



Determinant Factors Affecting Personal Taxpayers' Compliance at KPP Pratama Medan Belawan

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Abstract. Tax revenue is a significant contribution used by the government for the broadest possible prosperity of the people. This encourages the government to continue to increase sources of income from taxation. However, unfortunately, there are still individual taxpayers at KPP Pratama Medan Belawan (Medan Belawan Small Tax Office) who do not yet have awareness in terms of compliance to fulfill their obligations. This research analyzes the determinant factors affecting personal taxpayer compliance at Kantor Pelayanan Pajak Pratama Medan Belawan. This research used quantitative description as a method with Path Analysis to answer the research hypothesis. The population of this research is all active personal taxpayers registered at KPP Pratama Medan Belawan, with a total sample of 400 respondents. The results of this research show that both service quality and tax literacy directly affect tax compliance. On the other hand, all variables through tax awareness indirectly affect tax compliance .

Keywords: Service Quality · Tax Literacy · Tax Awareness · Tax Compliance

1 Introduction

The Central Bureau of Statistics (Badan Pusat Statistik), as of 2020, stated that Indonesia's population was 270.20 million people. This amount makes Indonesia a potential source of income from tax revenues. There are three types of sources of state revenue: 1) revenues from the Oil and Gas sector, 2) tax sector, and 3) the non-tax sector. The revenue gained from taxation is the most vital source of government revenue. In 2020 tax revenue contributed 77.91% of the total State Revenue, and in 2021 it increased to 82.25%. The government always tries to achieve higher tax revenues yearly to finance state expenditures. The higher the tax revenues, the higher the government's ability to finance the spending, and the contrary [1].

Personal Income Tax is one of the sources of tax revenue. Regulated in article 21 and article 25 of Law Number 36 of 2008 [2], also known as PPh 21 and PPh 25, are income taxes by individual taxpayers of domestic tax subjects related to their works, services, and activities. However, unfortunately in Siregar's research [3], the awareness of individual taxpayers continues to increase but is not accompanied by tax compliance.

This phenomenon also occurs at KPP Pratama Medan Belawan, as shown in Fig. 1:

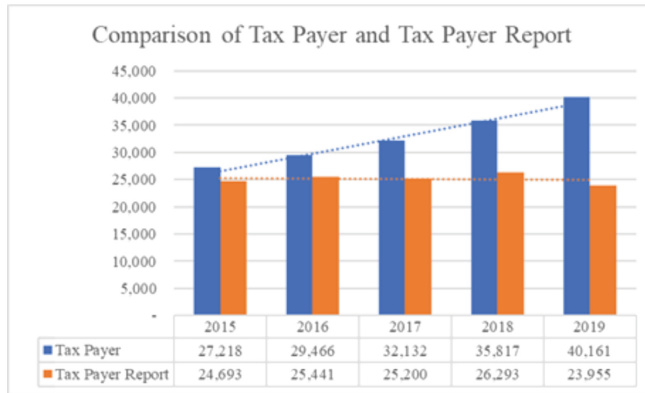


Fig. 1. Turnover Rate for the year 2015 – 2019 of the annual tax report.

Compliance in tax regulation has a general meaning as: (1) correctly reporting the tax base, (2) correctly calculating obligations, (3) timely returns, (4) timely paying the calculated amount. Several studies show that the determinants of taxpayer compliance in paying taxes, among others, proposed by Putri and Wibowo (2021), are 1) Tax Service Quality, 2) Taxation System, 3) Taxpayer Honesty, and 4) Taxpayer Awareness. Meanwhile, other studies found that the Tax Literacy variable was the determining variable for Taxpayer Compliance [4]. Other studies have also found that tax awareness can mediate tax compliance [5]. According to the review above, this research aims to see the effect on personal taxpayers' compliance because of the service quality and the tax literacy by the tax awareness as mediating variable in KPP Pratama Medan Belawan.

1.1 Theoretical Review

Tax Payer.

Taxpayers can be defined as individuals and or entities, including taxpayers, tax cutters, and tax collectors, who have tax rights and obligations in accordance with the provisions of tax laws and regulations. Generally, the taxpayers consist of individual taxpayers and corporate taxpayers. In Indonesia, everyone is required to register and have an NPWP (Nomor Pokok Wajib Pajak-taxpayer identification number) that is useful for tax administration facilities, such as identification of a taxpayer to know the information about their tax rights and obligations. So that, to provide legal certainty to taxpayers in obeying their tax obligations, the law explicitly regulates the rights and obligations of personal taxpayers in one formal tax law.

Service Quality.

The concept of public (community) service is regulated in Law no. 11 of 2009 concerning public services [6] where article 1 explains that all activities or series of activities in the context of fulfilling service needs by laws and regulations for every citizen and resident of goods, services, and/or administrative services provided by public service providers.

Public services must provide legal certainty in the relationship between the community and the organizers of Public Services, in this case regarding taxation. Referring to this description, the KPP Pratama is obliged to explain the tax regulations to the public.

While what is meant by Service Quality is customer evaluation of a series of services provided by state administrators to fulfill the community's needs for the administration of laws and regulations in Indonesia. Here are the five dimensions of Service Quality [7] are as follows:

1. Tangibles or physical evidence.

The ability of KPP Pratama Medan Belawan to show their existence to individual taxpayers.

2. Reliability.

The ability of KPP Pratama Medan Belawan to provide services as promised accurately and reliably to individual taxpayers.

3. Responsiveness or responsiveness.

The ability of KPP Pratama Medan Belawan to assist and provide services quickly and accurately to individual taxpayers.

4. Assurance or the guarantee and the certainty.

The knowledge, the courtesy, and the ability that the employees of KPP Pratama Medan Belawan have to foster a sense of trust in individual taxpayers.

5. Empathy or empathy.

Giving personal attention to KPP Pratama Medan Belawan to individual taxpayers to understand their wishes.

2 Tax Literacy

Tax literacy (knowledge) is the taxpayers' competence to know tax regulations, such as the tax rates they will be obliged to pay and the tax benefits they will receive [8]. Meanwhile, according to [4] tax literacy is the personal taxpayers' understanding of the concept of the common issue of taxation, the kinds of taxes that apply in Indonesia starting from tax subjects. Tax objects, tax rates, how to calculate the tax, and the competence to make the annual tax report. Tax literacy is related to all knowledge and understanding of taxation owned by taxpayers and how the taxpayers follow up on their knowledge. Thus, literacy is an alternative to creating a tax-aware society. The Director General of Taxes, Ministry of Finance of the Republic of Indonesia, has realized the concept of tax literacy. Through this education, of course, personal taxpayers' knowledge and understanding of tax regulations will increase, and the personal taxpayers will realize that the role of taxes is vital. Hopefully, the personal taxpayer will gradually impact their tax compliance [9].

The dimensions of Tax Literacy in this study by referring to the research conducted by Yuliati and Fauzi [9]:

1. Understanding of Taxpayer Identification Number.

To what extent do the taxpayers know about NPWP, functions, and the sanctions if they do not have an NPWP.

2. Understanding The Taxes Regulations.

Personal taxpayers must be familiar with the taxes regulations. They must know the updates on the current regulations.

3. Understanding taxation systems and procedures.

To what extent do the taxpayers know how to fill out an SPT and report it into the DGT Online system.

4. Understanding of SPT reporting deadline.

To what extent do the taxpayers know when the deadline for reporting the Annual SPT is and what the sanctions are if they do not report it.

Tax Awareness.

Ritongga [10] said that awareness could be defined as a behavior or attitude towards an object that involves assumptions and feelings and a tendency to act according to the object. In other words, it can be defined that the awareness of personal taxpayers to pay their taxes is the behavior of individual taxpayers because of their views or feelings that involve knowledge, belief, and reasoning accompanied by the willingness to obey the tax systems and the tax rules.

According to Setiyani et al. [4] tax awareness is the freedom to oblige, including the interest to contribute by giving funds to run government functions by paying their tax obligations. Taxpayer awareness is directly related to taxpayer compliance. The higher a personal taxpayers' awareness, the higher their compliance with fulfilling tax obligations. Taxpayer awareness is a manifestation of.

the taxpayer's understanding that fulfilling tax obligations is a contribution and an active role for the community in national development so that fulfilling tax obligations does not become a burden anymore.

The dimensions of Taxpayer Awareness are the modification of the research conducted by Siregar [3]:

1. Taxpayer's perception.

How taxpayers perceived their trust in State tax management. The better their perception, the higher the awareness of taxpayers.

2. Taxation Counseling.

The extent to which KPP Pratama Medan Belawan provides counseling programs to individual taxpayers to raise their awareness of personal taxes.

3. Characteristics of taxpayers.

Characteristics refer to an individual taxpayer's personality; some want to know more about taxation (eager), but some do not care. The more you show concern, the more you establish a positive character.

Conceptual Framework.

The conceptual framework is prepared as a guide in researching so that research has a corridor that can guide researchers in finding answers according to the formulation of research problems. The conceptual framework in this research is (Fig. 2) :

Hypothesis

Based on the Conceptual Framework as described in Fig. 1, the hypothesis research is:

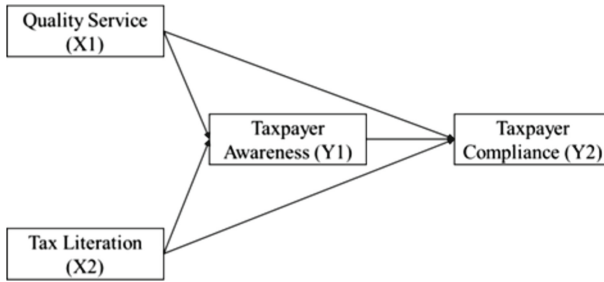


Fig. 2. Conceptual Framework

H1: Quality Services positively and significantly affect Personal Taxpayers' Tax Awareness at KPP Pratama Medan Belawan.

H2: Personal taxpayers' Tax Literacy has a positive and significant effect on Personal Taxpayers' Tax Awareness at KPP Pratama Medan Belawan.

H3: Personal Taxpayers' Tax Awareness positively and significantly affects Personal Taxpayers' Compliance at KPP Pratama Medan Belawan.

H4: Quality Services positively and significantly affect Personal Taxpayers' Tax Compliance at KPP Pratama Medan Belawan.

H5: Personal taxpayers' Tax Literacy has a positive and significant effect on Personal Taxpayers' Tax Compliance at KPP Pratama Medan Belawan.

H6: Quality Services positively and significantly affect Personal Taxpayers' Tax Compliance through personal taxpayers' Tax Awareness at KPP Pratama Medan Belawan.

H7: Personal Taxpayers' Tax Literacy has a positive and significant effect on Personal Taxpayers' Tax Compliance through Personal taxpayers' Tax Awareness at KPP Pratama Medan Belawan.

3 Method

The research method used in this research is correlational analysis, which can be defined as a type of research conducted to detect the extent to which variations in a variable are correlated with one or more other variables based on the correlation coefficient. Hypothesis Testing is done by Path Analysis. The population in this study is all customers, with a total of 42.880 people. Sample research is designed with Slovin Method, with 400 respondents as a sample and a simple random sampling approach in taking the respondent.

4 Result and Discussion

There were 2 (two) types of hypotheses proved in this study. Those were the direct evidence and indirect evidence. The direct evidence of the hypothesis is shown in accordance with Table 1:

Based on Table 1, it can be concluded that:

Table 1. Direct Hypothesis.

| | Original Sample (O) | Sample Mean (M) | ST. DEV | T | Original Sample (O) |
|-------------------|---------------------|-----------------|---------|--------|---------------------|
| QS (X1) → TA (Y1) | 0,896 | 0,897 | 0,013 | 66,895 | 0,000 |
| TL (X2) → TA (Y1) | 0,162 | 0,158 | 0,056 | 2,864 | 0,004 |
| TA (Y1) → TC (Y2) | 0,781 | 0,786 | 0,054 | 14,563 | 0,000 |
| QS (X1) → TC (Y2) | 0.302 | 0.308 | 0.129 | 2.346 | 0.019 |
| TL (X2) → TC (Y2) | 0.475 | 0.451 | 0.173 | 2.743 | 0.006 |

1. Quality Services (X1) positively and significantly affects Personal Taxpayers' Tax Awareness (Y1) at KPP Pratama Medan Belawan. This is indicated by a significance value of $0.000 < 0.050$ so that H-1 is accepted.
2. Personal taxpayers' Tax Literacy (X2) has a direct positive and significant effect on personal Taxpayers' Tax Awareness (Y1) at KPP Pratama Medan Belawan; this is indicated by a significance value of $0.004 < 0.050$ so that H-2 is accepted.
3. Personal Taxpayers' Tax Awareness (Y1) directly has a positive and significant effect on Personal Taxpayers' Taxpayer Compliance (Y2) at KPP Pratama Medan Belawan. This is indicated by a significance value of $0.000 < 0.050$ so that H-3 is accepted.
4. Quality Services (X1) directly has a positive and significant effect on Personal Taxpayers' Taxpayer Compliance (Y2) at KPP Pratama Medan Belawan; this is indicated by a significance value of $0.019 < 0.050$ so that H-4 is accepted.
5. Personal Taxpayers' Tax Literacy (X2) has a direct positive and significant effect on Personal Taxpayers' Taxpayer Compliance (Y2) at KPP Pratama Medan Belawan. This is indicated by a significance value of $0.006 < 0.050$ so that H-5 is accepted.

Meanwhile, to indirectly evidence the hypothesis between variables, it is known through Table 2:

Based on Table 2, it can be concluded that:

Table 2. Indirect Hypothesis

| | Original Sample (O) | Sample Mean (M) | ST. DEV | T Statistic | P Value |
|-----------------------------|---------------------|-----------------|---------|-------------|---------|
| QS (X1) → TA (Y1) → TC (Y2) | 0.236 | 0.295 | 0.101 | 2.867 | 0.016 |
| TL (X2) → TA (Y1) → TC (Y2) | 0.243 | 0.228 | 0.106 | 2.303 | 0.022 |

1. Quality Services (X1) indirectly through Personal Taxpayers' Taxpayer Awareness (Y1) has a positive and significant effect on Personal Taxpayers' Taxpayer Compliance (Y2) at KPP Pratama Medan Belawan. This is indicated by a significance value of $0.016 < 0.050$ so that H-6 is accepted.
2. Personal Taxpayers' Tax Literacy (X2) indirectly through Personal Taxpayers' Taxpayer Awareness (Y1) has a positive and significant. Effect on Personal Taxpayers' Taxpayer Compliance (Y2) at KPP Pratama Medan Belawan, this is indicated by a significance value of $0.022 < 0.050$ so that H-7 is accepted.

5 Conclusion

Based on the result above, all variables, directly and indirectly, affect Personal Taxpayers' Taxpayer Compliance at KPP Pratama Medan Belawan. The research also shows that Personal Taxpayers' Compliance can mediate Personal Taxpayers' Awareness.

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