

The Analysis of the Influence of Islamic Religiosity on Tax Morale among Self-Employed Taxpayers in Indonesia

Authors : Nurul Hidayat

Abstract : Based on the data from the Indonesian Tax Authority, the contribution of self-employed taxpayers in Indonesia is just approximately 1-2 percent of total tax revenues during 2013 - 2015. This phenomenon requires greater attention to understand what factors that may affect it. The fact that Indonesia has the most prominent Muslim population in the world makes it important to analyze whether there potentially exists a correlation between Islamic religiosity and low tax contribution. The low level of tax contribution may provide an initial indication of low tax morale and tax compliance. This study will extend the existing literature by investigating the influence of Islamic religiosity as a moderating effect on the relationship between the perceptions of government legitimacy and tax morale among self-employed taxpayers. There are some factors to consider when taking into account the issue of Islamic religiosity and its relationship with tax morale in this study. Firstly, in Islam, there is a debate surrounding the lawfulness of tax. Some argue that Muslims should not have to pay tax; while others argue that the imposition of the tax is legitimate in circumstances. These views may have an impact on government legitimacy and tax morale. Secondly, according to Islamic sharia, Islam recognizes another compulsory payment, i.e. zakat, which to some extent has similar characteristics to tax. According to Indonesian Income Tax Law, zakat payment has just been accommodated as a deduction from taxable income. As a comparison, Malaysia treats zakat as a tax rebate. The treatment of zakat only as a taxable income deduction may also lead to a conflicting issue regarding the perception of tax fairness that possibly erode the perception of government legitimacy and tax morale. Based on the considerations above, perceptions of government legitimacy become important to influence the willingness of people to pay tax while the level of Islamic religiosity has a potential moderator effect on that correlation. In terms of measuring the relationship among the variables, this study utilizes mixed-quantitative and qualitative methods. The quantitative methods use surveys to approximately 400 targeted taxpayers while the qualitative methods employ in-depth interviews with 12 people, consist of experts, Islamic leaders and selected taxpayers. In particular, the research is being conducted in Indonesia, the country with the largest Muslim population in the world which has not fully implemented Islamic law as state law. The result indicates that Islamic religiosity becomes a moderating effect on the way taxpayers perceived government legitimacy that finally influences on tax morale. The findings of this study are supportive for the improvement of tax regulations by specifically considering tax deductions for zakat.

Keywords : Islamic religiosity, tax morale, government legitimacy, zakat

Conference Title : ICIIS 2018 : International Conference on Islam and Islamic Studies

Conference Location : Dublin, Ireland

Conference Dates : October 22-23, 2018