

# CHAPTER I

## INTRODUCTION

### **A. Background**

Currently, Indonesia has great potential as a developing country, which makes Indonesia a much better country. Various sources of government revenue, both from outside and from within, have a significant impact on improving a country's economy, and taxation is one of the main sources of revenue. However, due to the lack of taxpayers who do not declare their tax obligation according to national regulations, government planning is not ideal. In fact, Indonesia relies heavily on taxation, because about 70% of Indonesia's funding comes from taxation. The government uses these resources to fund government spending, namely current spending and development spending. Meanwhile, according to Pratiwi (2014), the factors that affect tax compliance are tax awareness, knowledge of tax regulations, understanding of tax regulations, understanding the efficiency of the tax system, and the quality of services provided. Taxes should also be a mandatory knowledge for the community and students.

According to Madewing (2013) indicators of taxpayer compliance are taxpayer registration, tax calculation, tax payment, letter (SPT) and bookkeeping. In order to improve compliance with the requirements of private persons taxpayers (WPOP), Haryo (2003) explained that one of the factors that cause private taxpayers to not meet their payment obligations is the impact of tax rates. In addition, according to (Arum, 2012), the cause of low taxpayer compliance is determined by taxpayer awareness, and sanctions that affect compliance with tax laws are determined by tax awareness, knowledge of tax regulations and understanding of tax laws and regulations. Rules, views on the efficiency of the tax system and the quality of service.

So that from an early age a student and the public know how important taxes are to the state. This is very much related to the rights and obligations to taxes. How can they exercise these rights and obligations and understand a state regulation. According to Article 1 of Law No. 16 of 2009 concerning General Provisions and Procedures for Taxation, Taxpayers are individuals or legal entities, including Taxpayers, Tax Cutters, and Tax Collectors, and enjoy tax rights and obligations in accordance with the provisions of tax law. Tax law improves the understanding of society and individuals. The duties of the State Administration of Taxation include organizing the socialization of taxation. Various efforts have been made by DIJ, especially by expanding and tightening taxes. Tax consultants should also be active. Changes in the tax system from formal assessment to self assessment should convince taxpayers that they can register, calculate, pay, and declare their tax obligations Zein, 2008.

When the government or The General Administration can perform its three functions as best as possible, namely services, advice, and law enforcement, self-assessment can run well. Taxation (NPWP), Objections, and Application for VAT Refund (VAT Refund (PPN), and disclosure activities include socialization of taxation regulations that taxpayers need to know in order to fulfill their tax obligations and rights. As of March 31, 2019, the number of SPT registrations amounted to 10,580,475 billion. The number of taxpayers who have declared their liabilities is increasing. At the same time, from SPT 2018 to March 31, 2019, 469,162 taxpayers were in the tax bureau. According to Haryo (2003) one of the factors that causes (Suhendri, 2015) private taxpayers taxpayer failure to fail to meet their obligations is the impact of tax rates.

Sabda Rasulullah SAW :

مَنْ أَرَادَ الدُّنْيَا فَعَلَيْهِ بِالْعِلْمِ, وَمَنْ أَرَادَ الْآخِرَةَ فَعَلَيْهِ بِالْعِلْمِ, وَمَنْ أَرَادَهُمَا فَعَلَيْهِ بِالْعِلْمِ

*Meaning Whoever wants the happiness of the world, then demands knowledge and whoever wants the happiness of the Hereafter, demands knowledge and whoever wants both, demands knowledge.*

Tax knowledge is the most important thing, because without tax knowledge, it is difficult for taxpayers to meet their tax obligations. Low public tax liabilities. Whereas knowledge is the process of changing the attitudes and behaviors of taxpayers or groups of taxpayers through education and training to make them adults. It can be seen from the previous definition that taxation knowledge is knowledge of the general concept of regulation. In the field of taxation, tax types, tax objects, tax rates, and tax calculations are owed before completing the SPT. Meanwhile, according to supriyati, (2011) indicators of tax knowledge are: knowledge of taxation regulations, knowledge of calculating taxes owed, and knowledge of filling out notification letters (SPT). Taxpayers are expected to improve the performance of their obligations.

The tax rate is determined as a specific number based on tax calculations. It is therefore understood that this description is used to calculate the taxes owed. Indicators of tax rates are high income, higher income tax, proportional tax rate, and the same tax rate for all taxpayers. The relatively low tax burden means people won't be too western to comply with taxpayers. Although sometimes want to avoid taxation, taxpayers will not be too rejected certain taxation rules. The results show that the higher the taxpayer's compliance with its obligations. In general, the laws and regulations govern the procedures for tax supervision, not excluding tax sanctions.

Pris (2010) believes that the indicator of the tax rate is that high-income individuals pay more income tax, a fair proportional tax rate, and a fair tax rate should

be the same for all taxpayers, and the tax rate should be the same for all. Taxpayer. Income tax is fair. Taxpayers are paying taxes. The low tax burden ensures that people are not too worried about fulfilling their obligations. Even if you want to avoid taxes, taxpayers will not be too rebellious against tax regulations. High compliance with taxpayer obligations.

If the Taxpayer does not deliver the notification letter or SPT on time in accordance with the retention period of SPT or the extension of the notification time (if the deadline is appropriate), the tax sanction is in accordance with Article 7 of the PMC Law No. 28 of 2007, Article 3 paragraph 3 of Article 3 paragraph 4 of the KRK Law No. 28 of 1991. This ensures that the tax laws according Mardiasmo (2013) Fermatasari (2013), compliance, compliance and compliance with tax regulations) adopt a disciplined approach to taxpayers through compliance with applicable laws. The discipline and awareness of taxpayers also indirectly assists the government in formulating policies on the business world.

The role of SMEs in the economy has recently begun to decline. This is fully considered in this process. Financial policy planning. Focus on Small and Medium Enterprises (SMEs) With the development of small and medium enterprises, the productivity of small businesses increases, which can provide large companies with productive workers who can increase productivity Susanta, (2009) declare tax obligations, including small taxes. And the national taxpayer. However, most small taxpayers do book keeping transactions, which makes it difficult to manage.

In addition, ignorance of tax policy for small taxpayers will impede tax compliance widodo taufik angora, (2009). SMEs have some weaknesses, including market uncertainty and uncertainty as to whether they can survive the first year of operation. And the bill is incomprehensible. This deficiency has a major impact on

understanding how all SME taxpayers meet their tax obligations. The next hope is to formulate regulations to support and stimulate the development of SMEs, such as taxation issues Wibowo abuk abar, (2009). Now is the time to do this together so that SMEs can grow in the prism of the economy and even maintain their position in the global business world. It also depends how DIJ takes care of this small and medium-sized business. This is because taxation is an important part of the overall development of SMEs. The overall direction of taxation in this case is the design of tax incentives, if the form of tax incentives (tax termination) of corporate representatives is not noticed, this will be very important.

Imaniati & Isroah (2016) conducted research to analyze the understanding and compliance of Yogyakarta SMEs to their tax obligations. Tax declaration of small and medium-sized entrepreneurs over the education level of small and medium-sized entrepreneurs. Based on the above background, researchers are interested in conducting a study entitled **"THE EFFECT OF TAXPAYER AWARENESS AND KNOWLEDGE, RATES AND SANCTIONS ON TAXPAYER COMPLIANCE AND ASSISTANCE ON UKM IN YOGYAKARTA"**. This research was used to complete and develop a previous research by Liana (2007) entitled "The Influence of Taxpayer Awareness, Service Quality, Corporate Financial Status, and Perception of Tax Penalties on Advertising Compliance". "Taxpayers of Denpasar Tax Service Office" and Prasetyo n.d. 2006 used several free variables, namely taxpayer awareness of tax sanctions and taxpayer attention to factors affecting the SPT of small and medium-sized entrepreneurs in Yogyakarta studied

Now:

1. The addition of one independent variable is tax sanctions, previous research only tested the influence of the level of understanding and compliance of SME entrepreneurs to tax obligations.
2. Researchers used a sample of SMEs that already have NPWP that has many business fields outside the city is not focused on one kind of business field only.
3. In this study, researchers used a sample of 200 different SMEs in Yogyakarta

#### **B. Research Question**

1. Does tax knowledge have a positive significant effect on tax liabilities ?
2. Does tax rate have a positive significant effect on tax liabilities ?
3. Does tax sanction have positive significant effect on tax liabilities?

#### **C. Research Objectives**

The purpose of the issue to be discussed in this paper is to empirically test the influence caused by the level of understanding, compliance and firmness of tax sanctions on the fulfillment of tax obligations carried out by SME entrepreneurs. And the purpose of this study is also to find empirical evidence following as :

1. Tax knowledge has a positive significant effect on tax liabilities
2. Tax rate has a positive significant effect on tax liabilities
3. Tax sanction has positive significant effect on tax liabilities

#### **D. Benefits of research**

##### **1. Theoretical Benefits**

1. A result of this study can provide knowledge to the public about taxpayer compliance, as well as factors that may affect taxpayer compliance.
2. This research is expected to be useful in the future as a reference or developed for anyone who conducts similar research.

##### **2. Practical Benefits**

This research is expected to be information and reference for the public at large about taxpayer compliance.

### **3. Benefits for the Government**

This research is also expected to be a consideration for the government in taking policies or decisions related to taxation in Indonesia.

