

DO INFORMATION SYSTEM AND COMPLEXITY MATTER? A PRELIMINARY STUDY

Kristian Agung Prasetyo^{1*}, Teguh Warsito², Agus Puji Priyono³

¹Property Tax/Asset Valuation Department, PKN STAN

²Property Tax/Asset Valuation Department, PKN STAN

³Banten Regional Tax Office

Email: kristian.agung@pknstan.ac.id

ABSTRACT

Taxation has a significant role in Indonesia as most of national revenue is sourced from taxation. Taxes in Indonesia is based on the self-assessment system. The key in such system is taxpayer compliance. Improving compliance can be achieved through two different routes, namely through voluntary compliance and enforced compliance. Tax audits have a critical role in the latter.

This research seeks to understand the effect of the complexity of tax rules and information system on audit effectiveness. For this purpose, this research uses a questionnaire that are electronically sent to auditors at the Banten Regional Tax Office. Using structural equation modelling, this research demonstrates that the complexity of tax rules negatively affects audit effectiveness. This means the more difficult tax rules are, the less effective the audits become. On the other hand, information system does not significantly affect audit effectiveness.

Based on this finding, making tax rules simple is the key ingredient in improving audit effectiveness. An effective audit leads to in an increase in enforced compliance, which will improve taxpayer overall compliance in the end. A simple set of tax rules also makes taxpayer easier to comply. This in turn improves voluntary compliance. At the end of the day, this makes compliance level higher. As compliance is the key in improving tax revenue, then it is clear from this research that a simple set of tax rules is imperative.

Keywords: Tax, System, Audit, Regulation, Complexity

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