

The Improvement of Taxpayer Compliance Reviewed From the Quality of Service, Fine and Taxpayer Awareness in Small and Medium Scale Of Enterprises in Indonesia

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Abstract

Introduction: the theoretical basis used in this study is compliance theory. Compliance theory can encourage someone to comply more with applicable regulations, as well as taxpayers who try to fulfill their obligations, namely paying taxes in a timely manner. Tax payments that are made in a timely manner will be beneficial for the taxpayers themselves because they will not be subject to sanctions due to delays in paying taxes and will also be able to assist the state in fulfilling its obligations namely increasing infrastructure development to support public services. **Objective of the papers:** this study aims to determine: the simultaneous effect of service quality, penalties, and awareness of taxpayers to taxpayer compliance on MSMEs in Jambi City and the partial effect of service quality, penalties and awareness of taxpayers to taxpayer compliance on MSMEs in Jambi City and the dominant variables have an effect to taxpayer compliance on MSMEs in Jambi City. **Method:** The samples in this study were 90 respondents. Sampling was simple random sampling method. Methods of data collection using the survey questionnaire instrument. Statistical tests in this study using multiple linear regression analysis with a significance level of 5%. **Findings:** The results showed that both simultaneously and partially all variables, service quality, penalties, and awareness of taxpayer affect taxpayer compliance. Variables that have the greatest influence are service quality. **Conclusion:** With the influence of service quality, penalties, and awareness of taxpayers to enhancement taxpayer compliance on MSMEs in Jambi City, it is hoped that the Jambi City government can optimize revenue through the tax sector and optimize the growth of MSMEs in Jambi City.

Keywords: Taxpayer Compliance, Service Quality, Penalties, Awareness Of Taxpayer.

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INTRODUCTION

The increasing of state expenditure financing needs state revenue which comes from the state itself without depends on neither help nor loan from other countries. It means all state expenditures must be fund by the state income, in this case from tax and non tax revenue.

In the effort of reducing the dependency from external revenue source, the government must try to maximize the internal revenue. Nowadays, tax becomes the biggest internal revenue in budget revenue of regional cost. State revenue from tax is increased every year, in budget revenue of regional cost in 2017, tax contributed Rp. 1.498.0 trillions from total amount Rp. 1,750.3 trillion (www.fiskal.kemenkeu.go.id).

The attempt to maximize tax revenue is not only relying on the role of neither general director nor revenue officer, but also an active role from the

taxpayers themselves. The changes of taxation system from official assessment to self assessment give taxpayer trust to register, count, pay and report the taxation obligation. This makes taxpayer compliance and awareness become an essential factor in achieving the goals of the tax revenue.

Taxpayer compliance can be influenced by 2 factors: internal and external factor. The internal factor is the factors which comes from the taxpayer itself and related to individual characteristics which becomes a trigger in running the tax compliance. Different from the internal factor, the external factor is the factor which comes from the outside taxes such as situation and scope around taxpayer.

Until 2015, taxpayers registered in directorate general of tax administration system reach the number of 30.044.103 which consists of 2.472.632 from agency, 5.239.385 from personal taxpayer non

employee and 22.332.086 from employer. This fact is quite alarming considering the data from Central Bureau of Statistics until 2013 the number of Indonesian workers reaches 93,72 million. It means overall there is only 29,4% of those numbers who register themselves as taxpayers.

Central Bureau of Statistics also records that until 2013, Indonesia has 23.941 medium large industrial companies, 531.351 small industrial companies and 2.887.15 micro industrial companies. It means not all companies are registered as taxpayer agency.

Then, from the total number of 30.044.103 registered taxpayers which is not included treasurer, joint- operation, Branch Company/ location, personal taxpayer which earn not taxable income, on effective taxpayers, and so forth submit annual tax with only 18.159.840 compulsory taxpayer.

The number of compulsory taxpayer consists of 1.184.816 from taxpayer agency, 2.054.732 from personal taxpayer non employee, and 14.920.292 employer. Unfortunately, from those 18.159.840 compulsory taxpayer, only 10.945.567 or 60, 27% of taxpayer which submit annual tax.

The numbers of taxpayers who submit the annual tax consist of 676.405 taxpayer agency, 837.228 personal taxpayer non employee and 9.431.934 taxpayer employee. It means the taxpayer compliance ratio only reaches 57, 09%, 40,75% from personal taxpayer non employee and 63.22% from taxpayer

employee. Even sadder, from those numbers only 1.172.018 taxpayers who pay the tax which consists of 375.569 taxpayer agency, 612,881 personal taxpayer non employee and 181.537 taxpayer employee.

The number of 375.569 from taxpayer agency which both pays and does not pay the annual tax is very small if it is compared to 3 billion of companies in Indonesia. Meanwhile the number of 612.881 taxpayers who pay personal taxpayer non employee tax and 181.537 taxpayers pay employee tax, is very insignificant compare to total number of 93 billion Indonesian people who work and have income (www.pajak.go.id).

Indonesian economy is dominated by business activities in small and medium scale of enterprises. Number of unit of the enterprises in Indonesia should also be based on the tax revenue. But, tax revenue is dominated by only 1% of the large taxpayers meanwhile the rest is from small and medium scale of enterprises [1]. For small and medium scale of enterprises, tax is still considered as a burden that needs to be avoided.

Indonesian government need to seriously pay attention to small and medium scale of enterprises sector. The role of small and medium scale of enterprises in Indonesian economy must be counted in tax policy planning. The number of small and medium scale of enterprises reviewed is a potential effect in increasing tax compliance behavior. Below is the data related to development of small and medium scale of enterprises in Jambi city which is increased every year.

Table-1: Development of Small and Medium Scale Of Enterprises in Jambi City Per Year (2013-2018)

Description	2013	2014	2015	2016	2017	2018
Number of small and medium scale of enterprises	10.024	10.074 (256)	10.556 (282)	10.868 (316)	11.221 (353)	11.641 (420)

Source: Disperindakop, 2018

Adipura and Wiratama [2] conducted a research about the effect of service quality, fine and taxpayer awareness on tax compliance. The finding of their research showed that the quality of service effects positively to country taxpayer compliance, fine and taxpayer awareness on tax compliance.

The purpose of this research is to re-examine factors which effect the taxpayer compliance. Based on those backgrounds and phenomena the researcher is interested to conduct a research entitle: "The Improvement of Taxpayer Compliance Reviewed from The Quality of Service, Fine And Taxpayer Awareness In Small And Medium Scale of Enterprises In Jambi City". This research is a replication from Adiputra and Wirama [3]. The main differences from this research that previous research are (1) change the research subject from country taxpayer to small and medium

scale of enterprise taxpayers, (2) place and time of the research conducted.

LITERATURE REVIEWS

According to Torgler [4] one of the most crucial problems for economic policy makers is encouraging the level of tax compliance. This fact is supported by Simanjuntak [5] who explained that tax compliance as the indicator of society role in fulfilling the tax obligations is still low. Tax compliance which is not increased will threaten government efforts in increasing welfare of people [6].

James and Nobes [7] stated that none of the taxation systems can run effectively without taxpayer participation, therefore the factors which influence tax compliance are very essential. Some factors which influence tax compliance in paying tax are quality of service, fine, and taxpayer awareness.

Basic theory used in this research is compliance theory. Compliance theory can encourage someone to more obey the applicable regulations, as well as taxpayers which always try to pay their tax on time. Tax payment which is done on time can benefit for the taxpayers themselves because they can avoid any possible sanctions because of their late payment. Moreover, it also can help the country to fulfill its duty in increasing infrastructure development to support public services.

Tax compliance can be improved by service quality. Supadmi [8] in his research stated that qualified service is a service which can satisfy the costumers and fulfill the service standards that can be continuously accounted for. Research related to service quality also conducted by Sanjaya [9] who concluded that service quality can positively and significantly influence the tax compliance in paying hotel tax in revenue office in Denpasar City.

Fuadi and Yeni [10] conducted a research related to the effect of service quality of revenue officers, tax sanction and tax compliance costs for taxpayer compliance in small and medium scale of enterprises. The finding of the research showed that quality of service positively effects the taxpayer compliance in small and medium scale of enterprises. Different finding arises from a research conducted by Mahdi and Windi [11] which stated that tax sanctions are not partially effect the personal taxpayer compliance in tax office in Banda Aceh.

Tax compliance awareness of tax function as state financing is very useful in increasing taxpayer compliance [12]. According to Suardika [13], society must aware of their position as citizen and must uphold the 1945 constitution as the basic law of state administrators. The research conducted by Jatmiko [12] also found that the awareness of taxation has positive and significant influence to taxpayer compliance. Muliari and Setiawan [13] also added that the awareness of taxation gives positive and significant impact to personal taxpayer report in tax office in Denpasar City.

METHODOLOGY

This research used causal design. "Causal design is useful to measure the relationship between X variables and Y variables where the dependent variable (X variable) is influenced by certain variables, it is stated that the X variable causes the Y variable" [14].

Population is the whole research object. If someone wants to investigate all elements in research area, so the research is counted as population research [15]. In this research, the population is all small and medium scale of enterprises in Jambi city. According to Arikunto [16] sample is part of the population which is being researched. Kind of sample used in this research

is random sampling which means the researcher will take the sample randomly from total population.

Ferdinand [17] has guideline in measuring research sample. It depends on the indicator used for all variables where the number of samples is an indicator multiplied by 5. In this research the number of the indicator used are 18 indicators, therefore number of sample used are 90 respondents.

Data were collected by distributing questionnaire. Questionnaire is list of questions which are relevant to the research variable for the research subjects of respondents.

This research measured two variables: independent variable and dependent variable. The independent variables are service quality (X1), fine (X2) and taxpayer compliance (X3) meanwhile dependent variable is level of tax compliance (Y). Tools used in analyzing the data is regression analysis which is processed by SPSS program.

Statistical analysis which was used related to data modeling and decision making. In this research, the researcher used multiple regression linier, determination coefficient, hypothesis testing used F testing, t testing and classic assumption testing.

Multiple regressions linier used to know the indirect effect caused by moderation effect from training variable and working motivation to working productivity variable. The regression equation is as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

Where

Y = level of taxpayer compliance
b = Regression coefficient
X = independent variables (service quality, fine and level of awareness)

Coefficient determination value (R^2) shows the percentage of all independent variable effects to dependent variable. R^2 value is differed from 0 to 1. The closer it is to 1 in giving all information to predict the dependent variable, the stronger the indicator explains the changes of independent variable to dependent variable.

This testing is conducted to know how far all independent variables affect the dependent variable. In other words, F testing is used to test whether the independent variables affect the dependent variable. In this research, F test is conducted to know regression coefficient independent variables effect service quality, fine and taxpayer compliance awareness.

Separated testing of the independent variable effects to see how significant the independent variables themselves to the dependent variable by assuming other independent variables remain. t test is a value of regression coefficient which shows the significant of partial variable of independent variables to the dependent variable.

The model of multiple regressions can be called as good model if it is fulfilled data normality assumption and free from classic statistical assumption whether they are normality, Multicollinearity, heterocedasticity and autocorrelation.

FINDINGS AND DISCUSSION

Table-2: F Test

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	386,757	3	128,919	37,078	,000 ^a
	Residual	299,020	86	3,477		
	Total	685,777	89			
a. Predictors: (Constant), Quality Of Taxpayer, Fine and Taxpayer Awarness						
b. Dependent Variable: Compliance						
Source:Processed Data, 2018						

From Table-2 we can discover that the significant value is $0,000 < 0,05$. So, from this calculation the researcher concluded that the

independent variables (X) effects simultaneously to the dependent variable (Y).

Table-3: T Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,625	1,035		1,570	,120
	Quality Of Service	,319	,075	,414	4,243	,000
	Fine	,206	,101	,200	2,045	,044
	Taxpayer Awarness	,234	,091	,250	2,565	,012
a. Dependent Variable: Compliance						
Source:Processed Data, 2018						

From Table-3 we know that:

- Significant value of service quality is $0,000 < 0,05$. SO, we can conclude that partially the variable of service quality effects the taxpayer compliance.
- Significant value of fine is $0,044 < 0,05$. So, we can conclude that partially the variable of fine effects the taxpayer compliance.
- Significant value of the tax awareness is $0,012 < 0,05$. So, we can conclude that partially the variable of tax awareness effects the taxpayer compliance.

From research finding the variable of service quality, fine and tax awareness have positive effect to the increasing of taxpayer compliance.

This finding is inline with the finding of previous research conducted by Fuadi and Yeni [10] about service quality of tax officers, tax fine, and tax compliance fees to taxpayer compliance of small and medium scale of enterprises. The finding of the research showed that service quality and tax fine effect positively to taxpayer compliance of small and medium scale of enterprises. Adipura and Wirama [2] explained service quality, tax fine and the awareness of taxpayer compliance effects positively to country taxpayer compliance.

Table-4: R² Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,751 ^a	,564	,549	1,864665
a. Predictors: Quality Of Taxpayer, Fine and Taxpayer Awarness				
b. Dependent Variable: Compliance				
Source:Processed Data, 2018				

From Table-4 we know that X variable simultaneously affects Y variable, it is 54.9%.

From table-5, X variable has dominant effect to Y variable (service quality, 17.3 %).

Table-5: r² Test

Model		Correlations			r ²
		Zero-order	Partial	Part	
1	(Constant)				
	Quality Of Service	,690	,416	,302	,173
	Fine	,609	,215	,146	,046
	Taxpayer Awareness	,626	,267	,183	,071
a. Dependent Variable: Compliance					
Source: Processed Data, 2018					

CONCLUSION

Based on the finding and discussion about the improvement of taxpayer compliance reviewed from service quality, tax fine and taxpayer awareness in small and medium scale of enterprises in Jambi city, the finding can be conclude as follow: simultaneously service quality, tax sanction, and taxpayer awareness effect significantly to the improvement of taxpayer compliance which is 0,000 or 54,9%. Meanwhile the rest are contribution from unintended factors.

Partially, it can be seen that the variable of service quality is the variable which has dominant effect to taxpayer compliance with the contribution around 17.3%.

Suggestions

Service quality, tax fine and taxpayer awareness contribute 54,9% to small and medium scale of enterprises in Jambi city. It is suggested for next researcher to add other variables related to taxpayer compliance that is not included in this research.

In this research, service quality is the most dominant variable in increasing taxpayer compliance in small and medium scale of enterprises in Jambi city. To increase taxpayer compliance, government in this case tax directorial general need to be more focus on the service quality of the small and medium scale of enterprises.

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