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**WEAKNESSES OF THE CHANGE FROM THE OFFICIAL SYSTEM TO THE SELF ASSESSMENT SYSTEM: COMPLETENESS OF TAX DATA 2023-2024**

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**ABSTRACT**

The transition from the Official Assessment System to the Self-Assessment One of the major challenges is the increasing risk of non-compliance due to inaccurate or deliberately manipulated tax reporting. Another significant weakness is the increasing demand for strict monitoring and enforcement mechanisms. Tax authorities must improve their audit capabilities and apply stringent sanctions to ensure optimal compliance. However, such enforcement measures require substantial resources, including skilled personnel and sophisticated information technology systems. The study uses a qualitative approach aimed at analyzing the weaknesses arising from the transition from the Official Assessment System to the Self-Assessment System and evaluating their impact on tax compliance and revenue effectiveness. The findings are expected to provide policy recommendations for improving the tax system to improve compliance and ensure sustainable tax revenue collection.

Keywords: change from the official system; official assessment system; self-assessment system; tax compliance

**INTRODUCTION**

The change in the tax system from *the Official Assessment System* to *the Self-Assessment System* is a step taken by many countries to improve the efficiency of tax administration and encourage taxpayers to be more responsible in fulfilling their tax obligations. In the *Self-Assessment* system, taxpayers are given full trust to calculate, report, and pay their taxes independently without having to wait for determination from the tax authorities. While this system has advantages in terms of administrative efficiency and increased voluntary compliance, these changes also have various drawbacks that can impact the effectiveness of tax revenue and tax compliance. One of the main challenges in the *Self-Assessment* system is the increased risk of non-compliance due to inaccurate or deliberately manipulated reporting by taxpayers. The lack of direct supervision from tax authorities makes the chances of tax evasion and tax evasion even greater (Bird, R. M., & Zolt, E. M. (2005); (Alm, J., & Torgler, B. (2006) & (OECD (2020).

In addition, the implementation of *the Self-Assessment System* also depends on the understanding and awareness of taxpayers. Lack of tax literacy can lead to errors in tax calculation or reporting, both intentional and unintentional. This can result in potential loss of tax revenue for the state and increase the administrative burden for tax authorities in conducting inspections and law enforcement. Another weakness is the high need for a stricter supervision and law enforcement system. Tax authorities should increase supervisory capacity, including through audits and sanctions, to ensure optimal compliance. However, the implementation of strict supervision requires large resources, both in terms of labor and information technology (Schneider, F., & Enste, D. H. (2000); (Alm, J. (2012)&(OECD (2019).

Some studies show that *the Self-Assessment System* has a significant positive effect on taxpayer compliance, while other studies have found that *the Self-Assessment System* has no significant effect on taxpayer compliance. These variations in results suggest the need for further research to understand the factors that moderate or mediate the relationship between *Self-Assessment Systems* and tax compliance. Most of the research focuses on individual taxpayers, so research that explores the impact of *the Self-Assessment System* on corporate or corporate taxpayers is needed to gain a more comprehensive understanding (Alm, J., & Torgler, B. (2006); (Andreoni, J., Erard, B., & Feinstein, J. (1998); (Harris, T. D., & LaRue, M. M. (2009) & (Kirchler, E. (2007).

Research on the influence of factors such as tax morale and the use of e-filing on tax compliance is still limited. Recent studies show that these factors have an important role in improving taxpayer compliance. Several studies identified obstacles in the implementation of *the Self-Assessment System*, such as a lack of understanding of taxpayers and potential abuse. However, research exploring effective solutions to overcome these constraints is still limited. Based on various challenges, the study aims to analyze the weaknesses that arise due to the change from *the Official Assessment System* to *the Self-Assessment System* and evaluate their impact on tax compliance and the effectiveness of tax revenue. Thus, the results of the research are expected to provide recommendations for policymakers in improving the tax system to improve tax compliance and revenue in a sustainable manner.

## **METHOD**

This study uses a qualitative approach with the triangulation method. The data is collected through an open questionnaire that is distributed to corporate and individual taxpayers (Kuncoro, Amin et al, 2023) is analysis with a post-positivism approach to find out how complete taxpayers are taxpayers. In addition, interviews were conducted with tax officials to gain perspectives on the effectiveness of supervision in the *Self-Assessment system*. Secondary data is also obtained from the annual report of the Directorate General of Taxes and related scientific publications.

## **RESULTS AND DISCUSSION**

Based on the results of the study, it was found that the main weakness in the *Self-Assessment* system is the lack of strict supervision, which contributes to the increase in cases of tax non-compliance. The data collected shows that many taxpayers still have a low understanding of tax regulations, thus contributing to the rate of errors in reporting. In addition, the analysis shows that the main factors affecting tax compliance are taxpayers' perception of the fairness of the tax system, the level of understanding of tax regulations, and the effectiveness of audits conducted by tax authorities.

In interviews with tax officials, they emphasized that increased compliance can be achieved through increased transparency in tax administration and providing incentives for compliant taxpayers. Furthermore, this study found that the application of technology in tax supervision has a significant impact on improving taxpayer compliance. The use of more sophisticated tax information systems allows tax authorities to conduct more accurate data analysis and detect non-compliance earlier. From the results of these findings, the study recommends several policy steps, including: (1) improving tax education for taxpayers to better understand their obligations, (2) strengthening the audit and supervision system to reduce the number of non-compliance, and (3) implementing incentive policies that can encourage taxpayers to be more compliant with tax regulations. Although the *Self-Assessment system* has advantages in terms of administrative efficiency, weaknesses in supervision and compliance are still major challenges that must be overcome. With improvements in the supervision and education

policies of taxpayers, it is hoped that this system can run more effectively and support the optimization of state tax revenue.

The results of the study show that the level of tax compliance in the *Self-Assessment system* still faces various challenges, especially related to tax supervision and literacy. The regression analysis revealed that the main factors that affect taxpayers' compliance include the perception of fairness in the tax system, the effectiveness of supervision, and taxpayers' understanding of tax rules. Saad's research (2019) found that tax literacy contributes significantly to the level of taxpayer compliance. These results are in line with this study which shows that taxpayers with a better understanding of their tax obligations tend to be more compliant.

*Self-Assessment System* is a tax system where taxpayers have the obligation to calculate, report, and pay taxes independently (James & Alley, 2002). The system aims to improve the efficiency of tax administration and foster voluntary compliance. Research by Satyawati and Cahjono (2017) shows that *the Self-Assessment System* has a positive and significant influence on taxpayer compliance. According to Katadata (2023), the weaknesses of the *Self-Assessment System* include potential inaccuracies and irregularities, difficulties in supervision, difficulties for taxpayers, lack of full control by tax authorities, and the need for extra supervision.

Online Taxes (2023) emphasizes that in the *Self-Assessment System*, taxpayers must have adequate tax knowledge to calculate and report taxes correctly. Zulfa's research (2020) found that *the Self-Assessment System* had no significant effect on the reporting compliance of individual taxpayers. Tax compliance is the level of compliance of taxpayers in fulfilling tax obligations in accordance with applicable regulations. According to Allingham & Sandmo (1972), tax compliance is influenced by factors such as tax sanctions, opportunities for detection by tax authorities, as well as psychological factors such as perceptions of tax fairness. Tax compliance is the willingness and actions of taxpayers, both individuals and entities, to fulfill tax obligations in accordance with applicable regulations. It includes the process of calculating, paying, and reporting taxes owed correctly and on time without intervention or coercion from the tax authorities

In addition, Alm & McClellan's (2020) research shows that the effectiveness of tax audits has a positive correlation with increased compliance. These findings are supported by interviews with tax officials who reveal that more intensive audits and technology-based surveillance systems can improve taxpayer compliance. Furthermore, Torgler's (2018) research on tax morality found that psychological and social factors also affect the level of compliance. The study confirms that trust in tax authorities and the transparency of the tax system can drive higher compliance. By comparing the results of this study with previous studies, it can be concluded that the success of the *Self-Assessment System* depends heavily on strict supervision, increased tax literacy, and the application of technology in tax administration. Therefore, the proposed policy recommendations include improving tax education, strengthening the audit system, and developing a more sophisticated tax information system.

## **CONCLUSION**

This study concludes that the change from *the Official Assessment System* to *the Self-Assessment System* has various weaknesses, especially in terms of supervision, tax literacy, and the risk of non-compliance. The lack of direct supervision from tax authorities increases the chances of tax evasion and tax evasion. Therefore, it is necessary to improve tax education, strengthen the audit system, and develop more sophisticated tax technology to ensure optimal tax compliance.

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