

# The Effect of E-Filing Implementation, Level of Tax Comprehension, and Tax Sanction on Formal Compliance of Individual Taxpayer

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**Abstract**— One of the biggest sources of state revenue is tax revenue. Taxes are used by the government to finance national development. The purpose of this research to determine the effect of E-filing implementation, level of tax comprehension, and tax sanction on formal compliance. Multiple linear regression analysis was used to test statistically hypothesized models. The sample in this research is 178 individual taxpayers. Data on this research is obtained by questionnaire. The method of this sampling is using convenience sampling method. The result of the research shows the variable of E-filing implementation, tax sanction and level of tax comprehension has a significant effect on formal compliance.

**Keywords**— *E-filing, level of comprehension, tax sanction, formal compliance*

## I. INTRODUCTION

Taxes become one of the important instruments on national economy because it's the largest sources of state revenues for the country incomes. The problem for increasing taxpayer compliance is a classic problem that never seems to be finished. To increase the state revenue, the Directorate General of Taxes should make the tax reform. One of the government ways to maximized country incomes from the tax sector is the introduction of self-assessment systems since the tax reform in 1983 as the replacement of official assessment system. With the system, the taxpayers will be authorized, confidence, and be responsibility to pay and self-report the amount of tax payable. Tax obligation should be implemented according to tax laws and regulations. Therefore, the taxpayers should have a good understanding of applicable tax regulations.

Through the comprehension of taxation that provides for society, we've expected the society knows the importance of taxes for development and countries growth. That comprehension includes the filling of Notice (SPT), tax calculation, tax payments, and tax reporting. So through the understanding of the tax regulation, the taxpayer can pay their tax with the applicable regulations. The research about taxes comprehension has done by [1] found that taxes knowledge has a significant effects on formal compliance. The same result was also obtained of the research by [2] found that the level of tax comprehension has a significant effects on formal compliance.

The regulations and tax procedure has been regulated by the constitution. Even for the tax sanction. The tax sanction is required to give the punishment for tax breakers. The

research has done by [3] [4] show that the tax sanction has a significant effects on annual SPT reporting for taxpayer. This regulations will show the taxpayer would be obedient if they think they will get the strict sanction for their illegal acts in tax smuggling. Different results obtained in the research conducted [5] the threat of punishment has no significant effect on taxpayer compliance.

Tax compliance can be defined a situation which the taxpayer pays all of their tax obligations and exercises their taxation rights [6]. One of the efforts to increasing taxpayer compliance, the government conducted a policy that aims to improve the tax administration system, to facilitate taxpayers, and to improve the tax compliance, by developing an administration system based IT such as e-filing. E-filing is one of the modernizations of taxation program based on the e-government that aims to provide convenience of annual SPT for personal income tax (PPh), to increase the compliance of individual taxpayers. For the tax officials, e-filing could facilitate them in the management of databases the storage of taxpayer documents already computerized. E-filing offers many convenient features to taxpayers (i.e., time to file, place of filing, ease-of-use, information searching and online transactions) that are not quite available in the traditional channels [7].

Based on the research from [8] showed that the implementation of e-filing has the significant effect on taxpayer compliance. This research has the same result [9] [10] showed that the implementation of e-filing has a significant effect on tax compliance. The different result of the research conducted by [1] showed that the implementation of e-filing has no significant effect on tax compliance.

## II. LITERATURE REVIEW

### A. Theory of Planned Behavior (TPB)

This theory was developed by the Theory of Reasoned Action (TRA), that initiated by Martin Fishbein and Icek Ajzen in 1975. The theory of planned behavior said that besides attitudes toward behavior and subjective norms, people also consider the behavioral control perceived through their ability to perform their actions. In this theory, the behavior that doing by people is showing because of the intention that pushed them to do that actions. The intention is showed determining by three factors. There are normal beliefs, behavioral beliefs, and control beliefs. The people's

intention of avoiding taxes is influenced by some of these factors. Conditions in which the emergence of a person's intention to behave against the tax provisions arises after going through three factors above, which then makes the individual will start behaving.

#### B. E-filing

E-filing is the way of delivering Letter of Notification (SPT) by electronically that submitted online and real time via internet or in a website of Directorate General of Tax or in SPT electronic services provider or application service provider (ASP). Research conducted [11] found that factors affecting taxpayers using e-Filing system are Information Quality (IQ), Service Quality (SQ) System Quality (SYQ), Use Behavior (UB), User Satisfaction (US) and Behavior Intention. In contrast to research conducted by [12] found that demonstrability is an important factor affecting taxpayers using e-filing services.

E-filing services by the Directorate General of Taxes websites have been integrated with the online DJP services, and it can be accessed on <http://djponline.pajak.go.id>. For the taxpayer who want to submit their SPT annual income (PPH), can use the form 1770S and 1770SS, just need to fill out and submit their SPT report directly to the e-filing application in DJP online. E-filing at DJP online provides the calculated SPT in the form of the e-SPT loader for submission of other tax return report. Through e-SPT loader, SPT which has been made through the e-SPT application can be submitted online without having to come to the Tax Office (KPP).

The Directorate General of Taxes always trying to maximize their services, so that the taxpayer can pay their taxes on time. One of the ways to maximize the tax services is modernized the tax administration system. The transformation of tax administration system has expected to giving the easier and comfortness for taxpayers to fulfill their tax bill. E-filing is a part of tax administration reform that used to create and submitted SPT report to Directorate General of Taxes. With the implementation of e-filing system, they expect that it can give more satisfaction to the taxpayers, so it can be increasing the tax compliance.

#### C. Tax Comprehension

UU Number 16 of 2013 article 1 section 1 explains that taxes are compulsory contribution in this country that is owed by an individual or corporate and it forced under the constitution, is not rewarded directly and is used for the purposes of the society. Tax is the embodiment of a state obligation and the participation of society to fulfilling state finances, and national development to achieve equitable social justice and prosperity both material and spiritual according to [13] Research conducted by [14] found that high knowledge and understanding of taxation will create higher compliance with tax obligations than lower knowledge.

#### D. Tax Sanction

Tax sanction according to UU Number 16 of 2013 article 7 shall be imposed if the taxpayer does not submit the Notice Letter (SPT) on time in accordance with the period of SPT

submission or the deadline, which the period is accordance with article 3 section 3, which reads:

1. For the letter notification of period, not more than 20 (twenty) days after the end of the tax period.
2. For the letter notification of annual tax income for individual taxpayer, not more than 3 months after the end of the tax period.
3. For the letter notification of annual tax income for corporate, not more than 4 months after the end of the tax period.

The Taxpayer may extend the period of their annual tax income as referred in section 3 and the maximum extend is 2 months by giving the written notification or otherwise to the Directorat General of Taxes that based on regulation of the Minister of Finance.

#### E. Tax Compliance

Tax compliance is the fulfilling of the tax obligations that payed by taxpayers to contribute to the development of the country. And it pays voluntarily [6] Tax compliance becomes an important aspect considering Indonesia's taxation system adopts Self Assessment system which in the process absolutely gives trust to taxpayer to calculate, pay and report their tax obligation. According to [15] tax payer's voluntary tax compliance attitude may depend on various factors such as tax fairness, tax rate, probability of being audited, perception of tax payer's towards the government and taxation, tax penalty, culture, personal and social norms. According to [10] there are two kinds of compliance, namely formal compliance, and material compliance.

### III. METHOD

The population of this research is the taxpayer who has already used e-filing. The sample on this research is in accordance with the number of questionnaires returned as many as 178 respondents. The method that used in this research is the convenience sampling technique. Convenience sampling technique is a sample determination technique based on chance and easy to contact, not troublesome and easy to measure.

The data collection technique in this research is a primary data obtained through questionnaires distributed directly to respondents. The measurement scale in this research used a Likert scale with 4 points. Data analysis technique in this research is used multiple linear regression analysis. This research also using SPSS 16.00 programs for Windows. Regression model in this research are:

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

In linear regression test preceded by validity and reliability test data, and normality test. Hypothesis testing using the significant simultaneous test (statistical test  $f$ ), the significant test of individual parameters ( $t$  test statistic), and the coefficient of determination test ( $R^2$ ).

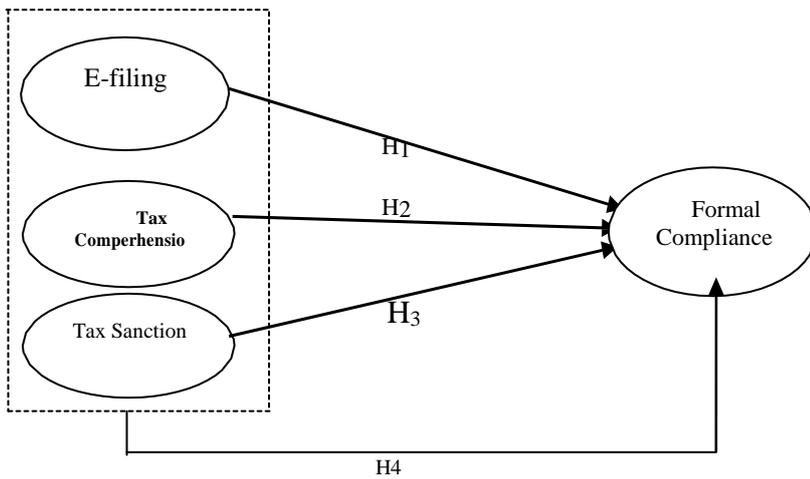


Figure 1. Framework Research

#### IV. RESULT AND DISCUSSION

The results of reliability test using Cronbach's Alpha (r count) shows that all variables have a value of 0.915, is greater than the value of r table of 0.148, so these items are reliable. The results of the normality test that used the Kolmogorov-Smirnov Z has 1,070 value with Asymp value. Sig (2-tailed) 0.202 is greater than 0,05, so it can be concluded that H0 received in this research is normally distributed and feasible for use. The result of the validity test used pearson correlation or r arithmetic showed that r value is bigger than r table 0,148, and the questions has significant level bellow 0,05, so these items are valid. The result of determination coefficient is significant. The value of R Square is 0,489, and it means E-filing implementation, level of tax comprehension, and tax sanction has influence to formal tax compliance equal to 48,9%. Some 51.1% were influenced by others variable that out of this research. F test results get a value of 55,604 with a significance level of 0.000, while the value of F study table is 2.66. This means that F count is greater than F table (55.604 > 2.66) with the value of sig F is less than 0.05 (0,000 < 0.05), so that the regression analysis model has significant and unidirectional effect. It was concluded that formal tax compliance could be significantly affected by E-filing, tax understanding and tax sanctions.

##### A. The Effect of E-filing Implementation on Formal Tax Compliance

The results of this test are the e-filing implementation has a significant effect on the tax compliance with the increase of value is 3.772 . The implementation of e-filing system could improve the taxpayer compliance in reporting and paying their tax bill. The implementation of e-filing is a technological reform of the Directorate General of Taxation to optimized the tax revenues and simplify the services. The implementation of e-filing system is expected to provide the comfortness and satisfaction for the taxpayers in fulfilling their tax bill so that with the implementation of e-filing system we're expected it can improving taxpayers compliance. Taxpayer's satisfaction in using e-filing consists of 3 factors: information quality, system quality and service quality [16]

The Better Implementation of E-Filing System then Taxpayer Compliance will increase.

##### B. The Effect of Tax Comperhension on Formal Tax Compliance

The result of the tax comprehension has a significant effect on formal tax compliance with the increase of value is 3,451. The comprehension of taxation will increase the knowledge and efforts of taxpayers to fulfilling their tax bill. Taxpayers who have more knowledge about taxes will be easier to pay their taxes and how to report. Taxpayers can get information about taxes through workshop, conference, social media, etc. The higher level of tax comprehension, then the tax compliance will be increased.

##### C. The Effect of Tax Sanction on Formal Tax Compliance

The result od the tax sanction has a significant effect on formal tax compliance with the increase of value is 5,051. Taxpayers will try to fulfil their tax bill when they got the tax sanction. An unconscious taxpayer makes the tax compliance ignored. As long as they didn't get some warning letter, they will do nothing. This phenomenal becomes responsibility for the Direktorat General of Taxes to generate self-awareness of taxpayers by creating a new system or programs to facilitate taxpayers in counseling, payment, and reporting.

##### D. The Effect of E-filing Implementation, Level of Tax Comperhension, and Tax Sanction on Formal Tax Compliance.

The result based on simultaneous test, there is a positive and significant effect between e- filing implementation, level of tax comprehension, and tax sanction on formal tax compliance.

Based on the above explanation, the researchers suggest that (1) e-filing system must be constantly updated based on information technological (IT) developments, so it can be accessed by taxpayer's mobile phone. (2) often holds conference, workshop or online lectures by Directorate General of Taxes to socialization to increased self-awareness of taxpayers. While the suggestion for further research are (1) the variable of the research can be added considering the variable on this research is only 48,9% that influenced formal tax compliance. (2) reproduce respondent and more specific research location.

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