Factors Affecting Taxpayer Compliance at KPP Pratama Medan Timur in the Covid-19 Endemic Period

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ABSTRACT
This research aims to analyze the influence of taxpayer knowledge and sanctions on Taxpayer Compliance at KPP Pratama Medan Timur during the Covid-19 Endemic period. This type of research is causality research. The sampling method used the Slovin formula with a total sample of 100 people. Primary data collection was carried out using questionnaires and interviews. The results of this research show that taxpayer knowledge has a significant influence on taxpayer compliance. In contrast, sanctions did not have a substantial impact on taxpayer compliance at the East Medan Pratama KPP during the Covid-19 Endemic period. These findings indicate that taxpayer knowledge plays a crucial role in shaping taxpayer compliance behavior. Having a good understanding of tax obligations and tax procedures can encourage taxpayers to comply with applicable tax regulations. On the other hand, results showing that sanctions do not have a substantial effect could be interpreted to mean that, in the context of the Covid-19 pandemic, taxpayers may be more influenced by other factors, such as difficult economic conditions or poor understanding regarding the effectiveness of sanctions. The implications of this research can provide guidance for the authorities, especially the East Medan Pratama KPP, in developing strategies to increase taxpayer compliance during the pandemic. Focusing on increasing taxpayer knowledge through tax education and information can be an effective step. Apart from that, further evaluation is needed to understand other factors that might influence taxpayer compliance amidst uncertain conditions due to the pandemic.

Keywords: Covid-19, Endemic Period, Taxpayer

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INTRODUCTION

Tax is an essential aspect for every country because it is often one of the primary sources of income for the country. As with Indonesia, more than 70% of its expenditures are financed from the taxes obtained (Amrina dkk., 2021; Amrina, Mudinillah, dkk., 2022). These expenditures, among others, are used for employee spending, public services, infrastructure development, and other interests that essentially aim for the welfare of all Indonesian people. This tax is the primary source of running the wheels of government.

The current Covid-19 Endemic has resulted in a new life in Indonesia. Where all community activities are carried out offline and online to maintain distance to the gathering (Amrina, Rezi, dkk., 2022; Mudinillah, 2019a). The Directorate General of Taxes (DGT) of the Ministry of Finance has implemented an online entry for taxpayers who want to get direct or face-to-face services at all Tax Service Offices. Director of Counseling, Services, and Public Relations, queue numbers can be obtained by accessing the page at (https://kunjung pajak.go.id).

However, this increases the problem of society in carrying out taxpayer compliance. Taxpayer compliance is the attitude of a taxpayer in carrying out tax obligations (Filogna dkk., 2020; Firman dkk., 2022). The thing that affects the high and low levels of taxpayer compliance is the awareness of taxpayers in paying on time.

According to Lumbantoruan dkk., (2022) and Nupiah dkk., (2022), Tax practitioners say that the lack of taxpayer compliance can be caused by the lack of tax knowledge possessed by taxpayers. Tax is one of the primary sources of state revenue (Anoum dkk., 2022; Demina dkk., 2022a). Therefore, community and corporate compliance in paying taxes are essential. There are still many Indonesians who have not complied with paying taxes from PPh 21 and corporate taxation; the contribution is still small to the state budget. This means our middle and upper classes are increasing, but their tax compliance is still low.

All provisions for fulfilling tax obligations can be carried out properly if taxpayers know sufficiently about taxation (Demina dkk., 2022b; Safitri dkk., 2022). However, we often find that corporate or individual taxpayers avoid taxes to obtain greater profits; this is due to the low level of taxpayer awareness.

The government’s strategy to increase tax revenue and, at the same time, increase taxpayer compliance in paying taxes, the government also applies tax sanctions. The sanction is that every taxpayer who violates the provisions of tax laws and regulations is subject to administrative sanctions, criminal sanctions, or both. Administrative sanctions are imposed on tax violators through interest, fines, or increases. Based on research conducted by (Mudinillah, 2019b; Safitri dkk., 2022) supports research to be undertaken at KPP Pratama Cilacap, which says tax sanctions have a positive effect on taxpayer compliance.

The increase in the number of taxpayers should also increase taxpayer awareness to pay taxes which increases taxpayer compliance.

Table 1. Submission of Annual Tax Return at the East Medan Tax Office in 2017-2021

<table>
<thead>
<tr>
<th>No</th>
<th>Year</th>
<th>Registered Taxpayers</th>
<th>Incoming tax return</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2017</td>
<td>6874</td>
<td>2323</td>
<td>0.33794006</td>
</tr>
<tr>
<td>2</td>
<td>2018</td>
<td>7125</td>
<td>3421</td>
<td>0.48014035</td>
</tr>
<tr>
<td>3</td>
<td>2019</td>
<td>7596</td>
<td>3153</td>
<td>0.41508689</td>
</tr>
</tbody>
</table>
Factors Affecting Taxpayer Compliance at KPP Pratama Medan Timur in the Covid-19 Endemic Period

Based on Table 1, we can see that the submission of the Annual Tax Return at the KPP Pratama Medan Timur has not been maximized; based on the table above, we can see that there are still many taxpayers who are reluctant to carry out their obligations to pay taxes even though the Directorate General of Taxes has issued an online tax return submission system so that taxpayers can carry out their duties to deliver more efficiently and provide comfort to taxpayers in carrying out their obligations.

In the research Johan (2020), Jennings (2018), Ahmad & Khan, (2022) serta Putri dan Setiawan (2017) shows that knowledge and understanding of taxation have a positive and significant effect on taxpayer compliance. However, different results are guided by this study by Ahmad & Khan, (2022), which states that knowledge and understanding of tax regulations have no significant effect on taxpayer compliance.

While research Fahrozy dkk., *2022) by arguing that tax sanctions have a positive effect on taxpayer compliance. At the same time, Al-Maadeed, (2021) suggests that Tax Sanctions Do Not Have a Significant Effect on Taxpayer Compliance. Based on this explanation, the researcher is interested in raising the title Factors Affecting Taxpayer Compliance at KPP Pratama Medan Timur during the Covid-19 Endemic.

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<table>
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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>2020</td>
<td>8253</td>
<td>2439</td>
<td>0.2955289</td>
</tr>
<tr>
<td>5</td>
<td>2021</td>
<td>8677</td>
<td>3644</td>
<td>0.41996082</td>
</tr>
</tbody>
</table>

*Source: Data and Information Processing Section (PDI) KPP Medan Timur*

LITERATURE REVIEW

Knowledge

Knowledge of Taxation is knowledge about the concept of general provisions in the field of taxation, types of taxes that apply in Indonesia ranging from tax subjects, tax objects, tax rates, calculation of taxes payable, recording taxes payable to how to fill in tax reporting (Akbar dkk., 2023; Ansor dkk., 2023; Meisuri dkk., 2023).

Tax knowledge is tax information that can be used by taxpayers to take specific directions and strategies by carrying out their rights and obligations in the field of taxation, as well as the thinking of a taxpayer through training efforts (Ali dkk., 2022).

The higher the knowledge and understanding of taxpayers, the taxpayer can follow the rules by tax provisions. However, if the taxpayer does not know tax regulations, the taxpayer cannot follow the tax rules.

Sanctions

Tax Sanctions are defined by Reber, (2019) as follows: “Tax Sanctions are a guarantee that the provisions of tax laws and regulations (tax norms) will be obeyed. In other words, tax sanctions are a preventive tool so that taxpayers do not violate tax norms”.

Tax Compliance

Taxpayer compliance is the fulfillment of tax obligations carried out by taxpayers to contribute to development which is expected to be fulfilled voluntarily.

According to Funk, (2018) in Jensen, (2019), tax compliance is a situation where taxpayers are obedient and aware of fulfilling tax obligations.

According to Azizah dkk., (2022), Defining tax compliance as a situation where taxpayers fulfill all tax obligations and exercise their taxation rights, the context of compliance in this study means that taxpayers try to comply with applicable tax law regulations, both fulfilling obligations and exercising their taxation rights.
METHOD

Data Collection Methods

Data collection can use two sources, namely primary and secondary data sources. The methods used in the data collection process are Primary Data; this study uses primary data sources to obtain quantitative data. Researchers collected preliminary data by distributing questionnaires to respondents. Namely, taxpayers registered at the East Medan Tax Office. There are four alternative answers available that will be given weighted values as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Respondent’s Answer</th>
<th>Skor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strongly Agree (SS)</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Agree (S)</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Undecided (R)</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Disagree (TS)</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Strongly Disagree (STS)</td>
<td>1</td>
</tr>
</tbody>
</table>

Secondary Data, Secondary data sources in research, namely by collecting data from other sources in the form of reading materials or literature. Secondary data sources are obtained indirectly through intermediary media, either by reading or quoting from literature related to the research.

Population and Sample

The population is the whole object to be studied. The population of this study was taxpayers registered at the East Medan Tax Office. The sample in this study were people whom the researcher met randomly, and in determining the model was determined using the Slovin Formula totaling 100 taxpayers.

Data Collection Technique

According to Ahmed dkk. (2022) and Arifa & Mudinillah (2022), “Data collection techniques are ways that researchers use to reveal or capture information from respondents according to the scope of the research”. There are several data collection techniques: tests, interviews, observations, questionnaires, surveys, literature studies, and documentation analysis. The data collection technique researchers use is the documentation method with the data used secondary data. These data are routinely collected by certain agencies, which the researcher then uses (Lu dkk., 2022).

Research Design

His type of research is quantitative descriptive research. According to (Lucas, 2007), the Clausal method is a causal relationship where the independent variable (a variable that affects) and the dependent variable (involved). In addition, the causal process helps analyze the relationship between one variable and another or how one variable affects another. The clausal method looks for causal relationships that aim to explain phenomena through influences between variables.

Data Analysis Techniques

In this study, data analysis used the Partial Least Square (PLS) approach; PLS is a component or variant-based Structural Equation Modeling (SEM) equation model. PLS is a powerful analytical method often referred to as soft modeling because it negates the assumptions of OLS (Ordinary Least Square) regression, such as data must be multivariate and normally distributed. There is no multicollinearity problem between exogenous variables. PLS uses an iteration algorithm consisting of OLS (Ordinary Least Square) series so that the problem of model identification is not a problem for recursive
models (models that have one direction of causality) and presents issues for non-recursive models (models that are reciprocal or reciprocal between variables) that Covariance-based SEM can solve (Borrego, 2009; Bryman, 2007).

RESULTS AND DISCUSSION

Reliability and Validity Test

The reliability test is the extent to which the measurement results using the same object will produce the same data (Sugiyono, 2013). The questionnaire reliability test used the split-half method; the items were divided into two groups: the odd item group and the even item group. Then each group of scores for each item is summed up to produce a total score. If the correlation is 0.7, it is said that the article provides a sufficient level of reliability; otherwise, if the correlation value is below 0.7, it is said that the item is less reliable.

Figure 1. Path Diagram

Source: Research results, processed with Smart PLS 3.0, 2020

Based on the figure shows that all research variables have a validity value above 0.361. Therefore, the indicators used in this research variable are reliable.

<table>
<thead>
<tr>
<th>Tabel 3 Construct Reliability and Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Taxpayer Compliance</td>
</tr>
<tr>
<td>Knowledge</td>
</tr>
<tr>
<td>Sanctions</td>
</tr>
</tbody>
</table>

Source: Research results, processed with Smart PLS 3.0, 2022

Based on the table shows that all research variables have a composite reliability value and Cronbach’s alpha above 0.70. Therefore, the indicators used in this research variable are reliable.

Structural Model Testing
Structural model testing is carried out to see the relationship between constructs, the significance value, and the R square of the research model. The R-square value can be used to assess the effect of certain independent variables on the dependent variable. The estimated Rsquare value can be seen in Table 4.4 below:

<table>
<thead>
<tr>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.436</td>
<td>0.424</td>
</tr>
</tbody>
</table>

Source: Research results, processed with Smart PLS 3.0, 2022

Based on the table, it is known that the R-Square value for the Taxpayer Compliance variable (Y) is 0.436, which can be interpreted that the magnitude of the influence of the taxpayer compliance variable influenced by knowledge and tax sanctions is 43.6%. Other variables outside this study will explain the remaining 56.4%.

**Direct Influence Analysis.**

Whether or not a hypothesis is accepted, it is necessary to test it using the Bootstrapping function in SmartPLS 3.0. The idea is born when the significance level is smaller than 0.05, or the t-value exceeds the critical value. (Hair et al., 2014). The t statistics value for the 5% significance level is 1.96.

![Figure 2. Path Diagram Coefficient](image)

Source: Research results, processed with Smart PLS 3.0, 2022

**Table 5. Path Coefficients**

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistics (│O/STDEV│)</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge → Taxpayer Compliance</td>
<td>0.685</td>
<td>0.677</td>
<td>0.138</td>
<td>4.976</td>
<td>0.000</td>
</tr>
<tr>
<td>Sanctions → Taxpayer Compliance</td>
<td>-0.030</td>
<td>-0.014</td>
<td>0.154</td>
<td>0.197</td>
<td>0.844</td>
</tr>
</tbody>
</table>

Source: Research results, processed with Smart PLS 3.0, 2022
The table above shows that the original sample value, p-value, or t-statistics are used as a reference for deciding whether the hypothesis is accepted or rejected. The idea can be born if the t statistics value > t table or p-value < 0.05.

The first hypothesis is that Taxpayer Knowledge affects taxpayer compliance. It can be seen that the T statistic value of Taxpayer Knowledge on taxpayer compliance is 4.976 > 1.92 or can be seen from the P value, which is 0.000 < 0.05, indicating that the Taxpayer Knowledge variable has a significant effect on taxpayer compliance. Thus, the first hypothesis is accepted; the Taxpayer Knowledge variable considerably influences taxpayer compliance. The increase and decrease in the Taxpayer Knowledge score will significantly affect the taxpayer compliance variable.

The second hypothesis is that Sanctions affect taxpayer compliance. It can be seen that the T statistic value of Moderation Sanctions on Taxpayer Compliance (Y) is 0.197 < 1.92 or can be seen from the P-Value, which is 0.844 > 0.05, indicating that the Sanctions variable does not affect taxpayer compliance. Thus the second hypothesis is rejected; this means that the Sanctions variable has a negligible impact on taxpayer compliance.

Discussion

The effect of taxpayer knowledge on taxpayer compliance at the East Medan Tax Office.

The results of this study indicate that taxpayer knowledge affects taxpayer compliance at the East Medan Tax Office. Understanding that taxation owned by taxpayers will increase individual taxpayer compliance at the East Medan Tax Office.

This study has different results from previous research by Muslim Al Kautsar (2017), with the survey stating that taxpayers affect the compliance of individual taxpayers.

Taxpayers with low knowledge will not comply with ethics in taxation because taxpayers consider that tax ethics have yet to be carried out strictly by government officials. Knowledge and ethics will result in a better movement for taxpayer compliance. This means that high taxpayer knowledge can increase taxpayer compliance at the East Medan Tax Office.

The effect of tax sanctions on individual taxpayer compliance at the East Medan Tax Office

The results of this study indicate that tax sanctions do not affect individual taxpayer compliance at the East Medan KPP. The imposition of tax sanctions on individual taxpayers who violate will not make taxpayers compliant. Still, taxpayers prefer to refrain from carrying out their obligations in the field of taxation; this will have an impact on individual taxpayer compliance at the East Medan KPP will decrease. Thus, imposing tax sanctions on individual taxpayer compliance does not affect taxpayers’ compliance with applicable tax regulations, so taxpayer compliance is deficient.

This study’s results align with previous researchers (Song dkk., 2018), that Tax Sanctions and the Ease of PP No. 46 of 2013 Do Not Significantly Affect Taxpayer Compliance. But this research differs from previous researchers (Alakrash, 2021), that ethics, tax sanctions, and tax transparency affect taxpayer compliance.

The results of this study can be concluded that tax sanctions do not affect taxpayer compliance at the East Medan Tax Office. Applying tax sanctions will not affect individual taxpayers to carry out their obligations as taxpayers, namely complying with
existing tax regulations. Therefore, the East Medan KPP must be more concerned about other factors that can increase the sense of compliance of the community to report their obligations as taxpayers. And the tax sanctions applied must also be by the applicable provisions.

CONCLUSION

The research findings and subsequent discussions lead to significant conclusions regarding the dynamics between taxpayer knowledge, sanctions, and taxpayer compliance at the East Medan Tax Office.

The empirical evidence highlights the pivotal role of taxpayer knowledge in shaping and influencing taxpayer compliance within the jurisdiction of the East Medan Tax Office. The positive correlation between a taxpayer's level of knowledge and their likelihood of compliance underscores the importance of education and awareness in fostering a culture of voluntary tax compliance. Initiatives to enhance taxpayer education, disseminate information about tax regulations, and clarify obligations could prove instrumental in improving compliance rates. By empowering taxpayers with comprehensive knowledge, tax authorities may witness a more willing adherence to tax obligations, contributing to a smoother and more effective tax administration.

Contrary to expectations, the study findings reveal that sanctions, in their existing form or application, do not exert a substantial influence on taxpayer compliance at the East Medan Tax Office. This unexpected result prompts a reevaluation of the efficacy of current sanction mechanisms. Policymakers and tax authorities may need to explore alternative approaches to incentivize compliance. While sanctions may still play a role in deterring non-compliance, the findings suggest that their impact alone might not be sufficient to ensure high levels of adherence. The challenge is to strike a balance between enforcement measures and strategies that encourage voluntary compliance.

In conclusion, the nuanced interplay between taxpayer knowledge, sanctions, and compliance requires a strategic and holistic approach. Efforts should be directed not only towards educating taxpayers but also towards refining and optimizing the use of sanctions as a compliance tool. Future strategies may involve tailoring educational programs to the specific needs of taxpayers in the East Medan region, coupled with a thoughtful reconsideration of the design and application of sanctions to align with the unique characteristics of the taxpayer population. By addressing both knowledge gaps and compliance incentives, tax authorities can work towards establishing a more robust and effective tax compliance framework in East Medan.

REFERENCES:


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