CRITICAL SUCCESS MODEL FOR THE IMPLEMENTATION OF THE ONLINE TAX SYSTEM IN INDONESIA

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ABSTRACT

The Indonesian government has introduced a tax reporting system using electronic tax returns (e-SPT) to improve compliance. Despite this, taxpayer awareness remains low, hindered by various issues like technical challenges, lack of tech-savvy skills, concerns over data security, and frequent changes in rules and policies. To address these issues and enhance compliance, the government developed a self-assessment application for tax reporting. The e-SPT system enables taxpayers, whether individuals, companies, or other entities, to complete and submit their tax forms electronically. However, evaluating the success of this system requires a robust model. One such model is the DeLone and McLean 2003 model, which includes six variables: information quality, system quality, service quality, user satisfaction, intention to use, and net benefit. While useful, this model has been criticized for its universal applicability, limited organizational impact, and instability of variables. To address these limitations, researchers developed an enhanced model by incorporating four variables from the DeLone and McLean model: information quality, system quality, service quality, and user satisfaction. Then adding new variables: culture, tax content, trust, and tax system success. These additional variables are derived from the works of Alattas and Kang, Aparicio, Reis and Freitas, Gupta. This refined model serves as a reference for evaluating the effectiveness of the tax reporting system. To test this model, researchers conducted a study focusing on micro, small, and medium enterprises (MSMEs) in West Java. They used a quantitative approach, involving three main steps: a pretest, a pilot study, and a survey. The survey collected data from 394 respondents, and the analysis was performed in two stages: demographic analysis and inferential analysis. The results indicated that out of the fifteen hypothesized paths, nine were positively supported, while six were rejected. The study's contributions are threefold: theoretically, it validates the enhanced model; methodologically, it employs quantitative methods to substantiate the model's validity; and practically, it identifies key factors affecting the performance of the tax reporting system, offering insights into the relationships between dependent and independent variables in this context.

Keywords: Tax reporting system, micro small and medium enterprise, DeLone and McLean model, methodology, quantitative method.

APPROVAL

This is to certify that this thesis conforms to acceptable of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy.

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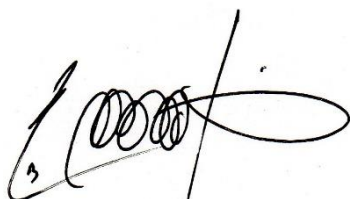
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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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LIST OF ABBREVIATION

AeU	Asia e University
AMOS	Analysis Moment of Structural
CLT	Culture
DJP	Direktorat Jenderal Pajak
eSPT	Elektronik Surat Pemberitahuan Tahunan
INQ	Information Quality
IS	Information System
MSME	Micro Small Medium Enterprise
SEM	Structural Equation Modeling
SPSS	Statistical Product and Service Solutions
SPT	Surat Pemberitahuan Tahunan
SVQ	Service Quality
SYQ	System Quality
TAM	Technology Acceptance Model
TRS	Trust
TSS	Tax System Success
TXC	Tax Content
USF	User Satisfaction

CHAPTER 1

INTRODUCTION

1.0   Background of Study

In the era of globalization and information technology advances, information systems have become one of the main pillars in managing data and business processes in various organizations, including administration taxation. Information systems, which consist of various elements such as people, hard devices, device software, tissue, and procedures, have vital roles in collecting, storing, processing, analyzing, and disseminating tax related data. In context taxation, information systems Facilitate correct and assured decisions and accurate tax reporting by managing tax-related information, such as income and ownership data property.

Along with the development of information technology, the tax reporting system has experienced a significant transformation to become an online form. Adopting a tax reporting system is a response to the dynamics of information technology, which aims to increase efficiency, affordability, and transparency in tax management and give taxpayers convenient access to implement their obligations. Integration between information systems and tax reporting systems makes it possible for more tax data management to be structured and real-time, ultimately improving tax compliance and effective administration of taxation comprehensively.

In the Indonesian context, it is related to the environment, policies and practices of tax administration. An in-depth understanding of the variables that influence the successful implementation of the tax reporting system is crucial. This research aims to explore a deeper understanding of these variables through the development of a model that summarizes the results of adoption, adaptation and combination in the dynamics of the success of the tax reporting system. This step was taken to explore the extent to

which the variables resulting from adoption, adaptation and combination can be integrated and have a positive impact on the success of implementing the tax reporting system in Indonesia.

Apart from technical aspects, the successful implementation of the tax reporting system also depends greatly on the involvement of the whole society and the private sector in supporting and adapting this change. Hence, the adoption, adaptation, and combination models will become key in designing supportive policies for the development of online taxation in the future. Thus, it is hoped that the results of this research will not only provide a deep view of the variables that influence the success of the tax reporting system but also provide a solid foundation for future development policies and implementation strategies.

In implementing the tax reporting system in Indonesia, the main users are taxpayers, who are included in business micro, small, and medium enterprises (MSMEs). Micro small and medium enterprises (MSMEs), and possibly users experience difficulties using the tax reporting system. First is the low level of technology adoption by micro, small, and medium sized (MSMEs). Acceptance and use of the tax reporting system are possibly hampered by incomprehension, discomfort, or lack of readiness in society for technological change. This is proven when the level of tax compliance has decreased drastically. This can be seen from the 2017 data, which shows that the tax compliance level was 72.16 %. Then, in 2019, the level of tax compliance was only 67.4% (Directorate General of Taxation, 2019).

According to Aryati (2016), a decreased level of compliance among taxpayers can be influenced by two main things: understanding taxpayers and service quality from institutions related to tax collection. Level of understanding taxpayers refers to the extent of their understanding of obligation taxation, including rules, procedures,

and consequences from action towards the fulfillment of tax obligations. Service quality from institutional taxation also has an important role in reducing taxpayers obedience levels. If the tax process runs smoothly, transparently, and efficiently, taxpayers will feel more motivated to pay taxes appropriately, on time, and correctly. Good quality service can be reflected in various ways, like responsiveness to questions and needs of taxpayers, ease in the tax payment process, fair handling of complaints, and provision of adequate assistance and guidance for taxpayers. Second, incongruity policy taxation. The policy taxation not yet fully supporting the implementation of the tax reporting system can be an obstacle. Adjustments lacking clear policies or less support can reduce this system effectiveness and acceptability. Third, difficulties in adaptation policy are related to adjustment policy taxation with the development of new technology. A policy that is not yet capable respond the dynamics of information technology can hinder the smooth implementation of the tax reporting system. Fourth, there is a lack of data security, as data is critical in implementing the tax reporting system. Problem data security can create distrust among taxpayers, hinder adoption, and threaten the integrity of information contained in the system. Fifth, level response low society. Response society towards these changes also becomes attention. Incomprehension or lack of support from society can hinder its success in the tax reporting system because participation in the public becomes key in this process. Sixth, technological readiness is uneven. The unequal availability and technology readiness in various regions of Indonesia can create gaps in implementing the tax reporting system. This can hinder the accessibility and sustainability of implementation across the country.

Studies about influencing variables successful implementation of the tax reporting system in Indonesia with the development of adoption, adaptation, and

combination model justification and relevance are very important in context development administration taxation. The following are several points of justification and relevance to this research:

Support transformation modern taxation. This research contributes to understanding and designing a tax reporting system that is adaptive and responsive to dynamic changes in information technology. This is a supportive effort to transform Indonesian taxation towards sustainability and efficiency.

It increased taxpayer participation by identifying variables influencing taxpayers technology adoption. This research can potentially increase participation in society in fulfilling obligation taxation. Understanding needs and barriers can shape strategies to increase engagement with taxpayers.

Optimization policy taxation. This research provides an outlook on how policy Taxation can be adapted and harmonized with technological developments. The resulting recommendations may help the government design and optimize policy-supportive taxation implementation in the online system. Improve data security, identify problems with data security, and propose a solution that can provide a guide to strengthen security in the tax reporting system. This becomes relevant. Remember worries will confidentiality and integrity of data disclosed by the public.

Provide the basis for public policy. The results of this research can become the basis for the government decision-making in formulating more effective taxation according to the needs of the public. It supports the objective government in increasing state revenues and services taxation.

Facilitate innovation in tax administration. Understanding the combination of influencing variables and the success of the tax reporting system can open the door to

innovation in administration taxation. This aligns with the spirit to continue adapting to technological developments and the demands of the public.

This research is expected to contribute to the academic literature by enriching the understanding of variables and facilitating the successful implementation of a tax reporting system. This is supportive of development theories and concepts related to administration taxation.

Through this justification and relevance, this research has a significant impact in guiding the development of online taxation in Indonesia, with detailed variables necessary to be noticed and developed to achieve optimal success.

Investments made by the Directorate General of Taxes are related to implementing a tax reporting system. However, they are not necessarily reasonable for the organization needs (Ihsan & Iskandar, 2018). The failure and success of information systems are usually influenced by several variables, depending on the point of view of how they are assessed. In other words, to judge the success of the information system, it is necessary to be multidimensional, not just talk problem construct but multicriteria (Joosten et al., 2016).

Several researchers debate whether the success of the information system can be said to be successful or not. Researchers are still debating the six components of assessment. First is the definition of a successful existing information system debated (Joslin & Müller, 2015; Todorović et al., 2015). The second is the failure to implement information systems (Almajed & Mayhew, 2014). Third is no agreement determination criteria in measuring success information Systems (Joslin & Müller, 2016; Todorović et al., 2015). Fourth is the use of partial dimensions in measurement success (Petter et al., 2008). Fifth is the importance of perspective holders in