

# CHAPTER I

## INTRODUCTION

### 1.1 Background of The Study

Revenue for a country comes from a variety of sources, both domestic and external. Internal sources of revenue include taxes, while external sources of revenue include, for example, international loans. The government should try to maximize internal income in order to lessen reliance on external sources of money. Efforts to maximize tax income must include not only the work of the director general of taxes and tax officers, but also the active participation of taxpayers. The transition from official assessment to self-assessment in the taxation system offers people the confidence to register, calculate, pay, and report their own tax responsibilities. Compliance and high awareness of taxpayers is an important factor in the implementation of the system.

Increased awareness must be balanced with increasing knowledge of taxpayers, both knowledge of taxation and tax facilities. Currently, the convenience is only limited to the submission and processing of reports, but the substance is still difficult. *SPT* is still considered a document that is difficult to be filled out correctly and completely by taxpayers. Although the filling tutorial already exists on the internet, there are still many taxpayers who are reluctant to learn it, so the dependence on always being guided by the tax officer still arises.

This indicates that the knowledge of taxpayers in the field of taxation is still very minimal. With the understanding and knowledge of taxpayers in the field of taxation, it is hoped that the tax compliance will also arise.

Tax revenues for the country will continue to rise if every taxpayer is aware of his need to pay taxes, as the number of potential taxpayers grows each year. In fact, the increase in the number of taxpayers is not in line with the increase in tax revenue. This is because the compliance of taxpayers to pay taxes is still very less. The cause of the lack of compliance to pay taxes is that the results of tax collection are not directly enjoyed by taxpayers. Although the self-assessment tax collection system has been implemented and implemented, in practice it is difficult to run as expected. This can be seen from the number of taxpayers who are absent in paying taxes. The lazy attitude of taxpayers to report annual tax returns is also a contributing factor to the low state revenue from the tax sector. This proves that taxpayer awareness is still low. Therefore, cultivating awareness of paying taxes in the community is important considering that if public awareness in paying taxes increases, the tax compliance will also increase.

PT. Cahaya Agro Sawita Sejahtera Medan was officially established in 2019 that the office is located at Jl. Vanesia, Helvetia Tengah, Kec. Medan Helvetia, Kota Medan, Sumatera Utara 20123.

The company currently has ninety-two permanent employees consisting of several divisions. Based on the results of random interviews with several employees in each division, it can be seen that the level of compliance to pay

taxes is still very low. The following table shows the results of random interviews conducted on staff in the company.

**Table 1.1 Level of Compliance to Pay Employee Tax**

<b>Division</b>	<b>Number of Interviewee</b>	<b>Problem</b>
Production	Two employees	<ol style="list-style-type: none"> <li>1. Do not understand the tax sanctions that may be given if you do not pay taxes.</li> <li>2. Do not want to pay taxes because of doubts if the tax proceeds will be corrupted by state officials.</li> </ol>
Administration	Three employees	<ol style="list-style-type: none"> <li>1. Assuming that some people do not need to pay taxes.</li> <li>2. The employee feels that she is still young and do not have fixed assets, so she does not need to make <i>NPWP</i>.</li> <li>3. Do not understand the tax system in Indonesia.</li> </ol>
Logistic	Three employees	<ol style="list-style-type: none"> <li>1. Do not understand tax penalty and the tax system in Indonesia.</li> <li>2. Do not understand how the procedure to pay taxes.</li> <li>3. Thinking that paying taxes is useless because in the end the money from taxes will be corrupted by the government.</li> </ol>
Finance	Two employees	<ol style="list-style-type: none"> <li>1. Lazy to pay taxes.</li> <li>2. Assuming that paying tax is only for the rich, people with small salaries do not need to pay taxes.</li> </ol>

Source: PT. Cahaya Agro Sawita Sejahtera Medan (2021)

Based on the results of the interviews at the company, which is not sample, it can be seen that there are still many employees at PT. Cahaya Agro Sawita Sejahtera Medan who do not want to pay their taxes, some employees still do not have *NPWP* even though they are permanent employees at the company. This shows that the level of compliance to pay taxes on employees in the company is still quite low. Several things that are suspected to be the cause of the low level of compliance to pay taxes from the results of the interview are the employees' lack of understanding of tax understanding and self-awareness to pay taxes.

Based on the description above, the writer is interested in conducting research on the effect of tax understanding and tax awareness toward individual

taxpayer compliance of the employees in the company. For this reason, the writer research it in the form of a thesis with the title “**The Influence of Tax Understanding and Tax Awareness Toward Individual Taxpayer Compliance at PT. Cahaya Agro Sawita Sejahtera Medan**”.

### **1.2 Problem Limitation**

To make this research more focused and does not expand from the discussion in question, the researcher limits it to the scope of the research including Tax Understanding ( $X_1$ ) and Tax Awareness ( $X_2$ ) and the dependent variable is Individual Taxpayer Compliance ( $Y$ ). This research will be conducted on individual taxpayers (employees) at PT. Cahaya Agro Sawita Sejahtera Medan.

### **1.3 Problem Formulation**

From the description of the background above, the problems formulation in this study are as follows:

1. Does tax understanding have a significant effect on Individual Taxpayer compliance at PT. Cahaya Agro Sawita Sejahtera Medan?
2. Does tax awareness have a significant effect on Individual Taxpayer compliance at PT. Cahaya Agro Sawita Sejahtera Medan?
3. Do tax understanding and tax awareness simultaneously have a significant effect on individual taxpayer compliance at PT. Cahaya Agro Sawita Sejahtera Medan?

#### **1.4 Objective of the Research**

Based on the description of problem formulation stated above, the objective of the research in this study are as follows:

1. To discover the influence of tax understanding towards individual taxpayer compliance at PT. Cahaya Agro Sawita Sejahtera Medan.
2. To discover the influence of tax awareness towards individual taxpayer compliance at PT. Cahaya Agro Sawita Sejahtera Medan.
3. To discover the influence of tax understanding and tax awareness toward individual taxpayer compliance at PT. Cahaya Agro Sawita Sejahtera Medan.

#### **1.5 Benefit of the Research**

##### **1.5.1 Theoretical Benefit**

Theoretically, the results of this study are expected to be useful to strengthen the theory about accounting, especially about the influence of tax understanding and tax awareness toward individual taxpayer compliance. Besides that, it is also expected to develop knowledge which is theoretically perceived in the university.

##### **1.5.2 Practical Benefit**

The practical benefits from this research await are as follows:

1. For the reader

This research can provide an overview and knowledge about business and accounting, especially about the influence of tax understanding and tax awareness toward individual taxpayer compliance.

2. For the investor

It is expected to give benefit and provide useful information for the investors in making an investment decision.

3. For the upcoming researchers

The findings of this study are likely to be utilized as a reference source for those interested in undertaking related research in the future.

