

BUSINESS SUSTAINABILITY: BEHAVIOR OF TAXPAYERS IN RESPONDING TO VAT REGULATION CHANGES

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Abstract: Changes in tax regulations have continued to change and have caused various responses from taxpayers, especially regarding the regulation of Value Added Tax (VAT) from entrepreneurs. This behavior arises as a form of action from the behavior shown in responding to VAT regulatory stimuli. The assumption that VAT is a burden because it is considered to reduce profits. This is because it enable to influence consumers in spending existing resources which are more inclined to seek cheaper prices. This study applies a qualitative approach with interviews conducted with taxable entrepreneurs in the province of East Nusa Tenggara. In addition to double recording and splitting the business, other actions are to carry out a tax planning with the aim of minimizing the burden of VAT on taxpayers as one way to maintain business sustainability. Subjective norm behavior can shape individual behavior to agree or reject the views held by others as a form of analysis of environmental factors, experience, and age. The next finding, related to the 10% VAT value, the majority of informants thought that the tariff was unfair. So that the informants tend to increase the selling price of their products or being forced to sell without VAT because of business competition, the informants have to struggle with non-PKP (non-taxable employers) entrepreneurs whom can sell at a lower price. So if the current VAT rate can be equalized, the value for both PKP (taxable employers) and Non-PKP (non-taxable employers) status can be equalized. Another finding is that the behavioral tendency of taxpayers in assessing tax employees helps to build taxpayers' perspectives on tax compliance, such as fraud by some tax officials.

Keywords: Business Sustainability, Behavior, Individual Intentions, Environmental Perspective, VAT

1. Introduction

Most of the state budget is met by revenues from tax sector. In its implementation, taxation has a coercive nature on taxpayers in accordance with statutory provisions, According to Soemitro (in Mardiasmo, 2018) taxes are people's contributions to the state treasury based on the law (which can be forced) without receiving reciprocal services (contra-achievements) directly shown and which is used to pay for general expenses.

The dynamics of taxation continue to be adjusted from time to time, in line with the changes that have resulted in various responses from taxpayers, especially from entrepreneurs, considering that the business sector is very closely related to the implementation of tax policy which is the largest contributor to state revenue. Business activities play an important role in

the economy of a country, apart from creating jobs, entrepreneurship also increases the productivity and innovation of a country, especially during a national crisis. According to Decker (2017) in his research, he stated that the large number of business actors in the United States made a major contribution to the progress of the US economy, as well as the birth of high new jobs due to entrepreneurial activities.

Realizing the magnitude of the role of entrepreneurs related to the existence of tax regulation then this can lead to a response or behavior shown by business actors. As stated by Tolman (1928) that there will be a reaction from entrepreneurs with certain goals or purposive behavior. Because in this case it will have an effect on increasing the price of an item and the level of consumer satisfaction.

A person's reaction to a stimulus or stimulation from outside which can be classified into two includes visible behavior or overt behavior and invisible behavior or covert behavior (Skinner, 1938). Furthermore (Eysenck, 1970; Catania, 1988) suggests that visible or overt behavior is a response behavior to a stimulus in the form of actions or practices that can be observed by others from the outside. Meanwhile, invisible behavior is a response to a stimulus that has not been observed by others, such as attention, perception, knowledge, and attitude towards the stimulus.

The response arises as a form of action from the behavior shown in response to existing stimuli, in this case the entrepreneur's behavior towards tax dynamics. Taxpayers, in their position as business actors, against the existence of tax policies, especially from the point of view of Value Added Tax (VAT) consider VAT as a burden. VAT is seen as an expense that reduces profits (Mangoting, 1999). Because it can influence consumers in spending existing resources. As said Dharmmestha (1999) in his research that consumers buy goods by comparing the price and quality of goods. With the same goods with the same quality, consumers will choose goods with lower prices. The price of goods has a great influence on consumer satisfaction (Zeithaml and Bitner, 2003).

According to Waluyo (2011:71), writes whereas taxable entrepreneurs are entrepreneurs who deliver taxable goods and/or taxable services subject to tax based on the value added tax law, excluding small entrepreneurs whose limits are set by the Minister of Finance, except small entrepreneurs who choose to be confirmed as taxable entrepreneurs. Thus, the taxable entrepreneur (PKP) is obliged to impose a tax on the delivery of goods and services to the consumer, in other words, the taxable entrepreneur imposes the tax on the buyer, hence an increase in the selling price from the entrepreneur to the buyer. The price of goods has a great influence on consumer satisfaction (Zeithaml and Bitner, 2003). However, the selling price of PKP which is more expensive than Non-PKP for the same goods will cause PKP's competitiveness to decline and create an unfavorable situation for PKP with increased competition in the market. This phenomenon will affect the sustainability of the PKP business itself with a decrease in income because consumers switch to buying goods at lower prices.

Meanwhile, on the other hand, difficult conditions require business actors to continue to earn profits in order to maintain their business, one of the informants often when it comes time for the annual SPT (Tax Report) to issue several financial reports (double book keeping), namely financial statements for banks and financial statements for taxation. This is also a tax planning action, where informants as taxpayers carry out tax planning (tax planning) which aims to minimize the burden of VAT on taxpayers (Suronoto, 2013; Atmojo, et.al., 2016). Furthermore, Atmojo, et.al., (2016) said that business actors as taxpayers will make tax planning efforts by looking at gaps in tax regulations with the aim of minimizing the VAT burden.

The behavior shown by business actors is basically the same as looking for opportunities because entrepreneurs must be able to independently calculate business and take advantage of existing opportunities (Zimmerer & Scarborough, 1996). Because basically an entrepreneur is always faced with various risks and even failure, this fear should be managed as well as

possible and full of courage for every action with various strategies in order to gain benefits and positive things (Astamoen, 2005). Entrepreneurs who are faced with various risks and tax obligations will show behavior to comply or disobey, influenced by the intention of the taxpayer. In this theory, Ajzen (1991) suggests Theory of Planned Behavior (TPB) is one model that is often used to predict individual intentions. In this theory, Ajzen (1991) explains that individual behavior can be influenced by the individual's intention to behave. Meanwhile, the intention to behave is caused by three factors, namely attitudes toward behavior, subjective norms, and perceived behavioral control. Thus, the individual's behavior to disobey or commit tax evasion is influenced by the individual's intention to take these actions. Or other things can be caused by the influence of the people around, as well as perceived behavioral control that influences the person's intention to commit tax evasion or not.

The tendency of taxpayer behavior is influenced by environmental conditions around the individual or also called as normative beliefs. The emergence of thoughts about the importance of justice for taxpayers will affect their attitudes and intentions in paying taxes as a form of response to the existing stimulus in maintaining business sustainability. This study aims to analyze the behavior of taxpayers on tax regulations in order to maintain the continuity of their business, both openly (overt behavior) and secretly (covert behavior).

2. Literature Review

Motivation for achievement is a driving force for someone to become an entrepreneur by producing energy, it will strengthen behavior that directs behavior towards the goal to be achieved (Beck, 1990; Steers and Porter, 1991). Entrepreneurial activity can be found in the interaction between individuals, institutions, society and culture so that entrepreneurship is a holistic process and is a combination of visible and invisible behavior (Morrison, 2000). Moore (1986) in his research states that an entrepreneur is said to be someone with an innovative business idea who dares to take the risks needed to carry out production and marketing. As the need for self-actualization (self-actualization needs), the achievement motive must be met to achieve personal satisfaction (Maslow, 1943).

On the other hand, Kuratko and Hodgetts (1996) and Astamoen (2005) said that entrepreneurs are always faced with the risk of failure. So that entrepreneurs must dare to take risks by having leadership, managerial abilities and special personal abilities to deal with these risks. Therefore, entrepreneurs must be willing to take risks. Perspective is basically the same as looking for opportunities because entrepreneurs must be able to independently calculate business and take advantage of existing opportunities (Kirzner, 1979; Zimmerer & Scarborough, 1996). In the face of tax regulations, there has been a response from business actors or entrepreneurs related to their compliance with paying taxes, this is done in order to minimize the business burden that arises. Strategically maintaining business sustainability requires an innovative business model that supports the management of social and environmental activities in sustaining the business (Schaltegger et al., 2012). The company's business model becomes a strategy that is somehow difficult to understand about how business is done to create and obtain economic value (Mäkinen and Seppänen, 2007; Teece, 2010; Zott et al., 2011).

In dealing with the adjustment of PKP tax regulations as taxpayers, they tend to carry out tax planning as an effort to reduce the value of VAT because this is considered a burden. (Mangoting, 1999; Varela et al., 2020) states that taxpayers will always seek their own interests, therefore the tax burden will be considered as an avoidable cost unless the probability of detecting a high and heavy fine is not an attractive option.

This means that taxpayers will be motivated to develop tax avoidance strategies in order to maximize their business profits. Because, tax planning is able to reduce the burden of VAT. The strategic management of decision making and the calculated risk value is very dependent

on how business actors respond to the conditions that occur. Macko & Tyszka (2009) explain that there is a difference between the risk that the outcome cannot be controlled by the decision maker and the risk for which the outcome can at least be controlled. The outcome of taking uncontrollable risk is influenced by self-confidence (Knight, 1921; MacKo & Tyszka, 2009; Quintal et al., 2010). As a form of response to the stimulus that shapes the behavior, Lim (2013) states that avoiding risk is done by eliminating the source of the risk or avoiding it by looking for other alternatives to the risk.

Individuals learn about the environment around them which occurs slowly so that individuals will reach their own conclusions. The ratio of behavior is determined from the collective experience of individuals upon the behavior that is carried out on a problem. Humans are individuals who are not inherently good nor evil but individuals who are always in a state of 'being experienced' so that they have the ability to be something in all types of behavior. Humans can acquire new behaviors and influence the behavior of others and be influenced. Human behavior can be conceptualized and controlled by humans themselves (Thompson, 2004).

In contrast to Pavlov (1927) states that classical conditioning (classical conditioning) response can be formed by a combination of two stimuli, namely a natural stimulus (unconditioned stimulus) and an artificial stimulus (conditioned stimulus). If the two stimuli are carried out simultaneously, the response and other stimuli will increase (law of respondent conditioning) and a reinforced response can be brought in without a reinforcer but its strength will decrease (law of respondent extinction). In classical conditioning, action changes occur because of a stimulus that elicits an automatic and predictable response. These actions arise due to factors from environmental stimuli, physiological impulses, genetics, experience, and age. These factors can be measured and observed from humans themselves. Tolman (1928) acknowledged the existence of mental processes in individuals so that the Stimulus-Organism-Response (S-O-R) theory emerged. Individuals learn about the environment around them which occurs slowly so that individuals will reach their own conclusions. The ratio of behavior is determined from the collective experience of individuals on the behavior that is carried out on a problem. Regarding the concept of behavior in response to tax regulations (Blanthorne, 2000; Bobek and Hatfield, 2003), his research states that behavioral control has an effect on tax attitudes. In addition, the level of trust in the authorities also has a significant effect on the attitude of taxpayers as research conducted by Kirchler, et. al. (2008), Heintzman and Marson (2005), Balliet and Van Lange, (2013). According to Gastil (1961) also explains the factors that can influence behavior (determinants) into two, namely internal and external. In the internal determinants, the characteristics of the person concerned are innate such as intelligence, emotional level, gender, and so on. External determinants are the physical, social, cultural, economic environment which is the dominant factor in shaping behavior.

Katona (1946, in Edwards, 2012) provides a distinction decision between genuine decisions or choices made with full rationality and routine behavior or choices made because of nature, habit, or tradition. Humans when faced with an unfavorable situation will show a high sensitivity compared to being in a favorable situation (Kahneman and Tversky, 1979).

Skinner (1938) explained that behavior is a person's reaction to external stimuli or stimuli. Behavior itself includes behavior that is visible (overt behavior) and behavior that is not visible (covert behavior). Then Skinner (1969) continued that visible or overt behavior is behavior in response to stimuli in the form of actions or practices that can be observed by others from the outside. Invisible behavior itself is a response to a stimulus that has not been observed by others such as attention, feelings, perceptions, knowledge, and attitudes towards the stimulus.

Ajzen (1991) states that individual behavior is influenced by the individual's own intention (behavioral intention) towards certain behaviors. Meanwhile, the intention to behave can be influenced by the attitude variable, subjective norm, and perceived behavioral control. Every

action taken by humans has a purpose (purposive behavior). These actions arise because of factors from environmental stimuli, physiological impulses, genetics, experience, and age (Tolman, 1928).

Research Diagram

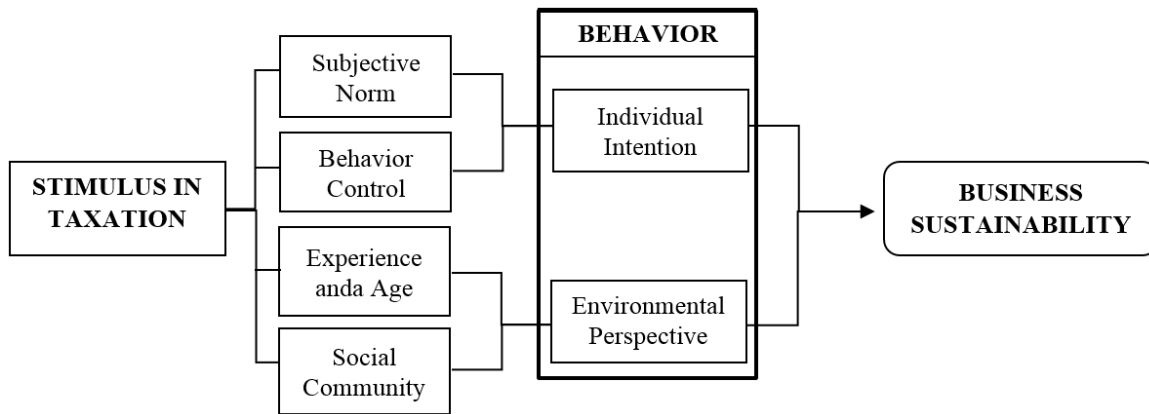


Figure 1. Research Diagram
 Source: Data processed by researchers, 2022

3. Method

Type of Researchs

The type of research used in this study used a descriptive qualitative research. With this method the author intends to collect historical information regarding certain aspects related to the problem being researched by the author so that it will obtain data that can support the preparation of research reports. The research was conducted in different places in the province of East Nusa Tenggara, namely in Larantuka, Waiwerang, Maumere and Lembata which was carried out from November 2021 to January 2022. This study applied a qualitative approach with the interview method with informants.

Data analysis method

The final stage of the research method is data analysis techniques. The data analysis technique used in this study used qualitative data analysis techniques because the studies carried out in this study used descriptive studies. This research uses a descriptive analysis approach in which the process of describing the research area is arranged in a narrative form. Descriptive analysis is carried out by providing an overview of the behavior of taxpayers in responding to changes in tax regulations.

4. Result and Discussion

Informant Background

The interview process was carried out with the consent of the informants to become resource persons in this study. However, due to the ongoing COVID-19 pandemic, the interview process was conducted online, namely through the Zoom virtual meeting application at the agreed time. The informants in this study were entrepreneurs from East Nusa Tenggara (NTT) Province, each of them has a different business, here is a brief description of the 5 informants:

- 1) Mr. Djuanes Tanur Koten, is an entrepreneur who is engaged in transportation business based in Larantuka, his business is a sea route fuel transport business where the

- transportation means is a fleet of ships that can transport fuel trucks to cross the waters around the island of Larantuka. Mr. Djuanes Tanur Koten was trusted by his father who is also a businessman to continue his father's business, because his father had entered old age. At the time of this interview, Mr. Djuanes Tanur Koten was 51 years old. It has been managed since 2009 under the name PT. Kencana Mas Brothers (KMB), Mr. Djuanes Tanur Koten's business focuses on providing marine transportation services that transport fuel and light to medium sized vehicles;
- 2) Mr. Kristoforus Tanur Koten is an entrepreneur who has main business, namely a Public Fuel Filling Station (SPBU) with a grocery store as an additional business. He lives in Waiwerang on Adonara Island, East Flores Regency, East Nusa Tenggara. It was established since 2016 under the name PT. Adonara Solor Timur, Mr. Kristoforus Tanur Koten's main business focuses on providing fuel oil in collaboration with PT. Pertamina in East Flores Regency. PT Adonara Solor Timur owns several oil transport vehicles which are used for the company's operational activities to transport oil supplies to PT Pertamina in East Flores Regency, but despite having his own operational vehicle, Mr. Kristoforus often transports oil by direct vehicle to Pertamina or occasionally uses the services of BBM transportation service owned by his brother, namely Mr. Djuanes Tanur Koten.
 - 3) Mr. Herson Marloanto was born in Ujung Pandang on January 13, 1985, he is an entrepreneur who is engaged in the distribution of basic necessities based in the City of Maumere, he has mixed ethnicity with Chinese Bugis, Makassar, South Sulawesi. Starting his business independently starting from the starting point of wholesale and the company's business engaged in the distribution of basic necessities. Until 2017 it was legalized as a Limited Liability Company (PT) domiciled and office in Maumere, East Nusa Tenggara through the Deed of Establishment of a Limited Liability Company in 2017. Currently the company pioneered by Mr. Herson Marloanto has become a large company that provides supplies of basic needs such as Rice, oil, sugar & eggs with market coverage almost covering all areas in East Nusa Tenggara Province. Rice and chicken eggs are the main commodities that provide the largest income contribution for Mr. Herson Marloanto's company;
 - 4) Mr. Gusti Pello, is an entrepreneur who owns a grocery store by providing various consumption needs such as Ice, Diesel, Canned Food, Rice, Cigarettes etc. domiciled in Maumere. Mr. Gusti Pello was trusted by his father, who is also a businessman, to continue his business, considering that his father has now entered into his old age. Meanwhile, at the time of this interview, Mr. Gusti Pello himself was 42 years old. This business was originally founded by Mr. Gusti Pello's parents since 1984 under the name Pojok Segar shop, which provides materials needed for fishermen who usually sail for days to the high seas;
 - 5) Mr. Muhammad Nasir, who is an entrepreneur in the field of fuel transportation, also owns several gas stations and a shop that sells retail kerosene located in Lembata. Mr. Muhammad Nasir was given the responsibility by his father to continue the business of his father who is also a businessman who is quite famous and has considerable influence because he is known as the richest person in Lembata Regency, East Nusa Tenggara. Mr. Muhammad Nasir is now 47 years old. The business continued by Mr. Muhammad Nasir has been incorporated under the name PT. Hikam. Although with minimal experience, Mr. Muhammad Nasir was helped by his other sisters to continue the business of his parents to keep it going. In the division of positions, Mr. Muhammad Nasir holds the position of Director, while his 2 sisters serve as Commissioners. PT. Hikam is a successful company and also the only one that has gas stations, oil transporters, and retail kerosene sellers on the Island and Regency of Lembata, East Nusa Tenggara.

Behavior towards VAT as an Effort to Maintain Business Sustainability

The informant manages his business with every effort so that he can continue his business. Opportunity is a good strategy for informants in maintaining their business. In its process the entrepreneur must be able to independently calculate the effort and take advantage of existing opportunities (Zimmerer and Scarborough, 1996; Kirzner, 1979). Seeking these opportunities needs to be supported by creativity and innovation as stated by Drucker (1994).

This is in line with research by Moore (1986) which states that as an entrepreneur with innovative business ideas who dare to take the necessary risks to carry out production and marketing. By looking for opportunities because entrepreneurs must be able to independently calculate business and take advantage of existing opportunities (Zimmerer and Scarborough, 1996; Kirzner, 1979). Humans can acquire new behaviors and influence the behavior of others and be influenced. Human behavior can be conceptualized and controlled by humans themselves (Thompson, 2004). As self-justification, the informant even conveyed his opinion to the surrounding business environment that the VAT rate needed to be adjusted again. This is a culture that influences behavior in dealing with taxes (Yong and Martin, 2014; 2016; Richardson, 2005; Fischer, et.al., 1992; Chau and Leung, 2009).

Entrepreneurs must also be able to maintain their commitment and achievement motivation and be careful in seeing business opportunities against existing risks, including those related to more selective consumers. Rao and Monroe (1989) and Andrei, et.al. (2013) stated that consumers buy goods by comparing the price and quality of goods. With the same goods with the same quality, consumers will choose the goods with lower prices (Dharmmestha, 1999). In an effort to retain customers, informants have motivation and the way that informants generally do is to encourage customer trust in dealing with selective consumers, as stated by second, third, fourth and fifth informants : "Best service and maintaining the trust of people around are the keys to my business.". While more specifically the first informant stated that:

"I provide spare parts that are more complete than the shops around me, besides that I also sometimes give discounts to customers who buy often at the store".

Business decisions are always accompanied by various risks, therefore it takes courage and strong motivation for entrepreneurs to make business decisions. According to Astamoen (2005) and Kuratko and Hodgetts (1996) stated that entrepreneurs are always faced with risks in the form of failure, so entrepreneurs must dare to take risks by having leadership, managerial abilities and special personal abilities to deal with these risks. This is in line with the research of Dyllick & Muff (2016) where the leadership style of an entrepreneur or organization has great potential for business continuity. Courage to face the risk of failure is a common trait possessed by entrepreneurs as well as expressed by Trimpop (1994) explaining risk takers as conscious or unconscious actions with uncertainty about the results. The five informants agreed on internal risks, as stated by the first informant:

"There are some customers who finally decided to stop using our transportation services. Of course, these things require a variety of strategies and a strong mentality, especially regarding the commitment to continue running this business with various possibilities against existing or future risks". This commitment includes daring to fail and learning from those failures. Motivation for achievement becomes a driving force for someone in self-actualization by generating energy, it will strengthen behavior that directs behavior to the goal to be achieved (Beck, 1990; Steers and Porter, 1991). Difficult conditions require informants to keep making profits in order to maintain their business, one of the informants often when it comes time for the implementation of the annual SPT they issue several financial reports (double book keeping), namely financial statements for banks and financial statements for taxation. As stated by second, third, fourth and fifth informants:

"To strengthen the proof of recording the version that will be a tax reference or tax planning, sir. Usually I make some expenses that are used in the form of social assistance for the

surrounding community, for example when there are social service activities or there is a community joint venture to help repair village roads. By that way, the recording of business expenses and business income has a difference that is not much different, or in other words, I report with less sales and profits, because the actual version can also be used in case, for example, there will be any banking matters".

Furthermore, several informants have their own way of maximizing their income without being burdened with proper taxes, as stated by the third informant who stated that:

"Other than doing the two versions of recording reports and doing tax planning, in fact I also have other small businesses which I have broken up and I am responsible for on behalf of my children and other relatives, such as culinary businesses, fitness centers or gyms, yes, and Some small shops are also mostly run under their name, but later on, I myself basically run these businesses and get the benefits, so what can I do for more?"

Likewise with the second and fourth Informants who also have similar experiences related to other businesses or the distribution of their businesses where it is said that:

"Besides continuing my parents' business, I also have several small businesses that I started but I didn't involve myself directly in those businesses, so I ask to hold on to my other cousins or relatives. Those businesses are in the name of my children or relatives, so it seems as if it is out of hand from me and has nothing to do with me, but I still control it and it has been proven that it can be an extra money for me until now and there have been no problems with taxes until now because there is no written or formal evidence between me and these businesses."

According to the informant's statement, in addition to double recording and splitting the business, other actions are to carry out tax planning (tax planning), where informants as taxpayers carry out tax planning (tax planning) which aims to minimize the burden of VAT on taxpayers (Suronoto, 2013; Atmojo, et.al., 2016). But on the other hand, the informant admitted why he did this because for the bank they needed to show that the condition of the company was operating well, with high turnover and profits, making it easier for businesses to make loans to banks, while for taxes, this was done so that taxes would be paid. which is paid as low as possible, where the practice of recording financial statements is to increase costs and reduce profits in financial statements so that informants pay taxes which are far less than before so that their companies avoid the risk of bankruptcy. Their actions which are managing or transferring risk are in accordance with Weber and Bottom (1989) which explains risk aversion as an attitude to reject something that is seen as having a risk. Faced with risk, people tend to calculate how much loss and develop strategies to reduce risk (Howcroft, et.al, 2003).

In a study conducted by Bennet, et.al. (2011) it was found that someone who sees a high probability of losing will avoid that risk. Similar results were also found by Quintal, et.al. (2010) who found that behavior towards actions that lead to financial losses will lead to negative perceptions and affect behavior. Avoiding risk is done by eliminating the source of the risk or avoiding it by looking for other alternatives from the risk (Lim, 2013).

Individual Intentions Shaping Taxpayer Behavior

Taxes based on law have a coercive nature on all citizens which have been regulated in tax provisions. The public in carrying out their obligations as taxpayers, causes various reactions in the form of behavior of taxpayers to obey or disobey which can be influenced by the intention of the taxpayer to behave whether the taxpayer wants to comply or not. The Theory of Planned Behavior developed by Ajzen (1991) shows the relationship of behaviors that are raised by individuals to respond to something. Furthermore, the theory also explains that the intention to behave can lead to behavior that is displayed in the form of subjective norms from the individual.

According to Dharmawan (2015) subjective norms are perceptions of forming certain behaviors in individuals regarding social influences. Ajzen (1991) states that subjective norms

are the formation of individual behavior where the views held by others are in the form of rejecting or approving the behavior of the individual. Regarding taxation, informants have varied responses in behaving either in the form of refusing or approving taxation in general, as conveyed by the third informant as follows:

“Regarding this tax issue, I consider it as an obligation that I must do, so that later it would not hinder my business”.

Likewise, the other four informants also expressed a similar opinion regarding taxation issues, that:

"I always pay taxes according to the time specified because I think it is also part of the obligations that I need to do which of course will have an impact on my business".

According to Jotopurnomo & Mangoting (2013), taxpayer compliance is a condition caused from within the taxpayer to understand all tax norms and strive to comply with all tax obligations, starting from the beginning by filling out tax forms clearly and completely, calculating the amount of tax required. properly charged, and pay the tax imposed in accordance with the specified time. The importance of taxpayer compliance must be studied more deeply about what factors can affect taxpayer compliance, especially from the perspective of individual taxpayers, which can be in the form of subjective norms or forms of taxpayer self-control.

Indonesia which has adopted a modern taxation system since 1983, namely self-assessment in which all tax obligations are carried out by the taxpayer himself or can be delegated with power of attorney, so that the role of the Directorate General of Taxes examines such compliance, whether it is in accordance with tax regulations or not and is fair. The principle of justice is where taxes are imposed fairly and equitably. The tax imposed on the taxpayer is proportional to his ability to pay the tax and also in accordance with the benefits obtained from the state. According to Rosdiana & Tarigan (2005) in their book, they divide two General Criterias for Tax Fairness, namely: 1) Benefit principle. Fair in a tax system if there is a contribution given by each taxpayer in accordance with the benefits obtained from the government. Application based on general benefits because every taxpayer has a preference for public services that is not the same, then the general formula does not apply to everyone. 2) The principle of ability to pay (ability to pay principle) is a principle that reflects the overall welfare that can be obtained by a person including income, consumption patterns and wealth. According to this principle, the tax system is separated from the side of public spending. This is because when using this approach, public expenditure becomes unclear because the economic system requires a certain amount of revenue. This system is also vertical and horizontal. Vertical justice is related to the obligation to pay taxes whose ability to pay is not the same, namely the greater the ability to pay taxes, the greater the tax rate imposed (progressive). While horizontal justice means that all people who have the same economic ability or get the same additional economic capacity must be subject to the same tax (Mansury, 1996).

Subjective norms can shape individual behavior to agree or reject the views held by others. If the behavior shown by the individual is in accordance with the views held by others, then the behavior will continue to be carried out in society. However, if the behavior shown is not accepted by others, then it will not be repeated again by the individual.

Environmental Perspective and Taxpayer Response to VAT Regulation

A person's attitude is influenced by the people around who are referred, as well as perceived behavioral control that influences the person's intention to commit tax evasion or not. In relation to taxation, especially what is highlighted in this research is the behavior of Value Added Tax (VAT) regulations which often experience changes, dynamic changes also encourage various responses from stakeholders (interested parties), including entrepreneurs who are closely related to taxes, especially regarding to VAT. Regarding the 10% VAT value,

several informants argued that the tariff was unfair. So automatically the informant has to increase the selling price of his product or is forced to sell it without VAT, while in business competition the informants have to struggle with non-PKP entrepreneurs, in which case non-PKP entrepreneurs can get more profits. As stated by the fifth informant, this informant has various experiences and responses, where the first informant stated:

“Especially in my shop business, I strongly disagree, especially with the many kinds of problems that I mentioned earlier (the corrupt tax officer) makes me even more reluctant and there are many ways to do it. After all, I'm not the only one who does this, there are still many fellow entrepreneurs who do this and many have reasons that this is for the sake of business continuity, including myself”.

Likewise, the second informant stated:

"It's different with the gas station business. I judge that a shop trading business like me, which happens to be a PKP, I think the government needs to adjust it again, because a trading business like my shop has to compete in price with shops that sell similar types of goods even though most of them are not as big and complete as my shop. but this can later be considered as a purchase.”

Similar to the first and second informants, the third informants stated that:

"For at present time, with the tax rate, especially the imposition of 10% VAT, I feel that it is unfair because the basis for the imposition of the tariff is still unfair, in my opinion, where I have to compete on price with several entrepreneurs who are engaged in the same business field where most of them are still entrepreneurs which is not subject to tax (non-PKP), so this gives the possibility that my business will lose money, therefore I think the imposition of the existing tax rate needs to be adjusted again”.

While the fourth and fifth informants had slightly different responses from the previous informants, these two informants conveyed the same thing that:

“The 10% tariff is sufficient, but if possible, it needs to be lowered again, so there is no need for an increase, for example later it will be changed again, at least it will not burden small traders too much, very pity of them. But for the sake of my on-going business, so I don't really have a problem with this VAT, I have also sold it at the price recommended by Pertamina and for me it's okay”.

The decision to increase prices as a result of the imposition of VAT made by informants is worried that it will affect the number of consumers due to the decreased satisfaction as research by (Zeithaml and Bitner, 2003) which states that the price of goods has a large influence on consumer satisfaction. Responding to the dynamics of tax regulations, the informants realized that tax regulations must always be updated by the authorities, because business conditions also always experience dynamics from year to year, so that tax revenues can be optimal. With the current tax regulations, informants feel more supported, including because of the intensive taxation in relation to the COVID-19 pandemic. The regulation of tax relief during the pandemic is a stimulus for input from the government so that taxpayers are satisfied with existing tax policies. Thorndike (1898) suggested that the relationship between S-R (Stimulus-Response) will strengthen if the response produces a satisfactory effect.

If observed from the point of view of the social environment, the answers of the informants above show the influence of friends and professional colleagues on the belief of a taxpayer in showing his tax behavior. Friends or colleagues of the same profession can be influential in providing motivation for taxpayers to behave obediently or not in terms of taxation. If the taxpayer is familiar with the environment of friends and colleagues who are obedient to taxes, it will be able to influence the taxpayer in complying with tax rules. In addition to social environmental factors, the behavior of the informants above is also shown from the differences in experience and age of each informant which is inversely proportional to the results of research conducted by Tyas (2013) which is more inclined to argue that individuals who are

more mature have a higher desire to behave obediently to their taxation rather than young taxpayers. When compared with the fourth and fifth informants who in terms of experience and age are relatively younger than the first, second and third informants who have a lot of experience dealing with taxation.

Deterrence theory has become the main theoretical framework applied to tax fraud. This theory assumes that taxpayers consciously weigh the pros and cons of non-compliance in light of the likelihood of detection and the severity of the penalty (Smith & Kinsey, 1987). Tax law enforcement is carried out based on the law. This is the principle of *ultimum remedium* in tax law enforcement. Enforcement of tax law is the last resort in tax collection in Indonesia. The state is not unjust to its people, but for those who disobey, the state will also act decisively. In effect, for taxpayers who deliberately avoid taxes and have criminal indications, a tax investigation will be carried out against them. The fine is imprisonment and a maximum fine. This is the war against tax terrorists as intended. Enforce tax law maximally for perpetrators of tax crimes.

Cases related to tax behavior that were discussed a few years ago can be an example of tax behavior in Indonesia. The incident took place in 2016 where on April 12, 2016, there was a case of violence committed by a taxpayer who went crazy with the heart to kill an honorary employee of the Tax Confiscation Officer of the Tax Service Office (KPP) Sibolga Parada Siahaan who was carrying out his duties, with the initials S, who accompanied his colleague with the initials P when submitting the forced letter. The leadership and employees of the Directorate General of Taxes throughout Indonesia were furious. For the Director General of Taxes, they are heroes and even the funerals of both of them are held semi-militarily like soldiers who died on the battlefield and the flag is flying at half-mast as a form of respect for the victims. He had performed his duties well as a tax bailiff. As a tax bailiff, P had duties, one of which was to deliver forced letters to taxpayers who were tax arrears. The forced letter arised because the taxpayer did not heed the persuasive steps and warnings made by the tax officer. Forced letters are the basis for tax confiscation, including hostage taking, if deemed necessary. Thus, the submission of a forced letter to the taxpayer is not really a forced effort, especially to the point that it will confiscate the taxpayer's assets at that time. Therefore, taxation activities that are considered high risk must receive assistance from the local police. This is mandatory and there is SOP (Standard Operation Procedure) on it. In addition, for the long term, it is necessary to include in the amendments to the Law of KUP (General Provisions and Procedures of Taxation) that tax officers whose work is at high risk (in auditing, billing, and similar sections) must receive a special clause, such as being armed. Chandra Budi, Head of the Manokwari Tax Office, or from the point of view of the taxpayer as executor, so that the government needs to review the existing VAT rates even if it is possible so that the rates can be generalized to all taxpayers, especially those conducting business activities.

5. Conclusions

The application of the implementation of taxation is coercive on taxpayers in accordance with the provisions of the legislation, including whether there are business actors. On the other hand, difficult conditions require business actors to continue to earn profits in order to maintain their business. Changes in tax regulations continue to experience changes and have not in the least caused various responses from taxpayers. This study found various reactions from entrepreneurs, especially regarding the regulation of Value Added Tax (VAT) with a specific purpose or purposive behavior. Because in this case it will have an effect on the level of prices of goods sold. The responses from these informants arise as a form of action from the behavior shown in response to existing stimuli. The informant who is a Taxable Entrepreneur considers that VAT is a burden because it is considered to reduce profits. This is because it can influence

consumers in spending existing resources who are more inclined to seek cheaper prices. So in this case the price level has a big influence on satisfaction and consumption decisions. The researcher also found that in addition to double recording and splitting the business, other actions were to carry out tax planning with the aim of minimizing the burden of VAT on taxpayers. This is considered as an attitude to reject something that is seen as having a risk. Because of the behavior of someone who is exposed to risk, that person tends to calculate how much loss and develop strategies to reduce risk. To see a description of the behavior of the informants, the researcher used the model proposed by Ajzen (1991) namely Theory of Planned Behavior (TPB). In this study it was found that individuals can be influenced by intentions and perspectives on the environment in which the individual is located. Choices made with full rationality and routine behavior or choices made because of the nature, habit, or tradition as well as subjective norms and perceived behavioral control.

In addition, it was also found that subjective norms can shape individual behavior to agree or reject the views held by others. These actions arise due to factors from environmental stimuli, experience, and age as found in the comparison of age and experience between the first informant and the fifth informant because every action taken by humans has a specific purpose. Regarding the 10% VAT value, the majority of informants thought that the tariff was unfair. So that the informants tend to increase the selling price of their products or are forced to sell without VAT because of business competition, the informants have to struggle with non-PKP entrepreneurs who can sell at a lower price. Another finding is that the behavioral tendency of taxpayers in assessing tax employees helps build taxpayers' perspectives on tax compliance, such as fraud by some tax officials.

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