

## Factors That Influence Tax Compliance of Taxpayer Trading Business Agency in Banjarmasin

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### Abstract

This study aims to empirically examine the effect of tax awareness, understanding tax regulations and understanding of accounting for taxpayer tax compliance of trading business entities in Banjarmasin. The analysis was conducted on the answers of 57 respondents to the research instrument submitted to business owners or taxpayers of trading business entities registered at the Primary KPP. The results of this study are expected to give thought to the tax authorities regarding factors that influence the taxpayer's compliance with trading business entities in fulfilling tax obligations. Also provides information on the importance of fulfilling tax obligations in accordance with the provisions of the legislation to trade business taxpayers. The hypothesis testing of this research was carried out by multiple linear regression analysis. The results showed that the simultaneous involvement of the users in the consciousness of taxation, understanding of the regulations and taxpayer understanding of accounting have a significant effect on the fulfillment of tax compliance taxpayer of business trading. The results showed that partial involvement of the users in the consciousness of taxation, and understanding of the regulations has no significant effect on the fulfillment of tax compliance taxpayer of business trading. Taxpayers understanding of accounting have a significant effect on the fulfillment of tax compliance taxpayer of business trading

**Keyword:** Tax awareness, tax regulations, tax compliance

### Introduction

In the current industrial revolution era 4.0, where the use of digital technology becomes a demand that must be fulfilled so that businesses continue to be able to compete. Some businessmen, both large and medium and small, have implemented digital transformation for the development of their businesses, all efforts are made to market service products or goods using electronic media or the internet. Various transactions facilities are needed by employers, including the ease of reporting and paying taxes. For this reason, the Directorate General of Taxation has issued various facilities ranging from e-filing to annual tax returns, e-billing, e-facture, electronic tax return reporting electronically, and electronic tax consultation. This convenience is given so that taxpayers can fulfill tax obligations properly and correctly in accordance with applicable regulations

The awareness of taxpayers in fulfilling tax obligations is very important in the paradigm of the self-assessment system adopted by Indonesia, therefore this awareness must continue to be fostered. As is known, the self-assessment system gives taxpayers the freedom to calculate their own tax obligations, so that this obligation is carried out as well as possible, the taxpayer must comply with various tax regulations. Compliance with these taxpayers has an impact on the effectiveness of state revenues in the tax sector which, in turn, will affect the overall success of national development financed by tax results. Irianto (2005) describes some forms of awareness of paying taxes that encourage taxpayers to pay taxes. First, the awareness that tax is a form of participation in supporting the development of the State. Secondly, the awareness that delays in paying taxes and reducing tax burden is detrimental to the State. Third, the awareness those taxes are set by law and can be imposed. If each is obliged to be aware of its obligation to pay taxes, of course, the state's revenue from taxes will continue to increase, not decrease, because the number of potential taxpayers tends to increase

every year. Compliance with taxpayers in paying taxes is influenced by several factors, in addition to awareness of the importance of taxation, understanding tax regulations and understanding accounting is another factor. An adequate understanding or knowledge of taxpayers about tax regulations can improve tax compliance so that they can fulfill their obligations properly and correctly, while the understanding of accounting is needed by corporate taxpayers where each taxpayer of a business entity is required to use bookkeeping in calculating the tax. Saad (2014) shows that taxpayers do not have the adequate technical knowledge and regard the tax system as complex. Tax knowledge and tax complexity are seen as factors that contribute to the behavior of non-compliance among taxpayers. Said (2014) found that simultaneous tax awareness, understanding of taxation and understanding of accounting have a significant effect on compliance with taxpayer taxation compliance in the construction sector business.

Following this research was conducted to re-examine the factors that influence compliance with compliance with corporate taxpayers' tax obligations in Banjarmasin, as Said (2014) has with different objects, namely taxpayers who carry out trading business activities. The results of this study are expected to give thought to the tax authorities regarding factors that influence the taxpayer's compliance with trading business entities in fulfilling tax obligations. Besides, it also provides information on the importance of fulfilling tax obligations in accordance with the provisions of laws and regulations for corporate taxpayers, especially those who conduct trading business activities. Tax compliance is influenced by several factors, including taxpayer awareness of the importance of taxation, understanding taxation regulations and an understanding of accounting. Taxpayer awareness is a condition where the taxpayer knows, recognizes respects and obeys the prevailing tax provisions and has the sincerity and desire to fulfill tax obligations voluntarily. Taxpayers are said to have awareness if they understand that tax obligations must be carried out in accordance with applicable regulations.

Taxpayer understanding is an understanding of the tax collection system and all kinds of tax regulations that apply. In Indonesia, the tax collection system uses a self-assessment system that entrusts fully to taxpayers to calculate, pay, and report on their own taxes. In a tax collection system like this, it certainly requires a variety of regulations as a means of control. Taxpayer's understanding of the regulations greatly influences the success or failure of the application of the self-assessment system.

The existence of differences in income recognition and costs between tax regulations and commercial accounting regulations causes business entity taxpayers, before determining the tax payable must first make corrections on income received and costs incurred. Corrections made can be positive or negative for taxable income tax. Positive correction causes taxable income to increase, while a negative fiscal correction causes taxable income to decline. Corporate taxpayers are considered to have an understanding of tax accounting if: first, the business entity carries out the accounting process with the financial statements as the end result. Second, the income tax payable by the corporate taxpayer is calculated based on the rate of taxable income. The three taxpayers of the business entity have made and reported the Annual Tax Return properly and correctly and attached the fiscal financial report.

According to Rahayu (2010), there are two kinds of compliance, namely formal compliance, and material compliance. Formal compliance is a condition where the taxpayer fulfills the tax obligation by focusing on the name and form of the obligation only, regardless of the nature of the obligation. Material compliance is a condition in which taxpayers besides fulfilling obligations related to the name and form of tax obligations, also primarily fulfill the nature of their tax obligations. to Nurmantu (2008), there are several factors that determine the high and low level of tax compliance, including clarity of laws and taxation implementation, the number of compliance costs and role models. Based on the Indonesia ministry of financial regulations, taxpayers are considered compliant if they meet the four criteria below, namely: 1) Timely in submitting a Notice (SPT) for all types of taxes in the last two years; 2) Do not have tax arrears for all types of taxes, unless they have obtained a license to repay or delay payment of their taxes; 3) Never been sentenced for committing a criminal

act in the field of taxation in the last ten years; 4) Taxpayer financial statements that are audited by a public accountant or State Auditor Office must obtain an unqualified status, or with a reasonable opinion with an exception, as long as the exception does not affect the taxable income. Furthermore, it is stated that if the financial statements are audited, the audit report must be arranged in a long form (long form report) and present a reconciliation of the commercial and fiscal profit and loss.

Adimasu (2017), shows that tax awareness is the main problem for voluntary tax compliance attitudes and most taxpayers see the current tax rates and high rates of punishment and they also believe that the existing tax system is unfair. Hardiningsih (2011) found evidence that awareness of paying taxes, knowledge, and understanding of taxation regulations, a good perception of the effectiveness of the tax system and the level of trust in the government and legal systems simultaneously affect the willingness to pay individual taxpayers.

Widayati and Nurlis (2010), examines the factors that influence the willingness to pay taxpayers in paying taxes. The result of the research is the awareness of paying taxes and a good perception of the effectiveness of the tax system has no significant influence on the willingness to pay taxes. While knowledge and understanding of tax regulations have a significant influence on the willingness to pay taxes. Trisnawati (2015) found evidence that tax knowledge, service quality, tax audit, and taxpayer awareness have a positive effect on taxpayer compliance. Siregar (2017) gets evidence that the awareness of taxpayers and tax sanctions simultaneously affect taxpayer compliance. Ernawati and Wijaya (2011) found evidence that accounting understanding has a significant effect on the level of taxpayer compliance of business entities in the trade sector. Said (2014) shows evidence that simultaneous understanding of accounting has a significant effect on compliance with taxpayer taxation compliance with construction business entities.

Based on the theoretical framework and previous research review above, the conceptual framework of this research can be described as follows.

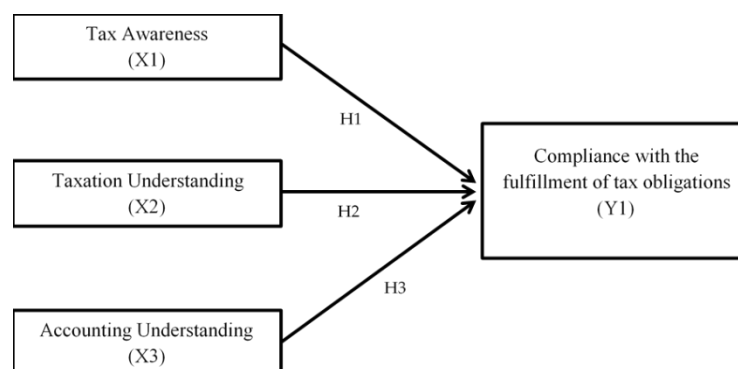


Figure 1 Research Framework

Based on the conceptual framework of this research above, the hypotheses in this study are as follows:

- H<sub>1</sub>: Tax awareness influences tax compliance
- H<sub>2</sub>: Understanding tax regulations influence tax compliance
- H<sub>3</sub>: Accounting understanding influences on tax compliance

## Methods

The population of this study is all taxpayers of business entities registered in Banjarmasin Tax Services Office. The sample is a taxpayer entity engaged in the trading business as many as 100 units taken using the purposive sampling method with the criteria of having a legal entity and having a turnover of above 4.8 billion in one year. Sources of data are obtained closed questionnaires instrument. The questionnaire consists of two parts; the first contains questions that are general in nature to get data about respondents. The second part contains questions relating to variables in the

study made with a Likert scale. The dependent variable is compliance with tax obligations (Y). Compliance with the fulfillment of tax obligations (tax compliance) of taxpayers is assessed from the attitude of taxpayers on compliance in registering, calculating their taxes, depositing and depositing returns (SPT), and compliance in payment of taxes.

Independent variables include:

- 1) Taxpayer tax awareness ( $X_1$ ). The first independent variable of this study is awareness of paying taxes. Elements awareness in humans in understanding reality and how to act or respond to reality. This variable is measured by instruments from Suyatmin's (2004) research with a Likert scale.
- 2) Understanding tax regulations ( $X_2$ ) is the process by which taxpayers know about taxation and apply that knowledge to pay taxes (terms) related to tax payments. This variable is measured by instruments derived from Abrori's (2006) research with a Likert scale.
- 3) Understanding of accounting ( $X_3$ ). is one of the obligations for business entity taxpayers in the form of bookkeeping or financial statements. This variable is measured by an instrument adapted from the research of Ernawati and Wijaya, 2011

Validity test using Pearson correlation analysis method with a 95 percent confidence level. The reliability of the questionnaire testing using Cronbach's alpha formula is more than 0.60 (Ghozali: 2006). All aspect in classic assumption over this data is eligible. Hypothesis testing in this study uses multiple linear regression analysis with the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \dots\dots\dots[1]$$

Where:

- Y = tax obligations compliance
- $X_1$  = tax awareness
- $X_2$  = understanding tax regulations
- $X_3$  = understanding of accounting
- $\alpha$  = Intercept (constant)
- $\beta$  = regression coefficient
- e = error

Testing of the research model will be conducted by F test and t-test. F test is done by comparing the calculated F value with F table value if the calculated F value is greater than F table with a significance level of less than 0.05, then the model used is feasible. Likewise the opposite (Ghozali, 2006). While the t-test is done to find out how far the influence of an independent variable individually in explaining the variation of the dependent variable. Criteria testing used is if calculated > t table with a significance level of 0.05, the hypothesis is rejected (Ghozali, 2006).

## Result and Discussion

From the number of questionnaires distributed as many as 102 respondents, there were 25 non-returned questionnaires, 57 questionnaires were processed 18 questionnaires were filled in part so that they could not be processed. The rate of return of the questionnaire was 66.67%, eligible for statistical tests. Validity test was declared valid for all instrument items with a significance of <0.05. Cronbach's Alpha for all items is above 0.60 which means that the instrument has been reliable. The classic test results show that data is normally distributed. VIF value <10 which means there are no multi collinearity problems. There is no heteroscedasticity in the regression model. There is no autocorrelation with the Durbin-Watson value of 1.903.

Table 1 Regression Model

	Model	Coefficient	t. calc	Sig.
1.	(Constant)	35,981	6,209	,000
	X1	-,430	-1,001	,321
	X2	-,028	-,110	,913
	X3	-,478	-2,534	,014
	F	= 6.273		
	Sig	= 0.001		

Source:processed SPSS

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

$$Y = 35,981 + (-0,430) X_1 + (-0,028) X_2 + (-0,478) X_3 + e$$

$$Y = 35,981 - 0,430 X_1 - 0,028 X_2 - 0,478 X_3 + e$$

Where :

Y = Tax Compliance

X<sub>1</sub> = Tax Awareness

X<sub>2</sub> = Understanding Tax Regulations

X<sub>3</sub> = Accounting Understanding

α = Intercept (constant)

β = regression coefficient

e = error

The regression equation above shows Constant of 35.981 means that if tax awareness, understanding of taxation and understanding of accounting is 0, tax compliance is 35.981. The tax awareness variable regression coefficient of -0.430 means that if another independent variable is fixed in value and tax awareness has one unit increase, then the taxpayer's tax compliance of business entity will decrease by 0.430. Regression coefficient variable understanding of tax regulations is -0.028 means that if another independent variable is fixed in value and tax awareness has increased one unit, the taxpayer tax compliance of business entity will decrease by 0.028. The regression coefficient of understanding variable accounting of -0.478 means that if another independent variable is fixed in value and tax awareness has increased one unit, then taxpayer tax compliance of business entities will decrease by 0.478.

Regression test results in a calculated F value of 6.273, with a 95% confidence level, α = 5%, df 1 = 3 and df 2 n-k-1 or 57-3-1 = 53 results for F table of 2.975. F value is calculated > F table (6.273 > 2.790) with a significance of 0.001. These means are tax awareness, understanding of tax regulation and understanding of tax accounting, has a significant influence on tax compliance.

Regression coefficient testing variable tax awareness shows t count of 1.001 < t table of 2.006 distribution at α = 5% (2-sided test) with freedom degree (df) nk-1 or 57-3-1 = 53. 2-sided testing, with a significance of 0.327 > 0.05 which indicates that the level of tax awareness does not affect the level of compliance with the tax compliance of business entity taxpayers. Because of the value of t-calculated < t-table, that H<sub>1</sub>: tax awareness influence on tax compliance, is rejected.

Understanding of tax regulation shows t calculated of 0.110 < from t table 2.006 at α = 5% (2-sided test) with the degree of freedom (df) nk-1 or 57-3-1 = 53, testing 2 sides with a significance of 0.913 > 0.05 which indicates that the level of understanding of taxpayer taxation regulations does not affect the level of compliance with the fulfillment of taxpayers' corporate tax obligations. Because of the value of t arithmetic < t table, that H<sub>2</sub>: Understanding of tax regulations influence on tax compliance, is rejected.

Understanding of accounting obtained t calculated 2.534 > from t table is 2.006 at α = 5% (test 2 sides) degree of freedom (df) nk-1 or 57-3-1 = 53. with significance 0.014 < 0.05 shows that the level of



understanding of accounting affects the level of compliance with the fulfillment of corporate taxpayer tax obligations. Because of the value of  $t\text{-calculated} > t\text{-table}$ ,  $H_3$ : Accounting understanding influences on tax compliance, is accepted.

The test results show that simultaneous taxpayer tax awareness, understanding of taxpayer taxation regulations and understanding of accounting has a significant effect on compliance with the compliance of taxpayers' tax obligations of trading business entities. The results of this study are in line with the results of Said's research (2014) which shows the results that simultaneously tax awareness, understanding of tax regulations and understanding of accounting have a significant influence on compliance with taxpayer tax compliance of construction business entities.

Partial testing shows that the tax awareness variable is not significant and has a negative effect on compliance with the compliance of taxpayers' business entity tax obligations. Research support supports the results of Adimasu (2017), Widayati and Nurlis (2010). However, it is not in line or supporting the results of Said's (2014) and Hardiningsih (2011) research that generally the trading business taxpayers registered in the KPP Pratama still consider tax as something burdensome and in making payments they are still experiencing difficulties due to lack of knowledge.

Understanding the taxation variable has a negative and insignificant effect on compliance with tax obligations. The results of this study are in line or support the results of Said's research (2014) and do not support the results of research by Widayati & Nurlis (2010) and Trisnawati (2015) Lack of understanding of tax regulations and low interest of taxpayers to understand/learn tax rules that are always changing/revised every year thought to be the cause. To fulfill the taxpayer's tax obligations trade business entities tend to choose to use the services of a tax consultant.

Variable of understanding of tax accounting has a significant effect on compliance with the fulfillment of taxpayers' tax obligations of trading business entities. These results are in line or support the research of Said (2014). The taxpayer of a trading business tends to choose to use the services of a consultant in filling out an SPT (Annual Notice) which is suspected to be the cause. And to be able to fill out the SPT correctly the consultant needs information about the company's assets, debt, capital and income contained in the fiscal financial statements obtained through the reconciliation process of commercial financial statements generated in the company's accounting process.

## Conclusions

This study examines tax awareness, an understanding of tax regulations and an understanding of accounting for taxpayers on taxpayer compliance with taxpayers engaged in trading business. Hypothesis testing shows that simultaneous taxpayer tax awareness, understanding of taxpayer taxation regulations and understanding of accounting has a significant effect on compliance with compliance with taxpayer tax obligations of trading business entities. Tax awareness have not a significant effect on tax compliance because taxpayers still consider tax as something burdensome and in making payments they are still having difficulties due to their lack of knowledge. Taxpayer understanding of tax regulations does not have a significant effect on trade taxpayers' tax compliance due to the low interest of taxpayers to understand/study the provisions of tax regulations that are always changing/revised every year and have the effect of causing confusion for taxpayers.

Accounting understanding has a significant effect on compliance with compliance with trade taxpayers' tax obligations. The tendency of taxpayers to trade companies choose to use consultancy services in filling out the SPT (Annual Notice) is suspected to be the cause. And to be able to fill out the SPT correctly, information is needed about the assets, debt, capital and corporate income contained in the fiscal financial statements obtained through the reconciliation process of commercial financial statements generated in the company's accounting process.

The results of this study could not be generalized, this study only applied survey methods through questionnaires that based on respondents' perceptions. Further research needs to add indicators (number of question items) for each research variable, conducting studies in the same field can use variables that are not used in this study. The Directorate General of Taxes needs to socialize

more about the new provisions and sanctions that will be carried out if the Taxpayer fails to fulfill his obligations. As well as the need for the socialization of tax and financial training, especially tax accounting, to increase corporate taxpayer tax compliance.

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