

CHAPTER I

INTRODUCTION

1.1 Background of The Study

In the basic law of UUD 1945 stated that, Indonesia has a national goal that is to manifest either our country or our civilian have an equitable and prosperous. The government have an obligation to fulfil the interest of its people is to carry out national development. To operate a country and to fulfil Indonesia civilian necessity, government needs a lot of funds which are obtained in a various way. For example, foreign loans, export activities, state revenue or through taxes. (Watun et.al, 2020).

According to laws *Undang- undang Nomor 6 tahun 1983 tentang ketentuan umum dan tata cara perpajakan sebagaimana telah diubah terakhir dengan undang- undang nomor 16 tahun 2009 tentang Ketentuan Umum dan Tata Cara Perpajakan dinyatakan dalam pasal 1 yaitu “Pajak adalah pemberian wajib kepada negara yang terutang oleh orang pribadi atau badan yang bersifat memaksa berdasarkan Undang-Undang, dengan imbalan yang tidak diterima secara langsung dan digunakan untuk keperluan negara bagi sebesar-besarnya kemakmuran rakyat.”*

The easily way to help government to gain the prosperity of the civilian is by using tax that the government collected from taxpayer. In fact, tax that the government collected not only help to gain the prosperity for the civilian but also can help our country to develop the infrastructure. Another developing country already

upgrade their infrastructure; such as, tolls, train, bus, street, building and many sector to attractourism. Therefore, government also use this way to upgrade so our country will not have left behind. Government also can use tax to pay, our country debt to another country (Febri and Sulistyani, 2018).

Tax has become the main source for our country. Taxpayer can be said fulfil in the objective and subjective tax requirements if the taxpayer has registered theirself to obtain a Tax Identification Number (TIN) and report all their business activities to be confirmed as a taxable entrepreneur, in the effort to improve the progress of the country. Which already written in *Undang-Undang Perpajakan dalam pasal 1 ayat 6 berbunyi “Nomor Pokok Wajib Pajak adalah nomor yang diberikan kepada Wajib Pajak sebagai sarana dalam administrasi perpajakna yang dipergunakan sebagai tanda pengenalan diri atau identitas diri Wajib Pajak dalam melaksanakan hak dan kewajiban perpajakan.”*

Indonesia civilian who already have income, should report and pay some of the amount of their income to the government. Indonesian government use almost a portion of the tax revenue that is received for our country budget or in Indonesian language, it is called as *“Anggaran Pendapatan dan Belanja Negara (APBN)”*. Meanwhile, this is some of the tax revenue that the author mention above; for example, Income Tax (*PPh*) involve article 21, article 22, article 23, article 24, article 26, article 4(2), Value Added Tax (*VAT*), Land and Building Tax/ *Pajak Bumi dan Bangunan (PBB)*, Land and Building Acquisition Fees/ *Bea Perolehan Hak atas*

Tanah dan Bangunan (BPHTB), Customs Duty and other tax revenue from foreign sector (Hantoyo, 2019).

Registered Taxpayer Identification Number will help Directorate General of Tax (DGT) more easily to monitor all the business activities. Although taxpayers have a Tax Identification Number, cannot guarantee the taxpayers will report and do tax compliance.

In the beginning, the taxation system that used by Indonesia was the official assessment system, which is means the taxpayers' outstanding tax amount had been determined by the tax Officer. During the reform period, Indonesia had changed the taxation system to become self-assessment system. The meaning of the self-assessment system is the taxpayers with awareness and tax compliance by filling-out, delivering, and depositing a Tax Returns (*Surat Pemberitahuan Tahunan*) at the Tax Service Office Obedience of taxpayers in carrying out taxation provisions as applicable in legislation where taxpayers have a period of time to calculate, deposit and report tax owed within a predetermined period specified in tax laws (Febri and Sulistyani, 2018).

Implementation self-assessment system in Indonesia cannot guarantee that the taxpayers will do tax compliance according to the amount that they should report. However, there are so many various characteristics of taxpayers to minimizing tax payments; such as tax avoidance. In fact, tax avoidance itself is not something that can called illegal according to taxation law but we must have to follow the regulations. If it is has already passed the agreement of tax provisions then the tax

officer have to give sanctions as a tool to prevent taxpayer doing tax avoidance which to help Indonesia to increase the tax revenue (Halimi and Waluyo, 2019).

According to Ronen (2008) reveal that a transaction can be indicated as tax avoidance if it has done one of the following actions:

- a. Taxpayers pay less tax than they owe by utilizing the reasonableness of the interpretation of tax law
- b. Taxpayers try to make the tax imposed on profits declared and not on the actual benefits obtained
- c. Taxpayers try to postpone the delay of tax payments.

E-billing is a form of modernization of e-government that aims to provide convenience to the people of Indonesia in reporting tax payment slip, Personal Income Tax without need to make a payment letter and where it has become the decision of the Directorate General of Tax Number Kep-88 / PJ / 2004. Despite the new innovations in the launch of e-billing, in fact not all Indonesian citizen can adapt with the modernization, this happen because Indonesian citizen still lack of understanding of tax knowledge. With the lack of the understanding can have a negative impact on society and country where the Indonesian citizen becomes less operating on taxation activity. Because citizen do not understand how to contribute and also the function of the tax compliance (Amalia, 2016).

Modernization of taxation based on information technology systems, such as electronic registration, electronic billing system, electronic tax return, and electronic

filing, is expected by the government to increase a more effective control mechanism and regulate employee behaviour in carrying out tasks in accordance with the code of ethics of the tax directorate general. The aim of the directorate general of taxes by updating the taxation system is to give a high expectation that it can increase the knowledge of taxpayers and can increase trust in tax administration. Meanwhile, the purpose of using information technology is expected to increase taxpayer compliance by reporting and paying taxes on time (Sulistiyorini et al., 2017)

In order to achieve the target of tax revenue which is increasing year by year, the government has an idea to develop a program that make civilian easier to carry out their obligations in implement revenue targets. The modernizing taxation program implemented by the Directorate General of Taxes is already based on an electronic system (e-system). Examples of existing e-system-based technology programs are e-registration, e-billing, *e-SPT*, and e-filing, where the government hopes that this program can improve a more effective mechanism. The government gives a high expectation to civilian by regulated e-system in Indonesia. The purpose of e-system program is to improve tax compliance and also can increase trust in tax administration and high productivity of tax officials. In additional information, e-system program is to make civilian to save time, to easier way to report and more accurate. (Sulistiyorini, Nurlaela, Chomsatu , 2017)

According to Setiadi (2010) stated that tax compliance can be identified as taxpayer compliance by registered, compliance in reported tax return, and compliance

in calculated and paying payable taxes. In this case, the effort to improve tax compliance is still very low, which is causing the taxpayer to report and pay lower than taxpayer should be paid. (Pratami, Sulindawati, Wahyuni, 2017).

By increasing internet user in Indonesia, directorate General of Taxes has develop e-billing that has been regulated in the PER-26/PJ/2014 regarding electronic payment systems. This program of e-billing has been implemented throughout Indonesia in order to improve electronic tax payments.

The Directorate General of Tax attempted to provide optimal services to taxpayers specially to give a facility to the taxpayers in fulfilling their obligation in paying taxes. In providing that services, the Directorate General of Taxes made a new innovation in the payment system and tax reporting, where in this innovation the information technology was utilized as well as the modernization of the taxation system, that is the launching of e-billing systems (Pradnyana and Prena, 2019).

According to the data that the author got from *Kantor Pelayanan Pajak Pratama Medan Polonia*, the total of individual taxpayers listed in the *Kantor Pelayanan Pajak* from year 2016-2020 are as followed:

Tabel 1.1 Total of Individual Taxpayer listed in Kantor Pelayanan Pajak Pratama Medan Polonia

Year	Medan Polonia
2016	150,411
2017	158,065
2018	167,317
2019	178,378
2020	195,735

Source: Kantor Pelayanan Pajak Pratama Medan Polonia (2021)

Meanwhile, this are the comparison between tax revenue and target tax revenue from year 2016-2020 are as followed:

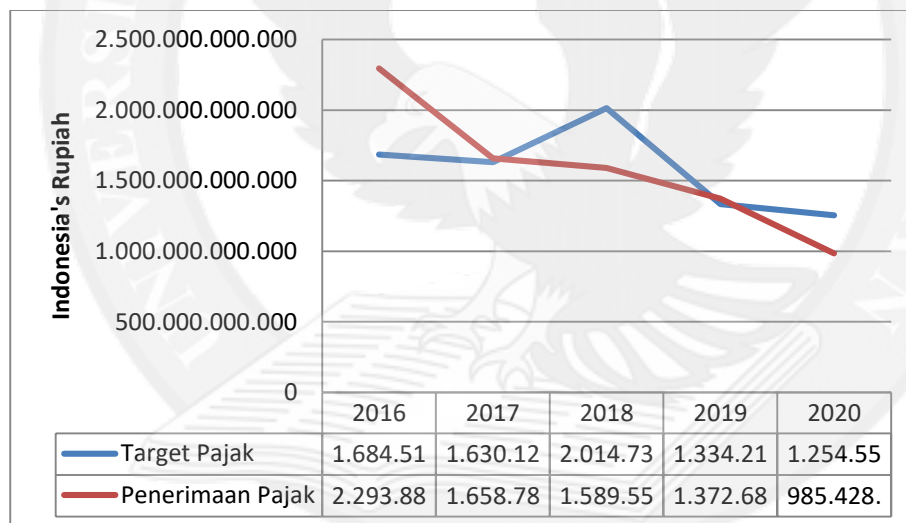


Figure 1.1 The comparison between Tax Revenue gained with the Target from year 2014-2018

Source: Kantor Pelayanan Pajak Pratama Medan Polonia (2021)

The data that the author received from *Kantor Pelayanan Pajak* as shown:

Tabel 1.2 The realization from 2016-2020

Year	Target Tax Revenue	Tax Revenue	%
2016	1,684,515,537,000	2,293,888,384,940	136.17%
2017	1,630,121,626,689	1,658,786,307,326	101.76%
2018	2,014,739,273,000	1,589,555,517,187	78.90%
2019	1,334,214,931,000	1,372,687,953,613	102.88%
2020	1,254,558,000,000	985,428,772,678	78.55%

Source: *Kantor Pelayanan Pajak Pratama Medan Polonia* (2021)

In year 2016, the realization of tax was 136.17 percent. It was decreased in the following year became 101.76 percent. The year 2018, the realization was also decreased become 78.90 percent. However, in 2019, the percentage increased to 102.88 percent and ended of the year 2020, the percentage was dropped become 78.55 percent.

From the data above, the amount of individual taxpayers where listed in *Kantor Pelayanan Pajak Pratama Medan Polonia* increased year by year. Nevertheless, there were a positive graphics with the comparison between tax revenue and tax target revenue. In the last 4 years, tax revenue was showed that the graphic had surpassed the government's target revenue. Although in the last four years, it had surpassed, in the year ended 2020, the tax revenue had dropped to 985,428,772,678 where the government's target tax revenue was 1,254,558,000,000.

This can be concluded that taxpayer's compliance in *Kantor Pelayanan Pajak Pratama Medan Polonia* still refused to do the responsibility as taxpayer.

According to Santika (2015) in Halimi and Waluyo (2019), tax sanctions have a significant impact towards taxpayer compliance. The research conducted by Sholichah in Syahril (2013) in Febri and Sulistyani (2018) stated that tax regulations, tax avoidance and tax sanctions have positive and significant impact toward taxpayer compliance, this is due to the existence of tax services for taxpayers helping them to understand about tax and believe in tax administration.

According to Kania et al., (2017) in Nurchamid and Sutjahyani (2018) stated that online payment has a positive and significant impact towards taxpayer compliance. The reason is because the effect of application e-Billing toward taxpayer compliance occurs partially also e-Billing is initiated or created for taxpayer to help them more efficient, economical, and can improve taxpayer compliance.

Based on the background of the research above, the author would like to know that whether with a new change from the government in innovating e-billing can help people reduce the level of tax avoidance and tax sanctions in *Kantor Pelayanan Pajak Pratama Medan Polonia*. Because, first of all; there are still many people in North Sumatra who do not understand the importance and the function of taxes and there are still many terrain people who also avoid tax. Second, do not understand the existence and the function of tax sanctions that when you avoid tax or late in reporting taxes. Then, as the author would like to conduct research with the title: "The

Impact of Tax Avoidance, Tax Sanctions and Modernization of Tax Administration toward Individual Taxpayer Compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*".

1.2 Problem Limitation

The author makes problem limitation as follows:

1. The research object is individual taxpayer that registered at *Kantor Pelayanan Pajak Pratama Medan Polonia*.
2. Three independent variables, tax avoidance, tax sanction and modernization of tax administration.
3. For variable modernization of tax administration, this research will be focus on e-Billing application
4. The research from data 2016-2020.

1.3 Problem Formulation

According to the background of the research above, then the problem identification which can be arranged in the form:

1. Does tax avoidance partially give significant impact towards individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*?

2. Does tax sanction partially give significant impact towards individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*?
3. Does modernization of tax administration partially give significant impact towards individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*?
4. Do tax avoidance, tax sanction, and modernization of tax administration simultaneously give significant impact toward individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*?

1.4 Objective of The Research

Based on the description of the problem formulation above, the author has some objectives for the research as follow:

1. To analyse the impact of tax avoidance towards individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*
2. To analyse the impact tax sanctions towards individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*
3. To analyse the impact modernization of tax administration can increase taxpayer compliance in paying tax on time at *Kantor Pelayanan Pajak Pratama Medan Polonia*

4. To analyse the impact tax avoidance, tax sanction, and moderation of tax administration toward individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Polonia*

1.5 Benefit of The Research

1.5.1 Theoretical Benefit

Theoretically, the results of this research can be useful to increase knowledge for researchers about the analysis of the impact of tax avoidance, tax sanctions and the application of online tax payments (e-filling) toward individual taxpayers at *Kantor Pelayanan Pajak Pratama Medan Polonia*.

1.5.2 Practical Benefit

1. For *Kantor Pelayanan Pajak Pratama Medan Polonia*

The results of this research are useful as a material consideration for *Kantor Pelayanan Pajak Pratama Medan Polonia* in order to optimize the reduction of tax avoidance, the application of tax sanctions for taxpayers and application of the modernization system for taxpayers

2. For *Universitas Pelita Harapan*

The results of this research are expected to provide discourse as a business development research of Tax concentration related to Indonesian taxation

3. For taxpayers

The results of this research are expected to help taxpayers in providing information that can facilitate taxpayers in carrying out tax obligations in accordance with the rules agreed by the directorate general of taxes.

4. For further researchers

The results of this research are expected to be a reference and means of contributing the development of accounting knowledge, especially in the field of taxation that has been provided by *Universitas Pelita Harapan*.

