Determinant of Individual Taxpayers' Compliance in Banyuwangi Regency, Indonesia

Galih Wicaksono
University of Jember
galih.fisip@unej.ac.id

Abstract

This study aims to determine the factors that influence the compliance of individual taxpayers in the Banyuwangi Regency, Indonesia. The population in this study was 74,361 taxpayers. Based on the calculation of the Slovin formula, the samples in this study were 100 people. The sampling technique uses proportional area random sampling, which is in 25 Sub-districts in Banyuwangi Regency, where each sub-district will be taken at least four respondents, so it is expected to photograph the level of tax compliance in Banyuwangi as a whole. This research uses quantitative methods by analyzing quantitative data on questionnaires to empirically prove the factors that influence the level of compliance of individual taxpayers. This study results in the finding that partially, only the variable understanding of regulations has a significant effect on taxpayer compliance. This means that if the taxpayer has a good understanding of tax regulations, it will increase taxpayer compliance. Conversely, if understanding tax regulations are low, it will reduce the level of compliance. Partially, the variables of the role of awareness, understanding of regulations, service quality, and tax sanctions together have a significant effect on taxpayer compliance, amounting to 52.2%.

Keywords : Compliance, Awareness, Service Quality, Sanctions

INTRODUCTION

Tax is the largest source of revenue in the composition of the State of Indonesia revenue, in which more than 80% of state revenue comes from taxes. Tax revenue as the main source of state revenue is allocated to fund various state expenditures for the people's prosperity. Once the role of tax is huge, efforts to increase tax revenue continue to be carried out by the government, which in this case, is the task of the Directorate General of Taxes. Various attempts were made to maximize tax revenues, including tax extensification and intensification. Extensification is pursued by increasing the number of active taxpayers. While intensification can be pursued through improving the quality of the taxation apparatus, excellent service to taxpayers, coaching and socialization to taxpayers, and increasing taxpayer compliance (Putri & Setiawan, 2017). Efforts to achieve the goal of optimizing revenue from a tax policy need to be placed within the corridor of neutrality restrictions so that it does not affect business behavior (Feldstein, 2008).

The development of tax administration at this time is more focused on the needs of taxpayers, because taxpayers as the parties required by the tax apparatus, it is only natural for them to demand the services of the best tax officials. Compliance of taxpayers can be seen

from whether or not a taxpayer complies with registering himself, compliance in depositing tax returns, taxpayer compliance in calculating and paying tax owed, and compliance in paying tax arrears (Sasmita, 2015). In general, taxpayer compliance is influenced by several things such as awareness of the importance of taxes, understanding of tax regulations and legislation, the quality of services provided by the tax apparatus, as well as the existence of tax penalties in the form of interest, fines, increases, and are criminal. According to Marandu et al. (2015), there need to be efforts from tax authorities that are policy-oriented towards taxpayers to improve compliance. Besides, the level of complexity of the tax system correlates with the level of non-compliance (Richardson & Sawyer, 2001). The government has a role in managing public finances (Boedijono et al., 2019).

Banyuwangi Regency is an area located in East Java Province, one of the provinces in Indonesia. Banyuwangi is strategically positioned as a link between Java and Bali. The existence of this strategic position has made Banyuwangi Regency grow rapidly in the tourism sector, trade, services, and industry. Banyuwangi Regency promotes the tourism sector by performing various types of festivals and many new tourist destinations (Puspita & Wicaksono, 2017). Therefore, in Banyuwangi, many private individuals have begun to run businesses related to the tourism and business sectors, so that many of them have registered themselves as Individual Taxpayers.

Taxpayer compliance is implemented in the fulfillment of tax obligations performed by taxpayers in order to contribute to state revenue. Taxpayers are said to be compliant if they meet criteria such as the timeliness in reporting personal tax obligations, not having tax arrears, and have never been convicted in connection with violations of tax regulations. High and low levels of compliance with individual taxpayers, of course, will affect the revenue of the state that comes from the tax sector.

Awareness of individual taxpayers is needed in improving compliance. Awareness of taxpayers is reflected in the knowledge and understanding of the tax function in accordance with applicable regulations, including the obligation to calculate, deduct, deposit and report individual taxes in a monthly and annual period promptly, adequately reported and entirely responsible, based on the attitude voluntary and without coercion from any party. High and low awareness of taxpayers, of course, will affect the level of compliance. (Tulenan et al. 2017) state that awareness of taxpayers affects the compliance of individual taxpayers. The higher awareness of taxpayers, the compliance of taxpayers will be achieved and increasing. In this case, it means that the taxpayer has the willingness to fulfill his taxation obligations in accordance with applicable regulations without the need for inspection, careful investment, warning, or threat (James & Alley, 2004).

Understanding taxpayers with tax regulations can be measured based on the level of understanding of taxpayers regarding the computation, deduction, deposit, and tax reporting obligations that must be done in accordance with applicable regulations. The higher the level of understanding of taxpayers against applicable regulations, the higher the level of taxpayer compliance. This is because taxpayers understand well the legal and formal aspects of fulfilling tax obligations that must be carried out. The results of (Putri and Setiawan's 2017) found that the higher the level of knowledge and understanding of taxpayers, the taxpayers would be more obedient in fulfilling their tax obligations. However, research conducted Saragih (2014) produced findings that the understanding of taxpayers on tax regulations did not affect the level of compliance of individual taxpayers.

Taxpayer compliance is also more or less influenced by the quality of service shown by the tax apparatus. Services can be in the form of information, consulting services, as well as

notifications from tax officials to taxpayers. If the tax apparatus in the service satisfies the taxpayer, of course, it will increase taxpayer compliance. Moreover, vice versa, if the service shown by the tax apparatus is not satisfactory, then, of course, it will reduce the level of tax compliance. The results of (Jotopurnomo and Mangoting 2013) found that the quality of service of the tax apparatus has a significant effect on the compliance of individual taxpayers. However, research (Tulenan et al. 2017) results in the finding that the quality of service of the tax apparatus does not affect the level of compliance of individual taxpayers. In this era, local governments are the spearhead in improving the quality of public services (Susilo et al., 2018).

Strict tax penalties and clear rules of the game, of course, will be a concern by taxpayers. Sanctions in taxes can be in the form of fines, interest, increases, or penalties. Sanctions can be applied to taxpayers who are not compliant in fulfilling tax obligations. However, the reality on the ground, some sanctions are not carried out explicitly by the tax apparatus, so that it causes taxpayers not to be burdened in fulfilling tax obligations. If tax sanctions can be carried out firmly and, then, of course, it can increase taxpayer compliance. Saragih's (2014) result that tax sanctions significantly influence the compliance of individual taxpayers. However, research (Tulenan et al. 2017) results in the finding that tax sanctions do not affect the level of compliance of individual taxpayers.

The uniqueness (novelty) of this research with similar research is that this research was conducted by taking samples evenly in 25 sub-districts in Banyuwangi Regency, so that it is expected to be able to clearly map the actual conditions. In addition, this research was conducted during the Covid-19 Pandemic, so it is interesting to study how the compliance factors of individual taxpayers are in fulfilling their tax obligations, especially during a pandemic like today.

The object of this research is an individual taxpayer registered with the Banyuwangi Tax Office. Supported by the economic condition of the Banyuwangi Regency, which is growing, as well as the support from the tourism, industry, and trade sectors, the economic activities in Banyuwangi are also developing well. With the growing economic conditions in Banyuwangi, of course, there will be many new individual taxpayers and potential candidates who will become taxpayers. Even though the economy is developing quite well, the conditions of individual taxpayer compliance are still not perfect. Therefore, it attracts attention to research individual taxpayers registered at the Banyuwangi Tax Office. This research is considered very important because by knowing the factors that influence the level of compliance of individual taxpayers, it is expected that an appropriate model will be found in increasing compliance of individual taxpayers, so this research is expected to contribute to state revenue from the sector tax.

THEORITICAL FRAMEWORK AND HYPOTHESIS

Research conducted by (Tulenan et al. 2017) about the factors that influence the compliance of individual taxpayers in the Bitung Tax Office, resulting in the finding that awareness of taxpayers affect the level of compliance, the quality of service of the tax apparatus does not affect the level of compliance, nor does the tax sanction affect the level of personal taxpayer compliance.

Research (Putri and Setiawan 2017) on the factors that influence tax compliance at the East Denpasar Tax Office results in findings that taxpayer awareness, knowledge, and

understanding of tax regulations, service quality, and tax sanctions have a positive effect on mandatory compliance tax.

Research (Kusuma and Supadmi 2016) on compliance with hotel taxpayers in Klungkung Regency, produced findings that awareness of taxpayers, service quality, tax sanctions, and understanding of tax regulations had a positive and significant effect on hotel taxpayer compliance in Klungkung Regency.

Research Saragih (2014) on the factors that influence the compliance of individual taxpayers in Medan City results in the finding that only the taxpayer awareness variable affects taxpayer compliance. While the understanding of tax regulations and tax sanctions does not influence the level of compliance, this means that one's level of understanding of taxes and tax sanctions does not have a significant impact on the level of compliance of individual taxpayers in Medan.

Jotopurnomo and Mangoting (2013) on factors that influence the level of compliance of individual taxpayers in the city of Surabaya produced findings that awareness of taxpayers, the quality of tax authorities, tax sanctions, and the environment of taxpayers affect the level of personal compliance tax.

Based on the background of the problem and previous research, the hypotheses proposed in this study are as follows:

H1: The role of awareness has a significant effect on taxpayer compliance
H2: Understanding regulations has a significant effect on taxpayer compliance
H3: Service quality has a significant effect on taxpayer compliance
H4: Tax sanctions have a significant effect on taxpayer compliance

RESEARCH METHOD

The study was conducted with a quantitative approach (quantitative research) aimed at obtaining accurate and measurable information about the factors that allegedly influenced the Compliance of Personal Taxpayers (Sugiyono, 2013). The number of research samples as many as 100 people with the criteria for individual taxpayers registered at the Banyuwangi Regency Tax Office. Data collection procedures using a questionnaire with the method of collecting samples using proportional area random sampling (Arikunto, 2013). This study uses Statistical Package for the Social Sciences (SPSS). The type of data in this study is qualitative data, which is then processed into quantitative data in the form of numbers, according to the scale written on the research questionnaire. Research analysis techniques using confirmatory factor analysis and regression weight approach, while the construct in this study uses exogenous construct and endogenous construct.

RESULTS AND DISCUSSION

Research Result
Before further analysis, this research will first be tested for the quality of the data using the validity and reliability test. Based on the validity test, all indicators of each variable are significantly below 0.05, whereas, based on the data reliability test, all indicators in the variable produce Cronbach alpha above 0.07, so it can be concluded that the quality of the data is very good and can be further analyzed. Then the classical assumption test is done using normality,

multicollinearity, and heteroscedasticity. Based on the classic assumptions test as a whole, it is evident that the data are normally distributed, there is no multicollinearity and heteroscedasticity. Then proceed with partial and simultaneous testing:

1) Partial Relationship Test Results
The next step is to test the partial relationship of the hypothesis developed in the model. The partial test results are presented in Table 1.

Table 1. Statistical Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6,956	3,511		1,981	,050
	Awareness	,239	,141	,205	1,694	,094
	Understanding	,448	,105	,507	4,246	,000
	Service	-,095	,134	-,093	-,708	,481
	Sanctions	,184	,095	,191	1,948	,054
a. Dependent Variable: Compliance						

Source : Processed Data, 2022

2) Simultaneous Relationship Test Results
Simultaneous testing using the F-Test serves to see the effect or significance of a combination of independent variables together against the dependent variable. Said to be significant and have an effect if the significance value is less than 0.05. The F Test results in this study are presented in Table 2.

Table 2. Simultaneous Test Results

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	941,459	4	235,365	28,008	,000[b]
	Residual	798,331	95	8,403		
	Total	1739,790	99			
a. Dependent Variable: Taxpayer Compliance						
b. Predictors: (Constant), Tax Sanctions, Role of Awareness, Understanding of Regulations, Quality of Service						

Source : Processed Data, 2022

Based on the F-value of 28,008 with a positive direction, and a significance value of 0,000, where the significance value is below 0.05. So it can be concluded that together the role of awareness, understanding of regulations, service quality, and tax sanctions variables have a significant effect on taxpayer compliance, and the direction of influence is positive. If the role of awareness, understanding of regulations, service quality, and tax sanctions increase, it will also increase the level of tax compliance. Vice versa, namely, if the role of awareness, understanding of regulations, service quality, and tax sanctions jointly decline, it will also affect the decrease in tax compliance.

3) Determination Coefficient Test Results (R2)

The amount of the coefficient of determination (R2) shows the level of influence of the independent variable on the dependent. A coefficient of 0 means that there is no influence of the independent variable on the dependent variable. It is different if the coefficient value is getting closer to 1 or 100 percent. This means that the independent variable influences the dependent variable.

Table 3. Determination Coefficient (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,736ª	,541	,522	2,899

a. Predictors: (Constant), Tax Sanctions, Role of Awareness, Understanding of Regulations, Quality of Service

Source : Processed Data, 2022

From the results of the coefficient of determination (R2), the Adjusted R Square (R2) value is 0.522 or 52.2%. This shows that the independent variable can explain 52.2 % of the changes that occur in tax compliance. From the calculation above, the value of R Square (R2) is 0.522 or 52.2%. This shows that 52.2% of the changes that occur in taxpayer compliance can be explained by the independent variable of the role of understanding awareness of regulations, service quality, and tax sanctions. While the remaining 47.8% (100% - 52.2% = 47.8%) is explained by other variables not discussed in this study.

Discussion
Effect of Awareness Role on Taxpayer Compliance in the Banyuwangi Regency Tax Office
Hypothesis 1: states the role of awareness has a significant effect on tax compliance with a significance level (sig. T) of 0.094. This value is greater than α (0.05), then H0 is accepted and rejects H1, which means that the role of awareness variable does not significantly influence tax compliance. This means that the level of awareness of taxpayers does not affect the level of tax compliance. Based on the analysis of respondents' answers, there is a finding that the level of taxpayer awareness is still low. This is indicated by the number of answers which state that the respondent is not well aware of the tax function for state revenue. There were also findings that respondents felt that tax obligations had not been felt necessary for them. Some of these results in the findings of this study that tax awareness does not have a significant effect on taxpayer compliance. The findings of this study are not in line with the results of Jatmiko's research (2006) that awareness of taxpayers on the function of taxation as state financing is very necessary to improve taxpayer compliance.

Effect of Understanding Regulations on Taxpayer Compliance in the Banyuwangi Regency Tax Office
Hypothesis 2: The state's understanding of regulations has a significant effect on compliance with taxpayers having a significance level (sig. T) of 0,000. This value is smaller than α (0.05), then H0 is rejected and accepts H2, which means that the variable understanding of the regulation has a significant effect on taxpayer compliance. This shows that the higher the level of understanding of regulations that taxpayers have, the level of taxpayer compliance will also increase. So the research hypothesis (H3), which states that the variable level of understanding of regulations has a positive and significant effect on taxpayer compliance, can be accepted. Understanding the regulations possessed by taxpayers, of course, will support the creation of taxpayer compliance. If the taxpayer understands the related tax regulations, of course, it will make the taxpayer comply with the tax

administration, namely in carrying out the calculation, deduction/deposit, and reporting obligations of tax obligations. Of course, it is expected that the tax authorities will always provide an understanding of the regulations to taxpayers so that the level of taxpayer compliance will be fostered well. The results of this study are in line with several previous studies which state that the level of understanding of regulations also has a significant effect on tax compliance. According to Richardson and Gilligan (2002), it is also necessary to have adequate regulations and provisions in terms of administration, capability, and transparency.

Effect of Service Quality on Taxpayer Compliance at the Banyuwangi Regency Tax Office

Hypothesis 3: states the quality of service has a significant effect on compliance with taxpayers having a significance level (sig. T) of 0.481. This value is more significant than α (0.05), then H0 is accepted and rejects H3, which means that the service quality variable has no significant effect on taxpayer compliance. The better services provided to taxpayers will not affect taxpayer compliance to report taxes. This means that the quality of service does not affect due to the lack of awareness for the community that the importance of taxes and according to the tax law is mandatory that can be forced so that even though improvements have been made to the service, many taxpayers still have not paid and reported the tax. Quality of service is neither a basis nor a benchmark for making non-compliant taxpayers comply with their tax obligations. So that the quality of service provided by the Government in tax services does not affect taxpayers in reporting their tax compliance. The results of this study are inversely proportional to the research (Kusuma and Supadmi 2016), which resulted in the finding that service quality influences tax compliance.

Effect of Tax Sanctions on Taxpayer Compliance at the Banyuwangi Regency Tax Office

Hypothesis 4: states that tax sanctions have a significant effect on compliance with taxpayers having a significance level (sig. T) of 0.054. This value is more significant than α (0.05), then H0 is accepted and rejected H4, which means that the tax sanction variable does not significantly influence tax compliance. This means that the level of tax sanctions provided does not affect the level of tax compliance. Based on the results of statistical analysis, it can be seen that the taxpayer considers that the applicable tax sanctions are not consistently applied and the tendency of tax sanctions to be low and indecisive. Inconsistent tax sanctions, low penalties, and unclear application in the field, certainly do not have a significant effect on taxpayer compliance. Compliance with taxpayers will be created if the tax sanctions are strict, clear, and measurable for violators so that the findings in this study are not in line with Saragih (2014), which results in the finding that tax sanctions significantly influence individual taxpayer compliance. Furthermore, the results of this study are also not in line with the findings of other researchers such as (Putri and Setiawan 2017; Jotopurnomo and Mangoting 2013), which results in the finding that clear and strict tax sanctions will increase taxpayer compliance with tax regulations applicable.

CONCLUSIONS

Based on data analysis and discussion of the effects of exogenous variables on endogenous variables of taxpayers at the Banyuwangi Regency Tax Office, several conclusions can be drawn that this study is to determine the effect of the role of awareness, understanding of regulations, service quality, and tax sanctions on taxpayer compliance.

Partially, only the variable understanding of regulations has been proven to have a significant effect on individual taxpayer compliance. This means that if the understanding of regulations increases, it will increase taxpayer compliance.

Moreover, vice versa, if the level of understanding of regulation decreases, it will automatically cause a decrease in taxpayer compliance. Partially, the variables of the role of awareness, service quality, and tax sanctions did not significantly influence tax compliance. This means that the ups and downs of the role of awareness, service quality, and tax sanctions do not have a significant effect on tax compliance. Simultaneously, the variables of the role of awareness, understanding of regulations, service quality, and tax sanctions together have a significant effect on taxpayer compliance, amounting to 52.2%.

ACKNOWLEDGEMENTS

REFERENCES

Boedijono, Wicaksono, G, & Puspita, Y et al. (2019). Efektifitas Pengelolaan Dana Desa Untuk Pembangunan Dan Pemberdayaan Masyarakat Desa Di Kabupaten Bondowoso. *Jurnal Riset Manajemen dan Bisnis (JRMB) Fakultas Ekonomi UNIAT*, 4(1), 9 - 20

Feldstein, Martin. (2008). Effect of Taxes on Economic Behaviour. *National Tax Journal*, No 61 (1)

James, S., & Alley, C. (2004). Tax Compliance, Self Assessment and Tax Administration. *Journal of Finance and Management in Public Services*.

Jatmiko, Nugroho Agus. (2006). *Pengaruh Sikap Wajib Pajak pada Pelaksanaan Sanksi Denda, Pelayanan Fiskus dan Kesadaran Perpajakan Terhadap Kepatuhan Wajib Pajak : Studi Empiris Wajib Pajak Orang Pribadi di Kota Semarang*. Perpustakaan Universitas Diponegoro.

Jotopurnomo, Cindy dan Mangoting Y. (2013). Analisis Faktor-Faktor yang Berpengaruh Terhadap Kepatuhan Wajib Pajak Orang Pribadi di Surabaya. J*urnal Tax & Accounting Review*, Vol.1, No.1, 2013.

Kusuma, Ida BA dan Ni Luh Supadmi. (2016). Pengaruh Kesadaran, Kualitas Pelayanan, Sanksi dan Pemahaman Peraturan Perpajakan pada Kepatuhan Wajib Pajak Hotel. *E-Jurnal Akuntansi Universitas Udayana*, Vol.17, No.1, Oktober 2016.

Marandu, Edward E., Christian J, Mbekomize, dan Alexander N. Ifezue. (2015). Determinants of Tax Compliance: A Review of Factors and Conceptualizations. *International Journal of Economics and Finance*, Vol. 7, No. 9.

Puspita, Yeni dan Galih Wicaksono. (2017). Analisis Potensi Pajak Restoran di Kabupaten Banyuwangi (Studi Kasus Kecamatan Banyuwangi). *Prosiding Seminar Nasional Pariwisata 2017 Universitas Jember –Jawa Timur*.

Putri, Juniati Kadek dan Setiawan PE. (2017). Pengaruh Kesadaran, Pengetahuan dan Pemahaman Perpajakan, Kualitas Pelayanan dan Sanksi Perpajakan Terhadap Kepatuhan

Wajib Pajak. *E-Jurnal Akuntansi Universitas Udayana*, Vol 18.2, Februari 2017.

Richardson, Maryann dan Adrian J. Sawyer. (2001). A Taxonomy of the Tax Compliance Literature: Further Findings, Problems, and Prospects. *Australian Tax Forum*, No. 16 (2).

Richardson, R. dan G. Gilligan. (2002). The Taxation / Corruption Paradigm: A Preliminary Investigation of The Influence of Corruption on National Taxation Systems. *Australian Tax Forum*, No. 17.

Robbins, Stephen dan Timothy A. Judge. (2008). Perilaku Organisasi Edisi ke-12. Jakarta : Salemba Empat.

Saragih, Fitriani. (2014). Pengaruh Kesadaran Wajib Pajak dan Pemahaman Peraturan Perpajakan Terhadap Kepatuhan Wajib Pajak Orang Pribadi. www.neliti.com (diakses 11 Desember 2021).

Sasmita, Sentya N. (2015). Analisis Faktor-Faktor yang Berpengaruh Terhadap Kepatuhan Wajib Pajak Pemilik Usaha Kecil Menengah dalam Pelaporan Kewajiban Perpajakan di Semarang. www.neliti.com (diakses 10 Mei 2021).

Susilo, D., Hidayat, R., Pamungkas, T. S., Wicaksono, G., Kusumaningrum, N. D., & Asmandani, V. (2018). Total Quality Management On One-Stop Integrated Licensing Service In Indonesia: A Study Of Two Regional Governments In East Java. *Int J Recent Sci Res*. 9(12), pp.89-96.30122-30126

Tulenan, Rudolof A dkk. (2017). Pengaruh Kesadaran Wajib Pajak, Kualitas Pelayanan Fiskus, dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Orang Pribadi di KPP Pratama Bitung. *Jurnal Riset Akuntansi Going Concern*, Vol.12, No.2, 2017.