

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The Republic of Indonesia is a constitutional state based on the 1945 Constitution which upholds the rights and obligations of every community. The Indonesian state places taxation as a state participation role in the framework of national cooperation as an active participation of the community in financing development. In addition, taxation is also a very important source of state revenue for the implementation and improvement of the people's prosperity and welfare. So that it is expected to reduce the dependence of the Indonesian people from sources of funds originating from foreign loans.

A very important role in state life is taxation, and in particular in the continued development of a country, and taxes are income items used by a country to finance most of a country's expenses (www.pajak.go.id). There are several examples of tax revenue including direct tax revenue including income tax, while indirect tax revenue such as value added tax (VAT), stamp duty and transfer fees. In addition to taxes as the main revenue of a country, taxes also aim to increase the awareness and responsibility of citizens. Sources of state revenue are the biggest comes from taxes. This tax revenue is very important because the tax is used for state development and to meet the needs of state expenditure. The increase in tax revenue from year to year shows that there is great potential in the taxation sector.

The increase in tax revenue will certainly increase the amount of state revenue that can be used as much as possible for national development. When compared with other types of taxes, income tax has the largest proportion. The large population of Indonesian people makes the tax potential very high, however the public awareness of the obligations of every citizen in paying taxes is still very low. This is the duty of the government as a tax organizer to continue to carry out tax socialization, and to find breakthroughs that can increase awareness and compliance of taxpayers in fulfilling their tax obligations.

The community and the government have jobs and responsibilities in fulfilling tax payments. This people's contribution is a source of state revenue that can realize the welfare of the nation, so it is expected that there is compliance, awareness, and a sense of caring. Problems often arise, there are still many people who do not comply in paying taxes. One of the obstacles that can hinder the effectiveness of tax collection is tax compliance.

In tax collection, which is like a sense of fairness and certainty in the formulation of policies and their implementation. The government is trying to supervise, analyze, study, and improve tax administration so that it can lead to better tax services. The existence of a simple taxation system in tax collection related to calculation, deposit, and reporting is expected to increase the willingness to pay by taxpayers.

Efforts to maximize tax revenue can not only rely on the role of the government in this case the Director General of Taxes officials, but also requires the active role of the taxpayers themselves. The trust of taxpayers to register,

calculate, pay and report their own tax obligations is given as a change in the taxation system from Official Assessment to Self Assessment. This is a very important factor in making compliance and awareness of taxpayers to achieve tax revenue success. The existence of an active role from the community in fulfilling tax obligations is a demand of the implementation of the Self Assessment System. Changes in attitudes (awareness) of citizens to pay taxes voluntarily (voluntary compliance) is a mission and the consequences of the implementation of the Self Assessment system. The backbone of the Self Assessment System is compliance with meeting tax obligations voluntarily.

In addition to the self assessment system, the government's strategy to increase tax revenue and at the same time increase taxpayer compliance in paying taxes, the government also applies Tax Sanctions. These sanctions are any taxpayers who violate the provisions of tax legislation subject to administrative sanctions, criminal sanctions, or both. Administrative sanctions imposed on tax offenders in the form of interest, fines, or increases. Tax penalties are the consequences received by taxpayers when taxpayers do not comply with tax regulations. This tax sanction can be used by the government to curb tax administration so that taxpayers comply with tax regulations. Based on Theory of Planned Behavior, for taxpayers who violate tax regulations, the taxpayer will feel afraid to pay higher than the tax that should be paid. Based on this, taxpayers try to avoid tax penalties, namely by paying and reporting taxes on time. This tax sanction is expected to have a deterrent effect on taxpayers who violate taxation provisions and taxpayers will fulfill their

obligations if they view Tax Sanctions as more detrimental. The more taxpayers in arrears, the heavier the taxpayers to pay it. Tax sanctions are considered burdensome for taxpayers who violate tax regulations so that many taxpayers are then reluctant to fulfill their tax obligations.

One of the things that affects the low compliance with paying taxes is the tax rate. Tax rate is one of the factors that influence the low compliance of taxpayers in paying taxes. Tax rate is a percentage to measure or calculate the amount of tax rates that must be paid by taxpayers. One reason for the low morale of taxes is the imposition of tax rates that are too high so burdensome for taxpayers. The tax rate is measured by the principle of the ability to pay taxes according to the tax rates set and the imposition of applicable tax rates in Indonesia. Thus it can be understood that the implementation of tax rates affects taxpayers in paying their taxes. Low tax imposition makes people not too mind to fulfill their obligations. Even though they still want to avoid taxation, taxpayers will not disobey tax regulations. So it can be understood the fairer the tax rate set, the higher the level of tax compliance in paying obligations.

In taxation, general provisions and procedures for taxation regulations have been regulated in the Law including tax penalties. Tax penalties for compliance with personal taxpayers in the city of Medan so far are considered to be generally subject to taxation sanctions only if they do not pay taxes. In fact, in reality many things that make people or taxpayers taxable sanctions, both administrative sanctions (interest, fines, and increases) and criminal sanctions. Conventionally, there are two types of sanctions, namely positive

sanctions and negative sanctions. A positive sanction is a reward, while a negative sanction is a punishment, a tax sanction based on article 7 of the KUP Law No. 28 of 2007 is imposed if the taxpayer does not submit the notification letter (SPT) on time in accordance with the period of the SPT submission or the deadline for the extension of the notification letter where the time period is in accordance with article 3 paragraph 3 and article 3 paragraph 4 of the KUP Law No. 28 of 2007. While tax sanctions are guarantees that the provisions of tax legislation (tax norms) will be obeyed / obeyed / complied with. From the explanation above, it can be understood that taxation sanction is an action taken by the Directorate General of Taxes when WPOP does not submit tax returns on time.

PT. Kawi Agung Kencana is a distributor of electrical appliances, has been established since 1979, engaged in the field of Electrical (the need for industrial and residential electrical components and equipment), PT. Kawi Agung Kencana was given the trust by PT. Schneider Indonesia as generalist distributor for the North Sumatra area. This company is also trusted by PT. Schneider Indonesia as an Authorized Service Center for consumers, supported by sales engineers who have received certification from Schneider Electric.

PT Kawi Agung Kencana products are widely used by people from various circles. The type of marketing is marketing directly and indirectly, such as through wholesalers, companies are always looking for new strategies so that they can market products with various advantages and disadvantages. Top

management of the company is always looking for new ideas in establishing a marketing strategy in increasing sales.

In the company there are permanent employees who are made NPWP by the company. However, after doing research, it turns out that not all taxpayers in the company pay taxes regularly. This shows tax non-compliance.

Based on the background above, the researcher is interested in choosing the title **“The Influence of Self Assessment System, Tax Rates And Tax Sanctions On Employees’ Tax Compliance At PT Kawi Agung Kencana”**

1.2 PROBLEM LIMITATION

This research is limited to employees of PT Kawi Agung Kencana. It is limited to Self Assesment System, Tax Rates, Tax Sanctions and Tax Compliance got from PT Kawi Agung Kencana. According to Suandy (2017), indicators of tax compliance are Comply with internal obligations, i.e. in payments or term reports, period tax returns, Comply with annual obligations, namely in calculating tax on the basis of the system (self assessment), reporting tax calculations in the tax return at the end of the tax year, and paying off tax debat, Comply with formal legal and material provisions on taxation through bookkeeping as appropriate. Indicators of the self-assessment system are: Awareness of taxpayers, Honesty of taxpayers, Willingness to pay tax from taxpayers, Discipline of taxpayers (Suandy,2013), Indicators of tax sanctions according to Yadnyana in Fermata Sari (2017) are The criminal sanctions imposed for violators of the

tax rules are quite severe, Administrative sanctions imposed for violators of the tax rules are very Light, The imposition of severe sanctions is one means of educating taxpayers, Tax sanctions must be imposed on offenders without tolerance, Imposition of sanctions for tax violations can be negotiated.

1.3 PROBLEM FORMULATION

Based on the background research, the problem formulations of this research are:

1. Does the Self Assessment System partially have significant impact towards employees' tax compliance at PT. Kawi Agung Kencana?
2. Does the Tax Rates partially have significant impact towards employees' tax compliance at PT. Kawi Agung Kencana?
3. Does the Tax Sanctions partially have significant impact towards employees' tax compliance at PT. Kawi Agung Kencana?
4. Do Self Assessment System, tax rates and tax sanctions simultaneously have significant impact toward employees' tax compliance at PT. Kawi Agung Kencana?

1.4 OBJECTIVE OF THE RESEARCH

The study will achieve the following objectives:

1. To test and provide empirical evidence on the significant effect of Self Assessment System towards the employees' tax compliance

2. To test and provide empirical evidence on the significant effect of Tax Rates towards the employees' tax compliance
3. To test and provide empirical evidence on the significant effect of Tax Sanctions towards the employees' tax compliance
4. To test and provide empirical evidence on the significant effect of Self Assessment System, Tax Rates and Tax Sanctions towards the employees' tax compliance

1.5 BENEFIT OF THE RESEARCH

1.5.1 THEORETICAL BENEFIT

Theoretically, to writer and reader, the result of this research is expected to be a reference or input for the development of communication science and increase the study of Taxation, especially to determine the effect of Self Assessment System, Tax Rates and Tax Sanctions towards the employees' tax compliance

The study will achieve the following purposes:

1. For the writer: This research is expected to provide an overview of the influence of Self Assessment System, Tax Rates and Tax Sanctions On employees' Tax Compliance At PT Kawi Agung Kencana
2. For the reader: as a reference in conducting further research on self-assessment systems, tax rates and tax sanctions, especially on tax compliance. In addition, it can also provide motivation and an overview to readers in determining research topics

1.5.2 PRACTICAL BENEFIT

Practically, to the company, the results of this study are expected to be input for PT Kawi Agung Kencana especially in decision making to determine company policy, helping PT Kawi Agung Kencana solve its problems, And for others this research is also expected to assist other parties in presenting information to conduct similar research. Achievement of temporary realization of Taxation was contributed by Tax and Customs and Excise revenue, where in more detail the realization of Tax revenue reached 89.25 percent of the APBN Presidential Decree 72/2020. This tax revenue grew negatively 19.71 percent. Nominal tax revenue mainly comes from Non-Oil and Gas Income Tax (PPh) and Value Added Tax / Sales Tax on Luxury Goods (PPN / PPnBM). So that from this research, hope that the main taxes are able to grow positively and better than the same period the previous year, including income tax (PPh), Final PPh, Domestic Value Added Tax (PPN), and Import VAT