

Increasing Individual Taxpayer Compliance by Taxpayer Awareness (Study at one of the KPPs in Bandung City)

**Putri Rahayu Dwiningtyas¹; Iwan Sidharta²; Haritsatun Najwa³;
Octaviane Herawati⁴**

^{1,2,3,4}*Sekolah Tinggi Ilmu Ekonomi Pasundan, Bandung*

¹*Correspondence Email: iw.sdha@stiepas.ac.id*

Abstract

The objectives of this study were to ascertain and examine the level of taxpayer awareness, individual taxpayer compliance, and the impact of taxpayer awareness on individual taxpayer compliance at the Pratama Tax Office. The employed data analysis techniques encompassed descriptive analysis and verification analysis. The data collection methodology employed in this study entailed disseminating questionnaires to tax officials at a specific Pratama Tax Office in Bandung City. The sample consisted of 40 individuals who were directly involved in the subject matter under investigation. The study employed the Exhaustive Sampling (Census) technique under Nonprobability Sampling.

The research findings revealed that the product-moment correlation analysis yielded a coefficient of 0.860, indicating a highly significant and robust relationship between the variables. The results of the simple linear regression analysis indicate that there is a positive relationship between Taxpayer Awareness and Individual Taxpayer Compliance. The equation derived from the analysis is $Y = 8.305 + 0.834X$, where Y represents the level of Individual Taxpayer Compliance, and X represents Taxpayer Awareness. The coefficient of determination, which measures the proportion of variance in Individual Taxpayer Compliance (Y) explained by Taxpayer Awareness, is 0.739. This condition indicates that Taxpayer Awareness has a significant influence of 73.9% on Individual Taxpayer Compliance. The remaining 26.1% of the variance in Individual Taxpayer Compliance is attributable to other factors not examined in this study, including tax amnesty, e-filing, tax audits, tax penalties, tax bills, and other relevant variables.

Keywords: *Taxpayer Awareness, Individual Taxpayer Compliance*

Introduction

The government strongly desires to maximize tax revenue to the fullest extent possible. Nevertheless, enhancing public consciousness and adherence to tax payment is undeniably challenging, particularly given the existing obstacles in raising awareness about the significance of fulfilling tax responsibilities. These responsibilities are pivotal in bolstering infrastructure development and fostering economic growth within the nation. One of the contributing factors to the current low tax revenue is the public's need for more awareness and compliance with their tax obligations. Taxpayers hold the perception that the act of paying taxes has a significant negative impact on their overall income.

Furthermore, amidst the ongoing COVID-19 pandemic, many consequential adverse effects have arisen, exerting a profound influence on the nation's economic landscape. These factors encompass diminished income levels, diminished household consumption resulting in decreased purchasing power, substantial employee layoffs, declining company revenues, many business closures, and other related phenomena. These circumstances have led to a shortfall in tax revenue, failing to meet the anticipated targets.

The importance of taxpayer awareness in adhering to their tax obligations cannot be overstated, as it directly impacts tax revenue collection. Taxpayer compliance pertains to the behaviors taxpayers exhibit to meet their tax responsibilities prescribed by the prevailing tax laws within a given jurisdiction. Nevertheless, in practice, achieving compliance poses a challenge for many taxpayers. Many taxpayers tend to engage in various strategies aimed at evading the payment of taxes, often resorting to practices associated with tax evasion (Paramaduhita & Mustikasari, 2018).

In order to proactively address non-compliant taxpayers, the government has implemented stringent measures by imposing sanctions on individuals who demonstrate unwillingness to fulfill their tax obligations. Tax sanctions refer to the government's measures to deter taxpayers from contravening tax regulations. Tax sanctions are intended to promote taxpayer compliance in meeting their tax responsibilities. Taxpayers may

face a range of tax sanctions, including administrative, criminal, or a combination of both (Novianty & Sidharta, 2022).

The government has modified the tax collection system by implementing the self-assessment system, replacing the previous official assessment system. One of the benefits of the self-assessment system is that it grants taxpayers the responsibility, as entrusted by the government (*fiscus*), to independently determine, remit, and disclose their tax obligations by the relevant tax statutes (Siglé et al., 2018; Bornman & Ramutumbu, 2019; Yusup et al., 2020). Implementing this system change is anticipated to bolster taxpayer compliance in meeting their tax obligations. Presently, there is a significant deficiency in taxpayer compliance regarding the payment of taxes.

Based on empirical data collected from one of the Pratama Tax Service Offices spanning the period from 2017 to 2021, it has been determined that the average rate of compliance stands at 79%. The Pratama Tax Service Office considers the current compliance level insufficient, as it has yet to attain the target of 100%. Furthermore, there was a decrease in the compliance rate observed during 2018 and 2019. This condition suggests that the level of achievement needs to meet the anticipated standards set by the Pratama Tax Service Office. Therefore, the level of compliance regarding the submission of Annual Tax Returns for Individual Taxpayers at the Pratama Tax Service Office is currently suboptimal.

The consistency in filing annual Tax Returns (SPT) for 2017-2021 has been hindered by multiple factors, including insufficient taxpayer knowledge regarding fulfilling their tax responsibilities. The significance of tax payment for a nation underscores the criticality of fostering awareness among individuals. According to Sidharta (2017), the relationship between Taxpayer Awareness (X) and Individual Taxpayer Compliance (Y) can be elucidated by the notion that a favorable perception of taxpayers toward the government's execution of its duties has the potential to incentivize them to fulfill their tax responsibilities. Increased taxpayer awareness is expected to yield a favorable impact on enhancing tax compliance to a greater extent.

The viewpoint above is substantiated by prior studies conducted by Kamil (2015) and Taing & Chang (2021), which have demonstrated that the level of taxpayer awareness exerts a noteworthy positive impact on the compliance behavior of individual taxpayers. Additionally, it has been observed that taxpayer awareness can be influenced by various factors, including tax services, tax supervision, tax audits, and tax collection (Yusup et al., 2015; Newman et al., 2018; Güzel et al., 2019).

Based on the phenomena mentioned above, enhancing taxpayer compliance necessitates augmenting the level of taxpayer consciousness regarding their responsibilities in meeting tax obligations. Hence, the objective of this research is to investigate and ascertain the degree to which taxpayer awareness impacts the adherence of individual taxpayers in meeting their tax responsibilities at the Pratama Tax Service Office.

Research Method

The study employs a descriptive-verification research methodology characterized by a quantitative approach. By employing this research methodology, it is possible to establish a substantial correlation between the examined variables, thereby yielding conclusions that enhance the comprehension of the object of study. The research was conducted at a Pratama Tax Service Office in Bandung City. The focal point of analysis in this study comprises the employees of the Tax Service Office, with a specific focus on those belonging to the Supervision Section. The total number of individuals included in this sample is 40. The study utilizes the Exhaustive Sampling (Census) technique, which falls under Nonprobability Sampling.

Operational variables are employed to establish each variable's dimensions, indicators, and measurement scales within the context of the research. The primary objective of operational variables is to assess the research variables and analyze their impact effectively. The study incorporates Taxpayer Awareness (X) as a variable, which is assessed using the methodologies proposed by Andinata (2016), Kamil (2015), and Taing & Chang (2021). Additionally, Individual Taxpayer Compliance (Y) is measured by the framework established by Sidharta (2017).

Validity testing is performed to ascertain the degree to which the measuring instrument employed can accurately measure the intended construct. Reliability testing is conducted to evaluate the measuring instrument's consistency and dependability. This study aims to conduct a verification analysis to ascertain the impact and correlation between Taxpayer Awareness (X) and Individual Taxpayer Compliance (Y) at the Pratama Tax Service Office.

Results and Discussion

In this study, the researcher employed a questionnaire as a research tool, encompassing two variables: Taxpayer Awareness and Individual Taxpayer Compliance. Each variable consisted of a set of 15 statements. Before conducting further analysis, assessing the validity and reliability of the data collected from a sample of 40 respondents is imperative.

In order to evaluate the validity of the assessment, a correlation analysis is conducted between each item and the overall score derived from the collective items. An item is deemed valid when it demonstrates a positive correlation with the overall score and a strong correlation, indicating its high validity level. For an item to be deemed valid, it must meet the minimum criterion of having a correlation coefficient (r) that exceeds 0.300. On the other hand, if the r score is below 0.300, the item within the instrument is deemed to be invalid. Moreover, it is widely accepted in academic research that a Cronbach's alpha coefficient exceeding 0.7 indicates a reliable measure. The test data analysis yielded the coefficients' numerical values, which are presented in Table 1.

Table 1. presents the results of the validity and reliability of the study

Quisioner	Taxpayer Awareness	Individual Taxpayer Compliance
Q1	0,692	0,577
Q2	0,619	0,534
Q3	0,622	0,578
Q4	0,499	0,566
Q5	0,493	0,488

*Increasing Individual Taxpayer Compliance by Taxpayer Awareness
(Study at one of the KPPs in Bandung City)*

Putri Rahayu Dwiningtyas¹; Iwan Sidharta²; Haritsatun Najwa³; Octaviane Herawati⁴

Q6	0,565	0,450
Q7	0,530	0,725
Q8	0,615	0,642
Q9	0,537	0,625
Q10	0,707	0,616
Q11	0,599	0,557
Q12	0,601	0,647
Q13	0,402	0,625
Q14	0,683	0,443
Q15	0,692	0,450
Reliability Test		
Cronbach's Alpha	0,903	0,895

According to Table 1, the variables of the instrument comprise a total of 15 items. The Score column in the table indicates that the statements meet the necessary criteria of greater than 0.300. Therefore, statements 1 to 15 possess validity and can serve as reliable indicators for assessing Taxpayer Awareness and Individual Taxpayer Compliance.

The reliability testing yielded a coefficient of 0.903, which exceeded the minimum threshold of ≥ 0.700 required for establishing the instrument's reliability. The obtained score of 0.895 from the reliability testing confirms the research instrument's reliability, surpassing the established benchmark of 0.700. Hence, the research instrument employed for each variable in this study may be deemed reliable and appropriate for ensuring consistent measurements.

The calculations to verify Taxpayer Awareness indicate an average score of 3.32, which falls within the "Moderate" category. This result implies that the Pratama Tax Service Office has moderately succeeded in efficiently implementing tax regulations.

In tax laws and regulations, the statement with the highest mean score is 3.50, signifying a "Good" classification, whereas the statement with the lowest mean score is 3.15, categorized as "Moderate." This observation indicates a lack of comprehensive implementation of tax education

initiatives, resulting in a significant number of taxpayers needing a proper understanding of the appropriate procedures for tax payment.

Regarding the awareness of taxpayers regarding the role of taxes in state financing, it is observed that the average score of 3.31 falls within the category of "Moderate." This result suggests that taxpayers possess a moderate level of comprehension of this matter.

In state financing, the highest average score among the statements about taxes is 3.35, falling under the "Moderate." Conversely, the lowest average score is 3.20, "Moderate." This observation suggests that many taxpayers need help comprehending autonomously determining their tax obligations.

Regarding the dimension of the accurate calculation, payment, and reporting of taxes, an average score of 3.40 falls within the "Moderate" range. This result suggests that there is a satisfactory level of compliance with tax obligations.

In general, the feedback provided by the respondents regarding Taxpayer Awareness yielded an average score of 3.34, which falls within the "Moderate" category. Therefore, it can be inferred that Taxpayer Awareness at the Pratama Tax Service Office can be classified as "Moderate."

Taxpayer awareness refers to an individual's inclination to fulfill their tax obligations voluntarily. Enhanced levels of taxpayer awareness are associated with improved compliance.

The level of compliance exhibited by individual taxpayers in the realm of Formal Compliance is deemed to be "Moderate," as evidenced by an average score of 3.34. This score suggests an acceptable level of adherence to formal obligations among taxpayers.

The statement that received the highest average score in the dimension of formal compliance is 3.43, which falls under the category of "Good." Conversely, the statement with the lowest average score is 3.15, categorized as "Moderate." This observation indicates a need for more proficiency among numerous individual taxpayers at the Pratama Tax Service Office in accurately computing tax rates.

Material Compliance for Individual Taxpayer Compliance is classified as "Moderate" with a mean score of 3.29, signifying substantial adherence to significant tax regulations.

The statement with the highest average score in material compliance is 3.43, which falls under the "Good." Conversely, the statement with the lowest average score is 3.13, categorized as "Moderate." This result suggests that more than sole reliance on supervision is needed to enhance compliance among Individual Taxpayers.

The Product Moment Correlation analysis findings indicate a highly significant positive correlation between Taxpayer Awareness (X) and Individual Taxpayer Compliance (Y). The Simple Linear Regression analysis findings indicate a significant positive relationship between Taxpayer Awareness (X) and Individual Taxpayer Compliance (Y).

The Coefficient of Determination indicates a 73.9% relationship between Taxpayer Awareness (X) and Individual Taxpayer Compliance (Y). In summary, the implementation of Taxpayer Awareness by the Pratama Tax Service Office has positively impacted individual taxpayers' compliance.

Conclusion

The research findings about Taxpayer Awareness of Individual Taxpayers at the Pratama Tax Service Office indicate a general classification of "Fairly Good." Individual taxpayers' overall level of compliance at the Pratama Tax Service Office is relatively satisfactory. The present study has successfully identified a noteworthy association between Taxpayer Awareness and the adherence of Individual Taxpayers at the Pratama Tax Service Office. Nevertheless, it is crucial to recognize that other variables could potentially impact Individual Taxpayer Compliance (Y), which were not examined in this study. The factors encompassed in this analysis comprise tax revenue, the adoption of the self-assessment system, taxpayers' level of familiarity with tax payment procedures, and the economic repercussions stemming from the COVID-19 pandemic.

In order to augment Taxpayer Awareness at the Pratama Tax Service Office, it is advisable to introduce a broader range of educational initiatives that are captivating and engrossing for taxpayers. The use of seminars or talk shows as a means of disseminating tax-related information is expected to yield greater engagement than the use of brochures or banners.

In order to enhance Taxpayer Compliance at the Pratama Tax Service Office, it is recommended to implement a system for monitoring tax compliance by establishing taxpayer risk profiles. These profiles can subsequently be utilized as a foundation for providing personalized services tailored to meet individual taxpayers' distinct requirements. Implementing the Compliance Risk Management system facilitates the provision of services by the tax authority to taxpayers, distinguished by fairness and transparency principles.

Nevertheless, it is crucial to recognize that this study has specific constraints due to its reliance on a survey methodology. Hence, it is crucial to undertake further investigation utilizing secondary data to strengthen the study's conclusions.

References

- Andinata, M. C. (2016). Analisis Faktor-faktor yang mempengaruhi kepatuhan wajib pajak orang pribadi dalam membayar pajak. *Calyptra*, 4(2), 1-15.
- Bornman, M., & Ramutumbu, P. (2019). A conceptual framework of tax knowledge. *Meditari Accountancy Research*, 27(6), 823-839. <https://doi.org/10.1108/MEDAR-09-2018-0379>
- Güzel, S. A., Özer, G., & Özcan, M. (2019). The effect of the variables of tax justice perception and trust in government on tax compliance: The case of Turkey. *Journal of behavioral and experimental economics*, 78, 80-86. <https://doi.org/10.1016/j.socec.2018.12.006>
- Kamil, N. I. (2015). The Effect of Taxpayer Awareness, Knowledge, Tax Penalties and Tax Authorities Services on the Tax Compliance:(Survey on the Individual Taxpayer at Jabodetabek & Bandung). *Research Journal of Finance and Accounting*, 6(2), 104-111.
- Newman, W., Mwandambira, N., Charity, M., & Ongayi, W. (2018).

- Literature review on the impact of tax knowledge on tax compliance among small medium enterprises in a developing country. *International Journal of Entrepreneurship*, 22(4), 1-15.
- Novianty, C., & Sidharta, I. (2022). Pengaruh Penagihan Pajak dengan Surat Teguran terhadap Pencairan Tunggakan Pajak: Studi Pada Salah Satu Kota Administratif Di Jawa Barat. *Jurnal Computech & Bisnis (e-Journal)*, 16(1), 7-13.
- Paramaduhita, A. V., & Mustikasari, E. (2018). Non-employee individual taxpayer compliance: Relationship with income and perception of taxpayer. *Asian Journal of Accounting Research*, 3(1), 112-122. <https://doi.org/10.1108/AJAR-06-2018-0007>
- Sidharta, I. (2017). Pengantar Perpajakan. Yogyakarta: Diandra Kreatif.
- Sidharta, I. (2017). Pengujian Model "Sliperry Slope" Dalam Kepatuhan Wajib Pajak. *Jurnal Ekonomi, Bisnis & Entrepreneurship*, 11(2), 149-158.
- Siglé, M., Goslinga, S., Speklé, R., van der Hel, L., & Veldhuizen, R. (2018). Corporate tax compliance: Is a change towards trust-based tax strategies justified?. *Journal of International Accounting, Auditing and Taxation*, 32, 3-16. <https://doi.org/10.1016/j.intaccudtax.2018.06.003>
- Taing, H. B., & Chang, Y. (2021). Determinants of tax compliance intention: Focus on the theory of planned behavior. *International journal of public administration*, 44(1), 62-73. <https://doi.org/10.1080/01900692.2020.1728313>
- Yusup, M., Hardiyana, A., & Sidharta, I. (2015). User acceptance model on e-billing adoption: A study of tax payment by government agencies. *Asia Pacific Journal of Multidisciplinary Research*, 3(4), 150-157.
- Yusup, M., Sidharta, I., & Mialasmaya, S. (2022). The Effect of e-SPT Implementation On Increasing Income Tax Revenue for Corporate Taxpayers: Case Study at A Tax Service Office in The City of Bandung. *Acman: Accounting and Management Journal*, 2(2), 164-174. <https://doi.org/10.55208/aj.v2i2.47>
- Yusup, M., Sidharta, I., Rahman, R. S., & Mialasmaya, S. (2020). Self-Assessment System and Corporate Taxpayer Compliance: Case Study at One of The Tax Office in Bandung City. *Jurnal Computech & Bisnis (e-Journal)*, 14(1), 58-63.