

# THE ROLE OF LOCAL WISDOM ON TAX COMPLIANCE

I Nyoman Darmayasa<sup>1)</sup>  
Yuyung Rizka Aneswari<sup>2)</sup>

<sup>1)</sup>Politeknik Negeri Bali, Jalan Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali 80364

<sup>2)</sup>STIE Kesuma Negara Blitar, Jalan Mastrip No.59, Kepanjen Kidul, Blitar, Jawa Timur 66111

Surel: nyomandarmayasa@pnb.ac.id

<http://dx.doi.org/10.18202/jamal.2016.04.7010>



*Jurnal Akuntansi Multiparadigma*  
**JAMAL**  
Volume 7  
Nomor 1  
Halaman 1-155  
Malang, April 2016  
ISSN 2086-7603  
e-ISSN 2089-5879

Tanggal Masuk:  
**10 Februari 2016**  
Tanggal Revisi:  
**22 Maret 2016**  
Tanggal Diterima:  
**28 April 2016**

**Abstrak: Peran Kearifan Lokal Terhadap Kepatuhan Pajak.** Penelitian ini bertujuan untuk memahami peran kearifan lokal terhadap kepatuhan pajak berdasar *Self Assessment System* (SAS) di Lembaga Perkreditan Desa (LPD) Legian Bali. Melalui paradigma interpretif dengan metode studi kasus, hasil penelitian menunjukkan bahwa makna kepatuhan pajak dideskripsikan sebagai kesadaran LPD untuk membayar pajak yang ditunjukkan melalui CSR berdasar *Tri Hita Karana* (THK). Implikasi teoretis dari penelitian ini terkait dengan makna and perilaku kepatuhan pajak dari perspektif kearifan lokal. Hasil penelitian dapat dijadikan pertimbangan pembuat kebijakan untuk mempertimbangkan kearifan lokal dalam rangka meningkatkan kepatuhan pajak.

**Abstract: The Role of Local Wisdom on Tax Compliance.** *This study is intended to deepen our understanding about the meaning of the role of local wisdom on tax compliance in a village financing institution (LPD) at Legian Bali. The research employed interpretive paradigm through case study. Results show that the meaning of tax compliance is described as awareness of LPD to pay taxes that is manifested in the implementation of CSR based on Tri Hita Karana (THK) as local wisdom. Theoretical implications of this research is an alternative meaning and behavior of tax compliance from the perspective of local wisdom. The results can be used as consideration for taxation policy makers to raise local wisdom to encourage tax compliance.*

**Keywords:** Local Wisdom, Tax Compliance, Self-Assessment System (SAS), Lembaga Perkreditan Desa (LPD), Tri Hita Karana (THK)

Indonesia have been implementing Self-Assessment System (SAS) since 1983 as a pioneer programme of tax reform. However, this system did not substantially uplift the performance of tax compliance in Indonesia. Implementation of SAS does not ensure tax compliance for tax payers to fulfil their obligations (Belkaoui 2004, Saad 2012, 2014). SAS that is implemented in Indonesia just shows the degree of tax compliance by 2.53 with measurement scale of 0 to 6 (Belkaoui 2004). This tax compliance degree is under the Asian countries such as Malaysia, Thailand, and the Philippines (Basri 2009, Belkaoui 2004).

This is particularly worrying given that 67% of the budget comes from tax (State Budget 2015). Such condition raises a question of whether the low degree of tax collection is a consequence of the implementation

of the SAS. The effectiveness of SAS implementation is reflected in tax ratio. Indonesian tax ratio in 2014 is 12%. This is much lower than neighboring countries such as Malaysia and Thailand, that reach up to 15% (Hidayat 2014). The 12% of tax ratio only enables government to earn Rp. 984.9 trillion (State Budget 2014). Tax collection target in 2015 increased to Rp1.294,3 trillion (State Budget 2015).

Low tax ratio is a serious problem that is experienced by Indonesia. The impact of the low tax ratio resulted in a tax collection target could not be met. The low tax ratio could be caused by low tax compliance (Belkaoui 2004, Hardika 2006). The suitability of the tax system is one of the factors that influence tax payer compliance (Belkaoui 2004, Saad 2012, 2014).

Research with a quantitative approach regarding tax compliance, especially with emphasize on the factors that influence tax payer compliance has been widely researched (Belkaoui 2004, Hardika 2006, Harinurdin 2009, Saad 2012, 2014, Waluyo 2010). On the other hand there are lack of qualitative approach in mainstream research regarding tax compliance. Widiastuti (2014), for example, through transcendental phenomenology of tax payers' awareness, she found that *Yadnya*<sup>1</sup> is inherent in tax payers' awareness. Other studies using interpretive phenomenology only emphasize the perspective of the tax payer against the social construction practice of taxation (Prianthara 2011). Previous research had more emphasis on the perspective of the tax payer (Hardika 2006, Prianthara 2011, Saad 2012, 2014, Widiastuti 2014). Given the lack of qualitative research that explores the effectiveness of implementation of the SAS as the taxation system, the aims of the study is to understand the role of local culture as local wisdom in encouraging tax compliance.

Qualitative research is a contextual study, therefore this research took on a research object at *Lembaga Perkreditan Desa* (LPD). LPDs in Bali implement Corporate Social Responsibility (CSR) that is based on the philosophy of Tri Hita Karana (Astawa 2012, Bagiada and Darmayasa 2015, Damayanthi 2011, Djayastra 2012, Pertiwi and Ludigdo 2013). Under the LPD's perspective, CSR is a reflection of social responsibility directly (direct tax function) to the local community (Bagiada and Darmayasa, 2015, Bali Provincial Regulation No. 4 2012). Results of this study contribute to developing behavioral accounting theory tax payer compliance from the perspective of culture. This study is expected to provide policy advice to the Directorate General of Taxation (DGT) on the implementation of the views of tax payers against SAS, in accordance with the needs of the tax payers, and the effectiveness of the implementation of SAS in an effort to encourage tax compliance.

## METHOD

Taxation practices that are conducted by tax payers who have not performed in line with the provisions of the activity is not pragmatic (Prianthara 2011). Those actions con-

stitute subjective tax payers' reality, which are affected by local wisdom. In-depth understanding of this phenomenon is required to understand how these tax payers meet their tax compliance obligations regarding moral dimension, humanitarian and local wisdom. Based on this understanding, this study has its own base ontological and epistemological grounds (Tomkins and Groves 1983). In line with Burrell and Morgan (1979:1), the ontological assumption of this study emphasizes the reality as a product of the individual cognitive process. This study is a qualitative study, which uses interpretive paradigm. Research with interpretive paradigm seeks to observe, understand, and explore the standpoint of informants (Darmayasa and Aneswari 2015a). Case study methods are used to identify and understand the personal views of the informants (Creswell 2007:105).

**Research Object.** LPD as a financial institution which conducts the collection and distribution of public funds to operate in an administrative area of the traditional village on the basis of kinship between villagers (Astawa 2012, Atmadja 2013, Damayanthi 2011). LPD is a financial business entity owned by a community (village) not owned by an individual or a legal entity. LPD is working area in the local village. One of the LPD capitals sourced from non-governmental funds.

LPD is recognized by customary law and not subject to the Law on microfinance institutions (Act No. 1 Year 2013). LPD Legian Village which is the site of this research was established on Wednesday, March 11th, 1987 by the Decree of the Governor of Bali No. 53 Year 1987 dated February 25, 1987. The inauguration of LPD Legian Village was performed by the Regent of Badung, Mr. Pande Latra. LPD establishment is a request from the Legian Village (LPD 2007).

The type of data used is qualitative data, which is data that is expressed in the form of sentences, words, and phrases (Sugiyono 2011). Data collection and data analysis in interpretive research carried out simultaneously. The process of data collection, data analysis, and report writing is a process that is interconnected and simultaneous (Creswell 2007:150). The process of collecting data in this study using in-depth interview to the informant. The interview process is done in different places from each informant.

1 *Yadnya* is spiritual activities conducted by the Hindus.

Data has been validated by triangulation method in the form of evidence strengthener from a variety of sources (observation, interview, and documentation) (Creswell 2007:207, Lukka and Modell 2010). As an ethical obligations to the informants, their names are replaced with other names. List of informants involved in this research are shown in Table 1.

In case study according to (Creswell 2007:159), the analysis of data is done by three important process stages, namely data reduction, data presentation, and inference. The third stage is a unity that is interconnected and carried out continuously during the study. First, data reduction, in this process, focusing on simplification and transformation of data from interviews of informants obtained during the study. Data reduction is not only the result of interviews conducted when the data collection is done, but done continuously during the study. Second, the presentation of data in this process was done by drafting a set of results of interviews which were then compiled into a series of notes which allow conclusions drawing. Third, meanings of some words that were considered necessary were then explored to provide full explanation of the words. We arranged the results into themes meaning of self-assessment system, local wisdom, and tax compliance.

## RESULTS AND DISCUSSIONS

**Self-Assessment System (SAS).** SAS is a system that gives authority to the tax payer to calculate, to compensate, to pay and to report tax payer's obligation (Safrina and

Soehartono 2015). Indonesia taxation condition is not currently ideal and its culture has not been awakened implement to SAS, there are several prerequisites that must be met. From the side of the tax payer, there must be a high tax awareness and value of pride to pay taxes. Another prerequisite is a degree of honesty and high compliance as well as supporting cultural environments. Conditions should be equipped with adequate infrastructure system and a good understanding of information technology (Ikatan Akuntan Indonesia 2015).

Indonesia has been implementing SAS since 1983 during the reformation of the national tax system. In SAS, tax payer is active while tax officials stand by. A statement by informant, Mr. Rajin disclosed that:

"SAS is actively entitled tax subject to the registration area at the nearest tax office to obtain a Tax payer Identification Number (TIN). And then tax payer will conduct the counting, paying, and reporting of his/her tax".

SAS implementation is expected by the government to encourage tax compliance. Subjects who do not have a TIN would be very difficult to be taxed. Hence, the implementation of SAS does not guarantee the tax payer to comply (Belkaoui 2004, Saad 2012, 2014). Statement of informants regarding the fulfillment of obligations registration to obtain a TIN was delivered by Mr. Taat.

"Did LPD have a TIN?, if LPD does not have a TIN it can not be taxed.

**Table 1. List of Research Informants**

No	Informants	Annotation
1	Mr. Sugih	Chairman of the LPD, LPD Chairman is responsible for all operational activities of LPD include CSR activities.
2	Miss Sari	Employee LPD, LPD employees who directly report preparation process and implementation of CSR programs.
3	Mr. Taat	Bali Regional Tax Office employees, tax officials in charge of extending the tax
4	Mr. Patuh	Bali Regional Tax Office employees, tax officials on duty to disseminate the implementation of SAS.
5	Mr. Rajin	Tax consultant, tax consultant who provides professional services to meet the client's tax liabilities (taxpayers).

... Indeed according to Act No.1 Year 2013 on microfinance institutions stated that the LPD is not subject to this Act, but nobody is excluded as a tax payer in the Law on General Provisions and Tax Procedures and the Income Tax Act”.

LPD Legian Village does not have a TIN. This was described by the informant Mr. Sugih.

“LPD does not have a TIN due to a 20% profit is instantly deposited into the village, and this is appropriate with the local regulation, LPD now been excluded as microfinance, is also regulated in the Law”.

**Local Wisdom.** Bali is famous for its culture and customs. Communities in the central tourist area of Kuta, Seminyak, Legian circuiting modernization (Wirajaya et al. 2014). Southern regions of Bali which is famous for its tourism regions are LPD in each village, one of which is the LPD Legian Village. Amid the current insistence modernization LPD Legian Village still able to carry out CSR activities based on the philosophy of Tri Hita Karana (Bagiada and Darmayasa 2015, LPD 2007).

*Parhyangan* comes from the word meaning *Hyang Widhi* or God Almighty. *Parhyangan* is one dimension of THK philosophy that stresses that the welfare achieved when realized harmonious relationship between man and God the creator. Business activity is an offering that did not escape from the control of the Lord (Astawa 2012, Damayanthi 2011, Djayastra 2012, Gunawan 2011). In *parhayangan* LPD can be implemented in the contribution of LPD in religious rituals, temple renovation, welfare stakeholders, assistance to communities in carrying out religious rituals.

*Pawongan* derived from the word *wong* (person or people) in society. Implementation THK philosophy is through harmonious relations among humans (Astawa 2012, Damayanthi 2011, Djayastra 2012, Gunawan 2011). In a business context, this can be found in the form of the relationship between employees and relationships with commu-

nity agencies. Implementation of *pawongan* on LPD is measured by the percentage of employees from the community where LPD is established, LPD participation in poverty reduction programs, and others.

*Palemahan* comes from the word *lemah*, which means soil, garden soil or residential areas. In general philosophy of THK, *palemahan* is a dimension associated with the physical aspects of the environment around us or the company. The Bali *palemahan* associated with the layout and company construction that should be adapted to religious beliefs and culture where the company is located (Astawa 2012, Damayanthi 2011, Djayastra 2012, Gunawan 2011).

Local wisdom in this research is CSR from LPD that is based on the philosophy of THK. This philosophy is about the harmony relationship between a man with his God (*Parahyangan*), other people (*Pawongan*) and environment (*Palemahan*). The implementation CSR at LPD that associated with *palemahan* is LPD contribution to the physical aspects in the environment around LPD. Mr. Sugih and Miss Sari gave statement that related to CSR implementation based philosophy of Tri Hita Karana, their statements are as follows:

“Expenditures setting Legian Village has been adapted to the program House of Representatives District (20% of LPD’s profit for the Village), coincidence Local wisdom Bendesa Legian (Chairman of the Supervisory Board) is a member of Parliament. LPD funds are also used to improve the gardens and gardening. Every construction of the temple there must be donation funding from LPD, LPD usually donate Piasan (one part of the building temple), do not need to submit a proposal as there are funds in the LPD think social fund. Each *sekha* (group) *sanggah*<sup>2</sup> get help Rp. 15 million per *sekha* and straight into *sekha* bank account ... LPD would launch the healthy card, on LPD anniversary, every citizen is already in the health insurance cover, people just come to a great private hospital except gov-

2 *Sanggah* is a place of worship for the Hindu religion that exist in every home



ernment hospital [Sanglah Hospital]. Citizens can directly hospitalization, LPD will pay the cost of treatment in hospital. If citizens can not pay off, it will be considered as a personal non interest loan. LPD does not pay taxes, due to already implementing CSR, this is equal with paying taxes, and it is even a direct function of tax".

These statements reflect that the implementation of LPD's CSR which has been interpreted by local wisdom is about paying taxes. These statements are corroborated by informants Mr. Rajin, where there is no more specific rules, then the more general rule does not apply. LPD perception is different to the perception of tax officials which states that LPD is no excluded as a subject in General Provisions and Tax Procedures and Income Tax Law.

**Tax Payer Behavior.** Theory of planned behavior is a model that is based on the intention of Ajzen (1991) describes certain one's intention to behave. This theory was built to predict and understand the effects of attitudes and motivation on behaviors that are not under the control of the individual (Ajzen 2005). This theory provides a framework for studying individual attitudes towards behavior. Theory of planned behavior states that the main factor of an individual's behavior is the intention to show certain behaviors. Someone who is motivated by their attitude and subjective norm, it is likely they will not markedly display appropriate behavior or attitude.

The results showed that the empirical attitude of the tax payer is a variable between laws and tax regulations, tax policy, and tax administration to tax compliance. It also found empirical evidence on the contribution of theories on the moral influence of the tax payer against tax payer compliance (Hardika 2006).

Fiscal psychology theory emphasizes the loss of motivation of the tax payer to pay taxes due to the absence of direct benefit from the payment of taxes (Hasseldine and Bebbington 1991). This theory was originally introduced by Schmolders (1959) as the lack of motivation of the tax payer to pay taxes

due to no real benefit. Low levels of tax compliance in Indonesia is due to the low level of public trust towards the tax system and tax officials. Many tax evasion cases conducted by tax officials in Indonesia were triggered by the low tax compliance.

Statement of Mr. Rajin about tax payer behavior was as follows:

"With the tax cases, tax payers experiencing a tendency to be reluctant to pay taxes. This gives a negative effect on tax compliance. Tax officials will experience problems when the taxes socialization, many questions that lead to tax cases experienced by the Directorate General of Taxes ".

Statement of Mr. Taat with the tax payer's behavior was as follows:

"Negative stigma since the Gayus<sup>3</sup> tax case and others, pay taxes instead of tax money is used by the tax officials. But with such cases DGT did reform, with a positive image campaign and tax sympathetic".

Statement of informants Mr. Sugih about tax payer behavior as follows:

"LPD does not refuse to pay the tax, because we have no rules on governing pay taxes, instead we deliberately do not want to pay taxes"

Tax payer behavior is strongly influenced by the existence of cases that damage the image of the DGT. DGT has not yet able to increase the tax payers' compliance. LPD behavior in terms of not paying taxes are in contrast to the behavior of tax payers in general. LPDs do not pay taxes may be caused by rules that protect LPD (Bali Provincial Regulations 2012). LPD behavior not to implement SAS to register in order to obtain a TIN and perform other tax liabilities are not caused by a lack of tax benefits for LPD (Hasseldine and Bebbington 1991).

Orientation opportunity tends to concentrate on the nature of the decision and seek additional information that could help

3 Tax compliance in Indonesia may have been hurt by the case of Gayus. Gayus was a tax employee who was help tax payers to made inappropriate annual tax return report.

identify possible outcomes. Orientation on luck more emphasis on signs that will inform how fortunately them to take the right decision. Orientation religiosity is the degree of individual engagement with religion. All religions have the same goal which teaches good actions and avoid any action that bad. Individuals who have to live and internalize the teachings of his religion have implications for all actions. Lehrer (2004) declared religiosity as one determinant of economic behavior that focuses on the effects associated with religious affiliation, welfare, and health.

The study of Fidiana (2014b) states that tax compliance is tax awareness morality compliance with formal earnings report. Tax payment places more emphasis on worldly interests, in contrast to emphasizing Zakah for hereafter life. Tax payers have better compliance to the payment of zakat. Tax compliance is a part of worship, religiosity becomes a barrier to unethical behavior of tax payers (Fidiana 2014a). The results of research on tax compliance are that more emphasis should be placed on the holistic awareness (Fidiana 2014c).

Statement of Mr. Sugih and Miss Sari on the implementation of LPD's CSR which is function of direct taxes were as follows.

"LPD provides assistance to all citizens who perform religious ceremonies, religious ceremonies in each temple are also assisted by LPD".

"Donation to every temple in Legian environment as we are implementing CSR according to the same directly tax functions".

Statement Mr. Rajin about spiritual element in encouraging tax compliance was as follows:

"In my opinion, perhaps with the element of spirituality could help the tax payer compliance. The tax payer has the perception that the tax is a burden in accordance with the accounting concept, whereas DGT view, the tax is an obligation".

Tax payer behavior is strongly influenced by elements of spirituality are able to increase tax compliance (Fidiana 2014b). LPD views that they have embodied the element of spirituality, has helped finance the religion activities in the temple because it is

in direct contact with God (Fidiana 2014a). The view that taxes are burden to the tax payer becomes a particular concern for the DGT. DGT shall continually perform socialization in order to make tax payer understanding that tax is not as a burden but as an obligation.

**Tax Compliance.** Tax compliance based on Minister of Finance Regulation No. 74 Year 2012 Procedures for Determination and revocation Determination Tax payers with Specific Criteria Introduction in Order Return Excess Tax Payment as follows: 1) timely in submitting annual tax return, 2) does not have tax arrears to all types of taxes, unless the tax arrears which have obtained permission installment or delay tax payments, 3) financial statements audited by a public accountant with an unqualified opinion, 4) never been sentenced for committing criminal acts in the field of taxation.

We can conclude that tax compliance is a compliance with the implementation of the above obligations to pay and report the tax payable in accordance with tax laws and rules implementation. Compliance is expected in the self-assessment is voluntary compliance rather than enforced compliance, while the degree of compliance can be defined as an individual's understanding of the measures that were ordered to be carried out. Individuals will tend to develop a strong compliance to the action with either the perception or the fairness and openness in applying the tax laws, the simplicity of the rules and procedures of taxation and services to tax payers is good and fast.

Passive resistance, where people are reluctant (passive) to pay the tax, which can be caused, among others: 1) intellectual and moral development of society, 2) tax system (probably) difficult to understand the community, 3) the control system can not be done or implemented properly. While active resistance include all efforts and actions that are directly addressed to the tax authorities for the purpose of avoiding tax in the form of, among others: 1) tax avoidance, tax relief efforts without violating the law, 2) tax evasion, tax relief efforts in violation of the law (tax evasion) (Mardiasmo 2013:8-9).

Tax resistance carried out by the tax payers will be very detrimental to the country. In order to reduce or even totally eliminate these constraints, it is necessary to arrange a situation where tax payers want to be aware of the obligation to pay taxes.

Attempts to eliminate these barriers are done through the implementation of good tax collection system, simple and easy to implement and cultivated the tax authorities tough and clean.

Research conducted by Lindawati and Hadinata (2015) stated that the tax disclosure does not have effect towards tax compliance. It means that the disclosure of tax by companies in their financial statements, not a guarantee that the company has been abiding taxes. If associated with this research, then if the disclosure of the tax can not guarantee the compliance of the tax payer, all the more LPD that does not have a TIN, which means not registered as a tax payer.

The statement of Mr. Taat, the authority of directorate general of tax to examine tax payer compliance as follows:

"We have the authority to test the compliance of tax payers based on their reported data and data from other sources. The steps that we do are calling the correction letter prior notice. All depends on the tax payer, if the tax payer would be cooperated, just annual tax return revision, but if it can not be towards the examination of annual tax return".

Statement of informants Mr. Rajin regarding tax compliance testaments were as follows:

"The Directorate General of Taxation is authorized to audit the truth of tax payer's annual tax return reporting. Test of data sources can be of society, related parties, and the tax payer is concerned, it is cross check".

"Tax payers are called upon if there is a mismatch of data to make any corrections of annual tax return. Annual tax return revision carried tax payer does not guarantee the tax payer is not be examined".

"Tax payers do not comply are caused by their ignorance of the rules of taxation, it is an obstacle for the Directorate General of Taxation for tax purposes".

There is a tendency that a tax payer is using the services of a tax consultant to not

appropriately report tax. The study of Fogarty and Jines (2014) suggests that tax practitioners who still holds ethics tend to avoid tax evasion, it threatens their reputation. This argument is strengthened by Darmayasa and Aneswari (2015b) that tax consultants who adhere to the code of conduct and have high religiosity as well as adhering to local wisdom will be reflected on the social behavior of ethical practice as a tax consultant. This is important to be underlined, that tax consultant have a role to give tax education to the tax payer to encouraged tax compliance (Darmayasa and Aneswari 2015b). Tax officials have the authority to analyse tax payer annual tax return. Director General of taxation has a special division for evaluating tax payer compliance. Tests on tax payer compliance are complex. Tax auditors have a variety of knowledge and resources to test tax compliance (Hayes and Baker 2014).

Based on the description on the SAS implementation of the LPD, SAS has not been able to levy all the subjects of taxes, and LPD is considered non-compliant. SAS has not been able to increase tax payer compliance (Belkaoui 2004, Saad 2012, 2014). LPD interprets that tax compliance is already met by carrying out CSR programs. In the CSR program the 20% of LPD's profits shall be submitted to the village, 5% of which is used for CSR activities. Tax compliance by tax officials can be dutifully interpreted from the start to register to obtain a TIN local tax office in the region. TIN is a means of tax administration. Without TIN tax officials can not impose on the LPD's profits.

LPD does not perform acts of tax evasion or tax avoidance. According to LPD, it does not have a TIN because from their view or perspective the operational profit already contributed by 20% and the implementation of CSR is a function of direct taxes. Mr. Sugih stated that:

"LPD does not refuse to pay the tax. If the government wants to repair the temple and finance all the needs of the temple, we would pay taxes. But in fact the temple was repaired by raising funds from the villagers".

The tax official felt that LPD's profit can not be taxed because LPD does not have TIN. Profits derived from LPD should be taxable. Tax official has the authority to conduct compliance of tax payer (Hayes and Baker 2014).

Statement of Mr. Patuh about the LPD's potential profit but can not be taxed is stated as follows:

"LPD has a high profit, LPD should deduct 20% tax on bank interest received by customers, since LPD does not have a TIN, then the obligation is not performed by the LPD. LPD is also supposed to pay taxes on the profits".

LPD does not have a TIN, according to the LPD, is not a planned action such as found in Ajzen's research (1991). This action can not be considered as a tax evasion but rather leads to tax avoidance. The views of tax official on the difficulty of taxing LPD are similar. SAS provides flexibility to the subject of the tax to register to obtain a TIN (Mardiasmo 2013:8-9). Statement of Mr. Patuh stated that:

"There is no rule that excludes LPD as tax subject, and there is no rule that regulates LPD also as the tax subject. The rules do not specifically indicate that other similar institutions in Indonesia will emulate".

"The position of Head of Regional Office can be said to be equal to the governor so it would be difficult to enforce tax collection. Our field officers are still burdened with high target, but on the other hand, they could not tax LPDs which have high profit".

The regulations on LPD's obligation to pay tax should be formulated by adopting the local culture of Bali as its local wisdom. This becomes particularly important given that unclear rules could be subject to tax loopholes for not registering to be a tax payer. The tax payer becomes noncompliance if the tax rules are difficult to understand (Hardika 2006, Mardiasmo 2013:8-9).

## CONCLUSION

The meaning of tax compliance according to LPD's perspective is the awareness of LPD to conduct CSR. Implementation and disclosure of CSR are considered as a form of compliance to pay taxes, and the impact can be directly felt by the community. The study suggests that the application of the SAS has not been able to encourage the tax compli-

ance. LPD is considered noncompliance by tax officials to perform its obligations as a tax payer.

The study shows that the implementation of CSR in LPD was deeply influenced by the philosophy of THK which is a culture and local wisdom. THK philosophy is a form of life that is in harmony between humans and the God (*Parhyangan*), with fellow humans beings (*Pawongan*) and humans with the environment (*Palemahan*). CSR forms relating to contributions LPD *Parhyangan* is in development Temple, conduct religious activities, assistance to communities in conducting religious ceremonies and to help the welfare of stakeholders. CSR forms relating to *Pawongan* is to recruit local people as employees and is active in poverty reduction programs. CSR forms relating to *Palemahan* is the contribution of LPD on the physical aspects of the environment around LPD.

The case study provides theoretical and policy contributions. The first theoretical contribution of this study is to the meaning of tax compliance in areas on unique cultural characteristics with strong local wisdom. The second theoretical contribution of this study is provides behavioral implications on accounting theory regarding tax compliance from the perspective of culture as local wisdom. Contributions policy of this research that is, the result can be taken into consideration for policy makers, given that it is important to consider local wisdom to encourage tax compliance.

This case study is single case study. Future studies are expected to take multiple case studies. Future studies need to use other methods to dig deeper into the phenomenon of tax compliance. For example, by using the method of phenomenology, deeper experience LPD employees and tax officials in defining tax compliance by SAS can be explored. The tight schedule of the informant makes it difficult to do in-depth interviews with informants.

## REFERENCES

- Ajzen, I. 1991. "The Theory of Planned Behavior." *Organizational Behavior and Human Decision Processes*, Vol. 50. hlm. 179-211.
- Ajzen, I. 2005. *Attitudes, Personality, and Behavior*. Second. USA: McGraw-Hill Education.
- Astawa, I.P. . 2012. "Kepemilikan Institusi And Nilai-Nilai Harmoni Dalam Mening-



- katkan Kinerja Keuangan Lembaga Perkreditan Desa Di Provinsi Bali." Disertasi Program Doktor Ilmu Manajemen Pascasarjana Fakultas Ekonomi and Bisnis Universitas Brawijaya.
- Atmadja, A.T. 2013. "LPD as The Embodiment of Financial Institutions Based on Social Capital in Bali, Indonesia." *Review of Integrative Business & Economics Research* Vol 2, No. 2, hlm. 483-90.
- Bagiada, I.M. and I.N. Darmayasa. 2015. "Implementasi Filosofi Tri Hita Karana Dalam Pengungkapan Tanggung Jawab Sosial Pada Lembaga Perkreditan Desa (LPD)." hlm.. 798-815 in *Simposium Nasional Akuntansi Vokasi IV*. Manado: Politeknik Negeri Manado, 28-30 Mei 2015.
- Basri, F. 2009. *Catatan Satu Dekade Krisis*. Jakarta: Esensi Erlangga Group.
- Belkaoui, A.R. 2004. "Relationship Between Tax Compliance Internationally and Selected Determinants of Tax Morale." *Journal of International Accounting, Auditing and Taxation*, Vol. 13, No. 2, hlm. 135-43.
- Burrell, G. and G. Morgan. 1979. *Sociological Paradigms and Organisational Analysis: Elements of The Sociology of Corporate Life*. Heinemann Educational Books. London.
- Creswell, J.W. 2007. *Qualitative Inquiry & Research Design Choosing among Five Approaches*. 2nd ed. Sage Publications Inc. USA.
- Damayanthi, I. G. A. E. K. A. 2011. "Pengungkapan Tanggung Jawab Sosial Lembaga Perkreditan Desa (LPD) Berdasarkan Filosofi Tri Hita Karana." *Jurnal Ilmiah Akuntansi & Bisnis*, Vol. 6, No. 2.
- Darmayasa, I.N. and Y.R. Aneswari. 2015a. "Penelitian Akuntansi Interpretif Di Indonesia." *Jurnal Akuntansi Multiparadigma*, Vol. 6, No. 3, hlm. 1-14.
- Darmayasa, I.N. and Y.R. Aneswari. 2015b. "The Ethical Practice of Tax Consultant Based on Local Culture." *Procedia - Social and Behavioral Sciences* Vol. 211(September), hlm. 142-48.
- Djayastra. 2012. "Peran Lembaga Perkreditan Desa Dalam Pemberdayaan Ekonomi Masyarakat Desa Adat Berlandaskan Modal Sosial." Disertasi Program Doktor Ilmu Ekonomi Pascasarjana Fakultas Ekonomi and Bisnis Universitas Brawijaya.
- Fidiana. 2014a. "Ashabiyah View of Tax Compliance." in *13th Ebes Conference*. Istanbul Turkey.
- Fidiana. 2014b. "Eman And Iman: Dualisme Kesadaran And Kepatuhan." in *Simposium Nasional Akuntansi XVII*. Mataram: Universitas Mataram, 24-27 September 2014.
- Fidiana. 2014c. "Non-Compliance Behavior in the Frame of Ibn Khaldun." *International Journal of Business and Behavioral Sciences* Vol. 4, No. 6, hlm. 30-48.
- Fogarty, T. and D.A. Jines. 2014. "Between a Rock and a Hard Place: How Tax Practitioners Straddle Client Advocacy and Professional Responsibilities Between a Rock and a Hard Place: How Tax Practitioners Straddle Client Advocacy and Professional Responsibilities." *Qualitative Research in Accounting & Management* Vol. 11, No. 4, hlm. 286-316.
- Gunawan, K. 2011. "Peran Falsafah Tri Hita Karana Bagi Pertumbuhan And Kinerja Lembaga Perkreditan Desa (LPD) Di Bali." *Jurnal Analisis Manajemen*, Vol. 5, No 2, hlm. 23-36.
- Hardika, N.S. 2006. "Pengaruh Lingkungan And Moral Wajib Pajak Terhadap Sikap And Kepatuhan Wajib Pajak Pada Hotel Berbintang Di Propinsi Bali." Disertasi Program Doktor Ilmu Ekonomi, Program Pascasarjana Fakultas Ekonomi Universitas Airlangga.
- Harinurdin, E. 2009. "Perilaku Kepatuhan Wajib Pajak Baand." *Jurnal Ilmu Administrasi and Organisasi*, Vol. 16, No. 2, hlm. 96-104.
- Hasseldine, D.J. and K.J. Bebbington. 1991. "Blending Economic Deterrence and Fiscal Psychology Models in The Design of Responses to Tax Evasion: The New Zealand Experience." *Journal of Economic Psychology*. Vol. 12, hlm. 299-324.
- Hayes, R.S. and R. Baker. 2014. "A Participant Observation Study of The Resolution of Audit Engagement Challenges In Government Tax Compliance Audits." *Qualitative Research in Accounting & Management*, Vol. 11, No. 4, hlm. 416-39.
- Hidayat, A. 2014. "Kewenangan Otoritas Pajak Untuk Meningkatkan Tax Ratio." [www.pajak.go.id](http://www.pajak.go.id).
- Ikatan Akuntan Indonesia. 2015. "Majalah Akuntan Indonesia Edisi Maret-April 2015."
- Lehrer, E.L. 2004. "Religion as a Determinant of Economic and Demographic Behavior in the United States." *Population*

- and Development Review, Vol. 30, No. 4, hlm. 707-26.
- Lembaga Perkreditan Desa. 2007. *Memban-  
gun Citra Meraih Kepercayaan (Dua  
Dasa Warsa LPD Desa Adat )*. Denpas-  
ar: Prasasti O.
- Lindawati, A.S.L. and L.M. Hadinata. 2015. "The Rationalization of Transparency Effect Tax Disclosure Toward to Compliance of Individual Tax Payers." Pp. 1382-98 in *Asia Pacific Conference on Accounting and Finance*. Denpasar: Universitas Udayana, 11-12 Juni 2015.
- Lukka, K. and S. Modell. 2010. "Validation in Interpretive Management Accounting Research." *Accounting, Organizations and Society*, Vol 35, No. 4, hlm. 462-77.
- Mardiasmo. 2013. *Perpajakan Edisi Revisi*. Yogyakarta: Penerbit Andi.
- Pertiwi, I.D.A.E and U. Ludigdo. 2013. "Im-  
plementasi Corporate Social Respon-  
sibility Berlandaskan Budaya Tri Hita  
Karana." *Jurnal Akuntansi Multipara-  
digma* Vol 4, No. 3, hlm. 430-455.
- Prianthara, I.B.T. 2011. "Konstruksi Sosial  
Praktek Perpajakan (Studi Fenome-  
nologi Wajib Pajak Hotel Di Bali)." Dis-  
ertasi Program Doktor Ilmu Akuntansi  
Pascasarjana Fakultas Ekonomi and  
Bisnis Universitas Brawijaya.
- Provinsi Bali. 2012. *Perubahan Kedua Atas  
Peraturan Daerah Provinsi Bali Nomor 8  
Tahun 2002 Tentang Lembaga Perkredi-  
tan Desa*. Pemerintah Provinsi Bali.  
Denpasar.
- Republik Indonesia. 2012. *PMK No. 72 Ta-  
hun 2012 Tentang Tata Cara Penetapan  
And Pencabutan Penetapan Wajib Pajak  
Dengan Kriteria Tertentu Dalam Rangka  
Pengembalian Pendahuluan Kelebihan  
Pembayaran Pajak*. Jakarta.
- Republik Indonesia. 2013. *Unandg-Unandg  
Republik Indonesia No. 1 Tahun 2013  
Tentang Lembaga Keuangan Mikro*. Ja-  
karta.
- Republik Indonesia. 2014. *Unandg-Unandg  
Republik Indonesia Nomor 12 Tahun  
2014 Tentang Perubahan Atas Unandg-  
Unandg Nomor 23 Tahun 2013 Tentang  
Anggaran Pendapatan And Belanja  
Negara Tahun Anggaran 2014*. Jakarta.
- Republik Indonesia. 2015. *Unandg-Unandg  
Republik Indonesia Nomor 27 Tahun  
2014 Tentang Anggaran Pendapatan  
And Belanja Negara Tahun Anggaran  
2015*. Jakarta.
- Saad, N. 2012. "Tax Non-Compliance Be-  
haviour: Tax payers' View." *Social and  
Behavioral Sciences* 65(ICIBSoS), hlm.  
344-51.
- Saad, N. 2014. "Tax Knowledge , Tax Com-  
plexity and Tax Compliance: Tax payers'  
View." *Procedia - Social and Behavioral  
Sciences*, Vol. 109, No. 1, hlm. 1069-75.
- Safrina, N. and A. Soehartono. 2015. "Pem-  
berlakuan And Pemahaman Sunset  
Policy Jilid II Tahun 2015 Dalam Un-  
andg-Unandg Ketentuan Umum And  
Tata Cara Perpajakan Serta Panandgan  
Hukum Islam." hlm. 460-76 in *Simpo-  
sium Nasional Akuntansi Vokasi IV 28-  
30 Mei 2015*. Politeknik Negeri Manado.  
Manado.
- Sugiyono. 2011. *Metode Penelitian Kombina-  
si (Mixed Methods)*. Alfabeta. Bandung.
- Tomkins, C. and R. Groves. 1983. "The Ev-  
eryday Accountant And Researching  
Further Thoughts His Reality": Further  
Thoughts." *Accounting, Auditing & Ac-  
countability Journal*, Vol. 8, No. 4, hlm.  
407-15.
- Waluyo. 2010. "Pengaruh Karakteristik Indi-  
vidu Wajib Pajak Karakteristik Perusa-  
haan And Struktur Kepemilikan Terha-  
dap Tingkat Kepatuhan Pajak." *Jurnal  
Akuntansi*. Vol. 1. hlm. 98-112.
- Widiastuti, N.P.E. 2014. Realitas' Kesada-  
ran Wajib Pajak Pemilik Usaha Kecil  
And Menengah Yang Menganut Prin-  
sip Yadnya. Disertasi Program Doktor  
Ilmu Akuntansi, Program Pascasarjana  
Fakultas Ekonomi and Bisnis Universi-  
tas Brawijaya.
- Wirajaya, G.A., M. Sudarma, U. Ludigdo, and  
A. Djamhuri. 2014. "The Accountability  
in the Dimension of TRI HITA Karana  
(THK)." *Scientific Research Journal* ,  
Vol. II, No. VIII, hlm.10-17.