THE DISTANCE BETWEEN US: A PRELIMINARY INQUIRY INTO TAXPAYERS' SOCIAL DISTANCE FROM TAX OFFICERS IN INDONESIA

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Abstract

The self-assessment system relies on taxpayers' voluntary compliance. The literature provides that the closer the distance between taxpayers and tax officers is, the more likely taxpayers are to comply. The purpose of this research is to analyse this phenomenon in the Indonesian context, a topic that is not covered extensively in the literature. In doing so, a group of small business owners were asked to complete a questionnaire, the design of which was based on Bogardus's social distance scale. One group, named Friends of Tax/FoT (*UKM Sahabat Pajak*/USP), was of particular interest due to its close association with the tax office. The USP members' social distance score is then compared to that of other taxpayers using both the standard t-test and the Mann-Whitney U test. The results suggest that FoT members are significantly less socially distanced from tax officers than other taxpayers, which explains their close association with the tax office. Further comparison of social distance scores across groups of taxpayers are then made. The findings indicate that those who identify themselves solely as small business owners are significantly less socially distanced from tax officers than those who are also salaried. Other findings include the fact that taxpayers with higher education levels tend to be more socially distanced from tax officers than FoT members. Older taxpayers, on the other hand, often place themselves at similar social distances from tax officers to FoT members. These findings suggest that the Indonesian tax office could improve taxpayer compliance levels by focussing on reducing the social distance between tax officers and taxpayers. This could be accomplished by helping taxpayers to address their business concerns rather than focussing on tax-only campaigns. These programs could be aimed, primarily, at younger business owners, particularly those with higher education levels.

Keywords: Tax, Social Distance, Individual, Small Business, Compliance, Hard To Tax.

1.   BACKGROUND

Indonesia relies heavily on taxation as a revenue source. In 2019, for instance, taxation[3] accounted for nearly 79% of all revenue (Badan Pemeriksa Keuangan Republik Indonesia [BPK], 2020). It generated more than Rp 2,000 trillion rupiah (approximately £104.44 billion as of February 2021) across all types of revenue (BPK, 2020). The majority of this (nearly 40%) was in the form of income tax, with the next largest contributor being Value Added Tax (VAT) at 27%. Most of the tax-based revenue of around Rp 790 billion (approximately £41.3 million as of February 2021) was also income tax, making income tax the largest revenue contributor in taxation. The second largest was VAT, which contributed approximately Rp 535 billion (£27.9 million), 34% of tax revenue (Figure 1).

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[2] An earlier version of this paper was presented at the 8th annual conference of the Tax Administration Research Centre (TARC), which took place on 15-17 December 2020. https://tarc.exeter.ac.uk/events/researchconferences/
[3] This includes taxes administered by both the Indonesian tax office and the customs office.
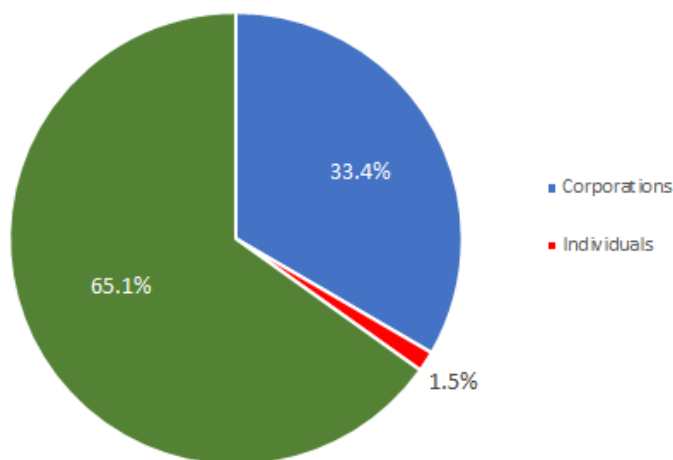
Figure 1: Tax Revenue Composition (2019)
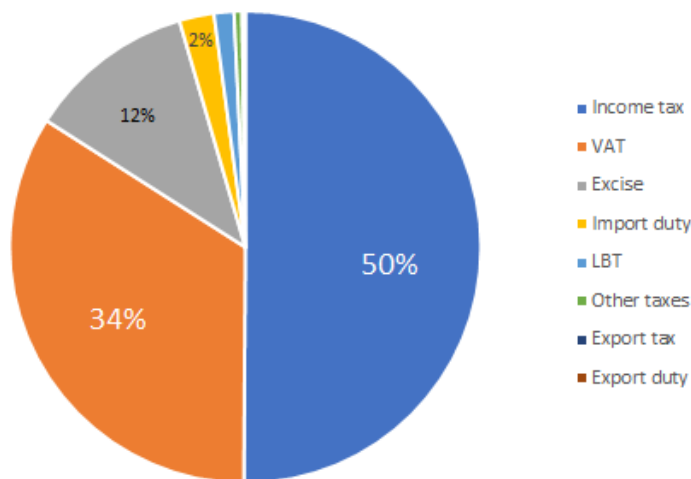
Source: BPK (2020)

If we take a closer look at the overall income tax revenue (Figure 2), almost all of it was either collected by third parties based on the withholding mechanism or paid by corporations.

Figure 2: The Composition of Income Tax Revenue (2019)

Source: BPK (2020)

On average, individual taxpayers contributed just over 0.5% of the overall tax revenue on a voluntary basis between 2004 to 2019. During this period, the share of income taxes paid by individuals in the total tax revenue was between 0.35% and 0.77% with an average of around 0.52% (Figure 3). In the same time period, corporate taxpayers contributed an average of 16.75% of Indonesia's total tax revenue, a much higher amount than individuals. This provides evidence that there is a reliance on corporations in respect of the overall tax revenue in Indonesia.

Figure 3: Individual and Corporation Income Tax as Shares of Total Tax Revenue (Indonesia, 2004-2019)
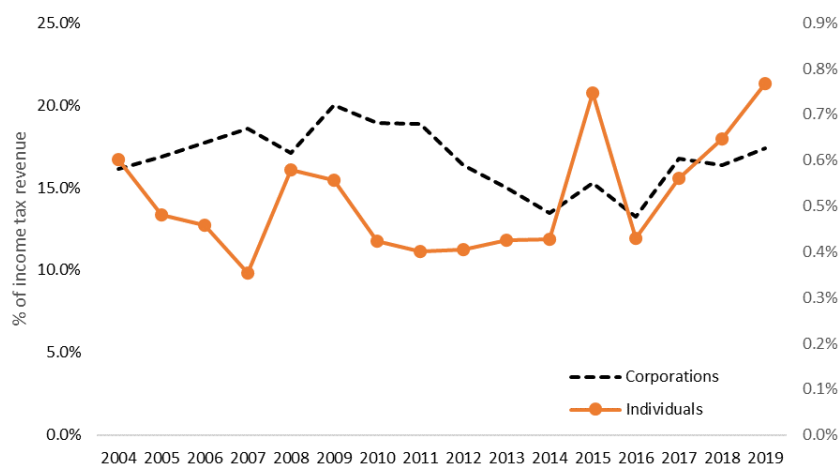
Source: BPK (n.d.).

As a comparison, the contribution of individual income tax to the overall tax revenue in Organisation for Economic Co-operation and Development (OECD) member countries in 2004-2019 was between 22.02% and 23.49%, with an average of 22.64% (OECD, 2020), as seen in Figure 4. In contrast to what is evident in Indonesia, average income tax payments made by corporations in OECD member countries was less than 10% of the total tax revenue, which was approximately less than half of the payments made by individuals. The lowest and highest figures were 8.99% and 11.33% respectively in 2010 and in 2007 before the sub-prime mortgage crisis in the United States. Thus, there is empirical evidence to support the notion that developed countries accumulate more income tax from individuals than from corporations (Tanzi & Zee, 2001).

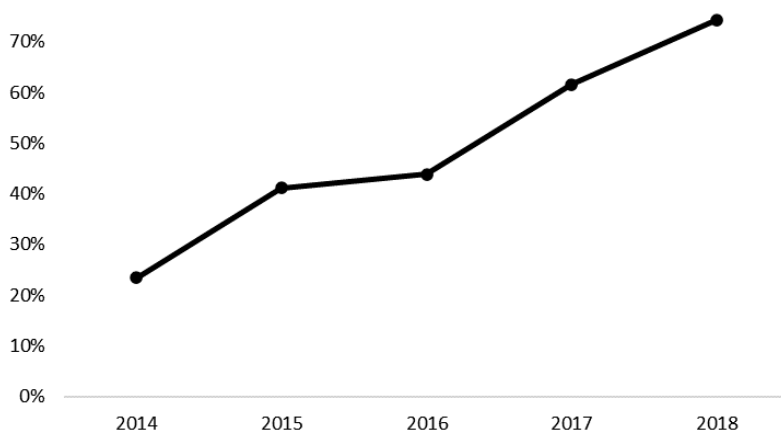*Figure 4: Individual and Corporation Income Tax Shares of the Total Tax Revenue (OECD Average, 2004-2019)*

Source: https://data.oecd.org/tax/
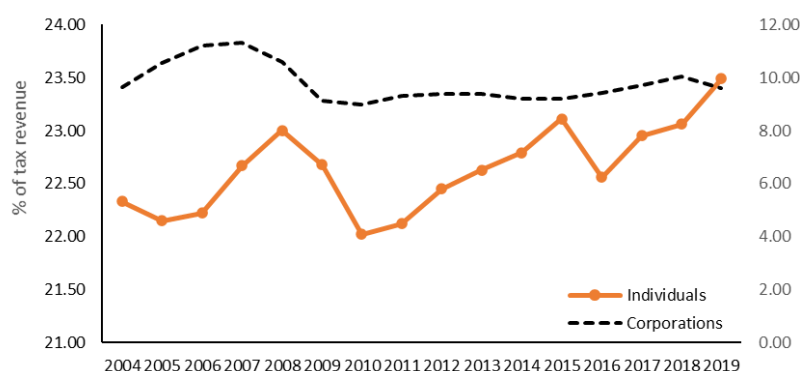
One might question the comparability of OECD member countries with Indonesia, as tax revenues in OECD countries are generally higher than in the rest of the world (Aizenman et al., 2019). Nevertheless, the OECD tax data provides a useful frame of reference. The comparison also teaches Indonesia that there is still potential for revenue to be collected from individual income taxpayers. As tax payments in a self-assessment system are a function of taxpayer compliance, it can be argued that there is an urgent need to improve the compliance of individual income taxpayers in Indonesia. The question would then be "what factors need to be taken into account if one wishes to improve compliance?".

Another aspect worth looking at when considering compliance is the income tax lodgement rate. Tax return lodgement is recognised as part of administrative compliance (OECD, 2001). It is, without doubt, essential for taxpayers to lodge income tax returns in order to ensure compliance. The Indonesian tax office classifies the income tax return lodgement rate as an indicator of formal compliance.[4] As seen in Figure 5, the proportion of individual income taxpayers who lodged tax returns between 2014 to 2018 was continuously increasing.

Figure 5: Individual Tax Return Lodgement Ratio (2014-2018)

Source: Nur and Valentinus (2020)

While this is generally desirable, it must be considered in the context of the respective shares of individuals' and corporations' contributions towards the overall income tax revenue, as shown in Figure 3. The small contribution made by individual taxpayers towards tax revenue, as shown in Figure 2, indicates that that the information contained within the tax returns lodged by these taxpayers may not be entirely truthful. To make matters worse, a high proportion of small business owners are not registered as taxpayers and, as such, do not contribute towards income tax revenue (Rosadi, 2019).

At the moment, it is estimated that fewer than 3% of approximately 59.2 million small business owners in Indonesia are registered as taxpayers. Around 26% of these taxpayers—shown in Figure 5—did not lodge tax returns in 2018. Hence, it can be argued that, although they are registered as taxpayers, this does not mean that they pay income tax and lodge tax returns

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[4] Another indicator of compliance is material compliance, which generally refers to the accuracy of the contents of the tax returns.

accordingly. In other words, those who should be registered as taxpayers are not registered and those who are registered may not fully pay their share of tax. Some taxpayers even stop paying tax after making the initial payment when they register (Direktorat Jenderal Pajak, 2019). This explains the phenomenon of low individual income tax payments shown in Figure 3. Furthermore, 58.87% fewer newly registered taxpayers actually paid income tax in 2019 than in 2018 (Direktorat Jenderal Pajak, 2019).

It is in this context that the community named Friends of Tax/FoT (*UKM Sahabat Pajak*/USP) is of interest. This community-based organisation was initially composed of small business owners in the neighbourhood of South Tangerang. It was originally formed in a town in Pondok Aren, a district in South Tangerang, on the outskirts of Jakarta.

The local tax office in Pondok Aren often provides USP members with assistance in the form of marketing, branding, or accounting workshops. USP members, in return, regularly organise tax information sessions for fellow small business owners on a voluntary basis. They frequently use themselves as living examples of compliance with tax rules in these sharing sessions, by publicly displaying their lodged tax returns, for example, or creating billing codes to facilitate tax payments. USP members are known to have a close association with the tax office for these reasons (Prasetyo & Djufri, 2019).

The contemporary literature identifies several factors that significantly affect taxpayer compliance. These will be discussed in detail in the literature review section. One of these factors is social distance. According to the literature, the greater the distance between taxpayers and tax officers is perceived to be, the more difficult it is for tax officers to make taxpayers comply with tax rules. This paper aims to shed light on the nature of the social distance between some small business owners and tax officers in Indonesia. It seeks to investigate whether there is a significant difference in social distances between FoT members and tax officers, and non-members and tax officers. It further seeks to analyse the differences in social distance scores by socio-demographic determinants, such age, gender, and education level (Figure 6).

The paper is organised as follows. Section 1 outlined the overall background. In Section 2, a brief literature review, showing the contemporary picture of taxpayer compliance and how social distance comes into play, is presented. Section 3 lays out the steps taken in this paper to address the aims of the research. Section 4 consists of a short presentation and discussion of the results. This paper concludes with a short summary of the overall research, including a description of its shortcomings.

2.   LITERATURE REVIEW

As previously mentioned, taxpayer compliance is one of the essential ingredients of a tax system based on self-assessment. Taxpayer compliance has been studied extensively. The existing literature generally evolves along several distinct streams (Schmutz, 2016). Initially, theoretical models are developed and tested in order to identify the factors that significantly affect non-compliance. Laboratory experiments are also conducted at this stage, particularly in order to study individual taxpayer behaviour. The dynamics between various groups of actors in the compliance games are simulated in these laboratory experiments. These steps have resulted in a number of factors, as shown in Figure 6.

Figure 6: Factors Influencing Taxpayer Compliance
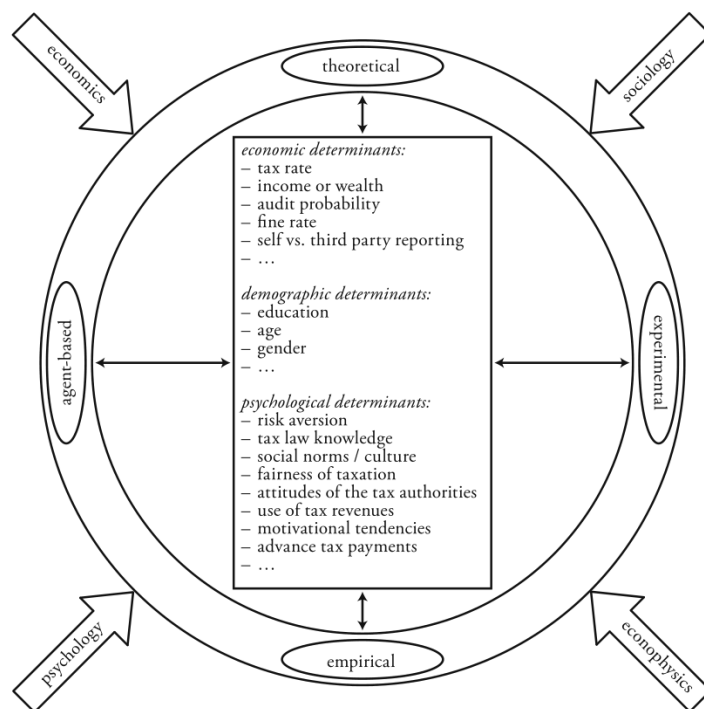
Researchers specialising in taxpayer compliance started by producing work based on the econometrical model developed by Allingham and Sandmo (1972), which is based on the work of Becker (1968). The main assumption of Allingham and Sandmo's (1972) model is that taxpayers behave rationally, in the sense that they strive to maximise their utility. Hence, taxpayers will minimise tax payments as much as possible because, by doing so, they maximise their financial utility. Allingham and Sandmo (1972) conclude that penalties and the probability of detection can generally be used as tools to significantly improve taxpayer compliance. Taxpayers' incomes and tax rates, they assert, do not have clear-cut effects on compliance (Allingham & Sandmo, 1972).

While this model is generally considered to be logical, later works nevertheless provide that the econometrical approach is not supported by sufficient empirical evidence (Kirchler et al., 2010). Researchers have subsequently found that taxpayer compliance is often higher than predicted by Allingham and Sandmo's (1972) model (Alm et al., 1992; Feld & Frey, 2002). Psychological determinants—such as norms, culture, or trust in the tax authority—are thus offered in order to complete the picture (Figure 6). Tax morale, fairness, and complexity are also considered to be important in shaping taxpayer compliance (Taing & Chang, 2020). Additionally, in the Indonesian context at least, referral groups are reported to significantly affect taxpayer compliance (Inasius, 2019).

One key factor not widely discussed in the literature on this topic is social distance. According to Braithwaite et al. (2007), individuals can communicate their preferred social distance from other parties, such as tax authorities, by sending messages or signals about how those individuals wish to place themselves beyond the other party's reach. The establishment of

social distance indicates that individuals do not wish to hear or follow the other party's demands and are willing to fully accept the consequences of such an action. It is driven by a comparison of one's position with that of another (Ein-Gar & Levontin, 2013).

It is believed that social distance can significantly affect taxpayer compliance. Fullarton (2013), for instance, considers social distance to be one the factors that generally provided a background in shaping the decision of miners in Pilbara, Western Australia, to participate in a mass-marketed tax avoidance scheme in the 1990s. The greater the perceived distance, the lower the miners' compliance would be (Fullarton, 2013). This makes it more difficult for the tax authority to actually persuade people to comply with the rules (Bartel & Barclay, 2011). According to Fullarton (2013), the relationship between tax compliance and social distance can be best illustrated in Figure 7.

Figure 7: Social Distance and Taxpayer Compliance
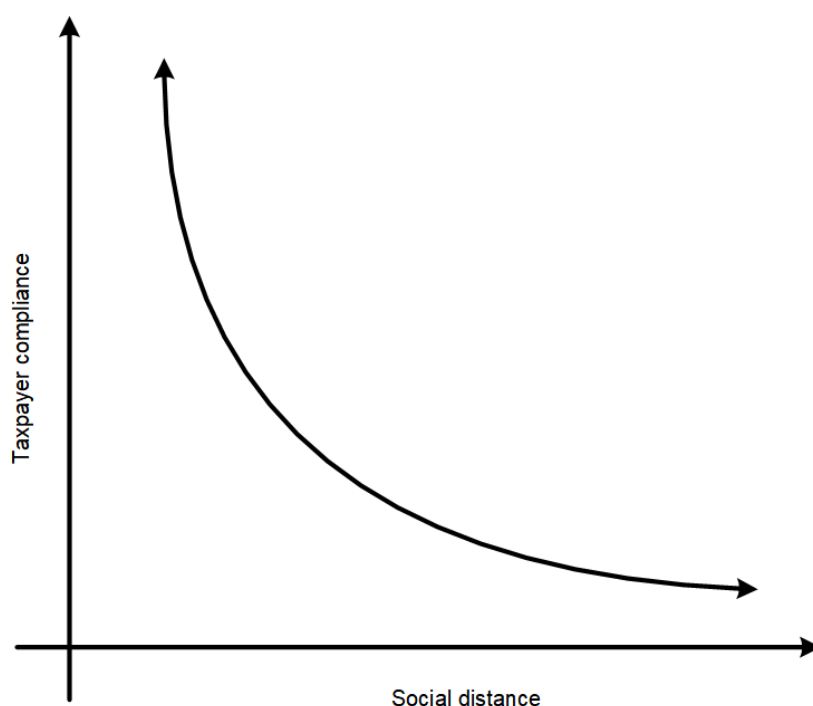
Source: Fullarton (2013, p. 104). Reproduced with minor changes under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License (CC BY-NC-ND 3.0 Australia) https://creativecommons.org/licenses/by-nc-nd/3.0/au/

One way in which to see the importance of social distance towards taxpayer compliance is through the so-called motivational posture. Motivational posture, as coined by Braithwaite (2003b), generally refers to how a person perceives their relationship with the authority (see Figure 8). This ranges from commitment (being cooperative) to disengagement (being non-cooperative) (Braithwaite, 2003b). In the disengagement stage, which is the furthest distance, taxpayers deliberately put themselves outside of the system (Hartner et al., 2008).

Figure 8: Motivational Posture
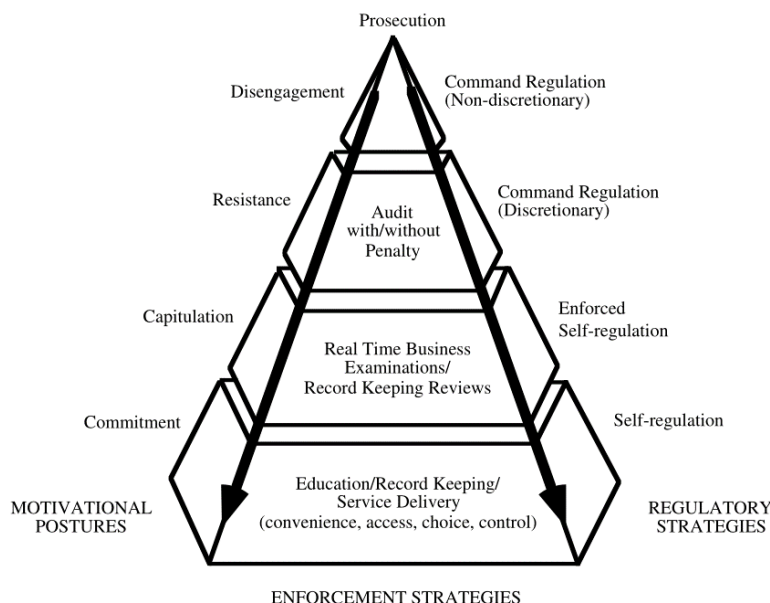
Source: Braithwaite (2003a, p. 3). Reproduced with the kind permission of Professor Valerie Braithwaite.

As individuals continuously evaluate the tax authority's performance, they regularly examine their position towards the authority. This positional evaluation eventually builds up over time. Central to this concept of positioning is the social distance advocated by Bogardus (1925). How a person associates themselves with the authority generally dictates the distance that person wants to place between themselves and the authority (Braithwaite, 2003b).

In a rather different context, it was shown that those with less social distance between themselves and a donation target tend to be willing to donate more than those with greater distance between themselves and that donation target (Ein-Gar & Levontin, 2013). Based on this literature, it is therefore reasonable to believe that taxpayers with less social distance between themselves and tax officers will tend to be more willing to comply than those at a greater social distance from tax officers.

If this is the case, USP members should be less socially distanced from tax officers than other taxpayers. This paper seeks to discover whether this is, indeed, the case. It also attempts to see whether there are significant differences in social distance across several demographical attributes, such as age, education, occupation, and gender.

For this purpose, it is firstly hypothesised that taxpayers who belong to FoT are significantly less socially distanced from the tax authority than those outside of the FoT community. In an attempt to answer the second objective, this research then compares changes in social distance across the aforementioned demographical factors. These factors were chosen because the literature has shown that taxpayer compliance varies as they change. This will be discussed in detail in the following section.

3. METHOD AND DATA DESCRIPTION

To address the research objectives outlined in the preceding section, this research uses a set of questionnaires. The questionnaires were constructed based on the concept of the social distance scale developed by Bogardus (1925). This scale has been used to measure intergroup relations and attitudes between different groups in numerous contexts (Geisinger, 2010).

The questionnaires were administered to two groups of taxpayers. The first group comprised USP members in South Tangerang. The second group consisted of small business owners who had participated in a series of tax workshops organised by the tax office and PKN STAN.[5] Three of these workshops took place in August 2020, but the questionnaires were only administered to the participants of the workshops conducted on the 24th and 31st August 2020 (approximately 300 people).[6]

These two groups of taxpayers were asked to complete an online questionnaire saved as a Google Form.[7] The questionnaire consisted of seven questions and aimed to identify the social distance between the research participants and tax officers. The participants were asked to respond to the questions using a 4-point Likert scale.

This marks a departure from the original Bogardus scale, where respondents are not normally asked to complete a Likert scale and use a fixed score for each question instead. Although the fixed score approach has, as previously noted, been regarded as reliable, some drawbacks are nevertheless evident (Clogg & Sawyer, 1981; Mather et al., 2017). For this reason, this research uses a modified version of the Bogardus scale. A final score—named iScore—based on the respondents' complete answers was then calculated using the procedure outlined by Mather et al. (2017). The iScore means across the group of respondents were then compared in order to obtain an overview of the social distance between the two groups of taxpayers and tax officers. The mean social distance score reported by the FoT members was used as a benchmark, as FoT members are, generally, known for their close relationships with the tax office.

143 of the (approximate) 300 training session participants completed the questionnaire in full, resulting in a response rate of approximately 47.67%. Nearly 31% of these respondents claimed to be affiliated with the FoT, with most of these (74%) belonging to the productive age group of between 29 and 50 years of age. The respondents were also generally well-educated, as more than 81% were educated to graduate level or higher. Interestingly, more women than men responded (64%). As for occupation, it seemed that most respondents had jobs, either as civil servants or in private companies, in addition to owning businesses. Fewer than 21% of respondents worked solely as small business owners.

The FoT members who responded were mostly in similar situations. More than 80% of the 44 members who responded to the survey were female, and the FoT respondents were predominantly (57%) between 29 and 50 years old. In addition, FoT members were generally well-educated, as more than 60% of them had at least a bachelor's level education. Unlike those who were not part of the FoT community, however, most of the respondents who identified themselves as FoT members (61%) stated that their sole occupation was small business owner.

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[5] PKN STAN is a vocational college under the administration of the Ministry of Finance.
[6] This number is an approximation as the exact number of those attending the events was not available to the researcher.
[7] The questionnaire can be accessed at https://bit.ly/Anda_dan_Petugas_Pajak.

It is against this background that the social distance measurement was undertaken. The following section outlines the results in in detail.

4.   RESULTS AND DISCUSSION

This section outlines a set of results obtained from analysing the respondents' answers. The analysis was carried out using Minitab 19 and parametric statistical techniques, as they offer more opportunities, are relatively robust to violations of normality, and can be relatively accurate when applied to the data on Likert scale (Norman, 2010). Non-parametric procedures are also performed for comparison purposes. Furthermore, the interpretation of the results and discussions was carried out using the respondents' attributes as background information.

The presentation of the results starts with an overall description of the social distance score. As previously stated, 143 people responded to the online survey. The mean of the social distance score is 47.20 (SD=17.48) with minimum and maximum scores of 28 and 102 respectively. Furthermore, the median social distance score does not seem to depart significantly from the mean (Q2=44, IQR=24). The overall social distance score, however, does not follow the normal distribution (AD=3.41, $p<0.01$).

As expected, FoT members have a significantly lower mean social distance score than non-members (Table 1).

Table 1: Social Distance Mean Score (Affiliation)

Affiliation	Mean	Median	SD
FoT	41.9	38.5	12.5
Non FoT	49.5	47.0	18.9

FoT members, in this case, have a mean social distance score of 41.93 (SD=12.46), which is lower than that of non-members. At a 95% confidence level, the t-test shows that this score difference is indeed statistically significant ($p<0.01$). The Mann-Whitney U test also provides the same result (p=0.025). Thus, it can be concluded that FoT members do have closer relationships with tax officers than those who are not FoT members. This provides the answer to the first research question.

The second part of this section deals with the comparison of social distance scores across several groups of the respondents based on their demographic determinants. The first demographic used is the respondents' genders (Table 2).

Table 2: Social Distance Mean Score (Gender)

Gender	Mean	Median	SD
Female	47.0	45	16.1
Male	47.5	43	19.8

The t-test shows that the mean score difference between the two groups of respondents is not statistically significant (p=0.44). The Mann-Whitney U test also produces a similar conclusion (p=0.710). Hence, we can see from these results that there seems to be no significant difference between male and female respondents' views of their social distance from tax officers. Furthermore, both male and female respondents' mean social distance scores are significantly different from the FoT members' mean score of 41.9 (Table 1).

Table 3: Comparison of Differences in Mean Social Distance Scores (Gender)

Education	Mean	SD	p	Significant?
Female	47.02	16.1	.004	Yes
Male	47.52	19.8	.046	Yes

Mean social distance score comparisons were next performed for respondents with different education levels. This comparison is of particular interest because laboratory experiments conducted in Indonesia have indicated that more educated taxpayers tend to be less compliant than less educated taxpayers (Juanda, 2010; Prasetyo & Sinaga, 2017). Social distance has been recognised as a concept by which to explain how individuals position themselves in relation to the tax authority (Braithwaite et al., 2007) and, therefore, it is a means by which we can evaluate the effectiveness of the tax authority's efforts to persuade individuals to comply with certain regulations (Bartel & Barclay, 2011). Therefore, it is closely linked to the concept of compliance. Table 4 provides the mean social distance scores for respondents by education level.

Table 4: Mean Social Distance Scores (Education)

Education	Mean	Median	SD
Primary	35.0	35.0	N/A
Senior high	12.8	33.5	12.8
Bachelor	45.6	45.0	16.6
Masters	50.8	49.5	19.1
Doctoral	47.4	42.0	16.7
Other	42.8	38.0	13.4

Table 4 shows that mean social difference scores do not significantly differ for taxpayers of different education levels (p=0.189). The results obtained from the Kruskal-Wallis test also confirm this (p=0.227). However, further analysis reveals that the mean social difference score for respondents with bachelor's level education does not differ significantly from that of FoT members (Table 1). In contrast, those educated to master's level and beyond have a significantly higher mean social distance score than FoT members (Table 5).

Again, if taxpayer compliance decreases as taxpayers become more socially distanced from tax officers, the results shown in Table 5 are consistent with the literature. This means that it will be harder to make respondents with higher education levels comply with tax law than those with lower education levels.

Table 5: Comparison of Mean Social Distance Scores Between Education Level Groups and FoT Members

Education	Mean	SD	p-value (difference)	Significant?
Bachelor's degree or lower	43.6	15.8	.496	No
Master's degree or higher	50.0	2.1	< .010	Yes

Another noteworthy result is evident when comparing the mean social distance scores of respondents by their additional occupations (Table 6).

Table 6: Mean Social Distance Scores (Occupation)

Additional Occupation	Mean	Median	SD
Employee (civil service)	48.3	47	18.6
Employee (company)	55.6	48	20.5
Business owner	42.1	38	14.6
Other	43.4	47	18.6

As shown in Table 6, small business owners have a lower mean social distance score than those with other occupations. By contrast, those who also work in private entities (companies) tend to place themselves furthest from tax officers. The analysis of variance (ANOVA) shows that certain groups of occupations have significantly different mean social distance scores (p=0.017) although the Kruskal-Wallis test fails to provide validation (p=0.057). Further examination using Tukey's pairwise comparisons procedure provides that the mean social distance scores of small business owners and respondents who also work as employees in private companies are significantly different statistically. The same can also be said of employees in companies and respondents who did not specifically claim to have additional occupations (M=43.4, SD=18.6). Respondents who also work as employees—either as civil servants or as employees in the private sector—tend to have significantly different mean social distance scores when compared to the FoT members shown in Table 1 (Table 7).

Table 7: Comparison of Mean Social Distance Scores Between Additional Occupation Groups and FoT Members

Additional Occupation	Mean	SD	p-value (difference)	Significant?
Employee (civil service)	48.4	18.6	.01	Yes
Employee (companies)	55.6	20.5	< .01	Yes
Business owner	42.1	14.6	.94	No
Other	43.4	13.1	.51	No

These results raise the question of whether the employees' significantly higher mean social distance scores arise as a result of their lack of social interaction with the tax office. It is quite possible that those who solely rely on running small businesses as an occupation have more intensive interaction with the tax office. Those who also work as employees—and perhaps only run businesses in order to top up their regular salaries and wages—may not interact with the tax office as intensively. They may believe that the income tax withheld by their employers sufficiently covers all of their tax matters, something which is often not the case.

The final part of the analysis deals with the comparison of means across age groups (Table 8).

Table 8: Mean Social Distance Score (Age)

Age (years)	Mean	Median	SD
18-28	42.5	40	11.9
29-39	48.9	46	18.1
40-50	46.2	44	16.1
51-61	48.6	43	22.5
>61	50.3	53	18.1

The results of using the ANOVA procedure indicate that there are no significant differences in mean social distance scores across respondent age groups ($p=0.689$), something which is also corroborated by the Kruskal-Wallis test ($p=0.897$). Further comparisons, however, reveal a different picture. Respondents aged between 29 and 39 years have a significantly higher mean social distance score than FoT members ($p=0.01$). In contrast, the mean social distance scores of those outside of this age group do not differ significantly from those of FoT members (Table 9). FoT members have a mean social distance score of 41.9, as shown in Table 1.

Table 9: Comparison of Mean Social Distance Scores Between Age Groups and FoT Members

Age (years)	Mean	SD	p-value (difference)	Significant?
18-28	42.5	11.9	.87	No
29-39	48.9	18.1	.01	Yes
40-50	46.2	16.1	.06	No
>51	48.8	21.7	.14	No

The results shown in Table 9 are generally consistent with the literature, which notes that the older generation tends to be more compliant. As social distance decreases, compliance increases. In this context, compliance increases with age due to improved financial conditions, better tax knowledge, and more interaction with tax officers (Hofmann et al.), or perhaps simply due to differences in taxpayers' mental accounting (Alm et al., 2012). By contrast, the younger generation is normally considered to be less compliant (Alm, 2019). As indicated in Table 9, making younger taxpayers comply might be challenging.

5.   CONCLUSION

The literature identifies social distance as being one of the key factors that influence taxpayer compliance. The concept of social distance generally explains where taxpayers position themselves in relation to the tax authority. It has been generally established that the greater the social distance is, the more difficult it is for a tax administration to persuade taxpayers to comply. In this sense, therefore, social distance is related to taxpayer compliance. This research seeks to shed light on this topic by focussing on some small business owners in Indonesia. For this purpose, an online questionnaire based on Bogardus's (1925) work was distributed to two distinct groups of taxpayers: FoT members and non-members.

In a nutshell, it can be concluded that FoT members generally have significantly lower social distance scores than non-members, which explains their close relationship with the tax office. A second set of comparisons was also conducted in order to explore social distance score differences across various demographic groups. The results show that there are no significant differences in social distance scores across ages, genders, and education levels. If it is accepted that social distance is negatively corelated with compliance, these results differ from the evidence found in the literature, where young taxpayers and taxpayers with higher education levels are generally regarded to be less compliant. Furthermore, this research reveals that small business owners are generally closer to tax officers in terms of social distance than respondents employed by private companies. This result also differs from the evidence contained in the literature, where self-employed taxpayers are seen to be less compliant and, thus, should have higher social distance scores. Again, this interpretation assumes a negative correlation between social distance and taxpayer compliance.

Policy Implications and Research Limitations

This research sheds light on the nature of taxpayers' social distance from tax officers. The literature recognises that when there is a large social distance between the two parties, it only makes it more difficult for taxpayers to persuade taxpayers to comply. One direct policy implication of this is that the tax office needs to make more effort to close the gap between taxpayers and tax officers. In this regard, more social interactions are certainly preferred. It is essential to organise events that aim to provide taxpayers with assistance. The focus should be

on closing the social gap and helping taxpayers to expand their business networks, as opposed to providing one-way information dissemination with the sole intent of making taxpayers comply. It would, therefore, be more desirable to run events such as business networking functions, marketing and trade exhibitions, or entrepreneurial workshops than seminars or tax education events, as the latter are normally geared towards introducing new sets of tax rules. Providing taxpayers with services and assistance may improve compliance, particularly in a place where trust in the authority and its power to enforce rules is perceived to be weak (Batrancea et al., 2019). The Indonesian tax office currently has a business development service program which, if well executed, could serve this purpose.

This research does, however, have one main weakness. It collected the data of taxpayers who attended tax education workshops. Therefore, questions can be raised regarding the views of those who did not attend these workshops as their voices were clearly under-represented. This certainly makes generalisation problematic, as not all taxpayers had the same chance to be included in the survey. Therefore, this research does not attempt to make generalisations beyond the participants of this research. It is, in a way, an early attempt to measure social distance between taxpayers and tax officers. As such, the results reported in this paper must be carefully read and interpreted, taking their limitations into account.

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