

# Faithful Citizenship: Exploring the Theological Imperative and Societal Impact of Tax Compliance Among Christians in Indonesia

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**Abstract**— *This journal explores the spiritual responsibility of tax compliance among church members, emphasizing the biblical principles and governmental regulations governing taxation. It delves into the duty of church leaders to educate congregants on tax obligations, aiming to enhance awareness and adherence. The study underscores the significance of understanding taxation principles for improved compliance and suggests that such knowledge positively impacts the church's tax-related actions. Ultimately, it emphasizes the integration of Matthew 5:16, encouraging church members to let their light shine through responsible tax practices.*

**Keywords**— *Church Leadership, Spiritual Responsibility, Tax Compliance.*

## I. INTRODUCTION

Taxation is indispensable for a nation or government, as the governing body is tasked with regulating and serving the populace rather than accumulating personal wealth. Its primary source of income is derived from every segment of the population within its jurisdiction. (Oei, 2020) Considering the vital role of taxation within a government, it is imperative for the citizens to recognize that their tax payments are crucial for the state to fulfill its social functions for the entire populace (Tiv, 2023). In other words, the social welfare of a nation is indirectly reliant on the contributions made by taxpayers.

The revenue generated by the state through taxation is significantly influenced by the taxpayers' adherence to regular and timely payment. This compliance plays a pivotal role in sustaining the taxation system and facilitating government financing. (Lestari & Darmawan, 2023) The collection of taxes in Indonesia is the collective responsibility of all Indonesian citizens, encompassing members of the church as integral components of the Indonesian citizenry.

Recognizing this, Jesus, when confronted by the Pharisees and Herodians, followers of Herod, as narrated in Matthew 22:15-21, was questioned about paying taxes to the emperor. In verse 21, Jesus affirms the obligation of the people to pay taxes to the emperor and underscores their personal duty to the Lord. This implies that everyone residing in the Roman Empire, including those in Herod's territory, which was a Roman province, had the responsibility to pay taxes. In contemporary terms, Jesus instructs all his followers to fulfill their tax obligations to the state.

In the preamble of the 1945 Constitution, it is elucidated that the essence of national development is to elevate the well-being of the nation and foster prosperity for all Indonesians. Achieving such objectives necessitates a substantial budget. The budget concerning revenue and expenditure is referred to as the State Revenue and Expenditure Budget (APBN), wherein the revenue side encompasses various sources such as taxes, excise duties, foreign loans, and non-tax revenues.

In accordance with Law Number 16 of 2009 regarding General Provisions and Taxation Procedures (KUP), it delineates the concept of tax as a mandatory contribution from individuals or legal entities to the state, enforced by law. Notably, this contribution is obligatory and devoid of any reciprocal benefits, as the entirety is managed by the state for the common welfare, as stipulated by law. (KUP Undang-Undang No. 16, 2009)

Thus, both from the perspective of Christian religious beliefs and governmental law, the obligation to pay taxes is a duty incumbent upon every individual with a source of income. The challenge lies in imparting a heightened awareness regarding tax payment to citizens, particularly those within the church community. In an overarching view, as stated by the Director of Education, Services, and Public Relations at the Directorate General of Taxes, Neilmaldrin Noor, in April, the reported percentage of corporate taxpayers who have

submitted their Tax Return Letters (SPT) stands at 53.72%, while it is 68.46% for individual taxpayers.(Khairizka, 2022) Hence, it is evident from this data that tax compliance remains notably insufficient, despite the crucial significance of tax revenues for financing government expenditures. According to databox information from Katadata Media Networks in 2022, the contribution of tax to the national revenue reached 65.37%, underscoring its pivotal role in sustaining the country's financial resources.(Annur, 2023)

The church and its members, being Indonesian citizens, are legally obligated to adhere to the prevailing laws in Indonesia, as emphasized by the teachings of Paul in Romans 13:1. This instructs everyone to be obedient to the governing authorities, as all governance is ordained by God. Further expounding on this principle in Romans 13:7, Paul provides detailed guidance for members of the church to fulfill their financial duties, including the payment of taxes and duties to the rightful authorities. In the context of the Roman era, this involved individual tax collectors like Matthew and Zacchaeus. In the contemporary setting, it pertains to contributing to the national treasury rather than to individuals, aligning with the practices of the time of the Apostle Paul.

Due to the paramount importance of taxation for the common good, community participation in the calculation and payment of taxes is exceedingly crucial. Despite the inherent challenges in raising awareness among the populace, including the church community, it is imperative. In reality, there is a tendency for people, including members of the church, to underestimate or remain unaware of the significance of tax payments. Furthermore, there is even a proclivity in society to evade or reduce their tax obligations.

It is essential for the community to acquire knowledge about taxation to stimulate personal awareness and comprehend the applicable regulations, fostering a sense of adherence.(Hantono, 2021) This holds true for all members of the church community, who are integral parts of the broader society. Knowledge of taxation needs to be imparted to the entire community, spanning from elementary education to higher academia, instilling an awareness of the vital role of taxes in development and awakening a consciousness of their duty as taxpayers.(Musimenta, 2020) This includes incorporating educational initiatives on tax awareness within churches, recognizing its spiritual dimensions.

## II. METHOD

The research employed a qualitative methodology, utilizing diverse data sources derived from scholarly literature such as books, academic journals, magazine articles, both through online media and other relevant resources.(Moleong, 2019) The study emphasizes a literature review, employing various sources to gather data and document in support of the research. Utilizing a range of literature, the author examines the national taxation regulations and functions, exploring their implementation in the spiritual lives of church members.

## III. RESULT AND DISCUSSION

### Tax Compliance as a Spiritual Responsibility

The necessity for tax compliance worldwide is escalating in the era of economic globalization, coupled with the increasing prevalence of online transactions and international service dealings. Consequently, stringent supervision of all transactions is imperative to ensure accurate tax payments. However, continuous monitoring alone remains ineffective without parallel adherence to tax obligations. According to research conducted by Rosid, citing Nyoman's explanations, the challenges faced by developing countries in tax revenue collection stem from widespread issues such as tax evasion, coercion, and extensive corruption.(Yudha et al., 2023)

The obligation of tax compliance is a responsibility incumbent upon members of the church, a commitment to the government as an authority established by God, and an act of obedience to God's command. In Matthew 27:27, Jesus instructed Peter to go fishing, and from the catch, both Jesus and Peter were to pay taxes. Even though believers during the time of Jesus and Paul lived under the dominion of the Roman Empire, they were still educated on the importance of paying taxes. Jeremiah 29:7 advises striving for the welfare of the city where one is placed, and one aspect of this endeavor involves adhering to tax obligations.

In this context, the comprehension of taxation extends beyond mere fiscal obligation, evolving into an essential spiritual dimension for congregants. Awareness of the responsibility to pay taxes transcends material aspects, encompassing spiritual values that should be firmly upheld. Therefore, readiness and a desire to understand and fulfill tax obligations constitute a tangible manifestation of spiritual commitment within the congregational life.

### Tax Challenges and the Role of Spiritual Leaders

Indonesia's populace is classified as having the lowest taxpayer classification compared to developing nations; during the pandemic, tax revenues drastically declined. According to the World Bank, Indonesia's taxation ratio is notably lower than other developing countries. Ralph Van Dorn, a senior economist at the World Bank, stated

that Indonesia's tax revenue compared to the domestic product ratio is 10.2%, while other developing countries average around 27.8%. Indonesia ranked 112th in the tax payment indicator in 2019.(Fitriani, 2020)

Upon scrutinizing the aforementioned data, it is evident that the low tax revenue in Indonesia can be attributed to several factors. First, there is a lack of awareness among the citizens regarding tax payment. Second, the low income of the population results in the absence of taxable income. Additionally, some religious leaders assume that their income is exempt from taxation. Lastly, there is a deficiency in educational initiatives related to taxation within the religious community, particularly within churches.

Sumaatmaja and Winardi, as stated by Ningsih, provide a definition of perspective as a way of viewing and behaving towards a problem, an activity, or an event (Ningsi et al., 2022). Whether consciously or unconsciously, an individual possesses a specific perspective on a particular rule or activity (Ningsi et al., 2022). According to the Indonesian Dictionary (KBBI), perspective is defined as a point of view or standpoint (Bahasa, 1988).

Indonesian society is renowned for its religiosity, characterized by a devout commitment to religious principles in daily life. The concept of religiosity within the community reflects the extent of an individual's dedication to their faith and how they apply religious teachings in their everyday lives, encompassing both mental and behavioral aspects.(Johnson et al., 2001) For the religious community, advice and examples from spiritual leaders often serve as a reference for carrying out actions in accordance with their teachings. In the case of churchgoers, the guidance comes from the teachings of the Bible and the examples set by the servants of God.

Several factors contribute to an individual's failure to comply with their tax obligations, such as a lack of knowledge on how to proceed or the often prohibitive costs associated with fulfilling these responsibilities, leading to reluctance. It is in this aspect that church leaders and servants of God have a duty to understand taxation regulations and provide accurate guidance to the churchgoers, addressing both the taxation perspective and the biblical standpoint.

### **Taxes in the Old Testament**

In the context of the Old Testament, the concept of taxation is manifested through the practice of giving tribute. This involves the presentation of monetary or material offerings from a less powerful state to a more dominant one. An illustration of this is found in Genesis 14, where King Sodom offers tribute to Abraham. This historical practice reflects the dynamics of power and financial contributions between nations, providing insights into the socio-economic structures of ancient societies and their reliance on tributary systems for governance and stability.

In Genesis 41:34-36, Joseph also gathered one-fifth of the abundant harvest in the land of Egypt, collecting it to be distributed to the people during times of scarcity (Karman, 2021). The principle underlying taxation, as demonstrated by Joseph, involves collecting contributions from those with income to be redistributed for the benefit of those in need. This includes funding education, public facilities, healthcare services, and other public interests. Joseph's approach exemplifies a form of taxation aimed at ensuring societal welfare and addressing communal needs during both times of abundance and scarcity.

### **Taxes in the New Testament**

In the New Testament, the obligation to pay taxes to the government is explicitly emphasized. The teachings include: In Matthew 22:21, Jesus' command to fulfill tax obligations to the emperor (Mocan & others, 2022). Paul's directive in Romans 13:7 to pay taxes to the government (Maina, 2021). Jesus' exemplary act in Matthew 17:27, advising to pay taxes to avoid causing offense (Harb, 2010).

Matthew, with a background as a tax collector, provides a unique perspective on taxation, making his writings on the subject particularly intriguing. The biblical passages underscore the importance of fulfilling one's tax duties as part of civic responsibility and moral conduct. The teachings from both Jesus and Paul underscore the significance of contributing to the financial well-being of the state and avoiding any hindrance to social harmony.

### **Tax Payment Awareness**

Consciousness, derived from the word 'sadar' meaning to regain consciousness from fainting or recalling (Bahasa, 1988). So, it can be explained as an action undertaken because one has understood or knows a truth. Therefore, tax payment awareness is an act of fulfilling tax obligations based on the understanding of its foundation, namely the truth derived from the Bible and the legal regulations in Indonesia.

According to Law No. 16 of 2009 on General Provisions and Taxation Procedures, tax is defined as a mandatory contribution to the state, owed by individuals or entities, enforced by law, without direct compensation, and utilized for the utmost welfare of the people and the needs of the state.(KUP Undang-Undang No. 16, 2009) The term 'individual' refers to all citizens or foreigners residing for more than 183 days, encompassing everyone within the church community, including both clergy and congregation members. Meanwhile, a corporate taxpayer is an organization with legal entities, including commercial entities and

foundations. Collaborative efforts between tax authorities and church leaders are crucial to enhance taxpayer compliance.

### **Knowledge of Taxation Principles**

Taxation knowledge refers to an understanding of the principles of taxation in Indonesia as outlined in the General Taxation Provisions Law. This knowledge encompasses comprehending the taxpayer subject, taxable objects, applicable tax rates, methods for calculating the tax liability, and the procedures for recording and reporting taxes. Shanty Ramadan identifies several indicators of tax knowledge, including a grasp of the following: understanding the functions of taxation, grasping the general provisions and procedures of taxation, and comprehending the taxation system. (Ramadhan et al., 2022)

In essence, tax knowledge involves acquiring a comprehensive understanding of the legal framework and processes that govern taxation in Indonesia. This encompasses awareness of the various components involved, such as the entities subject to taxation, the items subject to taxation, the rates at which taxes are levied, and the methods for determining and documenting tax obligations. Shanty Ramadan emphasizes the significance of understanding the broader aspects of taxation, from its fundamental purposes to the specific rules and regulations that guide its implementation (Ramadhan et al., 2022). A well-rounded understanding of taxation principles is crucial for both individuals and organizations to fulfill their tax obligations and contribute to the overall functioning of the national tax system.

### **Personal Taxpayer**

The statement that "churches and clergy do not need to pay taxes" often sparks controversy, but is it indeed accurate? There are two criteria to be considered a taxpayer:

1. Objective requirement, which is met if the individual has income above the Non-Taxable Income (PTKP) thresholds, as stipulated by the Ministry of Finance of the Republic of Indonesia (PMK RI) No. 101/PMK.010/2016. These thresholds include:
  - a. PTKP for unmarried individuals or women without dependents is Rp 54,000,000.00 per year (or Rp 4,500,000.00 per month).
  - b. Married individuals receive an additional PTKP of Rp 4,500,000.00 per year (or Rp 375,000.00 per month).
  - c. Additional PTKP for a wife with her own income, combined with her husband's income for tax purposes, is Rp 54,000,000.00 per year.
  - d. Additional PTKP for dependents, with an amount for each blood-related and in-law family member in the direct lineage and adopted children is Rp 4,500,000.00 per year (or Rp 375,000.00 per month), with a maximum of three dependents.

It is evident that anyone with a certain income exceeding the PTKP thresholds is obligated to register for a Taxpayer Identification Number (NPWP) and is required to pay taxes, including all members of the church, ministers, and clergy. Consequently, all income received by clergy, whether as salary from the church or donations from others, must be subject to tax calculations and reported in the Personal Annual Tax Return.

2. Subjective requirement is that the individual is born and resides in Indonesia for more than 183 days.

### **Corporate Taxpayer**

Law no. 16 of 2009 provides an explanation that a body is a group of people who form a unity, whether engaged in business or not, such as a limited liability company, a limited partnership, another type of company, state-owned enterprises or regional-owned enterprises with any name and form, partnerships, cooperatives, pension funds, partnerships, associations, foundations (including religious organizations), mass organizations, socio-political organizations, or other organizations, institutions, and other forms of entities, including collective investment contract and permanent establishment. All entities established in Indonesia are considered domestic taxpayers with tax obligations in accordance with the provisions of prevailing tax regulations.

Churches, foundations, or similar organizations that are religious, educational, or social bodies, as stipulated in the Minister of Finance's Decree No. 604/KMK.04/1994 dated December 21, 1994; as long as there is no connection in terms of business, employment, ownership, or control between the donor and the recipient, they are not considered taxable objects. This includes donations, offerings, tithes, or even government aid. Therefore, there is a distinct differentiation in treatment between clergy as Individual Taxpayers (ITP) and churches as Corporate Taxpayers (CTP).

However, as a Corporate Taxpayer (CTP), the church has an obligation to withhold income tax (PPh 21) for the income or salary paid to church staff and clergy, PPh 23 for payments to third parties for services such as air conditioner maintenance services, and also PPh 4 paragraph 2 for building renovation services for the church.

The taxation obligations of the church as a CTP include:

1. PPh Article 21 (Income Tax Article 21):

According to the Minister of Finance Regulation No. 252/PMK.03/2008, "PPh 21 is the tax on income from all forms of income such as wages, salaries, honorariums, allowances, and other payments in any name and form related to work or positions, services, and activities carried out by Individual Taxpayers domestically, as referred to in Article 21 of the Income Tax Law."

2. PPh Article 23 (Income Tax Article 23):

Meanwhile, PPh Article 23 is the tax imposed on income from capital, service contributions, gifts, interest, dividends, royalties, or gifts and awards, other than those subject to PPh Article 21. This income arises due to transactions between the church as the employer and other parties providing specific services to the church.

3. PPh Article 4 Paragraph 2 (Income Tax Article 4 Paragraph 2):

Also known as final tax because income tax is imposed on certain types of income that are final and cannot be credited with Income Tax due. For instance, if the church rents out a room or building to third parties, the income received by the church will be subject to income tax withheld by the tenant, and this income must be reported in the church's Annual Income Tax Return.

### **Tax Awareness Among Church Members**

In considering the above presentation, it is crucial to instill awareness among church members, including the clergy, that they have an obligation to pay taxes and report all financial activities in the annual report known as the Annual Tax Notification. Awareness is a key element within the church community to comprehend the reality of tax regulations and act honestly in response to these regulations. Being conscious of and understanding the existing rules can assist pastors and religious leaders in setting an example and teaching all church members. Insufficient awareness contributes to untapped tax potential and hinders the increase of the tax ratio in Indonesia.

Paying taxes is the obligation of all church members as responsible citizens. The act of not paying taxes can be categorized as taking away the rights of others (in this case, the state), as explained in Romans 13:8, stating that "those belonging to the church owe nothing to anyone," including debts to the state. In this context, Paul introduces the principles of justice and duty to fulfill fiscal responsibilities. Therefore, awareness of tax payment becomes a tangible manifestation of the church members' obedience to moral norms and applicable rules. Paying taxes is a positive contribution to collective welfare and service to God.

## **IV. CONCLUSION**

As Christians, individuals are integral members of the citizenry and bear the responsibility to actively contribute to the well-being and development of Indonesian society. Every Christian is encouraged to strive for excellence in their work, attain a respectable income, and thereby possess the capacity to honestly and dutifully fulfill their tax obligations. Paying taxes is a command from Jesus to His followers, urging them to be responsible citizens. Jesus sets an example by paying taxes. The principles and understanding of taxation, both biblically and according to government regulations, must be well comprehended by all members of the church. It is the duty of church leaders to enlighten the congregation about fulfilling tax obligations correctly. Knowledge about taxation can positively impact compliance, and a better understanding of tax regulations will assist taxpayers in fulfilling their obligations. As church members, there is a responsibility to apply Matthew 5:16, letting one's light shine before others, glorifying the Lord in all actions.

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