

The Influence on Tax Rate and Tax Sanction on Tax Compliance of Non-Employees

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Abstract—This study aims to examine how tax rate and tax sanction retribution increase tax compliance. Independent variables in this study are tax rate and tax sanction and dependent variables are tax compliance of non-employees. Development of developing countries in various fields is being actively carried out by the current government to meet the various needs of its people, so this requires the government to think of what steps should be taken in raising funds and optimizing state revenues as much as possible as taxes. Non-employee taxpayer compliance in the city of Bandung as a whole is classified as compliant in carrying out its tax obligations. However, there are still some things that are considered sufficient by the taxpayer in terms of tax rates and tax sanction. This is because non-employee personal taxpayer compliance is still inadequate because tax rates and tax sanction are still not optimal in their application. The selected sample is the tax compliance of non-employees registered in KPP Pratama Bandung Cibeunying. The data used in this study is primary data with a result of the questionnaire distributed directly to individual tax payers non-employees. This study wants to know the effect of tax rate and tax sanctions on tax compliance. This research is quantitative research using the partial least square (PLS-SEM) method. The population in this study is tax compliance of non-employees registered SPT period 2017 in KPP Pratama Bandung Cibeunying. The sample in this study is individual taxpayers not employees small and medium business activities in Padasuka village. The result of this study can explain the tax compliance of non-employees that are influenced by the tax rate and tax sanction.

Keywords: tax rate, tax sanction, tax compliance of non-employees

I. INTRODUCTION

Tax as a function of revenue supports the country's development costs about 70 percentage of the APBN derived from taxes paid by the people of Indonesia. In 2018 the Directorate General of Tax Indonesia is targeting to achieve revenue of Rp 1,424 Trillion. Therefore in the life of this country, taxes have an important role in financing development and community contributions must continue to grow by raising awareness about their obligations as taxpayers to pay taxes [1].

Data on realization of taxpayer tax revenue in cibeunying tax office in 2013 to 2016 experienced an increase in tax revenue and in 2015 to 2016 tax revenue exceeded the target

set, but in 2017 tax revenue has decreased, then this shows that taxpayers do not all pay taxes as the seen in table 1 below:

TABLE I. REALIZATION OF TAX REVENUE AT PRATAMA TAX OFFICE BANDUNG CIBEUNYING 2013-2017

Year	Target	Realization	Achievement
2013	1.420.079.590.948	1.262.438.491.416	89%
2014	1.632.748.078.044	1.406.473.729.142	86%
2015	2.150.391.479.657	2.296.857.601.732	106,81%
2016	3.309.471.482.000	3.684.875.257.387	111,34%
2017	3.061.803.079.000	2.565.042.641.387	83,78%

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Table 1 explains that the application of the self-assessment system has a role and provides a change in attitude of public awareness in paying taxes voluntarily without coercion from the tax authority. Finance Minister said the realization of SME tax revenue was still low, totalling Rp 3 Trillion to Rp 4 Trillion. With the reduction of the final tax the community is not burdened so SME taxpayer compliance is expected to increase [2].

SME taxpayers or non-employee personal tax payers are one of the factors that influence the increase in tax revenue. Table 2 below explains the development of non-employee personal taxpayers from 2013 to 2017:

TABLE II. COMPLIANCE OF INDIVIDUAL TAXPAYERS FROM NON-EMPLOYEES AT PRATAMA TAX OFFICE BANDUNG CIBEUNYING 2013-2017

No	Year	Registered Taxpayers	Taxpayer Notice Registered SPT	SPT Realization	Level of Tax Compliance
1.	2013	29.388	13.956	4.710	34%
2.	2014	31.022	14.158	4.483	32%
3.	2015	31.803	12.099	4.934	41%
4.	2016	32.314	11.190	5.315	47%
5.	2017	34.078	9.238	6.064	66%

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One factor that affects the level of tax compliance is the tax rate. Taxpayer's compliance will increase if the tariff is low, so this make the taxpayer will give the desire to report income through the tax administration [3]. And then, the other factor for increase tax compliance is tax sanction. Tax sanction are

made with the aim that taxpayers are afraid of violating the taxation law. Taxpayers will comply with their tax payments if they consider that sanction will be more detrimental [2].

II. LITERATURE REVIEW

Behaviour theory by ajzen says the Theory of Planned Behaviour (TPB) predicts an individual's intention to engage in a behaviour at a specific time and place. It posits that individual behaviour is driven by behaviour intentions [4].

The theory of planned behaviour can explain the behaviour of taxpayers to be obedient in carrying out tax obligations before doing something someone will have confidence in the results that will be obtained from these actions, then someone will decide what action whether to do it or not do it [3,5].

Tax rate means the provision in the form of a certain percentage (%) or amount in the currency of a country that must be paid by the owner of the tax liability based on tax or tax entity [3]. Several studies have examine the relationship of tax rates with tax compliance. Most studies have found that high tax rates can taxpayers not compliance and taxpayers realize that their tax rates are higher than the average tax rates paid by other which results in higher tax avoidance. Likewise, the behaviour of taxpayers who do not report their taxes is found because of high tax rates [6].

Tax sanctions are guarantees that the provisions of taxation laws (taxation norms) will be obeyed or obeyed or obeyed or in other words tax sanction are prevention tools so that taxpayers do not violate taxation norms and comply in fulfilling their tax obligations [7].

For tax rules to be followed, there must be a tax penalty for violators. From the aspect of law enforcement, strict and fair sanctions must be applied to every taxpayer who violates taxation rules, the application of these sanction is expected to make taxpayers more obedient in paying taxes. For the sake of creating order and taxation, tax sanctions for tax offenders are formed. The sanctions also serve as a basis for the government to determine taxpayers who violate regulation. That is, if tax obligations are not implemented, there will be legal consequence that can occur [8].

Tax for SME has different challenges from big business. There are several reason why business size and structure are important in tax compliance. Small businesses, in many cases, the sole owner or owner who operate the company may not have the capacity to better fulfil their tax obligations if the tax is considered burdensome. The issue of tax compliance becomes important, because not compliance will lead to efforts to avoid taxes that result in reduced depositing of tax funds into the treasury. So, the higher the level of truth, means to count and count. The accuracy of depositing, and filling and submitting taxpayer notifications, is expected to increase the level of taxpayer compliance in carrying out and meeting tax obligations [9].

The taxation system is very dependent on taxpayer awareness, the tax valuation self-assessment must more on self-confidence than the power of increasing tax compliance. However, the tax culture in Indonesia which is more dependent

on sanction is not in line with the initial goal of implementing a self-assessment system that encourages taxpayers to fulfil their tax obligations voluntarily (voluntary compliance) but rather emphasizes on enforced compliance [10].

III. METHODS

This study uses quantitative research method using primary data with questionnaire instrument. The population in this study were all non-employee taxpayers who were registered as taxpayers in 2017 at Tax Office Pratama Bandung Cibeunying. Sample consist of 100 SME taxpayers respondents in padasuka village at Bandung city and conducted method of associative approach. Associative research is the relationship and influence of one variable on other variables.

The focus of this study is to determine how much influence the tax rate and tax sanction on non-employee taxpayer compliance in Padasuka village Bandung. This study has the aim where the authors want to know the compliance of tax payer's non-employee in this case SME registered at the tax office Cibeunying Bandung, which is seen from the factors determining the final rate for SME and the application of tax sanction for SME. Know the effect of tax rates and tax sanctions on taxpayer compliance.

Activities in processing data are as follows: 1) Editing, checking the list of questions raised by data collectors. 2) Coding, classifying respondents answers into categories. 3) Tabulation, the work of making tables. Answers that have been coded in the answer category are then included in the table. 4) Verification, checking whether the survey results have been carried out or not.

An equally important step in the framework of data collection activities is to test the instruments (measuring instruments) to be used. Research instrument testing activities include two things, namely testing the validity and reliability.

To answer associative questions, those who want to know the relationship of tax rates, tax sanction and tax compliance are using Partial Least Square Structure Equation Modelling (PLS-SEM). The advantage of applying verification analysis using PLS-SEM can be to use small or large samples as well as exploratory and be able to explain latent variables.

The elements in the PLS-SEM path analysis are the inner and outer models. The model in describing arrow relations between the independent latent variables (X1 and X2) and the dependent variable (Y). The outer model is shown by the arrow relationship between latent variable both dependent and independent and indicators. The outer model consists of two measurements namely the reflective and normative measurement models. In measuring the PLS-SEM pathway using the SMARTPLS 3 program.

IV. RESULTS AND DISCUSSION

The result and discussion in this study will explain the effect of tax rates, tax sanction and tax compliance for SME taxpayers in Padasuka, Bandung. The results of this study are based on respondents answers namely SME taxpayers.

TABLE III. ANALYSIS OF VALIDITY AND RELIABILITY

Item	Loading Factor	R ²	Variance Error	t-count
Tariff	0.760	0.578	0.422	8.790
Tax Penalty	0.740	0.548	0.452	7.490
Taxpayer Compliance	0.780	0.608	0.392	9.840
Composite Reliability	0.811			
Average Variance Extracted	0.520			

Results from Data Processing 2019.

Before performing SEM analysis, Normality Testing and Goodness of Fit Model Testing would be performed first. In the multivariate normality test, the chi-square value was 11902.920 with p-value of 0.000. Because p-value was less than 0.05 it can be concluded that the data on the manifest variable (indicator) was not multivariate normal distribution. In accordance with the results of normality test (data were not normally distributed), the appropriate estimation method used was *robust maximum likelihood* method.

The calculation results for the value of (chi-square) of the model was 1632.85 with p-value = 0.543. The p-value which was greater than 0.05 shows that the test was not significant, thus, the research model built can be statistically stated as suited. Judging from the value of RMSEA (Root Mean Square Error of Approximation) for this model which was 0.076 the

model met the criteria (< 0.10). The RMSEA also concluded that the model fitted the data perfectly.

TABLE IV. THE INFLUENCE

Variable	Effect	t-value	t-table	Description
Tariff on Taxpayer Compliance	0.82	6.02	1.967	Significant
Tax Panalty on Taxpayer Compliance	0.70	5.01	1.967	Significant
R ² = 0.82				

Results from Data Processing, 2019.

The calculation results in the value of R² 0.82 with several exogenous variables for the first substructure, so the value of F-test was 320.89. The rejection criterion is to reject the null hypothesis if the value of F-test is greater than F-table. With 5% significance level and degree of freedom (df) of numerator $v_1 = 3$ and denominator $v_2 = 306$ the value of F-table is 2.634 by comparing these values, the conclusion is to reject the null hypothesis, which means there was a simultaneous influence.

This model is a quantitative model with a structural equation modelling (SEM) approach. Based on the results of data processing using PLS-SEM approach using the SMART PLS tool, the following data processing results are obtained.

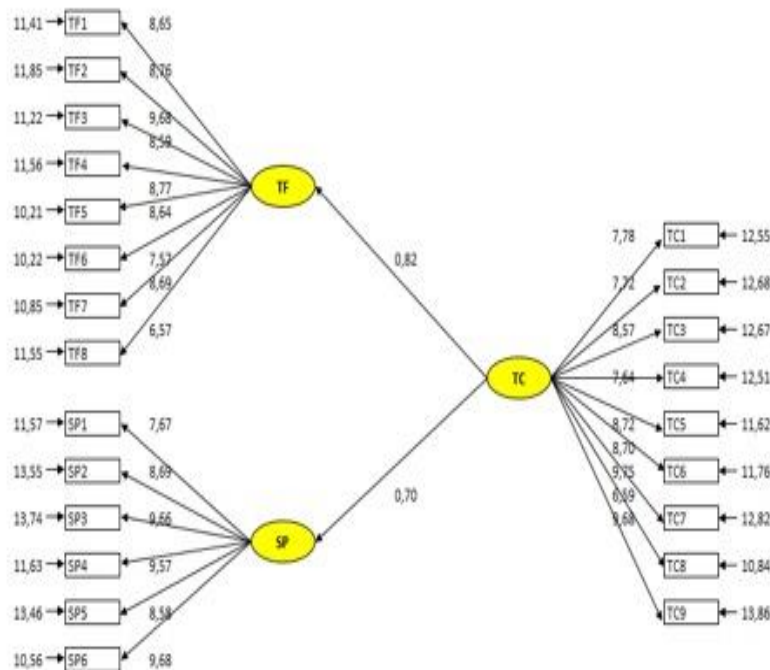


Fig. 1. Result of data processing using PLS-SEM.

V. CONCLUSION

In this study the results show that tax rates and tax sanctions on the SME sector have a significant impact on SME taxpayers. By forcing a reduction in tariffs for SME taxpayers to 0.5%, it contributes to taxpayer compliance in reporting

obligations. Likewise, tax sanctions that can be applied explicitly make taxpayers more obedient in paying taxes.

In the future the directorate general of tax as a government representative must further review the determination of tariffs, especially for SMEs and taxpayers to socialize that tax

sanctions are applied and enforced strictly to anyone who does not carry out their tax obligations as they should.

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