

Applying Hofstede's National Cultural Dimensions and Theory of Planned Behavior on Individual Tax Compliance Intention in East Java

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Abstract—Tax compliance is a global issue with companies all over the world. Tax compliance is a condition in which the taxpayer fulfills all of his tax obligations following applicable regulations. One of the indicators for measuring tax compliance is the tax ratio. Indonesia's tax ratio reached its lowest point in 2019, reaching 9.76%. It shows that Indonesia's tax compliance is still low. Therefore, this study aims to determine the factors that influence taxpayers' behavior intention, primarily individuals. The variables used in this research refer to the dimensions of Hofstede's National Culture and the theory of planned behavior (TPB). According to Hofstede, there are five cultural dimensions: Individualism-Collectivism, Uncertainty Avoidance, Masculinity-Femininity, and Long-Term versus Short-Term Orientation, and power distance. This research will specifically discuss power distance. Meanwhile, according to TPB, three things influence intentions behavior. There are attitudes, subjective norms, and control behavior. This study focuses on determining the factors that influence tax compliance intention behavior through attitude, subjective norms, control behavior, and power distance. The data was collected using the online survey method. The population in this study were individual taxpayers in East Java. The sampling method in this study was convenience sampling with a sample size of 109. Smart PLS analyzed the data in this study. The results showed that attitudes, subjective norms, control behavior, and perceptions affected the intention of tax compliance behavior.

Keywords—*intention behavior, TPB, Hofstede's cultural dimensions*

I. INTRODUCTION

Tax compliance is a condition in which the taxpayer fulfills all of his tax obligations [1]. Tax compliance is a concern of governments worldwide because it can affect the amount of taxes collected and the implementation of government policies [2]. One indicator to measure tax compliance is the tax ratio. According to the OECD, Indonesia's tax ratio is the lowest in the Asia Pacific. Indonesia's tax ratio in 2017 was 10.7%, the tax ratio in 2018 was 11.5%, and the tax ratio in 2019 was 10.6%. It shows that the tax ratio in Indonesia is experiencing

its lowest point in 2019. Therefore, research on tax compliance is necessary to understand why people do not comply or comply the tax laws.

Tax compliance can be seen from various perspectives, an economic, psychological, and socio-cultural perspective. This study will look at the perspective of tax compliance from a psychological and cultural perspective. From a psychological perspective, tax compliance can be seen from the perspective of behavior. One theory that studies behavior is TPB. According to TPB, the behavior is determined by a person's interest [3]. According to TPB, human behavior intention is influenced by three things. First, beliefs about possible behavior (Behavioral beliefs) that form attitude variables. Second, beliefs about other people's expectations and motivation to fulfill expectations (normative beliefs) form the Subjective Norm variables. Third, control beliefs about the factors that inhibit behavioral performance (control beliefs) form the perceived behavioral control variables. Attitudes toward behavior, subjective norms and perceptions of behavioral control lead to behavioral intention.

From a cultural perspective, tax compliance is an ethical decision making process, whether to comply or do not comply the tax laws Ethical decision making is social process transferred in culture from generation to generation [4]. Different cultures embrace different values and behaviors [5].

Culture is a collaborative program of thoughts that distinguishes members of a group of people from other groups [6]. Hofstede divides five cultural aspects: individualism-collectivism, power distance, long-term versus short-term orientation, uncertainty avoidance, and masculinity-femininity. This paper focuses on the cultural aspects of power distance. Power is a perspective on how a society can accept inequality in the distribution of power. In countries with high power distances, people accept power relations that are more autocratic and paternalistic. Meanwhile, cultures with low power distance see the similarities between people and focus more on the status achieved than that carried by a person. Indonesia is one of the countries that have a high power

distance. Therefore, the purpose of this study was to determine the effect of the variable attitude (ATD), subjective norms (SNS), perceived behavior control (PBL), and power distance (PWD) on the intention of the tax-compliant behavior of individuals (ITC).

II. METHODS

This research is quantitative research with an explanatory approach. This research explains the causal relationship between the variables that affect the hypothesis [7]. The population in this study is an individual taxpayer in East Java. The province of East Java was chosen as the location for the determination because it has the second most populous population in Indonesia. The sampling method in this study using convenience sampling. The number of samples in this study was 109.

The data used in this study are primary data collected through online surveys. Researchers used the google form application to fill out questionnaires. Online questionnaires were distributed from 3 August 2020 to 10 September 2020. The data that had been obtained were processed using the SmartPls software.

A. Research Model

This study focuses on examining the effect of attitude (ATD), subjective norms (SNS), perceived behavior control (PBL), and power distance (PWD) on the interest in tax compliance behavior (ITC). See figure 1 below:

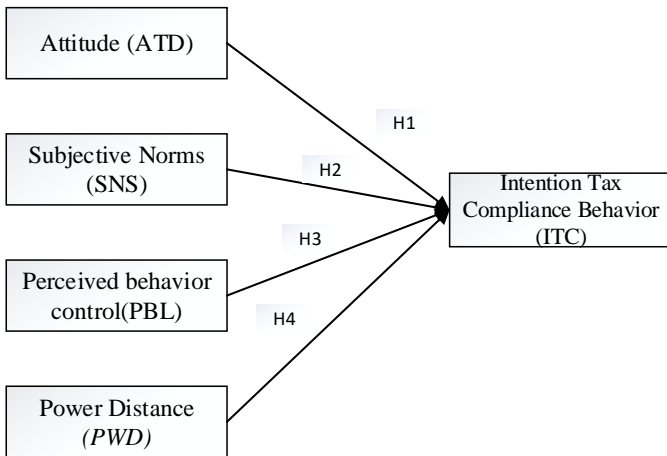


Fig. 1. Research model.

ATD is a person's feeling to accept or reject an object or behavior and is measured by a procedure that places the individual on a two-pole evaluation scale, for example, bad or good, reject or agree, and others [8]. The previous research shows that attitudes have an effect on tax compliance intentions [9,10]. Based on this description, a hypothesis can be drawn:

H1 = Attitude affects the intention of tax compliance behavior.

SNS is perceptions of other people's beliefs, which is influence the interest in doing something or doing nothing [8]. Subjective norms have two forms of influence, there are external and interpersonal influences. External influence is the influence from outside the organization, while interpersonal influence influences friends, family members; co-workers; superiors; and experienced individuals known as potential adopters. In connection with this study, subjective norms are taxpayers' beliefs about the power of influence of people or parties in the environment that motivates someone to do tax compliance or not to do tax compliance. The Previous research [9,11,12] shows that subjective norms affect the intention of tax compliance behavior. Based on this description, a hypothesis can be drawn:

H2 = Subjective norms affect the intention of tax compliance behavior.

PBL is the feeling or ability of an individual to perform a behavior (8). The previous research [9,13,14] show that perceived behavior control affects the intention of tax compliance behavior. Based on this description, the following hypothesis is developed:

H3 = Perceived behavior control affect the intention of tax compliance behavior.

PWD is the extent to which members of less powerful institutions and organizations in a country expect and accept that power is distributed unequally [15]. High Power Distance means accepting broad power differences, respect for the ruler in large. Low Power Distance means not accepting power differences and not being afraid to face the authorities. Power distance has no effect on the intention of tax compliance [9]. Meanwhile, another research show that power distance has a negative effect on interest in tax compliance behavior [16]. Based on this description, a hypothesis can be drawn.

H4 = Power distance affects the intention of tax compliance behavior.

B. Variable Measurement

ATD variable in this study were measured using indicators used by Saad [11]. SNS variable in this study were measured using indicators used by Taylor and Todd [17]. PBL variable in this study were measured using indicators used by Smart [12]. PWD variable in this study is measured using the indicators used by Hofstede [16]. ITC variable is measured using the indicators used by Saad [11].

III. RESULTS

The evaluation of the model with smartPLS in this study was carried out in 2 stages, evaluating the outer model and inner model. Outer model evaluation is used to measure the reliability and validity variables. After passing the validity and reliability tests, an inner model evaluation will be carried out. Inner model evaluation is a structural model used to assess the relationship between constructs or latent variables [18].

Parameters for inner model evaluation are determination coefficient and path coefficient. The coefficient of determination is used to determine how much the dependent variable can explain the independent variable. The result of the coefficient of determination in this study is 62.6%. This value indicates that the behavioral intention variable can be influenced by attitude, subjective norms, power distance, and perceived behavioral control.

The path coefficient is a coefficient that shows the level of significance in testing the hypothesis. The hypothesis used in this study is the two-tailed hypothesis. Therefore, the hypothesis is accepted if it has at statistical value of more than 1.96. Below are table 1 presented the results of the path coefficient value:

TABLE I. PATH COEFFICIENTS RESULT TABLE

Hypothesis	Original Sample (O)	T Statistics (O/STDEV)	Conclusion
ATD -> ITC	0,293	2,923	Accepted
SNS -> ITC	0,228	3,172	Accepted
PBL -> ITC	0,143	2,046	Accepted
PWD -> ITC	0,359	4,000	Accepted

ATD= Attitude, SNS= Subjective Norms, PBL= Perceived behavior Control, PWD= Power Distance, ITC= Intention of Tax Compliance Behavior.

Based on the table above, it can be concluded that:

- Hypothesis 1 is accepted. Hypothesis 1 states that attitude (ATD) affects the intention of tax compliance behavior (ITC). Based on the test results, the statistical value is 2.923 (It is greater than the t-table value, which is 1.96).
- Hypothesis 2 is accepted. Hypothesis 2 states that subjective norms (SNS) affect the intention of tax compliance behavior (ITC). Based on the test results, the statistical value is 3.172 (It is greater than the t-table value, which is 1.96).
- Hypothesis 3 is accepted. Hypothesis 3 states that perceived Behavior Control (PBL) affects Subjective norms affect the intention of tax compliance behavior (ITC). Based on the test results, the statistical value is 2.046 (It is greater than the t-table value, which is 1.96).
- Hypothesis 4 is accepted. Hypothesis 4 states that power distance (PWD) affects the intention of tax compliance behavior (ITC). Based on the test results, the statistical value is 4,000 (It is greater than the t-table value, which is 1.96).

IV. DISCUSSION

The results of the statistical analysis show that the H1 hypothesis is accepted. It shows that the more someone believes that tax compliance is a good thing to do, the higher

the intention to comply with taxes. This study consistent with the previous research [5,9,10,19].

The results of the statistical analysis show that the H2 hypothesis is accepted. It shows that the greater the influence of significant people around him, it can increase one's intention to comply with taxes. This study in line with the previous research [12,14,18].

The results of the statistical analysis show that the hypothesis H3 is accepted. It shows that this study is consistent with the research conducted by the higher the perceived behavior control, the higher the interest in tax compliance. The results of this study consistent with the previous research [12,13,19].

The results of the statistical analysis show that the hypothesis H4 is accepted. The results of this study are different from the previous research [9]. It can indicate that the Indonesian people currently need a more assertive government in implementing tax regulations. The more the government is assertive in implementing regulations, the more individuals will be more willing to comply with taxes.

V. CONCLUSION

This study proved empirically that the variable attitude, subjective norms, perceived behavior control, and power distance affected tax compliance intentions. Based on these research results, researchers can advise the government to be more assertive in implementing tax regulations. Because the more firmly the government applies tax regulations, it will increase the intention to comply with individual taxes. The researcher also suggested that DGT continue to carry out socialization activities about the importance of the role of taxes in the state regarding the latest tax regulations, thereby increasing public knowledge about taxes. Socialization about this tax can be intensified in various media, such as Instagram, Twitter, Facebook, and YouTube.

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