

CHAPTER I

INTRODUCTION

1.1 Background of the Study

To run governance in a country, of course requires a lot of funds. According to Law Number 17 of 2003 concerning State Finance, it is stated that state revenue is all revenue that originates from taxation revenue, non-tax state revenue, and income of domestic and foreign grants. The biggest source of income for Indonesia comes from the tax sector consisting of Income Tax, Value Added Tax, Sales Tax on Luxury Goods, Land and Building Tax, Export Tax, International Trade Tax and Customs and Withholding Taxes.

In the public interest, the people especially taxpayers, must comply with tax payments in accordance with the regulations in force in Indonesia. Therefore, every year the government always tries to maximize revenue in the taxation sector by improving the quality of tax services, counseling various places to explain the importance of awareness and understanding of taxes and their benefits for national development and state financing.

Although there are regulations that require taxpayers to pay taxes properly and on time, but still so many taxpayers that do not pay taxes that makes the development of the country become slow that will give impact for the people that are the citizens of the country whether the taxpayers or non-taxpayers.



Figure 1.1 State Tax Revenue Year 2015-2018

Source: *Finance Detik (2018) & Bisnis Tempo (2019)*

The figure above shows the realization of state tax revenues from 2015-2018, although the tax revenue is high but still not reach the target of the State Budget (*Anggaran Pendapatan dan Belanja Negara*). That is because a large amount of tax debt that is not or has not been paid by taxpayers which called as tax arrears.

The Directorate General of Tax is an institution appointed by law to carry out the service, supervision and law enforcement functions of the taxpayer. Tax Collection is one of law enforcement functions that is given authority by taxation law to the Directorate General of Taxes. The purpose of tax collection is for taxpayers or tax bearer to pay the tax debt and tax collections fee.

Table 1.1 Report of Tax Arrears Progress 2015-2018

Year	Beginning Balance	Additional Arrears	Disbursement	Ending Balance
2015	Rp.249.496.080.786,-	Rp.205.866.037.264,-	Rp.216.700.775.368,-	Rp.238.661.342.682,-
2016	Rp.238.661.342.682,-	Rp.161.507.838.935,-	Rp. 85.835.628.782,-	Rp.314.333.552.835,-
2017	Rp.315.104.477.932,-	Rp.145.205.200.350,-	Rp.331.844.203.390,-	Rp.128.465.474.892,-
2018	Rp.128.465.474.895,-	Rp.214.982.553.443,-	Rp.203.909.252.556,-	Rp.139.538.775.782,-

Source: *Billing Section of KPP Pratama Medan Polonia (2019)*

The table above shows the amount of tax arrears in KPP Pratama Medan Polonia from the year 2015-2018. The ending balance shows that every year there is still a big amount of tax arrears.

To disburse the tax arrears, the relevant government, which is KPP Pratama Medan Polonia (one of the work units of Kanwil DJP Sumatera Utara I) carrying out tax collection effort through Warning Letter, Distress Warrant, and Confiscation Letter.

Based on the Minister of Finance Decree No. 561 / KMK.04 / 2000 article 5, the act of tax collection begins with a Letter of Reprimand, Warning Letter or other similar documents by the official or power of attorney. As well as the enactment of Law of the Republic of Indonesia Number 19 of 2000 concerning the amendment of Law Number 19 of 1997 concerning Tax Collection with Distress Warrant.

So in order to achieve the purpose of tax collection, a series of actions are carried out by the tax officer starting from issuing warning letter or other similar letters, then notifying distress warrant, notifying warrants for confiscation and carrying out seizures, auctioning confiscated goods, selling confiscated goods, and preventive actions to go abroad and take hostages.

The Tax collection actions do not have to be completely done, but the sequence of actions is only continued if the tax bearer do not pay off his tax debt. For example, for a tax debt, a collection has been carried out up to the delivery of the Distress Warrant and then the Tax Bearer pays off the tax debt and the collection fee, then the billing activity is completed up to the act of submission of

the Distress Warrant and the next billing action, namely the delivery of the Confiscation Order is not necessary.

Based on the research conduct by Tania Sabrina (2018) and Helsy Amelia Saputri (2015), the result both showed that the effect of tax collection with warning letter and distress warrant have a significant positive effect on the effectiveness of disbursing tax arrears both partially and simultaneously. Different with the research conducted by Purwanto (2017), which shows that tax collection with warning letter and distress warrant have no positive impact for both partially and simultaneously. 96.1% of tax arrears payment is influenced by other factors outside of this study.

Therefore, based on the general idea, the researcher is interested to conduct further research with the title of **“The Effect of Tax Collection with Warning Letter, Distress Warrant, and Confiscation Letter to the Tax Arrears Disbursement (Case Study of KPP Pratama Medan Polonia).”** This further research is conduct to examine whether there is a different or same result with the previous research with using the different object and to know the effectiveness level of tax collection procedures on the tax arrears disbursement at KPP Pratama Medan Polonia.

1.2 Problem Limitation

The problem limitation made by the writer is as follows:

1. The independent variable is warning letter, distress warrant, and confiscation letter and the dependent variable is tax arrears disbursement.
2. The object in this research is KPP Pratama Medan Polonia.

3. This research is conduct to examine the data period year from 2015-2018.

1.3 Problem Formulation

The problem formulation in this research is as follows:

1. Does tax collection with warning letter partially have a significant effect on the tax arrears disbursement?
2. Does tax collection with distress warrant partially have a significant effect on the tax arrears disbursement?
3. Does tax collection with confiscation letter partially have a significant effect on the tax arrears disbursement?
4. Does tax collection with warning letter, distress warrant, and confiscation letter simultaneously have a significant effect on the tax arrears disbursement?

1.4 Objective of the Research

Based on the problem formulation above, the objective of the research is as follows:

1. To identify whether the tax collection with warning letter has a significant effect on the tax arrears disbursement partially.
2. To identify whether the tax collection with distress warrant has a significant effect on the tax arrears disbursement partially.
3. To identify whether the tax collection with confiscation letter has a significant effect on the tax arrears disbursement partially.

4. To identify whether the tax collection with warning letter, distress warrant, and confiscation letter has a significant effect on the tax arrears disbursement simultaneously.

1.5 Benefit of the Research

This research is conduct to be useful and give benefit based on:

1.5.1 Theoretical Benefit

The theoretical benefit of this research is:

1. To increase the knowledge and understanding in the form of taxation field.
2. Can be useful as a reference for the parties who want to do research that is similar to this research or either the parties that are studying in the taxation field.

1.5.2 Practical Benefit

The practical benefit is useful especially for KPP Pratama Medan Polonia by giving information regarding to the effect of tax collection procedurns on the tax arrears disbursement.