

Effect of Individual Taxpayer Behavior and Entrepreneurs Motivation On Tax Compliance

Tulus Suryanto¹ and Waluyo²

{ tulus@radenintan.ac.id¹, waluyo@mercubuana.ac.id²}

¹Faculty of Islamic Economic and Business, Universitas Islam Negeri (UIN) Raden Intan Lampung
Indonesia

²Graduate and Postgraduate Program Department of Accounting The University of Mercu Buana,
Indonesia

Abstract: The purpose of this study was to analyze the factors that affect taxpayer's individual tax compliance in Indonesia. This study used a questionnaire survey design as an instrument. Respondents in this study were 85 individual entrepreneurs taxpayer. This study uses the variable individual behavior and motivation as the independent variable and tax compliance individual taxpayers as the dependent variable. Data analysis was performed using multiple linear regression analysis with SPSS for Window Version 23. The results of this study indicate that individual behavior and motivation have significant effect on tax compliance among individual taxpayers.

Keywords: Individual behavior, motivation, and tax compliance

1. Introduction

Governmental budget is an instrument used to attain development target of a country like Indonesia. Indonesia's economy growth is placed in 4th rank after India, China and the Phillipines. The Ministry of Finance targeting Rp 1,424 trillion revenue from tax for the year 2018. The target is higher than of 2017 which were amounted to IDR 1,283.6 trillion. To achieve the target, it is necessary to accelerate the tax reform program. The reform will in turn enhance the capacity of the tax authority as well as decrease uncertainties in legal matters. The challenge is high enough, but year 2018 has opportunities to be optimized. The most potential source of Indonesian government's revenue is tax. Indonesian government has already taken steps to increase its revenue through comprehensive tax reform firstly in the year 1983. Indonesia since then adopted the self assessment system. Self-assessment system is a tax collection system in which tax authority tax entrust taxpayers to calculate, report, and deposit their own tax payable (Waluyo., 2017). The implementation of the system will be very depends on the compliance of the taxpayers.

The unawareness of the taxpayer with regard to the responsibility on their tax obligations will in turn cause low tax ratio. Indonesian tax ratio for the year 2018 is predicted to reach 14% which is still lower than in Malaysia and Singapore.

The uncompliance behavior among taxpayers is heavily influenced by variables such as attitude, subjective norm and perceived behavioral control. (Walsh, 2012) use behavioral theory to explain tax compliance among corporate taxpayers. The higher the perception of tax professionals on the control they have will encourage compliance to the fulfillment of corporate taxpayers' taxation obligation. Taxpayers' compliance is not only focus on the taxpayers but also to tax professionals in companies. Companies utilised tax professional's service for many reasons, among others are to reduce their tax obligation, to minimize costs

which relate to tax. Individual behaviour and motivation theory are used to explain the behaviour aspects of individual taxpayers.

Considering taxpayers' awareness and compliance as important factors to expand tax revenue, it is important to examine factors contribute to the compliance of taxpayers, especially individual taxpayers. Based on the above background, the research on individual taxpayers' compliance is conducted.

2. Literature Review

2.1 Theory of Planned Behavior

Theory of Planned Behavior explains that the behavior of an individual is formed because of the intention to behave. The main purpose of this theory is to predict behavior and for the understanding of the consequences (Benk, 2011). Theory of Planned Behavior places one's desire as the main predictor of a particular behavior. If the individual's desires flow consistently, then the action as an individual's behavior will be determined by the magnitude of perceived behavioral control (Benk, 2011). The three factors that underlie the desire of the taxpayer to behave obediently to pay taxes according to Theory of Planned Behavior is based on attitude, subjective norms, and perceived behavioral control (Gimba, 2017).

2.2 Tax Compliance

Compliance is the motivation of a person or a group; or organization to do something in accordance with established rules. Tax compliance is a condition where taxpayers meet their required taxation obligations exercise their rights on taxation. Tax compliance can be identified from the compliance of the taxpayer in registering, submitting the tax return, calculating the tax obligation, and paying the tax payable (Kamil, 2015). There are some instances which is need to be considered in tax compliance that is the economic factor that generally in the form of taxpayer action related to the cost and benefits obtained (Saad, 2014). Other factors considered in measuring compliance rates are simpler tax administration and social environment (Walsh, 2012). In practice, awareness factors and tax penalty play important roles (Palil, M.R., Mustapha, 2011). Especially the tax compliance of individual tax payer is influenced by individual behavior and individual motivation to behave obediently.

2.3 Individual Behavior

Behavior is a function of the interaction between an individual with his environment, whether observed directly or observed indirectly. Taxpayer behavior is strongly influenced by individual behavior variables and the environment. The taxpayer's behavior will be different for each taxpayer in accordance with the perception, knowledge of applicable tax laws and the environment (Faizal, S., 2017). Behavior can be conscious or unconscious, overt or covert, voluntary or involuntary. Behavior as a taxpayer can be divided into 3 stages, namely: knowledge, attitude, practice or action.

2.4 Motivation

Motivation consists of three elements, namely need, drive, and goals. The behavior of individuals or groups is strongly influenced by motivation. Motivation is the drive that raises and directs the behavior of the individual. Some motivational characteristics are: (1) quality motivation, (2) career motivation, (2) economic motivation, (4) achievement motivation, (5) learning motivation. The amount of motivation will affect the intensity of behavior and conformity with the goals of individual behavior. The form of individual taxpayer motivation includes the level of awareness of taxpayers in paying taxes. In this case the role of tax

authority is necessary in motivating the individual taxpayer to be compliant in paying taxes. Another factor is the taxpayer's honesty in paying taxes. This is in accordance with the self assessment system used in Indonesia. The self assessment system gives full trust to taxpayers to calculate, deposit and report their own tax liability (Palil, M.R., Mustapha, 2011).

3 Hypothesis Development

Taxpayer Behavior is a function of interaction between the taxpayer and the tax authority. In general, taxpayers behavior is different, because it is influenced by the ability that is not the same. This ability is very important to understand why taxpayers behave differently. The result of taxpayer behavior is manifested in the form of what has been conducted by the taxpayer. Taxpayer behavior can be seen in calculating, depositing and reporting the tax payable (McKee, 2017). Every behavior of the taxpayer will be influenced by knowledge, attitudes and behavior. Hypothesis in this research is as follows:

H1: Individual behaviour influence tax compliance

The individual's taxpayer motivation is an incentive that can generate and direct the behavior of the taxpayer in complying with the tax regulation. The magnitude of motivation will affect the intensity of behavior and compliance with behavior goals. According to Herzberg forms of motivation include: (1) intrinsic motivation, (2) extrinsic motivation, (3) urged motivation. In this case the motivation of the taxpayer can be influenced by factors from within oneself such as awareness and honesty in complying with tax laws. Factors from the outside is the environment, for example tax laws such as the existence of tax penalty will affect the motivation of taxpayers. Therefore, several factors that influence the motivation of the Taxpayer are: (1) Tax Awareness of Taxpayers, (2) Honesty of Taxpayers, (3) Desire to pay taxes. With the frame of mind that the awareness in paying taxes must be followed by the motivation of compliance behavior, then the hypothesis in this study:

H2 : Motivation influence tax compliance

3.3 Theoretical Framework

The theoretical framework which examines effect of individual perception and motivation on the compliance of individual taxpayer can be seen from figure below:

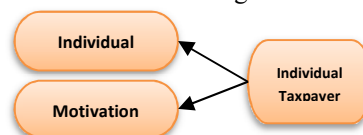


Fig. 1. Theoretical Framework of The Study.

4 Research Methodology

This research is a type of causal study. The data of this study using questionnaires and the data that can be processed is only from 85 respondents. Data processor in this study is using IBM SPSS program version 23.

4.1 Normality Test

Data normality was examined by considering skewness and kurtosis which followed the concept of (Meyer A, 2006). According to him the data is said to be normally distributed if the range of skewness as well as kurtosis lies between ± 1.0 and ± 3.00 respectively. In current study, it is found that all the values exist between ± 1.0 and ± 3.00 . Hence, the data was normal and proceeded for further analysis.

4.2 Hypothesis Testing

Regression analysis was used to test hypothesis. For this purpose, p-value and β -value was considered. For a significant relationship p-value should be less than 0.05 ($p \leq 0.05$).

5 Analysis

5.1 Descriptive Analysis

The following table shows the result of the descriptive statistical output from data processing using SPSS.

Table 1. Descriptive Statistics.

Descriptive Statistics						
	N	Range	Min	Max	Mean	Std. Deviation
X1	85	50.0	78.0	128.0	91,671	8.4309
X2	85	23.0	12.0	35.0	21,365	3.9966
Y	85	21.0	24.0	45.0	30,506	4.7625
Valid N (listwise)	85					

Table 1 Descriptive Analysis shows that Individual Perception (PI) has a minimum value of 78, the maximum value of 128 and the average value obtained from 85 respondents is 91.671. It shows that Individual Perception on Personal Taxpayer compliance has been able in the maximum range. Motivation (MO) has a minimum value of 12, a maximum value of 35 and the average value obtained from 85 respondents is 21.365. It shows that the Motivation for Personal Taxpayer compliance has been able in the maximum range.

5.2 Normality Test

Table 2. Normality Test.

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			85
Normal Parameters ^{a, b}	Mean		,0000000
	Std. Deviation		2,82372630
Most Extreme Differences	Absolute		,069
	Positive		,069
	Negative		-,051
Test Statistic			,069
Asymp. Sig. (2-tailed)			,200 ^{c, d}
Monte Carlo Sig. (2-tailed)	Sig.		,786 ^e
	99% Confidence Interval	Lower Bound	,776
		Upper Bound	,797

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Based on 10000 sampled tables with starting seed 926214481.

The result of Kolmogorov-Smirnov Test in Table 2 shows that the statistical test value of 0.069 with asymp sig is 0.786 or greater than the significant level of 0.05. So it can be concluded that the data is normally distributed, assuming that the regression model used satisfies the assumption of normality.

Table 3. Full Model Regression.

Model	Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error				
1 (Constant)	4.339	3.417		1,270	,208	
PI	,081	,041	,144	2,002	,049	,828
MO	,876	,086	,735	10,213	,000	,828

a. Dependent Variable: Y

With Equation of regression:

$$KWP = a + \beta_1 PI + \beta_2 MO + e \quad (1)$$

In which:

KWP = Taxpayer Compliance

PI = Individual Behavior

MO = Motivation

E = Error

Results obtained from Full Model Regression

$$KWP = 4,339 + 0,081 PI + 0,876 MO + e \quad (2)$$

For the first hypothesis regarding Individual Behavior (PI), the test reveal the t value of 2.002 which means having a positive relationship with a significant value of 0.049 or smaller than 0.05 ($0.049 < 0.05$). It can be concluded that the first hypothesis is accepted that is Individual Behavior (PI) has a positive relationship and significant effect on Taxpayer Compliance (Y). For the second hypothesis regarding motivation, the test prove the value of 10,213 which means it has a positive relationship with a significant value of 0.000 or less than 0.05 ($0,000 < 0.05$). It can be decided that the second hypothesis is accepted because it has a positive relationship and significant effect on Taxpayer Compliance (Y).

6. Conclusion

The results showed that behavior of individual taxpayers influence tax compliance. It is show that taxpayers behave obediently as a form of taxpayers' compliance in pay taxes. On the other hand taxpayers' motivation influence tax compliance. From the aspect of composition of taxpayers, the number of individual taxpayers is more than the number of corporate taxpayers. Therefore the tax authority have an interest to motivate individual

taxpayers to fulfill their tax obligation. It is the role of the tax authority to keep those individual taxpayers well informed and guided.

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