Individual Taxpayer Compliance in Jakarta, Indonesia

Wulan Aulia Putri[1], Monica Weni Pratiwi[2]
Universitas Bakrie[1,2]
H.R. Rasuna Said Kav. C-22, Kuningan,
Jakarta Selatan 12940, Indonesia
Correspondence email: monica.wenipratiwi@bakrie.ac.id
ORCID ID: 0000-0002-2739-8085

ARTICLE INFORMATION

ABSTRACT

This study aims to investigate how tax socialization affects individual taxpayer compliance, which is influenced by tax payer awareness and comprehension. Individual taxpayer compliance is a fascinating subject to research since it is viewed from two opposing vantage points, namely strength and trust in authorities. The research is driven by differences in outcomes from earlier investigations as well. With the help of taxpayer knowledge and comprehension of taxation, this study attempts to analyze the impact of tax socialization on individual taxpayer compliance. Probability sampling, specifically simple random sampling, was the sample method employed in this investigation. 111 participants made up the study's sample size. The study's conclusions indicate that tax socialization, which is mediated by taxpayer knowledge, has an impact on individual taxpayer compliance. Additional research can include service quality characteristics based on the study's findings. The provision of quality services will cause taxpayers to further increase their level of individual taxpayer compliance in meeting their tax duties. Good service quality will have an impact on increasing individual taxpayer compliance in carrying out their tax obligations.

Keywords: Individual Taxpayer Compliance, Strength and Trust in Authorities, Tax Socialization, Taxpayer Awareness, Understanding of Taxation

INTRODUCTION

Currently, Indonesia is actively working on national development and a number of other initiatives, including raising standards for health and education. Government and society activities are required to achieve national development. State income is one of the most important factors in achieving national development; with money, it will be simpler to achieve these goals. According to information from the 2021 State Revenue and Expenditure Budget, overall state spending in 2020 was estimated to be IDR 2,739.2 trillion, with state income being IDR 1,699.9 trillion. In this situation, Indonesia has a budget deficit of IDR 1,039.3 trillion, indicating that the real quantity of state revenue receipts has not yet been able to pay the amount of state spending. Tax income, which accounts for IDR 1,404.5 trillion, or 82.6% of all state revenue receipts in 2020, is one of the major contributors to state revenue, according to official budget figures for 2021. Since taxes are the primary source of governmental revenue, they must be taken into account. Taxes will make it simpler to achieve the nation's objectives and progress. Therefore, the government's best course of action is to maximize tax income. By maximizing tax revenue, the government can cut the budget deficit and state borrowing from foreign sources. Increased compliance by taxpayers is a crucial component in raising tax collection.

The success of raising tax collections depends heavily on the tax collection mechanism. In Indonesia, the tax system is self-assessed, which means that taxpayers must take an active part in the process, beginning with registering as taxpayers, filling out notice letters, figuring out how much tax is needed, and submitting their duties. The tax officers also serve as mentors, coaches, and overseers of taxpayers' compliance with their obligations. Over time, the self-assessment system's guiding philosophy transformed the way people think about taxes; now, paying taxes is seen as a duty to the state rather than as a hardship. Taxpayer compliance is a crucial component of this system since taxation conditions demand high taxpayer compliance in satisfying tax duties in line with the facts.

Tax compliance, according to Devano and Rahayu (2006), is the state in which taxpayers carry out all of their tax responsibilities and claim all of their tax privileges. According to Albari (2008), taxpayer compliance is defined as a person's readiness to act in a way that is required of them based on awareness and persuasion. There are many different forms of taxes, and income tax is one of them. Since Indonesia has a population and some of its citizens are considered tax objects, income tax has a particularly high potential for the Indonesian state. According to Putri and Agustin (2018), there is a low degree of taxpayer compliance, and individual taxpayers still need to do a better job of fulfilling their tax duties. It causes a decline in the possibility of tax revenue. Based on findings from earlier studies, Sepriana (2021), Arfah and Aditama (2020), Rachmat, Nurhayati, and Halimatusadiah (2020), as well as Nugroho and Kurnia (2020), demonstrate that a number of variables, including tax socialization, taxpayer awareness, and understanding of taxation, have an impact on taxpayer compliance.

LITERATURE REVIEW

Slippery Slope Theory
The success of economic and psychological elements depends on the relationship between the taxpayer and the taxing authorities, according to Kirchler (2007), Kirchler and Wahl (2010), and Kirchler and Muehlbacher (2010). While psychological elements are related to the taxpayers' trust, economic factors are related to the authority that the tax authorities control. According to this idea, deterrent factors and social psychology have a favorable impact on tax compliance (Kirchler, Hoelzl, & Wahl, 2008). Socio-

psychological factors frequently have an impact on tax compliance that is voluntary, whereas deterrent factors frequently have an impact on tax compliance that is motivated by fear of bad outcomes. Three variables are used in this study, two of which are part of the deterrent component, and the other two are part of the social psychology factor. Because they originate with the taxpayer, varying tax understanding and taxpayer awareness are included in social psychological aspects. When the taxpayer is aware of his rights and obligations as a taxpayer and understands them, this can promote taxpayer compliance. Despite the fact that tax socialization is one of the activities carried out by the tax service office to give taxpayers knowledge of the most recent information so that taxpayers may easily use tax services, it is nevertheless included in the deterrence factor.

Individual Taxpayer Compliance

A taxpayer who complies with all tax duties and obtains all permissible tax benefits is in compliance, argue Devano and Rahayu (2006). The criteria for taxpayers according to the Decree of the Minister of Finance No. 544/KMK.04/2000, namely taxpayers on time in submitting notification letters for all types of taxes in the preceding two years; does not have tax arrears for all types of taxes unless it has obtained permission to regulate or delay tax payments; has never been sentenced for committing a criminal act in the field of taxation for more than ten years, and in the preceding two years maintain adequate financial records

Tax Socialization

Socialization is done to give taxpayers perspective. According to the correct communication strategy, the socialization of tax laws to the public must be accomplished with the support of this procedure (Laswell, 2000). The fact that a greater percentage of taxpayers are honoring their tax obligations is proof that the socialization process is working since the taxpayers are aware of the socialization that has been put in place. Previous studies on tax socialization by Widiowati (2015), Boediono, Sitawati, and Harjanto (2018), Suarni and Marlina (2019), and Muhamad, Asnawi, and Pangayow (2019) found a positive relationship between the tax socialization variable and the required compliance tax. Due to the fact that tax socialization has taken place, it is tied to beliefs about what taxpayers should do and can boost compliance.

Understanding of Taxation

Understanding the relevant tax rules include comprehending the general tax laws and regulations, including how to submit notifications, payments, payment locations, fines, and payment deadlines or reporting of notice letter requirements (Rusli & Hadiprajitno, 2014). If taxpayers have a thorough awareness of how taxes are collected, they will be morally compelled to contribute to paying taxes. Understanding taxation requires reasoning and evaluating the meaning of the pertinent tax legislation (Rusli & Hadiprajitno, 2014). Taxpayers who are knowledgeable will approach fulfilling their obligations with self-awareness (Hartini & Sopian, 2018). It is believed that a basic understanding of taxes will encourage taxpayers to submit their returns on schedule. The taxpayer will feel more compliant in fulfilling his tax obligations if he has enough and sufficient knowledge of taxation.

Taxpayer Awareness

Taxpayer awareness is a way of thinking that helps corporations and individual taxpayers understand the importance, point, and function of paying taxes (Anto, Husin, Hamid, & Bulan, 2020). Low public understanding of taxes is frequently the root cause of the great potential for uncollected taxes. Tax knowledge usually makes it harder to collect taxes from the populace.

Hypotheses

The Effect of Tax Socialization on Individual Taxpayer Compliance Mediated by Understanding Taxation and Taxpayer Awareness

As a mediating factor between variable tax socialization and individual taxpayer compliance, this study looks at the varied understanding of taxation and taxpayer awareness. It is believed that tax socialization indirectly influences taxpayer compliance rather than directly because of differences in tax knowledge and awareness. According to research by Wardani and Wati (2018) at the Kebumen Pratama Tax Service Office on the impact of tax socializing on taxpayer compliance with tax knowledge, tax socialization appears to have a favorable impact on taxpayers' compliance with tax knowledge. A different study by Puspita (2016) on the path analysis of the impact of socialization on land and building taxpayer compliance on awareness as an intervening variable leads to the conclusion that the socialization initiatives undertaken by the Kediri city Dispenda have a positive and direct impact through the intermediary variable awareness of taxpayer compliance. This description informs the study's hypothesis, which is:

H1: Individual taxpayer compliance is impacted by tax socialization, which is mediated through tax understanding and awareness.

Effect of Tax Socialization on Individual Taxpayer Compliance Mediated by Taxpayer Awareness

In this study, the mediating factor between tax socialization and individual taxpayer compliance characteristics is taxpayer awareness. Tax socialization is thought to indirectly influence individual taxpayer compliance through the variable taxpayer awareness rather than directly. This study refers to Puspita's (2016) investigation into the path analysis of the impact of socialization on taxpayer compliance with land and building taxes on awareness as an intermediary variable, which suggests that the socialization activities carried out by the Kediri city Dispenda have a positive and direct impact through awareness as an intermediary variable on taxpayer compliance. This description informs the study's hypothesis, which is

H2: Individual taxpayer compliance is impacted by tax socialization, which is mediated through taxpayer knowledge.

This study examines the influence of the variables of tax socialization and individual taxpayer compliance. Suarni and Marlina (2019) and Muhamad, Asnawi, and Pangayow (2019), which demonstrate how tax socialization favorably improves individual taxpayer compliance, are cited in this study. According to studies by Siahaan and Halimatusyadiah (2018), Devi and Purba (2019), and Nugroho and Kurnia (2020), tax socialization has no impact on an individual taxpayer's compliance with the law. This description serves as the foundation for the following study's hypothesis:

H3: Compliance by individual taxpayers is impacted by tax socialization.

RESEARCH METHOD

Population and Sample
Individual taxpayers registered as Mandatory SPT at the Tax Service Office (KPP) in Jakarta, Indonesia, make up the study's population. Links will be used to distribute the link-based questionnaires used in this study. This study uses everyone as its primary sample and will use the snowball sampling method to distribute research questionnaires to two additional respondents in order to boost response rates.

Data Sources and Data Collection Techniques
We used primary data sources for this investigation. An online survey using questionnaires was used to collect the data for this investigation. This online survey

makes use of Google Docs, a capability that respondents can easily access on Google. After being given a link to the questionnaire website, respondents were questioned about their interest in taking part in the study. The Likert scale was employed to quantify the factors that will be evaluated through respondents' responses. According to the respondent's assessment, each question-answer response is given a score between 1 and 5.

Variable Operational Definitions
Individual taxpayer compliance and tax socialization, respectively, are the study's two independent and dependent variables, while knowledge of taxes and taxpayer awareness act as its two intermediary factors. Utilizing tools modified from earlier research by Rahayu and Lingga (2009), individual taxpayer compliance is assessed. Utilizing a Likert scale, four questions are used to assess individual taxpayer compliance. The tool used to measure the tax socialization variable was modified from Syafriel's research (2018). Utilizing a Likert scale, four questions are used to assess tax socialization. An instrument modified from Irmawati's research (2015) is used to gauge how well people comprehend taxation variables. Five questions on a Likert scale are used to gauge one's understanding of taxes. Scales 1 and 5 indicate strong agreement and disagreement, respectively. The tool used to measure the taxpayer awareness variable was modified from Syafriel's research (2018). Five questions are used to assess taxpayer awareness on a Likert scale.

Data Analysis Method
Descriptive Statistics
Based on the influence of the dependent variable, which is individual taxpayer compliance with tax socialization as the independent variable, and two intervening variables, namely understanding of taxation and taxpayer awareness, the distribution and behavior of the sample data in this study are described using descriptive analysis.

Validity Test
In this study's validity test, the Kaiser Meyer Olkin Measure of Sampling Adequacy was used (KMO MSA). The KMO MSA index compares the correlation coefficient with the partial coefficient; the resulting value must be more than 0.50 in order to proceed with factor analysis (Santoso, 2012).

Reliability Test
The reliability of this study was evaluated using the Cronbach Alpha () statistic test. It served as a single indicator of dependability. A contract or variable is deemed reliable if its Cronbach Alpha value is better than 0.60 (Ghozali, 2016).

Hypothesis Test
This study uses straightforward regression analysis for testing. The significance value serves as the foundation for decision-making; if it is less than 0.05, then the independent variable somewhat influences the dependent variable in a way that is statistically significant, and if it is greater than 0.05, then there is no such relationship (Ghozali, 2012). The most suitable model can also be chosen via straightforward regression analysis, as shown by the value of R square (R^2). The R square value can be grouped into three categories: strong, moderate, and weak (Hair, Anderson, Tatham, & Black, 2011). According to Hair et al. (2011), the R square value of 0.75 was classified as strong, the R square value of 0.50 as moderate, and the R square value of 0.25 as weak (Hair et al., 2011).

Research Model
Individual taxpayer compliance is the only dependent variable in this study. Tax socialization is the only independent variable, while understanding taxation and

taxpayer awareness are the two intervening variables. The research model is created based on the variables and design assumptions, as illustrated in Figure 1.
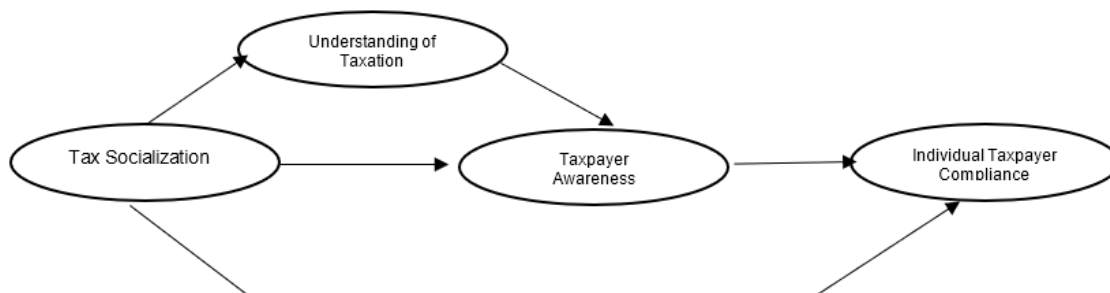

Figure 1. Research Model

RESULTS

Descriptive Statistical Analysis
The findings of this study show mixed characteristics, with 63.96% of respondents being female and 36.04% being male. When respondents are sorted by age, it can be seen that 85.58% of them are between the ages of 20 and 35, 6.31% are between the ages of 36 and 45, 6.31% are between the ages of 45 and 55, and 1.80% are over the age of 56.

Validity Analysis
The results of the validity test for individual taxpayer compliance, tax socialization, understanding of taxation, and taxpayer awareness variables are as follows:

Table 1. Validity Test Result

	Std. Validities	MSA	Desc
Compliance: 1 2		0.782 0.670	
3	0.50	0.714	Valid
4		0.738	
KMO MSA		0.712	
Understanding: 1 2		0.758 0.836	
3	0.50	0.807	Valid
4		0.809	
5		0.765	
KMO MSA		0.784	
Socialization: 1 2		0.676 0.708	
3	0.50	0.769	Valid
4		0.762	
KMO MSA		0.719	
Socialization: 1		0.746	

2		0.720	
3	0.50	0.801	Valid
4		0.720	
5		0.818	
KMO MSA		0.755	

KMO MSA: Kaiser Meyer Olkin Measure of Sampling Adequacy

Because the Measure of Sampling Adequacy score is higher than the validity standard of 0.50, Table 1 demonstrates that the individual variables taxpayer compliance, tax socialization, comprehension of taxation, and taxpayer awareness have valid criteria for each statement item. This indicates that the test tool for respondents in this study can be made out of the existing statement questions to measure individual taxpayer compliance, tax socialization, understanding of taxes, and taxpayer awareness variables.

Reliability Analysis
The findings of this study's instrument reliability test show that the research variable has a Cronbach's alpha coefficient of more than 0.60, indicating that the statements in the questionnaire can be regarded as reliable. These findings are further described in Table 2 below:

Table 2. Reliability Test Result

Variable	Cronbach's Alpha	Reliability Std	Desc
Individual taxpayer compliance	0.790		
Tax socialization	0.678	0.60	Reliable
Taxpayer awareness	0.726		
Understanding of taxation	0.739		

Hypothesis Analysis
Table 3. Hypothesis Test Result

H1 (Model 1)	R^2	F	Sig	B	t	Sig
Socialization of understanding	0.312	49.346	0.000	0.649	7.025	0.000
Understanding of Consciousness	0.488	103.730	0.000	0.573	10.185	0.000
Awareness of Compliance	0.591	157.264	0.000	0.908	12.540	0.000
H2 (Model 2)						
Awareness Socialization	0.520	117.870	0.000	0.687	10.857	0.000
Awareness of Compliance	0.591	157.264	0.000	0.908	12.540	0.000
H3 (Model 3)						
Socialization of Compliance	0.474	98.160	0.000	0.775	9.908	0.000

The regression test results for each of the three putative hypotheses are shown in Table 3. According to the results of the t-test and F-test, all variables are significant. All models are accurate, but the best model needs to be found as indicated by the R square value (R_2). Table 3 and Figure 2 show the R_2 value for this regression test, which reveals that model 2 has the highest R square value when compared to the other two models. As a result, the mediator between the variables of individual taxpayer compliance and tax socialization is taxpayer awareness.
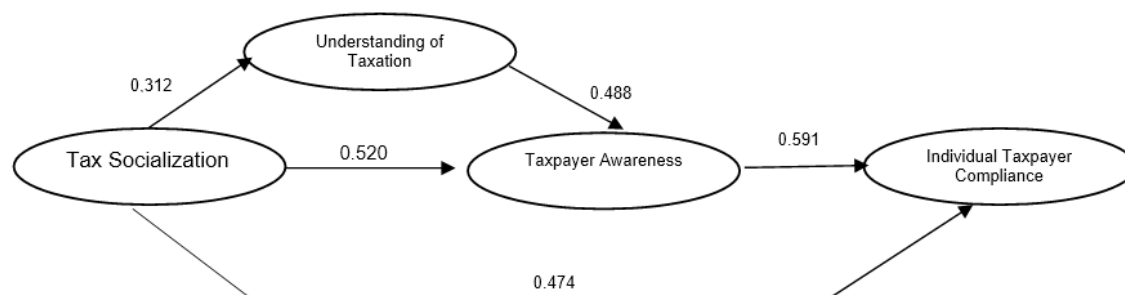
Figure 2. R Square Result

The test results for Model 1 make it clear that understanding taxes increases taxpayer awareness, which raises individual taxpayer compliance. It is also clear from the results of the Model 2 testing that tax socialization has a favorable impact on taxpayer awareness and that taxpayer awareness has a beneficial impact on individual taxpayer compliance. The results of the Model 3 test indicate that tax socialization positively affects individual taxpayer compliance. Model 2 has the highest R squared value of the three models, making it the best.

DISCUSSION

These results show that a taxpayer's awareness will increase if they have a thorough understanding of the tax. Because of the knowledge that has been properly and consistently conveyed to it through tax socialization, the community will become aware of and learn the importance of meeting its tax obligations. If the taxpayer is aware of the benefits provided by the tax function and changes their thinking by voluntarily paying their taxes without official coercion, tax socialization will enhance their knowledge of taxes. These findings show that individual taxpayer socialization to taxes at the KPP is high and that individual taxpayer compliance is similarly high. Based on the findings of the data analysis, respondents concurred that reliable media, clear tax information, and time for tax consultations must all be available to affect taxpayer compliance. These findings demonstrate that as taxation becomes more socialized, taxpayers will gain a better grasp of it. With this understanding, taxpayer compliance with tax duties can grow.

CONCLUSION

According to the justification provided, engaging in tax socialization can help people comprehend how taxes work and the significance of fulfilling their tax duties. Additionally, it may improve individual taxpayer compliance. As a result of tax socialization and knowledge, individual taxpayer compliance has increased in Jakarta, Indonesia.

DECLARATION OF CONFLICTING INTERESTS
There is no conflict of interest in this article

REFERENCES

Albari. (2008). Pengaruh keadilan dan pengetahuan pajak terhadap kepatuhan wajib pajak. *Jurnal Universitas Islam Indonesia, 31*(69), 280-293. doi:10.20885/unisia.vol31.iss69.art8

Anto, L. O., Husin, Hamid, W., & Bulan, N. L. (2021). Taxpayer awareness, tax

knowledge, tac sanctions, public service accountability and taxpayer compliance. *Growing Science Accounting, 7*(1), 49–58. doi:10.5267/j.ac.2020.10.015

Arfah, A., & Aditama, M. R. (2020). Pengaruh pengetahuan perpajakan, modernisasi actor administrasi perpajakan dan kesadaran wajib pajak terhadap kepatuhan wajib pajak. *Center of Economic Student Journal, 3*(3), 301–310. doi:10.56750/cesj.v3i3

Boediono, G. T., Sitawati, R., & Harjanto, S. (2018). Analisis pengaruh sosialisasi perpajakan terhadap kepatuhan wajib pajak dengan kesadaran sebagai variabel mediasi. *Jurnal Penelitian Ekonomi dan Bisnis, 3*(1), 22-38. doi:10.33633/jpeb.v3i1.2286

Devano, S., & Rahayu, S. (2006). *Perpajakan: Konsep, teori, dan isu.* Jakarta: Kencana Prenada Media Group.

Devi, N., & Purba, M. A. (2019). Pengaruh sosialisasi perpajakan dan sanksi perpajakan terhadap kepatuhan wajib pajak orang pribadi. *Scientia Journal: Jurnal Ilmiah Mahasiswa, 1*(2), 1-10.

Ghozali, I. (2016*) Aplikasi analisis actor riate dengan program IBM SPSS 23* (8th ed.). Semarang: Badan Penerbit Universitas Diponegoro.

Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (2011). *Multivariate data analysis* (5th ed.). New Jersey: Prentice Hall, Inc.

Hartini, O. S. dan Sopian, D. (2018). Pengaruh pengetahuan pajak dan kesadaran wajib pajak terhadap kepatuhan wajib pajak orang pribadi (Studi kasus pada Kantor Pelayanan Pajak Pratama Karees). *Jurnal Sains Manajemen & Akuntansi, 10*(2), 43-56.

Kirchler, E. (2007). *The economic psychology of tax behaviour* (1st ed.). New York: Cambridge: Cambridge University Press.

Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The "slippery slope" framework. *Journal Economy Psychology, 29*(2), 210–225. doi:10.1016/j.joep.2007.05.004

Kirchler, E., & Muehlbacher, S. (2010). Tax compliance by trust and power of authorities. *International Economy Journal, 24*(4), 607–610. doi:10.1080/10168737.2010.526005

Kirchler, E., & Wahl, I. (2010). Tax compliance inventory TAX-1: Designing an inventory for surveys of tax compliance. *Journal of Economic Psychology, 31*(1), 33–46. doi:10.1016/j.joep.2010.01.002

Laswell. (2000). *Mass communication theory.* Jakarta: Rajawali.

Muhamad, M. S., Asnawi, M., & Pangayow, B. J. C. (2019). Pengaruh sosialisasi perpajakan, tarif pajak, sanksi perpajakan, dan kesadaran perpajakan terhadap kepatuhan pelaporan spt tahunan wajib pajak orang pribadi (Studi empiris pada KPP Pratama Jayapura). *Jurnal Akuntansi dan Keuangan Daerah, 14*(1), 69–86. DOI:10.52062/jakd.v14i1.1446

Nugroho, V. Q., & Kurnia. (2020). Pengaruh sosialisasi perpajakan, kesadaran wajib pajak, dan sanksi perpajakan terhadap kepatuhan wajib pajak. *Jurnal Ilmu dan Riset Akuntansi, 9*(1), 1-19.

Puspita, E. (2016). Analisis jalur pengaruh sosialisasi terhadap kepatuhan wajib pajak bumi dan bangunan Kota Kediri dengan kesadaran sebagai variabel intervening. *Jurnal Akuntansi dan Ekonomi, 1*(1), 1-8. doi:10.29407/jae.v1i1.428

Putri, N. E., & Agustin, D. (2018). Pengaruh pengetahuan perpajakan dan sanksi pajak terhadap kepatuhan wajib pajak orang pribadi (Studi kasus: KPP Pratama Kebayoran Lama Kota Jakarta Selatan). *Media Akuntansi Perpajakan, 3*(2), 1–9. doi:10.52447/map.v3i2

Rachmat, P. P., Nurhayati, N., & Halimatusadiah, E. (2020). Pengaruh pengetahuan perpajakan dan kesadaran wajib pajak terhadap kepatuhan penyampaian SPT tahunan wajib pajak orang pribadi. *Jurnal Prosiding Akuntansi, 6*(1), 292-295.

Rahayu, S., & Lingga, I. S. (2009). Pengaruh modernisasi actor administrasi perpajakan terhadap kepatuhan wajib pajak (survei atas wajib pajak badan pada

KPP Pratama Bandung). *Jurnal Akuntansi Maranatha, 1*(2), 119-138. doi:10.28932/jam.v1i2.375

Rusli, R. H. P., & Hadiprajitno, P. B. (2014). Analisis actor-faktor yang mempengaruhi kepatuhan wajib pajak dalam membayar pajak (Studi empiris pada wajib pajak orang pribadi yang melakukan kegiatan usaha di Kota Semarang). *Diponegoro Journal of Accounting, 3*(4), 465-477.

Santoso, S. (2012). *Analisis SPSS pada Statistik Parametik*. Jakarta: PT. Elex Media Komputindo.

Sepriana, R. (2021). Tax avoidance on poultry business owners in Blitar Regency, East Java Provincie. *International Journal of Accounting & Finance in Asia Pasific, 4*(1), 51-59. doi:10.32535/ijafap.v4i1.1032

Siahaaan, S., & Halimatusyadiah, H. (2018). Pengaruh kesadaran perpajakan, sosialisasi perpajakan, pelayanan fiskus, dan sanksi perpajakan terhadap kepatuhan wajib pajak orang pribadi. *Jurnal Akuntansi, 8*(1), 1-13.

Syafriel, M. (2008). The attributes of personal taxpayer's compliance in Indonesia. *Accountability, 7*(2), 48-63.

Wardani, D. K., & Wati, E. (2018). Pengaruh sosialisasi perpajakan terhadap kepatuhan wajib pajak dengan pengetahuan perpajakan sebagai variabel intervening (studi pada wajib pajak di KPP Pratama Kebumen). *Jurnal Akuntansi, 6*(1), 33-54. doi:10.24964/ja.v6i2

Widowati, R. (2015). *Kepatuhan wajib pajak melalui sosialisasi perpajakan, sanksi perpajakan, pengetahuan pajak dan pelayanan fiscus* (Undergraduate Thesis). Dian Nuswantoro University, Semarang.