

The Effect of Taxpayer Understanding, Voluntary Disclosure Program and Tax Service on Individual Taxpayer Compliance (Case Study at Primary Tax Service Office of North Badung)

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Abstract: This research aims to analyse the effect of taxpayer understanding, Voluntary Disclosure Program and tax service to individual taxpayer compliance. This research analysed primary data from distributed questionnaires to 100 individual taxpayers at Kantor Pelayanan Pajak Pratama Badung Utara. Sample selection in this research using purposive sampling technique. The testing of research variables was conducted using the Partial Least Square method with SmartPLS 3.2.9. The result showed that taxpayer understanding, Voluntary Disclosure Program and tax service had a positive and significant effect on individual taxpayer compliance. This research has a novelty Voluntary Disclosure Program which is applied for the period January 1, 2022 to June 30, 2022 to improving taxpayer compliance. This research has a practical contribution to the tax authorities to be means of contributing ideas in formulating policies related to the taxation system, as well as an effort to improve taxpayer compliance in optimizing tax revenues.

Keywords: taxpayer understanding, Voluntary Disclosure Program, tax service, individual taxpayer's compliance.

Article information: Submission to Repository on September 2022

Introduction

Taxes are the main source of revenue in Indonesia besides oil and gas revenues and non-tax revenues. Tax revenue is strongly influenced by the level of taxpayer compliance. Taxpayer compliance does not mean that taxpayers have to pay in large amounts, but taxpayers who carry out all obligations and enjoy all of their tax rights in accordance with the provisions of the applicable laws and regulations. Therefore, it is very important if taxpayer compliance can arise from the taxpayer himself or voluntarily. Based on information Anggaran Pendapatan dan Belanja Negara Kinerja dan Fakta (ABPN KiTa) 2021, realization of tax revenue is 103,90% or as big as IDR 1.277,53 Trillion of the predetermined target of IDR 1.229,58 Trillion higher than the achievement of tax revenue in the previous period of 19,16%. Efforts to realize the tax revenue target is not an easy matter. The achievement of tax revenues of up to 103,90% of the 2021 APBN target is influenced by several factors, including increased taxpayer compliance which is one of the prerequisites for optimal tax revenue. Table 1 below shows the level of taxpayer compliance at Kantor Pelayanan Pajak Pratama Badung Utara from 2017 to 2021:

Tabel 1. Individual Taxpayer Compliance Ratio at KPP Pratama Badung Utara

Year	Registered Individual Taxpayer	Individual Taxpayers Report SPT	Compliance Ratio (%)
2017	64.720	27.623	42,68
2018	69.723	27.451	39,37
2019	74.893	29.298	39,12
2020	93.500	29.465	31,51
2021	104.431	34.686	33,21

Source: KPP Pratama Badung Utara, year 2022

Based on the individual taxpayer compliance ratio at Kantor Pelayanan Pajak Pratama Badung Utara in the Table 1, which decreased from 2017 to 2021. This shows the low level of individual taxpayer compliance. The low understanding of the facilities that have been provided by the tax authorities to fulfill tax obligations can be one of the contributing factors. Since the Coronavirus Disease-2019 Pandemic, the government has established social distancing and physical distancing policies that cause disruption to the value chain of the business world and affect productivity and community economic growth. As an effort to improve taxpayer compliance and increase tax revenue in the following year, the government issued a Voluntary Disclosure Program which previously issued Tax Amnesty

Volume I in the period 2016 to 2017. To support the Voluntary Disclosure Program to be implemented more effectively and efficiently, an understanding of the taxpayer himself is needed. According to Attribution Theory by Heider (1958) which is linked to the statement from Pohan (2016), one example of internal attribution is taxpayer compliance behavior that arises because of understanding. Taxpayers understanding of tax laws and regulations greatly influences tax success. The higher the level of understanding of the taxpayer, the higher the probability of the taxpayer to comply with the tax laws and regulations. In addition to the Voluntary Disclosure Program and taxpayer understanding, good tax service services also play an important role in increasing taxpayer compliance. The service provided to taxpayers is a public service that is more directed as a way to fulfill the needs of the community in the context of implementing the applicable laws and regulations. In contrast to previous research, this research deals with internal and external factors of the taxpayer. How does the effect of taxpayer understanding related to tax regulations, namely the Voluntary Disclosure Program and the role of the tax service individual taxpayer compliance, further research needs to be done, especially in the Kantor Pelayanan Pajak Pratama Badung Utara where the level of taxpayer compliance is quite low at less than 50%.

Research conducted by Tene et al., (2017) concludes that the understanding of taxpayers partially has a positive and significant effect on taxpayer compliance. In accordance with the research conducted by Sulistyorini (2019) with the conclusion that the understanding of taxpayers, both partially and simultaneously has a significant effect on taxpayer compliance. Research conducted by Dwiatmono (2018) and Sari and Fidiana (2017) with the basic difference, namely the determination of the research subject. Dwiatmono (2018) determine the research subject is an individual taxpayer, while research conducted by Sari and Fidiana (2017) the research subject is taxpayers, both individual taxpayers, MSME taxpayers and corporate taxpayers. However, these two research show that the tax amnesty has a positive and significant effect on taxpayer compliance. Gaol and Sarumaha (2022) conduct research at Kantor Pelayanan Pajak Pratama Medan Petisah which showed that the tax service had a positive and significant effect on taxpayer compliance In contrast to the research conducted by Khairunnisa et al., (2021) it shows that the tax service does not affect taxpayer compliance at Kantor Pelayanan Pajak Pratama Sidoarjo Selatan. Although these two studies both use individual taxpayers, the different research locations can lead to different research results. Based on the background of the problem and research references, the hypotheses formulated are: (H₁) Taxpayer understanding has a positive and significant effect on individual taxpayer compliance, (H₂) Voluntary Disclosure Program has a positive and significant effect on individual taxpayer compliance, (H₃) Tax Service has a positive and significant effect on individual taxpayer compliance.

Method

This research was conducted at the Kantor Pelayanan Pajak Pratama Badung Utara for a period of six months. Researchers used several data collection techniques, namely: (a) questionnaires and (b) documentation. The questionnaire aims to obtain data through giving several questions or statements to subjects who then become respondents. Meanwhile, documentation aims to obtain data through the results of analysis/observations by researchers, so as to produce data in the form of descriptions that are in accordance with the facts contained in the field. The population in this research were all individual taxpayers at Kantor Pelayanan Pajak Pratama Badung Utara as of March 31, 2022, as many as 104.431 taxpayers, with a sample of 100. The variables used in this study are the understanding of the taxpayer, the Voluntary Disclosure Program and the tax service service which are classified as independent variables, and taxpayer compliance which is classified as the dependent variable.

After getting the data, the researchers processed the data through data analysis techniques. In the processing stage, researchers used descriptive statistics to identify and describe and provide information on the data that has been collected.

$$mean = \frac{Max\ Value - Min\ Value}{K}$$

$$mean = \frac{5 - 1}{3} = 1,33$$

The results of the calculation range with the maximum value is 5, the minimum value is 1, the class interval is 3, indicating that each category has a level of 1,33. In more detail, the categorization of the mean in this research is shown in table 2, as follows:

Table 2. Category Mean Value Scale All Variables

Variable	Mean Scale	Category
Taxpayer Understanding (X ₁)	1,00 – 2,33	The level of taxpayer understanding is not good
	2,34 – 3,67	The level of taxpayer understanding is quite good
	3,68 – 5,00	The level of taxpayer understanding is very good
	1,00 – 2,33	Not good for taxpayers
	2,34 – 3,67	Good enough for taxpayers

Voluntary Program Disclosure (X ₂)	3,68 – 5,00	Very good for taxpayers
Tax Service (X ₃)	1,00 – 2,33	Not good for taxpayers
	2,34 – 3,67	Good enough for taxpayers
	3,68 – 5,00	Very good for taxpayers
Taxpayer Compliance (Y)	1,00 – 2,33	The level of taxpayer compliance is not good
	2,34 – 3,67	The level of taxpayer compliance is quite good
	3,68 – 5,00	The level of taxpayer compliance is very good

Source: Processed primary data, year 2022

Result and Discussion

Instrument testing is done through validity and reliability tests using SmartPLS 3.2.9. Based on Ghozali and Latan (2015), validity test is determined by analyzing Convergent Validity and Discriminant Validity. While the reliability test is determined by Cronboach's Alpha and Composite Reliability. The results of the validity and reliability tests indicated that all indicators were valid and reliable.

All question items already have a loading factor value that is greater than 0,7 and all the Average Variance Extracted values for each construct are above 0,5 so the convergent validity requirements have been met by the model. The following table 3 and table 4 present the results of the validity test:

Table 3. Value of Average Variance Extracted

	Average Variance Extracted	Terms.	Desc.
X ₁	0,655	>0,500	Valid
X ₂	0,594	>0,500	Valid
X ₃	0,620	>0,500	Valid
Y	0,677	>0,500	Valid

Source: Processed primary data, year 2022

Table 4. Value Results of Outer Loadings

	X ₁	X ₂	X ₃	Y
X1.1	0,875			
X1.2	0,844			
X1.3	0,791			
X1.4	0,757			
X1.5	0,773			
X2.1		0,752		
X2.2		0,767		
X2.3		0,741		
X2.4		0,764		
X2.5		0,828		
X3.1			0,799	
X3.2			0,798	
X3.3			0,779	
X3.4			0,763	
X3.5			0,799	
Y1.1				0,793
Y1.2				0,846
Y1.3				0,781
Y1.4				0,840
Y1.5				0,852

Source: Processed primary data, year 2022

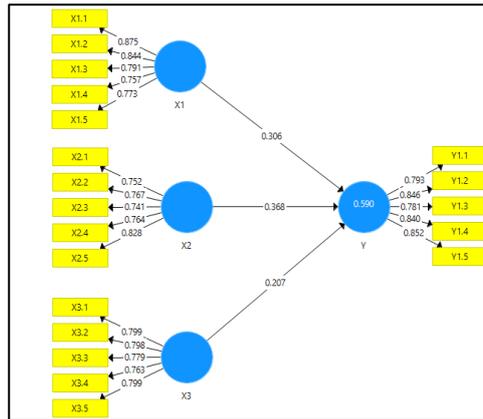
Reliability test is used to determine the ability of an instrument to measure the consistency of respondents in answering each question item. If a construct has cronbach's alpha and composite reliability > 0,7 then the construct

is said to be reliable. Table 5 presents the results of reliability tests after carrying out the PLS Algorithm procedure as follows:

Table 5. Value of Cronbach's Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability	Terms.	Desc.
X ₁	0,868	0,904	> 0,700	Reliabel
X ₂	0,829	0,880	> 0,700	Reliabel
X ₃	0,850	0,891	> 0,700	Reliabel
Y	0,881	0,913	> 0,700	Reliabel

Source: Processed primary data, year 2022



Source: Processed primary data, year 2022

Figure 1. Validity and Reliability Test Results

Table 6 shows that the value of R-square is 0,590. Based on the criteria, the model is included in the moderate model. These results mean that individual taxpayer compliance can be explained by the understanding of taxpayers, Voluntary Disclosure Programs and tax services of 59,00%, the remaining 41,00% is explained by variables outside the model.

Tabel 6. Value of R-Square

	R-Square
Taxpayer Compliance (Y)	0,590

Source: Processed primary data, year 2022

Table 7 shows that each independent variable on the dependent variable has a path coefficient value > 0 which indicates a positive direction. Each independent variable produces a t-statistic value > 1,96 (t-table for 5% alpha). In addition, the value of the independent variable has a probability value of 0,05 (alpha 5%).

Table 7. Result of Bootstrapping

	Path Coefficient	T-Statistics	Probability Value
X ₁ -> Y	0,306	2,568	0,011
X ₂ -> Y	0,368	2,896	0,004
X ₃ -> Y	0,207	2,044	0,041

Source: Processed primary data, year 2022

Taxpayer understanding shows a positive and significant effect with a Path Coefficient value of 0,306 and a Probability Value of 0,011. Testing the data indicates that taxpayer understanding is able to improve individual taxpayer compliance. This means that the higher the level of taxpayer understanding, the individual taxpayer compliance will tend to increase. The results of data testing are in accordance with research conducted by Tene et al., (2017) and Sulistyorini (2019), that taxpayer understanding can improve taxpayer compliance.

Voluntary Program Disclosure shows a positive and significant effect with a Path Coefficient value of 0,368 dan a Probability Value of 0,004. Data testing indicates that the Voluntary Disclosure Program is able to improve individual taxpayer compliance. This means that the more effective and efficient the implementation of the Voluntary

Disclosure Program is, the compliance of individual taxpayers will tend to increase. The results of data testing are in accordance with research conducted by Dwiatmono (2018) and Sari and Fidiana (2017), that the Voluntary Disclosure Program can improve taxpayer compliance.

Tax service shows a positive and significant effect with a Path Coefficient value of 0,207 and a Probability Value of 0,041. Testing the data indicates that the tax service is able to increase individual taxpayer compliance. This means that the better the tax service service, the individual taxpayer compliance will tend to increase. The results of data testing are in accordance with research conducted by Gaol and Sarumaha (2022), that tax service can increase taxpayer compliance.

Conclusion

Based on the results of the analysis and discussion above, it can be concluded that: (a) taxpayer understanding has a positive and significant effect on individual taxpayer compliance, (b) Voluntary Disclosure Program has a positive and significant effect on individual taxpayer compliance and (c) tax service has a positive and significant effect on individual taxpayer compliance.

Acknowledgment

The researcher would like to thank all those who have helped and supported in completing this research, namely to the taxpayers who have been willing to fill out the questionnaire properly and also to the reviewers for their assistance in perfecting this article.

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