



Corporate Culture, Incentive Systems, and Ethical Threats to Tax Accountants: Implications for Aggressive Tax Planning

Sahat Parlindungan Simarmata

Universitas Trisakti,
Indonesia

***Corresponding author:**

Sahat Parlindungan Simarmata, Universitas
Trisakti, Indonesia.

✉ sahat.simarmata@gmail.com

Article Info:

Article history:

Received: July 02, 2026

Revised: August 15, 2026

Accepted: August 20, 2026

Available Online: October 09, 2026

Keywords:

Aggressive Tax Planning;

Corporate Culture;

Ethical Threats;

Incentive Systems;

Tax Accountants



This is an open access article under the
[CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.

Copyright © 2026 by Author. Published by
Politeknik Siber Cerdika International

Abstract

Background: Indonesia's self-assessment system places tax accountants in a position that is both strategic and ethically vulnerable, yet research on accountants' ethics in Indonesia remains dominated by the external-auditor context and rarely examines the role of organizational factors. The urgency is reflected in a tax ratio of only around 10 percent of GDP, well below the ASEAN (around 14.3 percent) and OECD (around 33.5 percent) averages, alongside still-limited return compliance and audit coverage.

Objective: This conceptual article develops a theoretical framework explaining how corporate culture and incentive systems shape the ethical threats faced by tax accountants and their implications for the tendency toward aggressive tax planning.

Methods: Using a qualitative, literature-based conceptual approach, the article reviews the literature on the professional code of ethics, ethical threats, tax aggressiveness, tax morale, tax compliance, and governance, and synthesizes it into an antecedent-mechanism-consequence framework.

Results: A culture emphasizing short-term financial targets, tolerance of ethical ambiguity, and a results-oriented incentive system can intensify self-interest, advocacy, familiarity, and intimidation threats; conversely, a culture emphasizing integrity, accountability, transparency, governance quality, and balanced performance indicators can strengthen ethical judgment, tax morale, and compliance. The article proposes that the relationship among corporate culture, incentive systems, and aggressive tax planning is mediated by the ethical threats accountants experience during professional decision-making.

Conclusion: Strengthening tax ethics is not sufficient through code-of-ethics training alone; it requires the design of governance, audit committees, performance-evaluation systems, and organizational ethics policies capable of preventing the normalization of aggressive tax practices.

To cite this article: Simarmata, S. P. (2026). Corporate culture, incentive systems, and ethical threats to tax accountants: Implications for aggressive tax planning. *INKUBIS: Jurnal Ekonomi dan Bisnis*, 8(3), 2668-xx. <https://doi.org/10.59261/inkubis.v8i3.413>

INTRODUCTION

Indonesia's taxation system places self-assessment as the main principle for fulfilling tax obligations, entrusting taxpayers to calculate, pay, and report their own tax payable in accordance with statutory provisions ([Law Number 28 of 2007, 2007](#)). Within this framework, tax accountants hold a strategic position because they calculate taxes, prepare fiscal reports, provide professional judgment on tax treatment, and assist taxpayers in dealing with the tax authority. This role positions tax accountants not as mere administrative executors but as an important link among the interests of the state, the corporation, and the wider public ([Simarmata, 2024](#)). The OECD likewise frames tax intermediaries as important agents between taxpayers and authorities,

not only in compliance but also in disseminating understanding of tax law, advising, and representing taxpayers (OECD, 2008).

In practice, this strategic position does not always align with ethical compliance. Business dynamics, financial-target pressure, the need to preserve cash flow, and management expectations of tax-expense efficiency frequently place tax accountants in dilemma-laden situations: on one side they are required to help the organization conduct legitimate and efficient tax planning, while on the other they risk being pushed into a gray area that blurs the line between justified tax optimization and tax engineering that violates the law or professional ethics. This becomes more relevant when various modes of tax deviation—under-reporting sales, adding fictitious costs, using tax invoices not based on actual transactions, failing to remit withheld taxes, and engineering VAT refunds—show that the tax function within an organization can become a vulnerable point when not controlled by adequate ethics and governance.

In this context, the Indonesian Accountants' Code of Ethics provides an important normative framework for tax accountants. The code sets out five fundamental principles—integrity; objectivity; professional competence and due care; confidentiality; and professional behavior—and recognizes threats to compliance with those principles, namely self-interest, self-review, advocacy, familiarity, and intimidation threats (Simarmata, 2024). These principles adopt the framework of the International Ethics Standards Board for Accountants (IESBA), so their relevance is cross-jurisdictional (IESBA, 2024). For tax accountants, these threats are not abstract: a promised promotion in exchange for following manipulated tax reports, reliance on work previously prepared by oneself without independent review, excessive defense of client interests, personal closeness with an audited party, and superior pressure to meet targets. Empirical evidence shows that an IESBA-based code functions as an important safeguard: Ghosh (2025) found that most professional accountants in business face ethical dilemmas in presenting information and tend to resolve them in line with IESBA guidance, while Rogošić and Perica (2023) showed that the code of ethics mediates the relationship between affective professional commitment and the application of accounting ethics principles, thereby helping curb unethical accountant behavior.

To date, research on accountants' ethics in Indonesia has focused more on external auditors, accounting fraud, or accountants' ethical behavior in general, while studies specifically highlighting tax accountants remain relatively limited. This indicates that the professional space of tax accountants has not received balanced attention, even though they operate at the intersection of legal compliance, the state's fiscal interest, and corporate business pressure.

The relevance of this issue is reinforced by the macro conditions of national tax revenue and compliance. Indonesia's tax ratio stood at only around 10.07-10.08 percent of GDP in 2024, down from 10.31 percent in 2023, and continued to decline toward around 9.31 percent in 2025, its lowest post-pandemic level, remaining far below the average of ASEAN countries (around 14.3 percent) and OECD countries (around 33.5 percent). On the formal compliance side, the annual tax-return (SPT) reporting rate in 2024 reached only around 73.58 percent of the 83.22 percent target, while the Directorate General of Taxes' audit coverage ratio ranged only between 0.83 and 1 percent throughout 2021-2024. A low tax ratio alongside still-suboptimal formal compliance and limited audit coverage indicates that the discretionary space within the self-assessment system remains wide, making the quality of tax accountants' ethical decisions an important determinant of the sustainability of the state revenue base (Iosepine, 2026; Pajakku, 2024; Pratama, 2026).

National research in recent years has begun to show that the issue of accounting professional ethics cannot be separated from the organizational context in which professional decisions are formed. In the tax-consultant context, Tiswiyanti et al. (2022) showed that ethics and social responsibility mediate the relationship between Machiavellian tendencies and ethical decisions, indicating that ethical threats in tax decisions arise not only from individual character but also from ethical mechanisms operating in the professional environment. In line with this, Yustina and Hertiningtyas (2021) empirically mapped the ethical issues faced by tax professionals in Indonesia (from tax avoidance, perceived as the most critical and most frequent, to reporting-position and loophole-seeking issues) confirming that the ethical threats facing tax accountants are contextual and embedded in everyday professional practice. Nevertheless, these studies still focus on public accountants and tax consultants in general and have not explicitly explained how

corporate culture and incentive systems influence the ethical threats faced by tax accountants in tax decision-making.

On the other hand, the national taxation literature also shows that tax aggressiveness is a phenomenon influenced by firms' financial characteristics and managerial decisions. Wirianata et al. (2024) found that profitability had a positive effect and leverage a negative effect on tax avoidance among energy, basic-materials, industrial, and consumer-goods firms listed on the Indonesia Stock Exchange, while firm size moderated the effects of leverage and capital intensity on tax avoidance. This shows that organizational tax behavior is determined not only by formal norms but also by performance pressure and economic incentives operating within the firm, so that the intensity of tax-avoidance behavior is contingent on financial condition and organizational scale. However, such studies are generally placed at the firm level and have not explicitly linked it to the professional ethical threats faced by tax accountants as key actors in the tax function.

Departing from this gap, this article argues that the ethical problems of tax accountants stem not solely from a weak understanding of the code of ethics but also from incentive structures and corporate cultures that can push tax accountants into the gray zone between legitimate tax planning and tax engineering that violates ethics (Simarmata, 2024). In other words, professional ethics violations cannot always be explained merely through individual moral weakness but must be analyzed within the context of organizational environments that judge success primarily by profit targets, tax-expense efficiency, and compliance with short-term management directives. The novelty of this article lies in shifting the reading of tax-accountant ethics from a predominantly individualistic approach toward an organizational and governance approach, proposing a framework that connects corporate culture and incentive systems as determinants, the ethical threats in the Indonesian Accountants' Code of Ethics as an intermediate mechanism (conceptually proposed), and the ethical behavior of tax accountants and their tendency toward aggressive tax planning as consequences (Simarmata, 2024).

Based on this argument, the article formulates three research questions. First, what forms of ethical threat do tax accountants face within Indonesia's self-assessment system. Second, how do incentives and corporate culture influence the emergence and intensification of those ethical threats. Third, how can the relationship among corporate culture, incentive systems, ethical threats, and tax-accountant behavior be explained within a conceptual framework? Accordingly, the objectives of this article are: (1) to identify and describe the forms of ethical threat faced by tax accountants under the self-assessment system in Indonesia; (2) to analyze the role of incentives and corporate culture in strengthening or weakening those ethical threats; and (3) to construct a conceptual framework explaining the relationship among corporate culture, incentive systems, ethical threats, and the ethical behavior of tax accountants. Theoretically, this article is expected to contribute to the accounting and tax ethics literature by integrating the ethical-threat framework of the Indonesian Accountants' Code of Ethics with organizational-culture and incentive-system perspectives. Practically, it aims to inform firms, tax consultancies, professional organizations, and the tax authority about the importance of designing incentives and organizational cultures aligned with professional ethics.

METHOD

This article used a conceptual-paper approach grounded in a literature review and normative analysis. This approach was chosen because the main objective is not to test hypotheses through primary data but to build a conceptual framework explaining the relationship among corporate culture, incentive systems, ethical threats, and tax-accountant behavior within Indonesia's self-assessment system. Conceptual research is relevant when a field already possesses scattered theoretical or normative elements that have not yet been integrated into a coherent analytical model.

The primary sources comprise four groups. First, normative-professional sources, namely the Indonesian Accountants' Code of Ethics and professional literature explaining the fundamental ethics principles and threats to compliance with them (IAI, 2024). Second, substantive conceptual sources on tax accountants, including discussions of the role, position, and challenges of applying the code of ethics to tax accountants in the Indonesian context (Simarmata, 2024). Third, regulatory and policy sources, particularly those concerning the self-assessment

system, the role of tax consultants, and the governance of tax administration in Indonesia. Fourth, academic literature covering organizational culture, ethical climate, reward systems, tax aggressiveness, tax professionals, and tax intermediaries at both national and international levels. Material collection was carried out through documentation study and purposive literature search using three criteria: substantive relevance, contextual relevance to Indonesia, and recency.

Analysis proceeded in three stages. The first stage was identification of core concepts, extracting key concepts from normative and academic sources, such as fundamental ethics principles, types of ethical threat, corporate culture, incentive systems, and tax aggressiveness. The second stage was categorization and relationalization of concepts, grouping them by analytical function as antecedents, mechanisms, and outcomes. The third stage was synthesis and model construction, arranging the relationships among concepts logically and systematically into a coherent conceptual framework. To maintain analytical consistency, the article uses argumentative-deductive logic: professional norms and ethics standards serve as the basis for identifying how tax-accountant behavior should be framed, while organizational and taxation literature explains how real conditions can drive deviation from those norms. Conceptual validity is maintained through source triangulation (comparing normative, policy, and academic sources) so that, although it does not use field data, the approach remains valid for a conceptual paper aimed at producing analytical, rather than statistical, generalization. Source triangulation enhances conceptual coherence but does not independently verify proposed causal relationships; rather, it provides confidence in conceptual logic across knowledge domains.

RESULTS AND DISCUSSION

Results

Based on the conceptual analysis, the main result of this article is the mapping of a relatively consistent relationship among corporate culture, incentive systems, and the ethical threats faced by tax accountants. In the proposed framework, corporate culture and incentive systems are understood not as a passive background but as structural factors that actively shape the climate of professional decisions. When an organization positions tax efficiency as a symbol of success without clear ethical limits, tax accountants become more vulnerable to pressure that pushes them from a compliance function toward a justification function. An aggressive target-oriented culture and an incentive system overly oriented toward short-term financial results can be read as the initial trigger of ethical threats: a culture that glorifies results without process creates internal legitimacy for gray-area actions, while incentives provide economic and psychological reasons for individuals to adjust their judgment.

Corporate culture and incentive systems as the ethical context

Corporate culture can be understood as a set of values, norms, and behavioral patterns that live within an organization and influence how members understand success, compliance, and the legitimacy of actions. International literature shows that organizational culture has a real influence on the formation of ethical behavior in the accounting function. Cross-cultural evidence from Nguyen et al. (2022) found that organizational-culture type significantly affects corporate accountants' ethical judgment and intention, where control- and target-oriented cultures tend to weaken ethical judgment relative to collaborative cultures. Evidence from Indonesia reinforces this: Fauzi et al. (2024) found that organizational culture positively affects auditor performance, so a strong culture helps shape professional behavior and the quality of accountants' ethical judgment. Specifically in the tax profession, Yenni et al. (2024) found that perceived organizational support and subjective norms affect tax professionals' ethical intention with professional attitude as mediator, while Khoirawati et al. (2025) showed that management pressure weakens the relationship between professional ethics and the quality of accountants' tax decisions.

Beyond organizational culture, the incentive system is also a crucial organizational variable. Incentives narrowly tied to net profit, tax efficiency, or short-term financial performance can create opportunistic drives to minimize tax aggressively (Simarmata, 2024). From an organizational-behavior perspective, incentive design is never neutral; it signals which behaviors the organization truly rewards.

Empirical evidence from emerging markets reinforces this: Arora and Gill (2022) found

that incentive-based executive compensation is positively related to corporate tax aggressiveness among listed firms in India, while Aprillia and Purnomo (2023) demonstrated that executive compensation positively affects tax avoidance among firms listed on the Indonesia Stock Exchange, with compensation functioning as a reward for the additional risk managers bear when pursuing aggressive tax strategies. At the practitioner level, Kim et al. (2024) showed that tax preparers' personal ethical attributes directly and indirectly curb aggressive tax-reporting behavior through reduced fear of disappointing clients, whereas external economic incentives in the form of fee standards did not curb tax aggressiveness—confirming that ethics and incentive design operate simultaneously in shaping tax accountants' decisions.

Ethical threats as the bridging mechanism

The conceptual framework of the Indonesian Accountants' Code of Ethics does not stop at affirming principles but also identifies threats to compliance with the fundamental ethics principles, namely self-interest, self-review, advocacy, familiarity, and intimidation threats (IAI, 2024). This approach is important because it recognizes that ethics violations do not always begin with explicit bad intent but often arise from organizational situations that gradually shift professional judgment. These five categories align with the global ethics framework in the International Code of Ethics for Professional Accountants issued by IESBA, which requires professional accountants, including those in business who face organizational pressure and incentives in reporting and decision-making, to identify, evaluate, and address threats to compliance with the fundamental ethics principles (IESBA, 2024).

The self-interest threat arises when financial or non-financial interests inappropriately influence professional judgment (Simarmata, 2024). For tax accountants, this threat may emerge through the promise of promotion, bonuses tied to after-tax profit, large fees, post-retirement appointments, or the interest in retaining a prestigious client. Among all the organizational variables, the incentive system holds a particularly pivotal position because it links corporate objectives to individual motivation; when bonuses, promotion, or performance evaluation are predominantly tied to after-tax profit, a low effective tax burden, or the success of “saving” tax, the organization implicitly signals that financial results are valued more highly than ethical prudence. Under such conditions, the self-interest threat is the easiest to emerge because professional judgment begins to be intervened by the expectation of reward, and the boundary between legitimate planning and aggressive positioning becomes increasingly negotiable.

The self-review threat occurs when accountants must assess or rely again on work and judgments previously made by themselves or their team, so that the objectivity of the review is reduced (IAI, 2024). This threat often receives less attention than the self-interest or intimidation threats, yet it is conceptually central to the tax function: it arises when a tax scheme that was previously designed, approved, or defended by an accountant is subsequently reviewed by the same person or by a unit that is not sufficiently independent. In many organizations the self-review threat is amplified by time pressure, efficiency demands, and a working culture that relies too heavily on internal trust; tax accountants may accept working papers from consultants at face value, or place excessive confidence in the output of their own internal team without adequate verification. Conceptually, this shows that the ethics problem is not always an intent to cheat but can also take the form of a weak review structure that fails to create sufficient professional distance, which is why this article positions independent review mechanisms as an essential element in reducing ethical threats.

The advocacy threat emerges when accountants defend the interests of their client or organization too far, to the point of diminishing objectivity (Simarmata, 2024). In the tax function this threat strengthens when tax accountants are pushed to defend the company's interests excessively (for example, by being required to “save” the firm's cash position) even when the adopted tax position begins to drift away from the spirit of compliance. The familiarity threat, in turn, is born from personal relationships that are too close: it can grow in organizations that over-emphasize personal loyalty rather than the objectivity of the role, so that the accountant becomes too lenient toward management directives or the interests of particular parties. These two threats illustrate how the gradual normalization of small concessions, rather than a single deliberate act of fraud, moves professional judgment toward the aggressive end of the behavioral spectrum.

The intimidation threat arises when accountants face pressure in the form of threats of

transfer, termination, or the severing of a professional relationship if they do not follow a particular scheme (Simarmata, 2024). It strengthens when the superior-subordinate culture provides no safe space for dissenting opinion or professional objection, so that ethical resistance is perceived as disloyalty rather than diligence. For tax accountants these threats may appear simultaneously: a tax manager may face a self-interest threat from after-tax-profit-based bonuses, an advocacy threat from being required to “save” the firm's cash position, and an intimidation threat from superior pressure to meet tax-efficiency targets. The ethical behavior of tax accountants must therefore be understood as the result of an interaction between the framework of professional norms and the organizational context in which decisions are made.

These five threats to independence and objectivity are not merely normative constructs but are empirically documented in accounting practice; Tiwari and Debnath (2021) found that simultaneous provision of services to clients can generate self-interest, self-review, advocacy, familiarity, and intimidation threats that genuinely risk eroding accountants' independence and objectivity, while Latif et al. (2017) mapped perceptions of threats to accountant independence alongside the safeguards needed to neutralize them, confirming that the identification of ethical threats must be accompanied by adequate safeguard mechanisms. The need for such safeguards is reinforced by evidence on the uneven understanding of professional ethics: Ghosh and Bhuyan (2024) showed that professional accountants in business understand their code of ethics in highly heterogeneous ways (shaped by individual, job, and organizational characteristics, including moral maturity and the ownership type of the firm in which they work) so that a weak grasp of the code of ethics translates into a higher risk of ethical failure at the corporate level. Read together, these findings support the article's central logic that ethical threats are the analytical mechanism through which organizational pressure is converted into professional tax decisions, and that they can be contained only when culture, incentives, and governance jointly supply credible safeguards.

Conceptual framework and propositions

To articulate the framework more operationally and to make it testable in subsequent empirical research, the relationships among variables are formulated into the following five formal propositions, which are schematically presented in Figure 1.

Proposition 1 (P1): A corporate culture emphasizing short-term financial targets and tolerance of ethical ambiguity is positively related to the intensity of ethical threats (covering self-interest, self-review, advocacy, familiarity, and intimidation threats) faced by tax accountants; conversely, a culture emphasizing integrity, accountability, and transparency weakens the intensity of those threats.

Proposition 2 (P2): A purely results-oriented incentive system (for example, rewarding tax efficiency or expense savings) strengthens the intensity of ethical threats on tax accountants, whereas an incentive system with balanced performance indicators that also incorporate compliance and ethics dimensions weakens them.

Proposition 3 (P3): The intensity of ethical threats experienced by tax accountants is positively related to the tendency toward aggressive tax planning and negatively related to tax morale and professional compliance; the higher the unmanaged ethical pressure, the greater the shift in tax behavior toward the aggressive end of the spectrum.

Proposition 4 (P4): Governance quality (audit-committee effectiveness, oversight independence, independent review of material tax decisions, and organizational ethics policies) moderates (weakens) the relationship between ethical threats and the tendency toward aggressive tax planning.

Proposition 5 (P5): Ethical threats mediate the relationship between corporate culture and incentive systems (antecedents) and the tendency toward aggressive tax planning (outcome); in other words, the influence of organizational factors on tax behavior operates indirectly through the ethical-threat mechanism rather than directly. A strong culture of integrity and governance is proposed to weaken that mediating path, thereby strengthening tax compliance.

These five propositions are not formulated in a vacuum but are supported by empirical findings from the reviewed literature. Table 1 presents a synthesis of the direction of relationships among variables together with their supporting evidence, showing that this conceptual framework is consistent with patterns identified across various jurisdictional contexts and can be

tested empirically in further research.

Table 1

Empirical Literature Underpinning Propositions P1–P5

Proposition	Proposed direction of relationship	Supporting empirical evidence (cited literature)
P1	Target-oriented corporate culture & tolerance of ethical ambiguity → (+) ethical threats; integrity culture → (–)	Nguyen et al. (2022): organizational-culture type affects corporate accountants' ethical intention; control/target-oriented cultures weaken ethical judgment. Fauzi et al. (2024): organizational culture positively affects auditor performance.
P2	Purely results-oriented incentive system → (+) ethical threats; balanced incentives → (–)	Arora & Gill (2022): incentive-based executive compensation positively related to corporate tax aggressiveness (India). Khoiriawati et al. (2025): management pressure weakens the professional-ethics-tax-decision-quality relationship.
P3	Intensity of ethical threats → (+) aggressive tax planning; (–) tax morale & compliance	Yustina & Hertiningtyas (2021): tax avoidance perceived as most critical by Indonesian tax professionals. Tiswiyanti et al. (2022): ethical mechanisms mediate Machiavellian tendency → ethical decisions.
P4	Governance quality moderates (weakens) ethical threats → aggressive tax planning	Alqatan et al. (2024): audit-committee independence, expertise, and size curb tax aggressiveness (France). Lanori et al. (2025): good corporate governance moderates compliance, strategy, and audit quality on tax avoidance.
P5	Ethical threats mediate corporate culture & incentives → aggressive tax planning (indirect effect)	Yenni Mangoting et al. (2024): organizational support & subjective norms → ethical intention via professional attitude as mediator. Oktavianti et al. (2025): behavioral drivers → tax compliance via attitude and moral value as mediators.

Source: compiled by the author (2026) from the literature cited in the References.

Discussion

In-depth discussion of the propositions

The first proposition (P1) situates corporate culture as the primary antecedent shaping the intensity of ethical threats faced by tax accountants. The argument rests on the premise that culture is not a passive social backdrop but an active value structure that determines which behaviors are rewarded, tolerated, or quietly normalized. Cross-cultural evidence from Nguyen et al. (2022), based on corporate accountants in Vietnam, shows that the type of organizational culture significantly affects both ethical judgment and ethical intention, with control- and target-oriented cultures tending to weaken ethical consideration relative to collaborative cultures.

Evidence from Indonesia reinforces this logic: Fauzi et al. (2024) found that organizational culture is positively related to auditor performance, indicating that a strong culture helps shape professional conduct and the quality of ethical judgment. Read together, these findings support the proposed direction in P1, namely that a culture emphasizing aggressive short-term targets and tolerance of ethical ambiguity intensifies self-interest, self-review, advocacy, familiarity, and intimidation threats, whereas a culture of integrity, accountability, and transparency attenuates them by signaling that compliance is a non-negotiable boundary rather than a discretionary cost. P1 represents a conceptual inference integrating organizational-culture literature; the cited studies evidence culture's influence on ethical behavior but do not directly test culture's effect on the five specific ethical threats among tax accountants.

The second proposition (P2) narrows the lens to the incentive system, arguing that the design of rewards is never ethically neutral because it communicates what the organization genuinely values. When incentives are tied narrowly to net profit, tax efficiency, or short-term financial performance, ethical compliance can come to be perceived as an obstacle to performance. Evidence from emerging markets is consistent with this claim. Arora & Gill (2022) found that incentive-based executive compensation is positively associated with corporate tax aggressiveness among Indian listed firms, indicating that performance-oriented incentive design can push management toward more aggressive tax positions. In the Indonesian context, Aprillia and Purnomo (2023) likewise showed that executive compensation is positively related to tax avoidance among firms listed on the Indonesia Stock Exchange, with compensation functioning as a reward for the additional risk managers assume when pursuing aggressive tax strategies. At the practitioner level, Kim et al. (2024) demonstrated that the personal ethical attributes of tax preparers directly and indirectly restrain aggressive reporting, partly by reducing the fear of disappointing clients, whereas purely external economic incentives such as fee-rate standards did not curb aggressiveness. Together these findings support P2: a purely results-oriented incentive system strengthens ethical threats, while balanced indicators that also weight compliance and ethics weaken them. Empirical support for P2 is indirect; studies show incentive-linked compensation relates to firm-level tax aggressiveness, not specifically to ethical-threat intensity among tax accountants. P2 is a conceptual extension based on theoretical logic and literature synthesis.

The third proposition (P3) connects the intensity of ethical threats to the behavioral outcome, predicting a positive association with aggressive tax planning and a negative association with tax morale and professional compliance. The conceptual claim is that unmanaged ethical pressure does not merely create discomfort; it shifts professional judgment along a behavioral spectrum toward its aggressive end. Indonesian evidence supports the contextual and embedded nature of these threats. Yustina and Hertiningtyas (2021) empirically mapped the ethical issues faced by tax professionals in Indonesia, from tax avoidance perceived as the most critical and frequent issue to reporting-position and loophole-seeking concerns, showing that ethical threats in tax practice are concrete and recurrent rather than abstract. Tiswiyanti et al. (2022) found that ethics and social responsibility mediate the relationship between Machiavellian tendencies and ethical decisions among tax consultants, indicating that ethical outcomes in tax decisions arise not only from individual character but also from the ethical mechanisms operating in the professional environment. These results are consistent with P3: where ethical threats are intense and unmanaged, the probability of drift toward aggressive tax positions rises while tax morale and compliance decline.

The fourth proposition (P4) introduces governance quality as a moderating condition that can weaken the link between ethical threats and aggressive tax planning. The mechanism is that effective oversight (audit-committee independence and expertise, independent review of material tax decisions, and explicit ethics policies) raises the expected cost of aggressive behavior and narrows the discretionary space in which threats translate into action. The proposition is supported by convergent evidence. Studying French listed firms, Alqatan et al. (2024) found that audit-committee characteristics (particularly independence, expertise, and size) are significantly related to the level of tax aggressiveness, so that strong boards and audit committees act as oversight mechanisms that curb aggressive behavior. Analyzing 182 Indonesian listed firms, Lanori et al. (2025) found that good corporate governance moderates tax avoidance by strengthening the effect of legal compliance and audit quality in restraining it. Drawing on legitimacy theory, Asmoro et al. (2024) found that ESG performance among Indonesian listed firms is positively related to the effective tax rate, so that firms with stronger ethical commitment and governance tend to exhibit lower tax aggressiveness and higher compliance. These findings collectively support the moderating role posited in P4: governance quality determines whether performance pressure is translated into aggressive tax behavior or is instead contained.

The fifth proposition (P5) integrates the preceding relationships into a mediation logic, positing that ethical threats mediate the path from organizational antecedents (culture and incentives) to the behavioral outcome (aggressive tax planning), so that organizational factors influence tax behavior indirectly rather than directly. This mediating logic is consistent with conceptual models already tested in the Indonesian tax context. Oktavianti et al. (2025) showed

that the effect of behavioral drivers on tax compliance operates through attitude and moral value as mediating variables, supporting the view that the relationship between organizational context and tax behavior should be explained through an intervening mechanism.

Specific to the tax profession, Yenni et al. (2024) found that perceived organizational support and subjective norms affect the ethical intention of tax professionals with professional attitude as a mediator, confirming that ethical behavior in the tax function depends on the organizational climate in which decisions are made, while Khoiriawati et al. (2025) showed that management pressure weakens the relationship between professional ethics and the quality of accountants' tax decisions. Read together, these results support P5: a strong culture of integrity and governance weakens the mediating path, thereby strengthening compliance, and the ethical-threat mechanism provides the analytical bridge that explains how organizational pressure is converted into professional decisions.

From professional compliance to aggressive tax planning

The synthesis also shows that tax-accountant behavior should not be mapped in binary terms between compliant and non-compliant. Such behavior is better read along a spectrum, ranging from strong professional compliance to legitimate but cautious tax planning, to aggressive tax planning based on loose interpretation, and finally to tax engineering that clearly violates the law. With this reading, ethical drift does not occur suddenly but moves gradually through the normalization of small decisions that increasingly depart from the principles of integrity and objectivity.

National empirical evidence supports the argument that firm size, profitability, and leverage are related to the tendency toward tax aggressiveness, and the governance dimension determines the direction of such behavior: analyzing 182 listed firms, Lanori et al. (2025) found that good corporate governance moderates tax avoidance by strengthening the effect of legal compliance and audit quality in curbing it. More specifically at the oversight-organ level, Alqatan et al. (2024) studying French listed firms, found that audit-committee characteristics (especially independence, expertise, and size) are significantly related to the level of tax aggressiveness, so that strong boards and audit committees serve as oversight mechanisms that curb aggressive tax behavior. This is reinforced by Ekawati (2025), who, drawing on legitimacy theory, found that ESG performance among Indonesian listed firms is positively related to the effective tax rate, so that firms with stronger ethical commitment and governance tend to exhibit lower tax aggressiveness and higher compliance.

The aggressive end of this spectrum is not merely a theoretical construct. Several cases legally processed in Indonesia show how organizational pressure and uncontrolled professional discretion can culminate in real tax engineering. The issuance and use of fictitious tax invoices—invoices not based on actual transactions—is a recurring mode that causes significant state losses, as summarized in Table 2. The pattern emerging from these cases is consistent with the proposed framework: tax engineering is rarely an isolated individual act but is often facilitated by organizational structures—invoice issuance requires cross-functional coordination, and fictitious refunds demand systematic preparation of supporting documents. This confirms that when ethical threats are not recognized and managed within an organization's culture and incentive system, tax accountants can shift from guardians of compliance into part of the violation mechanism, with real legal consequences and state losses.

A closer reading of the individual cases in Table 2 illustrates how this drift materializes in different organizational forms. The PT Asian Agri Group case, involving fourteen affiliated firms, centered on the manipulation of corporate income-tax reporting and culminated in a Supreme Court decision imposing a fine of approximately IDR 2.519 trillion against an estimated state loss of around IDR 1.13 trillion; the scale and coordination required across multiple entities indicate that the conduct was embedded in group-level financial reporting practices rather than the isolated judgment of a single accountant. The Amie Hamid case represents the individual-facilitator pattern: as an issuer of fictitious tax invoices worth roughly IDR 123.4 billion not based on real transactions, the perpetrator was convicted of money laundering with a 4.5-year sentence and asset confiscation of about IDR 27 billion, showing how the fabrication of fiscal documents can become a stand-alone illicit enterprise that exploits the self-assessment system. The PT GSG case in the garment sector took the form of a value-added-tax refund request supported by

fictitious invoices, with an estimated state loss of about IDR 9 billion acted on by the Directorate General of Taxes; the refund mechanism here demonstrates how aggressive positioning can turn an administrative entitlement into a vehicle for extracting state funds.

The remaining cases reinforce the same logic from different angles. The PT PHS case (fictitious tax invoices of around IDR 300 billion, identified among three major tax cases uncovered by the Ministry of Finance) underscores that the magnitude of fabricated documentation can reach a scale where it materially affects state revenue and demands cross-functional preparation that no single actor could sustain alone. The PT SBI case in Surabaya, in which a company director used fictitious tax invoices causing an estimated state loss of about IDR 890 million, illustrates the role of top-level direction: when those who set the tone for the organization themselves initiate or sanction the scheme, the intimidation and advocacy threats faced by subordinate accountants intensify sharply, since resisting the scheme means resisting the very leadership that controls their professional standing. Read together with the framework, these cases trace a consistent arc in which weak ethical safeguards, results-oriented pressure, and the absence of independent review allow ordinary tax functions to slide across the spectrum from legitimate planning into outright engineering—precisely the mediating pathway the propositions seek to make explicit and, ultimately, testable.

Table 2

Illustrative Cases of Tax Engineering Legally Processed in Indonesia

Case / party	Mode	Impact / state loss & verdict
PT Asian Agri Group (14 firms)	Manipulation of corporate income-tax reporting	State loss ±IDR 1.13 trillion; the Supreme Court imposed a fine of IDR 2.519 trillion (USM Law Review).
Amie Hamid	Issuer of fictitious tax invoices (non-transaction-based) worth IDR 123.4 billion	Money-laundering conviction of 4.5 years; assets ±IDR 27 billion confiscated (DGT press release).
PT GSG (garment sector)	VAT refund request using fictitious tax invoices	State loss ±IDR 9 billion; acted on by the DGT (DDTCNews).
PT PHS	Fictitious tax invoices worth ±IDR 300 billion	Among three major tax cases uncovered by the Ministry of Finance (Hukumonline).
PT SBI, Surabaya (2025)	Use of fictitious tax invoices by a director	State loss ±IDR 890 million (DGT press release).

Source: compiled by the author (2026) from official rulings and press releases (Direktorat Jenderal Pajak, 2024, 2025), USM Law Review, DDTCNews, and Hukumonline.

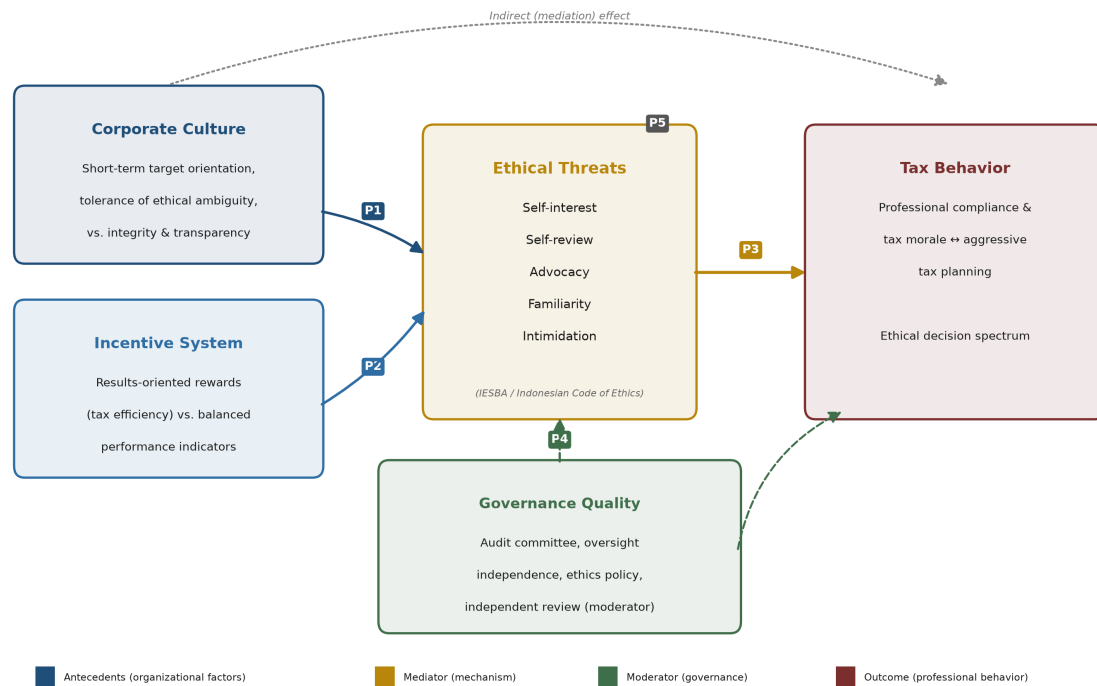


Figure 1. Three-layer conceptual framework linking corporate culture and incentive systems (antecedents), professional ethical threats (mediating mechanism), tax behavior (outcome), and governance quality (moderator), expressed through propositions P1-P5. Source: developed by the author (2026) based on IESBA (2024a) and the Indonesian Accountants' Code of Ethics (IAI, 2024).

Theoretical and practical implications

Theoretically, this article enriches the accounting and tax ethics literature by positioning professional ethical threats as a mediating variable connecting the organizational context and tax behavior. Many discussions of professional ethics have emphasized two poles, individual norms and behavioral outcomes, without explaining the path between them. This mediating logic aligns with conceptual models empirically tested in the Indonesian tax context; Oktavianti et al. (2025), for instance, showed that the effect of behavioral drivers on tax compliance operates through attitude and moral value as mediating variables. This article adds a middle layer in the form of ethical threats, so that the process of change from organizational pressure to professional decisions can be explained in greater detail. It also shifts the focus from the normative question 'do accountants understand the code of ethics?' to the organizational question 'does the organization enable accountants to comply with the code of ethics in practice?'

For corporations, this conceptual result shows that strengthening tax ethics cannot be achieved through training or compliance slogans alone. Firms need to redesign incentives, clarify the boundary between tax planning and manipulation, and build independent review mechanisms for material tax decisions; ethical leadership from top management is also important because organizational culture is largely shaped by what is tolerated, not only by what is written. For professional organizations, the framework opens space to expand ethics education from mere knowledge of principles toward the ability to recognize threats and read the organizational context. For regulators and the tax authority, the article emphasizes that efforts to strengthen compliance must consider tax intermediaries and the corporate tax function as important arenas for shaping tax behavior. More concretely, the national tax ratio of around 10 percent of GDP, with a declining tendency and still far below the ASEAN and OECD averages, provides empirical justification for several policy priorities: strengthening the audit coverage ratio that has ranged only between 0.83 and 1 percent; improving formal SPT reporting compliance (around 73.58 percent) not solely through administrative sanctions but by strengthening tax morale through trust- and transparency-based cooperative compliance; and encouraging corporations to adopt tax governance that places compliance and ethics dimensions, not only expense efficiency, as performance indicators (Iosepine, 2026; Pajakku, 2024; Pratama, 2026).

Translating this framework into practice requires a layered set of safeguards rather than a single intervention. At the level of professional norms, the identification of ethical threats must be paired with explicit safeguard mechanisms, consistent with Latif et al. (2017), who emphasized that perceived threats to accountant independence are meaningful only when matched by safeguards capable of neutralizing them, and with the IESBA requirement that professional accountants in business actively identify, evaluate, and address threats to compliance with the fundamental principles (IESBA, 2024). At the organizational level, the most leverage lies in two structures highlighted by the present analysis: incentive redesign that incorporates compliance and ethics dimensions rather than rewarding tax savings alone, and independent review of material tax decisions that breaks the self-review threat by separating those who design a tax position from those who validate it. At the oversight level, the evidence on audit-committee effectiveness and good corporate governance indicates that strong, independent boards measurably curb tax aggressiveness Lanori et al. (2025), so that governance quality functions less as a formal compliance checkbox than as a live safeguard that determines whether ethical threats are contained or allowed to translate into behavior. These layers are complementary: professional norms define the boundary, organizational design reduces the pressure that pushes accountants across it, and governance provides the external check that holds the boundary in place.

As a conceptual article, the results offered here are analytical and open the way for subsequent empirical testing. Future research can develop instruments to measure the intensity of ethical threats on tax accountants, test the relationship between organizational culture and particular threats, or analyze how incentive design affects the tendency toward aggressive tax planning. The five propositions (P1-P5) can be tested empirically: the effects of corporate culture and incentive systems on the intensity of ethical threats (P1 and P2), the effect of ethical threats on the tendency toward aggressive tax planning and on tax morale (P3), the moderating effect of governance quality (P4), and the mediating role of ethical threats in linking organizational factors with tax behavior (P5). Testing these propositions will strengthen the framework's validity and bridge the transition from a conceptual contribution to empirical evidence.

CONCLUSION

This article concludes that the ethical problems of tax accountants cannot be understood solely as individual morality or compliance with professional codes. Ethical behavior is shaped by the interaction of ethical norms, organizational pressure, incentive systems, and corporate culture. Within the self-assessment system, self-interest, self-review, advocacy, familiarity, and intimidation threats mediate these organizational influences, positioning tax behavior along a spectrum from professional compliance and legitimate tax planning to aggressive and unlawful tax practices. Theoretically, the article integrates professional norms, organizational context, and tax behavior into a unified conceptual framework.

The findings imply that preventing aggressive tax planning should focus not only on detecting violations but also on addressing organizational culture, incentive systems, and ethical threats at an early stage. Corporations should strengthen ethical cultures, appropriate incentive designs, and independent review mechanisms, while professional organizations should emphasize practical ethical-threat recognition. Regulators and tax authorities should also consider corporate tax functions and tax intermediaries as strategic areas for improving tax compliance and governance. These measures are particularly relevant in Indonesia, where the tax ratio remains relatively low, indicating the need to complement enforcement with stronger ethical and organizational foundations.

This article is conceptual and therefore its propositions have not been empirically verified. Its framework is also primarily grounded in the Indonesian institutional context, limiting generalizability to other jurisdictions, while the intensity of ethical threats still requires a validated measurement instrument. Future research should develop and validate measures of ethical-threat intensity, incentive orientation, and governance quality, followed by quantitative testing of the proposed relationships. Qualitative, mixed-methods, comparative, and longitudinal studies are also needed to examine how tax accountants experience ethical threats and how organizational culture, incentives, and governance mechanisms influence tax behavior over time.

ACKNOWLEDGEMENT

The author would like to express sincere appreciation to the Ethics Board (*Dewan Kode Etik*) of the Indonesian Institute of Accountants (*Ikatan Akuntan Indonesia*) for the professional insights that supported the conceptual development of this article. The author also acknowledges the scholarly contributions of the authors and institutions whose works were reviewed and synthesized in developing the proposed conceptual framework. No specific funding was received for this study. The views and interpretations presented in this article are solely those of the author and do not necessarily represent the official position of any affiliated institution.

AUTHOR CONTRIBUTION STATEMENT

Sahat Parlindungan Simarmata, as the sole author, was responsible for the conceptualization, literature investigation, methodology, theoretical framework development, data and literature synthesis, visualization, and preparation of the original manuscript. The author also performed the editing and final approval of the manuscript. The author did not participate in the peer-review or editorial decision-making process for this article.

REFERENCES

- Alqatan, A., Chemingui, S., & Arslan, M. (2024). Effect of Audit Committee on Tax Aggressiveness: French Evidence. *Journal of Risk and Financial Management*, 18(1), 5. <https://doi.org/10.3390/jrfm18010005>
- Aprillia, C., & Purnomo, B. S. (2023). An Influence: Executive Compensation, Tax Avoidance, and Multiple Large Shareholders (As Moderation). *Jurnal ASET (Akuntansi Riset)*, 15(2), 255–266. <https://doi.org/10.17509/jaset.v15i2.57228>
- Arora, T. S., & Gill, S. (2022). Impact of executive compensation on corporate tax aggressiveness: evidence from India. *Managerial Finance*, 48(6), 833–852. <https://doi.org/10.1108/MF-07-2021-0306>
- Asmoro, P. S., Ramakrishnan, S., Arsyanda, S., Alfandia, N. S., Ningsih, D. N. C., Rokhimakhumullah, D. N. F., & Hidayat, K. (2024). ESG disclosure, governance, political connection, and tax Aggressiveness: what information is critical, and is more information always forceful? *Cogent Business and Management*, 11(1). <https://doi.org/10.1080/23311975.2024.2435600>
- DDTCNews. (2019). Minta restitusi pakai faktur pajak fiktif, korporasi ini ditindak DJP. <https://news.ddtc.co.id/berita/nasional/18858/minta-restitusi-pakai-faktur-pajak-fiktif-korporasi-ini-ditindak-djp>
- Direktorat Jenderal Pajak. (2024). Penerbit faktur pajak fiktif divonis pidana TPPU [Press release]. [https://pajak.go.id/sites/default/files/d7/SP-%2002%20Penerbit%20Faktur%20Pajak%20Fiktif%20Divonis%20Pidana%20TPPU%20\(FINAL\)_0.pdf](https://pajak.go.id/sites/default/files/d7/SP-%2002%20Penerbit%20Faktur%20Pajak%20Fiktif%20Divonis%20Pidana%20TPPU%20(FINAL)_0.pdf)
- Direktorat Jenderal Pajak. (2025). Direktur PT SBI diduga gunakan faktur pajak fiktif, negara rugi Rp890 juta [Press release]. <https://www.pajak.go.id/id/siaran-pers/direktur-pt-sbi-diduga-gunakan-faktur-pajak-fiktif-negara-rugi-rp890-juta>
- Ekawati, E. (2025). The Relationships Between Esg Responsibility, Earnings Management, And Tax Aggressiveness: Evidence Of The Halo Effect From Indonesia. *Journal of Indonesian Economy and Business*, 40(1). <https://doi.org/10.22146/jieb.v40i1.10099>
- Fauzi, A., Lucyanda, J., Permana, F., Margaretha, T., & Novita, M. (2024). The Role of Auditor Independence, Professionalism, Skepticism, and Organizational Culture on Auditor Performance. *Jurnal Dinamika Akuntansi*, 16(2), 168–186. <https://doi.org/10.15294/jda.v16i2.3703>
- Ghosh, A. (2025). Navigating Ethical Dilemmas at the Workplace: A Study of Indian Professional Management Accountants in Business. *Journal of Human Values*. <https://doi.org/10.1177/09716858251352091>
- Ghosh, A., & Bhuyan, N. (2024). Do professional management accountants in business understand their professional code of ethics? Evidence from the Indian context. *Journal of Accounting in Emerging Economies*, 14(1), 125–156. <https://doi.org/10.1108/JAEE-04-2022-0119>
- Hukumonline. (2019). Kementerian Keuangan temukan tiga kasus pajak besar. <https://www.hukumonline.com/berita/a/kementerian-keuangan-temukan-tiga-kasus-pajak-besar-lt4bde70f648e56/>

- Ikatan Akuntan Indonesia. (2024). Kode Etik Akuntan Indonesia. Ikatan Akuntan Indonesia.
- International Ethics Standards Board for Accountants. (2024a). Handbook of the international code of ethics for professional accountants (including international independence standards). International Federation of Accountants. <https://www.ethicsboard.org/publications/2024-handbook-international-code-ethics-professional-accountants>
- Iosepine, K. (2026). Ketika negara harus mencari uangnya sendiri. Kompasiana. <https://www.kompasiana.com/kaylaiiosepine3769/6a351994c925c4139f4dc172/ketika-negara-harus-mencari-uangnya-sendiri>
- Khoirawati, N., Heru, Muhsin, Harahap, S., & Rely, G. (2025). The Effect of Professional Ethics in Tax Decision-Making by Accountants in Multinational Companies. *Jurnal Ilmiah Akuntansi Kesatuan*, 13(6), 2061–2072. <https://doi.org/10.37641/jiakes.v13i6.4251>
- Kim, K. W., Shim, T. S., & Yoo, J. S. (2024). Can Ethics and Economic Incentives Mitigate Tax preparers' Aggressive Judgements and Decisions? *Applied Economics*, 56(13), 1509–1525. <https://doi.org/10.1080/00036846.2023.2176456>
- Lanori, T., Adwimurti, Y., & Lumbantobing, S. P. (2025). Corporate Governance Moderation in the Relationship between Compliance, Strategy, and Audit Quality on Tax Avoidance. *Jurnal Dinamika Akuntansi Dan Bisnis*, 12(2), 219–242. <https://doi.org/10.24815/jdab.v12i2.43146>
- Latif, A. R. A., Ariffin, B., Chye, K. H., & Harjito, D. A. (2017). Perceived Threats and Safeguards of Auditor Independence. *Riset Akuntansi Dan Keuangan Indonesia*, 5(2), 115–133. <https://doi.org/10.23917/reaksi.v5i2.3591>
- Law Number 28 of 2007 on the Third Amendment to Law Number 6 of 1983 on General Provisions and Tax Procedures. (2007). State Gazette of the Republic of Indonesia of 2007 Number 85. <https://peraturan.bpk.go.id/Details/39916/uu-no-28-tahun-2007>
- Nguyen, L. A., Dellaportas, S., Vesty, G. M., Pham, V. A. T., Jandug, L., & Tsahuridu, E. (2022). The influence of organisational culture on corporate accountants' ethical judgement and ethical intention in Vietnam. *Accounting, Auditing & Accountability Journal*, 35(2), 325–354. <https://doi.org/10.1108/AAAJ-05-2020-4573>
- Oktavianti, O., Tibrani, T., & Salesti, J. (2025). Exploring behavioral drivers of tax compliance: The mediating role of attitude and moral value. *Jurnal Akuntansi & Auditing Indonesia*, 298–308. <https://doi.org/10.20885/jaai.vol29.iss2.art9>
- Organisation for Economic Co-operation and Development. (2008). Study into the role of tax intermediaries. OECD Publishing. <https://doi.org/10.1787/9789264041813-en>
- Pajakku. (2024). Rilis data penerimaan dan pelaporan SPT Tahunan terbaru. <https://pajakku.com/artikel/rilis-data-penerimaan-pelaporan-spt-tahunan-terbaru>
- Pratama, A. (2026). Tax ratio 10 persen dan pertanyaan yang kita hindari. Kompasiana. <https://www.kompasiana.com/alvinpratama5731/6a27972aed64151e6878c512/tax-ratio-10-persen-dan-pertanyaan-yang-kita-hindari>
- Rogošić, A., & Perica, I. (2023). Affective professional commitment and accounting ethics principles: examining the mediating role of the code of ethics. *Economic Research-Ekonomska Istraživanja*, 36(1), 480–498. <https://doi.org/10.1080/1331677X.2022.2077791>
- Simarmata, S. P. (2024). Penerapan Kode Etik oleh Akuntan Perpajakan. Ikatan Akuntan Indonesia.
- Tiswiyanti, W., Haryadi, H., Rahayu, S., & Diah Puspa Arum, E. (2022). Analysis of ethical decisions of tax consultants in Southern Sumatra Region. *Jurnal Perspektif Pembiayaan Dan Pembangunan Daerah*, 10(3), 147–164. <https://doi.org/10.22437/ppd.v10i3.13123>
- Tiwari, R. K., & Debnath, J. (2021). Joint Provision of Non-audit Services to Audit Clients: Empirical Evidences from India. *Vikalpa: The Journal for Decision Makers*, 46(3), 153–165. <https://doi.org/10.1177/02560909211041796>
- USM Law Review. (n.d.). Penegakan hukum tindak pidana di bidang perpajakan: Studi kasus PT Asian Agri Group. <https://journals.usm.ac.id/index.php/julr/article/download/5543/2793>
- Wirianata, H., Viriany, & Tan Hau-Sen. (2024). Moderation Of Firm Size On The Effect Of Financial Performance On Tax Avoidance. *Jurnal Akuntansi*, 28(3). <https://doi.org/10.24912/ja.v28i2.2068>
- Yenni, M., Maria, A. F. F., & Stella R., G. (2024). Determining Factors that Affect Tax Professional's Ethics Intention. *Jurnal Dinamika Akuntansi*, 16(1).

<https://doi.org/10.15294/jda.v16i1.5685>

Yustina, A. I., & Hertiningtyas, I. (2021). Taxation Ethical Issues: Perspectives of Tax Professionals in Indonesia. *The Indonesian Journal of Accounting Research*, 24(01).
<https://doi.org/10.33312/ijar.503>