

The Influence of Subjective Norms, Taxation Knowledge, and Perception of The Financial Condition of The Personal Taxpayer on Personal Taxpayer Compliance in KPP Pratama Mulyorejo Surabaya

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Abstract: This research aims to determine what factors affect taxpayers' compliance in fulfilling their tax obligations. The three factors studied are subjective norms, taxation knowledge, and perception of the personal taxpayer's financial condition in KPP Pratama Mulyorejo Surabaya. The hypothesis testing in this study uses multiple linear regression analysis. Its results show that all the independent variables have a significant effect on the dependent variable. The conclusion from this study is that subjective norms, taxation knowledge, and perception of the individual taxpayer's financial condition affects the level of taxpayers' obedience in fulfilling their tax obligations in KPP Pratama Surabaya Mulyorejo.

1 INTRODUCTION

The taxation system in Indonesia is a self-assessment system. The implementation of a self-assessment system can run effectively and efficiently if the taxpayer compliance level is properly formed. However, in practice, the level of taxpayer compliance regarding fulfilling their tax obligations is low and this can be seen from a tax revenue that is not yet at its optimum. To be able to achieve the target tax revenue, then it needs to improve taxpayer compliance.

There are several ways to understand taxpayer compliance behavior, one of which is by using the theory of planned behavior (TPB). According to Ajzen (1991), the TPB is used because it can measure specifically taxpayer compliance behavior. In addition, according to Bobek and Hatfield (2003), their research explained that taxpayer compliance is strongly influenced by several variables. Some of these variables are subjective norms, knowledge of taxation, and the financial condition of the taxpayers themselves.

Tax is one of the biggest income contributors for the country. Tax Office Primary (KPP) is the main gateway for taxpayers to perform their tax obligation and conducts counseling, services, and

supervision of taxpayer income tax, value added tax, sales tax on luxury goods, and other indirect taxes.

According to data collected through the KPP Mulyorejo, state revenues in the tax sector in the last three years experienced a drastic change, in which the net tax revenue was unable to meet the budgeted tax revenue. This is because the amount of realized tax returns was still far from the number of effective taxpayers, which indicates the compliance ratio of taxpayers is not yet at its maximum.

This study aims to identify the factors that affect the level of taxpayer compliance in order to optimize the state revenue in the taxation sector.

2 LITERATURE REVIEW

2.1 Effect of Subjective Norms on Taxpayer Compliance

According to Ajzen (1991), subjective norms are the perception of social influences on forming certain behaviors.

In the research by Bobek and Hatfield (2003), it is found that subjective norms affect taxpayer compliance behavior and one indicator is the influence of family members, friends, and company leaders. Hanno and Violette (1996) also use family

indicators in their research. From this description, the proposed hypothesis is:

H1: Subjective norms affect the compliance of taxpayers in KPP Surabaya Mulyorejo.

2.2 Effect of Taxation Knowledge on Taxpayer Compliance

Knowledge of taxation is one of the factors that shapes perceptions about compliance behavior. In his research, Prasetyo (2006) revealed that the lack of information about the taxation system and related regulations means small business owners in the Jogjakarta area do not understand the obligation of taxation.

According to Hardiningsih and Yulianawati (2011), knowledge about taxation is a process of changing attitudes and taxpayer behavior through teaching and training. Therefore, it is necessary for each taxpayer to understand the tax system because the more taxpayers understand about tax, the more taxpayers will understand the sanctions that are applied when neglecting their tax obligations. From the description above, the proposed hypothesis is:

H2: Taxation knowledge affects the compliance of taxpayers in KPP Surabaya Mulyorejo.

2.3 Effect of Perceptions About Financial Conditions on Taxpayer Compliance

The financial condition is the taxpayers' financial ability that is measured according to their profitability. Profitability is one of the factors that influence taxpayer compliance behavior because profitability affects taxpayers reporting their tax (Slemrod, 1989).

According to Bradley (1994), taxpayers who have a high level of profitability tend to report taxes honestly while taxpayers who have low levels of profitability will tend to make irregularities by reporting taxes that do not fulfill the actual conditions. From the description above, the proposed hypothesis is:

H3: Perceptions about the taxpayer's financial condition affects taxpayer compliance in KPP Pratama Surabaya Mulyorejo.

3 RESEARCH METHODOLOGY

3.1 Conceptual Framework

Based on the background of this problem, the supporting theories, and the proposed hypotheses,

the conceptual framework used in this study is as follows:

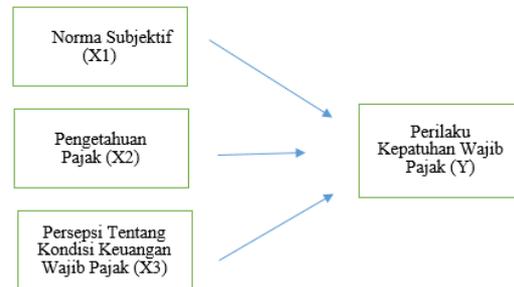


Figure 1: Conceptual Framework

3.2 Operational Definition and Variable Measurement

3.2.1 Taxpayer Compliance Variable (Y)

The taxpayer compliance variable is a dependent variable in which taxpayer compliance can be measured by using several indicators. According to Mustikasari (2007), taxpayer compliance can be measured by looking at several factors, namely:

1. The accuracy of taxpayers in submitting a tax return (SPT).
2. The accuracy of taxpayers in paying or depositing taxes.
3. The accuracy of the taxpayer in reporting their tax return in accordance with the conditions of the taxpayer.

3.2.2 Subjective Norms Variable (X1)

The subjective norm variable is one of the independent variables in this research. The subjective norm is a social factor derived from the perceived social pressure to encourage an action or behavior.

Subjective norms can be assessed from several indicators such as:

1. The biological family encourages compliance.
2. The non-birth family encourages compliance.
3. Close friends of taxpayers are pushing for compliance.
4. The other party taxpayer encourages compliance.

3.2.3 Taxation Knowledge Variable (X2)

An understanding of the rules and obligations of each taxpayer greatly affects the compliance of each taxpayer. According to Hardiningsih and Yulianawati (2011), the way to assess the taxpayer's

knowledge about taxation can be seen from several indicators, namely:

1. How much tax information taxpayers know.
2. An understanding of applicable tax laws.
3. The understanding of taxation programs issued by the Directorate General of Taxes.

3.3.4 Perception About Financial Condition of the Taxpayer Variable (X3)

The perception of the financial condition of taxpayers is a variable that greatly affects the compliance behavior of taxpayers. The financial condition is the financial ability of taxpayers that is measured from the taxpayer’s level of profitability. Profitability is one of the factors that influence the taxpayers’ intention to comply with the applicable tax laws. According to Mustikasari (2007), there are several indicators used to measure the financial condition of taxpayers:

1. Conditions of cash flow last year.
2. The amount of profit before tax last year.
3. The number of total assets owned by the taxpayer.

3.3.5 Research Model

The variables in this study are measured using an interval scale and a Likert scale is used to assess the variables using positive and negative statements. To test the hypothesis proposed in this study, a multiple linear regression equation is used:

$$Y = \alpha + b1X1 + b2X2 + b3X3 + e \tag{1}$$

Information:

Y = Taxpayer compliance

α = Constants

X1 = Subjective norm

X2 = Taxation knowledge

X3 = Perception of Taxpayer’s Financial Condition

b1,2,3 = Regression coefficient

3.3.6 Data

The data used in this study comes from interviews with informants and questionnaires distributed to respondents residing in Surabaya Tax Office.

The sampling technique involves a non-probability method with a random sampling of at least 100 respondents of effective taxpayers in KPP Pratama Surabaya Mulyorejo.

4 RESULT AND DISCUSSION

4.1 Results

Table 4.1: Multiple Linear Regression Analysis Results

Model	Unstand. Coef.		Stand. Coef.	T.	Sig.	Col sta.	
	B	Stat. Error.	Beta			Tol.	VIF
(Const)	8.035	3.372		2.38	.019		
NTOTAL	.480	.165	.290	2.90	.005	.581	1.72
PTOTAL	.573	.162	.362	3.53	.001	.552	1.81
PKTOTAL	.282	.102	.218	2.76	.007	.934	1.07

Based on table 4.1, the multiple linear regression equation is as follows:

$$Y = 8,035 + 0,480 X1 + 0,573 X2 + 0,282 X3 + e$$

The result of the hypothesis test shows a constant value of α equal to 8.035. This value is positive, which means if the independent variable, namely the subjective norm, taxation knowledge, or perception of financial condition has a value of 0 or constant, hence tax compliance is 8.035, which means the tax compliance rate will equal 8.035 if other variables are 0.

The result of the hypothesis test shows the value of b1 is 0.480, a significant positive value. The value indicates if there is an increase in the subjective norm variable (X1) and if the taxation knowledge variable (X2) and perception of financial condition variable (X3) are considered constant, then there will be an increase in tax compliance (Y) to 0.480. Such results indicate that the subjective norm affects taxpayer compliance in KPP Pratama Surabaya Mulyorejo.

The result of the hypothesis test shows the value of b2 is equal to 0.573, or a positive compliance value. This value indicates if there is an increase in the taxation knowledge variable (X2) and if the subjective norm variable (X1) and perception of financial condition (X3) are considered constant, then there will be an increase in tax compliance (Y) equal to 0.573. This result shows that the financial condition affects taxpayer compliance in KPP Pratama Surabaya Mulyorejo.

The results of the hypothesis test show that the value of b3 is equal to 0.282, a positive coefficient value. This value shows that if there is an increase in the perception of the financial condition variable (X3) and if the subjective norms variable (X1) and taxation knowledge variable (X2) are considered constant, there will be an increase in tax compliance by 0.282.

For the value of e (error) shown in the hypothesis test, the results obtained a value of 3.305. This value will be compared with the standard deviation of tax compliance variables (Y). If the value of e is smaller than the standard deviation of the tax compliance variable, then the regression model is good. The standard deviation value of the tax compliance variable obtained a value of 4.362, so the regression model used is good because the standard deviation value of the tax compliance variable is greater than the value e .

4.2 Discussion

The first hypothesis stated that subjective norms affect taxpayer compliance in KPP Pratama Surabaya Mulyorejo and is accepted. This is proven by the results of the linear regression test that shows a significant value on the partial test of 0.005 with a positive coefficient direction. According to Ajzen (1991), the subjective norm is the individual's perception of social influences in shaping certain behaviors. Subjective norms are also a function of perceived individual expectations where one or more people around them agree to a particular behavior and motivate the individual to obey them. Subjective norms are formed from normative beliefs and motivations from the influence of the referent group. Therefore, each individual can be affected or not affected by another, this depends on the personalities involved and the will of others. The results of this study are in accordance with research conducted by McGraw and Scholz (1991) who state that taxpayer compliance has an important influence on predicting the behavior of each taxpayer.

The second hypothesis states that taxation knowledge affects the compliance of individual taxpayers in KPP Pratama Surabaya Mulyorejo; this is accepted. This is seen by the results of the linear regression test that shows a significant value in the partial test of 0.001 with a positive coefficient direction. An understanding of the regulations and obligations of each taxpayer affects the compliance of each taxpayer. Taxpayers who do not know or understand the tax laws tend to become disobedient taxpayers so that they need an understanding of the tax regulations. According to Ajzen (1991) the fully functional in individuals is to process available information like behavioral traits such as social attitudes, knowledge, and personality traits. It plays an important role in predicting and explaining human behavior. The results of this study are in accordance with research conducted by Hardiningsih and Yulianawati (2011), which states that

knowledge about taxation is a process of changing attitudes and taxpayer behavior through teaching and training.

The third hypothesis states that the perception of the financial condition affects the compliance of individual taxpayers in KPP Pratama Surabaya Mulyorejo; this is accepted. This is proven by the results of the linear regression test that shows a significant value on the partial test of 0.007 with a positive coefficient direction. The financial condition is the financial ability of taxpayers that is measured from their profitability. Profitability is one of the factors that influence the taxpayers' intention to comply with the applicable tax laws. According to Ajzen (1991), performance is the most influential factor, at least for some non-motivational degree such as the availability of the necessary opportunities and resources (e.g. time, money, skills, and cooperation of others). Collectively, these factors represent people who actually have control over their behavior. The results of this study are in accordance with research conducted by Bradley (1994). Taxpayers who have a high level of profitability tend to report their taxes honestly and vice versa.

Simultaneously, the independent variables, namely the subjective norms, taxation knowledge, and perceptions of financial condition, have a significant positive effect on the tax compliance variable. This is because these three independent variables interact and become determinants of each individuals' behavior. The subjective norm is shaped by the expectations of others and the motivation to act. Lack of knowledge about taxes means every individual can be easily influenced by information from outside. The financial condition of each individual who has a low level of profitability will also affect the level of taxpayer compliance.

5 Conclusions

Based on the analysis, the following conclusions are drawn:

1. Subjective norms have a positive and significant effect on taxpayer compliance in KPP Pratama Surabaya Mulyorejo. This shows that taxpayer compliance has an important influence on predicting the behavior of each taxpayer.
2. Tax knowledge has a positive and significant effect on taxpayer compliance in KPP Pratama Surabaya Mulyorejo. This shows that knowledge about taxation is a process of changing attitudes

and behavior of taxpayers through teaching and training.

3. Perception of the financial condition of the individual taxpayer has a positive and significant effect on taxpayer compliance in KPP Pratama Surabaya Mulyorejo. This proves that taxpayers who have a high level of profitability tend to report their taxes honestly and vice versa.
4. Subjective norms, tax knowledge, and perception of the financial condition of individual taxpayers all have a positive and significant effect on taxpayer compliance in KPP Pratama Surabaya Mulyorejo.

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