

**TAXPAYER COMPLIANCE REVIEWED FROM TAXPAYER AWARENESS, TAXPAYER KNOWLEDGE, AND TAX AUDIT (STUDY AT THE OFFICE OF THE AGENCY OF REVENUE, FINANCIAL MANAGEMENT, AND REGIONAL ASSETS (BPPKAD) CITY OF SURAKARTA)**

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**Abstract:** *Taxpayer compliance is critical for creating orderly tax payments in Indonesia. Several factors can influence taxpayer compliance. Individual or internal taxpayers, as well as foreign taxpayers, can provide these factors. The goal of this study was to look into the impact of taxpayer awareness, knowledge, and tax audits on taxpayer compliance. The data used in this study are primary data gathered from questionnaires sent to employees of the Surakarta City Revenue, Financial Management, and Regional Assets Office (BPPKAD). The sample size is limited to 60 responders. Purposive sampling is utilized, which means that the sample technique is determined by particular factors. The validity test, reliability test, multiple linear regression, and statistical test t test were employed in this study. The SPSS for Windows version 24 program was used for hypothesis testing. Data analysis results reveal that taxpayer awareness, taxpayer knowledge, and tax audit all have an impact on taxpayer compliance. Each variable of taxpayer awareness, taxpayer knowledge, and tax audit has an impact on taxpayer compliance to some extent. This research will be utilized as a reference for future decision making, particularly in an effort to promote taxpayer compliance.*

**Keywords:** *Taxpayer awareness, Taxpayer knowledge, Tax audit, Taxpayer compliance.*

## 1. Introduction

Taxation is the most important source of governmental revenue in Indonesia. It was reported that the aim for state revenue from taxes in 2019 was more than Rp. 1,700 trillion. The Minister of Finance stated that the temporary realization of tax revenues had achieved Rp. 1,277.5 trillion, or 103.9 percent of the Rp. 1,229.6 trillion APBN objective for 2021. This result increased by 19.2 percent from tax receipts in 2020, which totaled Rp. 1,072.1 trillion because to the Covid-19 epidemic.

Based on current events, it is possible to conclude that the level of taxpayer compliance has increased, but the predicted tax has not yet achieved the target. With this, it is still required to raise the degree of taxpayer knowledge in order to boost tax compliance.

The issue of tax compliance in Indonesia is critical because noncompliance can lead to a desire to engage in tax evasion, evasion, and neglect, which will ultimately harm the state, namely the lack of income tax receipts from taxpayers as their obligations, which should comply and carry out their obligations as good Indonesians. Recent tax trials in Indonesia have made the general public and taxpayers concerned about paying taxes.

As a result, the government, in this case the tax authorities, must give a stimulus to boost taxpayer compliance so that future revenue targets can be met, if not exceeded. Taxpayer

compliance occurs when a taxpayer performs all of his tax duties. Compliance is a significant aspect of increasing realized tax revenue.

Various factors influence taxpayer compliance, including the existence of government programs or policies, taxpayer awareness of the importance of paying taxes, knowledge and comprehension of tax regulations, and tax services. The sunset policy, tax amnesty, and tax punishments are all government policies aimed at improving taxpayer compliance. Researchers will examine tax compliance through taxpayer awareness, taxpayer knowledge, and tax audits in this project.

Taxpayer awareness is required to support the level of taxpayer compliance, and taxpayer knowledge of the tax function is required to improve taxpayer compliance. "Taxpayer awareness is that taxpayers desire to automatically carry out their tax obligations such as registering, calculating, paying, and reporting the amount of tax owed," says Suandy (2011: 94).

Taxpayers' awareness of paying taxes is directly linked to their willingness to pay taxes; the greater their awareness of paying taxes, the greater their willingness to pay taxes (Samrotun and Kustiyah, 2014). According to Gautama (2014) and Samrotun and Kustiyah (2014) research, taxpayer compliance in paying taxes is affected by tax awareness. Fitria (2017) further demonstrates that taxpayer knowledge has a good and significant impact on individual taxpayer compliance.

Taxpayer knowledge is also vital in ensuring taxpayer compliance. Taxpayers' knowledge and awareness of taxes are required to improve taxpayer compliance. Taxpayers will endeavor to fulfill their tax duties in order to avoid tax penalties under tax regulations (Rahayu, 2017). Wijayanti et al. (2015:311) define knowledge of taxation as "the process through which taxpayers learn and know about regulations, laws, and taxation procedures and apply them to carry out tax activities such as paying taxes, reporting SPT, and so on." Taxpayer compliance will rise if someone already understands and knows about taxation.

Tax knowledge has an effect on taxpayer compliance, according to research by Rahayu (2017) and Fitria (2017). Meanwhile, studies by Gautama (2014) and Samrotun and Kustiyah (2014) show that tax knowledge and understanding have little effect on willingness to pay taxes.

According to Kirchler et al. (2008) research, tax compliance can be coerced by transferring control to taxpayers. In this instance, the tax authorities have the option of conducting a tax audit (tax audit). The existence of a tax audit will have unintended effects for taxpayers. Sanctions for non-compliant taxpayers are imposed in the form of letters of reprimand or strong action. According to Reinganum and Wilde (1985), taxpayers will be more careful in disclosing the amount of their income if they face a tax audit.

Tax auditing is a monitoring activity for the self-assessment system. Tax audits are directed by the law in their implementation (Rahayu, 2013, p. 245). The decision of taxpayers to submit their income is influenced by whether or not they will be audited (Allingham & Sandmo, 1972).

According to Advani et al. (2015) research, tax audits were done by tax authorities to get an assessment of tax compliance and to apply tax legislation. Mandagi et al. (2014) performed research at KPP Pratama Manado on the influence of tax audits on corporate taxpayers' degree of compliance in completing tax responsibilities. According to the study's findings, the implementation of the tax audit had a 64.7 percent impact on the degree of corporate taxpayer compliance, while the remaining elements were not investigated.

This research was conducted at the Office of the Regional Revenue, Financial Management, and Assets Agency (BPPKAD) Surakarta City. The purpose of this study was to determine the effect of taxpayer awareness, taxpayer knowledge, and tax audit on taxpayer

compliance.

## **2. Literature Review**

### **2.1 Taxpayer Compliance**

Taxpayer compliance is the voluntary fulfillment of tax duties carried out by taxpayers in the context of contributing to the growth of the country. According to Gunadi (2013: 94), taxpayer compliance means that taxpayers are willing to fulfill their tax obligations in accordance with applicable regulations without the need for inspections, thorough investigations, warnings or threats, and the imposition of both legal and administrative sanctions.

### **2.2 Taxpayer Awareness**

According to Safri (2013), awareness is a person's conduct toward an object that includes feelings and assumptions about how the item should be acted upon. As a result, awareness in paying taxes can be defined as a taxpayer's conduct in the form of feelings that include beliefs and information about the tax. Thus, taxpayer awareness is a taxpayer's conduct or action that demonstrates a sense of responsibility for taxation.

### **2.3 Taxpayer Knowledge**

According to Supriyati (2018: 23), understanding of taxation refers to the notion of general provisions in the field of taxation, the types of taxes that apply in Indonesia, and how to fill out tax reports. According to Wardani and Rumiya (2017), tax knowledge is a fundamental understanding for taxpayers of the law, legislation, and proper taxation procedures. Taxation knowledge can be increased through formal and non-formal education.

### **2.4 Tax Audit**

According to Burton (2001:57), a tax audit is "one of the rights of the tax authorities in accordance with article 20 of the Law on General Provisions and Tax Procedures." Tax audits are performed by tax auditors who already have an examiner's identification and an Audit Warrant, which must be shown to the taxpayer being examined.

## **3. Research Method**

This study applied quantitative approach. The data used in this study are primary data gathered from questionnaires sent to employees of the Surakarta City Revenue, Financial Management, and Regional Assets Office (BPPKAD). The sample size is limited to 60 responders. Purposive sampling is utilized, which means that the sample technique is determined by particular factors. The validity test, reliability test, multiple linear regression, and statistical test t test were employed in this study. The SPSS for Windows version 24 program was used for hypothesis testing.

## **4. Result and Discussion**

The following are the results of statistical analysis for hypothesis testing and discussion of statistical analysis testing.

### **4.1 Data Analysis**

#### **4.1.1 Instrument Testing**

Before beginning the investigation, a questionnaire test, also known as instrument testing, was conducted. During the testing phase of this instrument, 70 questionnaires were given, and 60 respondents were able to process them due to 10 damaged or incomplete questionnaires. Validity and reliability are components of the instrument test:

##### **a. Validity Test**

Each item's validity is tested by factor analyzing each question item from the four

variables, namely taxpayer awareness, taxpayer knowledge, tax audit, and taxpayer compliance. Factor analysis is the process of determining which variables are qualified for inclusion in the subsequent analysis so that one or more sets of variables with fewer than the initial number of variables can be created. Factors can evaluate data that have the KMO test (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) and Barlett's Test of Sphericity above 0.5 and a significance below 0.05, as well as the Anti Image Matrics Coefficient as Measures of Sampling Adequacy (MSA) minimum 0.5.

A factor analysis was judged practicable if it met the parameters of the KMO test (Kaiser-Meyer-Olkin Measure of Sampling Adequacy)  $> 0.5$  and Bartlett's Test of Sphericity at a significance  $> 0.05$ , according to Hair et al. (1998). The Anti Image Matrics as Measures of Sampling Adequacy (MSA) coefficient is at least 0.4. The high and low validity of a questionnaire may be determined by examining the FL (Factor Loading), where if the FL of an item is greater than 0.5, the item is valid, and vice versa if the FL in the questionnaire is less than 0.5, the item is invalid. The KMO value is 0.769, the MSA of each item is  $> 0.5$ , and the factor loading is  $> 0.5$ , indicating that the question items on the variables of taxpayer awareness, taxpayer knowledge, tax audit, and compliance taxpayer are valid. The loading factor's value is shown in the table below:

Table 1. Result of Validity Test

Variable	Components	Interpretation
KWP1	0,868	VALID
KWP2	0,801	VALID
KWP3	0,749	VALID
KWP4	0,808	VALID
KWP5	0,863	VALID
PWP1	0,796	VALID
PWP2	0,779	VALID
PWP3	0,718	VALID
PWP4	0,698	VALID
PWP5	0,764	VALID
PWP6	0,760	VALID
PWP7	0,816	VALID
PWP8	0,779	VALID
PWP9	0,784	VALID
PP1	0,737	VALID
PP2	0,840	VALID
PP3	0,816	VALID
PP4	0,869	VALID
PP5	0,848	VALID
KPWP1	0,778	VALID
KPWP2	0,734	VALID
KPWP3	0,780	VALID

Source: Data Analysis 2022.

#### b. Reliability Test

The reliability test determines how accurate, stable, and consistent the measurement is when repeated measurements are taken on the same subject. The Cronbach alpha formula was

used in the reliability test. The dependability of each variable can be seen from the results of data processing using SPSS 24:

Table 2. Result of Reliability Test

Quantity	$R_{count}$	$R_{table}$	Interpretation
Taxpayer awareness	0,9306	0,60	Reliable
Taxpayer knowledge	0,9234	0,60	Reliable
Tax audit	0,9060	0,60	Reliable
Taxpayer compliance	0,8617	0,60	Reliable

Source: Data Analysis 2022

Table 4.11 shows that  $r_{count} > r_{table}$  at a 5% significance level suggests that the questions related to the taxpayer awareness variable, taxpayer knowledge, tax audit, and taxpayer compliance are reliable since  $r_{count} > 0.60$ .

## 4.2 Hypothesis Test

A hypothesis is a short-term solution to a problem. As a result, this interim response must be empirically tested. Multiple regression approaches were used in this work to assess hypotheses (Multiple Linear Regression).

### 4.2.1 Multiple Linear Regression Analysis

The hypothesis is tested in this study using multiple regression (Multiple Linear Regression), which will be empirically tested to find a functional relationship between two or more independent variables and the dependent variable, or to predict the dependent variable using two or more independent variables. The following table shows the results of the multiple linear test in this study:

Table 3. Result of Multiple Linear Regression Analysis

Variable	Regression Coefficient	t count	t table	Significant
Taxpayer compliance	0,260	2,819	1,67	0,000
Taxpayer knowledge	0,138	2,309	1,67	0,005
Tax audit	0,237	2,482	1,67	0,006
Constanta	8,796			
Adj.R Square	0,950			
R square	0,952			
F count	373,303			

Source: Data Analysis 2022

Based on the results of the table data processing test above, it can be obtained multiple linear regression equations as follows:

$$Y = 8,796 + 0,260 X_1 + 0,138 X_2 + 0,237 X_3$$

Explanation:

- The positive constant number (8,796) implies that if there is a taxpayer awareness factor ( $X_1$ ), taxpayer knowledge ( $X_2$ ), and tax audit ( $X_3$ ), then taxpayer compliance ( $Y$ ) will grow.

As can be seen, taxpayer compliance is influenced by factors such as taxpayer awareness, taxpayer knowledge, and tax audits with strong effect.

- b. A positive value for the regression coefficient of taxpayer awareness factor (0.260) suggests that there is a significant unidirectional association between taxpayer awareness factor (X1) and taxpayer compliance (Y). This means that as taxpayer awareness grows, so will taxpayer compliance.
- c. The regression coefficient on the taxpayer knowledge factor (0.138), the regression coefficient on the taxpayer knowledge factor, shows a substantial positive effect on taxpayer compliance, implying that as taxpayer knowledge improves, so will compliance.
- d. The regression coefficient of the tax audit factor (0.237), the linear regression coefficient on the tax audit factor, has a positive value, indicating that there is a significant unidirectional relationship between the tax audit factor and the taxpayer compliance variable, implying that as the tax audit improves, so will taxpayer compliance.

#### **4.2.2 Coefficient of determination ( $R^2$ ) Analysis**

The coefficient of determination ( $R^2$ ) test findings reveals the effect of the independent variables on taxpayer awareness, taxpayer knowledge, and tax audit. The coefficient of determination test yielded a value ( $R^2$ ) of 0.950. Thus, the independent variables of taxpayer awareness, taxpayer knowledge, and tax audit had a 95.0 percent effect on taxpayer compliance. Meanwhile, other factors may have an impact on the 5.0 percent taxpayer compliance rate.

#### **4.2.3 Simultaneous Significance Analysis (Statistical Test F)**

The F test was used to examine the effect of the independent variable on the dependent variable at the same time. The simultaneous significance test, often known as the F test, examines the effect of the independent factors on the dependent variable at the same time. This test is performed by comparing the significance probability value (Sig.) F to the stated significance limit of 5% or 0.05. The analysis results show a value of  $F_{count} = 373.303$  with  $sig = 0.000$  5%, implying that the calculated F value is significant, implying that the taxpayer awareness variable, taxpayer knowledge, and tax audit all have a significant effect on the taxpayer compliance variable of employees at the Regional Revenue, Financial Management, and Assets Agency (BPPKAD) Surakarta City.

#### **4.2.4 Individual Parameter Significance Test (Test Statistical t)**

The t-test was employed to determine the independent variable's partial effect on the dependent variable. The probability value or p-value (sig-t) is compared with a significance threshold of 0.05 in this test. If the p-value is less than 0.05,  $H_a$  is accepted; if the p-value is larger than 0.05,  $H_a$  is rejected. The findings of this study's partial t test analysis are as follows:

1. When the influence of the taxpayer awareness factor on taxpayer compliance is tested at a significant level of 0.05,  $t_{count}$  of 2.819 >  $t_{table}$  1.67 is found, and  $H_0$  is rejected. It follows that taxpayer awareness factors (X1) have a considerable influence on staff taxpayer compliance at the Surakarta City Revenue, Financial Management, and Regional Assets Agency (BPPKAD).
2. When the influence of taxpayer knowledge on taxpayer compliance is tested at a significant level of 0.05,  $t_{count}$  of 2,309 >  $t_{table}$  of 1.67 is obtained, and  $H_0$  is rejected. It follows that there is a strong influence between taxpayer knowledge (X2) on staff taxpayer compliance at the Office of Revenue, Financial Management, and Regional Assets (BPPKAD) Surakarta City.

3. When the effect of tax audit factors on taxpayer compliance is tested at a significant level of 0.05, a t count of 2.482 > t table 1.67 is obtained, and Ho is rejected. It follows that there is a considerable effect of the tax audit factor (X3) on staff taxpayer compliance at the Surakarta City Revenue, Financial Management, and Regional Assets Agency (BPPKAD).

### **4.3 Discussion**

#### **The Effect of Taxpayer Awareness on Taxpayer Compliance.**

The purpose of this hypothesis is to see if taxpayer awareness improves staff taxpayer compliance at the Surakarta City Revenue, Financial Management, and Regional Assets Agency (BPPKAD). Table 3 shows that at a significance level of 0.05, tcount of 2.819 > ttable of 1.67 indicates that Ho is rejected. It follows that there is a strong effect between taxpayer awareness variable on staff taxpayer compliance at the Surakarta City Office of Revenue, Financial Management, and Regional Assets (BPPKAD).

The hypothesis suggests that there is a positive effect of taxpayer awareness on taxpayer compliance, which indicates that if taxpayers are aware, they will be more likely to comply with their tax duties. Internal and external variables influence taxpayer awareness. Internal factors originate within the taxpayer, and external influences originate from a variety of sources. Tax returns, invoices, inspections performed by the audit team from the tax authorities, and so on are instances of external factors.

This study's findings reflect prior research by Fitria (2017), which found that taxpayer awareness had a positive and significant effect on taxpayer compliance levels, as well as research by Manek (2019), which found that taxpayer awareness has a favorable effect on taxpayer compliance. This study is also consistent with the findings of Pravasanti and Pratiwi (2021), who discovered that taxpayer awareness influences taxpayer compliance. Then, support the findings of Nafiah et al., (2021) research, which also shows consistent results, namely that taxpayer awareness has a positive and significant effect on taxpayer compliance. The findings of this study back up the findings of Madjodjo's (2022) research, which show that taxpayer awareness has a large and favorable effect on MSME taxpayer compliance in Tidore Archipelago City, either partially or simultaneously.

#### **The Effect of Taxpayer Knowledge on Taxpayer Compliance.**

This hypothesis is to determine whether there is a positive effect between taxpayer knowledge on employee taxpayer compliance at the Surakarta City Office of the Regional Revenue, Financial Management, and Assets Agency (BPPKAD). Table 3 shows that at a significance level of 0.05, tcount of 2,309 > ttable of 1.67 indicates that Ho is rejected. It follows that taxpayer awareness variables have a considerable influence on employee taxpayer compliance at the Surakarta City Revenue, Financial Management, and Regional Assets Agency (BPPKAD) Office. These findings suggest that enhancing taxpayer understanding can enhance taxpayer compliance to pay taxes, hence increasing tax revenues.

The findings of this study are consistent with Manek's (2019) research, which found that tax knowledge improves taxpayer compliance. This study also backs up the findings of SalSabila's (2020) research, which found that tax knowledge has a favorable and significant effect on taxpayer compliance. This study is also consistent with Wujarso's (2020) findings that tax awareness influences taxpayer compliance. Sufficient tax knowledge can influence taxpayer compliance (Manual & Zhi Xin, 2016). People cannot pay taxes in good faith unless they understand taxes and their benefits (Ariyanto et al., 2020).

#### **Effect of Tax Audit on Taxpayer Compliance.**

This hypothesis seeks to determine whether tax audits have a positive effect on taxpayer

compliance. Table 3 shows that at a significance level of 0.05, tcount of 2.482 > ttable of 1.67 indicates that  $H_0$  is rejected. It follows that there is a significant effect between tax audit factors on staff taxpayer compliance at the Surakarta City Office of the Regional Revenue, Financial Management, and Assets Agency (BPPKAD). According to the findings of this study, the presence of a tax audit encourages taxpayer compliance. This audit action is carried out as a way of law enforcement for taxpayers or tax insurers who fail to meet their tax responsibilities, and it is a critical step in securing and expanding state income from the tax sector.

The findings of this study are consistent with the findings of Wahyono (2018), who discovered that tax audits have an impact on taxpayer compliance. This study also backs up the findings of Lesmana (2020) and Windasari (2021) research, which suggest that tax audits have an influence on taxpayer compliance.

## **5. Conclusion and Suggestion**

### **5.1 Conclusion**

Referring to the results of the previous analysis and discussion regarding the effect of taxpayer awareness, taxpayer knowledge, and tax audit on taxpayer compliance, it can be concluded as follows.

- a. Taxpayer awareness has a significant effect on employee taxpayer compliance at the Office of the Regional Revenue, Financial Management and Assets Agency (BPPKAD) Surakarta City. This means that if taxpayers have high awareness, it will increase taxpayer compliance in fulfilling their obligations to pay taxes. On the other hand, the lack of awareness of taxpayers will result in a decreased level of taxpayer compliance.
- b. Taxpayer knowledge has a significant effect on employee taxpayer compliance at the Office of the Revenue, Financial Management, and Regional Assets (BPPKAD) Surakarta City. This means that if taxpayers have good knowledge and understanding of taxation, it will further increase taxpayer compliance in fulfilling their obligations to pay taxes. On the other hand, a lack of knowledge and understanding of taxation will result in a decreased level of taxpayer compliance.
- c. Tax audits have a significant effect on employee taxpayer compliance at the Office of the Surakarta City Revenue, Financial Management, and Regional Assets Agency (BPPKAD). This means that tax audits will encourage taxpayer compliance.

### **5.2 Suggestion**

Through the results of this study, the researchers wrote several suggestions, as follows:

- a. It is hoped that stakeholders can take roles and actions in an effort to improve taxpayer compliance, so that state revenues are high and the state has more ability to finance its expenditures in order to improve people's welfare.
- b. For researchers, it is hoped that further research should add other variables that can affect taxpayer compliance, in order to develop this research. Furthermore, it can also be related to other factors that affect compliance, such as administrative sanctions which are part of the taxpayer knowledge indicator but are not discussed in depth in this study.

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