the state that can be enforced and owed by individuals or entities obligated to pay based on regulations. These contributions do not yield a return achievement. They can be directly assigned, with their purpose being to finance public expenditures related to the duties of the state organizing the government. The definition of tax in Law Number 28 of 2007 aligns with this concept. It highlights that tax is a mandatory contribution to the state, compelled by law, without receiving a direct reward. The funds collected through taxation are utilized for state purposes, ultimately aiming for the greatest prosperity of the people. This definition emphasizes that tax is not just a mandatory contribution but also a contribution from the people to the state. It can be imposed during collection and is designated for state purposes.

According to Rochmat Soemitro, as cited in Resmi (2008), taxes can be defined as contributions made by individuals to the state treasury, as mandated by laws. These contributions are enforced without receiving reciprocal services (*contraprestasi*) that can be directly demonstrated. The funds collected through taxes are utilized to finance public expenditures. From a legal perspective, Soemitro argues that the concept of taxes arises due to laws that impose an obligation on citizens to deposit a particular portion of their income to the state. The state holds the authority to enforce this obligation, and the tax revenue must be used for governmental administration. Additionally, Rahayu (2010) presents the perspective that taxes represent the civic duty of responsible citizens, although some may view them as burdensome. The imposition of taxes entails sacrifices that do not directly yield a response, thus generating debates and differing opinions.

Oliver Wendell Colmes (Amerika Serikat), an expert and prominent supporter of tax as something is right, argues that taxes are the price we pay for civilization. This perspective justifies taxation as a necessary means to progress a country. In line with this, Aini (1985) defines taxes as contributions to the state that can be enforced. They are owed by individuals obligated to pay based on regulations without receiving a direct demonstrable return achievement. The collected tax revenue is used to finance public expenditures associated with the state's responsibility to organize and govern.

Mardiasmo (2013) argues that taxes consist of the following elements: Contributions from the people to the state:1) Taxes are collected solely by the state, and the contributions are made in monetary payments rather than goods. 2) Based on the law: Taxes are imposed and collected according to the provisions of the law and its implementing rules, and 3) Without reciprocal services or contraprestasi from the state: Tax payments do not entail direct individual benefits or services from the government. There is no specific return or direct compensation shown for the taxes paid. 4) Used to finance the state's expenses: Tax revenues fund the state's financial obligations, which ultimately benefit the broader community.

Based on the previous understanding, researchers can infer that taxes are required payments made by society to the government, which can be enforced during their collection but do not directly provide reciprocal services to the public. Taxes are the primary income source to finance the government's regular expenditures.

Furthermore, according to Sophar Lumbantoruan in Setiana et al. (2010), tax administration refers to tax assessment and collection methods or procedures. Additionally, Noviyanti (2012) states that tax administration aims to realize tax regulations and state revenue as mandated by the State Budget. De Jantscher in Masyhur (2013) emphasizes the crucial role of tax administration by highlighting the current conditions and experiences in various developing countries, where even a well-regarded tax policy (fair and efficient) may not successfully generate revenue or achieve other objectives solely due to the incapability or ineffective implementation of the tax administration system. Carlos A. Silvani in Gunadi (2004) states that the tax administration system is said to be effective if it can overcome the following problems: a) unregistered taxpayers, b) taxpayers who do not submit tax returns, c) tax evasion, and d) delinquent taxpayers.

Fundamental changes in the tax administration system are essential to achieve optimal tax revenue. One of these changes is implementing a gradually developed and comprehensive tax administration system in tax law, tax policy, and tax supervision. Chaizi (2004) defines a modern tax administration system as applying an improved or enhanced organizational performance system at the individual, group, and institutional levels to make it more efficient, economical, and fast. Modernizing the tax system within DJP aims to implement *good governance* and provide excellent service to the public. *Good management* entails the transparent and accountable application of tax administration systems, utilizing reliable and up-to-date information and communication technology systems. The strategy employed involves providing excellent services while intensively monitoring taxpayers. According to Kasim in Chaizi Nasucha (2004:23)22, administrative reform is an effort to initiate change through a top-down approach involving reorganization, downsizing, cost-saving, and reengineering programs.

Taxpayers are individuals or entities who, by tax laws and regulations (article 1 point 1 of the KPU Law), have tax rights and obligations, including tax payments, tax withholders, and tax levies. Taxpayers' compliance in fulfilling their tax payment obligations relies on the quality of service provided by tax officials. So far, the role of tax authorities has primarily been that of an examiner. However, maintaining taxpayer compliance with tax obligations requires more than just conducting audits (Panggabean, 2002).

According to Kiryanto (2022), compliance means to submit or obey teachings or rules. Meanwhile, Gibson in Andriana (2019) states that compliance is the motivation of an individual, group, or organization to act or refrain from acting by established rules. An individual's compliant behavior is an interaction between individual, group, and organizational behaviors. In the context of taxation, the applicable laws are tax regulations. Therefore, about taxpayers' compliance, the understanding of taxpayer compliance is the adherence to the provisions and rules of taxation that are required or mandated to be implemented (Kiryanto, 2022).

METHOD

This study employs a qualitative research method. Qualitative research is conducted naturally, and the data collected is predominantly qualitative. The approach is descriptive, aiming to portray what happens during the investigation, with efforts made to describe, record, analyze, and interpret the current conditions or phenomena. Thus, this study aims to gather information about the present situation and explore the relationships between the variables.

The data collection techniques utilized in this study include interviews, observations, and documentation. Additionally, a measurement tool called a validity test is employed. One standard method used in qualitative research is triangulation. The researcher observed the implementation of the grant assistance policy during the evaluation/verification stage.

RESULTS AND DISCUSSION

The results of the study describe the effect of the implementation of a modern tax administration system on taxpayer compliance and individual income tax revenue at the Makassar Tax Service Office, that there is a significant difference in revenue between before and after the implementation of tax modernization, where on average the level of individual Income *Penerimaan Pajak Penghasilan* (PPH) is greater during the performance of modernization than before the implementation of modernization. The results of the study state that the modern tax administration system includes: (1) organizational structure modernization; (2) organizational procedure modernization;

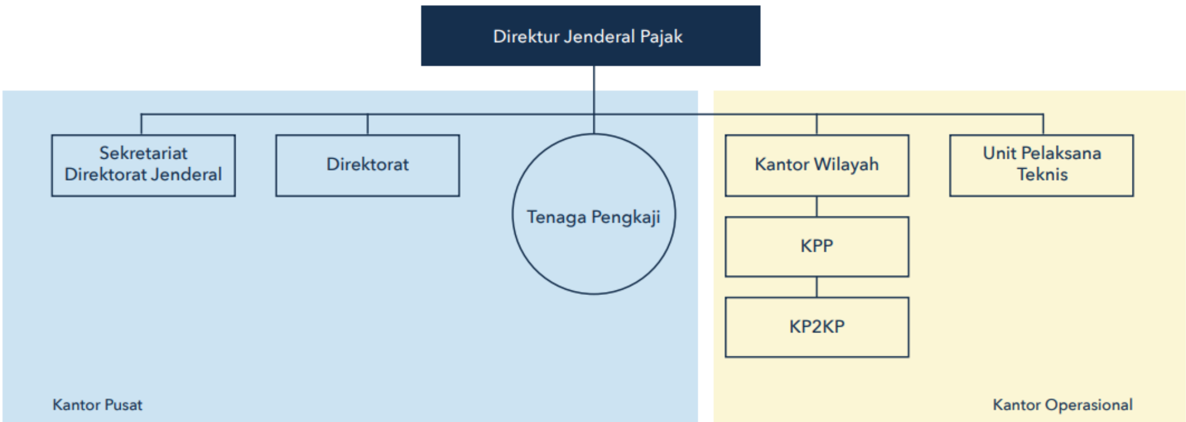
(3) organizational strategy modernization; and (4) organizational culture modernization. Partially, the modernization of organizational strategy contributes the most significant influence at 28.52%, followed by the modernization of organizational procedures at 19.41%, modernization of organizational structure at 17.81%, and modernization of organizational culture providing a weak influence, which is only 16.88%.

In conclusion, this study indicates that the variables of organizational restructuring and business process improvement through communication and information technology impact taxpayer compliance. In contrast, the variable of human resource improvement does not affect taxpayer compliance.

Modern Tax Administration System Changes

Organizational restructuring is an activity undertaken by an organization to transform its internal control processes from a traditional functional vertical hierarchy to a flat, cross-functional structure based on teamwork and focused on process orientation, thereby making the organization more agile. In this regard, the organization is rearranged to become an open management organization, which is responsive and adaptable to changes, supports smooth operations, has high flexibility, can implement control, and enhances accountability.

Organizational restructuring is a highly strategic endeavour. It is necessary to make the administrative system more effective and efficient and to achieve the desired goals. The organizational structure must also be flexible to adapt to dynamic environmental changes, including business and information communication technology developments. The following is an example of corporate restructuring applied in modern tax administration systems:



Pigure 1. Structure of DGT Organization

The Central Office of the Directorate General of Taxation (*Direktorat Jendral Pajak*) consists of the Secretariat of the Directorate General (*Sekertariat Direktorat Jendral*), 14 directorate units, and four positions of tax assessors. The operational offices within the DGT include the Regional Offices of the Directorate General of Taxation (*Kantor Wilayah Ditjen Pajak*), Tax Office (*Kantor Pelayanan Pajak*); Tax Consultation and Outreach Service Offices (*Kantor Pelayanan Penyuluhan dan Konsultasi Perpajakan/KP2KP*); and Technical Implementation Units (*unit Pelaksana Teknis*).

The UPT consists of the Taxation Data and Document Processing Center (TDDPC), the Taxation Data and Document Processing Office (TDDPO), and the Information and Complaints Service Office (CSO).

The number of operational offices can be detailed as follows:

1. 34 Regional Offices (*kantor Wilayah*)
2. 4 Large Taxpayers Office (*KPP Wajib Pajak Besar*)
3. 9 Specific Taxpayers Office (*KPP Khusus*)
4. 38 Medium Taxpayers Office (*KPP Madya*)
5. 301 Small Taxpayers Office (*KPP Pratama*)
6. 204 Tax Consultation and Outreach Service Offices (KP2KP)
7. 4 Technical Implementation Units (Unit Pelaksana Teknis)

The DGT vertical units are differentiated based on taxpayer segmentation, specifically: Large Taxpayers Office (LTO) for *KPP Wajib Pajak Besar*, Medium Taxpayers Office (MTO) for KPP Madya, and Small Taxpayers Office (STO) for KPP Pratama. With this division, strategies and approaches towards taxpayers are expected to be adjusted to the characteristics of the taxpayers being handled, thus achieving more optimal results.

Specifically, in the operational offices, there is a new position called Account Representative, whose tasks include providing tax consultation assistance to taxpayers, informing them of new tax regulations, and monitoring taxpayer compliance. To ensure fairness for taxpayers, all objection handling is carried out by the regional offices, which are the vertical units above the Taxpayers' Offices that issue tax assessment letters resulting from tax audits.

Human resource improvement is the key to the success of any reform, as the most crucial element in any organization lies in its human resources. The essential aspect of an organizational system is competent and integrity-driven human resources. Improving the human resource system and management involves more than just employee rationalization because a reasonable and transparent approach is believed to produce high-quality human resources. A competency-based and performance-driven human resource system can support this modern tax administration system. With better and more transparent human resource systems and management, better human resources can be developed, particularly regarding productivity and professionalism. Remuneration improvement is just one of the final parts of the bureaucratic reform program, preceded by improvements in various areas that can enhance the effectiveness and accountability of the human resource management system.

According to Powa et al. (2021), the utilization of information technology refers to all forms of technology used to create, store, modify, and utilize information in all its forms. Business process improvement is conducted to improve the convoluted and overlapping bureaucracy in implementing procedures. This improvement includes a work procedure system that applies *full automation* by utilizing information and communication technology. The objectives of improving business processes are as follows: 1) With full automation, efficient and effective business processes are created as administration becomes faster, thereby enhancing the quality and timeliness of taxpayer services; 2) Business processes are designed to reduce direct contact between DGT employees and taxpayers to minimize the potential for corruption; 3) Internal oversight functions will be more effective with the presence of built-in control systems, as anyone can monitor administrative processes through the running system.

The Influence of Human Resource Improvement on Taxpayer Compliance

Talented human resources must support an institution as they play a crucial role in its activities and operations. No matter how effective an organization's organizational structure, management, information technology, methods, and workflow are, they will not function optimally without the support of qualified and integrity-driven human resources. Preparing high-quality and professional Human Resources (HR) is a part of the human resource aspect reform program. It is achieved through rigorous fit and proper tests, placing employees according to their capacity and capability, reorganization, succession planning, training, and self-capacity development programs. These efforts aim to enhance employees' competencies at the Directorate General of Taxes in providing services to taxpayers, ultimately improving taxpayer compliance.

The Influence of Technology on Taxpayer Compliance

The utilization of information and communication technology to modernize tax administration systems is primarily aimed at providing optimal services to taxpayers. This is expected to streamline tax administration processes and enhance taxpayer services, making them faster, easier, and more accurate, ultimately leading to improved tax compliance. Research has shown that information technology has a significant impact on taxpayer compliance. Researchers have found that a positive perception of the tax system's effectiveness influences taxpayers' willingness to pay taxes. It can be argued that leveraging information and communication technology can enhance the effectiveness of the tax system, thereby increasing taxpayer compliance in fulfilling their obligations. Based on these findings, it can be concluded that the utilization of information and communication technology positively influences taxpayer compliance.

CONCLUSION

Implementing a modern tax administration system at the Taxpayers Office in Makassar can positively influence self-employed taxpayers' compliance. Some of the positive effects include the following:

Improved accessibility: Implementing a modern tax administration system can enhance accessibility for self-employed taxpayers. With an efficient and user-friendly design, taxpayers can easily access tax information, make tax payments, and report their income.

Ease of calculation and reporting: A modern tax administration system can provide tools and features that simplify income calculation and report for self-employed taxpayers. This can help reduce tax calculation errors and improve reporting quality.

Transparency and security: Modern tax administration systems often offer higher transparency in the taxation process. Taxpayers can better understand how their tax calculations are made. Additionally, these systems can provide enhanced data security, reducing the risk of data loss or misuse.

Effective law enforcement: A modern tax administration system can improve law enforcement. With an integrated and automated system, tax data can be monitored more accurately and efficiently, facilitating non-compliance detection and resolving tax disputes.

Tax is a crucial backbone of state revenue, as it is the primary source of government financing and development. Tax, as a revenue source, has an unlimited lifespan, especially with the increasing population, making it an essential alternative for state revenue.

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