



Taxpayers Education: A Key Strategy In Using Artificial Intelligence To Increase Tax Compliance In Indonesia

Ratih Damayanti^{1*}, Rodiyah Rodiyah², Martitah Martitah³

¹Faculty of Law, Universitas Negeri Semarang, Semarang, Indonesia
ratihdamayanti@mail.unnes.ac.id

Abstract. This study examined Taxpayers Education as a key strategy in using artificial intelligence to increase tax compliance in Indonesia. The implementation of artificial intelligence (AI) in tax services and supervision in Indonesia has garnered attention due to its potential to enhance the efficiency and effectiveness of tax system digitalization. Currently, there are many issues in the digitalization of tax services and supervision in Indonesia, including difficulties in detecting fraud, data manipulation, unresponsive services, and false financial reports, which ideally should not occur. This technological advancement is expected to help improve tax compliance by providing stricter supervision and better services. The widespread use of AI technology has impacted the tax reporting system, necessitating adaptation and changes in the tax collection process. Therefore, the aim of this research is to explore the potential of AI in addressing these taxation challenges and improving the performance of the tax system to be more effective, efficient, and accountable, by reviewing existing related regulations and examining the benefits of AI in meetings future digitalization needs in taxation. However, in reality, it is not only technical matters that are needed, but also the application of culture and habits in society. So education is needed that strengthens the community's especially taxpayer culture of compliance. Taxpayer education should target social media channel strategies to increase taxpayers' compliance and promote cost efficiency and user-friendliness. The research methods include literature analysis and case studies related to AI implementation in the context of taxation. The analysis results show that Taxpayer Education and AI have great potential to improve the efficiency of tax services, more accurately detect fraud, and enhance transparency or accountability in tax supervision, while meeting contemporary needs, although there are still challenges that need to be collectively addressed

Keywords: Taxpayer Education, Artificial Intelligence, Compliance

1 Introduction

1.1 Background

According to the Ministry of Finance of the Republic of Indonesia in 2011, there are several types of state revenue that have increased and played a role in increasing revenue itself, namely taxes, customs and excise, as well as Non-Tax State Revenue (PNBP) such as oil and gas, coal minerals and palm oil [1]. Based on the various types of state revenue, the tax sector is the largest source of revenue in fulfilling state financing.

The growth of tax revenues is closely related to taxpayer compliance in fulfilling their tax obligations. So it is very necessary to help the country in realizing a country's economic growth. However, in reality, taxpayer compliance is still not achieved by every taxpayer in a comprehensive manner [2]. There are still many taxpayers who are reluctant to comply with applicable tax regulations.

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Taxpayer non-compliance in carrying out their obligations can be one of the factors in not achieving the tax revenue target in Indonesia. The Directorate General of Taxes (DJP) explained that as many as 12.76 million Annual Tax Returns had been reported for the 2021 tax year as of April 30 2022 [3]. Focusing on individual taxpayers, the number of Annual Tax Returns reported as of April 30 2022 was 11.87 million. With 17.35 million taxpayers who have the obligation to report SPT, the level of formal individual compliance has only reached 68.46% (Editorial DDTC News, 2022). This phenomenon shows that the level of taxpayer compliance in Indonesia is still not optimal.

The first factor that can influence individual taxpayer compliance is tax knowledge which can be interpreted as the insight or knowledge possessed by taxpayers regarding taxation which can be obtained through formal or non-formal education. The wider the knowledge possessed by the taxpayer, the greater the sense of compliance [4]. The second factor that can influence the level of taxpayer compliance is the implementation of modernization of the tax administration system. Currently, the Directorate General of Taxes has implemented a lot of administrative system modernization, such as e-registration which is useful for registering for NPWP online. Apart from that, there are e-SPT, e-filing, and e-billing. So that with the modernization of the tax administration system, taxpayers can find it easier and very helpful in their behavior and decision making to carry out their tax obligations. Tax modernization is also something that is closely related to Artificial Intelligence (AI) [5], where artificial intelligence will make the digitalization of taxation more effective and efficient. AI provides convenience but also has its own weaknesses. In Indonesia itself, there are actually no regulations that specifically regulate AI. Legally, AI is an electronic agent as explained in Article 1 paragraph (8) of Law no. 19 of 2016 concerning Amendments to Law Number 11 of 2008 concerning Information and Transactions. Therefore, it can be concluded that AI still has the legal umbrella of the ITE Law. Regarding responsibility for AI actions, this can be relied on by electronic system administrators. The organizer of the electronic system can be a person, state, business entity or community, this is based on Article 1 paragraph (6) of the ITE Law [6].

Apart from tax knowledge and modernization of the tax administration system, there is another important factor, namely tax socialization. Socialization is an activity to disseminate information to the wider community to increase knowledge about something. However, socialization must go hand in hand with strengthening community understanding through a series of education. Taxpayers education has been proven to effectively and efficiently increase tax compliance. So taxpayers education is carried out so that people know things related to taxation. Taxpayers education is really needed by the wider community, especially taxpayers, to increase tax knowledge in order to realize a high level of taxpayer compliance in making payments and submitting taxes.

1.2 Tax Planning to Improve Tax Compliance Through Behaviour and Techniques

Tax Planning is a method used by taxpayers to reduce the tax costs they pay. Tax planning is considered an important investment for shareholders because it reduces the tax burden on the company and its shareholders [7]. However, shareholders may not want to undertake tax planning activities because of the potential costs. Tax planning, the ability to plan one's tax affairs using various strategies to legally reduce the tax bill, is a major research question in the literature on international business, public economics, tax, finance, law and accounting. With tax planning, taxpayers can save expenses that actually exceed their commitments, and once again help taxpayers in pursuing decision choices related to investment growth strategies in the future [8]. The research results show that there is a significant influence of tax planning on taxpayer compliance. This statement proves that tax planning by taxpayers can provide increased tax compliance [9].

The Theory of Planned Behavior illustrates an attitude, namely an attitude regarding tax planning [8]. Subjective norm, which shows the digitalization of tax services.

perceived behavioral control, namely expressing personal intentions with a nationalistic attitude. In this way, they come together to form an intention/goal to produce an influence on behavior, which in this case is taxpayer compliance. The relationship between planned actor theory and this research is that in tax planning, digitalization of tax services has a direct influence on taxpayer compliance, and Taxpayer Education also has a direct effect on taxpayer compliance, and Artificial Intelligence in digitizing services and Taxpayers Education as a moderator can provide greater influence on the level of taxpayer compliance.

1.3 Taxpayers Education Approaches as a strategy to Increase Tax Compliance

Non-compliance is a serious problem in tax administration and tax revenue performance in many developing countries. Tax education helps taxpayers fulfill their obligations, reduces compliance costs, and reduces administrative costs in law enforcement. Effective public information dissemination, training, and services can reassure non-compliant taxpayers that they can comply with the rules more easily. Tax education also encourages and helps increase voluntary compliance and improve tax morale by fostering an attitude of commitment to the public interest that emphasizes the social value of taxes and their relationship with public spending [10].

Increasing voluntary taxpayer compliance requires strengthening tax education programs and increasing communication with taxpayers and stakeholders. Tax education programs must be developed based on the needs and problems faced by taxpayers and stakeholders in interacting with tax administration. The operational parts of tax administration, such as Tax and Customs, as the main stakeholders in the tax education department, must continue to be involved.

The author conducted a review of countries that have implemented unpaid education, namely South Africa [11]. The results prove that taxpayer education in Africa plays an important role in increasing tax compliance and strengthening the tax system. The relationship between taxpayer education in Africa and artificial intelligence (AI) can be seen in various aspects that can increase the effectiveness and efficiency of educational programs and tax administration [11].

Based on graphic below, All of them are programs that can be implemented by The Tax Directorate Generale Indonesia. Develop and adopt a comprehensive mix of taxpayer education approaches aimed at large cross-segments of taxpayers and the population in general: informal traders, micro, small, medium, and large taxpayers, civil societies, from students to senior citizens with the objective of: Raising awareness of tax laws and procedures; voluntary Increasing compliance; Educating tax officials to discharge their duties and responsibilities under the law, while enforcing that they are to serve the taxpayer with the utmost care, while enforcing the taxpayer's rights; Enhancing the managerial capacity of tax executives; Showing citizens how to pay taxes; Increasing the number of citizens who pay taxes; Explaining why taxes should be paid; Raising citizens' tax literacy by holding awareness campaigns in small business centers and shopping malls. [12]

a) Tax Training, Seminars/Workshops Objectives

Specific training goals should be established for each topic. Generally, tax training, seminars and workshops aim to: enhance voluntary compliance; instruct citizens on how to pay taxes; increase the number of taxpaying citizens; improve citizens' tax literacy; raise awareness of tax laws and procedures; train tax officials to perform their duties and responsibilities under the law, emphasizing the importance of serving taxpayers with the utmost care and respecting their rights; and improve the managerial skills of tax executives.

Tax training, workshops, and seminars are designed to equip all tax administration stakeholders with tax knowledge to significantly increase tax compliance. This educational approach targets various unpaid segments, including large, micro, small, and medium taxpayers, as well as public institutions, media, and civil society. By being conducted at various locations across the country, this approach assists small business owners in

understanding and meeting their tax obligations. These tax trainings, workshops, or seminars provide an excellent opportunity for tax administrations to distribute literature on specific tax topics or laws in a simplified and easily understandable format to participants.

b) Tax Advisory Counsel (TAC) Meetings

Tax Advisory Councils (TAC) are multidisciplinary councils whose main objective is to assist African tax administrations in raising awareness by sensitizing taxpayers to have a good tax culture, and fight against smuggling activities across national borders. TAC should be composed of different local authorities and opinion leaders in the district/province. Among others: the district mayor/the provincial governor, the representative of economic operators (taxpayers) at district/province level and by economic sector, the head of the revenue authority, the commander of the army and the police in the district/province, tax consultants religious leaders, CSOs and other relevant opinion leaders.

c) Tax Education in Schools and Universities

Specific training objectives should be defined for each subject. Generally, tax training, seminars and workshops aim to: increase voluntary compliance; teach citizens how to pay taxes; raise the number of taxpaying citizens; enhance citizens' tax literacy; increase awareness of tax laws and procedures; train tax officials to fulfill their duties and responsibilities under the law, emphasizing the importance of serving taxpayers with the utmost care and respecting their rights; and strengthen the managerial skills of tax executives.

d) Taxpayers Appreciation Day

The Taxpayers' Appreciation Day is an annual event designed to express gratitude to loyal taxpayers for their contributions to the nation's economic development. Prior to the national celebration, tax authorities organize various activities across the country, including business dialogues in all provinces. These activities aim to gather constructive ideas on how to jointly increase voluntary tax compliance, address challenges, and build a strong public-private partnership. They also focus on changing behaviors and recognizing the most compliant taxpayers in each province.

e) Mobile Tax Units

The Taxpayers' Appreciation Day is an annual event held to thank loyal taxpayers for their contributions to the country's economic growth. Before the national celebration, tax authorities conduct various activities across the country, including business dialogues in all provinces. These activities aim to collect ideas on how to enhance voluntary tax compliance, address challenges, and strengthen public-private partnerships. They also focus on changing attitudes towards taxation and recognizing the most compliant taxpayers in each province. Taxpayers' Appreciation Day also highlights the importance of paying taxes and their role in national development. Sometimes, national leaders use this event to provide transparency about the revenue collected.

f) Tax Clinics

To promote compliance with registration requirements and timely tax return submissions and payments, the tax authority runs campaigns targeting tax issues in the business sector. Taxpayer education officers make door-to-door visits to businesses at selected trading centers. During these visits, the officers answer taxpayers' questions and collect and document their concerns using appropriate forms.

g) Disseminating Print Materials, Pamphlets, Books, and Brochures

The purpose of distributing print materials such as pamphlets, books, and brochures is to encourage businesses to adhere to registration requirements and ensure timely and accurate tax return submissions and payments. The

Taxpayer Education department is tasked with creating simplified tax materials (including leaflets, pamphlets, cartoons, books, posters, brochures, and magazines) for taxpayers and citizens. These materials are made available electronically for those with internet access and physically for small and micro taxpayers in remote areas. Taxpayer education efforts are also encouraged to produce these materials in both official and local languages to enhance understanding of various tax issues and improve compliance among the taxpaying community.

h) Advertising or Media or Digital Campaigns Run Locally or Nationally

The live or interactive radio and TV talk show programs or digital media have a great opportunity to reach several taxpayers and the general public in the country. These include traders in the informal sector and small to medium taxpayers (SMEs) in remote areas. Taxpayer education departments should develop weekly, monthly, and quarterly talk show programs across the country as well as digital media (Facebook, Twitter, YouTube, etc.) channels to disseminate different messages on tax matters.

All of the programs above of course require a platform that integrates all taxpayers' education programs. This integration is carried out through Artificial Intelligence [13]. Combining tax education with artificial intelligence (AI) can increase the effectiveness and efficiency of tax education programs [14]. AI can personalize learning by analyzing taxpayer data and providing materials tailored to the specific needs of individuals or groups. AI-based e-learning platforms can also customize content and teaching methods based on the user's level of understanding and response. Additionally, AI-powered chatbots can provide 24/7 assistance to taxpayers, answer frequently asked questions, and provide guidance on the tax process. Virtual assistants can help taxpayers fill out tax forms, remind them of deadlines, and provide information about tax policy changes. In this way, AI not only increases the accessibility and availability of tax information but also helps increase taxpayer compliance levels.

2 Conclusion

Tax compliance is an important aspect of a country's economic development. Compliance can not only be achieved through perfect techniques and mechanisms, but also by developing the habits of the people in a country. Tax digitalization using AI has been widely adopted, from tax collection to payment. However, what is left behind is related to the formation of people's habits. Several countries have implemented taxpayers' education for this matter. The relationship between tax digitization and AI is that the use of AI in the tax service process can simplify the process of creating the necessary documents, the reporting process, and the tax payment process. and The relationship between taxpayer education and artificial intelligence (AI) can be seen in various aspects that can increase the effectiveness and efficiency of tax education and administration programs and build good habits for taxpayer awareness.

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