

CHAPTER I

INTRODUCTION

1.1 Background Of The Study

Currently, Indonesia utilizes a self-assessment tax system where individuals are responsible for calculating their own tax liabilities, settling any shortfalls, reporting paid taxes, and submitting self-reports to the Director General of Taxes.

Many people still doubt the legitimacy of taxes, viewing them merely as a government levy tradition without understanding the rationale or purpose due to insufficient taxation knowledge. This lack of comprehension contributes to low tax compliance. Besides understanding taxes and their procedures, other factors influencing tax compliance include the quality of fiscal services and the effectiveness of the tax system. Rahman (2012) states that high-quality fiscal services provide accurate tax information and avoid corruption or regulatory violations. The effectiveness of the tax system is supported by *DJP*'s introduction of e-filing, e-SPT, e-*NPWP*, drop boxes, and e-banking, which are intended to simplify the tax reporting and payment process, though taxpayer perceptions of these systems vary.

Before the introduction of online SPT filing and tax payments, taxpayers had to visit the KPP in person for all procedures. The advent of e-filing, e-SPT, e-*NPWP*, drop boxes, and e-banking has improved taxpayers' perceptions of the tax

system by enabling timely tax processes from any location, thus enhancing awareness and encouraging timely payment of *PPH* by both individuals and entities.

Taxes play a crucial role in the state's financial framework and are affected by evolving business trends. It is our responsibility as citizens to adhere to tax rates. To promote sustainable economic development and ensure justice and prosperity as outlined by Pancasila and the 1945 Constitution of Indonesia, coordinated government actions are needed for a unified fiscal policy. This includes addressing the budget deficit, raising tax rates, ensuring justice and legal certainty, and improving taxpayer compliance through tax adjustments. The government has undertaken tax reforms focusing on organizational structure, personnel, IT systems, business processes, and regulatory programs, including the implementation of automated financial information exchange systems and enhancing legal enforcement. Nevertheless, these measures may not fully address the challenges posed by changing trade patterns, globalization, and aggressive tax planning.

Therefore, To align with sustainable tax reform, especially regarding regulatory and business processes, it is essential to create a comprehensive, unified, and harmonious tax policy framework. This involves enacting a Law on the Harmonization of Tax Regulations. The goal of this policy adjustment is to promote sustainable economic growth, accelerate economic recovery, enhance state revenue for independent national development, achieve a fair and legally certain tax system, implement administrative reforms, consolidate tax policies, broaden the tax base, and boost taxpayer compliance.

Comprehensive, unified, and coherent tax policies are implemented through regulations on General Provisions and Tax Procedures, Income Tax, Value Added Tax, Sales Tax on Luxury Goods, Taxpayer Voluntary Disclosure Program, Carbon Tax, and Excise. The General Provisions and Tax Procedures include updates and additions such as international cooperation in tax collection, taxpayer power of attorney, data provision for law enforcement and state interests, and the expiration of tax criminal prosecution.

In the Income Tax section, several provisions have been updated or added, including changes to the taxation of in-kind benefits and enjoyment, individual and corporate tax rates, depreciation, amortization, and international tax agreements. Changes to Value Added Tax and Sales Tax on Luxury Goods include exemptions, reorganization of tax facilities, adjustments to VAT rates, and new final VAT rates. Additionally, the Taxpayer Voluntary Disclosure Program has been introduced to give taxpayers a chance to report previously undisclosed assets.

Additionally, a new regulation introduces a carbon tax on emissions that harm the environment. This tax is implemented following a carbon tax roadmap and/or a carbon market roadmap. The Excise provisions have been updated to include more excisable goods, expand the authority of Customs and Excise Officials, and cover investigations and administrative sanctions. These changes suggest that the *HPP* regulations will affect taxpayer compliance, particularly through the Taxpayer Voluntary Disclosure Program.

In line with this regulation, the program allows citizens to disclose previously unreported net assets. The aim is to encourage voluntary tax compliance, as citizens are expected to acknowledge their tax obligations without feeling coerced. This study will focus on individuals who submitted their SPT between January and June 30, 2022, and will be based on the Theory of Planned Behavior and Attribution Theory. The Theory of Planned Behavior posits that individual actions are motivated by their interest in the behavior. This interest is influenced by three primary factors:

1. Behavioral beliefs refer to personal convictions about the outcomes of a behavior and the evaluation of those outcomes (belief strength and outcome assessment).
2. Normative beliefs involve perceptions of others' expectations and the motivation to fulfill those expectations (normative beliefs and compliance motivation).
3. Control beliefs pertain to perceptions of factors that facilitate or obstruct the behavior in question (control beliefs).

Attribution Theory is used to understand and explain a person's behavior by identifying the causes and motives behind it. This theory focuses on how individuals attribute the reasons for their own or others' actions, determining whether these causes are internal (such as traits, characteristics, or attitudes) or external.

Given these theories, the Voluntary Disclosure Program is selected because it is related to individual taxpayers' compliance with tax payments. This, in turn, affects government development, with taxation knowledge acting as a moderating factor.

1.2 Problem Limitation

This research examines how the Voluntary Disclosure Program influences individuals' compliance with tax payments. The author will use quantitative methods to assess this impact by surveying Indonesian participants in the program from January to June 2022, specifically those residing in Medan and registered with *KPP Pratama Medan Polonia*. The focus will be on material compliance.

The findings will determine whether the Voluntary Disclosure Program has a positive effect on individual tax compliance. Additionally, the research aims to provide insights into the relationship between the program, tax compliance, and the role of taxation knowledge as a moderating variable.

1.3 Problem Formulation

The Voluntary Disclosure Program established under the *HPP* regulation has significant potential to impact individual tax compliance.

This study considers individual tax compliance as the dependent variable and the Voluntary Disclosure Program as the independent variable, with taxation knowledge serving as the moderating variable. Based on this framework, the research questions have been formulated as follows:

1. Does Voluntary Disclosure Program have significant effect towards the individual taxpayers' compliance in Indonesia?
2. Could the taxation knowledge strengthen the influence of Voluntary Disclosure program on the individual taxpayers' compliance?

1.4 Research Objectives

Based on the formulation of the problem above, the research objectives that are wanted to achieved are:

1. To know the influence of the Voluntary Disclosure Program on individual taxpayers' compliance.
2. To know if the taxation knowledge can strengthen the influence of Voluntary Disclosure Program on individual taxpayers' compliance.

1.5 Benefit of Research

1.5.1 Theoretical Benefits

This research shows how in relating the Voluntary Disclosure Program with the individuals' compliance in tax payment through Taxation Knowledge as the moderating variable. For the future researchers, the results of this research can be used as evaluation of Voluntary Disclosure Program and its potential impact to individual taxpayers compliance.

1.5.2 Practical Benefits

For the government and tax authorities, it is expected that the results of this research can be used as material for consideration by policy makers in making related policies regarding the program so that individual Taxpayer compliance can be further improved. And for individual taxpayers, this research will help to give some insight about Voluntary Disclosure Program and its benefits given to bring up the initiatives of them to comply as the taxpayer.

