

# The Effect of Planned Behavior and Motivation on Pay Tax Compliance

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**Abstract.** The community phenomenon captures business opportunities existing around the centers of Higher Education. One of which is renting rooms with VIP facilities to attract prospective tenants. The purpose of this article is to analyze the room owner's compliance in reporting and paying income tax from room rental businesses. The sample was 52 taxpayers and WarpPLS as data analysis techniques to determine the effect of motivation to pay taxes as a mediation of the effect of taxpayer awareness, knowledge, and understanding of taxes on tax compliance. The results show that the taxpayers' awareness influences tax compliance, while motivation to pay does has not been able to mediate between awareness of tax compliance and has not been able to mediate the influence of knowledge and understanding of taxes on tax compliance.

**Keywords:** *planned behavior, motivation, compliance tax*

## INTRODUCTION

The history of tax collection in Indonesia originated from a "tribute" given by the people voluntarily to the king to maintain state security, provide infrastructure and expenditures for the needs of the kingdom. As time goes by, "tribute" has changed in terms to become a levy or contribution paid by the community to the government without getting reciprocal services directly from the government. One of the changes is the transformation term from "tribute" to tax. The procedure of tax collection is regulated by laws based on applicable legal norms [1], [2]. Tax collection in Indonesia is based on several theories, which are a). Insurance Theory, b). Interest Theory, c). Pikul power theory, d) Devotional theory, and e), Theory of Purchasing Power [3], [4]

The Devotional Theory in tax collection is intriguing to study. In this theory, the interests of the state are preferred compared to the interests of its citizens, thus giving rise to absolute rights by the state in collecting taxes from its people [3]. The people give their service to the state, and the state protects the legal interests of its citizens in a repressive, preventive, service, and so forth. Tax payment is a form of obligation and participation of the community to participate directly to implement national financing and development. Taxes are a source of state revenue, which accounts for 83.1% of all state revenues. Without taxes, it is difficult for the state to run

its government because tax revenues are used to finance various development projects. The more state revenues collected from tax, the more facilities and infrastructure could be built by the government to bring prosperity to its citizens.

Tax is the spearhead of state revenue for development. Thus a good citizen is required to pay taxes. To increase public awareness about the importance of taxes for the life of nation and state, the government needs to educate and socialize continuously through printed and electronic media [4], [5].

[5]-[8] Some awareness of paying taxes that encourage taxpayers to pay taxes include 1) Awareness that taxes are a form of participation in supporting the country's development. By realizing this, taxpayers are willing to pay taxes because they feel they have not been harmed by the tax collection [9], [10]. Taxes are to be used for the development of the state to improve the citizens' welfare. 2) Awareness that the delay in paying taxes or reducing the tax is detrimental to the state. Taxpayers are willing to pay taxes because they understand that delaying tax payments and reducing tax have a significant impact on the lack of financial resources, which can result in impeded state development. 3) Awareness that taxes are determined by the law and can be imposed. Taxpayers will pay because tax payments are realized to have a strong legal basis and are an absolute obligation of every citizen.

## METHOD

The tax sector revenue will be used by the government to finance the central and regional governments. The level of tax compliance is influenced by several factors, including understanding, tax collection systems, and taxpayer awareness [10] [11]. Knowledge, understanding, and seriousness of taxpayers to pay and report taxes reflect the level of awareness of the taxpayers [12] [10]. Increasing tax knowledge through education will have a positive impact on awareness of paying taxes [13] [14] [15]. Increasing taxpayers' awareness and compliance to pay and report taxes is the government's main target to increase state revenues from the tax sector. Quantitative research design with an expediting research approach, to examine the effect of taxpayer awareness on tax compliance formally and individual taxpayer materials that have room rental businesses with VIP facilities in Dinoyo and Ketawangede villages in Malang City.

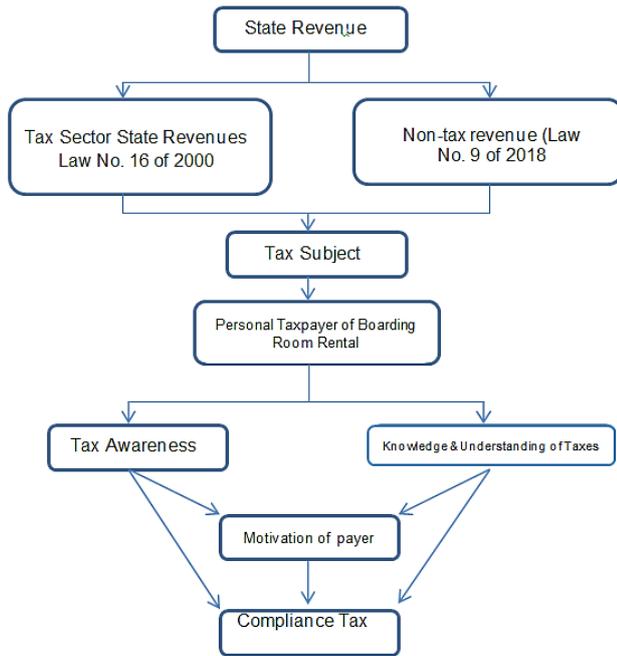


Figure 1. Framework of Research

The population is 52 boarding owners. Since the population is less than 100, the total number of samples is taken as a whole. The data was collected through questionnaires with rating scales of 1-6 to explore depth information, opinions, and perceptions of taxpayers about the knowledge, understanding, and awareness of taxes, and the motivation to pay taxes. The data analysis used path analysis to find out whether there is a functional relationship between knowledge and understanding of taxes, tax awareness, motivation to pay tax, and tax compliance.

RESULT

The respondents' profiles include 52 samples, 46 respondents were male (88.46%); age between 41 - 50 years (100%); 49 respondents finished tertiary education (94.23%); 52 respondents have VIP rooms facilities (100%); 39 respondents have prepared the fund to pay tax (75.00%); respondents' responses to knowledge and understanding of tax reached score of 59.23% (category: enough), tax awareness reached score of 87.38% (category: good), motivation to pay reached score of 61.17 (category: enough), and tax compliance reach actual score of 68.94% (Good). Figure 2. Shows the model of research results in the relationship of knowledge and understanding of taxes, awareness, motivation to pay taxes, and tax compliance.

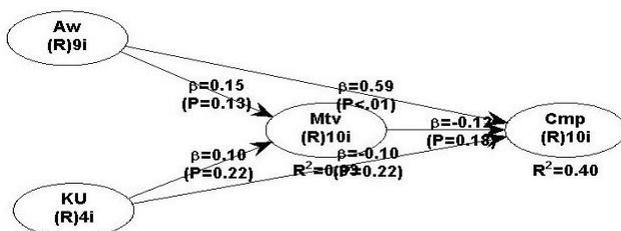


Table 1 Model fit and quality indices

Average path coefficient (APC)	=0.214, P=0.025
Average R-squared (ARS)	=0.214, P=0.025
Average adjusted R-squared (AARS)	=0.175, P=0.046
Average block VIF (AVIF)	=1.010, acceptable if <= 5, ideally <= 3.3
Average full collinearity VIF (AFVIF)	=1.307, acceptable if <= 5, ideally <= 3.3
Tenenhaus GoF (GoF)	=0.278, small >= 0.1, medium >= 0.25, large >= 0.36
Sympton's paradox ratio (SPR)	=1.000, acceptable if >= 0.7, ideally = 1
R-squared contribution ratio (RSCR)	=1.000, acceptable if >= 0.9, ideally = 1
Statistical suppression ratio (SSR)	=1.000, acceptable if >= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	=0.800, acceptable if >= 0.7

Table 1 explains that the p-value for APC and ARS is smaller than 5 and AVIF as an indicator of multicollinearity shows that it is smaller than 5. Then the output shows the goodness of fit model criteria that are APC of 0.214 and ARS of 0.214, which means there are no multicollinearity problem indicators among exogenous variables. The GoF value is 0.278 > 0.25, which means the medium model. The SPR and RSCR indexes produce a value of 0.500 < 0.7, which means it is not accepted; the RSCR index produces 1,000 = 1,000, which means the index is accepted. The statistical suppression ratio (SSR) produced is 1,000 > 0.7, which means there is no model relationship problem. The value of NLBCDR is 0.800 > 0.7, which means that the linear relationship is ideal.

Table 2. Direct and Indirect Effects

No	Inter-Variable Relationships	Koef Path	p-value	Evaluation
1	Aw_X1 --> Cmp_Y2	0.590	< 0.001	Highly Significant
2	AW_X1 --> Mtv_Y1	0.149	0.131	Weekly Significant
3	Mtv_Y1 --> Cmp_Y2	-0.123	0.179	Weekly Significant
4	KU_X2 --> Mtv_Y1	0.104	0.218	Weekly Significant
5	KU_X2 --> Cmp_Y2	-0.102	0.224	Weekly Significant
6	AW_X1 --> Mtv_Y1 --> Cmp_Y2	0.011	0.426	Not Mediation
7	KU_X2 --> Mtv_Y1 --> Cmp_Y2	0.001	0.448	Not Mediation

The effect of taxpayer awareness (Aw\_X1) on tax compliance (Cmp\_Y2) with a value of 0.590 and p < 0.001, because p is smaller than 0.05, so the taxpayer's awareness affects tax compliance. Thus the hypothesis is accepted tax, taxpayer compliance increases. Knowledge and understanding of tax (KU\_X2) against tax compliance (Cmp\_Y2) with a coefficient of 0.149 and p > 0.05, then tax knowledge and understanding do not affect the motivation to pay taxes. Motivation to pay taxes (Mtv\_Y1) has no effect on tax compliance (Cmp\_Y2) with a coefficient of -0.123 and p 0.179 > 0.05. Taxpayer awareness (Aw\_X1) has no effect on motivation to pay taxes (Mtv\_Y1) with coefficients of 0.149 and p. 0.131 > 0.05 and knowledge and understanding of taxes (KU\_X2) did not affect motivation to pay Mtv\_Y1 tax) with coefficients of 0.104 and p 0.218 > 0.05.

Motivation to pay taxes (Mtv\_Y1) as a mediation affected taxpayer awareness (Aw\_X1) on tax compliance (Cmp\_Y2). The path coefficient of Aw\_X1 indirectly influence on Cmp\_Y2 compliance is 0.011 with p = 0.426 > 0.05, it is said to be weakly significant, so Mtv\_Y1 is not mediation, and Mtv\_Y1 as mediating influence of knowledge and understanding of tax (KU\_X2) on tax compliance (Cmp\_Y2) equal to 0.001 and p = 0.448 > 0.05.

Empirically, the higher the awareness of individual taxpayers, the better their tax compliance, knowledge and understanding of taxes are not able to influence increasing taxpayer compliance, while inadequate motivation as mediation to increase the influence of awareness, knowledge, and understanding of tax on taxpayer compliance.

#### DISCUSSION

Theoretically, the tax collection theory includes insurance theory, interest theory, power theory, devotional theory, and purchasing power theory [1]. Devotional theory explains that there is a relationship between citizens and the state. As citizens, people must realize that paying tax is an obligation. The tax collected by the government will be used to finance infrastructure, public facilities, and public interests to open employment opportunities, which can increase people's income.

Based on the results of the taxpayer awareness test, there was a significant positive effect on taxpayer compliance. This study is in line with [11] [14]. This is possible because the application of regulations regarding tax for room rental owners has not been known yet, specifically about the rules and procedures for reporting and paying taxes. Dissemination of Regional Regulation No. 16 of 2010 which includes housing and boarding house rental taxes is sufficiently carried out by the Regional Financial and Asset Management Agency (BPK-AD) on the office's website through profiles, work targets, complaints, and suggestions for BPK-AD management. This supports many taxpayers to be aware of the importance of paying taxes on time.

When associated with the Theory of Planned Behavior [7] which describes a person's behavior based on intention to behave, the current result shows that taxpayers have a high awareness of the importance of paying taxes for the continuity of state households. Boarding house taxpayers have realized their obligation to pay income tax obtained from room rentals because of the awareness of good taxpayers.

On the other hand, the insurance theory explains that the state protects the safety of life, property, and the rights of its citizens. Thus paying taxes is likened to an insurance premium to obtain guarantees of protection from the government.

#### CONCLUSION

The test results show that the awareness of taxpayers has a significant influence on tax compliance. High awareness of the importance of paying taxes will increase taxpayers' compliance to pay taxes. Knowledge and understanding of taxes and motivation to pay taxes do not affect tax compliance. The knowledge of the taxpayers is still limited to knowing the due date of paying taxes and yet to the procedure of paying and reporting taxes. The results of testing the motivation to pay taxes have not been able to mediate the relationship of taxpayer awareness, knowledge and understanding of taxes to tax

compliance because taxpayers are motivated to pay taxes if the collection system is not complicated.

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