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ETHICAL JUDGMENT AND DECISION-MAKING AMONG TAX VOLUNTEERS: A CASE STUDY OF THE UNIVERSITY INDONESIA TAX ADMINISTRATION'S VOCATIONAL EDUCATION PROGRAM

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ABSTRAK

Penelitian ini bertujuan untuk mengetahui apakah relawan pajak di Jurusan Administrasi Perpajakan Program Pendidikan Vokasi Universitas Indonesia terlibat dalam pengembangan penilaian etis dan pengambilan keputusan. Teknik pengumpulan data yang digunakan dalam penelitian ini adalah studi lapangan (field research) dimana kuesioner survei diberikan sebelum dan sesudah pelaksanaan program relawan pajak. Hasil penelitian dan analisis menyimpulkan bahwa partisipasi relawan pajak dapat meningkatkan penilaian etis siswa dan kemampuan mereka untuk membuat keputusan etis dalam skenario pendapatan tetapi tidak dalam skenario pengurangan.

Kata kunci: penilaian etika, pengambilan keputusan etis, relawan pajak

ABSTRACT

This study aims to determine whether tax volunteers in the Tax Administration Department of the University of Indonesia's Vocational Education Program are engaged in the development of ethical judgment and decision-making. The data collection technique used in this study is field study (field research) wherein survey questionnaires were administered before and after the implementation of the tax volunteer program. The results of research and analysis concluded that participation among tax volunteers can improve students' ethical judgment and their ability to make ethical decisions in income scenarios but not in deduction scenarios.

Keyword : ethical assessment, ethical decision-making, tax volunteers

INTRODUCTION

An associate degree in taxation is expected to help professionally fulfill the obligations and the right of taxation of individual resident taxpayers and corporate resident taxpayers in accordance with prevailing taxation regulation. Professions and career paths that graduates of the Tax Administration Department can pursue include working as employees of the Directorate General of Taxation (DGT) or as tax consultants or tax specialists in a company, among others.

The performance of obligations and assertion of taxpayers' tax rights require an associate degree in taxation as well as ethical behavior. In this case, an associate degree in taxation helps professionals make ethical decisions by assisting the taxpayer and not facilitating tax avoidance or tax evasion. In the tax structure, such a degree is the extension of the DGT in socializing taxation issues to the taxpayer. Thus, these degree holders are expected to be an element of raising awareness of taxes instead

of teaching taxpayers to avoid them. Tax avoidance schemes facilitated by tax consultants pose important issues related to the ethics of tax consultants.

Previous research by Christensen and Woodland (2018) focused on students' participation in the Volunteer Income Tax Assistance (VITA) program in the United States. According to Christensen and Woodland (2018), an effective means of teaching business ethics is by service-learning. One example of service-learning is the VITA program wherein students participate in tax training and then prepare tax returns. VITA programs are a form of service-learning and situated learning theories. Students experience a wide range of tax issues and must determine the proper tax treatment for these issues. Students who participate in the VITA program develop not only technical tax knowledge but also critical thinking, communication, and interpersonal skills along with ethical and community awareness.

In Indonesia, tax volunteer students of the Tax Administration Department's Vocational Education Program undergo training on Individual Tax Return Form 1770 SS and 1770 S. They will be placed in seven tax offices and rectorates and some faculties at the University of Indonesia. To have a diverse experience with taxation, they deal with not only the university's taxpayers, lecturers, and employees but also the surrounding community. With tax volunteer activities being held in March and April 2018, students are expected to increase not only their taxation knowledge but also their ethical behavior.

The purpose of this research is to know whether tax volunteers in the Vocational Education Program of the University of Indonesia's Tax Administration Department participate in the development of ethical judgment and decision-making.

LITERATURE REVIEW

In the preparation of the study entitled "Ethical Judgment and Decision-making among Tax Volunteers: A Case Study of the University of Indonesia Tax Administration's Vocational Education Program", the researcher uses three other research results that have relevance to the theme raised by the researcher and at the same time become a reference in the preparation of research.

The first research that became a reference is a book entitled *Learning by doing: Concepts and models for service-learning in accounting year 2007* by Rama, D. V., Zlotkowski, E. A., American Association for Higher Education., & KPMG Peat Marwick Foundation. The book describes that accounting programs around the world have made changes to better prepare students for their accounting profession. In the past with the traditional approach of accounting education, students were trained to count so as to get the correct answer. Now the student is faced with a messy or incomplete accounting data case. Students play an active role in the learning process. Active Learning for example is a pedagogical strategic use such as a case study and role play to simulate the real world.

The second research that became a reference is an international journal entitled *The Journal of Business Ethics* year 2018 by Christensen, A. L., & Woodlang, A., title "An investigation of the relationships among volunteer income tax assistance (VITA) participation and ethical judgment and decision making". This paper describes that maintaining professional standards, accounting professional must have specialized knowledge, behave ethically, and can work with others. The

university program should not only focus on technical accounting knowledge if they want to prepare students to meet the high standards of the accounting profession. Accounting educators must build skills in ethical judgment and decision making. Educators can promote ethical development and professionalism in students by involving students in community service activities.

The third research that became a reference is an international journal entitled *The International Journal of Volunteer Administration* year 2008 by Thomas Madison, Ph.D. title *Volunteer Income Tax Assistance (VITA) Episodic Volunteers : Training and Retraining*. This paper describes that one of the congressional efforts to give economic assistance to low-income working taxpayers is through the Volunteer Income Tax Assistance (VITA). The VITA Program relies heavily on volunteer taxes through charitable organisations and non-profit organizations. These volunteers assist low income taxpayers in filling the income tax notice.

These papers offer insights on different types of active learning through service learning. In the present study researchers tried to analyze whether tax volunteers participate in the development of ethical judgment and decision-making.

METHODOLOGY

Research Question

H1: Tax volunteer program participation is positively associated with ethical judgment.

H2: Tax volunteer program participation is positively associated with ethical decision-making.

Research Design

Participants

The participants in this research are Semester 4 students of the Tax Administration Department's Vocational Education Program, University of Indonesia, who are taking the Personal Income Tax Practicum course. Hard copies of survey questions were distributed before the implementation of the tax volunteer program on February 28, 2018 (pre-survey) and after it ended on April 5, 2018 (post-survey). To test the hypotheses, we used correlation analysis (Cohen, Cohen, West, & Aiken, 2003). There were 61 pre-survey respondents and 69 post-survey respondents. The survey questionnaire consisted of two sections: The first part contained information about participants' backgrounds and attitudes and about ethical decision-making. The second part contained two hypothetical tax reporting scenarios used to collect data about ethical judgment and decision-making.

Ethical Judgment and Decision-making

Student participants answered to scenarios used to measure ethical judgment and ethical decision-making. Two hypothetical scenarios wherein taxpayers not obeying with tax laws. One scenario involving underreporting of income and another involving over-reporting of expenses. For each hypothetical tax scenario, participants responded to four types of items: an MES judgment of behavior, overall ethical judgment, and measures of their own expected tax compliance behavior and that of their peers in the same circumstances.

Control Variables

We collected information to control variables that may be associated with ethical judgment and ethical decision-making. Questions such as age, gender, ethical orientation and perceptions of tax fairness. We also asked questions that would allow us to measure professional commitment, including intended career upon graduation (tax/nontax) and risk preferences and whether they have completed an ethics course.

RESULT AND DISCUSSION

Table 1 presents descriptive statistics and control variables for students who participated in the tax volunteer program. There were more female students (68.1%) than male students (31.9%), and a large majority of participants (90.7%) intend to work in taxation. Student participants in the tax volunteer program were generally satisfied with their experience (mean of 4.50 out of 5) and were well prepared for it (mean of 4.18 out of 5).

Variabel	Post (n = 69)	
	Mean	SD
Gender (female)	0.6811594	0.4694413
Intent to work in taxation	0.9076923	0.2917125
Professional commitment	4.3913043	0.5994456
Fairness in DJP	3.5652174	0.674717
Risk preference	3.7352941	0.7251896
Satisfaction in Tax Volunteer	4.5072464	0.6992262
Preparation for Tax Volunteer	4.1884058	0.5223072

Table 2 presents descriptive statistics on ethical judgment and decision-making after (n = 69) and before (n = 61) the tax volunteer program. These dependent variables were coded, with 1 being the lowest and 5 being the highest. In all ethical measures, the mean scores of pre-tax volunteer program participants are higher than those of post-tax volunteer program participants.

Variabel	Pre (n = 61)		Post (n = 69)	
	Mean	SD	Mean	SD
Ethical Judgments				
Moral Equity dimension - income case	3.5740741	0.9100388	3.6376812	0.9230865
Moral Equity dimension - deduction case	3.8703704	0.922794	3.6231884	0.9866975
Contractualism - income case	2.7407407	0.6846399	2.6521739	0.7441159
Contractualism - deduction case	2.7777778	0.8598452	2.7391304	0.901831
Relativism - income case	3.2592593	0.9212093	3.6231884	0.7495381
Relativism - deduction case	3.509434	0.7071068	3.4264706	0.8342693
Ethical Decision Making				
Same Decision - income case	3.037037	1.0779117	3.4057971	0.9286112
Same Decision - deduction case	3.4074074	1.052397	3.2463768	1.1298854
Peer same Decision - income case	3.5471698	0.9582955	3.3333333	0.8517571
Peer same Decision - deduction case	3.4339623	1.0711246	3.4057971	1.0046779

Ethical Judgment (Hypothesis 1)

The results of the correlation analysis for ethical judgment are presented in Table 3 for the post-tax volunteer program sample (n = 69) for both the income and deduction scenarios. We found that the participants supported ethical judgment for moral equity dimension, i.e., with regard to the income case, but not risk preference. They did not support ethical judgment in the moral equity dimension, i.e., the deduction case.

n = 69	Moral equity dimensions	Moral equity dimensions
	Income case	deduction case
Gender (female)	0,068856726	-0,009202518
Professional commitment	0,153681898	-0,020539176
Fairness in DJP	0,191973305	-0,050901837
Risk preference	-0,2537606	-0,017191107
Satisfaction in Tax Volunteer	0,129439839	-0,123875271
Preparation for Tax Volunteer	0,143666986	-0,059965294

Ethical Decision-making: Same Decision (Hypothesis 2)

The results of the correlation analysis for ethical judgment are presented in Table 4 for the post-tax volunteer program sample (n = 69) for both the income and deduction scenarios. We found that the participants supported ethical decision-making for the same decision, i.e., income case, but not risk preference. They did not support ethical decision-making for the same decision, i.e., deduction case but not professional commitment and fairness in DJP.

n = 69	Same decision	Same decision
	income case	deduction case
Gender (female)	0,233697834	-0,009202518
Professional commitment	0,106822436	0,072689182
Fairness in DJP	0,121438013	0,063418687
Risk preference	-0,189623057	-0,210890101
Satisfaction in Tax Volunteer	0,153944152	-0,104669851
Preparation for Tax Volunteer	0,143251664	-0,129651054

Ethical Decision-making: Peer Same Decision (Hypothesis 2)

The results of the correlation analysis for ethical judgment are presented in Table 5 for the post-tax volunteer program sample (n = 69) for both the income and deduction scenarios. We found that participants were positively associated with ethical decision-making for the peer same decision–income case but not for fairness in DJP, risk preference, and satisfaction with the program. Participants were negatively unassociated with ethical decision-making for the peer same decision–deduction case but not for professional commitment, risk preference, and preparedness for the tax volunteer program.

Table 5. Correlation results ethical decision making peer same decision post survey

n = 69	Peer same decision	Peer same decision
	income case	deduction case
Gender (female)	0,049038004	-0,002259456
Professional commitment	0,028802191	0,001061663
Fairness in DJP	-0,127945111	-0,169780297
Risk preference	-2,23992E-17	0,009647682
Satisfaction in Tax Volunteer	-0,288074222	-0,150783505
Preparation for Tax Volunteer	0,022037284	0,048332152

The results indicate that the tax volunteer program participation can improve students' ethical judgment and ability to make ethical decisions in income scenarios but not in deduction scenarios. The results in line with the claims of Christensen and Woodland (2018) that students' participation in the Volunteer Income Tax Assistance (VITA) program in the United States. is an effective means of teaching business ethics. The result build on existing evidence of service-learning in this case tax volunteers in the Vocational Education Program of the University of Indonesia's Tax Administration Department. The generalizability of the results is limited by the data from the participants of semester 4 students of the Tax Administration Department's Vocational Education Program, University of Indonesia.

CONCLUSION

Our study used data collected from students of the Tax Administration Department's Vocational Education Program, University of Indonesia, and concludes that tax volunteer program participation can improve students' ethical judgment and ability to make ethical decisions in income scenarios but not in deduction scenarios.

However, our results have limitations. Our students may not have responded truthfully or understood our questionnaire. We also did not match pre- and post-data to assess baseline performance and changes over time. These results do not allow for sufficient insight into why tax volunteer participants affect ethical decision-making in income and deduction scenarios differently.

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