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University Tax Centres Role: A perspective of The Slippery Slope Theory

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ABSTRACT

Written briefly in English and Indonesian in one paragraph of 150-300 words, Small and Medium Enterprises (SMEs) are vital economic contributors, yet their tax compliance remains a persistent challenge due to systemic and resource-based barriers. This research aims to explore the multifaceted reasons behind SME tax non-compliance and analyze the strategic role of university tax centers in addressing these issues. Adopting a qualitative approach, semi-structured interviews were conducted with 15 key informants in Surabaya, Indonesia, including taxation lecturers, SME owners, and financial department heads. The results reveal that SME non-compliance is primarily driven by a lack of tax awareness, legal complexity, distrust in government institutions due to perceived corruption, and prevailing social norms of tax avoidance. University tax centers effectively mitigate these challenges by providing targeted educational programs, personalized consulting services, and acting as trusted intermediaries to bridge the gap between taxpayers and authorities. This study concludes that university tax centers are pivotal in fostering a sustainable culture of compliance and reducing administrative burdens for the SME sector. The research contributes to the Slippery Slope Theory by demonstrating how academic institutions can prevent the escalation of non-compliance through early intervention and informed support, offering a novel institutional perspective on SME tax behavior.

ABSTRAK

Usaha Kecil dan Menengah (UKM) merupakan kontributor ekonomi yang vital, namun kepatuhan pajaknya masih menjadi tantangan karena hambatan sistemik dan keterbatasan sumber daya. Penelitian ini bertujuan untuk mengeksplorasi alasan multifaset di balik ketidakpatuhan pajak UKM dan menganalisis peran strategis tax center universitas dalam mengatasi permasalahan tersebut. Dengan menggunakan pendekatan kualitatif, wawancara semi-terstruktur dilakukan terhadap 15 informan kunci di Surabaya, Indonesia, yang meliputi dosen perpajakan, pemilik UKM, dan kepala bagian keuangan. Hasil penelitian mengungkapkan bahwa ketidakpatuhan UKM didorong oleh kurangnya kesadaran pajak, kompleksitas hukum, ketidakpercayaan terhadap lembaga pemerintah akibat persepsi korupsi, serta norma sosial penghindaran pajak. Tax center universitas memitigasi tantangan ini dengan menyediakan program pendidikan yang terarah, layanan konsultasi pribadi, dan bertindak sebagai perantara tepercaya untuk menjembatani kesenjangan antara wajib pajak dan otoritas. Studi ini menyimpulkan bahwa tax center universitas sangat penting dalam menumbuhkan budaya kepatuhan yang berkelanjutan dan mengurangi beban administrasi bagi sektor UKM. Penelitian ini berkontribusi pada Slippery Slope Theory dengan menunjukkan bagaimana institusi akademik dapat mencegah eskalasi ketidakpatuhan melalui

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intervensi dini dan dukungan terinformasi, serta menawarkan perspektif institusional baru mengenai perilaku pajak UKM.

A. INTRODUCTION

Small and Medium Enterprises (SMEs) constitute a significant portion of the global economy, contributing substantially to employment, innovation, and GDP (Adeosun & Shittu, 2022). However, their compliance with tax obligations often lags behind larger corporations due to limited resources, lack of expertise, and the perceived complexity of tax systems (Alshira'h et al., 2021; Deyganto, 2022; Nguyen, 2022). This non-compliance not only hampers revenue collection but also distorts the competitive landscape, placing compliant businesses at a disadvantage (Gamage et al., 2020).

Many prior research studies on tax compliance have predominantly focused on the personality traits of taxpayers, examining how individual characteristics such as honesty, risk aversion, and social conformity influence compliance behaviour (Arbex et al., 2023; Ritsatos, 2014; Santoro, 2021; Slemrod, 2024). While this line of inquiry has provided valuable insights into the psychological underpinnings of tax compliance, it often overlooks the systemic and structural factors that play a critical role, especially for SMEs. To better understand these systemic dynamics, the Slippery Slope Theory (SST) posits that tax compliance is determined by two main dimensions: the "power of authorities" (coercive, enforced compliance) and "trust in authorities" (voluntary compliance) (Kirchler et al., 2008). For SMEs, complex tax environments coupled with their limited resources often skew their perception of tax administration toward coercive power (fear of penalties) rather than institutional trust, which ultimately deters voluntary compliance (Minh Ha et al., 2022). Therefore, exploring compliance demands a broader perspective that encompasses educational support and institutional frameworks capable of shifting the dynamic from enforced power to trust-based voluntary cooperation.

Unfortunately, traditional personality-based the results have been inconsistent in predicting compliance behaviour (Bilicka et al., 2022; Trifan et al., 2023). This inconsistency underlines the need to explore alternative approaches that consider the multifaceted nature of tax compliance, particularly for SMEs. The challenges SMEs face are often more structural and resource-based than psychological (Garcia et al., 2020). Thus, a shift in focus from individual traits to comprehensive support systems provided by university tax centers is essential. Under the lens of the Slippery Slope Theory, these centers do not function as tools of coercive power; instead, they serve as neutral institutional mechanisms that directly build the "trust" dimension. These centers offer targeted educational programs, personalized consulting, and research-driven policy advocacy to address the unique compliance needs of SMEs, making a significant impact where personality-based predictions fall short. Furthermore, the role of university tax centers extends beyond education to include mediation between SMEs and tax authorities. Previous research has shown that fear of punitive measures is a significant barrier to compliance, yet SMEs often struggle more with the complexity of tax laws and the lack of accessible support (Arbex et al., 2023; Górecki & Letki, 2021). University tax centers serve as intermediaries, helping to clarify regulations and reduce the administrative burden, and soften the perceived intimidating power of authorities, thereby cultivating a climate of mutual trust (Ahmed & Braithwaite, 2005).

To our knowledge, despite the extensive body of research on tax compliance, there is a notable lack of studies focusing on how university tax centers can specifically achieve tax compliance among SMEs. While prior literature on university tax centers has extensively documented their role in enhancing accounting students' experiential learning or providing general public tax literacy (Moore et al., 2022; Yasa et al., 2021), these studies largely treat tax centers as mere academic extensions rather than active strategic instruments in the national tax ecosystem. This study explicitly differs from previous research by framing university tax centers as a structural intervention that can strategically drive actual tax compliance among SMEs by balancing the trust-power dynamics of the Slippery Slope

Theory. This gap in the literature is surprising given the critical role that SMEs play in the global economy and the unique challenges they face in complying with tax regulations. SMEs often operate with limited resources and expertise, making it difficult for them to navigate complex tax systems effectively (Slemrod, 2024). Therefore, our research is poised to be the pioneering study focusing on the critical role that university tax centers can play in achieving tax compliance among SMEs. This novel exploration is essential given the substantial contributions of SMEs to the global economy and the unique challenges they face in adhering to complex tax regulations (Saragih & Ali, 2023). Additionally, this shift is necessary to address the systemic barriers SMEs encounter, offering a comprehensive approach that combines theoretical knowledge with practical solutions, thus setting a new direction in tax compliance research (Kouam & Asongu, 2022; Rao et al., 2023).

B. RESEARCH METHOD

To observe the role of university tax centres in supporting SMEs, we adopted a comprehensive and multi-faceted approach that involved qualitative interviews with key stakeholders in Surabaya, East Java, Indonesia. Our primary focus was on understanding the perspectives and experiences of lecturers who specialize in taxation, heads of financial departments of SMEs, and SME owners. We began by identifying and reaching out to several prominent lecturers in the field of taxation from local universities. These experts were selected based on their extensive knowledge, academic contributions, and active involvement in tax-related research and education.

The interviews with these lecturers were designed to delve into their insights on the current state of tax education, the effectiveness of university tax centres, and their direct experiences in engaging with SMEs. Each interview lasted approximately one hour and was conducted either in person or via video conferencing, depending on the availability and preference of the interviewee. We employed a semi-structured interview format to allow for in-depth discussions while ensuring that we covered all relevant topics. The data gathered from these interviews provided a solid theoretical foundation for our research, highlighting key trends, challenges, and opportunities in the intersection of tax education and SME support.

In parallel, we conducted interviews with the financial departments and owners of SMEs operating in Surabaya. These interviews aimed to capture the practical aspects of tax compliance, the specific challenges faced by SMEs, and their interactions with university tax centers. The SMEs were selected to represent a diverse range of industries, sizes, and stages of development to ensure a comprehensive understanding of the varying needs and perspectives within the sector. The financial departments were specifically targeted to gain insights into the operational and strategic tax-related issues that SMEs encounter, as well as their reliance on external support services. SME owners were interviewed to provide a more holistic view of the business environment and to understand how tax policies and support systems impact their overall business performance.

Similar to the interviews with lecturers, we used a semi-structured format, allowing for flexibility in the discussions while ensuring that core themes were consistently explored. Each interview was meticulously transcribed and analyzed using qualitative data analysis software (NVivo) to identify recurring themes, patterns, and unique insights. This dual approach of interviewing both academic experts and practical stakeholders enabled us to triangulate our findings and develop a nuanced understanding of the role and effectiveness of university tax centres in supporting SMEs in Surabaya, East Java.

According to Table 1, the informants in this study span a diverse range of demographics, offering a comprehensive overview of various perspectives within the academic and business sectors. The group consists of fifteen individuals, seven males and eight females, whose ages range from 26 to 47 years. Their occupations primarily fall into two categories: academic lecturers and heads of finance divisions or owners in SMEs. This dual focus allows for a comparative analysis of viewpoints from both educational and practical business environments. The lecturers, who constitute nearly half of the informants, are all highly educated, with six holding Master's degrees and two having attained Doctoral degrees. The remaining informants, who are primarily involved in the finance divisions of SMEs, predominantly hold Bachelor's degrees, with one individual having completed a Magister. This educational distribution highlights the emphasis on higher education within the academic sector and the practical application of undergraduate education within the business realm.

The duration of the interviews conducted with these informants varied significantly, reflecting the depth and detail of the conversations. The shortest interview lasted 60 minutes, while the longest extended to 103 minutes, with an average duration of approximately 70 minutes. This range indicates a substantial engagement level across all participants, ensuring a rich collection of qualitative data. The interview durations also suggest that informants from both the academic and SME sectors were equally committed to providing thorough insights into their experiences and perspectives. For instance, lecturers such as Informant 1 and Informant 3 had interviews lasting 62 and 72 minutes respectively, while SME representatives like Informant 9 and Informant 15 had more extended discussions, lasting 81 and 103 minutes respectively. This comprehensive engagement underscores the value of the data collected, offering a robust foundation for analyzing the intersection of academic theories and practical business operations within SMEs.

Table 1. Informants' demographics

No	Informant codes	Gender	Age	Occupation	Last Education	Interview duration
1	Infor1	Female	30	Lecture	Master	62 Minutes
2	Infor2	Male	28	Lecture	Master	60 Minutes
3	Infor3	Female	30	Lecture	Master	72 Minutes
4	Infor4	Male	37	Lecture	Doctoral	65 Minutes
5	Infor5	Male	32	Lecture	Master	62 Minutes
6	Infor6	Female	29	Lecture	Master	63 Minutes
7	Infor7	Female	36	Lecture	Doctoral	61 Minutes
8	Infor8	Female	28	Head of finance division in SME	Bachelor	74 Minutes
9	Infor9	Male	30	Head of finance division in SME	Bachelor	81 Minutes
10	Infor10	Male	47	Owner of SME	Bachelor	67 Minutes
11	Infor11	Male	27	Head of finance division in SME	Bachelor	84 Minutes
12	Infor12	Male	26	Head of finance division in SME	Bachelor	61 Minutes
13	Infor13	Female	40	Owner of SME	Magister	83 Minutes
14	Infor14	Female	26	Head of finance division in SME	Bachelor	60 Minutes
15	Infor15	Female	28	Head of finance division in SME	Bachelor	103 Minutes

C. RESULT AND DISCUSSION

This section presents the findings from the interviews, focusing on two main areas: the causes of trust issues toward tax officers and the role of the University's tax centre in addressing these concerns. The discussion is divided accordingly to provide a clear analysis of the factors contributing to the distrust and the specific actions and initiatives taken by the tax centre to mitigate these issues.

The causes of trust issues

Perceived Fairness

The following quotes show that when taxpayers believe that the tax system unfairly distributes the tax burden, they are more likely to distrust tax officers. For instance, one of argument indicates that the perception that the tax system favors the rich and powerful while burdening the other citizens can erode trust in those who administer and enforce these policies, including tax officers.

"It's not just about paying taxes; it's about the belief that the system is fundamentally fair and just" (Infor6).

"If people feel the system is skewed in favor of the wealthy, they may view tax officers as part of that unjust system, which diminishes their trust in these officials" (Infor3).

Another informant added that the complexity of tax regulations can exacerbate these issues, as taxpayers may feel overwhelmed and confused, suspecting that such complexity is a deliberate tactic to exploit them.

"The regulations are often so complicated that taxpayers feel overwhelmed and confused. This confusion leads to a suspicion that the complexity is a deliberate tactic designed to exploit them. This feeling of being deliberately confused or exploited can add a lot of stress and anxiety to the taxpaying process" (Infor1).

Another significant cause of trust issues is the perceived inconsistency in the enforcement of tax laws. Respondents noted that some individuals and businesses seem to receive preferential treatment, while others face disproportionate scrutiny and penalties. This inconsistency can be particularly damaging to trust, as it suggests that the tax system is not applied uniformly and that tax officers may be influenced by external factors such as political connections or bribes. The perception of unequal treatment undermines the principle of fairness that is fundamental to any tax system and can lead to widespread cynicism and non-compliance among taxpayers.

"Of course. One of the biggest trust issues I see is the perceived inconsistency in the enforcement of tax laws. It often feels like some businesses receive preferential treatment, while others, like mine, face disproportionate scrutiny and penalties" (Infor10).

"Sure. I've noticed that some individuals seem to get preferential treatment, possibly due to their political connections" (Infor13).

Additionally, many interviewees recounted negative experiences with tax officers who were perceived as unqualified, unhelpful, or even rude. These interactions can significantly impact trust, as taxpayers may feel that they are not being served by knowledgeable and dedicated professionals.

"It was frustrating and left me feeling like the system wasn't designed to help small businesses" (Infor9).

"I once dealt with a tax officer who was rude and dismissive when I asked questions about my tax return. It was a simple query, but their attitude made me feel like I was bothering them. It made me question whether they were genuinely there to help" (Infor11).

Trust in government

Based on insights gathered from informants, one of the primary causes of tax non-compliance related to trust in government is the perception of rampant corruption and mismanagement of public funds. Informants repeatedly emphasized that when taxpayers believe their contributions are being diverted through corrupt practices or misused, their willingness to comply diminishes significantly. High-profile cases of embezzlement, bribery, and other forms of corruption, often highlighted in the media, reinforce these negative perceptions. Informants noted that a lack of transparency in how tax revenues are spent exacerbates this distrust. When taxpayers do not see tangible benefits from their contributions, such as improved public services or infrastructure, they grow sceptical of the government's intentions and integrity. This scepticism can lead to a rationalization of tax evasion as a means to avoid contributing to a system perceived as corrupt.

"I see news about high-profile cases of embezzlement or bribery, it makes me question where my tax money is going. It's hard to feel motivated to comply when you believe your contributions are being diverted through corrupt practices" (Infor14).

"Seeing high-profile cases in the media only reinforces my belief that my tax money is being misused" (Infor9).

Another crucial factor identified by our informants is the perceived inequity and unfairness of the tax system. Many taxpayers feel that the tax burden is disproportionately placed on middle- and lower-income groups, while the wealthy and large corporations are seen as exploiting loopholes and engaging in aggressive tax planning to minimize their tax liabilities. Informants shared anecdotes of individuals and businesses who, despite substantial incomes, manage to pay little or no taxes due to their ability to afford sophisticated tax avoidance strategies. This perceived unfairness fosters a sense of injustice and resentment among regular taxpayers, who feel they are bearing an unfair share of the tax burden. Furthermore, informants highlighted instances where inconsistent enforcement of tax laws – where some taxpayers face severe penalties while others seem to evade scrutiny – undermines trust in the system. This inconsistency promotes a culture of non-compliance, as taxpayers feel the system is rigged against them.

> *"I feel the tax burden is disproportionately placed on middle- and lower-income groups like mine" (Infor12).*

> *"I know people who make a lot more money than I do but pay significantly less in taxes because they can afford expensive tax advisors" (Infor10).*

Taxpayers often face convoluted and opaque filing processes, which are further complicated by frequent changes in tax laws and regulations. Informants described the tax filing process as intimidating and time-consuming, especially for individuals and small businesses without access to professional tax advisors. Bureaucratic inefficiencies, such as slow processing times and unresponsive customer service, add to the frustration. Many informants expressed that the tax authority seems more focused on penalizing non-compliance rather than assisting taxpayers in fulfilling their obligations. This adversarial perception leads to a diminished willingness to comply, as taxpayers feel they are being punished rather than supported.

> *"It feels intimidating and time-consuming. There are frequent changes in tax laws and regulations, which makes it hard to keep up" (Infor8).*

> *"Filing taxes is always a daunting task. The process is confusing and changes in tax laws happen frequently. Without a professional tax advisor, it's hard to know if I'm doing everything correctly. The bureaucratic inefficiencies and unresponsive customer service only add to the stress" (Infor10).*

Then, the broader socio-political environment heavily influences taxpayers' trust in government and their compliance behavior. Informants pointed to political instability, weak rule of law, and lack of accountability in government institutions as factors that erode trust. They recounted instances where political leaders and public officials engaged in unethical behavior without facing consequences, leading to a loss of faith in the system's integrity.

> *"I see political leaders and public officials engaging in unethical behavior without facing consequences, making it hard to trust the system" (Infor6).*

> *"Political instability and the lack of accountability in government institutions create an atmosphere of distrust" (Infor7).*

> *"If those in power aren't held accountable, it feels pointless to follow the rules" (Infor15).*

Others argue that economic hardships, such as high unemployment rates and inflation, also play a role in non-compliance. Informants noted that in times of economic distress, taxpayers prioritize immediate financial survival over tax compliance, especially when there is a lack of trust that the government will provide adequate support.

> *"When economic conditions are tough, like with high unemployment and inflation, it becomes really hard to prioritize paying taxes" (Infor1).*

> *"High unemployment rates and inflation strain our resources, and during these times, we prioritize keeping the business afloat over tax compliance" (Infor10).*

Social Norms

Social norms and the behavior of peers can significantly influence tax compliance. Social norms are the unwritten rules that govern behavior within a community or society, and they play a significant role in shaping individuals' actions, including their approach to tax compliance. When taxpayers observe that their peers are not adhering to tax regulations, they may feel justified in following suit. This phenomenon is often reinforced by a lack of visible consequences for non-compliance. For instance, if a business owner knows that other businesses in their community are underreporting income and not facing penalties, they might be inclined to do the same to maintain competitiveness and social acceptance.

"If I see that my peers are not adhering to tax regulations and not facing any repercussions, it creates a sense that it's okay to do the same" (Infor8).

"To maintain competitiveness and social acceptance, I might feel compelled to do the same like others" (Infor10).

Our informant highlighted that in many cases, taxpayers are influenced by the actions of their close associates, family members, and colleagues. This peer pressure can be particularly strong in small communities or tightly-knit professional networks where individuals are highly aware of each other's financial behaviors. If tax evasion is seen as a norm within these groups, individuals may feel compelled to conform, even if they personally understand the importance of tax compliance.

"Even though I know the importance of complying with tax laws, the need to conform to the group's behavior can sometimes outweigh my personal convictions" (Infor9).

Others added that, the lack of social sanctioning for tax evasion can further entrench these behaviors. When tax authorities are perceived as ineffective or lenient in enforcing regulations, the social norm of non-compliance becomes more entrenched, as the perceived risk of being caught and punished is minimal.

"The perception that everyone else is getting away with it without any repercussions makes it easier to justify non-compliance" (Infor4).

"The risk of getting caught and punished feels minimal, so it's easier to justify not complying" (Infor6).

Another critical aspect of social norms influencing tax compliance is the perception of fairness and reciprocity within the tax system. Our informants pointed out that when taxpayers perceive the tax system as unfair or believe that their tax contributions are not being used effectively, they are more likely to engage in non-compliant behavior. This sense of injustice and the desire for reciprocity can significantly undermine the willingness of individuals to comply with tax regulations. In such an environment, social norms that promote tax evasion can become deeply ingrained, as taxpayers rationalize their behavior based on perceived inequities in the system.

"I believe the tax system is unfair and that my contributions are not being used effectively, it diminishes my willingness to comply" (Infor13).

"I think, our money is misused, undermines my motivation to comply" (Infor11).

In relation to social norms, the role of social networks and communication in spreading information about tax compliance cannot be underestimated. Our informant noted that misinformation and rumors about tax regulations and enforcement practices can spread rapidly through social networks, influencing taxpayers' perceptions and behaviors. Social media and online forums can amplify these effects, as taxpayers share their experiences and advice on avoiding taxes. This collective sharing of information, whether accurate or not, can shape social norms and create a culture of non-compliance.

"I hear from others that it's easy to avoid taxes without getting caught, it influences my behaviour" (Infor14).

Demographics

We found that tax compliance behavior is also significantly influenced by various demographic factors such as age, education, and occupation. One primary cause related to age is the different levels of financial maturity and risk tolerance across various age groups. Younger taxpayers, often at the early stages of their careers as businessman, might exhibit lower compliance due to limited understanding of tax regulations and perceived lower risk of non-compliance consequences. They tend to prioritize immediate financial needs over long-term obligations, such as taxes, and may lack the experience to navigate complex tax systems. On the other hand, older taxpayers, who are more likely to be settled in their careers and have a better understanding of financial management, tend to show higher compliance rates. They recognize the importance of maintaining a clean financial record for purposes like securing loans or planning for retirement. However, there can be exceptions among older individuals who might struggle with the increasing complexity of tax regulations, leading to unintentional non-compliance.

“With years of experience as a business owner, I understand the importance of complying with tax regulations” (Infor10).

“The increasing complexity of tax regulations can be overwhelming. Sometimes, I struggle to keep up with the changes, which can lead to unintentional non-compliance. But overall, my experience and understanding of financial management make me more inclined to comply with tax laws” (Infor15).

According to the following quote that taxpayers with higher levels of education are generally more aware of the importance of tax regulations and the consequences of non-compliance. They are likely to have better access to information and resources that can help them understand their tax obligations. Educated individuals are often more adept at managing their finances, including filing accurate tax returns and seeking professional advice when needed. The complexity of tax forms and the jargon used can be significant barriers for individuals with limited educational backgrounds.

“I see how complex tax terminology can be a barrier for others without a similar educational background. It's important to simplify these processes to ensure everyone can fulfill their tax obligations correctly” (Infor2).

The following quotes show that self-employed individuals or those working in informal sectors face different challenges. The nature of their income can be irregular and less transparent, making it easier to underreport earnings or overlook tax obligations. Self-employed individuals might also be more inclined to exploit loopholes or gray areas in tax regulations to minimize their tax liabilities. The lack of a structured system to guide their tax compliance can result in both intentional and unintentional non-compliance.

“The nature of my income can fluctuate, and it’s not always clear how much I should set aside for taxes. I try to stay informed, but sometimes the tax regulations can be ambiguous. I'm cautious about exploiting loopholes but also want to ensure I'm not paying more than necessary” (Infor14).

“There's a temptation to find ways to minimize taxes, but I also want to ensure I'm fulfilling my obligations correctly” (Infor11).

The next quote confirms prior studies have shown that men, in general, tend to exhibit higher levels of risk-taking behavior compared to women. This predisposition can translate into more aggressive financial strategies, including tax avoidance. Male business owners might be more willing to exploit legal loopholes or engage in creative accounting practices to reduce their tax liabilities, viewing it as a strategic move to maximize profits and gain a competitive edge in the market. This behavior is often driven by a combination of ambition, a desire for financial success, and the pressure to sustain or grow their businesses in competitive environments.

“I'm willing to explore legal avenues and optimize tax efficiencies to support business growth” (Infor9).

"In my practice, I've observed that male clients often pursue more aggressive tax strategies to maximize profits and gain competitive advantages" (Infor5).

Male entrepreneurs might rationalize tax avoidance by viewing it as a victimless crime, where the primary consequence is a loss to a faceless government rather than an individual. This moral justification can be bolstered by a belief in the inefficiency or unfairness of the tax system, leading them to feel entitled to retain more of their earnings. Additionally, the sense of autonomy and control that comes with running a business can lead male entrepreneurs to feel justified in making decisions that prioritize their financial interests over legal or ethical considerations. These psychological mechanisms can create a mindset where tax avoidance is seen not only as acceptable but as a smart and necessary business practice.

"It's not about breaking the law but about optimizing my financial position within legal boundaries. There's a sense that avoiding taxes is a smart business practice, necessary for staying competitive and ensuring profitability" (Infor13).

The role of the University's tax centre

Education and Awareness

Based on feedback from our informants, the tax centres are instrumental in providing detailed, accessible information about the tax system, which is essential for fostering an informed and compliant taxpayer base. The primary function of these centres is to demystify complex tax regulations, making them understandable for individuals from diverse backgrounds.

"As a small business owner, navigating the tax system can be daunting. Tax centres have been instrumental in providing clear and accessible information about complex tax regulations" (Infor13).

"The tax centers offer detailed, accessible information that breaks down the regulations in a way that's easy for me to understand" (Infor15).

One significant aspect highlighted by our informants is the practical training provided by university tax centres. These centres offer hands-on experiences, such as internships and simulation exercises, which allow students to apply theoretical knowledge in real-world scenarios. This practical approach not only enhances the students' understanding of tax matters but also prepares them for professional roles in the field of taxation. Informants note that graduates from these programs often become advocates for responsible tax behavior in their communities, leveraging their expertise to assist others.

"They've gained so much knowledge and confidence from their hands-on experiences. It motivates me to seek similar opportunities to enhance my own understanding and preparedness for a career in taxation" (Infor10).

"Graduates from university tax centres are exceptionally well-prepared" (Infor5).

"Students gain real-world experience, which enhances their understanding of tax matters and prepares them for professional roles" (Infor4).

Furthermore, our informants point to the outreach activities conducted by university tax centres as a critical component of their impact. These centres engage with the wider community through public lectures, informational campaigns, and partnerships with local organizations. Such initiatives are particularly effective in reaching underserved populations who may not have access to professional tax advice.

"Without their efforts, I would be lost trying to navigate the complex tax system on my own" (Infor11).

Building Trust

Informants note that the centre acts as a bridge between taxpayers and the government, facilitating clear communication and addressing any grievances promptly. This collaboration ensures that taxpayers receive accurate information and timely updates on any changes in tax laws or procedures.

"The tax centre has been a crucial bridge between businesses and the government" (Infor6).

"They act as an intermediary, ensuring that we receive accurate information and timely updates on tax laws and procedures. Whenever I have a question or issue, they address it promptly, which makes the whole process much smoother. Their support has been essential in maintaining my tax compliance" (Infor4).

The university's tax centre contributes to trust-building by advocating for fair and just tax policies. Informants appreciate the centre's role in providing feedback to the government based on taxpayer experiences and concerns. This advocacy ensures that taxpayer voices are heard in policy-making processes, leading to more equitable tax policies. When taxpayers see that their interests are represented and that the government is responsive to their needs, it strengthens their trust in the tax system and the government's commitment to fairness and transparency.

"Knowing that our voices are heard in policy-making processes makes us feel represented and understood" (Infor11).

"Our role at the tax center includes advocating for fair and just tax policies. We gather feedback from taxpayers and convey their experiences and concerns to the government" (Infor5).

We found that offering robust customer support is a cornerstone of how the tax centre reinforces trust between taxpayers and the government. This level of service helps to alleviate any anxieties or uncertainties individuals may have about the tax process. When taxpayers know they can quickly and easily access knowledgeable assistance, their confidence in the system grows, fostering a stronger trust in the government's ability to manage tax-related matters effectively.

"Whenever I have questions or concerns about the tax process, I know I can quickly access knowledgeable assistance" (Infor15).

"As a recent graduate working in taxation, I've seen how their assistance can alleviate anxieties and uncertainties about the tax process" (Infor12).

In addition to handling inquiries, the tax centre's customer support team also plays a proactive role in educating taxpayers. They provide guidance on best practices for tax filing, highlight common mistakes to avoid, and offer tips on how to maximize deductions and credits. This proactive approach helps taxpayers feel more knowledgeable and in control of their tax obligations.

"They highlight common mistakes to avoid and offer tips on maximizing deductions and credits. This guidance makes me feel more knowledgeable and in control of my tax obligations" (Infor9).

"They don't just answer my questions; they also provide guidance on best practices for tax filing. They help me understand common mistakes to avoid and how to maximize my deductions and credits. This proactive approach has made me feel more confident and in control of my tax situation" (Infor10).

Enhancing Power of Tax Authorities

In addition to training and networking, the Tax Centre conducts cutting-edge research on various aspects of taxation. This research provides valuable insights into emerging trends, potential loopholes, and innovative tax compliance strategies. Tax authorities can leverage these insights to stay ahead of the curve and proactively address issues before they escalate. The Centre's research outputs, including reports, policy briefs, and academic papers, serve as important resources for tax authorities seeking to enhance their analytical capabilities and develop evidence-based policies. This continuous flow of high-quality research ensures that tax authorities are equipped with the latest knowledge to effectively manage their responsibilities.

"Their insights help us anticipate and address issues before they escalate" (Infor13).

"The Tax Centre's research is a cornerstone for both the academic community and tax authorities. Their cutting-edge studies provide insights into trends, loopholes, and compliance strategies that are crucial for proactive policy-making" (Infor2).

When taxpayers are well-informed about their rights, they are more likely to feel empowered and confident in their interactions with tax authorities. This transparency reduces the perceived complexity and intimidation often associated with tax systems, making taxpayers more willing to comply. Clear communication about their responsibilities ensures that taxpayers understand what is expected of them, reducing unintentional non-compliance due to ignorance or misunderstanding. This engagement can lead to more responsive and effective governance, as policymakers are held accountable by a well-informed electorate. In turn, a responsive tax policy that aligns with public interests further enhances compliance and cooperation, creating a virtuous cycle of trust and engagement between taxpayers and tax authorities.

"Clear communication is crucial. I feel more empowered and confident in my interactions with tax authorities, less intimidating and increases my willingness to comply" (Infor15).

Research and Development

Our study suggests that the University's tax centre, through its dedicated Research and Development (R&D) unit, plays a crucial role in assisting taxpayers in complying with tax regulations. Their research capability enables the tax centre to offer taxpayers the most up-to-date information, helping them navigate complex tax requirements with confidence. Informants have highlighted that this proactive approach significantly reduces the risk of unintentional non-compliance, providing taxpayers with a reliable source of expert knowledge.

"Their R&D unit offers the most up-to-date information, which is essential for navigating complex tax requirements" (Infor4).

"The impact has been significant. The tax centre's R&D unit provides the latest information, which helps me understand and comply with tax regulations" (Infor6).

Furthermore, the tax centre's R&D team develops innovative tools and resources that streamline the tax compliance process. These include user-friendly software, detailed guides, and interactive workshops that educate taxpayers on their obligations and best practices. According to our informants, these resources are particularly valuable for small business owners and individual taxpayers who may lack the expertise and resources to manage their tax responsibilities independently. According to our informants, the tax centre can empowers taxpayers to meet their tax obligations more efficiently and accurately.

"Their resources have helped me understand my obligations better and ensure accuracy in filing. Interactive workshops have also been beneficial, providing practical insights that I can apply directly to my business" (Infor10).

"Their user-friendly software and detailed guides simplify complex tax requirements, ensuring accuracy in our filings" (Infor12).

The centre, informed by the latest research, is expected to address specific tax-related concerns. These services range from answering queries about recent tax law changes to providing detailed tax planning strategies tailored to individual circumstances. The following informants have praised the centre's ability to deliver customized advice that takes into account the unique needs of each taxpayer.

"They answer my queries about recent tax law changes promptly and offer detailed tax planning strategies that suit my business's needs. Their ability to customize advice based on individual circumstances has been invaluable in navigating complex tax regulations" (Infor14).

Additionally, the next quotes expect that the university's tax centre fosters a collaborative relationship with tax authorities, acting as a bridge between taxpayers and regulatory bodies. If staying abreast of policy developments and participating in discussions with tax officials, the centre ensures that taxpayers are well-informed about impending changes and can prepare accordingly. Our informants emphasize that this advocacy and liaison role is vital in promoting a transparent and fair tax system. As expected, the center helps build trust and encourages voluntary compliance, ultimately contributing to a more effective and equitable tax administration.

"I feel more confident that the policies are being developed with our interests in mind and that there's transparency in how tax laws are implemented" (Infor12).

"They understand our startup challenges and provide tailored strategies that optimize our tax planning" (Infor13).

Our research explores the multifaceted determinants of tax non-compliance among Small and Medium Enterprises (SMEs) and critically examines the strategic intervention of university tax centers. Rather than viewing non-compliance purely as an isolated psychological trait, integrating our empirical findings with the Slippery Slope Theory (SST) developed by Kirchler et al. (2008) offers a more systemic interpretation. The SST posits that tax compliance exists on a continuum governed by two main dimensions: the "power of authorities" (coercive, leading to enforced compliance) and "trust in authorities" (legitimate, leading to voluntary compliance). Our findings reveal that SME tax non-compliance is heavily structural, driven by an acute lack of tax literacy and overwhelmed by the administrative complexity of statutory regulations. When SMEs face thin profit margins and volatile cash flows, the complex tax system is often perceived not as a civic duty, but as an aggressive extension of the state's coercive power (Lavic, 2023). This dynamic breeds administrative anxiety and unintentional non-compliance, where the perceived high costs of errors and subsequent penalties alienate taxpayers, shifting their stance further away from voluntary compliance.

Furthermore, our analysis illuminates how institutional skepticism and unfavorable social norms structurally erode the "trust" dimension within the SST framework. The finding indicates a profound skepticism among SME owners regarding government transparency, efficiency, and fairness in fund utilization. Within the SST matrix, when trust in authorities is low, even a high exercise of power fails to foster sustainable compliance (da Silva et al., 2019; Gangl et al., 2015; Mardhiah et al., 2023), instead yielding defensive tax avoidance as a perceived pragmatic mechanism for business survival (Byrd et al., 2022). This structural distrust is further normalized by immediate peer networks and industry-specific social norms. In business ecosystems where tax evasion is prevalent and perceived as a necessary strategy to maintain competitive parity, non-compliance ceases to be a mere individual ethical lapse; it becomes an institutionalized collective behavior (Ngah et al., 2021). Consequently, the combination of high administrative barriers and low institutional trust creates a "slippery slope" where enforcement measures are rendered inefficient, and voluntary cooperation is completely neutralized.

Crucially, this study offers a distinctive theoretical contribution to the development of the Slippery Slope Theory by introducing educational institutions as strategic, trilateral intermediaries. The classic SST model fundamentally assumes a direct, bilateral relationship between the state (tax authority) and the citizen (taxpayer), where compliance is negotiated purely through a push-and-pull dynamic of power and trust. Our study extends this paradigm by demonstrating that a third-party academic institution can effectively alter this binary dynamic. University tax centers act as a buffer that decouples the tax administration process from the immediate threat of coercive state power. Because universities possess inherent public trust and academic neutrality, their intervention actively builds organic "trust in authorities" by proxy, without invoking the defensive mechanisms usually triggered by direct fiscal audits. By serving as trustworthy intermediaries, these centers translate complex state regulations into empathetic, supportive business guidance, thereby fostering a climate of voluntary compliance that the tax authority cannot easily achieve through standard regulatory power alone.

Consequently, these insights yield vital practical and policy implications. The structural realities of SMEs necessitate a paradigm shift from traditional, punitive tax enforcement to proactive, socio-psychological interventions. Tax authorities should strategically collaborate with university tax centers, formally recognizing them as integral components of the national tax ecosystem. Policy measures must move beyond the unilateral expansion of audit capacities (power) and prioritize the institutional funding and scaling of these tax centers to rebuild cooperative frameworks (trust). By leveraging the academic neutrality of universities, governments can implement peer-to-peer learning networks and collaborative compliance frameworks that restructure prevailing social norms within SME clusters. Ultimately, fostering tax compliance within the critical SME sector requires transforming the tax administration architecture from an intimidating system of state coercion into a shared institutional responsibility facilitated by educational intermediaries.

D. CONCLUSION

This research concludes that tax non-compliance among SMEs is a multifaceted phenomenon driven by limited regulatory awareness, administrative complexity, and a significant trust deficit toward tax authorities. The findings demonstrate that university tax centers serve as a strategic institutional bridge in mitigating these barriers. By providing accessible educational programs and personalized consulting services, these centers simplify tax obligations and reduce the perceived distance between taxpayers and the state.

Beyond summarizing these dynamics, this study offers a distinct theoretical contribution by expanding the Slippery Slope Theory (SST) from its traditional bilateral paradigm (state vs. taxpayer) into a trilateral framework. It demonstrates that academic institutions can act as neutral, third-party intermediaries that organically cultivate "trust in authorities" by proxy, without triggering the defensive mechanisms usually associated with direct, coercive state power. Practically, this study provides a crucial blueprint for tax authorities and policymakers to transition from purely punitive enforcement toward collaborative tax governance. It highlights the necessity of formally integrating and funding university tax centers as essential components of the national tax ecosystem to reshape compliance social norms among SMEs.

Despite these valuable insights, this study is not without limitations. First, given its qualitative design and reliance on a specific sample of 15 key informants in Surabaya, Indonesia, the findings may lack statistical generalizability to other geographic locations or different macroeconomic environments. Second, this study evaluates the perceived effectiveness of tax centers based on cross-sectional interview data rather than longitudinal tracking of actual, objective compliance rates or tax filings.

Therefore, future research should address these gaps by employing quantitative or mixed-method approaches to empirically validate the trilateral SST framework across a broader, nationwide sample of SMEs. Additionally, longitudinal studies are highly encouraged to track and measure the long-term, post-intervention impacts of university tax center programs on actual SME tax compliance behavior and national tax revenue collection over time.

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