

FACTORS AFFECTING TAXPAYER COMPLIANCE

Oleh:

Citra Mariana¹, Diah Andari², Nadila Andriana³

Widyatama University

Email: citra.mariana@widyatama.ac.id

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ABSTRACT

The aim of this study is to investigate how taxpayer awareness and tax sanctions affect individual taxpayer compliance at the Bandung Cicadas Pratama Tax Service Office. The study population comprises 102.520 individual taxpayers registered at KPP Pratama Bandung Cicadas in 2022. The sample size for this research is 100 individual taxpayers registered at the Bandung Cicadas Pratama Tax Service Office. The data analysis method in this research uses multiple regression analysis. The findings suggest that taxpayer awareness and tax sanctions have a significant impact on the compliance of individual taxpayers registered at the Bandung Cicadas Pratama Tax Service Office. However, tax socialization does not seem to influence the compliance of individual taxpayers in this office.

Keywords: taxpayer awareness, tax socialization, tax sanctions, taxpayer compliance

INTRODUCTION

In the beginning of 1984, Indonesia's tax system underwent a major change commonly referred to as tax reform. This change involved a shift from an official assessment system to a self-assessment system, which enables taxpayers to confidently calculate, deposit and report their tax burdens. However, this tax system relies on the honesty of taxpayers to accurately calculate the tax owed and paid by filling out the annual income tax return. In order to enforce tax laws, the Directorate General of Taxes carries out both supervisory and guidance functions. Tax audits are

conducted regularly to ensure compliance and to promote a culture of honesty in taxation. In cases of non-compliance, the Directorate General of Taxes may impose sanctions to enforce the law (Minsar, 2020).

Tax compliance is the implementation of the obligation to deposit and report taxes owed by tax regulations. Perdana and Dwirandra (2020) explain that taxpayer compliance in carrying out their tax burdens is a very important issue in Indonesia because taxpayers who are not compliant in fulfilling their tax burdens will hurt the state, namely reducing state treasury revenues.

Table 1
Compliance Ratio of Taxpayers Registered
at the Bandung Cicadas Tax Service Office 2018-2022

Year	Registered Individual Taxpayer Mandatory Reporting Tax Return	Individual Taxpayers Report Tax Return	Individual Taxpayer Compliance Level
2018	78.266	54.940	70,20%
2019	81.240	65.277	80,35%
2020	88.759	79.957	90,08%
2021	83.776	86.934	103,77%
2022	102.520	78.388	76,46%

Source: Bandung Cicadas Tax Service Office

The data in Table 1 shows that the level of compliance among individual taxpayers is unstable between 2018-2022 due to fluctuations. Although there has been an increase from 2018-2020, it has not yet reached 100%. In 2021, there was a considerable rise to 103.77%, but it sharply declined in 2022, with the tax compliance ratio only reaching 76.46%.

Taxpayer compliance is affected by two main factors: internal and external. Internal factors refer to the taxpayer's individual characteristics that motivate them to fulfill their tax burdens. External factors, on the other hand, are those that come from outside the taxpayer, such as the situation and environment surrounding them (Mangoting & Sadjiarto, 2013).

Taxpayer compliance with their tax burdens can be influenced by various factors, including taxpayer awareness (Rohmawati, Rasmini, et al., 2012). Tax awareness refers to the condition where taxpayers are familiar with, understand, and comply voluntarily with tax regulations (Jatmiko, 2006). Raising taxpayer awareness about the role of taxes as a source of government capital to finance its expenses and as a means of regulating or enforcing government policies in the economic, social, and economic sectors is crucial in increasing taxpayer compliance (Mardiasmo, 2018).

Tax sanctions are imposed as negative penalties on individuals who violate applicable tax laws and regulations. The primary objective of imposing tax sanctions is to ensure that taxpayers comply with their tax burdens (Astrina & Septiani, 2019).

Tax socialization is an initiative undertaken by the Director General of Taxes to provide comprehensive understanding, information, and guidance to the public and taxpayers in particular regarding all aspects of taxation and tax legislation (Saragih, 2013).

Tax compliance encompasses the voluntary fulfillment of tax obligations by taxpayers in accordance with the stipulations set forth in tax laws and regulations. It reflects the willingness of taxpayers to adhere to these regulations without the necessity of inspections, investigations, warnings, or threats, and without incurring any legal or administrative sanctions. Essentially, a tax-compliant individual or entity operates within the framework of the law, promptly fulfilling their tax duties such as timely filing of tax returns, accurate reporting of income, and payment of taxes owed. This

proactive approach not only ensures adherence to legal requirements but also contributes to the smooth functioning of the tax system and supports governmental efforts in revenue generation for public services and national development initiatives.

Rahayu (2017) has identified the following indicators of taxpayer compliance:

1. Registering with the Tax Service Office.
2. Accurately calculating taxes by taxpayers.
3. Timely payment of taxes by the taxpayer.
4. Submitting necessary reports to the relevant authorities.

Tax awareness refers to the behavior of taxpayers, which includes their beliefs and emotions, level of knowledge, confidence, and reasoning, and their tendency to comply with applicable tax policies and regulations. When taxpayers are more aware and informed, they tend to have a better understanding of tax regulations and comply with them more effectively (Muliari & Setiawan, 2011). According to Irianto (2005), there are four indicators of taxpayer awareness:

1. The awareness that taxes are a form of participation in supporting the state's development.
2. The awareness that delaying tax payments and reducing the tax burden is very detrimental to the country.
3. The willingness of taxpayers to pay taxes because they understand that delaying tax payments and reducing the tax burden can lead to a lack of financial resources, which can hinder the country's development.
4. The awareness that taxpayers are bound by law and can face enforcement if they do not comply.

H1: Taxpayer awareness has an impact on the compliance of individual taxpayers registered at the Bandung Cicadas Tax Service Office

Tax socialization refers to the efforts made by the Director General of Taxes to provide the public and taxpayers with an understanding, information, and guidance related to taxation and tax laws and regulations (Saragih, 2013). The purpose of tax socialization is to increase the number of taxpayers and encourage taxpayer compliance, which ultimately leads to an increase in state tax revenues (Winerungan, 2013).

According to Winerungan (2013), the indicators of tax socialization are as follows:

1. Counseling
2. Discussions with taxpayers and community leaders
3. Direct information from officers to taxpayers
4. Installation of billboards
5. Directorate General of Taxes website

H2: Tax socialization influences the compliance of individual taxpayers registered at the Bandung Cicadas Tax Service Office.

Rahayu (2017) defines tax sanctions as a form of government control to ensure taxpayers comply with regulations and fulfill their tax obligations. According to Rochmat Soemitro, the following indicators determine tax sanctions:

1. The sanctions must be clear and definitive.
2. The sanctions must be in line with the law.
3. The law must precisely define the target material for tax imposition.
4. The law should restrict the application of sanctions to specific objects, subjects, and regions.
5. The legal language used in the sanctions must be concise, definitive, and unambiguous.

H3: Tax sanctions influences the compliance of individual taxpayers registered at the Bandung Cicadas Tax Service Office.

RESEARCH METHODS

The research conducted here utilizes an explanatory method coupled with a quantitative approach. The study aims to analyze taxpayer awareness, tax socialization, tax sanctions, and compliance among individual taxpayers registered at KPP Pratama Bandung Cicadas. The population under scrutiny comprises 102,520 individual taxpayers registered at the Bandung Cicadas KPP in 2022. We employed a probability sampling technique using a simple random sampling method, which involves taking a sample randomly from a population without considering strata. Using the equation formulated by Slovin as reference, we obtained a sample size of 100 individual taxpayers registered at the Bandung Cicadas Tax Service Office.

The data collected in this research is primary data, sourced from questionnaires. The analytical method used is multiple regression analysis. The data instrument testing comprises of validity and reliability tests. The classical assumption testing includes normality test, multicollinearity test, and heteroscedasticity test. The hypothesis testing includes T-test and the coefficient of determination test, followed by multiple linear regression analysis. The regression equation model formulated in this research is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Information:

Y	: Taxpayer Compliance
α	: Constant
$\beta_1 - \beta_3$: Regression Coefficient of each independent variable
X_1	: Taxpayer Awareness
X_2	: Tax Socialization
X_3	: Tax Sanctions
E	: <i>Residual Error</i>

RESEARCH RESULTS AND DISCUSSION

Taxpayer Awareness

The research findings indicate that taxpayers at the Bandung Cicadas Tax Service Office demonstrate a commendable level of awareness regarding their individual tax responsibilities. This awareness is measured through the Taxpayer Awareness Index, which encompasses several key indicators. Firstly, taxpayers understand that paying taxes contributes directly to the country's development. Secondly, they grasp the consequences of delaying tax payments or attempting to reduce their tax burden, recognizing the potential harm this can cause to the state. Lastly, taxpayers are aware of their legal obligation to pay taxes and understand the repercussions of noncompliance, including potential penalties. This comprehensive understanding among taxpayers underscores their conscientiousness and compliance with tax regulations, as observed in the study conducted at the Bandung Cicadas Tax Service Office.

Despite the fact that taxpayer awareness is generally good, the study also shows that there are still some weaknesses in taxpayers' understanding that need to be addressed. For instance, some respondents revealed that they only fulfill their tax obligations because they are compelled to do so as a condition for their own interests, instead of voluntarily

acknowledging their civic duty to contribute to the country's development.

Tax Socialization

The research findings indicate that the tax socialization conducted at the Bandung Cicadas Tax Service Office is rated as good. The tax socialization program covers education indicators, methods of socialization, and media used to disseminate information. However, the socialization program for individual taxpayers is rated as fairly good, indicating that there are still weaknesses that need to be addressed. Respondents have reported that the media used to disseminate information is less effective and not optimal in providing a better understanding of the rights, obligations, and applicable tax regulations.

Tax Sanctions

The research results reveal that the tax sanctions given are rated as quite good or quite strict. The tax sanctions are measured by clear and firm indicators for sanctions given, compliance with the law, the scope of the law's application, and brief and clear legal language without containing any ambiguities. Even though the tax sanctions for individual taxpayers are rated as fairly good, there are still weaknesses in the tax sanctions that need to be addressed. Respondents have reported that the

current level of sanctions is not strict enough to deter taxpayers who violate tax regulations.

Classic Assumption Test Results

The results of the validity test indicate that the variables, taxpayer awareness, tax socialization, tax sanctions, and taxpayer compliance are valid. This is because the result of $r_{\text{count}} > r_{\text{table}}$ (r_{table} is 0.165 with a total of $n = 98$). The reliability test shows that the questionnaire, distributed in the research on the independent variable and the dependent variable, is reliable. This is because the Cronbach's alpha value is more than 0.6 or greater than the criteria. The reliability value of the taxpayer awareness variable is 0.688, the reliability value of tax socialization is 0.738, the reliability value of the tax sanctions variable is 0.739, and the reliability value of the individual taxpayer compliance variable is 0.712.

Based on the statistical tests, using the Kolmogorov-Smirnov Test of Normality, it shows that the Asymp Sig. of each variable is greater than the α significance (0.05), indicating that the data is normally distributed. The VIF value is less than 10, indicating that the model does not experience symptoms of multicollinearity. The significance value between the independent variable and the absolute residual is more than 0.05, so heteroscedasticity does not occur.

Multiple Linear Regression Analysis

Table 2
Multiple Linear Regression Test Results

Variable	B	T count	Sig.
C	1,975	1,741	0,085
X ₁	0,318	3,344	0,001
X ₂	0,114	1,501	0,137
X ₃	0,258	2,607	0,011

The regression equation model formed based on the research results is:

$$Y = 1.975 + 0.318 X_1 + 0.114 X_2 + 0.258 X_3 + e$$

The Influence of Taxpayer Awareness on Taxpayer Compliance

The results of the hypothesis test showed that taxpayer awareness significantly affects individual taxpayer compliance. The significance value of 0.001 was smaller than the alpha value of 0.05, indicating that the hypothesis is accepted. It can be concluded that increasing taxpayer awareness will enhance

their understanding of tax obligations and lead to voluntary compliance.

Taxpayer awareness plays a crucial role in improving tax compliance. When taxpayers are aware of their role, rights, and obligations, they are more likely to fulfill their duties willingly and without any external pressure. This study supports the attribution theory, which suggests that internal factors influence taxpayer compliance.

The research findings are consistent with the conclusions of several other studies, including those by Khoerullah et al. (2022), Ayu et al. (2020), Purwandari et al. (2020),

Muliari & Setiawan (2011), Firmansyah et al. (2022), and Safelia & Hernando (2023). All these studies suggest that taxpayer awareness is critical in influencing individual taxpayer compliance

The Influence of Tax Socialization on Taxpayer Compliance

Based on the results of the hypothesis test, the significance value is 0.137, which is higher than the alpha value of 0.05 ($0.137 > 0.05$). Therefore, the hypothesis is rejected. This means that tax socialization does not have an effect on individual taxpayer compliance. The findings of this study support the research results of Firmansyah et al. (2022). They too have found that tax socialization does not affect taxpayer compliance. However, the research results of Andari et al. (2020) are in contrast to the findings of this study. Additionally, Khoerulloh et al. (2022) has found that tax socialization influence taxpayer

The Influence of Tax Sanction on Taxpayer Compliance

The results of the hypothesis test indicate that tax sanctions have a significant influence on individual taxpayer compliance. The significance value is 0.011, which is smaller than the alpha value of 0.05 ($0.011 < 0.05$), leading to the acceptance of the hypothesis. This confirms that tax sanctions can ensure the fulfillment of tax obligations or compliance with tax regulations. The severity of the sanctions imposed for tax violations plays a crucial role in making taxpayers aware of their tax obligations.

This research aligns with attribution theory, which suggests that tax sanctions are an external factor (external attribution) that affects taxpayer tax compliance. The imposition of tax sanctions for violations is essential for tax compliance (Muliari and Setiawan, 2011).

The results of this research support the findings of Hendayana and Rachmat (2023), who suggest that tax sanctions do not affect taxpayer compliance, but contradict the research of Purnamasari and Sudaryo (2018), which proves that tax sanctions influence taxpayer compliance.

CONCLUSION

The research results suggest that taxpayer awareness and tax sanctions have a partial influence on the compliance of individual

taxpayers registered at KPP Pratama Bandung Cicadas. However, the study found that tax socialization does not affect taxpayer compliance. To increase compliance, the DJP should increase socialization efforts to raise awareness about applicable taxation. Based on the research results, it was concluded that taxpayer awareness and tax sanctions partially influence the compliance of individual taxpayers registered at the Bandung Cicadas Tax Service Office. However, tax socialization has no effect on the compliance of individual taxpayers registered at the Bandung Cicadas Tax Service Office. The suggestions from the results of this research include, to increase taxpayer compliance, the Directorate General of Taxes can increase socialization about applicable taxation.

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