

Taxation Ethical Issues: Perspectives of Tax Professionals in Indonesia

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Abstract: *This study aims to identify the ranking of taxation ethical issues regarding the frequency of occurrence and importance based on tax professionals' perspectives. Additionally, this study also examines the ethical climate of tax professionals in their practice. Questionnaires were distributed through a web-based survey and seminar. One hundred and sixty-seven useable questionnaires with a 29% respondent rate were analyzed. The results showed that tax avoidance is perceived as the most critical and frequent issue in Indonesia. Comparing the top 10 rankings of importance and occurrence issues, eight issues are added in both of the rankings, such as continuing to act, reporting position, tax audit, loophole seeking, tax minimization, technical competence, supervision of audit, and tax avoidance. The results also demonstrated that the examining professionals' ethical climate through peer reviews revealed that tax professionals have been living in an environment that they considered ethical, even though they believe that many opportunities exist for them to do unethical actions.*

Keywords: *Ethical Issues, Tax Professionals, Tax Consultant, Tax Avoidance, Indonesia*

Abstrak: *Penelitian ini bertujuan untuk mengidentifikasi pemeringkatan masalah etika perpajakan dalam hal frekuensi kejadian dan pentingnya berdasarkan perspektif profesional pajak. Selain itu, penelitian ini juga meneliti iklim etika profesional pajak. Kuisisioner disebarakan melalui survei berbasis web dan seminar. Seratus enam puluh tujuh kuesioner yang dapat digunakan dengan tingkat responden 29%. Hasil penelitian ini menunjukkan bahwa penghindaran pajak dianggap sebagai masalah yang paling penting dan sering terjadi di Indonesia. Selain itu, penelitian ini juga membandingkan 10 peringkat teratas dari isu-isu penting dan frekuensi kejadian. Terdapat delapan masalah yang termasuk dalam kedua peringkat, seperti terus bertindak, posisi pelaporan, audit pajak, pencarian celah, minimalisasi pajak, kompetensi teknis, pengawasan audit, dan penghindaran pajak. Hasil penelitian ini menunjukkan bahwa iklim etika profesional pajak mengungkapkan bahwa profesional pajak telah ada di lingkungan yang mereka anggap etis, meskipun mereka percaya bahwa ada banyak peluang bagi mereka untuk melakukan tindakan tidak etis.*

Kata Kunci: *Masalah Etika, Profesional Pajak, Konsultan Pajak, Penghindaran Pajak, Indonesia.*

1. Introduction

Ethics is so important, and it is simply defined as “bad” versus “good” behavior and quickly has become one of the top five topics faced by corporations (Bart, 2011). Ethics expresses group standards that contain a collection of individual values (Bishop, 2013). McPhail (2001) and Jackling et al. (2007) conducted a study and found out that ethics should be in Accounting education to teach about moral sympathy among others, and it is seen as a remedy for an ethical crisis. It can be concluded that ethics is the standards and expressions of individual values; it is so important and needs to be given concern. Bishop (2013) revealed that in the 21st-century, ethics failures have happened in business industries. Frecknall et al. (2016) also stated that the international media announced a massive number of tax practitioners that behave unethically in recent years. The kinds of services that tax practitioners give to their clients are tax compliance and tax avoidance (Frecknall et al., 2016).

According to Smith (1898), a tax contributes from the citizens to support the state. In the era of tax complexity and ambiguous law, many taxpayers seek tax professionals’ services for expert advice and influenced compliance behavior (Marshall et al., 1998). Bobek and Radjke (2007) stated that tax professionals must be counsels for their clients; however, tax professionals often face ambiguity in providing good counsel or supporting unethical behavior. Although taxes are a certainty, individuals do not like to pay taxes. They tend to make various plans and actions to reduce their tax liabilities, and many times they succeed (Alm and Torgler, 2011). Many tax issues happen internationally, such as unethical tax avoidance and aggressive tax planning done by multinational companies, for instance: Amazon, Facebook, Starbucks, and Google (Barford and Holt, 2012). Alm and Torgler (2011) also stated that tax evasion happens in almost all countries.

In Indonesia, the taxation system is a self-assessment system where the taxpayers are given the trust to count, pay, and report their taxes (Andreas and Savitri, 2015). There are so many taxes to be charged, from personal income tax, value-added tax, service or rent taxes, import-export taxes, and so forth (www.pajak.go.id, accessed on November 30, 2017). According to the Directorate General of Taxation (DGT), tax

consultants exist as the third category actors in Indonesia between the government and taxpayers. DGT expects tax consultants to help increase taxpayers' compliance (Achmad, 2014). However, according to Darmayasa and Aneswari (2015), several taxation ethical issues still happen in Indonesia, such as tax fraud, money laundering, tax consultants who double their roles as government employees, and taxpayers work with tax consultants to bribe government employees. Issuing fake tax invoices, transfer pricing, money laundering, and illegal economic transactions are also ethical issues in Indonesia (www.pajak.go.id).

There seem to be many taxation issues that happen or arise in Indonesia. However, to the best of the researcher's knowledge, no empirical research has been conducted in Indonesia to examine the tax consultant ethical climate and identify the top trending ethical taxation issues. Furthermore, some taxpayers violate tax rules, minimize tax liability through legal and illegal means, enforce tax rules, and traverse unintended loopholes (Andreas and Savitri, 2015). However, no literature emphasizes what acts taxpayers do the most. The Directorate General of Taxation (DGT) stated that DGT solely asks tax professionals to prepare an annual report that consists of their clients' profiles. However, the annual report is still so administrative and unable to become a benchmark to evaluate tax professionals' ethical climate and see Indonesia's taxation potential (Achmad, 2014).

Meanwhile, it is essential to do research and know what issues need to be given more concern by the government and professionals so they can discuss and establish more regulations or laws in order to improve the tax potential in Indonesia, as what DGT hopes it under the Ministry of Finance (www.pajak.go.id, accessed on December 27, 2017). In Australia, Marshall et al. (2010) researched how tax agents perceived the most important rankings and frequency of ethical issues in taxation. They researched tax agents and the significant 4 tax practitioners. According to the Australian legislation, tax practitioners are a group of individuals that provide a range of tax services. Their research also gained mostly practitioners in small practices, and the tax agents were non-certified or not under professional bodies.

Therefore, the motivations of this research are, first, to modify the previous research done by Marshall et al. (2010), who stated their limitations:

“The paper focus is on Australia’s tax practitioners, so it may not be generalized elsewhere” (p. 1). “.... the study represents only a ‘snapshot’ of tax practitioner views at a time, therefore, the development and implementation of longitudinal measures, preferably on a national basis, to track changes in perceptions over time” (p. 18).

It can be seen from the statement above that the results may not be relevant enough for other countries, and they suggest that national-based research to track changes in perception over time could be done. Second, it is necessary to improve the previous research conducted by Marshall et al. (2010). The research sample that they used was tax practitioners and mostly from sole practitioners and uncertified tax agents. In this research, the respondents are certified tax consultants because taxpayers prefer to accept certified tax consultants' advice, especially aggressive advice (Hite and McGill, 1992). Certified tax consultants are the major players in the tax consultancy field. They should have a license to give clients services, are under a professional body, have an ethical code of conduct, and gain minimum points to maintain their certification (www.IKPI.or.id). Due to that, this research believes that certified tax consultants are best suited for being the respondents. Third, this research is believed to have different results from the previous research. As stated by Hofstede (1983), different countries have different cultures, ways to perceive things, and different motivations. He stated that people are affected by their own national culture ingrained in them in schools and families and absorb certain values from a particular society. They also have different life experiences and different issues they face within societies. The last motivation is to strengthen these research implications to go deeper than the previous research in giving recommendations and advice for the government agencies, such as DGT, the Ministry of Finance, and related parties.

In sum, this research wants to investigate several issues faced by tax practitioners in their workplace with the following questions:

RQ1: What are the dominant ethical issues faced by tax consultants?

a. What is the major important ethical issue perceived by tax professionals?

- b. What is the major frequently happen ethical issue perceived by tax professionals?
- c. How is the frequently happen issues compare to the important ethical issues?

RQ2: How tax professionals rate their ethical climate?

- a. Do opportunities for doing unethical behavior exist?
- b. How is the relationship between success and unethical behavior?
- c. How relevant is the professional code of ethics?

2. Literature Review

2.1. Ethics and Ethical Issues

According to Ho and Wong (2008), ethics is a study of morality that teaches the right and the wrong things to do, learns about the standards of behavior of how their relationships with others are judging people and provides guidance for society. The role of ethics is to be proactive in organizations and prevent a grey area because a grey area can cause unethical behavior (Bishop, 2013). An ethics program is implemented to assure and support employees or members of an organization with ethical standards in the shape of a policy and a set of activities that have been set or arranged by the organization (Park and Blenkinsopp, 2013). Thus, ethics is the behavior or actions of people, and related parties set their ethical standards in order for their members to behave ethically according to laws, regulations, and guidance. According to the Oxford Dictionary, issues are topics that people discuss or argue about; it also means problems. Ethical issues are at the front line of organizational concern because many organizational members face complex decision-making (Ferrell et al., 1998). The ethical issues arise because of conflicts between individuals regarding organizational values and social values (Ferrell et al., 1998). An ethical issue also exists when someone freely acts out their behavior to benefit or harm others (Velasquez and Rostankowski, 1985). Ethics comes in various colors, such as shades of grey, black, and white (Bruhn, 2009). The grey areas in a company or organization are because the rules are not clearly defined and expressed (Bishop, 2013). There are ethical issues that happen in the field of taxation such as tax avoidance (Zhang, 2007), tax minimization (Ho and Wong, 2008),

aggressive reporting (Blanthorne et al., 2013), a tax loophole (Sikka and Willmott, 2013), a tax audit (Alm and Torgler, 2011), tax alteration and tax fraud (Awang and Amran, 2014), technical competence (Frecknall et al., 2016), public responsibility and interest (Doyle et al., 2009), and so forth. The theory of Allingham and Sandmo (1972) stated that no individuals are willing to pay taxes; they will always be against it. Many taxpayers hire tax professionals for expert advice. Those tax professionals often face ethical dilemmas in deciding on following the code of ethics while fulfilling the clients' requests and getting pressure from the clients themselves (Hageman and Fisher, 2016).

2.2. Tax Professionals

Based on Doyle et al. (2009), tax professionals provide advice and services for clients in accounting or taxation firms. They also stated that tax professionals are the ones who facilitate and educate tax practitioners and clients in terms of ethical behavior. Tax professionals are tax practitioners, tax preparers, or tax agents who give their clients services and act as agents for revenue authority in promoting tax compliance (Devos, 2012). Professionals are formally certified by a professional body in a business context and have completed required courses or studies. Based on the official website of certified tax consultants in Indonesia (IKPI.or.id, accessed on January 10, 2018), there are tests and requirements that individuals have to pass to become certified tax consultants. The tests consist of three levels: certified level A tax consultants, who can give services solely to individual taxpayers; certified level B tax consultants who can give services and advice for companies; and certified level C tax consultants who deal with more complicated advice and involve international taxation. In each of the levels, there are tests of ethical codes that they need to pass. After the tax consultants get their certification, they can give the public advice and services based on their levels. The following statements and forward are based on a book published by the Indonesia Tax Consultants Association after their congress in Makassar in 2014. After-tax consultants get their certification; they must join and become members of the Indonesia Tax Consultants Association (ITCA). There are three types of status for ITCA members. The first is the permanent members need to have a license to practice to open a taxation

firm. Second, temporary members are certified tax consultants that do not have a license to practice yet. Third, honorary members are appointed by the central board because they can maintain and promote the association (p. 27).

Certified tax consultants should follow the code of ethics, professional standards of tax consultants, and laws made by ITCA, the Ministry of Finance, and the Directorate General of Taxation. The ITCA code of ethics has three parts to be understood and followed. The first part is about the basic principle and professional ethics; the second part is about the applications of the code of ethics' conceptual framework; and the third part is about the prohibitions, supervision, sanction procedures, complaints, and sanctions. The Indonesia Tax Consultants Association code of ethics is about . Tax consultants should behave and be professionals in giving their clients services and maintaining the government's and public's trust in them. Tax consultants are also prohibited from having double roles as government employees, prohibited from breaking the laws, not allowed to accept client requests if they are against the laws, given sanctions if they are proven to break the obligations, and so forth (p. 75-82).

Meanwhile, the professional standards of tax consultants consist of two parts. The first part is the introduction which explains the terms that are needed to be understood in the tax consultancy field, such as client, taxation services, congress, tax consulting firm, articles of association, and so forth. The second part is about the professional rules with eleven sub-points in them. It is about how tax consultants should maintain their competency, keep clients' confidentiality, be objective, have integrity, separate personal finances, and clients' funds, not have a conflict of interest, set fees for clients, deal with legal problems, and so forth (p. 83-118). Tax professionals should also prepare an annual report that will be given to DGT, which consists of clients' profiles, their list of activity realization in joining seminars and professional development programs, and proof in the form of an identity card that they are still members of ITCA (p. 180). They also have to be members of ITCA once they are certified (p. 138).

2.3. Previous Research Regarding Tax Consultants' Ethics

A study was carried out by Darmayasa and Aneswari (2015) on how the local culture influences ethical practice in a particular tax consulting firm. The results showed that the professional code of ethics for tax consultants was just a matter of formality to pass their certification test. Many tax consultants had the goal to pursue well-being. Regarding the tax consultants' perceptions, Doyle et al. (2013) studied how firm size affects tax consultant ethics based on tax consultants' perspectives. It stated that the large firm tax consultants perceive the smaller firm tax consultants as less ethical due to the pressures that small firm tax consultants have while maintaining their practices. However, none of the tax consultants claimed to be unethical. Another study was done by Finn et al. (1988), who examined the senior level of AICPA to determine the difficult issues they face, which are tax fraud and conflict of interest. In research conducted by Finn et al. (1988), they discovered that if top management admonished unethical behavior, the ethical problem that was felt by CPAs seemed to be diminished. Another research was done by Marshall et al. (2010), which showed that confidentiality is the most important issue based on Australian tax agents and practitioners. What frequently happens is unreasonable inquiries. Additionally, Nienaber (2010) studied the factors that influence tax professionals' ethical behavior, such as regulations of professions, client pressure, taxpayer preferences, tax professionals' credentials, technical competence, exposure to risk, and information provided by the taxpayers.

3. Methodology

3.1. Research Design

This study was a descriptive exploratory type of research. Based on Sekaran and Bougie (2013), exploratory research is a study conducted because not much is known about it, and no information is available. It is done to develop a viable theoretical framework and to be able to give richer quality information for further research or to discover an initial problem to be investigated. In contrast, descriptive research is carried out to understand the characteristics of a group of people, figure out certain decisions, give rich data quality for important recommendations in practice, and examine a

situation such as demographic events, behavior, and attitudes (Sekaran and Bougie, 2013; Kelley et al., 2003). This research aimed to give statistically concrete data on the important and frequent occurrences of taxation issues in Indonesia and examine the tax consultant ethical climate to give recommendations to related parties in the practice.

3.2. Research Instrument

This research questionnaire's design was adapted from Finn *et al.* (1988) and Marshall *et al.* (2010 and 1998). There were three segments in the questionnaire. First, it consisted of 25 taxation ethical issues that tax consultants might face daily, especially in preparing tax returns in the self-assessment taxation system (Marshall *et al.*, 2010). They stated that all ethical issues should match the five ethical concerns in taxation, such as public interest, integrity, independence, confidentiality, and competency. The second was an ethical statement to evaluate the ethical climate of tax professionals. The ethical issues were based on the adaptation of research, news, and discussions with tax consultants and professionals. Finn *et al.* (1988) and Marshall *et al.* (1998) adopted the ethical statements that were asked. The respondents were asked to rank both the importance and frequency of occurrence of taxation issues with a 5-point Likert scale (1 = Least Important, 5 = Most Important, and 1 = Least Occurs, 5 = Most Occurs).

Moreover, the respondents were asked to rate an ethical statement with a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The last was the demographic questions. Before the questionnaire was distributed, the researcher did a pilot test on undergraduate students and tax consultants. The pilot test needed to be done to make sure that the questionnaire would be understandable and appropriate to be distributed. After the pilot test had been completed, the questions were revised in proper and polite language, and some issues that were considered too sensitive were deleted. The researcher used two ways to distribute the questionnaire. The first way was to distribute the questionnaire via a web-based survey, and the second one was via a seminar that the Indonesia Tax Consultants Association held on December 19, 2017. Dillman et al. (2014) and Sekaran and Bougie (2013) believe that a web-based survey can be quickly delivered to respondents and can reach many respondents, while a personally administered questionnaire (which this research used via a seminar) can help the

researcher to connect to respondents directly, clarify doubts on the spot, and ensure that there is almost a 100% respondent rate.

3.3. Data Quality Test

To make sure that the data is measured with the right concept and the respondents have stability and consistency when answering it, validity and reliability tests should be held (Hair et al., 2010).

3.3.1. Validity Test

In this study, a validity test was done by analyzing the bivariate that is also called Pearson's Correlation between each score indicator with the indicators' total score. According to Hair et al. (2010), the data will be considered valid if each question's probability is less than 0.05, and the r count is equal to or more than the r table. In contrast, if the r count is less than the r table, the questions will not correlate with the total score, which means it is invalid.

3.3.2. Reliability Test

To see the results of the reliability test, it referred to the Cronbach's Alpha value. The data is considered low in reliability when it has a Cronbach's Alpha of less than 0.50. The data has enough reliability when it has a Cronbach's Alpha ranging from 0.50-0.60, and high-reliability data has a Cronbach's Alpha of more than 0.70 (Nunnally, 1978).

4. Result

4.1 Demographic Analysis

The minimum sample to be achieved in this research was 160, and the useable number of surveys returned was 167. The respondent rate was 29%. Hence, the researcher had achieved enough samples to represent the research. The respondents of this research came from various backgrounds. About 37.7% of the consultants did their practice in the private sector; 25.1% were sole practitioners; 16.2% were consultants who worked in Tier 1, including Deloitte, EY, Hadiputranto, Hardinoto and Partners, KPMG, PB Taxand, and PWC (itrworldtax.com, accessed on December 22, 2017); 9% were partners that had three or more partnerships; and the remaining 12% came from

Tier 2 (Danny Darussalam Tax Centre, GNV Consulting, and SF Consulting) and other tax consulting firms. The respondents' ages varied, as 43.1% were 31-40 years old, 35.9% were 21-30 years old, 20.4% were 41-50 years old, and 0.6% were 51-60 years old. The majority of the respondents were males at 78%, and females comprised the other 24%. There were 37.1% of the respondents who had 1-5 years of tax experience, 27.5% had 10-15 years of experience, 24% had 6-10 years of tax experience, and 11.4% had more than 15 years of tax experience. Their positions varied from junior (18%), senior (52.7%), and partner (29.3%). The details of the demographic data are presented in table 1.

Table 1.
Demographic Data

	% Respondents
Gender	
Male	76.0%
Female	24.0%
Age	
21-30	35.9%
31-40	43.1%
41-50	20.4%
51-60	0.6%
Level of Education	
Undergraduate Degree (S1)	62.3%
Master's Degree (S2)	34.1%
Doctorate Degree (S3)	3.6%
Experience in Taxation Field	
1-5 years	37.1%
6-10 years	24.0%
11-15 years	27.5%
>15 years	11.4%

	% Respondents
Tax Practice	
Sole Practitioner	25.1%
Partnership (3 or more partners)	9.0%
Tier 1	16.2%
Private Sector	37.7%
Other Consulting Firms	12.0%
Certification	
BKP	78.4%
CPA	1.2%
CA	2.4%
Tax Brevet ABC	1.8%
No certification	16.2%
Position	
Junior	18.0%
Senior	52.7%
Partner	29.3%

Source: Survey Results

4.2. Data Quality Test Results

4.2.1. Validity Test Results

Table 2 represents the results of the validity test of questions.

The r table for this data is 0.127. From the validity test results above, all the r count is more than 0.127 except for Q32. So, question number 32 was dropped. Due to that, the research statements are considered valid.

Table 2.
Validity Test Results – Ethical Issues

	Pearson's Correlation		
	Importance level***	Occurrence level***	Ethical Climate
Ethical Issues			
Technical Competence	0.368	0.459	
Un logical Questions	0.557	0.500	
Desire to continue to Act	0.558	0.458	
Tax Avoidance	0.134	0.236	
Supervision of Tax Audit	0.517	0.522	
Loophole Seeking	0.362	0.459	
Fee Setting	0.236	0.611	
Aggressive Interpretation	0.572	0.624	
Misleading Advice	0.608	0.689	
Misrepresentation	0.631	0.623	
Personal Gain	0.533	0.711	
Conflict of Interest	0.614	0.714	
Documentation	0.641	0.648	
Communication	0.591	0.726	
DGT Errors	0.669	0.630	
Reporting Position	0.534	0.657	
Pubic Responsibility	0.583	0.719	
Professional Judgement	0.614	0.613	
Poaching Client	0.497	0.635	
Authority	0.611	0.577	
Tax Audit	0.451	0.698	
Research	0.629	0.651	
Prior Year Errors	0.732	0.638	
Confidentiality	0.593	0.568	
Tax minimization	0.680	0.520	
Ethical Statements			
A. Contingency in doing unethical behavior			
A1			0.469
A2			0.612

B. Successful tax consultants and unethical behavior	
B1	0.455
B2	0.207
B3	0.187
C. Professional code of ethics	
C1	0.188
D. Ethical duty: client v public	
D1	0.046*

***Valid
*Invalid
Source: SPSS Data Processed

4.2.2. Reliability Test Results

Table 3 reveals the reliability test results of each ethical issue-level and the ethical statements.

Table 3.
Reliability Test Results

Items	Cronbach’s Alpha	N Items	Description
Ethical Issues (Importance level)	0.953	25	Reliable
Ethical Issues (Occurrence level)	0.927	25	Reliable
Ethical Statements	0.573	6	Reliable

Source: SPSS Data Processed

The statements are considered reliable from the table above due to the Cronbach’s Alpha value is more than 0.5. The ethical issues’ importance and occurrence levels rank as being highly reliable, while ethical statements are ranked as being only reliable enough.

4.3. Results of Research and Discussion

4.3.1. Results of Research Question 1

Research question 1 is about the major important and frequently occurring taxation issues in Indonesia and how their categories rank compared to one another.

The rankings of important issues are revealed in Table 4 below, along with the mean, standard deviation, and agreement percentage.

Table 4.
Importance Rankings of Taxation Ethical Issues

Rank	Taxation Ethical Issue	% Agree a	Mean b	SD
1	Tax Avoidance	76.0	4.096	1.016
2	Supervision of Audit	74.3	4.042	0.999
3	Technical Competence	74.9	3.976	1.132
4	Tax Minimization	70.7	3.976	1.100
5	Loophole Seeking	61.7	3.844	1.204
6	Tax Audit	65.3	3.713	1.078
7	Reasonable Enquiry	63.5	3.671	1.166
8	Reporting Position	59.3	3.647	1.127
9	Continuing to Act	63.5	3.635	1.160
10	DGT Errors	62.3	3.623	1.316
11	Confidentiality	63.5	3.617	1.543
12	Communication	62.9	3.593	1.323
13	Documentation	65.3	3.581	1.449
14	Aggressive Interpretation	56.9	3.563	1.036
15	Research	57.5	3.557	1.166
16	Professional Judgment	59.3	3.527	1.213
17	Prior Year Error	58.1	3.515	1.261
18	Personal Gain	56.9	3.467	1.203
19	Public Responsibility	58.7	3.461	1.321
20	Fee Setting	45.5	3.461	1.007
21	Misleading Advice	56.9	3.419	1.537
22	Misrepresentation	50.3	3.383	1.182
23	Conflict of Interest	46.1	3.293	1.230
24	Poaching Client	41.9	3.186	1.321
25	Authority	41.9	2.952	1.504

^a Percentage of respondents who answered above 3 (Important and Very Important)

^b Means are based on a 5-point Likert scale

Source: Survey Results

Table 5.
Frequency of Occurrence Rankings of the Taxation Ethical Issue

Ran k	Taxation Ethical Issue	% Agree a	Mean^b	SD
1	Tax Avoidance	54.5	3.569	1.119
2	Tax Minimization	53.3	3.485	1.203
3	Loophole Seeking	47.3	3.455	1.172
4	Supervision of Audit	50.3	3.395	1.072
5	Continuing to Act	50.9	3.389	1.131
6	Aggressive Interpretation	43.7	3.341	1.037
7	Reporting Position	43.7	3.246	1.052
8	Tax Audit	46.1	3.210	1.228
9	Fee Setting	32.9	3.114	1.011
10	Technical Competence	34.1	3.102	1.036
11	Reasonable Enquiry	34.7	3.006	1.135
12	Misrepresentation	30.5	2.934	1.219
13	Public Responsibility	29.9	2.898	1.246
14	Personal Gain	34.1	2.814	1.202
15	DGT Errors	31.1	2.808	1.233
16	Communication	35.9	2.802	1.301
17	Prior Year Error	33.5	2.796	1.231
18	Research	31.7	2.766	1.153
19	Conflict of Interest	29.3	2.760	1.244
20	Professional Judgment	25.7	2.659	1.213
21	Documentation	31.1	2.623	1.348
22	Poaching Client	23.4	2.539	1.232
23	Misleading Advice	22.8	2.509	1.303
24	Confidentiality	24.0	2.413	1.403
25	Authority	16.8	2.060	1.207

^a Percentage of respondents who answered above 3 (Frequently and Very Frequently)

^b Means are based on a 5-point Likert scale

Source: Survey Results

Based on the table 4, it can be seen that tax avoidance is the most important issue according to tax professionals. It has 76 percent of the respondents who responded above 3 and a mean of 4. It is followed by audit supervision at 74 percent of agreement and technical competence for a 3.976 mean. All of the 25 ethical issues were perceived

as important tax professionals' issues because the mean is mostly above 3, and the percentage of agreement is mostly bigger than 50 percent. This means that professional tax consultants still perceived these issues as problematic in the tax consultancy world, especially for the top ten issues with more than 60 percent agreement.

From the table 5, it can be seen that the 3 most frequently occurring issues are tax avoidance (54%), followed by tax minimization (53%), and loophole seeking in third place (47%). Contrary to the importance ranking, only the top 10 most frequently occurring issues have a mean of more than 3. Issues 11 and below have a percentage of agreement of around 30 percent. It can be seen from the results of Table 3 that avoiding tax and minimizing tax are still happening and perceived as the most frequently occurring issues by tax professionals.

Comparing the top 10 rankings of importance and occurrence, it can be viewed that eight issues are included in both of the rankings. Those are continuing to act, reporting position, tax audit, loophole seeking, tax minimization, technical competence, audit supervision, and tax avoidance. Although these issues are not in the same position for each rank, it can be realized that all these eight issues are perceived as being serious and common issues by tax professionals, considering that those eight issues have more than 34% agreement in both rankings.

4.3.2. Results of Research Question 2

Table 6 reveals how tax professionals rate and evaluate their ethical climate in tax practices.

Table 6 is the result of how tax professionals rate their ethical climate in their practice environment. The A1 statement is about whether many opportunities exist for tax consultants to be involved in unethical behavior, and 49.1% of the tax professionals agree with it. However, 80.8% of the respondents agree that not all tax consultants outside their practice have engaged in unethical behavior. From this result, it can be seen that the opportunities for tax consultants to do unethical behavior are bigger than the act of tax consultants to do the unethical behavior itself. This result is consistent with the findings from Finn et al. (1988) in the accounting area.

Table 6.
Ethical Climate of Tax Professionals

Ethical Statement	% Agreement ^a	Mean ^b	SD
A. Contingency in doing unethical behavior			
1. There are many opportunities for tax consultants to be involved in an act that I consider unethical.	0.491	3.162	1.292
2. Tax consultants outside my practice arena frequently do acts that I consider unethical.	0.192	2.419	1.118
B. Successful tax consultants and unethical behavior			
1. In order to succeed in the tax practice, tax consultants frequently compromise things that I consider unethical.	0.186	2.437	1.186
2. Successful tax consultants are generally more ethical than unsuccessful tax consultants.	0.551	3.587	1.328
3. Tax consultants that act unethically are generally disciplined.	0.150	2.144	1.180
C. Professional code of ethics			
1. The code of ethics drawn by experienced tax consultants for the tax profession will improve the ethical value of tax consultants.	0.701	4.060	1.019

^a Percentage of respondents who answered above 3 (Agree and Strongly Agree)

^b Means are based on a 5-point Likert scale

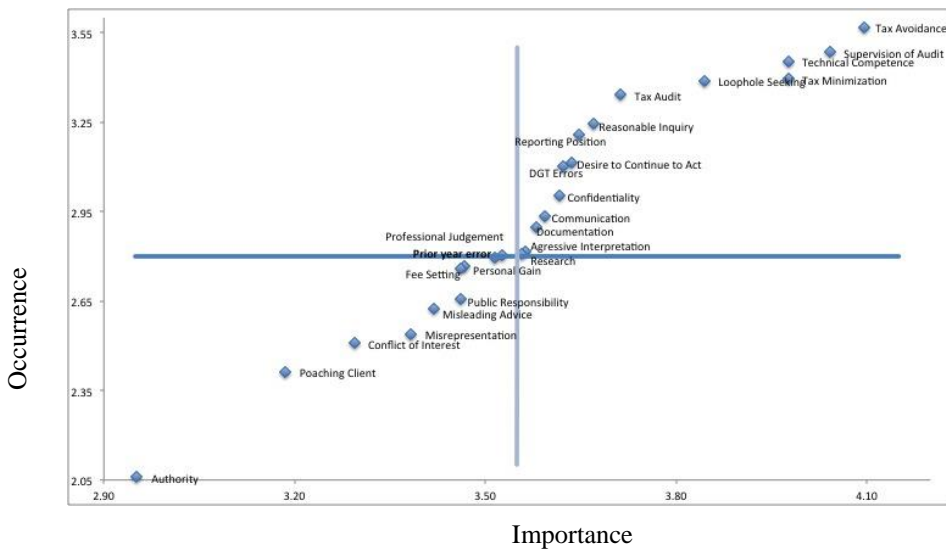
Source: Survey Results

B's statements are about seeing how tax consultants perceive the relationship between success and ethical or unethical behavior. Most of the respondents (81.4%) believe that it is unnecessary to compromise unethical behavior to succeed in tax practice. Moreover, 55.1% of the respondents, with a mean of 3.587, agree that successful tax consultants are more ethical than unsuccessful ones, and just 15% of the respondents believe that unethical tax consultants commonly act disciplined. This result is consistent with Marshall et al. (2010) 's findings that unethical behavior is unnecessary to succeed in tax practice. Lastly, most tax professionals (70.1%) with a

mean of 4.060 agree that the code of ethics will improve tax consultants' ethical value if it is drawn by an experienced tax consultant or tax professional.

To make it easier to understand, Figure 1 represents the mean matrix of importance and frequency of occurrences of ethical issues.

Figure 1.
Importance and Frequency Mean Matrix



Source: Survey Results

4.4. Discussion

To explore this study and as additional support, this study did a T-test to see whether different genders between males and females also had different experiences in the taxation field between tax professionals who had less than ten years of experience and more than ten years of experience, in perceiving tax avoidance, tax minimization, loophole seeking, and supervision of audit in a different way or the same way. Those four issues are the issues included in the big five issues for both importance and frequency of occurrence rank. Table 7 below reveals the results of the T-test.

Table 7.
Results of the T-Test

Ethical Issues	T-test Sig. (2-tailed)		T-test Sig. (2-tailed)
Tax Avoidance		Tax Minimization	
Gender ^a	.033 ^c	Gender ^a	.192 ^d
Gender ^b	.136 ^d	Gender ^b	.028 ^c
Experience ^a	.262 ^d	Experience ^a	.347 ^d
Experience ^b	.322 ^d	Experience ^b	.659 ^d
 Loophole Seeking		 Supervision of Audit	
Gender ^a	.092 ^d	Gender ^a	.436 ^d
Gender ^b	.048 ^c	Gender ^b	.010 ^c
Experience ^a	.000 ^c	Experience ^a	.015 ^c
Experience ^b	.160 ^d	Experience ^b	.435 ^d

^a Importance Rank

^b Frequency of Occurrence

^c Probability < 0.05

^d Probability > 0.05

Source: SPSS Data Processed

According to Hair et al. (2010), if the T value is more than a significance level of 0.05, the group perceives the statements differently. In contrast, if the significance level is less than 0.05, the group perceives the statements differently. Table 7 shows that males and females do have different perspectives regarding the importance level of tax avoidance, frequently occurrence level of tax minimization, frequent occurrence of loophole seeking, and frequent occurrence of audit supervision. Males and females do have the same perspective in perceiving the frequency of tax avoidance, importance rank of tax minimization, loophole seeking, and supervision of audit. Then differences in respondents' experiences between less than ten years and more than ten years do not affect the perspectives regarding importance level and occurrence level of those four issues. Furthermore, they perceive the importance level of loophole seeking and supervision of audit to be the same.

Overall, it can be seen from the results of this research that tax avoidance, tax minimization, loophole seeking, and supervision of audit are included in the big 5 of both importance and occurrence rank issues. Even though regulations, systems, and ethical standards are being improved (www.pajak.go.id, accessed on December 27, 2017), these issues are still happening. They are believed to be important issues in Indonesia. This result is different from the research done by Marshall et al. (2010) that had confidentiality and reasonable inquiries as frequently occurring and important issues perceived by tax agents. Meanwhile, authority (25), poaching client (22), and conflict of interest (19) that rank less infrequently of occurrence issue also authority (25), poaching client (24), and conflict of interest (23) that rank less in important issues actually have been explained and stated clearly in tax consultants' professional standards that they cannot deal with tax issues such as take another tax professional's client, client funds should be separate from personal accounts, and there should not be a conflict of interest management. However, a country's highest income is from taxes, which help the state improve its economy and provide public resources (Besley and Persson, 2014). It means that when a state fully achieves its targeted revenue from taxes, it is also improving state development. Meanwhile, if the state does not fully achieve its target, which causes many people to minimize or avoid taxes, it can affect economic development.

It can be seen that testing the boundaries of the laws to do loophole seeking, continuing to inform clients about tax minimization, and avoiding taxes show that clients would like their consultants to help them regarding these issues. This means that they do not want to be charged fully by taxes as long as they can avoid, reduce, or seek the grey areas.

Regarding the eight issues included in the top 10 in both ranks, such as supervision of audit and tax audit are related. Both issues are connected with audits. The supervision of audits would not be necessary if clients did not get audits by DGT. This means that tax consultants fail to guide their clients when being audited by DGT or when tax consultants are dealing with DGT audits on behalf of their clients. They cannot guide their clients well or make a good plan, for it was agreed by 50.3% of tax professionals

as an issue that frequently happens. Therefore, preparing tax returns and doing schemes in such ways to avoid a tax audit (tax audit issue) is perceived by 65.3% of tax professionals as important and 46.1% in occurrence. This shows that it is important for tax consultants to give relevant advice and do their jobs carefully so that their clients are not involved in a tax audit that can cause more cases. The reporting position issue is perceived as important by 59.3% agreement and 43.7% agreement in occurrence. In preparing tax returns, there are items to be reported that are sometimes ambiguous to tax consultants. They are supposed to be taxable items, but sometimes clients say they do not want them to be taxable items. It can be understood that it is perceived as important to decide who determines the ambiguous items. Unfortunately, 43.7% of tax professionals perceive that the conflict between clients and tax consultants in deciding ambiguous items still frequently happens.

Meanwhile, continuing to act is when there is information or data that is incorrect or not corrected by the client, the tax consultant is continuing to act for that circumstance without further clarification. This issue is ranked 9th in importance and ranked 5th in the frequency of occurrence. It can be viewed that 50.9% of tax professionals perceive this issue as still happening, which means many tax consultants still act as they want without waiting for client confirmation first.

From the peer review results, when tax professionals rate their ethical climate practice, it can be realized that the majority of tax consultants behave and act according to ethical standards. They also work in an environment that they consider ethical. It reveals that tax professionals are upholding the first segment of their tax consultant ethical code that states:

“...The ethics code of conduct is a guide for members to perform professional duties professionally, objectively, independently, and dedicated, and have full responsibility also to be evoked and fully obedient to Pancasila and the constitution” (p. 77).

The majority of tax professionals (70%) believe that experienced tax consultants should be the ones that draw the code of ethics so that it will increase the ethical value levels of tax consultants.

Overall, although the ethical issue that is perceived as the most important and most frequent is tax avoidance, tax professionals still consider they are in an ethical working environment. It means that the tax avoidance they perceive is considered as an ethical scheme. Tax professionals also agree that they have difficulties in distinguishing legal and illegal tax planning or tax avoidance. For the level of tax professionals, they even have that kind of difficulty. Therefore, the government should take further action for this matter and be specific regarding tax avoidance laws.

5. Conclusion, Limitation, and Recommendations

5.1. Conclusion

This research aimed to identify the frequency of occurrence and the ranking of important taxation ethical issues and examine tax professionals' ethical climate. Many taxation ethical issues are happening in Indonesia; however, no empirical research has been done to rank the frequency of occurrence of issues and important taxation issues. Tax professionals are tax consultants or tax agents formally certified and under professional bodies with ethical conduct standards. There were 575 questionnaires distributed through a web-based survey and seminar. The 167 usable questionnaires came from 62.9% of tax professionals with more than five years of experience in taxation, and most of them were male. This result shows that the most frequently occurring taxation issue in Indonesia is tax avoidance, and the most important taxation ethical issue is tax avoidance. Both rankings are based on the perceptions of tax professionals.

Meanwhile, tax avoidance, supervision of audit, tax minimization, and loophole seeking are included in the top 5 of both importance and frequency of occurrence issues. The results also reveal the ethical climate of tax professionals, which shows that they have been living in an environment that they consider ethical. A successful tax consultant is an ethical consultant, and the code of ethics will improve the tax consultant's value if drawn by experienced tax consultants. In perceiving the issues, different genders and different experiences between the respondents with less than ten

years of experience and more than ten years of experience perceive several issues in the same way and some in a different way.

5.2. Limitations and Recommendations

This research focused on the ranking of ethical issues and an examination of tax consultants' ethical climate. This study also advised the related parties regarding the results. Further details about how these issues are related to or influence one another and what influence the tax professionals' perspectives have were not the purpose of this study. Another limitation is the reliability test of the ethical statements of this study is also considered only sufficient. Future research could replicate this research and confirm the ethical statements by having interviews with tax consultants and doing deep confirmation. The respondents of this research were from Indonesia, so the results may be different if it is done in another country. Also, there was no demographic data regarding the provinces of where the respondents came from, so the next research could add provincial data to the demographic data. The respondent rate in this study was only 29%, of which there were 167 useable questionnaires from 575 survey questionnaires distributed. It might be due to the 32 questions excluding the demographic data that had to be filled in, which was a lot to complete, and the respondents might not have had much time to understand and fill in the surveys. It also might be due to the sensitivity of the topic that they did not want to participate. A recommendation for future research would be to reduce and adjust the number of ethical issues that are asked and distribute the questionnaires to more than one seminar. Future researchers can also reference this study and focus on one or more of the ethical issues and make it dependent or independent variables. Researchers can also do qualitative research in one of the tax offices or tax consulting firms regarding the taxation ethical issues that the researchers want to find out deeply about. Future researchers should also do this type of research, or a longitudinal measurement after several laws and regulations regarding ethical issues have been established or modified to see the differences of ranking that happen and the ethical climate that might be changed.

5.3. Implications

Through the importance and frequency of occurrence rankings that have been shown, there are practical and theoretical implications that can be applied. The practical implications include: first, the governmental sector such as the Ministry of Finance, ITCA, tax office, and DGT can consider which issues should be prioritized to reduce the ethical issues that happen. They can evaluate how effective the laws, regulations, and systems have been improved so far. Tax avoidance is the first rank for each importance and occurrence. There are still 19.2% of tax professionals who believe that tax consultants are involved in an act that they consider unethical. The governmental sector can see from this data that the majority of tax consultants behave ethically. The government could give more appreciation to the prime tax consultants. They demonstrate that they do ethical behavior and do more supervision and observations to make sure that there are no tax consultants involved in unethical behavior.

Second, related to the top 5 rankings of issues that have been mentioned and in the tax consultants' code of professional ethics, there is no explanation about loopholes and tax avoidance; there are only rules for not breaking the laws. The government could make more specific or precise regulations and laws regarding loopholes and tax avoidance. For instance, they are strengthening databases, developing the compliance risk application by DGT, increasing taxpayer appeal letters. Therefore, the grey areas could be minimized. Tax professionals agree that they still have a conflict in differentiating legal and illegal tax avoidance. The government should start to make a specific law regarding tax avoidance, in terms of which tax avoidance can be done and which one cannot be done. It can also prevent different interpretations of laws among parties. The government should take a further step towards these ethical issues based on the rank and priority to prevent an increase in tax ethical issues and worse cases that will be disadvantageous to the country.

Through this study, tax officials can be more aware that the top 5 issues are tax avoidance and tax minimization. They could improve the system to easily detect the tax minimization or perhaps tax violations that taxpayers or even tax professionals do. The Indonesia Tax Consultants Association can know that their tax consultants notice that

many opportunities exist for doing unethical behavior. The Indonesia Tax Consultants Association could increase observations for their members for what kinds of opportunities exist among them and do further steps such as giving sanctions to those proven to provide opportunities for doing unethical things. The government should also consider that most tax consultants agree that experienced tax consultants should be the ones who draft the tax consultants' code of ethics because they believe it will increase the ethical values. Supported by most tax professionals who want to serve the public in terms of laws or regulations, the government should involve tax professionals more in the law-making process. From the ranking of the ethical issues, more than 50% of tax professionals agreed on the top 10 important issues and top 5 frequency of occurrence issues. It means that half of the samples demonstrate that those issues need to be given concern. The government could discuss with all the related parties such as tax professionals, tax officers, and ITCA to do a wide review about these tax issues and deliberate in finding appropriate solutions. They should be on the same page and consider the factors that make taxpayers unwilling to pay taxes. This research can also be implemented for business ethics, accounting, and taxation literature.

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