

The Effects of Understanding Taxpayers' Understanding Tax Penalty on Taxpayers' Compliance in KPP Karees Bandung

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Abstract - Tax revenue should be increased through the level of taxpayers' compliance since tax is one of economic resources of this country. This research aims to determine the effects of taxpayers' understanding and tax penalty on taxpayers' compliance in KPP Karees Bandung.

The research was conducted in KPP Pratama Karees Bandung at Jln H. Ibrahim Adjie No. 372 Bandung. The 100 respondents in this research are individual taxpayers. Based on the calculation results of multiple determinations coefficient, it can be seen that there is contribution amounted to 58.5% of the independent variables (taxpayers' understanding and the tax penalty) in explaining or predicting the dependent variable (taxpayers' compliance). Based on the results of F-test, it shows that $F_{hitung} > F_{tabel}$ ($150.180 > 2.29$). It can be concluded that taxpayers' understanding and the tax penalty simultaneously affect the taxpayers' compliance. Therefore, a hypothesis is proposed that "there is an effect on taxpayers' understanding and the tax penalty in taxpayers' compliance."

Keywords – Taxpayers' Understanding, Tax Penalty, Taxpayers' Compliance

I. INTRODUCTION

Tax contributes the highest revenue, therefore the government continuously makes an effort to socialize the importance of tax to its citizen so that they will comply and report the annual tax report (SPT). According to the data acquired from Directorate General Taxation (Ditjen Pajak), Ministry of Finance, until 2015 the number of individual taxpayers obligate to report SPT are 18.159.840, but a mere 10.945.567 taxpayers (60,27) from that number report their SPT, what is more concerning is that only 1.172.018 paid their taxes. This indicates that the compliance level of taxpayers are very low.

However, in fact, there is an inconsistency of taxpayers' compliance in reporting the SPT. This can be seen in table 1.1 below:

TABLE 1.1
The Ratio Level of Taxpayers' Compliance in Reporting the SPT in the Tax Years 2008-2011 in KPP Pratama Bandung

Year	The Level of Taxpayers' Compliance (%)			
	Bojonagara	Cibeunying	Cicadas	Karees
2008	35%	60%	56%	57%
2009	32%	51%	51%	37%
2010	35%	37%	58%	82%
2011	52%	33%	21%	57%

Source: The processed data from KPP Pratama Bandung

According to table 1.1, the authors decided to conduct research at KPP Pratama Bandung Karees, because the ratio level of taxpayers' compliance in 2008 to 2011 was fluctuated, in which there was a decrease by about 20% from 2008 to 2009, then there was a significant increase by 45% in 2010, but then there was a quite significant decrease by 25% in 2011. Therefore, it is required to conduct a research in order to avoid a decrease in the taxpayers' compliance in reporting their SPT. This condition provides the motivation to conduct a research on some factors that affect the level of taxpayers' compliance in KPP Pratama Bandung Karees.

II. METHODOLOGY

Data Collection Technique

Research data source is the source of data needed for conducting a research. There are various kinds of data used to conduct this research. The data source can be obtained either directly (primary data) or indirectly (secondary data) that relate to the object of research. The data collection technique used in this research consists of literature study and questionnaire

2.1.1 Measurement Scale

The measurement scale used in this research is the Likert scale. "By using the Likert scale, the variables (that will be measured) are converted into indicators of variables. Then the indicators are used as a starting point to construct instrument items in the form of a statement or a question"[1]

The Likert scale order is from number 1 (strongly disagree) to number 5 (strongly agree) for all variables. The criteria of responses used namely [2] :

TABLE 3.2

The Score of Likert Item

Item	Score
Strongly agree	5
Agree	4
Neither agree nor disagree	3
Disagree	2
Strongly disagree	1

(Source: Jogiyanto, 2010)

2.1.2 Data Testing Technique

The data testing technique used in this research namely:

1. Validity and Reliability Tests

In a research, good instruments must meet two critical requirements, they must be valid and reliable. By doing validity and reliability tests, good and correct data will be obtained for the research.

a. Validity Test

Validity is a measurement tool to determine whether the data examined is valid or invalid in an instrument”.

In this research the Pearson’s product-moment correlation is used to determine the validity of questionnaire items, by using the formula below [1]:

$$r_{xy} = \frac{n\sum XY - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

b. Reliability Test

Reliability test is conducted to obtain the level of accuracy (reliability) of tools (instruments) used in the data collection. The most appropriate method that can be used in the reliability test is Croanbach Alpha [2], by using the formula below:

$$\alpha = \frac{k}{k-1} \left(1 - \frac{\sum S^2_j}{S^2_x} \right)$$

Explanation:

α = alpha reliability coefficient, k = number of items, S_j = the variance of respondents for items, S_x = the number of variance of total score

2.1.3 Data Analysis Technique

The data analysis technique used are:

1. Multiple Regression Analysis

In the multiple regression analysis, the dependent variable is the level of taxpayers’ compliance (Y) and the independent variables that affect it, which are taxpayers’ understanding (X₁) and tax penalty (X₂). The regression equation for the two predictors is:

$$Y' = a + b_1X_1 + b_2X_2$$

In which:

Y’ = Subject in the predicted dependent variable

a = The score of Y if X = 0 (constant score)

b₁b₂ = the direction of scores or regression coefficient that shows the number of increases or decreases in the dependent variable, which is based on the independent variable. If b is (+) then it increases and if b is (-) then it decreases.

X₁X₂ = Subject of independent variable which have a certain value.

2.1.3 Analysis of Determination Coefficient

The analysis of determination coefficient (R²) is used to determine how high the contribution percentage of the simultaneous independent variables effect to the

dependent variable, with the assumption $0 \leq r^2 \leq 1$ by using the formula below:

$$KD = r^2 \times 100\% \quad [4]$$

2.1.4 The Design of Hypothesis Testing

The final step in the data analysis activities is to test the hypothesis, by using the partial regression coefficient (t-test). The formula [1] is:

$$t_{hitung} = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

III. RESULTS

Taxpayers’ Understanding

The definition of understanding proposed by the experts, “**Understanding is someone’s ability to understand or comprehend something after knowing or remembering; including the ability to capture the meaning of definition of the material being learned, expressed by outlining the basic contents of a reading, or changing the data presented in certain form to another form**”. [5]

2.2 Tax Penalty

When a taxpayer fulfills his taxation obligations, he is sometimes charged by a tax penalty, administrative or criminal penalty. Tax laws do not explain what is meant by administrative or criminal penalty. Only if we examine further the two types of penalty, the difference between them is only from the lightness or severity of penalty applied.

The form of administrative and criminal penalties imposed on any person who commits a tax violation has stipulated clearly in the Act [3].

.2.1 Definition of Tax Penalty

Tax penalty is a penalty in the form of administrative and criminal penalties that are charged to any person who violates the tax law [5].

In the tax law, there are two kinds of penalty, administrative and criminal penalties. A violation to tax law can be charged by administrative penalty alone, by criminal penalty alone, or by both administrative and criminal penalties.

Tax sanctions is a guarantee that the laws in taxation (Tax Norm) will be adhered to. Or, it could, in other words a tax penalty, is a deterrent (preventive) so that the taxpayer does not violate tax norms.[7]

2.3 Taxpayers’ Compliance

The taxation conditions that requires the active participation of taxpayers in paying the tax needs higher taxpayers’ compliance, which is the compliance in the fulfillment of tax obligations. According [8], the term of compliance is an obedience to the rules. In taxation, tax compliance can be defined as obedience to tax regulations. Therefore, the compliant taxpayer is one who dutifully obeys and fulfills the tax obligations that are in accordance with the regulations of tax law”.

Tax compliance can be defined as a situation where the taxpayer meets all tax obligations and the exercise of the right of taxation. [6]

Tax compliance is the taxpayer stipulated by the Directorate General of Taxation who meet certain criteria.

- a) **Timely in delivering the Notice.**
- b) **Not having unpaid tax for all types of taxes.**
- c) **Financial Statements audited by a public accountant or a financial monitoring body of government with the reasonable opinion without exclusions for three (3) consecutive years.**
- d) **Have never been convicted of a criminal act in tax under a court decision which have had permanent legal power in a period of 5 (five) years.[5]**

2.4. Relationship of Taxpayers’ Understanding and Tax Penalty with Taxpayers’ Compliance

Various attempts are made by the Ditjen Pajak to be able to collect taxes as much as possible. The efforts to maximize the tax revenue can not simply rely on the roles of Ditjen Pajak and tax officials, but also requires active participation of the taxpayers themselves. However, there are still many obstacles that hinder the effectiveness of tax collection. One of the obstacles that may hinder the effectiveness of tax collection is tax compliance. **Tax compliance can be defined as a situation in which the taxpayers meet all tax obligations and rights.[6]**

A. Figures and Tables

In this research, multiple regression analysis is used because there are two independent variables used as predictors, taxpayers’ understanding and tax penalty. One of the requirements to analyze the data is to change the ordinal data into interval data. Data transformation is needed to measure the ordinal data into a scale by changing the ordinal data with the data tabulation in the form of interval scale.

**Table 3.1
Analysis of Respondents’ Response
to Taxpayers’ Understanding**

Statement	SA	A	NA/D	D	SD	Score	Average
Knowing exactly the definition of tax	45	260	72	4	0	381	3.81
Knowing well all things that become the objects of taxation	30	224	99	10	0	363	3.63
Knowing who are the subjects of taxation	35	212	114	4	0	365	3.65
Knowing the reasons for tax charge	100	304	12	0	0	416	4.16
Knowing the functions and reasons for	100	212	75	4	0	391	3.91

tax is being charged to taxpayers							
Knowing the rights and obligations in taxation	65	244	78	0	0	387	3.87
Knowing the regulations and laws in taxation	35	152	147	12	0	346	3.46
Knowing how to pay tax in accordance with the prevailing tax regulations	45	272	69	0	0	386	3.86
Knowing well the penalties in taxation	40	168	126	14	1	349	3.49
Knowing that in tax laws it is stated that penalties will be charged to the taxpayers who are late in paying tax or not paying tax	80	224	78	4	0	386	3.86
Knowing how to fill in SPT correctly	30	212	123	0	0	365	3.65
Knowing that taxpayers will be charged by penalties that are in accordance with the prevailing tax regulations, if there is a false report in the SPT	45	204	99	14	0	362	3.62
Knowing how to write financial report correctly	40	204	123	0	0	367	3.67
Knowing the penalty charged for being late in reporting the annual SPT of personal income tax	65	228	90	0	0	383	3.83
Knowing how to calculate the amount of tax charged	50	160	150	0	0	360	3.60
Paying the income tax shortfall before checked by tax officials.	45	200	117	4	0	366	3.66

Table 3.2
Analysis of Respondents' Response to Tax Penalty

Statement	SA	A	NA/D	D	SD	Score	Average
Knowing that administrative penalty is a payment of this country losses	35	240	87	8	0	370	3.70
Knowing that taxpayers will be charged by prevailing administrative penalties if they are late in reporting and paying their tax shortfall	90	260	51	0	0	401	4.01
Knowing the various kinds of administrative penalties such as financial penalty, interest penalty, and an increase in the amount of penalty	25	160	144	14	0	343	3.43
Knowing that the financial penalty, interest penalty, and an increase in the amount of penalty are charged for the violations related to the obligations to report the SPT and to pay tax, and also the violations related to the obligations set out in the material provision	45	156	141	10	0	352	3.52
Being able to feel the impact of administrative penalty	60	204	108	2	0	374	3.74
The administrative penalty can reduce the violations related to the obligations to pay tax	140	144	105	2	0	391	3.91
Knowing that the criminal penalty is in the form of confinement and imprisonment	110	200	84	0	0	394	3.94

for the taxpayers							
Knowing that the criminal penalty is charged to the taxpayers who commit violations that are in accordance with the prevailing tax regulations	30	188	102	26	0	346	3.46
Knowing the various kinds of penalties such as criminal penalty, confinement penalty, and imprisonment penalty	110	200	81	2	0	393	3.93
The criminal penalty will reduce the percentage of tax fraud	100	184	96	4	0	384	3.84
Feeling the impact of criminal penalty if the taxpayer violates the prevailing tax regulations	145	184	75	0	0	404	4.04
The tax penalty may increase the level of taxpayers' compliance	85	248	57	4	0	394	3.94
Σ Average X₂							41.52
Average X₂							3.77

Tabel 3.3
Analysis of Respondents' Response to Taxpayers' Compliance

Statement	SA	A	NA/D	D	SD	Score	Average
I always fill in the SPT in accordance with the prevailing regulations	105	228	66	0	0	399	3.99
I always report the SPT on time	55	260	72	0	0	387	3.87
I always calculate the income tax shortfall correctly	85	228	78	0	0	391	3.91
I always pay the income tax shortfall on time	70	244	75	0	0	389	3.89
I allocate some funds to pay tax	75	248	69	0	0	392	3.92
I pay the tax in accordance with the prevailing tax regulations	135	236	42	0	0	413	4.13
Paying tax is a	140	224	45	0	1	410	4.10

form of participation in supporting the development of this country							
Tax is a form of community service to this country	130	236	42	0	1	409	4.09
Knowing and understanding the tax penalty charged if violating the tax regulations	70	176	114	8	0	368	3.68
Feeling the impact of tax penalty if violating the tax regulations	60	204	105	4	0	373	3.73
Knowing that the tax penalty is charged to the taxpayers who do not obey the tax regulations	105	180	90	8	0	383	3.83
Knowing that the tax penalty is a preventive tool so that the taxpayers do not violate the taxation norms	130	136	120	0	0	386	3.86
Σ Average Y							47.00
Average Y							3.92

5.1.6 Analysis of Multiple Correlation Coefficient.

The analysis of multiple correlation coefficient is used to find out how strong the relationship and how big is the effect of taxpayers' understanding (X₁) and tax penalty (X₂) on taxpayers' compliance (Y). This can be seen through the value of determination coefficient in the table below

Table 4.60

The Determination Coefficient of Taxpayers' Understanding (X₁) and Tax Penalty (X₂) on Taxpayers' Compliance (Y)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.869 ^a	.756	.751	3,197

a. Predictors: (Constant), tax_penalty, taxpayers'_understanding
Source: The Results of SPSS 20.0 Processing

5.2 Hypothesis Testing

In this research, the authors use the t-test to determine the effects partially and f-test to determine the effects simultaneously. The decision-making criteria for each test are presented in the table below.

Table 4.64
Simultaneous Hypothesis Testing

Testing	F calculation	F tabel	A	Testing Decision	Definition
X → Y	150.187	2,29	0,1	H ₀ is declined and H ₁ is accepted	Taxpayers' understanding and tax penalty simultaneously affects tax compliance

*)F_{tabel} = df ;v1 = 2 = and v2 = 100-1-2 = 97, F_{tabel} = 2,29

IV. DISCUSSION

1. The variable of taxpayers' understanding, which consists of indicators namely knowing the basic concepts of taxation, developing an understanding on the basic concepts of taxation, and knowing the important taxation terms, in general is good, especially the indicator of knowing the basic concepts of taxation that has the highest score 3.73. It means that the respondents have adequate understanding regarding taxation.
2. In general the variable of tax penalty, which consists of indicators namely administrative and criminal penalties, is good, especially the indicator of administrative penalty, the sub-indicator of feeling the impact of tax penalty, has the average score by 3.77. It means that the respondents understand and have felt the impact of tax penalty yet.
3. In general the variable of taxpayers' compliance, which consists of indicators namely reporting the SPT on time, having no tax shortfall, and never being charged by penalty because of committing violation in taxation, is good enough that has the average score of respondents' responses regarding taxpayers' compliance by 3.92. It means that the respondents have become the obedient taxpayers yet.
4. Based on the test of coefficient of determination between taxpayers' understanding (X₁) and tax penalty (X₂) with taxpayers' compliance (Y), the adjusted R Square is 75.1%. It means that taxpayers' understanding (X₁) and tax penalty (X₂) affects taxpayers' compliance (Y) by 75.1%.
5. Based on the results of the F-test, it is found that taxpayers' understanding (X₁) and tax penalty simultaneously have positive effect on taxpayers' understanding. This can be seen based on the calculation of $F_{hitung} > F_{tabel}$ (150.180 > 2.29).

V. CONCLUSION

Based on the research conducted at KPP Karees, it is found that taxpayers' understanding concerning the basic concept of taxation, the understanding concept of taxation dan the understanding of the important taxation terms and also tax penalties affect the taxpayers' compliance can be significantly proven by having some of the taxpayers reporting their SPT, have no taxation debts and have never been convicted to criminal act in taxation.

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