

# The Influence of Cooperative Taxpayers' Trust and the Power of Tax Authority on Cooperatives Taxpayer Compliance

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**Abstract**—This research is about tax compliance by looking at cooperative taxpayer behavior from two sides, namely taxpayer trust and the power of tax authority. Cooperative is a form of business built on the concept of mutual cooperation. The government supports the existence of cooperatives in Indonesia in the form of providing tax incentives. This is what makes cooperatives different from other corporate taxpayers and used as objects in this study. This study aims at examining the influence of cooperative taxpayers' trust and the power of the tax authorities on cooperatives taxpayer compliance. The research method used is quantitative method. Data collection technique used is survey letters from 132 respondents. The mail survey was conducted by sending a letter to the cooperative incorporated in the Indonesian Cooperative Council (DEKOPIN). The research analysis uses Multiple Linear Regression. The results showed that there was an influence between cooperative taxpayer trust and the power of tax authorities to cooperatives taxpayer compliance.

**Keywords**—*cooperative taxpayers trust; the power of tax authorities; cooperatives taxpayer compliance*

## I. INTRODUCTION

Social science research on tax compliance is done in two forms: behavioral psychology and critical tax studies [1]. Behavioral psychology analyzes the factors that influence tax compliance behavior in the form of statistics and tax studies conducted using qualitative and interpretative analysis. One study of behavioral psychology analyzing tax compliance was Kirchler, Hoelzel, and Wahl who first proposed the "Slippery Slope Framework (SSF)" [2]. The SSF model only sees the effects of taxpayer compliance from both sides, the trust on tax authorities and the power of the tax authorities.

Trust in authority means that taxpayers feel the tax authorities lovingly act in a way that benefits the general public and their decisions are always in the public interest. This means that tax authorities always act to ensure good governance, thus freeing people from corrupt practices. In contrast, the power of authority refers to taxpayer perceptions of the ability of tax authorities to detect non-compliance of illegal taxes, through rigorous audits to detect embezzlement and governmental powers to impose fines [3].

Some further researches attempted to provide evidence that tax compliance was influenced by a factor of confidence to the tax authorities [2, 4, 5]. Research on trust in tax authorities was done either by conducting experiments, surveys, or by using secondary data. On the other hand, research on the power or power of tax authority affecting tax compliance has also been conducted [3]. Prinz, Muehlbacher and Kirchler developed the SSF model on the power of the tax authorities divided into coercive forces and persuasive forces [6]. Research The SSF model in analyzing tax compliance was developed extensively in Europe as practiced by Kogler et al. with research objects in Austria, Hungary, Romania and Russia, Gangl et al. in Austria, Mas'ud et al. in African countries and Kastlunger et al. in Italy [3, 7-9].

This research was conducted in Indonesia, and Cooperatives were the objects of the research. The Article 1 paragraph 3 of the Law concerning General Provisions and Tax Procedures confirms that cooperatives are included as corporate tax payers which are determined to carry out tax obligations including certain tax collectors or tax deductions.

Cooperatives are essentially independent organizations based on the strength of member participation. Member participation is realized in the form of members' rights and obligations to the cooperative. In the implementation of cooperative tax collection is a company with a unique character. This is because cooperatives transactions with members are the realization of services rather than profits. The benefits of participation of members in cooperatives are given in the form of remaining balances, reserves, education funds, and others, determined in annual member meetings and in accordance with the articles of association and by law. The remaining positive balance is used, among others, to reserve, share with members, and to allocate education funds for members. This means that the characteristics of the cooperative prioritize member services and place the remaining balance not as an objective, but still need a good cooperative management performance. In this case the remaining balance is needed for the ability of business growth and the creation of efficiency for cooperative performance.

Income Tax on cooperatives in Indonesia will be charged to the remaining balance. The Indonesian government supports

the existence of cooperatives by creating tax incentives. The Incentives are given, among others, by freeing tax on dividends received by cooperatives, freeing tax on the remaining balance received by its members and giving low rates for the remaining balance of less than 4.8 billion rupiah a year. This research was conducted at an employee cooperative in Jakarta under the auspices of the Indonesian Cooperative Council. This study discussed the influence of cooperative taxpayer trust and the power of tax authorities on cooperative taxpayer compliance.

## II. METHOD

This study aimed at examining the influence of cooperative taxpayers' trust and the power of the tax authorities on cooperatives taxpayer compliance. The population in this study was cooperatives listed on the Indonesian Cooperative Council (DEKOPIN). Samples of 132 respondents were taken by using purposive sampling technique. Criteria for determining the sample in this study were:

- Respondents were the chairman of the cooperative or the vice chairman of the cooperative or the treasure of cooperative.
- Respondents were responsible for preparing the tax reports.

The data was collected using a questionnaire survey. The mail survey was conducted by sending a letter to the cooperative incorporated in the Indonesian Cooperative Council (DEKOPIN). The questionnaire consisted of 22 statements using a likert scale of 1 to 5 from strongly disagree to strongly agree.

The analysis used in this study was a quantitative analysis of a set of data that is expressed in the figures as a result of observation or collection. A multiple linear regression model (multiple linear regression method) was used in the analysis. The multiple linear regression model was used to examine the effect of two or more independent variables on the dependent variable with interval or ratio measurement scale in a linear equation. The process of quantitative analysis was performed using the statistical calculation as follows: Analysis Descriptive Statistics, Classical Assumption Test (normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test), Multiple Regression Analysis, Hypothesis Testing (Test Statistic  $t$  and Test Statistic  $F$ ) and Test The coefficient of determination.

## III. RESULTS AND DISCUSSION

### A. Analysis Descriptive Statistics

Statistical description relating to the collection and ranking data describing the characteristics of the samples were used in this study. Overall statistics descriptive study variables including minimum value, maximum, average (mean), and standard deviations were as shown below:

1) *Cooperatives Taxpayers Compliance (CTC)*: The average value of variable CTC was 4.1540. The minimum value of CTC was 2.80 and a maximum value of CTC was 5 with a standard deviation of 0.53625.

2) *Cooperatives Taxpayers Trust (CTT)*: The average value of CTT was 4.1380. The minimum value of CTT was 2.6 and a maximum value was 5 with a standard deviation of 0.47652.

3) *The Power of Tax Authority (PTA)*: The average value of the variable PTA was 4.1660. The minimum value of PTA was 2.6 and a maximum value of PTA was 5 with a standard deviation of 0.50296.

### B. Classical Assumption Test

Classical assumption test should be done in this study to test whether the data meets the classical assumptions. This is to avoid biased estimator considering that not all data can apply the regression analysis. This experiment is normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

1) *Normality test*: Normality test aims at analyzing whether the regression model of each variable has a normal data distribution. A good regression model is to have a normal distribution of data, or approaching normal. Normality test of data in this test using normal probability plot method (P-Plots) aims at finding out whether the data have normal distribution or not. Basis for decision making normal probability plots, namely, when the data spread and follow the direction of the diagonal line Skewnes using the kurtosis which has the prerequisites to using the calculation formula, and normality with the Kolmogorov-Smirnov with prerequisite  $\text{sig} > 0.05$ .

Normality test results using normal analysis of Kolmogorov-Smirnov test displayed that all variables have a normal distribution. Kolmogorov-Smirnov value was 0.618 with a significance of 0.839. Because of the significance of Kolmogorov-Smirnov amounting to  $0.839 > 0.05$ , it could be concluded that the data was normally distributed.

2) *Multicollinearity test*: Multicollinearity test is a test to correlate between the independent variables. An equation contract the disease when two or more independent variables have a high degree of correlation. A good equation if the equation is said to have independent cross-correlated.

Indicators that can be used in multicollinearity test are:

- Having a VIF (variable PTA Factor)  $> 10$  then the variable has a high collinearity.
- Has a tolerance value  $> 0.10$

The VIF value of the independent variables was under 10, in which CTT was 2.078 and PTA was 1.792. From these results, it could be said that the regression model was free from multicollinearity.

3) *Autocorrelation test*: Autocorrelation test is to see whether in a regression model, the correlation between a period  $t$  and the previous period ( $t-1$ ) occur. The test used to detect the presence or absence of classic assumption deviation autocorrelation is called the Durbin-Watson test (DW test).

The value of Durbin Watson resulting from the regression model was 2.011. So it could be said that the regression model was free of autocorrelation.

4) *Heteroscedasticity test*: Heteroscedasticity test carried out in a regression model aims at finding out whether a regression shows inequality variance of residuals from different observations. One way to detect the presence or absence of heteroscedasticity is by using Glejser test. This test is done to regresses the residual value of the independent variables with the criteria of significant value > 0.05.

From the calculation using SPSS, it could be seen that CTT significantly affected the dependent variable and the probability of its significance was above 5% of confidence level (0.05), but for the PTA variable it was exactly similar to what happened in Heteroscedasticity test. In other words, it did not affect the dependent variable.

#### C. Multiple Linear Regression Model

Analysis of the influence of cooperative taxpayers' trust and the power of the tax authorities on cooperatives taxpayer compliance could be described by multiple analysis. Thus the regression equation could be structured as follows:

$$Y = -0.038 + 0.423 X_2 + 0.471 X_3 + e \quad (1)$$

Equation (1) could be explained as follows:

- The constant value (a) was negative, at -0.038, it was shown that when CTT (X1) and PTA (X2) value was 0, then its CTC receipts was negative.
- Regression coefficient of CTT (Cooperatives Taxpayers Trust) was positive, at 0.423. This exp that if another independent variable value was fixed and CTT increased 1%, then the CTC (Variable Y) would be increased by 0.423. The coefficient was positive between CTT and CTC receipts pointing out that the more the value of the Cooperatives Taxpayers Trust (CTT), the CTC would increase.
- The Power of Tax Authority variable regression coefficient (PTA) had a positive value of 0.471. It was indicated that if another independent variable value was fixed and PTA increased by 1%, then the CTC (variable Y) should also be increased 0.471. Worth positive coefficient between PTA and CTC stated that when PTA was increasing, CTC would also increase.

#### D. Significant Individual Test Parameters (T-Statistic Test)

T-statistics test was performed to further investigate which of the two independent variables significantly influence the acceptance of CTC. The significance value of Cooperatives Taxpayer Trust was 0,000 which was less than  $\alpha = 0.05$ . So it could be concluded that there was an influence of the Cooperatives Taxpayer Trust on Cooperatives Taxpayer Compliance.

The significance value of The Power of Tax Authority was 0.000 which was less than  $\alpha = 0.05$ . So it could be concluded that there was an influence of The Power of Tax Authority on Cooperative Taxpayer Compliance.

#### E. Significant Simultaneous Test (Test Statistic F)

The F-statistic was used to prove the hypothesis that there was a simultaneous influence of Cooperatives Taxpayers Trust and the power of tax authority (PTA) on Cooperatives Taxpayers Compliance. This testing was done by comparing F calculation with F table and a significance level of less than 5% (0.05).

F calculation was at 61.427 with a significance of 0.000 and 21.03 F table value with a significance level of 5%. From the calculation results, it was indicated that  $F\text{-count} > F\text{-table}$  was  $61.427 > 21.03$  and a significance level of less than 0.05 was equal to 0.000. Thus it appeared that there was a simultaneous influence of Cooperatives Taxpayers Trust and the power of tax authority (PTA) on Cooperatives Taxpayers Compliance

#### F. Coefficient of Determination

In the multiple linear regression, it was also analyzed the overall magnitude of the coefficient of determination.

It could be seen in the results that the coefficient of determination Adjusted to R Square was 0.657. It explained that the influence of the independent variables together on the dependent variable was 65,7%. So it could be said that 65,7 % of the amount of CTC in Indonesia were resulted from the Cooperatives Taxpayers Trust and the power of tax authority (PTA).

## IV. CONCLUSION

The results showed that cooperative taxpayers trust significantly affected the Cooperatives Taxpayers Compliance in Indonesia. Obtaining a positive sign indicated that the direction of the relationship between the cooperative taxpayers. It indicated that when Cooperatives Taxpayers Compliance was high, the amount of the generated cooperative taxpayers trust of a country was also high.

From the side of power of tax authority, the results showed that the power of tax authority significantly affected the Cooperatives Taxpayers Compliance in Indonesia. Obtaining the positive sign indicated that the direction of the relationship between the power of tax authority. It explained that the higher Cooperatives Taxpayers Compliance which is caused by the amount of the generated the power of tax authority of a country was also high.

On the other hand, the ability of the regression equation to explain the magnitude variation that occurred in the dependent variable was explained by the coefficient of determination (adjusted R square). The coefficient of determination in this study amounted to 0.657. It explained that the variation of the variable cooperative taxpayers trust and the power of tax authority on cooperatives taxpayer compliance amounted to 65.7%, while 34.3% was explained by other variables that were not used in this regression equation.

The result of this research is the result of a new research that combines variable cooperative taxpayers trust and the power of tax authority in a study that analyzes these variables on cooperatives tax compliance. The results indicate that these

two variables together can influence the cooperatives taxpayer compliance.

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