

CHAPTER I

INTRODUCTION

A. Background of Research

Tax is one of the public facilities in the form of compulsory tax for the Indonesian state, as a determinant of people's welfare and development for the government. In the Indonesian national government, taxpayers have not directly obtained the provisions related to the owner's taxpayers, that is, the Indonesian tax related to the tax incentives collected by the government. Although taxes are used for public purposes, they can still enjoy the effects of national development and government improvement, and many other countries also need to improve their national prosperity. National development in terms will be able to improve people's welfare. Also according to (Alabede & Affrin, 2011) the Budget to build the National Development can be obtained from Income Tax and Non-Tax Income.

In Islam, the religion has been taught based on the arguments of the Shari'a of the Qur'an and Sunnah that every Muslim must obey his leader as long as the leader does not command with disobedience. However if the authorities order their people to disobey, Allah and his messengers will strictly forbid the people to obey them. In this case, it also includes the obligation to pay taxes that have been issued. As one of the explanatory verses included in QS. An-Nisa ver.59 reads:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا أَطِيعُوا اللَّهَ وَأَطِيعُوا الرَّسُولَ وَأُولَى الْأَمْرِ مِنْكُمْ فَإِن تَنَزَعْتُمْ فِي شَيْءٍ فَرُدُّوهُ إِلَى اللَّهِ وَالرَّسُولِ إِن كُنتُمْ تُؤْمِنُونَ بِاللَّهِ وَالْيَوْمِ ءَاخِرِ ؕ ذَلِكَ خَيْرٌ وَأَحْسَنُ تَأْوِيلًا

It means: "O you who believe, obey Allah and obey His (Rasul), and Uliil Amri among you. Then if you have different opinions about something, return it to Allah (the Qur'an) and the Rasul (his sunnah), if you truly believe in Allah and the day after. That is more important (for you) and better consequences. " (Q.S. An Nisa: 59).

The laws and regulations listed by the state government as law for taxpayers in Indonesia, namely, Article 23 A of the 1945 Constitution and Law No.28 of 2007 concerning General Provisions and Tax Procedures. This confirms taxes are contributions imposed on all Indonesian citizens; they are coercive for the needs of the country. Starting from citizens, foreigners, and residents who live cumulatively 183 days in the territory of Indonesia within 12 months, they should pay taxes.

In taxes on corporate income, resident corporations are taxed based on worldwide income. A foreign company carrying out business activities through a PE (Badan Usaha Tetap/BUT) in Indonesia will generally be required to assume the same tax obligations as a resident taxpayer. Taxable business profits are calculated in accordance with normal accounting principles modified by certain tax adjustments. Generally speaking, all expenses incurred to obtain, collect and maintain taxable business profits are

allowed to be deducted. If expenditures recorded as accounting expenses cannot be immediately applied for tax relief, there may be a time difference.

However, resident taxpayers and Indonesian PEs of foreign companies have to settle their tax liabilities either by direct payments, third party withholdings, or a combination of both. Foreign companies without a PE in Indonesia have to settle their tax liabilities for their Indonesian-sourced income through withholding of the tax by the Indonesian party paying the income.

Resident taxpayers of foreign companies and Indonesian PEs must settle their tax obligations through direct payment, third-party withholding tax, or a combination of the two. A foreign company that does not have a permanent establishment in Indonesia must pay off its tax obligations on Indonesian-sourced income by paying Indonesian withholding tax on the income.

Taxpayers compliance with high trust are expected to have high tax compliance, therefore having a high trust can influence the behavior of taxpayers to make tax payments and can control themselves not to commit tax fraud (Pope & Mohdali, 2010). Aspects that affect taxpayer compliance in paying taxes can be caused by internal factors such as having self-confidence. According to previous researchers (Gangl et al., 2016); (Jannah, M. T., Hutadjulu, L. Y., & Rante, 2018); (Jatmiko, 2006); (McKerchar et al., 2013);

also (Welch et al., 2005) as for external factors, we can see tax sanctions on taxpayers.

The spirit of nationalism is one of the characteristics of the Indonesian people. The Indonesian people's love for the motherland can prove this. A patriotic soul and expression of love for the homeland of the Indonesian people can build a bond between citizens and the country. In the identities we use, we can show citizens love for the country and their pride in their national identity (Gangl et al., 2016) Making sacrifices for the nation itself is a manifestation of the spirit of nationalism. Manifestations of love for a country can affect citizen tax compliance as shown by previous results (Pradini et al., 2016). Also according to previous research (Konrad & Qari, 2012) which found that the spirit of one's nationalism was related to the level of tax compliance.

Religiosity in taxation, it is necessary to have a trust that is owned by the people themselves not with a "that can be forced" or "that is coercive". The government implemented a tax amnesty policy to induce taxpayers to exempt tax for a certain period of time in order to recognize their wealth. However, the government policy of trusting taxpayers can make people understand and requiring the public to fulfill national obligations by paying taxes voluntarily and seriously, so as to realize the solidarity of the national economy. The results of previous studies according to (Benk et al., 2016); (Mohdali & Pope,

2014); and (Torgler, 2006) have shown that religiosity level has a positive impact on individual compliance in paying taxes according to researchers.

Tax amnesty is a policy and a simple choice. It provides certain groups of taxpayers with a time-limited opportunity to allow them to pay a certain amount of tax within a certain time limit within the time limit stipulated by the tax amnesty, including interest and penalties in the past period (Safrina et al., 2016). The tax amnesty provided is based on taxes that have not been or have not been fully collected or collected in accordance with current laws and regulations According to Darussalam 2019 (Safrina et al., 2016).

The tax amnesty policy provides opportunities for taxpayers who have problems in arrears of tax debt. Tax payable here includes the tax payable of all existing assets and assets both domestically and abroad. The provision of tax amnesty is also a form of the government effort to attract public funds that have been in arrears in banks in other countries (Huslin, 2015).

This study has developed by previous results research studies according to (Gangl et al., 2016); (Jannah, M. T., Hutadjulu, L. Y., & Rante, 2018); (Qari et al., 2011); also (Torgler, 2006) to seek further from the indirect religiosity effects on taxpayer compliance that mediated by religiosity itself. This research study has examined the direct influence of the spirit of nationalism factors and religiosity on tax compliance. From previous studies, we can see that trust can increase the spirit of nationalism in a person (Rifai et

al., 2017), but in a context outside of taxes. This study research studies it has been developed in a tax compliance context. The contribution of this research not only has a direct effect but also examines the effect of religiosity on the soul of taxpayer nationalism and is aimed at its implications for taxpayer compliance. Researchers have examined whether the inherent trust in a person will have an impact on a country's love and its implications for compliance with tax orders. It can improve tax compliance, and also especially regarding the spirit of nationalism and religiosity in the results of this following research is to contribute to policymakers in developing indicators.

Based on the background description above, this study is a development of previous research conducted by (Nazaruddin, 2019) with the title "The Role of Religiosity and Patriotism in Improving Taxpayer Compliance". The difference between this study and previous research is to further expand the sample and generalize a broad coverage by using respondents in big cities in Indonesia, that is in Java Island and outside Java, so that the data obtained are not only taken in Yogyakarta. And this research has added new factor that is Tax Amnesty which affects the variables on the tax object to prove the value and improve research. In the variables used there are different characteristic from previous research, that is The Spirit of Nationalism, this variable has the same meaning as Patriotism but still has differences between them.

B. Research Scope

This study focuses on the influence of religiosity, the spirit of nationalism, and tax amnesty on taxpayer compliance to the public in the major cities of Indonesia.

C. Research Question

1. Does Religiosity have a positive effect on The Spirit of Nationalism?
2. Does Religiosity have a positive effect on Taxpayer Compliance?
3. Does The Spirit of Nationalism have a positive effect on the level of Taxpayer Compliance?
4. Does Tax Amnesty have a positive effect on Taxpayer Compliance?

D. Objectives of The Study

The objectives of the study, as follows:

1. To find out whether religiosity has a positive effect on the spirit of nationalism.
2. To find out whether religiosity has a positive effect on taxpayer compliance.
3. To find out whether the spirit of nationalism has a positive effect on the level of taxpayer compliance.
4. To find out whether tax amnesty has a positive effect on taxpayer compliance.

E. Significance of The Study

1. Theoretically

This study is expected to be able to contribute to strengthening the importance of social identity to the community so that they are more concerned with caring for others and can understand the taxpayer's attribution so they can influence a person's individual to be able that behave according to the conditions in the group to determine tax compliance.

2. Practically

The results of the study can be used to increase knowledge, insight, information, and a description of the socialization and understanding of tax effectiveness. Also provide important benefits for policymakers, to be taken in terms of consideration in Indonesia that related to tax compliance to justify the justice system and law enforcement in Indonesia.