EFFECT THE UNDERSTANDING OF TAXATION, TAX SANCTIONS AND TAXPAYER AWARENESS OF TAXPAYER COMPLIANCE (RESEARCH ON TAXPAYERS OF INDIVIDUAL ENTREPRENEURS IN TANGERANG REGION)

Megi Triandani¹, Apollo²
¹Universitas Mercu Buana, Jakarta Indonesia, egy.unchu@gmail.com
²Universitas Mercu Buana, Jakarta Indonesia, apollo@mercubuana.ac.id

Corresponding Author: First Author

Abstract: The purpose of this research are to examine how much influence the understanding of taxation, tax sanctions and taxpayer awareness of tax compliance. The population in this research are the taxpayers of individual entrepreneurs in the Tangerang Region, then the samples are drawn using a method simple random sampling. Using quantitative and analytic statistics method for the analytical method that are multiple linear regression analysis method. The results showed that taxpayer understanding and taxpayer awareness affected taxpayer compliance while tax sanctions did not affect the compliance of taxpayers of individual entrepreneurs in the Tangerang Region. The data analysis technique used in this research was SPSS v.23.

Keywords: Taxpayer Compliance, The Understanding of Taxation, Tax Sanctions, Taxpayer Awareness

INTRODUCTION

Taxes are the main source of state revenue used for government’s finance spending and national development. Listed in the Indonesia State Budget (APBN) where state revenue from the tax sector is the most income. The more the government used spend for national development, more demanded increasing in state revenues(Putut, 2012).

Taxpayer compliance is considering an important aspect in Indonesian taxation system that adopts a self-assessment system which is absolutely gives the taxpayer the confidence to calculate in process, paying and reporting their obligations. Because of that, the correctness of tax payments depending on taxpayer compliance. So that tax compliance is the most important issue in Indonesia. If the taxpayer is not obedience, it can create a desire to avoid and neglect tax obligations.

The phenomenon in this research are the lack of knowledge of taxpayers about the tax regulations that makes many taxpayers who have not fulfilled their obligations as taxpayers and understand the benefits of tax revenue.
One of the factors influencing the low compliance of taxpayers is the level of understanding which is one of the potential factors for the government to fulfill the increasing compliance in tax obligations. The understanding of tax can also influence taxpayers to comply. Taxpayers may not be able to obey if the taxpayer does not have the understanding that related to compliance. Otherwise, taxpayers can comply if the taxpayer have the understanding for what must be done related to tax obligations.

Another factor that can affect taxpayer compliance is tax sanctions that will be imposed on non-compliant taxpayers. Tax sanctions are guarantees that the provisions of tax legislation (tax norms) will be obeyed/followed (Mardiasmo, 2018).

For the tax regulations to be obeyed, there must be tax penalties for offenders. Taxpayers will fulfill their tax obligations if they consider that taxation sanctions cause more loss from their profit.

Another factor that can increase taxpayer compliance is by raising awareness in paying taxes. The formulation of the problem in this research are the understanding of taxation, tax sanctions, and the awareness of taxpayers that affects the tax compliance.

**DESIGN AND METHOD**

This research was included in the descriptive research. The population in this research are all individual business taxpayers in the city of Tangerang. Sample in this research are using simple random sampling method. While the research using quantitative methods. Data processing using the SPSS Version 23 program. The analytical methods in this research include:

1) T-Test (Partial Test)
2) F-Test (Simultaneous Test)
3) Determination Coefficient Test (R²)

Regression analysis performed using multiple regression analysis methods with the following equation model:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \]

\[ Y = 0.348 + 0.044 X_1 + 0.636 X_2 + 0.000 X_3 + e \]

Sigt = (0.044) (0.636) (0.000)

Test-F = 0.000

Adjt R Square = 0.398 @ R = 39.80%

α = 0.05

*= Significant

n = 70 sampling

Y = Taxpayer Compliance

X₁= The Understanding of Taxation

X₂= Tax Sanction

X₃= Taxpayer Awareness
\( \alpha = \text{Constant} \)
\( \beta_1, \beta_2, \beta_3 = \text{Coefficient} \)
\( e = \text{Error Term (60.20\%)} \)

RESULTS AND DISCUSSION

1) T-Test (Partial Test)

Based on the results of the equation above, the obtained results are partially understanding taxation has a significant effect on taxpayer compliance and tax sanctions do not significantly influence compliance taxpayers while taxpayer awareness have a significant effect on taxpayer compliance.

2) F-Test (Simultaneous Test)

Based on the equation results above, the estimation results produce a Prob (F Statistic) of 0.000. Value Using \( \alpha = 0.05 \) indicates the understanding taxation, tax sanctions and awareness of taxpayers simultaneously or together has a significant effect on individual taxpayer compliance (0.000 <0.05). Based on the proposed hypothesis, Ho rejected, which means statistically the understanding of taxation, tax sanctions and awareness of taxpayers simultaneously or together has a significant effect on individual taxpayer compliance (\( \alpha = 0.05 \)).

3) Determination Coefficient Test (R\(^2\))

Based on the equation above, the coefficient of determination is equal to 0.398 or equal to 39.80\%. This means that the contributions of the understanding of taxation, tax sanctions and awareness of taxpayers towards personal taxpayer compliance is 39.80\%. While the remaining 60.20\% is contributed by other variables that not discussed in this research.

Hypothesis testing that has been done, it can be put forward some discussion below:

1) The understanding of taxation has a significant effect on compliance of individual taxpayers

The results of this research are matching with research conducted by Nerissa Arviana Soelistijo (2014) which has concluded that the understanding of taxpayers about tax regulations has a positive and significant effect taxpayer compliance. Shows the more the understanding of taxation for tax regulations, lead the increasing of the taxpayer compliance.

2) Tax sanctions do not significantly influence the compliance of individual taxpayers.

The results of this research matching with research conducted by Handayani, Ucik, and Laily (2017) produce the same conclusion where tax penalties do not affect tax compliance.

3) Awareness of taxpayers has a significant effect on individual taxpayer compliance
The results of this research matching with the research conducted by Tia (2016) revealed that taxpayer awareness has a significant effect on taxpayer compliance.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the research’s result with multiple regression analysis, the conclusions of this research are:

a. The understanding of taxation has a significant effect on individual taxpayer compliance. The higher the level of understanding of tax provisions, the better the implementation of tax obligations as for increasing compliance. This is reasonable because often taxpayers do not carry out their tax obligations properly not because of a desire to disobey, but the complexity of taxation sometimes forces them to disobey (passive tax resistance).

b. Tax sanctions have no significant effect on personal taxpayer compliance. This shows that the imposition of penalties on taxpayers who violate tax regulations in the form of tax sanctions does not provide a deterrent effect on the taxpayer.

c. Awareness from taxpayers has a significant effect on taxpayer compliance. If the taxpayers has high awareness which come from the motivation to pay taxes, then the willingness to pay taxes will be more affected and will increase the state income from taxes.

Suggestions

In this research there are still some shortcomings, and I suggest:

a. The needs for intense socialization of the tax authorities to individual taxpayers in the City of Tangerang related to the latest tax regulations, so that taxpayers always update the latest tax regulations and carry out their tax obligations in accordance with applicable tax laws.

b. Future research are advised to use more than 4 independent variables to examine the effect on individual taxpayer compliance.

c. Future research are recommended to use more respondents or taxpayers used as research samples.

REFERENCES

Alon, A. & Hageman, AM (2013). The Impact of Corruption on Firm Tax Compliance in Transition Economies: Whom Do You Trust? Journal of Business Ethics, 116 (3), 479-494.

Apollo, (2003). Several Factors That Influence Earnings Management and Its Implementation in the Compilation of Financial Statements. (Dissertation). Padjadjaran University, Bandung.

Apollo, (2017). Making the Theory of Agency Conflict Accounting Theory, Ethnographic Study of Hermeneutics Reinterpretation in Sukuh Temple, Ceto, Central Java. ID Patent C00,201,703,561 vol: | issue: | 2017

Arikunto, S., (2006). Qualitative Research Methods. Jakarta: Earth Literacy.
Arisandy, N. (2017). Effects of Understanding Taxpayers, Taxpayer Awareness, and Tax Sanctions on the Compliance of Individual Taxpayers conducting Online Business Activities in Pekanbaru. Journal of Economics and Business, 14 (1).

Arum, HP (2012). The Influence of Taxpayer Awareness, Fiscus Services, and Tax Sanctions on the Compliance of Individual Taxpayers Conducting Free Business and Work Activities (Study in the Cilacap KPP Region) Thesis Not Published, Faculty of Economics and Business, Diponegoro University.

Azwar, S., (2011). Reliability and Validity. Yogyakarta: Student Library.

Devano, Sony, & Rahayu, SK, (2006). Learning and factors that influence it. Jakarta: Rineka Cipta.

Ghozali, Imam. (2013). Application of Multivariate Analysis with IBM SPSS 23 Program Edition 7. Semarang: DiponegoroUniversity Publisher Agency

Ghozali, I., (2016). Multivariate Analysis Application with IBM SPSS 23. Semarang Program: BPFE Diponegoro University.

Hantoyo, SS, Kertahadi & Handayani, SR (2016) Effects of Tax Avoidance and Tax Sanctions on Taxpayer Compliance. Journal of Taxation (JEJAK), 9 (1).

Handayani, Ucik, & Laily, N. (2017) *The Influence of Conciousness, Tax Penalty, and The Quality of Tax Authorities Service on Tax Compliance. Journal of Accounting and Business Education, 1 (2).*

Huda, A., & Basri, YM (2016). Influence of perceptions on the effectiveness of the taxation system, trust, tax rates and the benefits of NPWP on tax compliance (empirical studies on food taxpayers at the KPP Pratama Pekanbaru Senapelan). Student Online Journal (JOM) in Economics, 2 (2), 1-15. ISSN: 2355-6854

James, S. & Alley, C., (2010). *Tax Compliance, Self Assessment, and Tax Administration. New Zealand: Department of Accounting, University of Waikato.*

Jayanti, Ami & Apollo. (2019). *The Effect of IFRS Adoption, Information Asymmetry and Deferred Tax Assets on Earning Management. Journal of Economics, Management and Accounting.*

Kalsum, U., & Haryana, G. (2016). The Influence of Understanding of Taxation and Taxpayer Awareness on Compliance of Umkm Taxpayers in Pekanbaru City. Student Online Journal (JOM) in Teacher Training and Education, 3 (1), 1-8. ISSN: 2355-6897

Mahfud, Arfan, M. & Abdullah, S. (2017). Effects of Understanding Taxation Regulations, Tax Paying Awareness, and Quality of Tax Services on Taxpayer Compliance. Journal of Masters in Accounting Postgraduate Syiah Kuala University, 6 (2).

Mardiasmo, (2018). Taxation 2018 Revised Edition. Yogyakarta: Andi.
Mulyani, S. (2016). Sri Mulyani: Complicated Regulation Makes RI Tax Revenue Low. Accessed January 5, 2018 from the World Wide Web: https://finance.detik.com/berita-ekonomi-bisnis/d-3325580/sri-mulyani-regulation-yang-rumit-bikin-ppajak-rendah

Accept-ri-Report Annual Director General of Taxes 2016

Lesnik, Tomaz, Kracun, Davorin, Jagric, & Timotej. (2014). Tax Compliance and Corporate Income Tax - The Case of Slovenia. lexlocalis - journal of local self-government, 12 (4), 793-811.

Oladipupo, AO & Obazee, U. (2016) Tax Knowledge, Penalties and Tax Compliance in Small and Medium Scale Enterprises in Nigeria. iBusiness, 8, 1-9.

Palil, MR, Akir, MRM, Ahmad, WF (2013) The Perception of Tax Payers on Tax Knowledge and Tax Education with Level of Tax Compliance: A Study of the Influences of Religiosity (Survey in Malaysia). ASEAN Journal of Economics, Management and Accounting, 1 (1), 118-129.

Prajogo, JN & Widuri, R. (2013). The Influence of Understanding Level of Taxpayer Tax Regulations, Service Quality of Tax Officers, and Perception of Tax Sanctions on Taxpayer Compliance. Tax and Accounting Review, 3 (2).

Purwanto, MN, (2011). Principles and Teaching Evaluation Techniques. Bandung: PT Remaja Rosda Karya.

GoNE Language Center. 2016. Big Indonesian Dictionary. Jakarta: Balai Pustaka.

Rahayu, N. (2017). Effect of Taxation Knowledge, Tax Sanction Assertiveness, and Tax Amnesty on Taxpayer Compliance. Dewantara Accounting, 1 (1).

Official, S., (2014). Taxation Theory and Cases (4 ed). Jakarta: Salemba Empat.

Sasmita, NA, (2015). The Influence of Understanding Taxpayers, Fiscus Services, Taxpayer Awareness, and Tax Sanctions on Taxpayer Compliance of Small and Medium Enterprises Owners in the Tax Obligation Report in Semarang (Study of SMEs in Semarang). Scientific Journal of Undergraduate Accounting in Pandanaran University, 1 (1), 1-17.

Sekaran, U., (2014). Research Methods for Business: Research Methods for Business Jakarta: Salemba Empat.

Siat, CC & Toly, AA (2013). Factors Affecting Taxpayer Compliance in Meeting Tax Paying Obligations in Surabaya. Tax & Accounting Review, 1 (1).

Soemarso, SR, (2007). Taxation. Jakarta: Salemba Empat.

Sudijono, A., (2016). Introduction to Educational Evaluation. Jakarta: Rajagrafindo.

Sugiyono, (2014). Qualitative Quantitative Research Methods and R&D. Bandung: Alfabeta.
Susmita, PR & Supadmi, NL (2016). Effect of Service Quality, Tax Sanctions, Tax Compliance Costs, and Application of E-Filling on Taxpayer Compliance. E-Journal of Accounting, Udayana University, 14 (2).

Tene, JH, Sondakh, JJ, & Warongan, JDL (2017) Effects of Taxpayer Understanding, Tax Awareness, Tax Sanctions, and Fiscus Services on Taxpayer Compliance. EMBA Journal, 5 (2), 443-453.

Waluyo (2018). Do Efficiency of Taxes, Profitability and Size of Companies affect Debt A Study Companies Listed in The Indonesia Stock Exchange. European Research Studies Journal, Vol. (XXI), Issue 1.

Widayanti, Nurlis (2010). Factors That Influence Willingness to Pay Taxes for Individual Taxpayers Performing Free Work. National Symposium on Accounting XIII Purwokerto.

Yanah (2013) The Impact of Administration Sanction and Understanding of Income Tax Law on Corporate Taxpayer's Compliance. The International Journal of Social Sciences, 12 (1).