

# Enhancing individual taxpayer compliance: the role of tax awareness, knowledge, and administrative sanctions KPP PJT

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## ABSTRACT

**Purpose:** This research analyzes the factors that influence individual taxpayer compliance at KPP PJT, specifically focusing on taxpayer awareness, knowledge and understanding of taxation, and the impact of administrative sanctions.

**Methods:** The research employed a proportional sampling technique and utilized questionnaires as the primary data collection instrument. The questionnaires were rated on a Likert scale of 1 to 5. Data analysis was conducted using multiple linear regression analysis with SPSS version 21.

**Findings:** The results revealed that taxpayer awareness, as well as knowledge and understanding of taxation, positively affect tax compliance, with significance levels of  $0.014 < 0.05$  and  $0.009 < 0.05$ , respectively; additionally, administrative sanctions significantly impact personal taxpayer compliance with a significance level of  $0.000 < 0.05$ , collectively influencing tax compliance at KPP PJT with an overall significance level of  $0.005 < 0.05$ .

**Practical Implications:** This research suggests that enhancing taxpayer awareness and knowledge of taxation can significantly improve compliance rates. Additionally, implementing effective administrative sanctions can further encourage compliance among individual taxpayers. These insights can assist policymakers in designing strategies and interventions to foster greater compliance among taxpayers.

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**Abstrak**

Tujuan: Penelitian ini bertujuan menganalisis faktor-faktor yang mempengaruhi kepatuhan wajib pajak individu di KPP PJT, dengan fokus khusus pada kesadaran wajib pajak, pengetahuan dan pemahaman tentang perpajakan, serta dampak sanksi administratif.

Metode: Penelitian ini menggunakan teknik pengambilan sampel proporsional dan memanfaatkan kuesioner sebagai instrumen pengumpulan data utama. Kuesioner dinilai menggunakan skala Likert dari 1 hingga 5. Analisis data dilakukan dengan analisis regresi linier berganda menggunakan SPSS versi 21.

Hasil: Hasil penelitian menunjukkan bahwa kesadaran wajib pajak, serta pengetahuan dan pemahaman tentang perpajakan, memiliki pengaruh positif terhadap kepatuhan pajak, dengan tingkat signifikansi  $0.014 < 0.05$  dan  $0.009 < 0.05$ , secara berturut-turut; selain itu, sanksi administratif berdampak signifikan terhadap kepatuhan wajib pajak pribadi dengan tingkat signifikansi  $0.000 < 0.05$ , yang secara kolektif mempengaruhi kepatuhan pajak di KPP PJT dengan tingkat signifikansi keseluruhan  $0.005 < 0.05$ .

Implikasi Praktis: Penelitian ini menyarankan bahwa meningkatkan kesadaran wajib pajak dan pengetahuan tentang perpajakan dapat secara signifikan meningkatkan tingkat kepatuhan. Selain itu, penerapan sanksi administratif yang efektif dapat lebih mendorong kepatuhan di antara wajib pajak individu. Wawasan ini dapat membantu pembuat kebijakan dalam merancang strategi dan intervensi untuk mendorong kepatuhan yang lebih besar di antara para wajib pajak.

Kata kunci: Kesadaran Pajak, Pengetahuan Pajak, Administrasi Pajak, Wajib Pajak

## 1. Introduction

Taxation plays a crucial role in driving economic activity in Indonesia. The increasing government revenue from taxes is obvious, as tax income has grown significantly over the years, both in total amount and as a part of the national revenue pie. This trend makes sense, considering that the number of active taxpayers is relatively low compared to the population and businesses. Moving forward, taxes are expected to be a primary source of revenue for the government, which could help lessen dependence on foreign loans (Prasetyo, 2006).

Despite the positive outlook, there are still numerous potential taxpayers who remain unregistered. Statistics reveal that out of 238 million, around 110 million are workers. Of this group, it is estimated that 50 million earn above the Non-Taxable Income threshold, yet only 8.5 million pay taxes. This results in a mere 7.73% tax compliance rate among active workers. As such, with a large population, most state revenue currently comes from just a small fraction of businesses and individuals, indicating significant potential yet to be tapped. This situation is hindered mainly by taxpayers' lack of awareness and knowledge.

For effective tax collection, the government must adhere to fundamental taxation principles and ensure operations are aligned with good governance practices. Taxes collected ultimately benefit the community by providing various public services and goods. However, media reports of corruption and budget mismanagement can negatively affect government credibility, impacting taxpayer trust in the system and their willingness to contribute to state revenue.

Research by Hardiningsih and Yulianawati (2011) suggests that taxpayers' awareness significantly influences their willingness to pay taxes, while their knowledge of regulations does

not appear to have a similar effect. Moreover, factors such as the perceived effectiveness of the taxation system and service quality also play a role, positively impacting the willingness to pay. The study highlights the complexity of understanding tax compliance behavior.

Additional studies, such as the one by Priantara and Supriyadi (2012), show that personal motivations and convenience can significantly affect an individual's decision to register as a taxpayer. However, factors related to sanctions and general perceptions may discourage compliance. When considered collectively, these factors significantly influence whether individuals comply with tax registration as required by law.

Per the KUP Law, individuals must have a Tax Identification Number (NPWP) if they meet specific criteria. Failure to register can lead to severe penalties, including imprisonment and hefty fines. However, many individuals continue to operate without proper registration, suggesting that enforcement of these sanctions is often inconsistent or weak. In light of these issues, researchers are keen to explore how tax awareness, knowledge, and the administration of tax penalties affect individual taxpayer behavior, particularly in tax offices like KPP PJT, where improving compliance could notably enhance state revenue.

## 2. Theoretical Background & Hypotheses

### Compliance Paying Taxes

Tax compliance can be understood as the attitude or behavior of taxpayers who fulfill all their tax obligations and enjoy all their tax rights by applicable laws and regulations (Rajiman, 2014). According to Ramadhani (2014), tax compliance creates an environment where taxpayers know their tax obligations. This is reflected in their understanding of tax regulations, complete and precise filling out of tax forms, accurate calculation of the amount of tax owed, and timely payment of taxes. Ramadhani also indicates that indicators of tax compliance include understanding tax law, paying taxes according to obligations, making timely payments, and not having tax arrears.

According to Hendayana et al. (2021), there are two types of tax compliance: formal compliance and material compliance. Formal compliance refers to when a taxpayer fulfills their tax obligations by focusing on the name and form of the obligation without considering its substance. For example, submitting an Annual Income Tax Return (SPT PPh) before March 31 to the tax office, regardless of whether the SPT's content is correct, is essential that the SPT is submitted before the deadline. On the other hand, material compliance means that a taxpayer not only meets obligations related to the name and form but also understands and fulfills the substance of their tax obligations.

### Taxpayer Awareness

Awareness is the ability of individuals to understand their surroundings and how to act or respond to them. According to Ramadhani (2014), awareness includes self-awareness, awareness of others, insights about the past, and thoughts about the future. A strong sense of awareness often stems from the motivation of taxpayers. When taxpayers are aware and motivated to fulfill their tax responsibilities, their willingness to pay taxes increases, leading to higher state tax revenue (Rajiman, 2014). Additionally, public perception of taxes can positively influence taxpayer awareness. Enhancing tax knowledge through formal and informal education can improve taxpayer awareness and willingness to pay (Ilyas & Burton, 2013).

## Knowledge of Tax

Knowledge, as defined by the Big Indonesian Dictionary (2016), is what we learn, influenced by internal factors like motivation and external factors like available information and cultural conditions. Rajiman (2014) describes knowledge as the understanding gained through reasoning, transforming uncertainty into clarity.

Tax knowledge helps change the attitudes and behaviors of taxpayers through education and training. Understanding public tax regulations through formal and informal education enhances taxpayer awareness and willingness to pay taxes. In the new tax system, taxpayers are trusted to accurately calculate, report, and pay their taxes. This system aims to inform taxpayers about the purpose of taxes and ensure fairness, where taxpayers follow tax rules, and the government uses tax revenues effectively for national development (Hendayana et al., 2021).

## Tax Administration Sanctions

Sanctions are punishments or coercive actions imposed for violations, characterized as negative legal consequences. Taxpayers with income exceeding the Non-Taxable Income (PTKP) who lack a Tax Identity Number (TIN) face criminal and administrative sanctions to ensure compliance with tax laws. A solid understanding of tax regulations is essential; those lacking such understanding are likelier to disobey their obligations. Awareness of tax rules correlates with knowledge of penalties for non-compliance. This understanding is crucial in Indonesia's self-assessment tax system, which relies on taxpayers to calculate and report their taxes accurately. Failure to meet these obligations results in legal consequences, highlighting the importance of being informed about the potential ramifications of one's actions or inactions.

## 3. Methods

This research employs a causal approach using quantitative methods, focusing on individual taxpayers at KPP PJT. The study's population included all tax office employees, utilizing a non-random proportional sampling technique. This method selects samples based on specific characteristics aligned with the research objectives, following the Slovin formula to achieve a sample size of 100. Data analysis will be conducted using a Multiple Regression model via SPSS version 25, allowing assessment of how independent variables influence the dependent variable. A positive coefficient indicates an increase in probability, while a negative coefficient suggests a decrease. The significance of each factor is also assessed, with more significant coefficients signifying greater impact. Lastly, the questionnaire data will undergo validity and reliability tests and checks for normality and other assumptions.

## 4. Results and Discussion

### Descriptive analysis

According to the data presented in Table 1, the descriptive analysis of the tax compliance variable indicates an average score of 4.3492, with a minimum value of 1 and a maximum value of 5, alongside a standard deviation of 0.89876. Based on the interval classifications, this average score falls into the high category.

Tabel 1. Descriptive analysis

|                           | N   | Range | Min | Max | mean       |            | Std. Deviation |
|---------------------------|-----|-------|-----|-----|------------|------------|----------------|
|                           |     |       |     |     | Statistics | Std. Error |                |
| Compliance Paying Taxes   | 100 | 4     | 1   | 5   | 43.492     | .07368     | .89876         |
| Awareness of Paying Taxes | 100 | 4     | 1   | 5   | 40.234     | .09721     | .77877         |
| Knowledge of Taxes        | 100 | 4     | 1   | 5   | 49.875     | .02671     | .45678         |
| Administrative Sanctions  | 100 | 4     | 1   | 5   | 41.890     | .02918     | .35567         |
| Valid N (listwise)        | 100 |       |     |     |            |            |                |

Source: Results of data processing with SPSS version 25

The descriptive analysis for the Awareness of Paying Taxes variable reveals an average score of 4.0234, with a minimum of 1, a maximum of 5, and a standard deviation of 0.77877, also categorizing it as high. The knowledge variable concerning taxation also shows an average value of 4.9875, with the same range and a standard deviation of 0.45678, placing it firmly within the high category. Lastly, the performance accountability variable has an average score of 4.1890, a minimum of 1, a maximum of 5, and a standard deviation of 0.35567, which is also classified as high.

### Hypotheses testing

The results of the multiple regression analysis, as shown in Table 2, allow us to create a multiple linear regression equation, which is formulated as follows:

$$CPT = 7.261 - 0.031 KT + 0.129 APT + 0.140 AS + e.$$

This equation indicates that when all independent variables are set to zero, the dependent variable ( $\beta$ ) equals 7.261. This constant value shows that the independent variables do not affect the level of tax compliance.

Regarding the impact of Awareness of Paying Taxes on tax compliance, the coefficient for this variable is -0.031. This means that if Awareness increases by one unit, tax compliance will decrease by 0.031, assuming all other variables remain unchanged. The coefficient for Knowledge of Taxes is 0.129, indicating that for each one-unit increase in tax knowledge, tax compliance increases by 0.129, again assuming other variables do not change. Lastly, the coefficient for Administrative Sanctions is 0.140, which means that with each one-unit increase in administrative sanctions, tax compliance will rise by 0.140, keeping other factors constant.

Partial hypothesis testing is conducted using the t-value, which measures the impact of each independent variable on the dependent variable while keeping other variables constant. According to the regression analysis results in Table 2, the taxpayer awareness variable has a coefficient of -0.031 and a probability value of 0.014, which is significant at the 5% level ( $\alpha = 0.05$ ). This indicates that taxpayer awareness significantly affects individual taxpayer compliance at KPP PJT.

Furthermore, the variable related to tax knowledge shows a coefficient of 0.129 with a probability value of 0.009, which is also significant. This suggests that an increase in tax knowledge positively impacts taxpayer compliance. Lastly, the administrative sanctions variable has a coefficient of 0.140 and a probability value of 0.000, which is highly significant. This result implies that administrative sanctions substantially influence individual taxpayer compliance at the same tax office.

Tabel 2. Hypotheses Testing

| Model             | Unstandardized Coefficients |            | Standardized Coefficients |        |       |
|-------------------|-----------------------------|------------|---------------------------|--------|-------|
|                   | B                           | Std. Error | Beta                      | t      | Sig.  |
| Constant          | 7,261                       | 3,801      |                           | 1,91   | 0,261 |
| APT               | -0,03                       | 0,121      | 0,137                     | 1,070  | 0,014 |
| KT                | 0,129                       | 0,132      | -0,031                    | -0,236 | 0,009 |
| AS                | 0,14                        | 0,114      | 0,204                     | 1,689  | 0     |
| F Value           |                             |            | 12,353                    |        |       |
| R Square          |                             |            | 0,659                     |        |       |
| Adjusted R Square |                             |            | 0,692                     |        |       |

Source: Results of data processing with SPSS version 25

The results of the multiple regression analysis shown in Table 2 indicate that the calculated F value is 12.353, with a probability value of 0.005. The significance level is set at 0.05, and the degrees of freedom (df) are calculated as  $(n - 1 - k)$ , which is  $(68 - 1 - 5) = 62$ , resulting in an F table value of 2.36. Since the calculated F value (12.353) is greater than the F table value (2.36), and the probability value of 0.005 is less than 0.05, this regression model meets the criteria for a good fit, making it suitable for predicting individual taxpayer compliance at KPP PJT.

The analysis also shows that the adjusted  $R^2$  value is 0.692, meaning that the independent variables can explain 69.2% of the dependent variable. Taxpayer awareness, knowledge of taxes, and administrative sanctions collectively contribute to personal taxpayer compliance by 69.2%, while the remaining 30.8% is influenced by other variables not included in this regression model.

## Discussion

### *Awareness of paying taxes against compliance with paying taxes*

The awareness of taxpayers regarding their tax obligations will improve if there is a positive perception in society about taxes. Enhancing the public's knowledge of taxation through formal and informal tax education will benefit taxpayers' awareness of fulfilling their tax duties. This heightened awareness stems primarily from the motivation of the taxpayers themselves. When taxpayer awareness is high, driven by the motivation to pay taxes, their willingness to do so will likewise increase, boosting state revenue from taxes. The findings of this study align with research conducted by Ramadhani (2014), which indicates that awareness of tax payment affects the willingness to pay taxes. Ramadhani's study was conducted among taxpayers at KPP Pratama Surakarta.

### *Knowledge of taxation against compliance paying taxes*

Understanding public tax regulations through formal and informal education will positively influence taxpayer awareness of tax payments. Equipped with knowledge of tax regulations within the new taxation framework, taxpayers can engage in national cooperation by calculating, paying, and self-reporting their taxes. This system aims to ensure that taxpayers comprehend the purpose of paying taxes. However, the findings of this study are inconsistent with Ramadhani's (2014) research, which suggests that knowledge and understanding of tax regulations do not significantly affect the willingness to pay taxes.

#### *Tax administration sanctions for paying tax compliance*

Fundamentally, enforcing tax sanctions is intended to promote compliance among taxpayers regarding their tax responsibilities. Therefore, taxpayers must comprehend these sanctions to be aware of the legal repercussions of their actions or inactions. To outline what should be avoided to circumvent tax penalties, this section will detail the various types of tax sanctions and their enforcement. Tax sanctions can be classified into two categories: administrative sanctions and criminal sanctions. The findings of this study align with the research Priantara and Supriyadi (2012), which indicates that these sanctions positively influence compliance among individual taxpayers at KPP XXX.

#### *Awareness of paying taxes, knowledge of taxes and tax administration sanctions compliance with paying taxes*

The Multiple Regression Analysis presented in Table 2 demonstrates that the factors of Tax Awareness, Tax Knowledge, and Administrative Sanctions collectively impact the compliance of individual taxpayers at KPP PJT. This supports findings from the research by Hardiningsih and Yulianawati (2011) regarding taxpayers in both Tahunan District and Jepara District who submitted SPT. Tax Awareness, Tax Knowledge, and Administrative Sanctions significantly influence compliance among individual taxpayers at KPP PJT.

## 5. Conclusion

Based on the research findings, tax awareness, knowledge, and administrative sanctions collectively influence individual taxpayer compliance at KPP PJT. Although tax awareness showed a negative statistical effect on compliance, this may be influenced by external factors such as public perception or policy implementation. In contrast, tax knowledge and administrative sanctions demonstrated significant positive effects, indicating that the better taxpayers understand the tax system and the legal consequences of non-compliance, the more likely they are to comply. These findings are consistent with several previous studies, although some differences remain.

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