

If it is Possible to be Non-Compliant: Why Should it be Compliant?

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Abstract

This study examines how people's moral and ethical behavior influences tax compliance. The research involved interviews with four taxpayers in East Nusa Tenggara Province. Taxes play a crucial role in funding public services, and their proper collection is vital for community welfare. The study suggests that more than a robust tax system is needed; incorporating moral and cultural values is essential to encourage compliance. The findings reveal that taxpayers adhere to tax obligations not just because of the system but also due to a sense of responsibility for their business sustainability.

Keywords: tax compliance, moral-ethics, norms, business sustainability.

1. Introduction

Tax is one of the policy instruments used to allocate resources to the public sector. Indonesia needs taxes as financing for general social and economic programs or the benefit of the wider community. With taxes, the government can regulate and direct the behavior of the community and business actors to be more competitive and sustainable.

Efforts to maximize tax revenue, one of which is the active role of the taxpayer itself. This makes taxpayer compliance and awareness significant in achieving booming tax revenue. The tax law has also explained that taxpayers must pay taxes; they will be subject to sanctions if they do not carry out. Taxpayer awareness of the function of taxation as state financing is needed to increase taxpayer compliance (Kirchler et al., 2006). The higher the tax awareness of taxpayers, the higher the level of tax compliance (Isa, 2014). Likewise, the research of García-Ramos et al. (2017) stated that when tax pressure drops, taxpayers will become less disciplined in controlling expenses, which causes a low level of business continuity.

All business activities will not be separated from tax obligations. Because an activity produces economic benefits, some taxes represent the state's interests. The explanation benefits only one party, which can impact the behavior of business actors. The taxpayer's conduct can be in the form of tax avoidance, and the taxpayer prepares a report for tax as it is according to what they know. This condition can lead to non-compliance, a form of taxpayer behavior defined as a

failure to fulfil tax obligations (Maciejovsky et al., 2012). The result of non-compliance is legal or unlawful tax avoidance.

Tax compliance will also occur if taxpayers are well informed and positively perceive fairness towards the tax system (Palil, 2005). However, Wenzel (2005) states that taxpayers will continue to maximize profits by avoiding taxes where the threat of sanctions is not greater than the benefits of tax avoidance.

A healthy taxation practice does not only rely on the strength of a system oriented to the optimization of tax revenues, but there are moral values that complement or even strengthen the existence of the taxation system. The tax system must have dimensions of ethical and cultural values so that the practice of taxation comes out of the impression of being rigid, mechanistic, and procedural. Moral taxation is needed so that compliance and obedience to pay taxes come from sincere initiatives or motives and not because of coercion or threats (Kirchler et al., 2008). There is a tendency for regulations (law) and community culture to escape tax payments because paying taxes is an activity that cannot be separated from the behavioral conditions (habits) of the taxpayer himself (Widodo et al., 2010). Research by Yuniarta and Purnamawati (2020) examining taxpayer compliance based on spiritual, psychological, and social morals states that the psychological and social dimensions have no impact, while the spiritual dimension has a positive effect. Furthermore, the results of the Ho and Wong (2008) study found that ethical beliefs can increase tax compliance, and strong moral beliefs can avoid tax avoidance.

According to the explanation above, a researcher is attracted to understand better the issue of compliance and moral values that influence tax compliance. This research will review and discuss existing literature so that it contributes to studying informant behavior in terms of compliance and its relationship with the moral beliefs that exist in informants. This research was conducted in Indonesia, especially in East Nusa Tenggara Province.

2. Literature review

2.1 *Tax compliance*

Tax compliance is defined as a condition in which taxpayers fulfil their role by carrying out their tax rights and obligations. Two types of compliance are formal compliance and material compliance. When taxpayers comply with tax laws and fulfil their tax obligations formally, this is known as formal compliance. Taxpayers who fulfil material compliance are taxpayers who fill in honestly and ultimately correct tax returns following the provisions and submit them to the tax service office before the deadline ends (Isa, 2014).

When taxpayers have taxpayer awareness, they know, recognize, appreciate and obey the applicable tax provisions and have the sincerity and desire to fulfil their tax obligations. According to Fikriningrum, taxpayers are considered to have awareness if: (1) Know tax laws and regulations; (2) Know the purpose of taxes in supporting state financing; (3) Understand that tax obligations must be fulfilled following applicable regulations; (4) Realize the function of taxes in supporting state finances; (5) Voluntarily perform tax calculations, payments and reporting; (6) Perform accurate tax calculations, payments and reporting; (7) Taxpayer behavior in the form of opinions or sentiments involving information, convictions, and logic is known as taxpayer awareness when it comes to filing taxes accompanied by a propensity to behave following the incentives offered by the tax structure and regulations (Saad, 2014).

Taxpayers who often participate in tax socialization, use tax consulting services, and even have closeness or cooperate with tax authorities with positive goals can support the level of tax compliance (Kirchler et al., 2006). This effort can influence taxpayers' behavior and perceptions and create awareness to fulfil their tax obligations correctly and appropriately.

2.2 Morality – Ethics – Norma

Moral is a system or rule that becomes a reference for behavior and interaction with others based on cultural, social, and religious values so that mutual respect and appreciation can be established between people (Ho & Wong, 2008). Whereas ethics is behavior based on each individual's inherent habits or beliefs, it tends to be understood that actions are right or wrong, good or bad in people's lives (Ho & Wong, 2008). The difference between moral and ethics is that if person acts based on standards of behavior, it is called moral, and if they act according to their inherent habits, it is called ethics.

Ethics can be internalized by a group that believes that non-compliance or tax avoidance has been widely practiced and is acceptable to others (Wenzel, 2005). This view eventually generalizes the behavior of taxpayers in conducting tax avoidance, so this problem is more inclined to moral beliefs. These unethical actions can be psychologically driven because of the love of money (Mangoting, 2018). This shows that individuals with high ethics will view money as everything. It will create unethical behavior. If a person has a positive view of money, he tends to use the money according to his needs and feel satisfaction.

Conversely, if a person is reckless with using money and never feels satisfied, it is referred to as high money ethics. This can encourage individuals to behave unethically, which means a lack of taxpayer compliance in paying and reporting income tax, value-added tax, or motor vehicle tax (Yuniarta & Purnamawati, 2020). Financial ethics often cause individuals to show low moral behavior by considering tax avoidance as an ethical action and likely to be done (Lau et al., 2013). The higher a person's financial ethics, the harder it is for them to feel obligated to pay taxes, and this can trigger the intention to reduce tax obligations in ways that can lead to tax avoidance behavior (Yuniarta & Purnamawati, 2020). The research of Loo et al. (2009) mentions financial constraints as a factor in tax compliance, which is included in economic conditions, namely marital status, number of dependents, and income level.

Spiritual morality embodied in religious values affects people's attitudes and behavior. The spiritual level of individuals can measure tax compliance because people with high spirituality will apply religious values in their daily lives (Yuniarta & Purnamawati, 2020). Spirituality is an essential dimension in tax morale because it can encourage a person to carry out their tax obligations independently (Sezgin et al., 2011).

According to Bertens (2000), the meanings of the word "ethics" are (1) moral values and norms that guide a person or group in regulating their behavior, (2) a collection of moral principles or values, and (3) the science of good or bad. Ethics here means the same as moral philosophy. The term moral has the same meaning, namely habits and customs. Individuals' actions will be determined and controlled by appropriate and reasonable behavior reflecting a taxpayer's life principles and ethics. Moral obligations come within individuals who cannot be imposed from outside the individual, which can be owned by someone but not necessarily owned by others. Research (Robbins & Kiser, 2020) shows that moral imperative affects tax compliance.

2.3 Tax position in business

Tax is a compulsory contribution paid to the state and is indirectly rewarded. Although it is an obligation, many still avoid paying taxes. Even though taxes can positively impact business activities, the company's credibility will increase. Companies that diligently pay taxes indicate that their finances are in healthy condition because they must have a sound financial management system to provide trust to consumers, clients, and others. Meanwhile, companies that practice tax avoidance can reduce company value (Chen et al., 2014).

Then, every business activity will generate profits, and automatic tax obligations also represent the state's interests. Thus, tax has a vital position in business. Here, tariffs can affect business continuity. Entrepreneurs must be aware that taxes will likely read every business decision involving the flow of funds. In addition, in looking at profits, entrepreneurs must pay attention to the net margin after tax (net income after tax). This step is an effort to prevent potential risks and challenges that may arise and are related to taxation. In addition, it is also necessary to make repairs or corrections due to mistakes that have occurred to prevent more significant losses. Otherwise, errors will accumulate over a relatively long time, so their value will continue growing. Errors that are not realized will turn into a ticking time bomb that could go off anytime.

Sustainable value addition refers to the added value created by sustaining all levels of environmental and social impacts, using a robust sustainability model that balances various possibilities and avoids externalities, and assessing surplus value adjusted for changes in environmental and social effectiveness. According to Nicolăescu et al. (2015), evaluating the quality of business processes or operations is essential to achieving high-quality and substantial results. New plans, methods, and advancements in doing business are required to become a sustainable entity. Sustainable development includes compliance with environmental standards, social integrity, and economic well-being.

To ensure positive organizational outcomes, every company must establish how best to implement its governance structure. Organizations must accurately identify the skills (expertise), competencies and techniques employees or workforce require. Positive organizational outcomes depend on the workforce's safe, trustworthy and supportive work environment. Good corporate governance is a set of systems that govern and control business entities to ensure they operate effectively and efficiently. Applying this principle is critical to achieving the company's long-term goals and creating value for shareholders while considering other stakeholders' interests.

3. Research methods

3.1 *Type of research*

This study examines the real-world occurrences of a social issue using a qualitative research methodology (Creswell, 2007). The focus of this research is related to the moral behavior of taxpayers in carrying out their tax obligations by measuring the factors of tax knowledge, relationships with tax authorities and other support.

The data source used is interviews with several taxpayers who have received tax fines. Data analysis using qualitative approaches, such as content analysis or narrative analysis, to identify the involvement of tax penalties on morale and tax compliance in individual taxpayers. Interpret research results by comparing findings with related literature and concluding policy implications and recommendations regarding tax fines.

3.2 *Research informants*

The informants in this study consisted of four people. The first informant, TK1, has a business engaged in fuel transportation (ships and trucks) and owns a building shop in Larantuka City, East Nusa Tenggara Province. The second informant, TK2, has a leading business in the form of a filling station with an additional company in the form of a grocery store that sells products such as groceries; this business is located in Waiwerang, East Nusa Tenggara. The third informant, TK3, owns a building shop, electrical equipment and fishing boat equipment, and his company is located in Waiwerang, East Nusa Tenggara. The fourth informant, HM, is a distributor of groceries

and a grocery store in Maumere, East Nusa Tenggara. The summary of these informants can be seen in the table below.

Table 1. Informant background

No	Type of Business	Location	Informant Initials
1.	TK1	Fuel transportation services (boats and trucks) and building materials store	Larantuka, East Nusa Tenggara
2.	TK2	Grocery store (ship spare parts)	Waiwerang, East Nusa Tenggara
3.	TK3	Building material, electrical equipment and fishing boat equipment store	Waiwerang, East Nusa Tenggara
4.	HM	Grocery Distributor & Grocery Store	Maumere, East Nusa Tenggara

Source: Data processed by researchers.

The reason for choosing informants for this research is to further explore the moral behavior of taxpayers in the region, and based on interview activities conducted by researchers with informants, the level of tax awareness and compliance in the area still needs to be higher. Thus, it will dig deeper into information related to the causes and impacts of these actors.

4. Results and discussion

In the focus of this research, informants are entrepreneurs and taxpayers, so they desire to generate profits from their business activities and develop their business to continue to exist from time to time. On the other hand, it also must carry out its tax obligations. The condition that occurs to the informant is that the informant has carried out his tax obligations, from calculating to promptly reporting the tax payable. However, some states require informants to get a Tax Collection Letter, known as a sanction letter, in the form of administration. This situation can be assumed if, in the stage of submitting tax reporting, an error or human error occurs in the informant. Of course, this can be a problem for the informant's business if it is checked with an effort to improve.

The informant's behavior cannot be fully said to be compliant with taxation because there are errors in the tax reporting process that cause informants to get Tax Collection Letters. Thus, this study will link the informant's behavior to relevant literature. Factors that affect tax compliance are used to identify these errors, namely moral and ethical behavior, level of understanding and knowledge, financial condition, and support from experts and tax authorities.

4.1 Response to tax sanctions

Tax sanctions are imposed when taxpayers do not fulfil their tax obligations. The types of tax sanctions are divided into administrative and criminal sanctions, and in the case of informants in this study, the sanctions imposed are administrative. Administrative sanctions can be imposed if taxpayers make mistakes in their tax reporting. These errors can arise due to incorrect filling of the tax return form, delay in submission, or errors in calculating the tax payable (Saad, 2014). Therefore, taxpayers must understand the procedures for tax reporting well to avoid administrative sanctions that can be applied in the context of taxation.

“At first, I felt quite surprised to get such a letter from the tax office even though I have carried out my tax obligations correctly and have never been late depositing or reporting my Annual Tax Return on time.” (Informant TK1)

“After I got the letter, I initially contacted the tax officer to ask for the clarity of the Tax collection letter, but the answer from the tax officer was unclear, and I did not understand, and I was confused. They replied that, in essence, I had violated my tax obligations as a corporate taxpayer, so the Tax office sent the Tax collection letter to me.” (Informant TK2)

“I once received a tax penalty, but I admit I was wrong, so I could be sanctioned initially because I did not understand taxation at the beginning of forming a CV. I did not understand and was less strict about taxes. I incorrectly filled out tax returns, which included calculating and completing tax returns incorrectly and finally receiving a Tax collection letter from the Tax office.” (Informant TK3)

“... My Cuman it often gets a letter of tax administrative sanctions, tablets I am even though it includes diligent tax report but really like this.” (Informant TK4)

The imposition of tax sanctions in Kabupaten Timor Tengah Utara (TTU) is not aligned to stimulate taxpayer compliance. Taxpayers there, primarily entities, need to pay more attention to the moral and ethics of taxation. Tax penalty sanctions, which are supposed to stimulate compliance, are often ignored and instead lead to adverse reactions, such as blaming tax officials and lack of tax socialization.

Another finding from Bornman and Ramutumbu (2019) states that some taxpayers need help following tax regulations, especially regarding accurate tax return reporting. They tend to blame Tax officials for the obstacles they face. In the context of Self-Assessment, taxpayers are given the right to calculate, deposit and report their tax obligations, but there are still difficulties.

Kasipillai's (2000) and Palil's opinions underline that voluntary tax compliance requires an in-depth understanding of tax regulations, especially inaccurate tax return reporting. Although there have been tax amnesty incentives, the high threat of sanctions makes taxpayers more likely to rebel. Tax authorities need to take extraordinary measures (Isa, 2014) to create an environment that supports the voluntary compliance of taxpayers.

4.2 Moral and ethical behavior of taxpayers

The moral of taxation, as an internal motivation, is reflected through the voluntary actions of taxpayers to comply with tax rules without coercion. This moral involves various aspects, such as spiritual, psychological, social moral, and cultural values (Yuniarta & Purnamawati, 2020). On the other hand, tax compliance is the behavior of taxpayers to fulfil tax obligations following applicable regulations.

The activity of paying taxes is often regarded as an obligation that gives rise to the tendency of people to look for ways to avoid paying taxes, influenced by legal and cultural regulations (Widodo et al., 2010). In this context, morality is crucial in creating compliance and encouraging taxpayers to act correctly. However, compliance behavior can change regardless of individual regulations and character (Fjeldstad & Heggstad, 2012).

In this study, informants showed a high level of compliance. They comply with tax obligations immediately and do not try to evade or embezzle taxes. The reason for this is that they realize that fighting tax obligations can bring risks to the viability of their business. Thus, informants' compliance level is reflected in the formal compliance with the rules and involves the risk perception to the company they manage.

“... I feel that I calculate, deposit, and report by tax rules.” (Informant TK1)

“So far, there has been no such intention. Especially if you fight so, afraid of the risk to my business.” (Informant TK3)

“Then, as a good taxpayer, I still pay and report taxes. If I do not obey, I am afraid I can get into trouble later.” (Informant TK3)

“All this time, I try to pay taxes on time and still follow the rules.” (Informant TK2)

The informants' statements indicate that their observance of paying and reporting taxes is more influenced by risk factors affecting business activities. As taxpayers, informants' behavior tends not to have moral elements, as found in Purnamawati's (2020) research, but instead focuses more on formalities and tax obligations.

Although the informant reported taxes obediently, his motivation was more driven by respect or forced obedience. As described by Robbins and Kiser (2020), voluntary tax compliance does not fully appear in the behavior of informants. Although there is no intention to evade or embezzle taxes, submission of a forced nature makes tax obligations perceived as heavy duty, and the resulting actions tend to be performed only as formal obligations without being entirely appropriately implemented (Kirchler et al., 2008).

4.3 Level of understanding and knowledge of taxpayers in the tax system

Although timeliness is a consideration for a taxpayer who is said to be compliant (Saad, 2014), several other things need to be considered for tax compliance. Tax compliance also involves the taxpayer's understanding and knowledge of tax regulations and systems (Kirchler et al., 2006). A person's level of tax knowledge is also affected by their level of education, as found by Loo et al. (2009).

Understanding the tax system includes various aspects, such as calculating and filling out tax return forms, tax regulations, and other provisions. This knowledge is necessary to assess taxpayers' responsibility (Palil, 2005) and determine the accuracy of tax return reporting (Mat Udin, 2015). A good understanding of the calculation of tax obligations is the key to ensuring taxpayers can calculate their duties correctly.

In the context of this study, the level of knowledge of informants about the tax system can be seen from the social relationships established in the form of socialization. However, it is unfortunate that socialization related to taxation is very rare in the informant area. These shortcomings could affect informants' behavior in carrying out their tax obligations.

“Never follow things like this, considering that in my place, there are also fewer activities like this.” (Informant TK1)

“If socialization is very rarely done, even rarely. Maybe it is still limited here.” (Informant TK4)

“...I think whether I do not understand taxation or the tax officer is wrong in this regard because the Tax office is also lacking in socialization or education to the public, so taxpayers are less in fulfilling their tax obligations.” (Informant TK2)

From the expression of informants TK1, TK2, and TK4, it can be seen that they have never followed the socialization of taxation. Tk2 informants still hope tax officials will socialize to improve their understanding of taxation. This reflects a different attitude to the tax system in Indonesia, namely self-assessment. Although taxpayers have a high level of formal education, a lack of knowledge of taxation can result in errors and potential sanctions and lead to intentional non-compliance (Loo et al., 2009).

On the other hand, taxpayers can calculate taxes, be honest, have the awareness to pay taxes and understand applicable tax laws. However, the condition of informants who need help

understanding taxation causes errors that can lead to sanctions and deliberate non-compliance. Loo et al. (2009) emphasized the role of tax authorities in supporting taxpayers to comply voluntarily, stressing the need for effective systems and strategies. Therefore, cooperation between taxpayers and tax authorities is necessary to encourage a positive attitude towards properly and correctly paying taxes. As revealed by informants TK3:

“... I try to update myself and learn on my own from social media and also often ask my friends ' children as STAN graduates, so it helps me too.”

Although the condition of informant TK3 is in line with the other three informants, he still maintains the initiative and positive motivation to continue to learn and correct previous mistakes. The steps taken by Tk3 informants are quite strategic because while others rely only on local tax officials, TK3 utilizes social media and social relationships around it. This initiative shows the awareness of Tk3 informants in increasing their tax compliance levels. By taking this smart step, TK3 hopes to avoid repeating the same mistakes and continues to improve its understanding of tax.

4.4 Support from tax authorities and experts

To improve voluntary compliance, a good understanding of the tax system is crucial for taxpayers because, simply put, tax regulations play an essential role in achieving the highest level of tax compliance (Isa, 2014). The government also has a significant role in influencing tax compliance by involving socialization activities and supporting tax authorities to encourage taxpayers to pay taxes (Loo et al., 2009).

Education to taxpayers, correction of unintentional filing errors, and provision of services are effective strategies to increase trust and encourage taxpayer commitment (Kirchler et al., 2008). This approach aims to help taxpayers better understand and comply with tax regulations, thus creating an environment that supports voluntary compliance.

Furthermore, an increase in revenue from the tax administration side can be achieved by providing educational assistance to taxpayers so that they become more responsible citizens. This approach focuses on forming a positive attitude and a deeper understanding of tax obligations, in contrast to the effort that might be spent pursuing those who do not qualify as taxpayers (Devos, 2012). Thus, understanding, education, government support, and increased taxpayer responsibility can create a supportive environment and increase tax compliance.

In the conditions experienced by the informant, it was revealed that there had been no further action from the individual or the surrounding tax authorities. This state of affairs can negatively affect the informant business's development if allowed to drag on without a sustainable strategy. To achieve practical cooperation between tax officials and taxpayers with a common goal, it is essential to support moral standards regarding tax mentality and tax ethics (Kirchler, 2006).

When examining further the efforts that the informant could make, it turned out that almost no measures were taken to solve the problem. The results of several previous interviews revealed that the informant needed to establish social relations with tax officials or other organizations that could support improvements in implementing his tax obligations.

“In my area, there are no tax consultants, so there was no effort to solve the problem, so I had no choice and finally chose to pay a fine for the tax owed. As for correcting the tax return, I am afraid that if it is wrong in filling it out, there may also be a lack of understanding about taxes.”

“In my place, there are no tax consultant services, so there is no effort to overcome the problem. That is why I let it go.”

“I think so too, sir, but no tax consultant is so proficient in my place. In my place, most people do not understand tax regulations and lack education from tax officials. So yes, I use what I have.” (Informant HA)

“It seems that there are no such services here. Even if you want to use them, you must often be from outside this island. I do not have the contacts to go that way.”

Based on interviews about the informant’s relationship with the tax authorities, it was revealed that cooperation still needed to be established. This can be seen from the absence of tax socialization and the attitude or service of tax authorities, who are considered to need to fulfil taxpayers’ rights.

To find a solution, researchers tried to explore other strategies of informants by involving the role of tax consultant services. All informants in this study did not use the services of experts such as tax consultants because these services were unavailable in the area around the informants. In fact, including tax consultant services can help in reporting taxes appropriately and correctly (Shafer & Wang, 2018). Tax consultants can help minimize problems, prevent errors in fulfilling tax obligations, and avoid sanctions that may arise. Thus, collaboration with tax consultants can be a strategy that has the potential to provide solutions for informants in facing tax challenges.

4.5 Financial conditions may affect compliance

The financial condition describes the economic or financial ability to meet all the needs of life. The financial situation can be known through the amount of income, expenditure, and loans owned. The economic condition shows the informant’s wealth obtained from his business activities.

“It has no effect because the sanctions that I get are still relatively small ...” (Informant TK1)

“If from myself, it has no effect because the value of the sanctions is not large enough.” (Informant TK3)

The statements of the Tk1 and TK3 informants indicate that the imposition of sanctions related to unintentional errors in tax reporting does not significantly impact their financial flows. This finding is in line with the view (Isa, 2014), which states that unintentional non-compliance arises when taxpayers attempt to comply with the law but face difficulties due to the complexity of the income tax system.

Furthermore, research by Kirchler et al. (2008) and Maciejovsky et al. (2012) showed that there was no significant difference in hypothetical tax compliance rates between small businesses, educated business owners, and large corporations. Non-compliance in fulfilling tax obligations, intentionally or unintentionally, is known as non-compliance. Kirchler et al. (2008) and Kirchler and Wahl (2010) highlighted that such non-compliance could potentially result in tax law violations or legitimate tax evasion.

Thus, although Tk1 and TK3 informants felt minimal financial impact from tax sanctions, findings from Isa (2014), Kirchler et al. (2008), and Maciejovsky et al. (2012) jointly emphasize the complexity and challenges facing taxpayers in achieving high levels of compliance in the context of income tax. The number of sanctions received by the Tk1 and TK3 informants was not so large, so the two did not care or even feel any objection to paying the sanctions. This situation indicates that both informants have a relatively good financial condition. This is also in line with research by Loo et al. (2009), which states that financial constraints are not a significant factor in explaining the level of tax compliance. Thus, despite the sanctions, Tk1 and TK3 informants could cope with their tax obligations relatively easily, showing that the financial aspect

was not the main obstacle in their tax compliance attitude – different conditions from the other two informants.

“Influential because the tax penalty in the bill after the accumulation of the previous year so that the number of bills to be high.” (TK2)

“The tax penalty affected my cash flow and my finances. Therefore, I have to take into account the penalties of tax penalties payable in financial planning.” (Informant TK4)

From the point of view of the Tk2 and TK4 informants, the sanctions imposed on them could disrupt their financial condition, and both were concerned that the size of the sanctions could affect the business activities they carried out. Research suggests that increased tax penalties can have unintended effects and may even increase tax avoidance practices (Kirchler, 2007). Although there are views that argue that increasing tax incentives could be a better option (Riahi-Belkaoui, 2004), research by Oladipupo and Obazee (2016) suggests that increasing tax penalty rates may encourage people to avoid tax liability or even commit unlawful acts.

However, Tk2 and TK4 informants are already considering the possible risks, and at least they have a plan to manage their financial condition. This view is in line with the research of Ho and Wong (2008), which states that a high perception of punishment can reduce unethical behavior. Although financial condition appears to have little impact on the level of compliance of informants (Loo et al., 2009), this can be estimated by taking into account the readiness of informants to pay tax sanctions and their awareness that tax manipulation can negatively affect the business they run.

For entrepreneurs like the informants of this study, the financial situation is considered complex. A company needs a sound financial management system to run its business activities, such as managing capital, paying employee salaries, paying bills, and paying various costs that must be spent on time. As the objectives of any organization can only be achieved within a planned framework, one of them is the financial plan and its financial functions (Salehi et al., 2017).

5. Conclusions, limitations, and suggestions

5.1 Conclusions

This qualitative research examines taxpayer compliance influenced by tax knowledge, moral behavior, financial condition, and support from tax authorities and experts. The results show that the ethical conduct of taxpayers in the region, especially in the East Nusa Tenggara province, is still low. Moral behavior as a taxpayer plays a role in tax compliance. It was found that the informants of this study had paid taxes and reported them on time and had never even committed tax evasion or evasion. However, it turns out that it is not enough to say that the informant has been obedient, and it was found that the behavior of the informant who diligently pays taxes is solely due to the obligation of formality, so this behavior is far from a moral attitude or in other words forced compliance.

Some other things are considered, such as the level of tax knowledge and social relations with tax authorities or experts. It is known that the informant’s knowledge and understanding of taxes is at a low level. From these conditions, errors can occur in the tax reporting stage, which leads to the imposition of sanctions or tax fines. Informants also do not try to get support from tax authorities or experts. Instead, they rely on the tax authorities to provide education related to tax information every time there is a change in regulation. Then, knowledge of taxation and social relations with experts can improve tax compliance. Also, the financial condition of the informant needs more control, so it has little impact on the level of compliance.

Based on the informant's behavior, it cannot be fully complied with even though the informant has paid his taxes on time. It should be noted that understanding the tax system is essential to appropriately and correctly fulfilling tax obligations. If this situation is left for a long time and remedial action is not taken, it will impact the continuity of the informant's business. Informants will be considered non-tax compliant, whereas individuals who do not comply with taxes will pose a risk.

5.2 Limitations of the study

This study has limitations: First, the location of research conducted in only one region of East Nusa Tenggara province and three cities only; second, the informants of this study are also microscopic with the number of 4 People; third, the variables or factors used are less diverse.

5.3 Suggestions

The main recommendation addressed to the local government informants is that the socialization of taxation should often be done to support the purpose and function of taxation, as expected. It is also helpful to improve tax compliance. The tax authorities can understand taxpayers' limitations so that cooperation can be created to support the behavior of taxpayers in fulfilling their tax obligations.

Then, subsequent researchers who will continue research on similar topics can expand the scope of discussion and data results, such as the number of informants, research variables and research methods. This aims to make the data and information submitted more varied and maximal.

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