

**THE PHILOSOPHY OF TAT TWAM ASI: THE FOUNDATION OF  
CONSCIOUSNESS REGARDING POST-TAX AMNESTY  
(CASES IN INDONESIA)**

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**ABSTRACT**

This study aims to understand the taxpayer's consciousness regarding post-tax amnesty through an interpretive paradigm. The transcendental phenomenology methodology is appropriate to explore the taxpayer's consciousness experience. The research informant is a taxpayer who has followed tax amnesty and has filed a tax return for the fiscal year 2017. The value of locality, used as the basis of consciousness, is the philosophical value of *Tat Twam Asi* (the taxpayer is the tax authority and vice versa) and the value of religious social human consciousness. The results of the study found that the taxpayer's consciousness (*Noema*) is the reality of the fulfilment of formal tax obligations. The understanding of consciousness (*Noesis*) grows with the emergence of a feeling of relief after fulfilling formal obligations. The taxpayer's pure consciousness has emerged in tandem with the policies of tax authorities in favour of the taxpayer. This study contributes to tax authorities and taxpayers. Tax authorities are expected to formulate policies in favour of the basic philosophy of *Tat Twam Asi* to function within the framework of religiosity in the realisation of taxpayer compliance.

Keywords: Transcendental phenomenology, philosophy of *Tat Twam Asi*, consciousness, post-tax amnesty, religiosity

## Introduction

Indonesia has faced the reality of tax compliance prior to tax amnesty, with only a maximum of 50% of all owners possessing a Taxpayer Identification Number (Fenochietto & Pessino, 2013; Ngadiman & Huslin, 2015). The fulfilment of a formal tax liability that has not tested the material aspect, remains low from the potential that exists. In fact, Palil & Mustapha (2011) state that the application of the Self-Assessment System in taxpayers who do not understand the tax system has raised the moral hazard practice. However, tax authorities have established the implementation of tax amnesty with the Self-Assessment System under the legal basis of the Tax Amnesty Law No. 11 of 2016. Darmayasa (2017) concluded that the Self-Assessment System applied in tax amnesty, raises the practice of moral hazard.

Moral hazard practice on the implementation of tax amnesty is inconsistent with the third objective of tax amnesty to improve tax compliance (Tax Amnesty Law article 2, paragraph 2). What's wrong? Sudarma & Darmayasa (2017) found that tax compliance will not necessarily increase after taxpayers follow tax amnesty. Thus, the reality of formal tax compliance and material compliance is still questionable, post-tax amnesty. Other findings are that compliance with taxpayers increases after tax amnesty (Fatmala & Ardini, 2017; Sari & Fidiana, 2017) and even taxpayers have a high commitment to following the tax amnesty (Setyaningsih & Okfitasari, 2016).

The implementation of tax amnesty succeeded in the measure of the objectivity of the ransom (DGT Taxation Team 2016: 232; [www.cnnindonesia.com](http://www.cnnindonesia.com), 2016), but fails to meet the taxpayers's active participation and repatriation results (Prastowo, 2017). Therefore, various efforts are made by the tax authorities to improve tax compliance post-tax amnesty, including the issuing of provisions and regulations post-tax amnesty. The next question is, can the various provisions and regulations on the implementation of tax amnesty improve compliance, post-tax amnesty?

Researchers observe that the ontology of self taxpayers greatly affects the level of taxpayers' compliance. Ontologically, humans have the character of homo economicus (Jensen & Meckling, 1994) and social characters that should be balanced with the whole man (Mulawarman, 2011). In the beliefs of the researchers, there is the value of *Tat Twam Asi* (I am you, you are me) in accordance with the social human character. *Tat Twam Asi* is a philosophy value in assessing the self and others (Evitasari & Wiranti, 2004).

The research question is, how to understand taxpayer's consciousness post-tax amnesty? The purpose of the study is to explore the basis of informant consciousness, following tax amnesty. This research has some novelties; post-tax amnesty compliance issues are current issues; this study uses the foundation of locality value in the understanding of tax compliance consciousness, in accordance with the context of Indonesian taxpayers. The results of this study are useful to the tax authorities in formulating policies, with an internalised understanding as a praxis of the philosophy value of taxpayer's consciousness to realise compliance.

## Literature Review

Various countries are facing difficulties in raising tax revenues amidst the widespread practice of tax evasion and while using the tax amnesty alibi to overcome them (Stella, 1991). For example, USA, Italy, Belgium, and India, have implemented tax amnesty with various stories that surround it. The implementation of tax amnesty in the USA in 1985 was not followed by a thorough improvement of the taxation system, resulting in decreasing tax compliance (Alm & Beck, 1993; Alm, Mckee, & Beck, 1990; Hasseldine & Bebbington, 1991; Parle & Hirlinger,

1986). In fact, Leonard & Zeckhauser (1986) state that tax amnesty policy is used to launder the sins of "taxpayers", as one of the instruments of state revenue policy.

Learning from the various tax amnesty implementations from the other countries, Indonesia, can institute tax amnesty policy to improve tax compliance. The type of tax amnesty instituted in 1964 and 1984 was an investigation amnesty, which promised not to be traced to the source of income from the reported treasury, by simply paying some "ransom payment". Tax amnesty in 1964 used a 10% and/or 5% ransom rate, while the tax amnesty rates in 1984 rate were 1% and 10%. Tax amnesty in 1984 added 182,114 individual taxpayers and 22,748 corporate taxpayers (20% of total registered taxpayers). The value of ransom payments that were collected amounted to Rp. 45.6 Billion (personal taxpayers) and Rp. 22.2 Billion (corporate taxpayers) or 1% of total tax receipts (Taxation Education Team DGT, 2016: 224-225).

Various studies have been conducted in order to unravel the tangled threads of low tax compliance. In 1972, Allingham & Sandmo developed a tax compliance model known as economic deterrence. Economic deterrence consists of two factors that affect the level of tax compliance, namely the probability of examination and the amount of sanctions to be imposed. The basic assumption of economic deterrence is that of taxpayers as utility maximisers. The utility maximisers assumption states that no individual voluntarily pays taxes, the individual will always oppose the fulfilment of his tax obligations. Kuhn (1962), in his book *The Structure of Scientific Revolutions*, states that the normal science paradigm is unable to solve the problem. A paradigm revolution is needed that presents a new paradigm that provides more alternatives. Thus, it is necessary to develop a new theory or paradigm to decode tax compliance assumptions.

Furthermore, in 1991, Ajzen developed a tax compliance model with the psychological approach of Theory of Planned Behavior (TPB). TPB assumes that individual behavior is influenced by individual intention (behavioral intention), intention is influenced by attitude, subjective norm, and perceived behavior control. Behavioral control perceived is interpreted by the degree of control performed by the tax authorities. The existence of a tax authority control factor indicates that taxpayers' behavior is still required to be supervised and therefore, has not been able to successfully cultivate voluntary compliance. Thus, in principle, TPB remains in the domain of obedience by force. Of course, it takes a concept or theory that can foster compliance from different perspectives.

Further, in 2008, Kirchler, Hoelzl, & Wahl developed the Slippery Slope Framework by describing the two dimensions affecting tax compliance, the tax authority's authority dimension, and taxpayers' confidence in the tax authorities. The higher the authority of the tax authorities, the more increase in tax compliance, however only coercive compliance and not voluntary compliance. Research using the tax compliance model of internalising the value of spirituality or religiosity on taxpayers began to be developed. Internalisation of the value of spirituality or religiosity is believed to dampen the intentions of taxpayers to commit tax evasion (Alm & Torgler, 2006; Darmayasa, 2017; Darmayasa & Aneswari, 2015a; Fidiana, 2014; Lubian & Zarri, 2011; Torgler, 2006, 2012).

The implementation of taxpayers' compliance on social and religious societies cannot afford to only take the deterrence economic approach, it takes a combination of approaches by integrating the locality philosophical values. The value of *Tat Twam Asi* that has been embedded in the daily life of the community is believed to form self-esteem, in relation with others (Evitasari & Wiranti, 2004). In the realm of education, philosophical values can be used

as character formers (Sanjaya & Divayana, 2015). Thus, the value of *Tat Twam Asi* philosophy is appropriate used as a fundamental element of taxpayers' consciousness.

### **Research Methodology**

This research is a qualitative research that is influenced by the subjectivity of researchers (Wahyuni, 2015:14) which is not designed to be generalised (Darmayasa & Aneswari, 2015b; Denzin, Norman K. & Lincoln, 2009). The paradigm used is an interpretive paradigm, using transcendental phenomenology. Moerer-Urdahl & Creswell (2004) suggests that the characteristics of interpretive analyses aim to understand and explain social phenomena within the framework of the informant's perspectives. Transcendental phenomenology was discovered by Edmund Husserl (1931), which later in 1994, Moustakas translated into a qualitative methodology (Conklin, 2007) with an emphasis on extracting informant experience.

The data collection is through means of epoche (bracketing), by bracketing the informant statement. Epoche differs from structured and unstructured interviews, epoche is a process that develops in the process of extracting consciousness. Kamayanti (2016:151) suggests a maximum number of informants ranging from three or four, so that researchers are able to explore the informant's deepest consciousness. This research uses only one informant, who is a taxpayer. The research informant (Mr. Patuh) uses a pseudonym in accordance with the provisions of taxpayer confidentiality following tax amnesty (Tax Amnesty Law, article 21). Mr. Patuh has sufficient knowledge and experience of tax amnesty. Researchers have proximity (rapport) with Mr. Patuh, thus making it easier to gain a deep understanding of the informant's experiences. Researchers approached Mr. Patuh from March 2017 to May 2018 (period of Annual Tax Return reporting in 2016 and 2017). The data collected is believed to be a consistent process of validity of data that enables the answer to the research question.

The phenomenological assumption of reality centered on the taxpayer's "I", by seeing how the taxpayer understands the consciousness of the fulfilment of tax obligations as a reality. Transcendental phenomenology is an appropriate method for analysing the informant's experiences, post-tax amnesty. Transcendental phenomenology consists of analysis of Noema, Noesis, Epoche (Bracketing), Intentional Analysis, and Eidetic Reduction (Husserl, 2006; Kamayanti, 2016:153). Noema is a textural analysis (surface texture), which then bracketed or with brackets placed on the surface texture, to extract other textures beneath it (structural analysis) to obtain noesis, which is a deeper meaning. The deeper meaning becomes pure consciousness that is noesis, which is the consciousness arising from experience in time and place. Understanding intentional analysis is a relation of understanding noema-noesis, namely how noesis form noema. The condensation result of the entire meaning process of all pure consciousness, is eidetic reduction.

### **Results and Discussion**

#### *"I" Just Understanding Formal Consciousness*

The research informant who philosophically followed tax amnesty is a taxpayer who has not fulfilled his tax obligations correctly, completely, and clearly. Darmayasa et al., (2018) found interesting phenomenon of superiority of social status, to the philosophy aspect of tax amnesty. Social view is avoided by the taxpayer by following tax amnesty, whereas the taxpayer does not yet fully understand exactly where the misappropriation lies in fulfilling its tax obligation. The implication, there are some taxpayers who follow the tax amnesty only to obtain Tax Amnesty Letter (Darmayasa, 2017; Sudarma & Darmayasa, 2017).

The understanding of the research informant of tax compliance is limited, in that formal compliance is only reporting income associated with employers who already have evidence of tax deduction. This understanding is *noema*; that is the surface consciousness of Mr. Patuh in accordance with his statement as follows:

"Based on rules, must report for some period, if we joined tax amnesty, thus I [reported]". I report annual tax return year 2017 which [adjusted] with Tax Amnesty Letter".

The understandings of informants' consciousness on their fulfilment of tax obligations is *noesis* (the deepest consciousness), experiencing a sense of relief after reporting the Annual Tax Return and the placement of property of tax amnesty. This consciousness is reflected in Mr. Patuh's statement as follows:

"After reporting the Annual Tax Return and post-tax amnesty placement report, I feel [relieved], although I do not care for what for my tax payment managed by government".

Long-term tax compliance will be built upon the taxpayer's trust in the tax authorities, in accordance with the views of Kirchler et al., (2008) and Kogler et al., (2013) in the Slippery Slope Framework. Based on the consciousness of *noema* and *noesis* in the early stages, the researcher conducts an advanced bracketing process to explore the pure consciousness of Mr. Patuh by linking the philosophy value that researchers and informant believe, namely the philosophy of *Tat Twam Asi*. The philosophy of *Tat Twam Asi* that looks at the taxpayer is the tax authority and vice versa.

#### *The Philosophy of Tat Twam Asi is Forming Trust "I" with Him*

Various post-tax amnesty efforts have been pursued by the tax authorities to improve taxpayer compliance. Mr. Patuh's view is related to the importance of the formulation tax policies reflected on taxpayers as follows:

"Post-tax amnesty, tax authorities must have implemented *Tat Twam Asi*, [if they become us], they have to pay a lot of taxes too". If the tax authorities use sense, such as appropriate tax tariffs, then ["I" also follows].

Mr. Patuh's view that the tax authorities have not taken the side of the taxpayer is a reality that gives rise to the fulfilment of tax obligations, as well as formal obligations. The tax authorities' efforts to grow the trust of taxpayers by formulating a policy that reflects on the taxpayer. This tax authorities' effort will be obeyed by the taxpayer, as a reflection of the social and religious Indonesian society (Mulawarman, 2011).

#### *The Philosophy of Tat Twam Asi as the Full Foundation of Tax Compliance*

Mr. Patuh's consciousness is obedient to the fulfilment of Annual Tax Return Year 2017 and the post-amnesty tax post-placement report remains limited to the apparent consciousness (*noema*). The deepening of Mr. Patuh's consciousness comes at the beginning of a feeling of relief (*noesis*) after fulfilling his formal obligations. The perception of "I" as a taxpayer experienced by following tax amnesty and fulfilling post-tax amnesty obligation, is a relation of understanding *noema* and *noesis* (intentional analysis). Intentional analysis of Mr. Patuh complies through understanding the fulfilment of tax obligations that are limited to the fulfilment of formal tax obligations. Furthermore, the emergence of a feeling of relief to Mr. Patuh is an eidetic reduction of pure consciousness.

Mr. Patuh understands the realisation of full compliance should be based on the philosophy of *Tat Twam Asi* that begins from the policy, in favour of the taxpayer. The individual's perception of "I" as a taxpayer depends on whether or not the tax authority's policy is favourable. Finally, Mr. Patuh understood that the philosophy of *Tat Twam Asi* as a basic principle, capable of cultivating mutual trust between the tax authorities and himself in the realisation of complete obedience.

The philosophy of *Tat Twam Asi* is very relevant to be used as a praxis of value internalisation for tax authorities and taxpayers alike. This is in accordance with Kuhn's (1962) statement that in order to solve social problems, a new paradigm is required. The internalisation paradigm of the philosophy of *Tat Twam Asi* is a combination of existing tax compliance approaches, both deterrence economic approach, psychology, Slippery Slope Framework, and the religiosity approach.

### Conclusion

The research informant (Mr. Patuh) understands that tax compliance is still limited to the reality of the fulfilment of formal obligations (*noema* consciousness). The adjustment of annual tax return with a Tax Amnesty Letter is an effort to get the feeling of relief (*noesis* consciousness) after following the tax amnesty. Mr. Patuh realises that policy in favour of the taxpayer will be obeyed by a sincere effort to fulfil the tax obligation.

The philosophy of *Tat Twam Asi* views the tax authority is taxpayer and vice versa and is a value that can grow mutual trust between taxpayers and tax authorities. This belief is the foundation that fosters the full consciousness of the taxpayer. Internalisation of the philosophy of *Tat Twam Asi* in tax authorities and taxpayers is a praxis in the frame of religiosity.

This study has limitations on the determination of the background of the research informant who is merely an individual taxpayer. To gain a more comprehensive understanding of consciousness from a different "I" perspective, it is advisable to use a broader range of research informants from varied backgrounds; for example, independent services or a small and medium business taxpayer.

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