

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays, Indonesia is more develop in economic growth and infrastructure. In order to improve the prosperity of the society, it can be realizable if the government do their programs well and do development in all fields. To carry out its various needs, government requires a lot of funds. Sources of state's fund that used to finance government spending and national development, among them are from tax revenues and non-tax revenues. Tax is the biggest income for a country including Indonesia. From taxes, the country can pay for general expenses related to state duties. A country will operate well is the country's financial resources are stable and strong.

Tax is mandatory contribution that must be paid by the people (taxpayer) to the country based on the law for the importance of the country and the prosperity of the society in general. The collected tax fund will be used for the benefit of the government and the welfare of the general public.

According to Constitution Number 28 Year 2007 Article 1 about General Provisions and Tax Procedures, stated that:

Pajak adalah kontribusi wajib kepada negara yang terutang oleh orang pribadi atau badan yang bersifat memaksa berdasarkan Undang-Undang, dengan tidak mendapatkan imbalan secara langsung dan digunakan untuk keperluan Negara bagi sebesar-besarnya kemakmuran rakyat.

Even though tax is mandatory, taxpayers do not get compensation directly for the tax payments that they have paid. The

advantage of the collected tax fund will not be enjoyed directly by individual taxpayer because taxes are used for the public rather than individual interests. However, the government is obliged to provide indirect benefits to the people by implementing the development of facilities and infrastructure evenly for the achievement of social justice for all the people in Indonesia.

But nowadays, there is still many people think that tax is a fee that charges them and tries to disobey that by not paying tax. Whereas, with the tax that we pay, the state can build a better infrastructure, street lights, public health places, pay the civil servant salaries, and much more. But actually, that is not the only reason why people try to not paying their tax and disobey the regulation.

Table 1.1 Target and Realization of Tax Revenue

KPP (YEAR)	Target (In Rupiah)	Tax Revenue (In Rupiah)
2014	274.693.130.000	205.570.654.060
2015	373.620.940.000	446.499.464.507
2016	494.949.043.010	457.517.058.253
2017	410.099.969.000	456.848.962.081
2018	523.688.146.000	422.714.707.907

Source : KPP Pratama Medan Belawan (2019)

In an effort to increase the state revenues, the Directorate General of Taxation (DJP) carried out a comprehensive tax reform. Because tax plays a large role in state revenue, government should have maximized the state revenues from the tax sector. Since 1983, Indonesia government has changed the tax collection system which originally used official assessment system, used during Dutch colonial era, become self-assessment system. (www.online-pajak.com)

Self-assessment system gives full credibility to taxpayers to calculate, deposit, and report all taxes which is taxpayers obligations. In other words, taxpayers determine the amount of the tax payable by

themselves. This can be used to measure the behavior of taxpayers, which is how high the level of taxpayer compliance in carrying out the obligation to fill and submit their Notification Letter (SPT) correctly and precisely. The higher the level of truth in calculating, the accuracy in depositing and delivering SPT correctly and precisely, it is expected the higher level of tax compliance in carrying out and fulfill its obligations.

**Table 1.2 Individual taxpayer who submits SPT in KPP
Pratama Medan Belawan**

KPP (YEAR)	Individual Taxpayers submit SPT
2014	20.334 taxpayers
2015	23.744 taxpayers
2016	23.256 taxpayers
2017	25.424 taxpayers
2018	24.953 taxpayers

Source : KPP Pratama Medan Belawan (2019)

Some factors that cause the low of taxpayer compliance are public dissatisfaction with the tax service quality that the civil servants give, uneven infrastructures development in each area, lack of socialization to the community causing difficulties for the community to understand the new rules of taxation, to calculate and report their SPT.

One of the efforts in increasing taxpayer compliance is to provide good service to the taxpayers. Improved quality and quantity of service is expected to increase satisfaction to taxpayers so that taxpayers will increase compliance in carrying out their obligations to pay taxes (Kusuma, 2016). In the reality, there are still many of the taxpayers that find a lot of barriers in the service quality given by the civil servants such as officers that work slowly, unpleasant, make things complicated and caused waiting for too long, inadequate

facilities, and their reluctant to accomplish their tax matters, which will consequences in disobedience in doing the tax compliance.

Compliance according to Mc. Mahon in (Anggraeni & Farida, 2013) is a willingness to do everything based on one's own awareness and coercion so that one's behavior is in accordance with expectations. In relation to taxes, taxpayer compliance is an act of taxpayers in carrying out their tax obligations in accordance with applicable laws and regulations. Still lack of awareness of taxpayers in paying taxes, is inseparable from the factors of knowledge and understanding of taxation itself.

According to (Zain, 2008), tax is a knowledge that must be owned by every taxpayer and tax apparatus. If each taxpayer has sufficient knowledge and understanding of tax regulations, then it can be ascertained that the taxpayer will knowingly comply with his tax obligations properly and correctly.

The efforts made by the government are to increase the knowledge and understanding of taxpayers regarding their rights and obligations by providing tax socialization. By providing socialization, it is expected that taxpayers will comply with their rights and obligations which aim to increase public understanding of the system and tax regulations that apply in Indonesia. The impact of non-compliance with taxpayers can lead to the intention to practice tax avoidance which will have an impact on state revenues. Tax socialization is expected to create effective participation in the community in fulfilling their rights and obligations as taxpayers.

There are many studies show the factors that can influence taxpayer compliance. As we already know, taxpayer plays a big role in the government's program which is increasing the government revenues. But the previous researches have different result with other researches. Tuti Wulandari (2015), in the research about taxpayer

compliance at *KPP Pratama Pekanbaru Senapelan*, the result shows that tax socialization and tax knowledge and understanding have a positive effect on tax compliance. But the service quality does not have any effect on the taxpayer compliance at *KPP Pratama Pekanbaru Senapelan*. Meanwhile, in the research conducted by Indra Lestari (2018) at *KPP Pratama Surakarta*, service quality has a significant effect towards individual taxpayer compliance, but taxpayer awareness, tax sanction, and tax socialization do not have a significant effect toward individual taxpayer compliance.

Because of the difference result between Tuti Wulandari's research with Indra Lestari's research, writer will make a research on **“The Effect of Service Quality, Tax Awareness, Tax Understanding, and Tax Socialization toward Individual Taxpayer Compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*”**

1.2 PROBLEM LIMITATION

Based on the background of the study, my research is taking independent variables of:

1. Service Quality,
2. Tax Awareness,
3. Tax Understanding,
4. Tax Socialization,

towards the dependent variable, which is individual taxpayer compliance. This research is conduct at *Kantor Pelayanan Pajak Pratama Medan Belawan* in 2019.

1.3 PROBLEM FORMULATION

Based on the background that has been mentioned above, the problem that can be identified in this research is:

1. Does service quality have a significant effect on the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
2. Does tax awareness have a significant effect on the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
3. Does tax understanding have a significant effect on the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
4. Does tax socialization have a significant effect on the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
5. Do service quality, tax awareness, tax understanding, and tax socialization simultaneously have a significant effect on the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?

1.4 OBJECTIVE OF THE RESEARCH

In accordance with the problem of formulation, objective of the research is expected to achieve goals as follow:

1. To analyze the significant effect of service quality toward the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
2. To analyze the significant effect of tax awareness toward the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
3. To analyze the significant effect of tax understanding toward the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?
4. To analyze the significant effect of tax socialization toward the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?

5. To analyze the significant effect of service quality, tax awareness, tax understanding, and tax socialization simultaneously toward the individual taxpayer compliance at *Kantor Pelayanan Pajak Pratama Medan Belawan*?

1.5 BENEFIT OF THE RESEARCH

1.5.1 THEORETICAL BENEFIT

Theoretically, this research expects can contribute as reference for the following research that related to tax compliance material. And also, for additional information to the one that is searching on how service quality, tax awareness, tax understanding and tax socialization affect individual taxpayer compliance. This research is expected to be knowledge for those who are interested in learning tax more deeply.

1.5.2 PRACTICAL BENEFIT

a. FOR RESEARCHER

This research can increase knowledge and insight especially in taxation that already being taught in college. And as one of the requirements in order to graduate from Universitas Pelita Harapan.

b. FOR GOVERNMENT

This research expected to provide suggestion or idea for *Kantor Pelayanan Pajak Medan Belawan* and the Directorate General of Taxes in effort to make people who are less compliant in paying their tax in order to fulfill their obligations as a taxpayer. This research also expected to give suggestion on evaluating policies regarding taxation issues in general and also regarding taxpayer compliance in paying taxes especially in *Kantor Pelayanan Pajak Pratama Medan Belawan*.

1.6 SYSTEM OF WRITING

To provide an overview of contents of this research, it will be compiled in this system of writing as follows:

CHAPTER I : INTRODUCTION

This chapter consists of the background of the study, problem limitation, problem formulation, objective of the research, Benefit of the research, and System of writing.

CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter contains theoretical background as the basis for this research, and hypothesis of this research.

CHAPTER III : RESEARCH METHODOLOGY

This chapter consists of explanation about variable of research, research design, population and samples, type and source of data, data collection method, and data analysis method.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter consists of the results of the research and the discussion from the conducted research which is analyzing the data and discuss the result from the research.

CHAPTER V : SUGGESTION AND CONCLUSION

This chapter consists of conclusion from all of the discussion above and suggestion to the parties interested in the results of the study.