

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

National development is an effort to improve the welfare of the people that continues over time. In the effort to realize national development, the government needs a substantial amount of fund. By ignoring any source of funds from abroad, one of the forms of independence of a nation or state in encouraging development is by collecting domestic funds optimally.

Currently, tax is one of Indonesia's main sources of income which is important for the country's sustainability. From year to year, the revenue from tax sector is expected to increase along with the development and progress of the country. The role of tax for the country's development is increasingly important, as the funds that will be used for the country's development are largely financed by tax revenue. Tax revenue contributes a significant amount towards the overall state revenue, thus the public need to be aware of their roles as taxpayers and meet their obligations, either individual taxpayer or business entity to the importance of tax for the life of the nation.

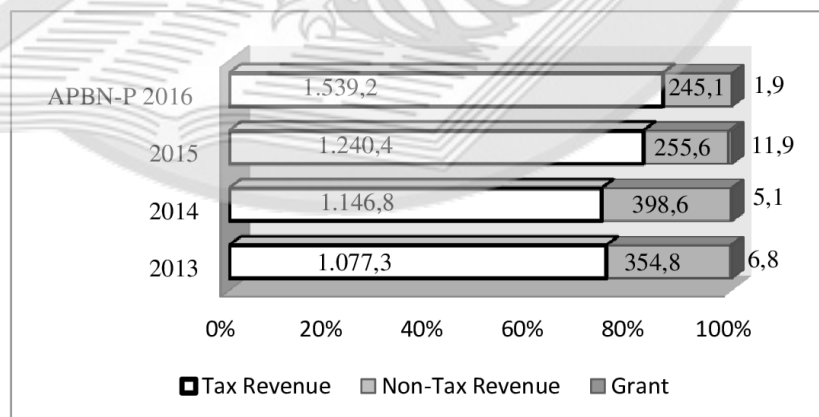


Figure 1.1 State Revenue Realization 2013-2016 (in trillion rupiah).
Source: Central Bureau of Statistics (2017)

As one of the country's main income sources, the amount of tax revenue realization is expected to increase from year to year. According to CNN Indonesia (2016), the Directorate General of Taxes stated that tax revenue realization up to November 2016 only reached 71.2% from the target. Furthermore, the Directorate General of Taxes and the Ministry of Finance recorded that as of November 2017, the tax revenue realization had reached only 78% from the tax revenue target (Tempo.co, 2017). Based on the Revised State Budget for 2017 (APBN-P), the government set the target for tax revenue for Rp 1.472.700.000.000.000 (Direktorat Jenderal Perbendaharaan Kementerian Keuangan RI, 2017). From the data above, it could be seen that tax revenue realization is hard to be achieved. The problem that often occurs regarding tax revenue realization is the non-compliance of taxpayers towards their taxation obligations.

Taxation in Indonesia appears to face low tax compliance issue, as shown by the relatively low tax ratio. Tax ratio is the ratio of tax revenues to GDP (Gross Domestic Product). According to Winardi (2016) in The Seventh IMF-Japan High-Level Tax Conference, Indonesia's tax ratio was around 12% from year 2004-2014, and 11,5% in 2017 (Kementrian Keuangan, 2017). The tax ratio of Indonesia is the lowest if compared to other Asia countries such as Singapore, Malaysia, Philippines, Korea and Japan (OECD, 2017). The Directorate General of Taxes always aims to improve taxpayer compliance in order to achieve the successful realization of tax revenue which in turn improves the tax ratio in Indonesia.

The government of Indonesia stipulated an ambitious fiscal policy called Tax Amnesty in July 2016 to improve tax revenue realization and taxpayer compliance. According to Law of the Republic of Indonesia Number 11 Year 2016 concerning Tax Amnesty, Tax Amnesty is a program offered to taxpayers, who previously did not disclose their full wealth in the annual tax report, which waives

tax payables, administration sanctions and criminal sanctions by paying redemption money.

The tax office in this research is *Kantor Pelayanan Pajak Pratama Medan Kota (KPP Pratama Medan Kota)*. The tax office is listed as one of the Regional Tax Office of Directorate General of Taxes (DGT) North Sumatera I (*Kantor Pelayanan Pajak Kanwil DJP Sumatera Utara I*). *KPP Pratama Medan Kota* is selected as the research location due to data availability which is used to identify the individual taxpayer compliance in Medan and subsequently used as one of the benchmark figures in North Sumatra to measure individual taxpayer compliance. The ratio of individual taxpayer compliance can be seen from the submission of Tax Return in *KPP Pratama Medan Kota* from 2014-2017 which is shown in the table below:

Table 1.1 Individual Taxpayer in KPP Pratama Medan Kota from 2014-2017

No.	Year	Individual Taxpayers		Realization of Tax Return Submission	Compliance Ratio (%)
		Registered	Required to Submit Tax Return		
1.	2014	248.408	53.934	30.899	57,29
2.	2015	261.984	48.334	36.671	75,87
3.	2016	276.759	54.671	39.940	73,06
4.	2017	288.993	49.645	39.959	80,49

Source: Data Processing and Information Document of *KPP Pratama Medan Kota* (2018)

Based on Table 1.1, it can be seen that the ratio of compliance in Tax Return submission did not reach the desired amount. Moreover, the ratio did not always increase each year. This has shown that the effort of *KPP Pratama Medan Kota* to improve the individual taxpayer compliance is not yet maximal.

Based on the explanation above, the writer is interested to conduct the research with the title **“THE IMPACT OF TAX AMNESTY IMPLEMENTATION TOWARDS INDIVIDUAL TAXPAYER COMPLIANCE AT KPP PRATAMA MEDAN KOTA”**.

1.2 PROBLEM LIMITATION

Based on the background of the study, this research has several problem limitations which are shown as follows:

1. This research is limited to two variables which are Tax Amnesty implementation and its relation to individual taxpayer compliance.
2. The Tax Amnesty policy being studied in this research is the policy issued according to Law of the Republic of Indonesia Number 11 Year 2016 concerning Tax Amnesty.
3. This research excludes the report of individual taxpayer who participated in Tax Amnesty.

1.3 PROBLEM FORMULATION

Based on the background of the study description stated above, the problem formulations are as follows:

1. Does Tax Amnesty have a relationship with individual taxpayer compliance at *KPP Pratama Medan Kota*?
2. Does Tax Amnesty have significant influence on individual taxpayer compliance at *KPP Pratama Medan Kota*?
3. Does Tax Amnesty contribute to individual taxpayer compliance at *KPP Pratama Medan Kota*?

1.4 OBJECTIVE OF THE RESEARCH

Based on the problem formulated in this research, the objectives are as follows:

1. To identify the relationship between Tax Amnesty implementation and individual taxpayer compliance at *KPP Pratama Medan Kota*.
2. To find out the significant influence between Tax Amnesty implementation and individual taxpayer compliance at

KPP Pratama Medan Kota.

3. To figure out how much Tax Amnesty contributes to individual taxpayer compliance at *KPP Pratama Medan Kota.*

1.5 BENEFIT OF THE RESEARCH

1.5.1 THEORETICAL BENEFIT

Theoretically, the result of this study is expected to give significant contribution of thought as the input for literature review and for the development of taxation knowledge especially regarding the impact of Tax Amnesty implementation towards the compliance of individual taxpayer. This study is also expected to improve existing theories and to give useful feedback for the application of taxation theories. Moreover, this research is expected to enrich knowledge and experience of the writer in relation to the impact of Tax Amnesty implementation towards individual taxpayer compliance. Lastly, this study may provide useful input as reference materials and considerations for further research.

1.5.2 PRACTICAL BENEFIT

1. For *KPP Pratama Medan Kota*, the result of this research may provide useful input for the implementation of future Tax Amnesty program to improve taxpayer compliance.
2. For taxpayers, the result of this research is expected to increase the motivation of taxpayers to be more compliance towards taxation regulations and provisions.

1.6 SYSTEM OF WRITING

The systematic outline of writing in this *skripsi* is as follows:

CHAPTER I : INTRODUCTION

In this chapter, the writer describes the background of Tax Amnesty implementation and the reason of selecting of *KPP Pratama Medan Kota* as the research object. The problem limitations and problem formulations are formed based on the background of the study. The objectives of the research are formed based on the problem formulations. The benefits of this research contain both theoretical and practical benefits. This chapter also includes systems of writing.

CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter explains theories such as the explanation of tax, taxpayer, Taxpayer Identification Number and Tax Return. The objectives, principles, subjects, objects and the facilities of Tax Amnesty are also included along with the factors affecting taxpayer compliance. This chapter also includes previous research, hypothesis development, research model and framework of thinking.

CHAPTER III : RESEARCH METHODOLOGY

In this chapter, the writer explains the research design which uses quantitative method, population, sample and data collection method which consist of primary data and secondary data. This chapter also includes the operational variable definition and variable measurement and data analysis method.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter consists of general view of *KPP Pratama Medan Kota* such as brief history, vision and mission, organization structure and task allocation. The data analysis consists of descriptive statistic, data quality test result, classic assumption test result, hypothesis test result and correlation analysis result.

CHAPTER V : CONCLUSION

This chapter consists of the conclusion from the research result, implication and recommendations.

