

Analysis of Factors Affecting Taxpayer Compliance

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Abstract:-

Background: The biggest realisation of state revenue is from the tax sector. The Central Bureau of Statistics stated that the state revenue in the tax sector in 2020 was 1,698,648.50 (in trillion rupiah). The most dominant source of revenue from the tax sector is income tax. The realisation of income tax revenue in 2020 was 670,379.50 (in billion rupiah). One of the contributors to income tax revenue is MSMEs (Micro, Small and Medium Enterprises) (Prawagis et al., 2016).

Objective: This study aims to analyse the effect of tax knowledge, tax morale, and tax sanctions on the compliance of MSME (Micro, Small and Medium Enterprises) taxpayers in Gresik Regency.

Research Methods: The research method used in this research is descriptive quantitative method and primary data using a questionnaire. The sampling technique used purposive sampling. Data collection was carried out by sending questionnaires through broadcasting chat in the form of google form. The number of questionnaires processed was 97 questionnaires. The data was analysed using multiple linear regression analysis.

Result: The results of this study indicate that tax knowledge has no significant effect on taxpayer compliance. While moral taxation services and tax sanctions have a positive effect on taxpayer compliance.

Implication: Additional research may be needed to better explore and understand the relationship between tax knowledge, tax morale, and tax sanctions. This will help tax agencies and governments to continuously improve their strategies in increasing tax compliance.

Keywords:- Taxpayer Compliance, Tax Knowledge, Tax Morale, Tax Sanctions.

I. INTRODUCTION

Taxpayer compliance is very important in a country's tax system. Taxpayer compliance refers to the level of compliance or obedience of taxpayers in fulfilling their obligations to pay taxes in accordance with applicable tax regulations. The level of taxpayer compliance is strongly influenced by several factors, including tax knowledge, tax morale, and tax sanctions. In this paper, we will explain how these factors are interconnected and affect taxpayer compliance.

Tax knowledge refers to a taxpayer's understanding of the applicable tax rules and regulations. The higher a person's level of tax knowledge, the more likely they are to understand their tax obligations and perform them correctly. Tax knowledge also helps taxpayers in identifying potential legal tax reduction opportunities, so that they can take advantage of them. Therefore, good tax knowledge can increase taxpayer compliance.

Tax morale refers to the beliefs and values of taxpayers related to the obligation to pay taxes. Taxpayers who have high tax morals tend to pay taxes consciously without having to be supervised or forced by the government. Good tax morale creates a positive compliance climate in society. Factors such as social justice, trust in the government, and awareness of the contribution of taxes in state development can affect tax morale.

Tax sanctions refer to legal or administrative actions that can be applied by the government against taxpayers who violate tax rules. These sanctions can be in the form of fines, imprisonment, or other civil actions. Tax sanctions aim to disincentivise tax offences and encourage compliance. When taxpayers know that there are severe sanctions for tax offences, they may be more likely to comply with tax regulations.

The Relationship between Knowledge, Morale, and Tax Sanctions. These three factors are interrelated and can influence each other. For example, low tax knowledge may result in taxpayer non-compliance as they may not be aware of their obligations or understand how to optimise their tax obligations legally. High tax morale can increase taxpayer compliance without having to rely on tax sanctions. However, tax sanctions remain important to control the level of tax offences and provide incentives for taxpayers to comply with regulations.

In practice, governments usually take a balanced approach by ensuring that taxpayers have sufficient access to tax education, creating a social climate that supports good tax morale, and imposing appropriate sanctions on serious tax offences.

Taxpayer compliance is influenced by a number of factors, including tax knowledge, tax morale, and tax sanctions. The better the tax knowledge of taxpayers, the stronger the tax morale, and the more effective the tax sanctions applied, the higher the likelihood of taxpayers to comply with tax regulations. Therefore, the government needs to consider these factors in designing effective and sustainable tax policies..

Based on the description of the background above, the problem formulation in this study is "Do tax knowledge, tax morals, and tax sanctions affect taxpayer compliance?"

II. LITERATURE REVIEW

A. Attribution Theory

According to (Fritz Heider, 1958) who is the originator of attribution theory, attribution theory is a person's behaviour that is determined by a combination of both internal (internal forces) and external forces (external forces). Internal forces themselves are factors that arise from a person's own self such as talent, effort, and ability. While external forces are factors that come from outside the individual such as difficulties or luck experienced at work. In (Samsuar, 2019) Attribution Theory is a process carried out with the aim of finding an answer or question why or the cause of the behaviour of others or oneself.

B. Taxpayer Compliance

Taxpayer compliance refers to the extent to which individuals and entities adhere to the tax laws and regulations set forth by the government. It encompasses the willingness and ability of taxpayers to accurately report their income, claim deductions, and pay the taxes they owe in a timely and complete manner. High levels of taxpayer compliance are essential for governments to collect the revenue needed to fund public services and infrastructure (Rahayu, 2017) in (Sularsih&Wikardojo, 2021).

C. Tax Knowledge

Tax knowledge theory covers various concepts and principles used to understand the tax system, tax collection, and its impact on the economy and society. According to (Hanifiyatunn Fahmi, 2017) This theory is concerned with the question of who should pay taxes and how much their tax contribution should be. There are several principles of tax fairness, including horizontal fairness (people with the same income should pay the same amount of tax) and vertical fairness (people with higher incomes should pay higher taxes).

D. Tax Morale

Tax morale is an inner understanding that motivates taxpayers to carry out tax obligations. Moral obligation itself is not coercive but is ordered from the bottom of one's conscience and personal morals for the taxpayer himself. According to (Rahayu, 2017) in (Sularsih&Wikardojo, 2021) the indicators of morality are violating ethics, guilt, life principles, the level of trust in the legal system and government, and the last is the perception of the effectiveness of the tax system.

E. Tax Sanctions

Based on (Mardiasmo, 2016) in (Maxuel &Primastiwi, 2021) tax sanctions are a guarantee that the provisions of the laws and regulations in terms of taxation (tax norms) will be obeyed / followed / obeyed, or it can also be said that it is a prevention / prevention so that taxpayers do not violate tax norms. Tax sanctions are an important and useful thing to teach taxpayers who violate in terms of paying taxes, so as not to underestimate tax regulations (Sari & Susanti., 2013) in (Winasari, 2020).

F. Hypothesis Development

➤ *The Effect of Tax Knowledge on Taxpayer Compliance*

Tax knowledge is a form of information regarding taxation so that this knowledge can be used by taxpayers in terms of taxation (Sari, 2017). Knowledge about taxes can be said to be important for the running of the SAS (Self-Assessment System) because tax knowledge will affect how the level of taxpayer compliance. Research from (Putra, 2020), (Putri & Setiawan, 2017), (Wijaya & Arisman, 2016), (Noviana et al., 2020) conducted research on tax knowledge, stating the results of tax knowledge have a positive effect on taxpayer compliance. Knowledge itself is the main key for someone to take action to comply with something.

H1 = Tax Knowledge Affects Taxpayer Compliance

➤ *The Effect of Tax Morale on Taxpayer Compliance*

Tax morale is an instrumental motivation to pay taxes arising from moral obligations or it can be said that someone has the confidence to contribute to the state in terms of taxation (Torgler, 2003) in (Khaerunnisa&Wiranto, 2015). Tax morale does not measure individual behaviour, but rather tends to individual attitudes and stances. Tax morale can be seen from a person in making tax payments. Research (Sriniyati, 2020), (Sudirman et al., 2020), (Mahayuni et al., 2021), (Aryandini, 2016), states the results of tax morale research have a positive effect on taxpayer compliance. This can be seen when someone has a stance on the willingness to participate in taxation.

H2 = Tax Moral Affects Taxpayer Compliance

➤ *The Effect of Tax Sanctions on Taxpayer Compliance*

Compliance arises when there is discipline, discipline arises because of concerns about the sanctions given. As is the case with taxpayer compliance, concerns about tax sanctions will arise. Tax sanctions themselves are a tax sanction that occurs because there is a violation of tax laws and regulations. So that if there is a violation of the law regarding taxation, tax policy will be imposed (Resmi, 2008) in (Tene et al., 2017). The results of research (Sriniyati, 2020), (Putri & Setiawan, 2017), (Putra, 2020), (Tene et al., 2017) which examines tax sanctions and shows the results that tax sanctions have a positive effect on taxpayer compliance. This is due to a sense of concern about an action that is statutory policy.

H3 = Tax Sanctions Affect Taxpayer Compliance

G. Data Collection Technique

The data collection technique for this study was through distributing questionnaires to respondents who were the same as the research criteria. The questionnaire was distributed via electronic devices to respondents.

H. Operational Definition and Variable Measurement

➤ *Taxpayer Compliance*

Taxpayer compliance is an indicator of a person to carry out tax payments that are in line with what the taxpayer himself has and fulfil all rights and tax obligations according to the tax law. Fulfilling obligations in terms of acting, making decisions, calculating, reporting, and paying taxes.

Taxpayer compliance in this study is measured by four indicators based on (Hartini et al., 2018).

➤ *Tax Knowledge*

Tax knowledge can be said to be something that understands the concept of general provisions in the tax sector, and the types of taxes that apply in Indonesia (Heru Pratama & Suyanto, 2018) Tax knowledge can be obtained from several media, namely mass media and oral. Tax knowledge in this study is measured by five indicators based on (Hartini et al., 2018).

III. TAX MORALE

Tax morale is the motivation in a person that arises in each individual to try to pay taxes (Widodo, 2010) in (Maula et al., 2020) Tax morale is an attitude that arises from each individual itself. Tax Morale in this study was measured by six indicators based on (Aryandini, 2016).

IV. TAX SANCTIONS

Tax sanctions are a guarantee when the provisions of laws and regulations with regard to taxation or tax norms that will be obeyed / followed / obeyed, or it can be said that it is also a prevention / prevention so that taxpayers do not violate norms in taxation (Mardiasmo, 2016) in this study measured by six indicators based on (Mardiasmo, 2016: 64-65).

V. DISCUSSION

The results of testing the first hypothesis (H1) show that the variable of tax knowledge has no significant effect on taxpayer compliance. Due to the lack of knowledge of taxation, resulting in a minimal increase in the level of compliance in taxation. At least basic knowledge about taxes must be possessed by every taxpayer to have a realised effect on the level of compliance. This research is based on attribution theory which is an internal factor in a person to take an action. But the hypothesis in this study contradicts the theoretical basis of the research. So that the results of this study with the tax knowledge variable do not have a significant effect on taxpayer compliance. The results of this study are not in harmony with research (Putra, 2020), (Putri & Setiawan, 2017), (Wijaya & Arisman, 2016), (Noviana et al., 2020) which have significant results. So that the first hypothesis (H1) in this study is rejected. But the results have no effect on taxpayer compliance. This can be said if the higher this level is in line with research (Lesmana & Setyadi, 2020), the result of which is that the lack of scientific awareness in MSME players makes this not improve the ratio of taxpayer compliance.

The results of testing the second hypothesis (H2) show the result that the tax morale variable has a significant effect. Moral in taxes in a person will be better in increasing taxpayer compliance. Tax morale can be implemented through believing in the belief in paying and also reporting taxes that it can be used appropriately for the needs of the state. that it can be used appropriately for the needs of the state. Referring to attribution theory which defines that a person's behaviour can arise from external factors and

internal factors. One of the internal factors that can influence a person to be compliant in terms of taxation with behaviour that believes and believes is under the control of a person himself. The results of this study are in line with research researched by (Sriyati, 2020), (Sudirman et al., 2020), (Mahayuni et al., 2021), (Aryandini, 2016) stating that tax morale has a significant effect on taxpayer compliance. Therefore, the tax morale variable in this study the second hypothesis (H2) is accepted.

The results of the third hypothesis test (H3), namely tax sanctions have a significant effect on taxpayer compliance. These results can be seen that the imposition of appropriate sanctions will result in taxpayers tending to comply. The existence of tax sanctions can create a deterrent effect for taxpayers who violate, so that it can create a sense of compliance with their tax obligations. Judging from the attribution theory that someone will comply with a regulation made is an external factor. This can result in fear when taxpayers are subject to sanctions, and this can harm the taxpayer itself. The existence of severe sanctions can be a prevention tool against irregularities that will be committed by taxpayers. This research is in line with research (Sriyati, 2020), (Putri, Setiawan, 2017), (Putra, 2020), (Tene et al., 2017) which has significant results on taxpayer compliance. Due to the existence of tax sanctions that are applied strictly and correctly, it can increase compliance in paying taxes. So that the third hypothesis (H3) is accepted.

VI. CONCLUSION

The results of this study indicate that tax knowledge has no significant effect on taxpayer compliance, while tax morals and tax sanctions have a significant effect on taxpayer compliance.

VII. LIMITATIONS

Online sampling results in a long time, because there is no direct involvement between researchers and respondents so that researchers often give broadcast messages to MSME groups on social media. The sample obtained did not cover all the expected types of businesses, so only a few types of businesses were obtained in this study.

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