



## EFFECT THE UNDERSTANDING OF TAXATION, TAX SANCTIONS AND TAXPAYER AWARENESS OF TAXPAYER COMPLIANCE (RESEARCH ON TAXPAYERS OF INDIVIDUAL ENTREPRENEURS IN TANGERANG REGION)

Megi Triandani<sup>1</sup>, Apollo<sup>2</sup>

<sup>1</sup>) Universitas Mercu Buana, Jakarta Indonesia, [egy.unchu@gmail.com](mailto:egy.unchu@gmail.com)

<sup>2</sup>) Universitas Mercu Buana, Jakarta Indonesia, [apollo@mercubuana.ac.id](mailto:apollo@mercubuana.ac.id)

**Corresponding Author: First Author**

**Abstract:** The purpose of this research are to examine how much influence the understanding of taxation, tax sanctions and taxpayer awareness of tax compliance. The population in this research are the taxpayers of individual entrepreneurs in the Tangerang Region, then the samples are drawn using a method simple random sampling. Using quantitative and analytic statistics method for the analytical method that are multiple linear regression analysis method. The results showed that taxpayer understanding and taxpayer awareness affected taxpayer compliance while tax sanctions did not affect the compliance of taxpayers of individual entrepreneurs in the Tangerang Region. The data analysis technique used in this research was SPSS v.23.

**Keywords:** Taxpayer Compliance, The Understanding of Taxation, Tax Sanctions, Taxpayer Awareness

### INTRODUCTION

Taxes are the main source of state revenue used for government's finance spending and national development. Listed in the Indonesia State Budget (APBN) where state revenue from the tax sector is the most income. The more the government used spend for national development, more demanded increasing in state revenues(Putut, 2012).

Taxpayer compliance is considering an important aspect in Indonesian taxation system that adopts a self-assessment system which is absolutely gives the taxpayer the confidence to calculate in process, paying and reporting their obligations. Because of that, the correctness of tax payments depending on taxpayer compliance. So that tax compliance is the most important issue in Indonesia. If the taxpayer is not obedience, it can create a desire to avoid and neglect tax obligations.

The phenomenon in this research are the lack of knowledge of taxpayers about the tax regulations that makes many taxpayers who have not fulfilled their obligations as taxpayers and understand the benefits of tax revenue.

One of the factors influencing the low compliance of taxpayers is the level of understanding which is one of the potential factors for the government to fulfill the increasing compliance in tax obligations. The understanding of tax can also influence taxpayers to comply. Taxpayers may not be able to obey if the taxpayer does not have the understanding that related to compliance. Otherwise, taxpayers can comply if the taxpayer have the understanding for what must be done related to tax obligations.

Another factor that can affect taxpayer compliance is tax sanctions that will be imposed on non-compliant taxpayers. Tax sanctions are guarantees that the provisions of tax legislation (tax norms) will be obeyed/followed (Mardiasmo, 2018).

For the tax regulations to be obeyed, there must be tax penalties for offenders. Taxpayers will fulfill their tax obligations if they consider that taxation sanctions cause more loss from their profit.

Another factor that can increase taxpayer compliance is by raising awareness in paying taxes. The formulation of the problem in this research are the understanding of taxation, tax sanctions, and the awareness of taxpayers that affects the tax compliance.

## DESIGN AND METHOD

This research was included in the descriptive research. The population in this research are all individual business taxpayers in the city of Tangerang. Sample in this research are using *simple random sampling* method. While the research using quantitative methods. Data processing using the *SPSS Version 23* program. The analytical methods in this research include:

- 1) T-Test (Partial Test)
- 2) F-Test (Simultaneous Test)
- 3) Determination Coefficient Test ( $R^2$ )

Regression analysis performed using multiple regression analysis methods with the following equation model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 0.348 + 0.044 X_1 + 0.636 X_2 + 0.000 X_3 + e$$

$$\text{Sig} = \begin{matrix} \star & & \star \\ (0,044) & (0,636) & (0,000) \end{matrix}$$

$$\begin{matrix} \star \\ \text{Test-F} = 0,000 \end{matrix}$$

$$\begin{matrix} \star \\ \text{Adj} R \text{ Square} = 0,398 @ R = 39.80\% \end{matrix}$$

$$\alpha = 0,05$$

$$\star = \text{Significant}$$

$$n = 70 \text{ sampling}$$

$$Y = \text{Taxpayer Compliance}$$

$$X_1 = \text{The Understanding of Taxation}$$

$$X_2 = \text{Tax Sanction}$$

$$X_3 = \text{Taxpayer Awareness}$$

$\alpha$  = Constant

$\beta_1 \beta_2 \beta_3$  = Coefficient

e = Error Term (60.20%)

## RESULTS AND DISCUSSION

### 1) T-Test (Partial Test)

Based on the results of the equation above, the obtained results are partially understanding taxation has a significant effect on taxpayer compliance and tax sanctions do not significantly influence compliance taxpayers while taxpayer awareness have a significant effect on taxpayer compliance.

### 2) F-Test (Simultaneous Test)

Based on the equation results above, the estimation results produce a Prob (F Statistic) of 0,000. Value Using  $\alpha = 0.05$  indicates the understanding taxation, tax sanctions and awareness of taxpayers simultaneously or together has a significant effect on individual taxpayer compliance ( $0,000 < 0.05$ ). Based on the proposed hypothesis,  $H_0$  rejected, which means statistically the understanding of taxation, tax sanctions and awareness of taxpayers simultaneously or together has a significant effect on individual taxpayer compliance ( $\alpha = 0.05$ ).

### 3) Determination Coefficient Test ( $R^2$ )

Based on the equation above, the coefficient of determination is equal to 0.398 or equal to 39.80%. This means that the contributions of the understanding of taxation, tax sanctions and awareness of taxpayers towards personal taxpayer compliance is 39.80%. While the remaining 60.20% is contributed by other variables that not discussed in this research.

Hypothesis testing that has been done, it can be put forward some discussion below:

#### 1) The understanding of taxation has a significant effect on compliance of individual taxpayers

The results of this research are matching with research conducted by Nerissa Arviana Soelistijo (2014) which has concluded that the understanding of taxpayers about tax regulations has a positive and significant effect taxpayer compliance. Shows the more the understanding of taxation for tax regulations, lead the increasing of the taxpayer compliance.

#### 2) Tax sanctions do not significantly influence the compliance of individual taxpayers.

The results of this research matching with research conducted by Handayani, Ucik, and Laily (2017) produce the same conclusion where tax penalties do not affect tax compliance.

#### 3) Awareness of taxpayers has a significant effect on individual taxpayer compliance

The results of this research matching with the research conducted by Tia (2016) revealed that taxpayer awareness has a significant effect on taxpayer compliance.

## CONCLUSIONS AND SUGGESTIONS

### Conclusions

Based on the research's result with multiple regression analysis, the conclusions of this research are:

- a. The understanding of taxation has a significant effect on individual taxpayer compliance. The higher the level of understanding of tax provisions, the better the implementation of tax obligations as for increasing compliance. This is reasonable because often taxpayers do not carry out their tax obligations properly not because of a desire to disobey, but the complexity of taxation sometimes forces them to disobey (passive tax resistance).
- b. Tax sanctions have no significant effect on personal taxpayer compliance. This shows that the imposition of penalties on taxpayers who violate tax regulations in the form of tax sanctions does not provide a deterrent effect on the taxpayer.
- c. Awareness from taxpayers has a significant effect on taxpayer compliance. If the taxpayers has high awareness which come from the motivation to pay taxes, then the willingness to pay taxes will be more affected and will increase the state income from taxes.

### Suggestions

In this research there are still some shortcomings, and I suggest:

- a. The needs for intense socialization of the tax authorities to individual taxpayers in the City of Tangerang related to the latest tax regulations, so that taxpayers always update the latest tax regulations and carry out their tax obligations in accordance with applicable tax laws.
- b. Future research are advised to use more than 4 independent variables to examine the effect on individual taxpayer compliance.
- c. Future research are recommended to use more respondents or taxpayers used as research samples.

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