

Preparedness Response of Indonesian Tax Offices Concerning the *Zakat* as a Taxable- Income Deduction

Dodik Siswantoro and Sri Nurhayati
Department of Accounting Universitas Indonesia
E-mail: dodik.siswantoro@ui.ac.id,
sri.nurhayati@ui.ac.id

Outlines

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Introduction

- Not many Muslim pay zakat (only Rp1.2 t from Rp217 t)
- To enhance *zakat* payments, incentives were given to *zakat* payers
- Government regulation No. 60/2010 to be fully implemented
- The paper aims to analyze the preparedness of tax office in informing the procedure of zakat as taxable income deduction.

Theoretical Background

- *Zakat* has been a deduction of taxable income in Indonesia since 1999
- The government approves only 19 institutions to process the *zakat*
- A successful implementation of the tax policy must be supported by an efficient tax administration (Rani and Arora, 2011)
- Cokelc and Oplotnik (2012) argued that good regulations can improve tax services and affect economic growth

Research Methodology

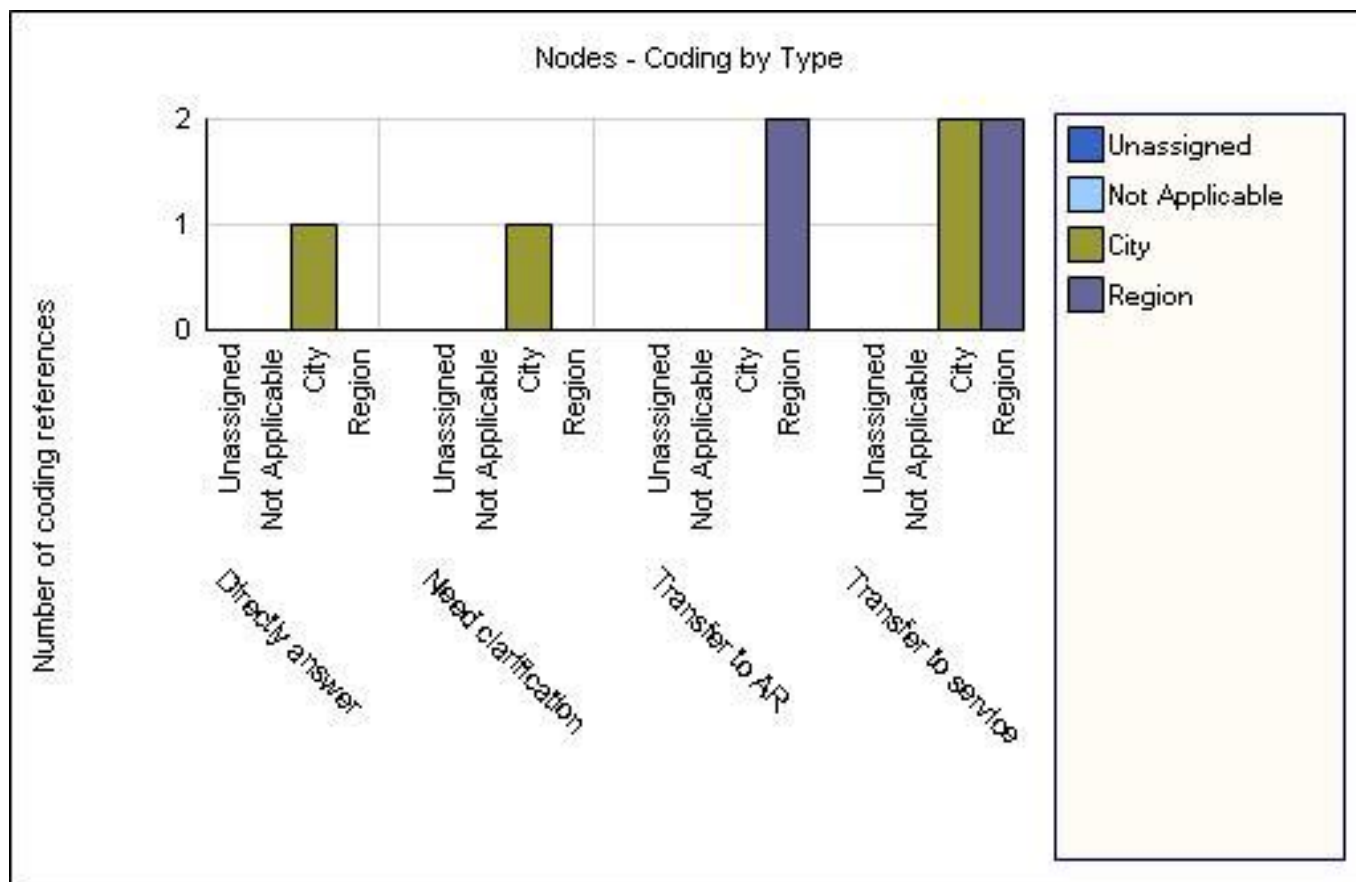
- The research conducted about the *zakat* and tax offices employed phone interviews as the primary data-collection method.
- The period of data collection was from March 2012 to June 2012.
- Samples were taken from seven objects/offices comprising customer service centers, with two different periods of interviews and five different tax office locations

Analysis

Table 1. Classification of Respondents

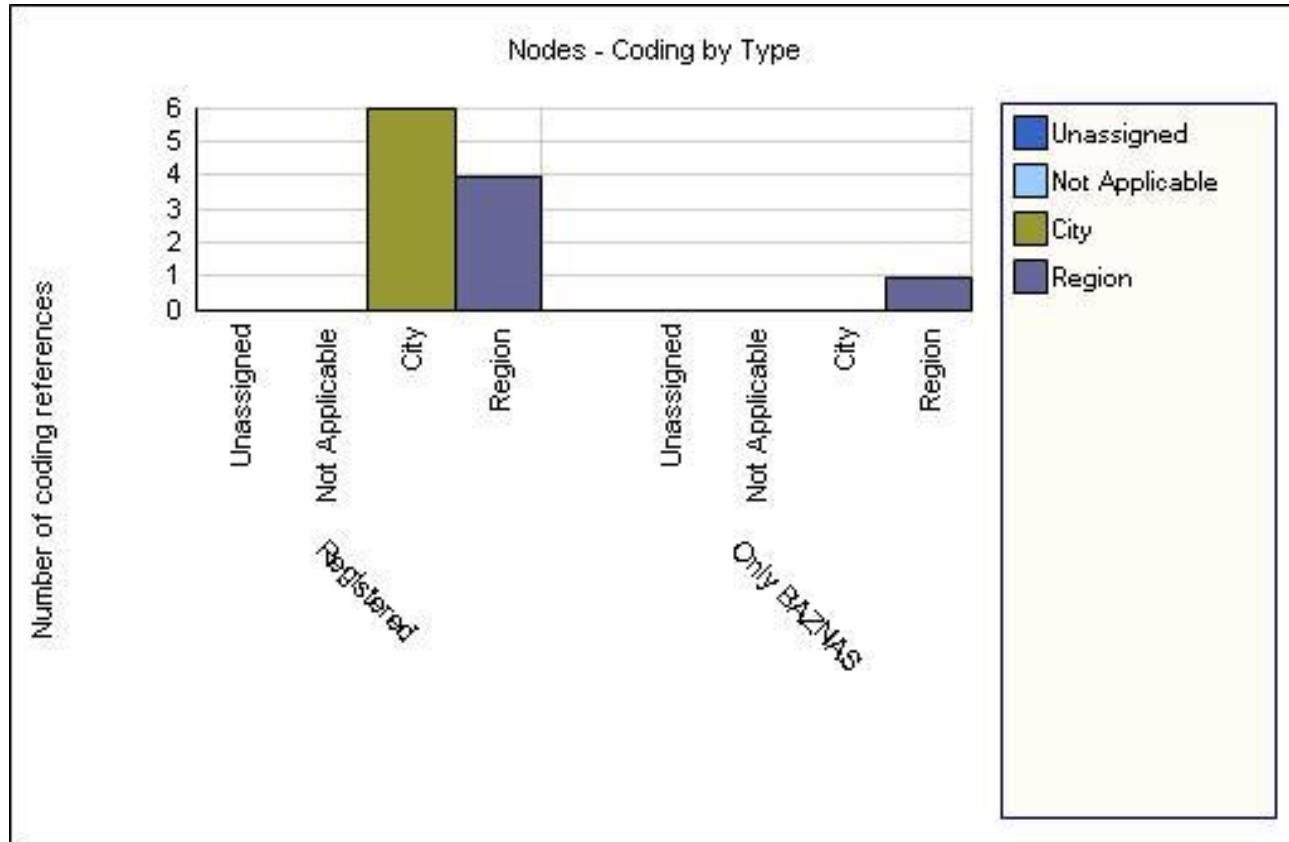
No	Name	Duration	Sex type	City type
1	KP1	Long	Male	City
2	KP	Quick	Female	City
3	PBU	Medium	Male	Region
4	PPJ	Long	Male	City
5	PPS	Long	Male	Region
6	SPG	Medium	Female	Region
7	WPP	Long	Female	City

a. Introductory Response

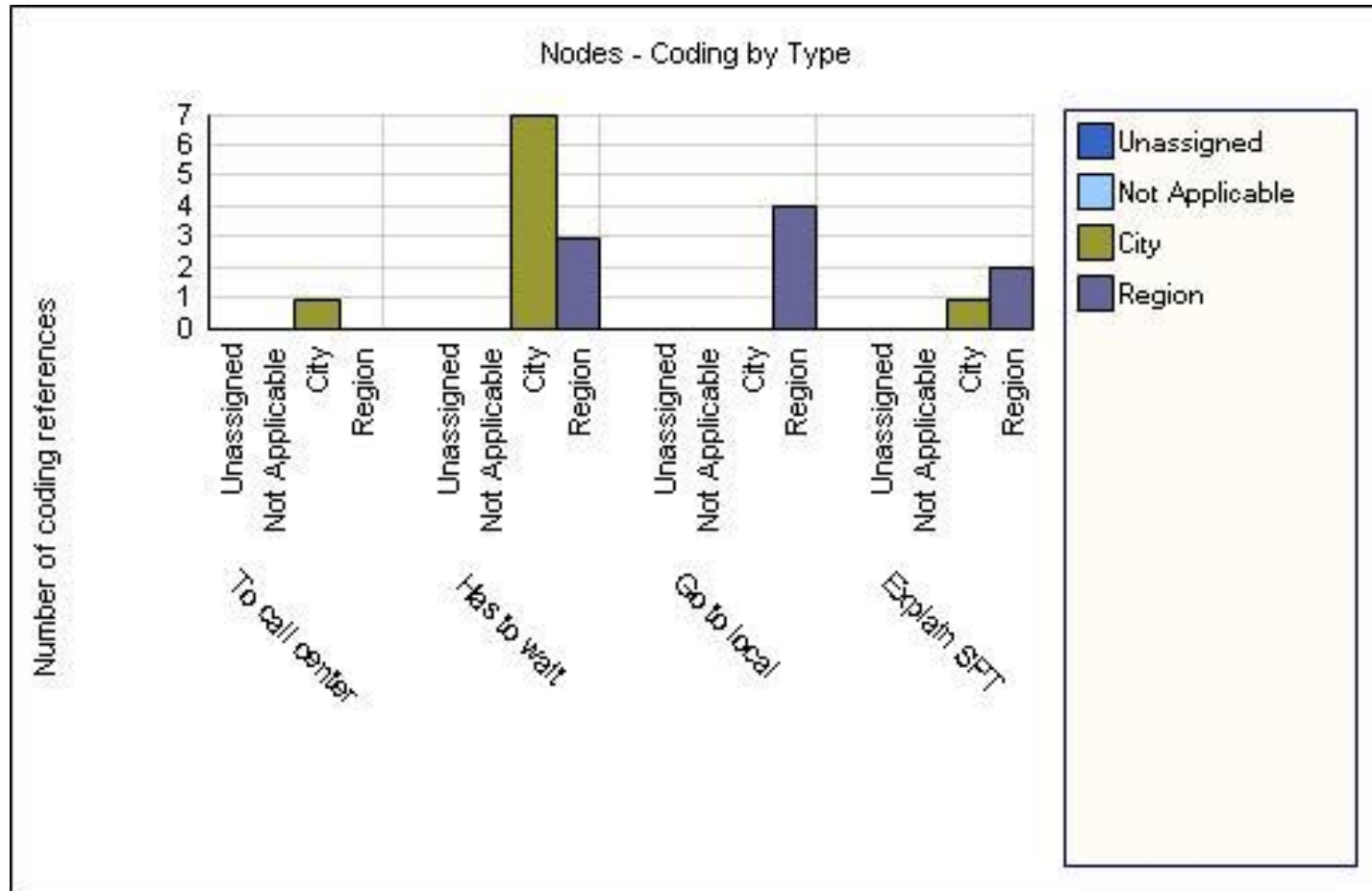


- Only one tax officer who could directly respond to the issue of *zakat* as a taxable income deduction

b. The Zakat Process

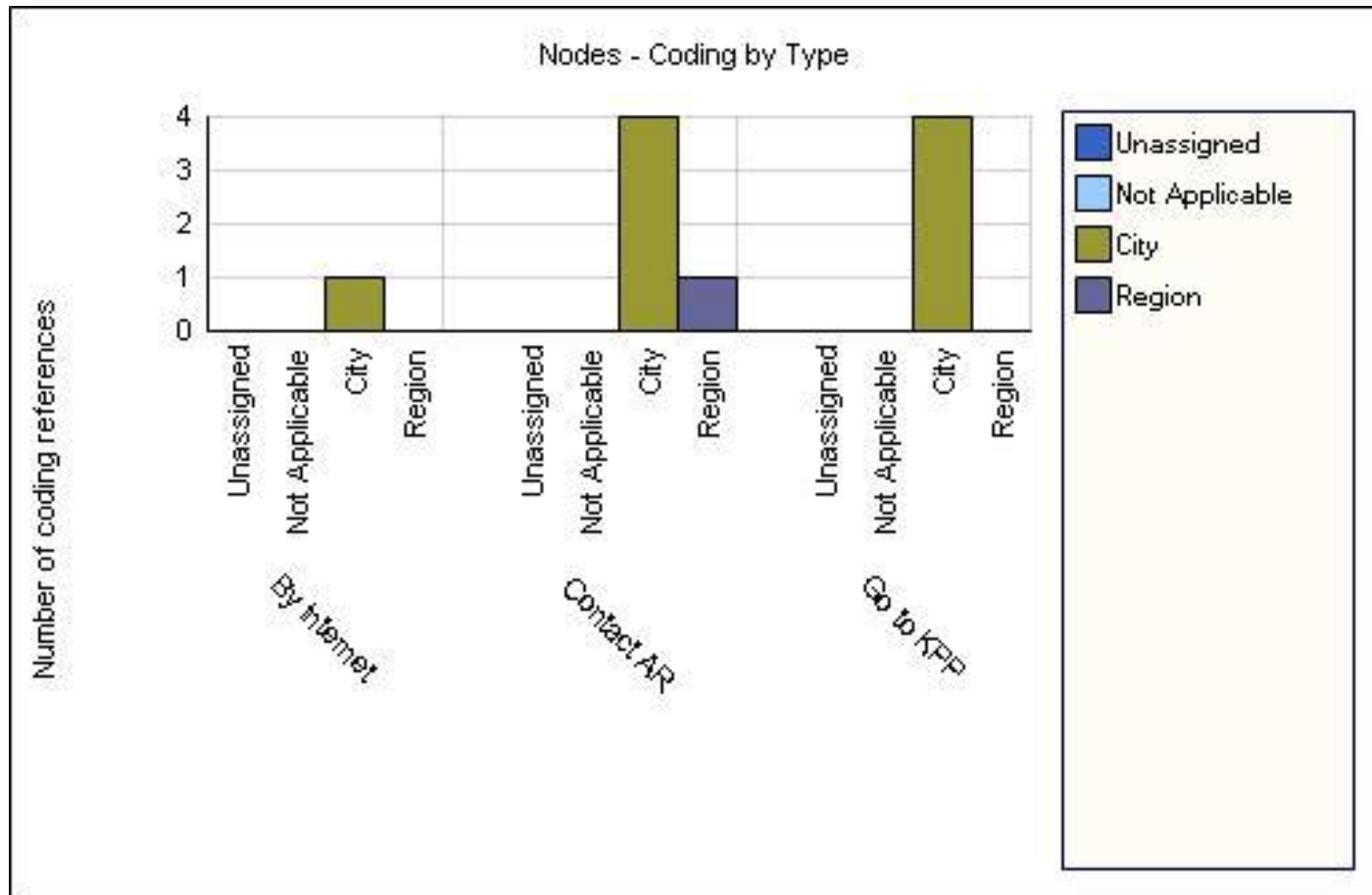


- One tax office that permitted only the taxpayer to make payments to Baznas

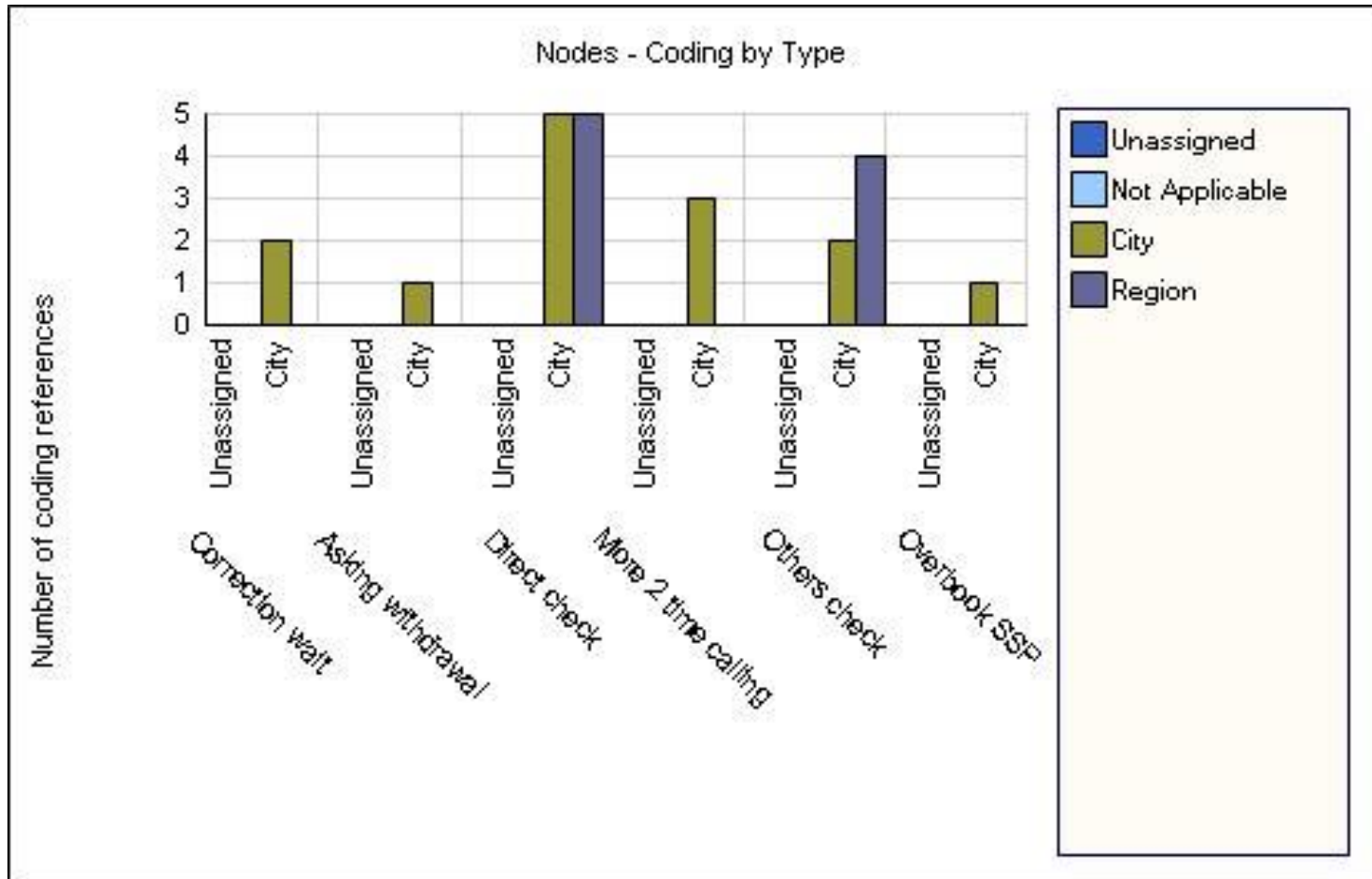


- Tax offices gave different responses when they had to explain how to get a taxable income deduction in detail

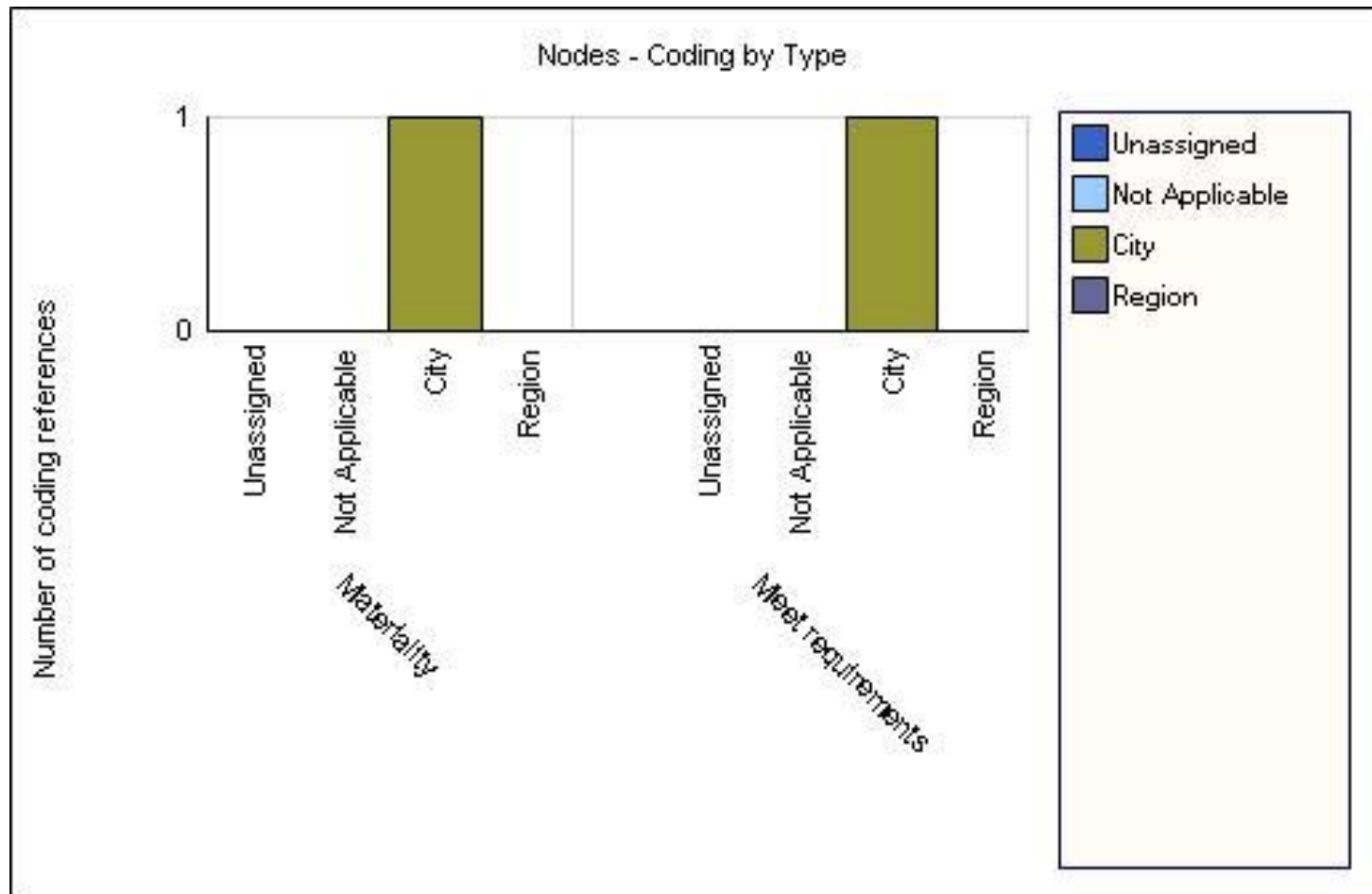
c. Tax Correction



- Responses on tax correction varied



- Tax solutions given by each tax office were different



- City tax offices gave other explanations that regional offices did not, such as materiality issues and meeting requirements.

Conclusion

- The preparedness of tax offices in responding to the issue of the *zakat* as a taxable income deduction indicated that they are not prepared.
- To respond to questions about and to process the *zakat* as a taxable income deduction, tax officers should know the updated regulations and issues.