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Decision Making: Perspective of Tax Consultant Ethics

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Abstract:

Ethics is the foundation for decision-making by practitioners is no exception for tax consultants. This research was conducted to find out how ethics influences tax advisors in decision making. This research is an explanatory, quantitatively approached study. Questionnaire is a tool to data collection. Sample 50 tax consultants that have affiliated with the Indonesian Tax Consultants Association's Bandung area. The method of data analysis used in this analysis is multiple regression analysis. The results of this study indicate that ethics consists of perception and social responsibility, engineering nature, ethical considerations and locus of control simultaneously have a significant impact on decision-making. But in part it shows that the perception and social responsibility results, Machiavellian nature, ethical considerations in decision-making have a positive but not significant effect. Then the locus of control shows a negative and not significant effect on decision-making. The coefficient for determining these ethical factors in simultaneous analysis with the tax consultant's ethical decision-making has significance by only 7.3%.

Keywords: Perception and social responsibility, Machinal role, ethical considerations, locus of control, ethical decision-making

1. Introduction

Tax is a sector that has a vital role in state revenue. The percentage of tax revenue can be seen in the State Budget (APBN) which has increased every year. Taxpayers, tax officials and tax consultants are parties who have contributed to this tax revenue. Most of the tax revenue comes from individual and corporate taxpayers (Kusuma et al, 2016). The role of tax consultants in Indonesia is needed as an intermediary that can help taxpayers overcome tax problems so as to increase state revenue from the tax sector (Novita et al, 2015). Tax consultant is a profession that cannot be separated from ethics and morals (Hartika, 2018).

The Indonesian Tax Consultants Association, also known as IKPI, stated that there were 3,500 registered tax consultants as of early 2018. This can be seen in Figure 1 related to the development of tax consultancy growth from 2011 to 2018.

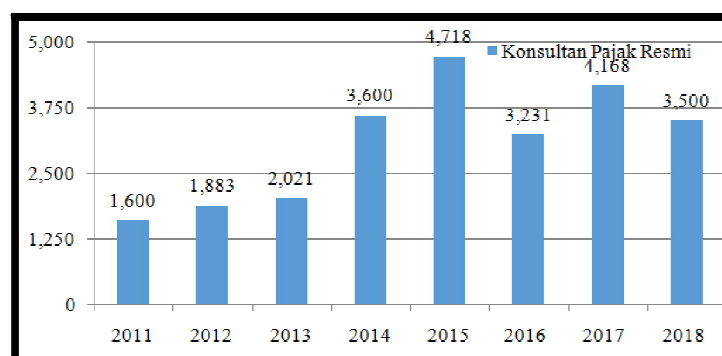


Figure 1: Growth Chart of Tax Consultants in 2011-2018

Source: Association of Tax Consultants, 2018

Tax consultants are in fact faced with two conditions, first the condition as a state intermediary in helping to increase the amount of revenue that comes from taxes by encouraging taxpayers to pay taxes properly in accordance with applicable regulations and secondly faced with the demands of the interests of clients who want to minimize the tax burden owed paid to the state (Inside Tax, 2013; Kusuma et al, 2016).

The pragmatic view of responsibility to stakeholders is one of the important aspects that will influence the belief that the importance of ethics and social responsibility for the company's long-term sustainability. But in reality, the tax consultants involved in the practice of tax avoidance do not believe the ethical values and corporate social responsibility

are important (Singhapakdi et al, 1996). Tax consultant behavior is influenced by several factors in carrying out his profession. This factor can be sourced from himself (individually) and from his environment (situational). Arestanti et al (2016) say that individual factors that influence ethical decision making include perceptions of the importance of ethics and social responsibility, Machiavellian nature, and ethical considerations. Tjongari and Widuri (2014) said that individual characteristics that influence someone in decision making, one of which is the locus of control. Adriana (2013) said that situational factors that influence ethical decision making include risk preference, professional dominance, up to date information, and professional relations. These factors will later influence the behavior of tax consultants in ethical decision making. Ethical decisions are considered important in the taxation cycle because they affect the size of state revenue from the taxation sector (Kusuma et al, 2016).

These previous studies indicate that there are non-uniformities of research results, so on this basis the researcher wants to re-examine whether perceptions of the importance of ethics and social responsibility, Machiavellian nature, locus of control and ethical considerations of tax consultants have a significant effect on ethical decision making. This research was conducted with reference to the research conducted by Kusuma et al (2016) and Tjongari and Widuri (2014). The differences are in the third variable and the location chosen to conduct the study. The third variable of this study is the ethical consideration of the tax consultant and the chosen research location is the Indonesian Tax Consultants Association office in the city of Bandung. Based on the background outlined there are still problems with the tax consultant in ethical decision making. The purpose of this research is to find out and analyze the influence of perception of the importance of ethics and social responsibility, Machiavellian nature, locus of control and ethical considerations on the ethical decision making of tax consultants who are registered in IKPI Bandung partially and simultaneously.

2. Literature Review

2.1. Ethical Perception and Social Responsibility

Singhapakdi et al (1996) developed an instrument to measure perceptions of the importance of ethics and social responsibility - *The Perceived Role of Ethics and Social Responsibility* (PRESSOR). There are two views in assessing the scale of perception of the importance of ethics and social responsibility as follows: 1. The view of stockholders / shareholders, companies only have responsibilities towards shareholders with the aim of maximizing profits. 2. Stakeholder views, social responsibility has a broader view includes all parties such as employees, consumers, creditors, government, society, and others.

2.2. Machiavellian Properties

Some individuals exhibit *Machiavellianism*. His height is practical, keeps his emotional distance, and believes that goals can be achieved by justifying any means (Mulyadi, 2015). Leary and Hoyle (2009) describe several Machiavellian personalities as follows:

- Machiavellian has an external locus of control i.e. they believe that work behavior and the success of their tasks are more subject to factors outside themselves, namely the organization so that if they fail, they will blame the organization rather than introspection themselves.
- High mach types assume other people are weak and have little control over their situation. In this field, high mach types believe that they can manipulate others to get what they want.
- Given their manipulative tendencies, high mach people have low intentions to respect the agreements they have made and are more likely to withhold information that will endanger them economically.
- Compared to low mach type people, high mach type people give high priority to money, power, and competition while relatively low priority to build community, self-love and family.
- High mach type people have a point of view is goal-oriented not process-oriented so that in achieving their goals they prefer shortcuts.
- High-Mach types relatively emphasize competency values, that is, assessing competence and ability to succeed. ‘

2.3. Locus of Control

Rotter (1996) there are two constructs of locus of control, namely internal locus of control and external locus of control. Someone with internal locus of control believes that they have control over their destiny. While someone who refers to his belief that, luck, fate, people who are more powerful, and things beyond his control can be stronger to make decisions about the life and results of an individual is called an external locus of control.

2.4. Ethical Considerations

Brooks and Dunn (2014) mentioned, there are four considerations that must be made, namely:

- Consequentialism, concerning wealth and prosperity.
- Deontology, concerns behavior that respects the rights of stakeholders.
- Fairness, concerns regarding equality among stakeholders.
- Motivation of decision makers, is an approach known as virtue ethics.’

2.5. Ethical Decision Making

Brooks and Dunn (2014) revealed that there are mistakes that are often made by decision makers in the business world as follows:

- Focus on short-term profits and impact on shareholders.

- Focus only on legality or only care about whether an action is in accordance with existing rules.
- Limited justice, sometimes decision making is only fair for the group you like. The best way to guarantee a decision is ethical if it is fair to all stakeholders.
- Conflicts of interest, situations where decision making cannot make decisions objectively.
- Failure to consider motivation for decisions.'

3. Methodology

This research is an explanatory research type (explanatory research) using quantitative research methods. Sudaryono (2017) explains explanative research as follows: 'Explanation research aims to describe a generalization or explain the relationship between one variable with another variable.'

The unit of analysis in this study is that each individual tax consultant is registered at the Indonesian Tax Consultants Association (IKPI) Bandung branch. The unit of analysis to be examined is related to the individual factors of each existing tax consultant. Data collection uses a questionnaire. The sample used was 50 respondents.

4. Results

Frequency distribution is a descriptive analysis used to explain the average number of indicators and research variables.

4.1. Frequency Distribution of Perception of the Importance of Ethics and Social Responsibility (X1)

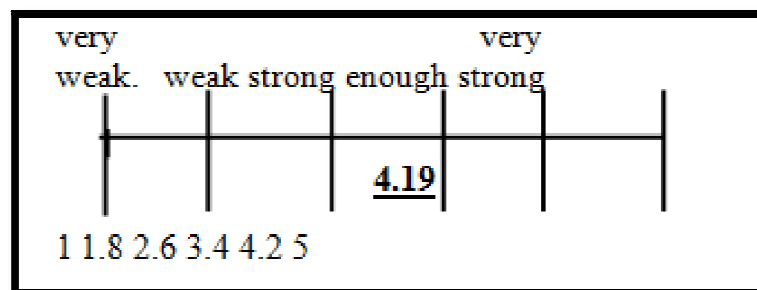


Figure 2: Distribution of Frequency Perception the Importance of Ethics and Social Responsibility

Source: Processed by Researchers, 2018

Figure 2 shows that in the Perception variable The Importance of Ethics and Social Responsibility (X1) the majority of respondents agreed. This can be seen from the average value of the Perception of the Importance of Ethics and Social Responsibility (X1) of 4.19. Perception of the Importance of Ethics and Social Responsibility (X1) is included in the strong category, meaning that tax consultants registered at the Bandung branch of the Indonesian Tax Consultants Association consider it important to have ethics and have strong (high) social responsibilities.

4.2. Frequency Distribution of Machiavellian Properties (X2)

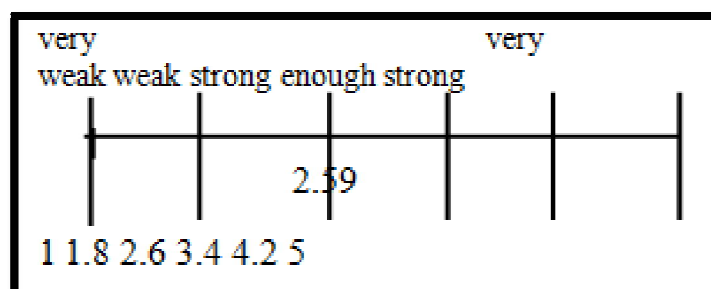


Figure 3: Frequency Distribution of Machiavellian Properties

Figure 3 shows that in the Machiavellian Trait (X2) variable the majority of respondents disagree. This can be seen from the average value of Machiavellian Properties (X2) of 2.59. The Machiavellian nature (X2) is included in the weak category, meaning that the Tax consultant registered at the Indonesian Branch of the Indonesian Tax Consultants Association has a Machiavellian nature or the possibility of manipulating weak (low).

4.3. Frequency Distribution of Ethical Considerations (X3)

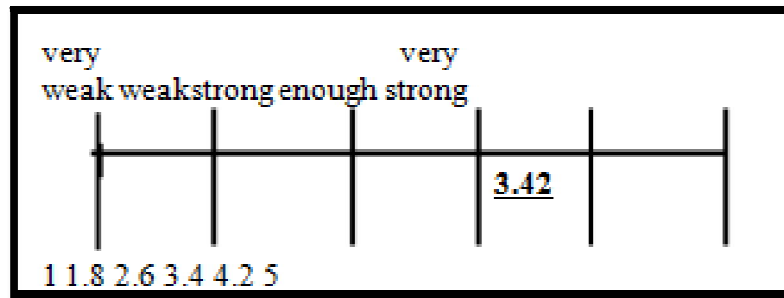


Figure 4: Frequency Distribution of Ethical Considerations

Figure 4 shows that in the Ethical Consideration variable (X3) the majority of respondents disagree. This can be seen from the average value of the variable Ethical Considerations (X3) of 3.42. Ethical Considerations (X3) are included in the strong category, meaning that tax consultants registered at the Indonesian Branch of the Bandung Tax Consultants Association have strong (high) Ethical Considerations.

4.4. Locus of Control (X4) Frequency Distribution

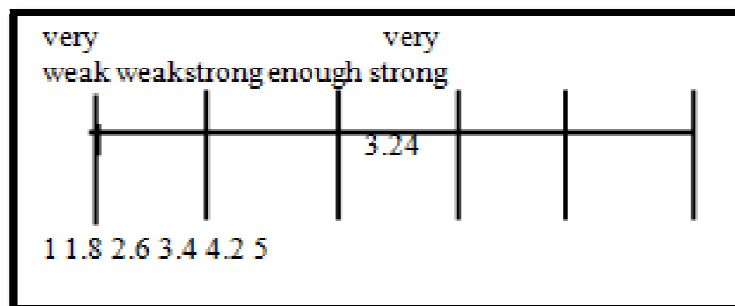


Figure 5: Frequency Distribution of Ethical Considerations

Figure 5 shows that in the Locus of Control (X4) variable the majority of respondents agreed. This can be seen from the average value of the variable Locus of Control (X4) of 3.24. Locus of Control (X4) is included in the strong category, meaning that the Tax Consultant registered at the Indonesian Branch of the Bandung Tax Consultants Association has a strong view of self-control in making a decision.

4.5. Frequency Distribution of Ethical Decision Making (Y)

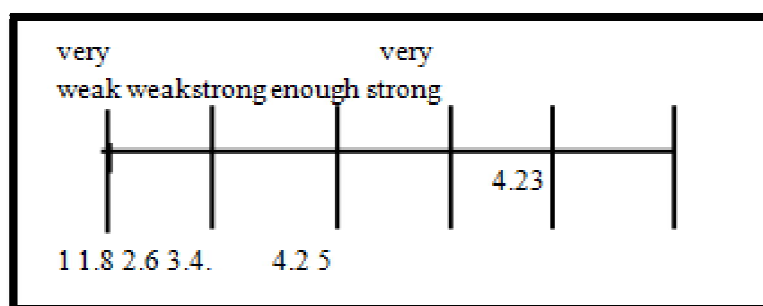


Figure 6: Frequency Distribution of Ethical Considerations

Figure 6 shows that the Ethical Consideration variable (Y) the majority of respondents expressed strongly disagree. This can be seen from the average value of the Ethical Decision Making (Y) variable of 4.23. These results indicate that the Tax Consultant registered with the Indonesian Tax Consultants Association Bandung Branch, the possibility of making ethical decisions is very strong (very high).

4.6. Multiple Linear Regression Analysis

The recapitulation results can be formed an equation as follows:

$$Y = 22,351 + 0,154X1 + 0,040X2 + 0,050X3 - 0,042X4$$

The coefficients contained in the statement above can be explained as follows:

a = 22,351	That is, if all four independent variables (X) have a constant value of 0 (zero) then the dependent variable taking ethical decisions (Y) will be worth 22, 351.
b1 = 0.154	That is, if the Independent variable perceptions of the importance of ethics and social responsibility (X1) increases by one unit and the other three Independent variables are constant (zero), then ethical decision making (Y) will increase by 0.154.
b2 = 0.040	That is, if the independent variable Machiavellian nature (X2) increases by one unit and the other three independent variables are constant (zero), then ethical decision making (Y) will increase by 0.040.
b3 = 0.050	That is, if the independent variable ethical consideration (X3) increases by one unit and the other three independent variables are constant (zero), then ethical decision making (Y) will increase by 0.050
b4 = 0.042	That is, if the independent variable locus of control (X4) increases by one unit and the other three independent variables are constant (zero), then ethical decision making (Y) will increase by 0.042.

Table 1

Source: Processed by Researchers, 2018

4.7. Coefficient of Determination

The coefficient of determination test (R^2) aims to measure how far the model's ability to explain the variation of the dependent variable. The coefficient of determination (R^2) is between zero and one. A value close to one means that the independent variable provides almost all the information needed to predict the variation of the dependent variable whereas when it approaches zero it means that the independent variable provides very limited information needed to predict the variation of the dependent variable. The results of the coefficient of determination indicate a value of 0.073 which means that the ethical decision-making variable by a Tax consultant gets the effect as much as 7.3% together from the variable Perception of the Importance of Ethics and Social Responsibility, Machiavellian Nature, Ethical Considerations, and Locus of Control.

4.8. Hypothesis Test

4.8.1. Test F

The result of the calculated F value was 0.884 with a probability of 0,000 ($p < 0.05$), so it can be stated that the Perception of the Importance of Ethics and Social Responsibility, Machiavellian Nature, Ethical Considerations, and Locus of Control together have a significant effect on Decision Making Ethical.

4.8.2. Test T

4.8.2.1. Perception Variable Importance of Ethics and Social Responsibility (X1)

Regression coefficient (β) variable X1 of 0.154 with a probability of 0.100 ($p < 0.05$), it can be stated that Perception of the Importance of Ethics and Social Responsibility partially has a positive and not significant effect on Ethical Decision Making.

4.8.2.2. Machiavellian Trait Variable (X2)

Regression coefficient (β) variable X2 of 0.040 with a probability of 0.605 ($p > 0.05$), it can be concluded that the Machiavellian trait is partially positive and not significant effect on Ethical Decision Making.

4.8.2.3. Ethical Consideration Variable (X3)

Regression coefficient (β) variable X3 of 0.050 with a probability of 0.790 ($p > 0.05$), it can be concluded that the Risk Preference is partially positive and not significant effect on Ethical Decision Making.

4.8.2.4. Locus of Control Variable

Regression coefficient (β) variable X4 is -0.042 with a probability of 0.704 ($p > 0.05$), it can be concluded that the Locus of Control is partially negative and not significant effect on Ethical Decision Making.

4.9. Discussion of Research Results

4.9.1. Influence of Perception on the Importance of Ethics and Social Responsibility on Ethical Decision Making

Perception of the Importance of Ethics and Social Responsibility partially has positive and insignificant effect on Ethical Decision Making. The results of this test do not support previous research, as in the research of Kusuma et al (2016) which in their research results concluded that the Perception of the Importance of Ethics and Social Responsibility has a positive and significant effect on ethical decision making towards Tax Consultants and Hartika's research (2018) states that Perception of the Importance of Ethics and Social Responsibility does not affect Ethical Decision Making. The objects in this study are the same as those studied by Kusuma et al (2016) who examined Tax Consultants.

Results this research shows the Perception of the Importance of Ethics and Social Responsibility in the perception of official Tax consultants can guide in choosing appropriate action if faced with ethical dilemmas. Tax Consultants registered with the Indonesian Branch of the Indonesian Tax Consultants Association have a professional code of ethics that is always used as a guide in acting and behaving. Decisions made by tax consultants can be morally and legally accountable.

4.9.2. Effects of Machiavellian Traits on Ethical Decision Making

Machiavellian nature is partially positive and has no significant effect on Ethical Decision Making. The results of the study are different from the research of Kusuma et al (2016) and Hartika (2018) which concluded that the Machiavellian nature has a negative and not significant effect on ethical decision making. Variable Machiavellian traits from the test results produce a positive value which means that every increase in the level of Machiavellian traits will reduce the tendency of individuals to make unethical decisions.

In the descriptive analysis above, it is shown that the tax consultants registered at the Bandung branch of the Indonesian Tax Consultants Association Office have weak (low) Machiavellian properties, meaning that the tax consultant's desire to manipulate is low.

4.9.3. Effects of Ethical Considerations on Ethical Decision Making

This study has similarities with the results of previous studies conducted by Arestanti et al (2016) and Hartika (2018). The results of previous studies have shown that ethical considerations have a positive effect on ethical decision making. In the descriptive analysis above, it is shown that the tax consultants registered at the Bandung branch of the Indonesian Tax Consultants Association Office have strong (high) ethical considerations and the ethical considerations of tax consultants in this study have a positive and significant effect on ethical decision making. This shows that individual factors in the form of ethical considerations of tax consultants influence the ethical decision-making process.

4.9.4. Effect of Locus of Control on Ethical Decision Making

Locus of Control partially and negatively significant effect on Ethical Decision Making. The results of these studies differ from studies conducted by Pratama and Wirama (2018) which conclude that Locus of Control has a positive and significant effect on Ethical Decision Making. The Locus of Control variable from the test results produces a negative value which means that every increase in the level of locus of control will increase the tendency of individuals to make unethical decisions.

4.9.5. Effects of Perception on the Importance of Ethics and Social Responsibility, Machiavellian Nature, Ethical Considerations and Locus of Control on Ethical Decision Making

Simultaneously the results of this study have similarities with research conducted by Kusuma et al (2016), namely the perception of the importance of ethics and social responsibility, Machiavellian nature and ethical considerations influence the ethical decision making of tax consultants. However, there are differences with research conducted by Pratama and Wirama (2018) related to the locus of control variable which states that the results of the study have a positive effect on the ethical decision making of tax consultants.

Statistical analysis obtained the coefficient of determination / equal to 0.073. This means that 7.3% of ethical decision making by tax consultants can be explained by the independent variables consisting of variables of perceived importance of ethics and social responsibility, Machiavellian nature, ethical considerations and locus of control while the remaining 92.7% is influenced by variables others that were not examined in this study. $R_{-square} R^2$

5. Conclusion

The conclusions of the results of research conducted on the variables of Perception of the Role of Ethics and Social Responsibility, Machiavellian Nature, Ethical Considerations, Locus of Control and Ethical Decision Making are as follows: 1). Tax consultants registered with the Bandung branch of the Indonesian Tax Consultants Association have a perception of the importance of ethics and strong (high) social responsibility. 2). Tax consultants registered with the Bandung branch of the Indonesian Tax Consultants Association Office have weak (low) Machiavellian / manipulative behavior. 3). Tax consultants registered with the Bandung branch of the Indonesian Tax Consultants Association Office have strong (high) ethical considerations. 4). Tax consultants registered with the Bandung branch of the Indonesian Tax Consultants Association Office have a strong (high) locus of control. 5).

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