

HIDDEN ACTION IN THE CASE OF TAX DISPUTES IN INDONESIA

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ABSTRACT

This research aimed to conduct a study for tax dispute cases in Indonesia, which refers to the behavior of the Supreme Court's verdict and indication of hidden action done by taxpayer in an effort to win tax disputes and to analyze the taxation regulations especially on the case of tax disputes. The research data are Supreme Court's verdicts 2004-2010 on the tax disputes cases.

This research uses descriptive and logistic regression analysis. The result shows the Supreme Court's verdict has different way of treating tax year, the length of processing disputes, and the difference of calculation between taxpayers and tax apparatus. The analysis indicates that hidden action is done by taxpayers in an effort winning the tax disputes. The higher difference of calculation, the higher probability for taxpayers to win the tax disputes. The longer processing time of tax disputes on the level of Supreme Court the higher probability for taxpayers winning the disputes. This indicates the public functionary's involvement in hidden action by taxpayers. The hidden action done can be in the form of corruption, collusion, and bribery. The analysis of taxation regulation indicates that Indonesian taxation regulations have not been implemented well and deviation is still found.

From this research result and the reference to the previous researches, it is identified that the Indonesian government is required to do things such as: 1) promoting the quality of tax apparatus either intellectually or through moral behavior; 2) promoting the obedience of taxpayer by promoting the benefits of paying tax especially for taxpayers; 3) inviting citizens/societies and social institution to fight against corruption; 4) promoting the obedience to the taxation regulation for taxpayers and tax apparatus; 5) designing a better taxation institution; 6) shortening the time for the process of disputes.

Keywords: *hidden action, corruption, the Supreme Court's verdict, taxpayers.*

INTRODUCTION

Tax is one of the country's income sources that are used to promote the people's welfare. However, there are still some problems in taxation; one of them is tax disobedience of taxpayers (Graetz *et al.* 1986). A fac-

tor that causes the disobedience of tax is moral and social norm prevailing in society (Bobek *et al.* 2007). For example, the research of Bergman (2003) reveals that Chili has better level of tax obedience than Argentina because tax in Chili has been implemented permanently, stably, and nationally so that it can create effective tax administration.

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Tax disobedience can trigger hidden action by taxpayers in effort not to pay or lessen the tax debt. Hidden action arises when a party cannot observe the *work-averse* action of other party (Arrow, 1985; Baiman, 1982). Hidden action is a form of attitude in hidden correlation (Mukoyama & Sahin, 2005). Jaya (2003) argues that if there is asymmetrical information, it will cause hidden information and hidden action. According to Eisenhauer (2006) hidden action is the cause of inefficiency in economy.

The problem of tax disobedience and hidden action is also found in Indonesian taxation. Gayus Tambunan's case reveals that the tax deviation mode is negotiation between tax apparatus and taxpayers on the level of commissioner and on the level of tax investigation (Detik, 2011). Negotiation between tax apparatus and taxpayers is an indication of hidden action in taxation. This complies with the opinion of Darrough and Stoughton (1986) stating that hidden action arises when agent's action cannot be observed by principal. In picking up taxes, agent is taxpayer and principal is tax apparatus. Another fact exposed by Parwito (2005) is that more than 75% of appealed verdict of the Supreme Court are beneficial to taxpayers or make the amount of tax to be paid become smaller. This indicates the presence of hidden action in Indonesian taxation.

Having been indicated to do hidden action by taxpayers that can disturb the country's flow of income, Indonesia finds it important to analyze hidden action in Indonesian taxation. The analysis that can be conducted is the analysis toward the case of tax disputes on the level of Supreme Court (MA). The causes of tax disputes are the difference of calculation between the taxpayer and the Directorate General of Taxation on the amount of tax that should be paid. Pudyatmoko (2009) exposes that tax regulations are made to lessen the opportunity of taxpayers to abuse the opportunity to raise tax disputes. However, in

reality the amount of tax disputes raise increases every year, as performed on the following table:

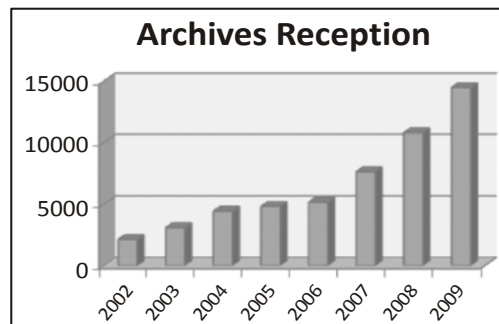


Table 1. The Reception of Tax Dispute Archives

This research is done on the case of earnings tax and value-added tax disputes because these two types of tax give the biggest proportion to the domestic tax income.² This research uses data of Supreme Court's verdicts from 2004 until 2010. This research data is taken from Supreme Court in 2004 because the latest regulation on Tax Jurisdiction, namely Regulation Number 14, 2002 that has been implemented. The Supreme Court's verdict of 2004 has referred to that regulation. The Supreme Court's verdicts from 2004 until 2010 consist of verdicts of tax year disputes of 1997 until tax year of 2005. This research is limited to taxpayers who raise disputes until the level of the Supreme Court.

The resolution of tax disputes requires time and long process³. However, many have appealed their tax disputes resolution to the level of the Supreme Court. Therefore, the taxpayers' motivation to raise their tax disputes should be identified. Other than that, indication of hard action done by taxpayers who raise their disputes to the level of Supreme Court and motivation/motive that un-

² See Note of Finance of National Income Budgeting Draft (APBN) 2010

³ See the course of Tax Disputes in Indonesia (Figure 1)

derlies it should also be identified in the case of tax disputes in Indonesia.

The previous researches that examine the presence of hidden action indication have not yet used data of Supreme Court's verdicts. The previous research using Supreme Court's verdicts is the one on the case of corruption (Pradipto, 2009a; 2009b) and illegal logging (Permana, 2010). In contrast with the previous researches, this research attempts to employ data of Supreme Court's verdicts to identify indication of hidden action by taxpayers.

This research' objectives are to identify the probability of the conflicting parties in effort of winning the tax dispute case. The analysis of the probability of the conflicting parties in winning the case of tax disputes is expected to be able to identify hidden action by taxpayers. There after, analysis is directed to the implementation of tax regulations in Indonesia and it tries to give solution in lessening hidden action especially in Indonesian taxation.

LITERATURE REVIEW

1. Tax Disobedience and Hidden Action

Tax disobedience is a serious problem for government (Graetz *et al.* 1986). Bobek *et al.* (2007) reveals that the influential factor of tax disobedience is: 1) moral hazard/factor, including the surrounding society's morality; 2) the social perspective of good deeds. The research result in Chili and Argentina exposes that the level of tax obedience in Chili is better than Argentina. It is due to the permanently long-implemented, stable, and rational tax policy in Chili so it is easy to create an effective tax administration (Bergman, 2003).

The tax disobedience can create hidden action by taxpayers in effort to annihilate or lessen the tax debt. Hidden action is one of forms of hidden attitude (Mukoyama & Sahin, 2005). According to Darrough & Stoughton (1986), hidden action rises when agent's action cannot be observed by principal.

Hidden action rises when a party cannot observe the action of work-averse of other party (Arrow, 1985; Baiman, 1982). Jaya (2003) argues that hidden action and hidden information are caused by information asymmetry. According to Eisenhauer (2006) hidden action is the cause of inefficiency in economy.

Gayus Tambunan's case reveals that hidden action that take place in Indonesia is caused by tax disobedience, which constitute six modes of tax deviation, namely: 1) negotiation on the level of tax commissioner between tax apparatus and taxpayers; 2) negotiation on the level of tax investigation (apparatus usually frighten the users of fake tax invoice); 3) tax deviation of airport fiscal tax, related to foreign flight; 4) the loss of taxpayers' objection archives; 5) the use of foreign-based companies, usually the Netherland, due to judicial gaps; and 6) tax embezzlement from share investment booked in Letter of Annual Tax Notification (SPPT) (Detik, 2011). Another fact exposed by Parwito (2005) shows that more than 75% of appealed verdict in Tax Jurisdiction gives the taxpayers or makes the amount of to-be-paid tax smaller.

In crime economics, *hidden action* in taxation is a form of crime. Becker (1968) argues that criminals will give dissuading effect upon the high level of detection but relatively low sanction. The research of Casey and Scholz (1991) disclose that upon the high detection probability and high level of punishment, obedience of taxpayers to the taxation law will increase. In contrast with the research of Alm *et al.* (1990) revealing that material incentives will help promote the tax obedience. Individual responds material incentives in choosing whether to pay tax, to avoid paying tax, or to embezzle tax (Alm *et al.*, 1990).

2. The Course of Tax Dispute Resolution

In Regulation No. 6, 1983 on the General Stipulation and Procedure of Taxation (KUP) that is changed into Regulation No. 16, 2000 and the last changed into Regulation No. 28,

2007, it is regulated that if taxpayers are not satisfied with the letter of tax stipulation (SKP) on the amount of the to-be-paid tax, they are allowed to raise dispute. What is meant by tax dispute, according to Regulation No. 14, 2002 on the Tax Jurisdiction is dispute that results from taxation field between taxpayers and authorized tax apparatus. This consequence of the issuing of stipulation on verdicts that can be raised as appeal or litigation to the Tax Court, based on rule of taxation regulation, including litigant or appeal for the implementation of tax collection based on the Regulation of Tax Collection with letter of enforcement. In this research, the area of observation of tax disputes is limited to the case of disputes in term of appeal and litigation that is raised against the amount of tax credited.

According to Regulation No. 14, 2002 on Tax Jurisdiction, litigant does not postpone or hinder the implementation of tax collection or tax obligation. However, the appellant or litigant can raise a request to postpone the implementation follow-up of tax collection during the examination of tax dispute is underway until the Tax Jurisdiction verdict is decided. The request for postponement can be granted only upon urgent circumstance that results in the loss/the harm of litigant's interest if the implementation of tax collection is carried out. In term of appeal or litigation, appeal can only be raised if the amount of tax credited is paid as much as 50%, whereas, the course of tax dispute can be seen in Picture 1.

In accordance with the Regulation No. 14, 2002 on the Tax Jurisdiction, the request of Judicial Review (*Peninjauan Kembali*/PK) can only be raised once to the Supreme Court through Tax Jurisdiction. The request of PK will not postpone or cease the implementation of Tax Jurisdiction Verdict. The reasons why the request of PK can be raised to the Supreme Court are as follows: 1) If Tax Jurisdiction Verdict is based on lies, or the opponent's deception that is identified after the case is cut or based on the later evidence that the judge

defines as fake; 2) if there is new written determining evidence, which is identified upon the stages of judicial process at Tax Jurisdiction will produce different verdict; 3) if claimed matter is granted or granted more than what is claimed, except the cut one, 'granting parts or all' and 'increase the tax to be paid'; 4) if part of the claim is cut without considering the precedents; 5) if part of the claims are obviously not suitable with the stipulation of regulation rule that prevails.

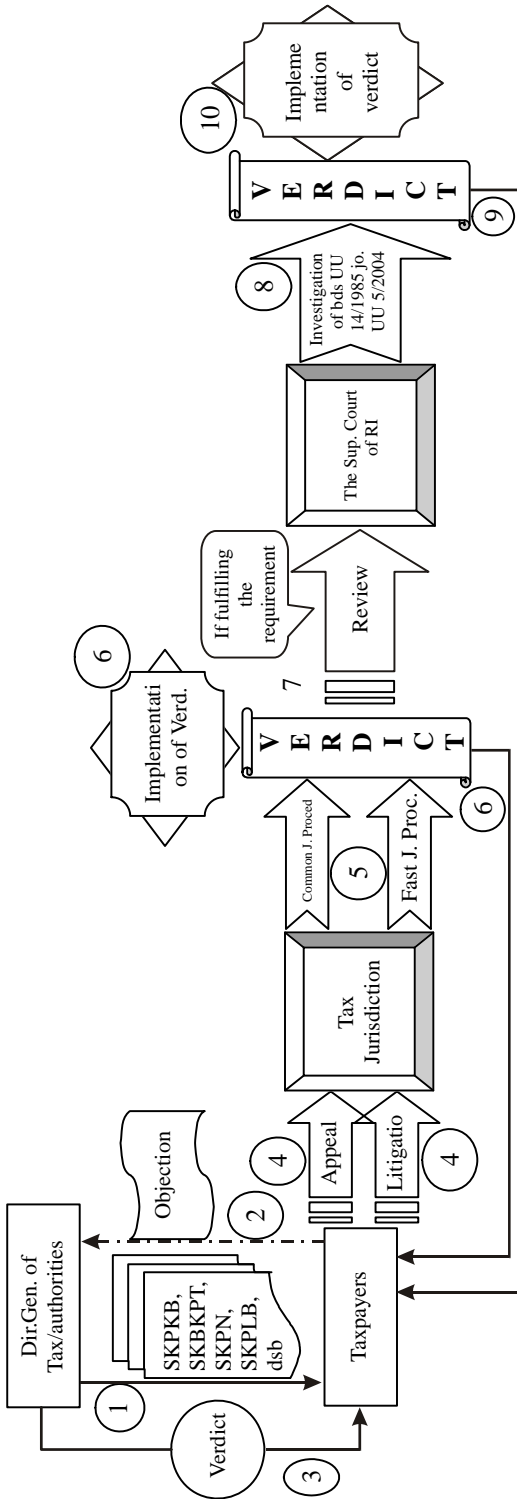
3. Hypothesis Development

This research also examines whether the variable of tax type requester, job contract, case types, tax year, the difference of tax amount calculation, the length of process of PK request will influence the Supreme Court's verdict. It is assumed that the Supreme Court's verdict is influenced by static *criminogenic*⁴ and dynamic *criminogenic*⁵ factors. The variable of tax type, job contract, case types, tax year are static *criminogenic* factor, while the variable of the difference of tax amount calculation, the length of processing PK request are dynamic *criminogenic* factor.

If the variable of the difference of tax amount calculation is significantly influential toward the Supreme Court's verdicts, the Supreme Court's verdict is prone to different variable. This indicates *hidden action* done by taxpayers that is triggered by monetary *benefit* from the difference of tax amount calculation. This also indicates tax disobedience.

⁴ Static *criminogenic* factor is unchanging information on individual from time to time

⁵ Dynamic *criminogenic* factor is information on individual that can change from time to time



Source: Pudyatmoko (2009: 48)

Picture 1. Diagram of Resolution Course of Tax Disputes

Remark:

1. The Submission of the SKPKB, SKPKBT, SKPLB, etc. from the authorized officials to the taxpayers.
2. Objection from the taxpayers (3 months)/ in accordance with the stipulation
3. Verdict for objection (12 months)/in accordance with the stipulation
4. The raise of appeal (3 months). 4a. litigation (14 days).
5. Investigation with common judicial procedure (12 months: appeal with common judicial procedure, 6 months: litigation with common judicial procedure, or 3 months for special case) or fast judicial procedure (30 days)
6. The Submission of Tax Jurisdiction's verdict to the taxpayers (30 days).
7. The request of review (3 months)
8. The investigation of PK request (6 months toward the verdict with common judicial procedure, 1 month toward the verdict with fast judicial procedure).
9. The submission of PK verdict to taxpayers.
10. And 6.a. the implementation of verdict (30 days)

If the variable of length of processing PK request has significant influence toward the Supreme Court's verdicts, the Supreme Court's verdict is prone to length variable. This indicates that *hidden action* that is triggered by the difference of tax amount calculation has correlation with the length of dispute processing.

Job contract is an agreement between the taxpayers and Indonesian government on company's tax policy. Therefore, taxpayers that have job contract get different treatment in taxation. Consequently, it is necessary whether the ownership of job contract of taxpayers influences the Supreme Court's verdicts. If the variable of job contract is significantly influential to the Supreme Court's verdict, it shows that it is prone to the variable of job contract. This indicates that there is a different treatment between taxpayers with job contract and those without it. This also indicates the presence of *hidden action* by taxpayers with job contract. Supreme Court's verdict

With an assumption that the Supreme Court's verdict does not take side and has tendency, the Supreme Court's verdict should have not influenced the variable of case types, tax types, tax year, job contract, the difference of tax amount calculation and the length of processing PK request. Hence, it raises a research hypothesis that assumes no significant influence from the variable of case types, tax types, tax year, job contract, the difference of tax amount calculation, and the length of processing PK request toward the probability of Supreme Court's verdict to win over the Directorate General of Taxation.

RESEARCH METHOD

1. Data Sources

This research data is archives of Supreme Court's verdicts from 2004-2010 towards the PK request on the Tax Jurisdiction verdict in the case of tax dispute. Data is obtained from *website* of Supreme Court, namely:

<http://putusan.mahkamahagung.go.id>. That was accessed on January 14, 2011.

2. Econometrics Specification

The model of cumulative logistic probability function is as follows:

$$P_i = F(Z_i) = \beta_0 + \beta_i X_i$$

$$= \frac{1}{1 + e^{-Z_i}} = \frac{1}{1 + e^{-(\beta_0 + \beta_i X_i)}} \quad (1)$$

$$P_i = \frac{e^{Z_i}}{1 + e^{Z_i}} \quad (2)$$

$$1 - P_i = 1 - \frac{e^{Z_i}}{1 + e^{Z_i}} = \frac{1}{1 + e^{Z_i}} \quad (3)$$

$$\frac{P_i}{1 - P_i} = \left(\frac{e^{Z_i}}{1 + e^{Z_i}} \right) \left(\frac{1 + e^{Z_i}}{1} \right) = e^{Z_i} \quad (4)$$

$$\text{Ln} \left(\frac{P_i}{1 - P_i} \right) = Z_i = \beta_0 + \beta_i X_i \quad (5)$$

Equation (5) then is called as logistic regression equation. This research employs logistic regression analysis as shown on equation (5).

In this research model, it is assumed that the Supreme Court's verdict can be estimated. Whereas the research model is as the following:

$$Y_i = L_i = \text{Ln} \left(\frac{P_i}{1 - P_i} \right) = Z_i$$

$$= \beta_0 + \beta_1 D_{JK_i} + \beta_2 D_{JP_i} + \beta_3 D_{KK} + \beta_4 TP_i + \beta_5 \text{Ln}_{Bd_i} + \beta_6 \text{Ln}_{Lm_i} + e_i \quad (6)$$

Where:

- P_i : probability of the Supreme Court's verdict to win over the Directorate General of Tax
- $1 - P_i$: probability of the Supreme Court's verdicts not to win over the Directorate General of Taxation
- β_0 : constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$: regression coefficient

D_JK : case types (*dummy* variable; 0 for litigation case and 1 for appeal)

D_JP : tax types (*dummy* variable; 0 for earning tax and 1 for value-added tax)

D_KK: job contract (*dummy* variable; 0 for taxpayers without job contract and 1 for those with job contract)

TP : tax year (0 for tax year of 1997, 1 for tax year of 1998, 2 for tax year of 1999, 3 for tax year of 2000, 4 for tax year of 2001, 5 for tax year of 2002, 6 for tax year of 2003, 7 for tax year of 2004, 8 for tax year of 2005)

Ln_Bd: the difference (rupiah) in the form of Ln

Ln_Lm: the length (day) in the form of Ln

e_i : error term

This research is aimed at identifying indication of *hidden action* in the case of tax dispute. From this model, it is expected that job contract has significant positive influence toward the Supreme Court's verdict. If the variable of job contract has significant negative influence toward the Supreme Court's verdict, it shows the Supreme Court develops different treatment toward taxpayers with job contract. Besides that, it is also expected that the variable of difference and the variable of length have significant negative influence toward the Supreme Court's verdict.

ANALYSIS AND DISCUSSION

1. Descriptive Analysis

The Supreme Court's verdict of 2004 until 2010 on PK request of Tax Jurisdiction' verdict on the case of value-added tax dispute and earning tax consists of 192 verdicts. Out of the 192 verdicts, 19 PK requests were granted 173 cases or as much as 90,10% were turned down. PK requests of tax payers were 133 cases or as much as 69,27% and PK requests of Directorate General of Taxation were 59 cases, or as much as 30,73%.

Out of the 192 Supreme Court's verdicts, 111 PK requests of value-added tax disputes or as much as 57,81% and 80 PK requests of earning tax dispute or 41,67%, while 1 PK request could not be identified of its tax types raised as dispute. Therefore, on the level of the Supreme Court, the amount of value-added tax disputes was larger than the earning tax disputes.

In tax dispute, the length of processing PK request is an important thing to put into consideration for taxpayers in raising dispute. From the data it is identified the length of processing PK request on the Tax Jurisdiction's verdict requires minimally 96 days or less than three months and maximally 2.211 days or approximately 74 months or less than 6 years. At the average, the length of processing PK request of Tax Jurisdiction's verdict is approximately 601 days or around 20 months. This indicates that the length of processing PK request of Tax Jurisdiction's verdict takes quite a long time. The frequency of the difference variable and length variable is shown on Table 2.

Table 2. The Frequency of Length and Difference Variables

	Minimum	Maximum	Average
Length	96 days	2211 days	601 days
Difference	Rp. 1.136.305	Rp. 208.954.204.785	Rp. 4.067.400.000

Source: the Supreme Court's verdicts, managed

One of the causal factors of the tax dispute is the difference of calculation between the taxpayers and the taxman /tax collector official about the amount of tax to be paid by taxpayers. The presence of difference of tax amount calculation indicates *hidden information* has caused one of the two parties between the taxpayer and the taxman official/tax apparatus. *Hidden information* has caused the difference of tax amount calculation between the two.

From the data, it is identified that the difference of tax amount calculation, is minimally Rp. 1.136.305, 00 and the difference of tax amount calculation, is Rp. 208.954.204.785,00. At the average, the different calculation is 4.067.400.000, 00. This indicates that at the average, calculation difference between taxpayers and taxman official about the amount of tax to be paid by taxpayers is quite big.

2. Logistic Regression Analysis

Out of 192 verdicts, 183 verdicts contain case types, tax types, job contract, tax year, the difference of tax amount calculation, the length of processing PK request. Hence, to examine the hypothesis, an analysis is carried out toward 183 verdicts of Supreme Court, while the analysis outcome is shown on Table 3.

From Table 3 it is identified that the variable of job contract does not have significant influence toward the Supreme Court's verdicts. The Supreme Court's decision does not have tendency either to taxpayers with job contract or to those without job contract. Tax type variable does not have significant influence toward the Supreme Court's verdicts. The case of earnings tax and value-added tax does not have different treatment to the Supreme Court's verdicts.

Table 3. Logistic Regression Analysis Outcome

Dependent Variable: dummy variable with value 1 if the Supreme Court's verdicts win over the Directorate General of Tax and 0 if do not win the Directorate General of Tax		
Independent variables	Coefficient	Value-P
Constant	18,293***	0,000
D_Tax Types	0,301	0,426
D_KK	0,163	0,729
D_Case Types	-1,335**	0,017
Tax Year	-0,338***	0,003
Ln_Difference	-0,341***	0,001
Ln_Length	-1,355***	0,000
	N	183
	Cox & Snell R ²	0,252
	Nagelkerke R ²	0,340
<i>Hosmer and Lemeshow Test</i>		Sig= 0,120

Note: *** : significant at $\alpha= 0,01$

** : significant at $\alpha= 0,05$

* : significant at $\alpha= 0,1$

Source: data of the Supreme Court's verdicts, managed

From Table 3 it is identified that variable of case types has significant negative influence toward the Supreme Court's verdicts at *alpha* degree of 5%. Therefore, appeal case has higher probability not to win over the Directorate General of Tax than litigation case. The variable of tax year has significant negative influence toward the Supreme Court's verdicts at *alpha* degree of 1%. Therefore, along with the increasing tax year, the probability for taxpayers to win the Directorate General of Tax is decreasing. Meanwhile the frequency of PK request based on tax year is demonstrated on Table 4 as follows:

Table 4. The Frequency of PK Request Based on Tax Year

Tax Year	Amount of PK request	Percentage (%)
1997	3	1,56
1998	4	2,08
1999	14	7,29
2000	27	14,06
2001	43	22,40
2002	42	21,88
2003	28	14,58
2004	23	11,98
2005	7	3,65
unidentified	1	0,52
Total	192	100

Source : the Supreme Court's verdict, managed

Based on tax year, it is identified that the largest amount of PK requests is in tax year of 2001 with 43 PK requests or as much as 22,40%. The lowest amount of PK request in tax year of 1997 as much as 3 PK request or 1,56%.

The variable of difference has significant difference toward the Supreme Court's verdicts at *alpha* degree of 1%, so in every 1% increase of the difference of tax amount calculation that the taxpayers have to pay, the probability to win over the Directorate General of Taxation decreases. This indicates that the larger difference of the calculation of tax

amount that the taxpayers have to pay, the higher probability for taxpayers to win tax disputes over the Directorate General of Taxation. This indicates *hidden action* by taxpayers.

The higher difference of tax amount calculation to be paid by taxpayers, the higher *benefit* the taxpayers will receive upon winning the dispute. However, the analysis outcome shows that the higher the difference of tax amount calculation that the taxpayers have to pay, the higher probability for taxpayers to win the dispute. This indicates *hidden action* done by taxpayer, involving the public official. The *hidden action* can be in the form of bribery, collusion and corruption in effort to win the tax disputes.

The public officials who use their status or authority for their personal profit, or to give benefit to their families and friends using the public resources belongs to *petty corruption* (Server, 1996). Server (1996) added that the definition of this corruption belongs to monetary, political and administrative aspect. Treisman (2000) stated that the abuse of public resources for personal interest could be classified as corruption.

The definition of corruption in larger sense is as quoted by Wijayanto (2009) from Langseth *et al.* (1997), the misuse of public power for personal, private interest that harms public using methods against the prevailing law. Based on this definition of corruption, *hidden action* done by taxpayers and tax apparatus can be categorized as corruption. The corrupt tax officials often make collusion with taxpayers to lessen the tax obligation so the income of tax decreases much from its potentials (Aidit, 2003). Hence, the opportunity to raise tax dispute has been misused by taxpayers and public officials for personal interest.

The variable of length has significant negative influence toward the Supreme Court's verdicts at the *alpha* degree of 1%. So, in every 1% increase of length of the tax dis-

pute processing on the level of the Supreme Court, the probability of winning the Directorate General of Tax in the case of tax dispute decreases. This indicates that the probability for the taxpayers to win tax dispute will increase upon the long process of tax dispute. This also indicates *hidden action* done by taxpayers that involves public officials. Taxpayers and public officials make benefits out of the long process of tax disputes to do *hidden action* (bribery, collusion, corruption) in an effort of winning the tax disputes. This complies the statement of Pradiptyo (2009^a) that the decision to commit corruption can be done at the stage before court process (*pre-court decision*). Therefore, the length of processing disputes can be used to commit corruption.

The propensity of the Supreme Court's verdict toward the variable of difference and length indicates that taxation regulation is not implemented well because the Supreme Court's verdicts are dependable on the difference of tax amount calculation and the length of processing the PK request. Act 93 Verse 1 letter a Regulation No.14 Year 2002 on the Tax Jurisdiction stating that:

“The Supreme Court investigates and cuts the request of review with requirement: in a period of 6 (six) months from the request of review is accepted by the Supreme Court, it has decided in Tax Jurisdiction through the examination of common judicial procedure.”

According to Act 81 of Regulation No. 14, 2002 on the Tax Jurisdiction, it is stated that the decision of investigation through common judicial procedure of appeal is taken in a period of 12 (twelve) months from the acceptance of appeal letter. The decision of investigation of common judicial procedure of litigation is taken in a period of 6 (six) months from the acceptance of litigation letter. Thereafter, it arranges if on special cases, such period can be extended maximally for 3 (three) months.

That act also regulate that under special condition, the total period of investigation decision for appeal is 15 months and for litigation 9 months. However, in accordance with the data of the Supreme Court's verdict, the length of PK request is at the average 601 days or about 20 months. This proves that Regulation No. 14, 2002 on Tax Jurisdiction is not implemented well especially Act 81, even deviation to the Regulation takes place. This indicates that taxpayers' *hidden action* in effort of winning the tax disputes encourages the public official (tax apparatus) breaks the regulation. This research result in compliance with the fact revealed by Gayus Tambunan, affirming that one of the tax deviation mode is the negotiation between tax apparatus and taxpayers (Detik, 2011). This research result also in conforms with the statement of Parwito (2005) that more than 75% of appeal verdict in Tax Jurisdiction gives benefits to taxpayers or makes the amount of tax to be paid lessened.

CONCLUSION AND POLICY IMPLICATION

The identification of this research result indicates that many deviations on Indonesian law of taxation are still found. This research indicates that *hidden action* in the form corruption, bribery and collusion in the case of tax disputes. It is proven that the Supreme Court's verdicts are prone to the difference of tax amount calculation and the length of dispute process. In raising the tax disputes, taxpayers are indicated to commit *hidden action* together with public officials (tax apparatus) in effort of winning the tax dispute. *Hidden action* done encourages the deviation of tax regulation. In practice, the deviation exceeds the length of time regulated by the tax regulation. The analysis outcome shows that the length of processing disputes is made use of doing *hidden action*. Therefore, to avoid the misuse of tax- dispute processing period, it is recommended that it shorten the length of processing tax dispute.

From the identification of this research result, and referring to the previous researches, it is necessary for Indonesian government to do: 1) elevating the quality of tax apparatus, either intellectually or through behavioral morality; 2) promoting tax obedience of taxpayers by enhancing the benefits of tax payment especially for taxpayers; 3) encouraging citizens and social institution to fight against corruption; 4) elevating the obedience to tax regulation for taxpayers and tax apparatus; 5) designing better tax institution; and 6) shortening the length of processing dispute.

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ENCLOSURE
THE ANALYSIS OUTCOME

Logistic Regression

Case Processing Summary			
Unweighted Cases ^a		N	Percent
Selected Cases	Included in Analysis	183	100.0
	Missing Cases	0	.0
	Total	183	100.0
Unselected Cases		0	.0
Total		183	100.0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding	
Original Value	Internal Value
Not winning the Directorate General of Tax	0
Winning the Directorate General of Tax	1

Block 0: Beginning Block

Classification Table ^{a,b}					
		Observed	Predicted		Percentage Correct
			D_put		
			Not winning the Directorate General of Tx	Winning the Directorate General of Tax	
Step 0	D_put	Not winning the Directorate General of Tax	0	74	.0
		Winning the Directorate General of Tax	0	109	100.0
Overall Percentage					59.6

a. Constant is included in the model.

b. The cut value is ,500

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	.387	.151	6.611	1	.010	1.473

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	jns_pjk	.425	1	.514
		thn_pjk	1.815	1	.178
		D_KK	2.051	1	.152
		kasus	2.298	1	.130
		ln_beda	7.487	1	.006
		ln_lama	28.748	1	.000
	Overall Statistics	45.329	6	.000	

Block 1: Method = Enter

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	53.031	6	.000
	Block	53.031	6	.000
	Model	53.031	6	.000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	193.926 ^a	.252	.340

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	12.774	8	.120

Contingency Table for Hosmer and Lemeshow Test

		D_put = Tidak Memenangkan Dirjen Pajak		D_put = Memenangkan Dirjen Pajak		Total
		Observed	Expected	Observed	Expected	
Step 1	1	12	14.807	6	3.193	18
	2	16	12.793	2	5.207	18
	3	13	11.385	5	6.615	18
	4	7	9.632	11	8.368	18
	5	8	7.690	10	10.310	18
	6	7	6.095	11	11.905	18
	7	7	4.933	11	13.067	18
	8	1	3.418	17	14.582	18
	9	3	2.269	15	15.731	18
	10	0	.978	21	20.022	21

Classification Table^a

		Observed	Predicted		Percentage Correct
			D_put		
			Not winning the Directorate General of Tax	Winning the Directorate General of Tax	
Step 1	D_put	Not winning the Directorate General of Tax	45	29	60.8
		Winning the Directorate General of Tax	24	85	78.0
Overall Percentage					71.0

a. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	jns_pjk	.301	.378	.635	1	.426	1.351
	thn_pjk	-.338	.115	8.663	1	.003	.713
	D_KK	.163	.472	.120	1	.729	1.178
	kasus	-1.335	.557	5.746	1	.017	.263
	ln_beda	-.341	.107	10.132	1	.001	.711
	ln_lama	-1.355	.245	30.485	1	.000	.258
	Constant	18.293	3.390	29.124	1	.000	8.799E7

a. Variable(s) entered on step 1: jns_pjk, thn_pjk, D_KK, kasus, ln_beda, ln_lama.

thn_pjk * D_put Cross-tabulation

Count

		D_put		Total
		Not winning the Directorate General of Taxation	Winning the Directorate General of Taxation	
thn_pjk	1997	1	2	3
	1998	2	2	4
	1999	5	9	14
	2000	7	18	25
	2001	11	32	43
	2002	25	16	41
	2003	13	14	27
	2004	7	12	19
	2005	3	4	7
Total		74	109	183