"What you think moves your Will":
The Influence of Taxes' Social Representations on Taxpayer Compliance

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ABSTRACT

Paying taxes is often considered an unpleasant action by every individual, especially taxpayers. On the one hand, paying taxes is needed to increase collective utility for every citizen, but on the other hand, it is contrary to individual personal interests. This study wants to examine the role of subjective views in predicting tax compliance behavior. Not only compliance in general but specifically forced compliance and voluntary compliance. This research is a quantitative study using multiple regression analysis. The inclusion criteria for participants in this study are Indonesian citizens over 17 years old, already working, and experienced in reporting or paying taxes on any taxes such as Motor Vehicle Tax, Income Tax, Value Added Tax, Land and Building Tax (N = 201). The snowball sampling technique effectively captured participants through social media platforms such as LinkedIn and Facebook, including private messages and joining communities, paid advertising, email, and Instagram. Results show that social representations of tax and its inherent attributes significantly predict tax adherence behavior. More specifically, social representations are positively correlated with voluntary compliance. It indicates that the better an individual's views, attitudes, and beliefs toward taxes, the higher their voluntary compliance in paying taxes. Conversely, positive representations will reduce individuals' involuntary compliance in paying taxes. These results provide empirical support that reinforces the importance of improving the image and positive views of the public towards taxes to increase public tax awareness. The results of this study can also be considered for tax authorities in adjusting the socialization strategy, counselling, and image of the Directorate General of Taxes under the Ministry of Finance and the government to maintain public trust in the government itself.

Keywords: Subjective Views, Social Representation, Tax, Voluntary Compliance, Enforced Compliance

1. INTRODUCTION

The issue of tax compliance and non-compliance behavior is a classic and universal issue that occurs in almost all countries in the world. Various studies have examined tax compliance and non-compliance behavior, supported by Hofmann[1]; Kirchler[2]; Kirchler[3]; Smith[4] & Torgler[5]. One of the most popular is the deterrence economy theory. The theoretical framework of economic deterrence from the 1960s until the 2000s was still widely researched and tested by scientists, especially in economics. Factors such as the complexity of the tax system, the level of tax revenue information services, transparency of information access, sanctions, fines, the chance of being audited, and the actual and progressive tax rates are determinants of tax compliance, supported by Devos [6].

Furthermore, the economic rejection model, such as the probability of detection and sanctions or punishment, is used in explaining crime behavior [7]. compliance behavior, and tax avoidance, supported by Allingham[8]; Alm, J[9]; Cameron[10]; Ortega et al. [11]; Kirchler[12] & McKerchar[13]. Related to the tax system and rules enacted in each country, resulting in different cognitive and social representations. People often accuse the complexity of tax

rules as the main cause of reluctance to be actively involved and compliant in their tax behavior, supported by Hasseldine[14] & Lewis[15].

Based on this theoretical framework, empirical testing was conducted, and some research results explained that increasing sanctions affect the level of taxpayer compliance, but the results were inconsistent and provided a definite conclusion, supported by Nielsiobedzka[16]. Therefore, a more comprehensive and updated theoretical framework is needed to explain tax compliance and non-compliance behavior, supported by Devos [6]. The updates are in terms of the variables studied, such as social norms, personal characteristics, subjective knowledge and mental concepts, perceptions of fairness, motivation to comply, and methodology, quantitatively and qualitatively. Therefore, psychology and sociology approaches began to grow to provide different perspectives of thinking in looking at economic and public policy issues, supported by Kogler[17].

An economic perspective dominates studies on tax compliance. There are still very limited theoretical studies and empirical tests conducted to see how motivational aspects affect the decision-making process in taxation, supported by Muehlbacher et al. [18]. Beyond what is described in the previous paragraphs, individuals' knowledge and views on taxation form the basis for their judgment, perceptions of fairness, attitudes, and intentions to pay taxes. Emphasizes how individuals understand and view taxation (social representation of tax) as an important factor in understanding why individuals behave compliant or noncompliant. Further, Kirchler and his colleagues expose 'the slippery slope' framework as an alternative approach to understanding tax compliance. Tax compliance could be achieved by encouraging voluntary action by enforcing compliance. Voluntary compliance will be higher if taxpayers have trust in authorities. In contrast, enforced compliance is a function of the power attributed to authorities, supported by Prinz[19]; Schmolders[20]; Webley et al. [21].

Various studies on the social representation of tax have been conducted. Starting from, supported by Miron et al[22]   research in Germany on the subjective concept and assessment of German society towards taxes. The results show that people in Germany have a vague knowledge of taxes. Although most have a good understanding of income tax, they still make efforts to elevate the report of the tax burden in order to minimize the tax to be paid. Through open-ended questions that stimulate respondents' free associations about taxes, Schmolders tries to uncover social representations, assuming that the spontaneous responses of the human mind show the core of its cognitive representations.
In Schmolder's research, six classifications of occupations were used: blue-collar workers, white-collar workers, civil servants, self-employed, farmers, & retirees. Of the six sample groups, the most negative associations were seen in the self-employed group at 41%, and the lowest complaints were in the civil servants group at 23%. In general, 39% of the associations that emerged were related to technical concepts such as tax rules, tax offices, and due dates for tax reporting and payment. Followed by 29%, negative associations arise related to negative feelings and complaints about the many types of taxes, the high tax burden, etc. Then 23% stated tax as necessary (a necessary evil), and 9% of respondents showed no association. A more in-depth analysis shows that 83% of the self-employed, almost 70% of blue-collar workers, white-collar workers, and farmers, and 63% of civil servants agree that the actual tax rate is too high, supported by Hasseldine et al[14]; Miron et al. [22].

When viewed from the representation of society, the myth or view of "tax" has many meanings. People's trust and distrust of tax officials is reflected in the semantic terminology of taxes: in Latin, it is 'impostation' (helplessness). In the Netherlands, it is Belasting, supported by Niemirowski[23]; while in Germany, it is Steuer (support); in Scandinavia, it is Skat (a reasonable thing for a common purpose). In Germany, tax has a negative connotation and is associated with usury, cheating, and fraud. In Scotland, research by over 400 taxpayers showed a perceived inequality between contributions to the government and individual benefits received. Two-thirds believed that the government was unwise in its use of tax revenues. Scottish citizens believe their money is inefficient, supported by Miron et al.[22].

The results of studies in several countries show different representations of how people perceive taxes through the perspective of exchange and reactance theory, supported by Sakurai et al[24] especially in people with their type of work. Negative representations such as the complexity of tax rules, lack of understanding of tax regulations and procedures, and feeling unable to follow tax procedures lead to distrust and efforts to avoid taxes, supported by James et al.[25] & Kirchler et al. [26] The studies above emphasize the importance of knowing people's social representations of tax to predict their tax compliance better. Lewis argued that individual attitudes, judgments, and behavioral intentions are more strongly influenced by what individuals think about an object than what happens. Therefore, this study was conducted to test and obtain empirical data on Indonesian society and the predictive ability of social representations about taxes on tax compliance behavior. The hypothesis is:

H1: "The social representations of taxes is a significant predictor of an enforced tax compliance

H2: "The social representations of taxes is a significant predictor of voluntary tax compliance

2. METHODS

2.1. Participants

The research was done from August until December 2021. We collect data via an online questionnaire in Indonesia. The web link is shared through social media platforms such as LinkedIn and Facebook, including private messages and joining communities, paid advertising, email, and Instagram. The inclusion criteria for participants are Indonesian citizens over 17 years old, already working, and experienced in reporting or paying taxes on any taxes such as Motor Vehicle Tax, Income Tax, Value Added Tax, Land and Building Tax. The number of participants is 204, 69 male and 132 female, aged between 17 and 63 years (M = 28.14., SD = 9,25). Most participants held an undergraduate degree of 58.71%, a postgraduate degree of 21.39%, a high school degree of 13.43%, a Doctoral degree of 3.98%, and a Diploma degree of 2.49%; 31.84% work as private sector workers, 30.35% reported as a college student, 15.92% worked as a civil servant, 9.95% are freelancer, and remains to consist of public state-owned enterprise worker, social workers, and others; 30.35% reported a monthly income in a range of one until 5 million; 29.85% reported lower than one million, 29.35% reported monthly earns ranging of 5 until 10 million, 9.45% earns ten until 20 million, and less than 2% earns above 20 millions.

2.2. Instruments

There are two instruments used in this study, namely:

2.2.1. The Social Representation of Tax (SRoT Scale)

The SRoT scale consists of 22 items. The scale reliability by Cronbach's α = .958. The factor loading ranged from .41 to .88. The SRoT scale implements a semantic differential type with a seven-point scale such as "complicated – practical"; "burden – support".

2.2.2. Tax Compliance Inventory (TAX-I)

The TAX-I was developed by [25] for surveys of tax compliance. The full version has four dimensions: voluntary tax compliance, enforced tax compliance, tax evasion, and tax avoidance. Nevertheless, in this study, we only use two dimensions of tax compliance: voluntary tax compliance (10 items) and enforced tax compliance (8 items) were adopted by [26] Voluntary tax compliance measures the intention to comply voluntarily in the context of the perceived obligation to cooperate with the nation-state (e.g. "When I pay my taxes as required by the regulation, I do so because I like to contribute to the good of all people"). Otherwise, enforced tax compliance measures the intention to comply with enforcement (e.g. "When I pay my taxes as required by the regulation, I do so because I know that I will be audited"). The VTC reliability by Cronbach's α = .937, and the ETC reliability is α = .906. The Tax-I was rated on a 7-point scale from "strongly disagree" to "strongly agree".

3. RESULT & DISCUSSION

Regression analysis was used for testing the relation between SRoT and Tax-I. The first regression analysis was run to test H1, and the result shows that social representation of tax significantly predicts voluntary tax compliance (F = 125.69, p < .01). The coefficient determination (R^2) is .39, which means that the social representation of tax can explain 39% variation in voluntary tax compliance. The second regression analysis tested the H2, and the result shows that social representation of tax also significantly predicts enforced tax compliance (F = 18.72, p < .01). However, the coefficient determination is only 9%, which means the effect is much lower than predicting voluntary compliance.

Table 1. Linear Regression Analysis

Social representation of tax (X)	Voluntary tax compliance (Y1)	Enforced tax compliance (Y2)	Tax compliance (Y)
Constants			
B	25.12	30.52	55.64
t	16.25	16.92	23.15
SRoT			
B	.15	-.07	.08
t	11.21	-4.33	3.96
R	.62	.293	.27
R^2	.39	.09	.07
F count	125.69	18.72	15.71
Sig. F	<.01	<.01	<.01

Source: SPSS Test Result

In the last phase, we simultaneously count the VTC and ETC as a construct of tax compliance. The result shows that social representation of tax significantly predicts tax compliance ($F = 15.71$, $p < .01$).). For further detail, see Table 1. Previous studies explain that the intention to pay taxes according to the law is a continuum. According to Srinivan [27] It ranges from voluntary or commitment to societies and government objectives to law enforcement. Based on the slippery slope framework model developed by Kirchler, Hoelzl, and Wahl (2008), they differentiated between voluntary versus enforced compliance. In addition, voluntary and enforced tax compliance represent different underlying motives and intentions of tax behavior. Even though both compliance types result in tax payment, a positive correlation between VTC, and ETC is not expected. VTC should not be correlated with ETC. However, both constructs measure compliance which is difficult to be differentiated at the concrete behavioral level, supported by Dean et al.[28].

By the result comparisons, the finding shows that the social representation of tax best predicts voluntary tax compliance than enforced and general tax compliance. The presence of enforced tax compliance reduced the influence of social representation toward tax compliance. Therefore, an additional analysis was run to examine the correlation between voluntary and enforced tax compliance. The results show that VTC is negatively correlated with ETC ($r = -.16$; $p<.05$). See Table 2. These findings did not support the Kirchler conception as explained before. It stimulates further exploration to test the construct of compliance itself, whether it is a unidimensional or multidimensional or even bifactor (unidimensional and multidimensional at once).

Table 2. Pearson Correlation test

		VTC	ETC
VTC	Pearson Correlation	1	-.165*
	Sig. (2-tailed)		.019
	Sum of Squares and Cross-products	8645.682	-1363.517
	Covariance	43.228	-6.818
	N	201	201
ETC	Pearson Correlation	-.165*	1
	Sig. (2-tailed)	.019	
	The sum of Squares and Cross-products	-1363.517	7896.159
	Covariance	-6.818	39.481

N	201	201

*. Correlation is significant at the 0.05 level (2-tailed).

Besides, we also identify the demographic differentiation in both social representations of tax and tax compliance. The mean comparison shows that there are no significant differences in both variables by the sex of participants (VTC*Sex, F = .91; p>.05; ETC*Sex, F = 2.16, p>.05; SroT*Sex, F = 1.39, p>.05). Likewise, employment's type with either voluntary and enforced tax compliance, there are no significant differences (VTC*Employment's type, F = 1.90, P >.05; ETC*Employment's type, F = 1.47; p >.05). In contrast, the employment's type influence the social representation of tax (F = 2.19, p < .05). The most positive tax representation was found in the civil servants' group and workers in government institutions such as State/Regional-owned Enterprises. In contrast, the most negative representations were found in the social worker and freelancer groups. This is possible because they get a salary from tax contributions, so they feel the direct benefits of their tax payments, unlike the case with free and social workers, who have to spend part of their income to pay taxes and do not feel the direct benefits of what they have contributed.

This finding supports the previous empirical studies in which employment groups had a differential tax representation. For example, entrepreneurs mostly viewed the tax as punishment, disincentives to work, complex bureaucratic rules, and public constraints. Meanwhile, blue-collar workers associate tax with criticism of the government and politicians and awareness of public goods. The white-collar workers mention tax as a necessary evil, and civil servants associate tax with the usefulness of taxes. The last group, students who do not pay taxes, think of technical terms or names of politicians (Kirchler, 1998).

In terms of work income, we also find that only social representation of tax is affected by the income level, whereas tax compliance is not. (Income*VTC, F = 1.43, p >.05; Income*ETC, F = 2.25, p > .05; Income*SRoT, F = 3.47, p < .05). People with income above 10 million rupiahs have a more negative representation of taxes compared to those with income <10 million. People with income above 10 million have a more negative representation of taxes than those with income <10 million. This is inseparable from government regulations where income tax is linear with the amount of income and position. The bigger it is, the greater the tax multiplier imposed.

5. CONCLUSIONS

The research examines the effect of social representation of taxes on tax compliance. First, the results show that social representations of tax significantly affect voluntary and compulsory tax compliance. However, the largest effect is on voluntary compliance. The second finding is that voluntary and involuntary compliance is negatively correlated to a low degree. It provides empirical evidence of the possibility that the tax compliance construct is unidimensional and multidimensional. Further testing still needs to be done. Third, based on demographic data, it is known that income level and type of employment influence people's social representation of taxes.

AUTHORS' CONTRIBUTIONS

The first author contributes most dominantly in determining the topic, drafting the article, and determining research methods and instruments for the implementation/data collection and analysis. The other authors contributed to data collection and discussed the research plan and the results.

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