

## FACTORS AFFECTING PUBLIC COMPLIANCE TO PAY TAXES IN BANDUNG CITY

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### ABSTRACT

*Taxpayer compliance refers to the effort made by a taxpayer to comply with his or her obligation to pay taxes and report his or her tax obligations in accordance with applicable regulations*

*One of the significant factors affecting taxpayer compliance is that many taxpayers complain when paying taxes because the services provided by the tax authorities are inadequate. This results in complaints from taxpayers when completing their tax affairs, which ultimately increases non-compliance with tax obligations.*

*The purpose of this research is to learn about taxation, the factors that influence people's compliance with tax obligations, and the penalties associated with tax evasion.*

*The research method used in this study was quantitative, as the research data were in the form of numbers and were analyzed using statistical techniques.*

*The authors are interested in researching "Factors Affecting Public Compliance to Pay Taxes in Bandung City."*

**Keywords:** *Paying Taxes, Tax Sanctions, Taxpayer Regulations*

## **Background**

Taxes are mandatory levies paid by the people to the state to be used for the benefit of the government and the general public, based on laws that can be imposed without receiving direct remuneration from the people.

Tax compliance, according to Rahayu, is a state in which the taxpayer complies with all tax obligations and exercises his tax rights. Taxpayer compliance is influenced by various factors, including knowledge of taxpayers' taxation, which is the most fundamental thing that taxpayers must possess. Without knowledge of taxes, taxpayers will struggle to fulfill their tax obligations and foster an obedient attitude toward tax payment. Additionally, taxpayer awareness refers to a state in which taxpayers are aware of and understand tax issues.

Taxation is the state's primary source of revenue, whereas tax is a debt owed to the state by the people. Taxes play a critical role in the state's life, particularly in implementing development. Taxes provide the state with revenue to finance all expenditures, including development expenditures, which are one of the government's continuous and continuous activities to improve the community's welfare. As a result, the government budget is constantly attempting to increase tax revenues to finance the development that will be implemented. The greater the state's tax revenue is, the more significant the state's financial capacity for development can be allocated. On the other hand, the lower the state's tax revenue, the less capable it is of financing its development. The amount of tax revenue is contingent upon taxpayer compliance.

According to Law No. 16 of 2009 in [1], taxes are mandatory contributions to the state owed by individuals or entities that are coercive, without receiving direct compensation, and are used for the state's needs to maximize the prosperity of the people.

Taxpayer compliance refers to the effort made by a taxpayer to comply with his or her obligation to pay and report taxes under applicable provisions.

Taxpayer awareness is critical, because if the taxpayer has a strong sense of the importance of paying taxes, this sense will encourage taxpayer compliance. Fiscal services are also a significant factor in determining taxpayer compliance, as many taxpayers complain when paying taxes due to poor services provided by the tax authorities, such as officers who are slow to work, unfriendly, complicated tax management, and insufficient facilities, among others, which cause taxpayers to complain when completing their tax affairs and ultimately result in the growth of non-compliance in carrying out tax responsibilities. Along with taxpayer knowledge, taxpayer awareness, and tax service providers, tax sanctions can also affect taxpayer compliance [2-4].

The number of taxpayers continues to increase every year but there are still several obstacles that can hinder efforts to increase the tax ratio, the constraint is tax compliance.

In [5, 6] enacted Law No. 16 of the Republic of Indonesia, which governs general provisions and tax procedures. Tax sanctions are imposed to ensure that the taxpayer complies with the tax regulations. Sanctions must be sufficiently severe to deter non-compliance and motivate taxpayers to comply with their tax obligations [5, 6].

According to the description above, the authors are interested in researching "Factors Affecting Public Compliance to Pay Taxes in Bandung City".

## **Formulation of the problem**

- 1) What is meant by taxation?
- 2) What are the Factors Affecting Taxpayer Compliance?
- 3) What are the sanctions for someone who does not pay taxes?

**Research purposes**

- 1) To understand taxation
- 2) To find out about the factors that affect public compliance in paying taxes
- 3) To understand Sanctions for someone who does not pay taxes.
- 4) To be used as reference material or consideration for similar research in the future.

**LITERATURE REVIEW*****Theory of Understanding Tax***

According to [7], tax compliance is an attitude toward the tax function expressed through a constellation of cognitive, effective, and conative components that interact to aid in comprehending, feeling, and acting on the meaning and function of taxes. Tax compliance is one of the mechanisms by which Regional Original Revenue can be increased.

[4] Asserts that understanding the meaning and benefits of taxes can help taxpayers become more aware. Without understanding taxes and their benefits, individuals cannot pay taxes sincerely. The public's concern about paying taxes results from the increasing number of cases that frequently occur, particularly in the taxation sector. This condition may affect compliance, as taxpayers do not want the tax they have paid to be misappropriated by the tax authorities.

**RESEARCH METHODS*****Place and time of research***

The research was conducted in Bandung on November 23, 2021, with 20 subjects. The researchers distributed a questionnaire to people in Bandung in the form of a google form and instructed them to complete it.

The researchers then check the data collected to ensure that no questionnaire items were left blank by the research subject. The scored scale is then entered into a data tabulation program such as Microsoft Excel and analyzed using the SPSS 16.0 for Windows program to determine whether any factors affect public compliance to pay taxes

***Data Collection Technique***

A questionnaire was used to collect data for this study. A questionnaire is a data collection technique in which respondents are provided with or distributed with a list of questions expecting that they will respond. This questionnaire was addressed to the taxpayers, who comprised the study's sample.

***Research Instruments***

The instrument used in this study was a questionnaire comprised of questions or statements designed to elicit data from the variables studied.

In this study, respondents were asked to choose an answer on a Likert scale. The scale was used to determine whether any factors affect public compliance to pay taxes.

**RESULTS AND DISCUSSION**

This study's discussion is as follows: The statistical test includes the calculated average value (mean), which is 19.20 for tax regulations, 20.06 for taxpayer awareness, 17.34 for tax sanctions, and 19.70 for personal taxpayer regulations, with

a maximum of 25 for tax regulations, taxpayer awareness, tax sanctions, and personal taxpayer regulations, a minimum of 10 for tax regulations, 14 for taxpayer awareness, 11 for tax sanctions, and 11 for personal taxpayer regulations.

The items on the scale that had been filled in were entirely then selected based on the total item correlation coefficient criteria. The taxation scale used a limit of 0.25 so that items with a different index of 0.25 were eligible to be included in the research scale.

The results of the calculation on a tax scale consisted of 20 items. The valid item correlation coefficients for the total scale score are 0.799 for tax regulations, 0.732 for taxpayer awareness, 0.584 for tax sanctions, and 0.863 for personal taxpayer regulations, with a reliability coefficient of 0.874.

After the trial, reliability on the Social Support scale was estimated using the Cronbach Alpha formula, and only valid items were included. The coefficient of social support following the trial is 0.810 for tax regulations, 0.843 for taxpayer awareness, 0.910 for tax sanctions, and 0.790 for personal taxpayer regulations.

The normality test aims to see whether or not the distribution of data from each research variable is normal or not. Normality test was performed using the One-Sample Kolmogorov-Smirnov technique. The rule is that if  $p > 0.05$ , then the distribution of the data is normal, whereas if  $p < 0.05$ , then the data distribution is not normal.

Data analysis for learning motivation variables resulted in K-SZ tax regulations of 0.898 with p value of 0.374, taxpayer awareness of 0.323 with a p-value of 0.000, tax penalties 0.537 with a p-value 0.001, personal taxpayer regulations of 0.249 with a p-value of 0.029.

The multicollinearity test is used to test whether there is a correlation between independent variables in a regression model. Multicollinearity can be seen in the tolerance value or Variance Inflation Factor (VIF), which shows that tax regulations value is 0.964, taxpayer awareness is 0.020, tax penalties is 0.012, and personal taxpayer regulations is 0.005.

This study performed a t-test with the comparison method between t-count and t-table. This means that the independent variable has a significant effect on the dependent variable partially. A t-test based on probability was performed with these criteria: ( $H_0$  is accepted,  $H_a$  is rejected if  $\text{sig} > 0.05$ ;  $H_0$  is rejected,  $H_a$  is accepted if  $\text{sig} < 0.05$ ). The values are as follows: 0.374 for tax regulation, 0.000 for taxpayer awareness, 0.001 for tax penalty, and 0.029 for personal taxpayer regulation. This means that  $H_0$  taxation regulation is rejected and  $H_a$  is accepted,  $H_0$  taxpayer awareness is accepted and  $H_a$  is rejected,  $H_0$  tax sanctions are accepted and  $H_a$  is rejected,  $H_0$  personal taxpayer regulations are accepted and  $H_a$  is rejected.

The multiple linear regression technique was used to ascertain the extent to which the independent variables, namely understanding tax regulations (X1), service quality (X2) and tax sanctions (X3), affect the dependent variable, namely individual taxpayer compliance (Y). In conclusion, the X variables significantly affect the Y variable, though not all other variables have the same effect

## **CONCLUSION AND SUGGESTIONS**

### **Conclusion**

Based on the results of research and discussion that the authors have put forward, this study concludes that Knowledge of Tax Regulations affects Taxpayer Compliance at KPP Pratama Makassar Barat. This shows that taxpayers' knowledge registered at the Bandung Tax Office regarding taxation has met the taxpayer's knowledge of tax information. Taxpayers who do not understand the importance of taxation for the country's progress will arbitrarily not carry out their tax obligations. The more taxpayers who do not understand tax regulations, the more taxpayers are reluctant to fulfill their obligations.

Taxpayer awareness has a positive and significant effect on taxpayer compliance at KPP Pratama Makassar Barat. This shows that taxpayers have a high awareness of doing their taxation because the higher the taxpayer's awareness, the higher the level of taxpayer compliance.

Tax sanctions have no effect on taxpayer compliance. Taxpayers will comply with tax payments if they perceive that the sanctions or fines received will be more detrimental to the taxpayer himself. The more remaining tax arrears that must be paid by the taxpayer, the more difficult it will be for the taxpayer to pay it off. This shows that strict regulations will make small and medium businesses comply with their tax obligations.

### **Suggestion**

Numerous factors must be considered in light of the study's findings and limitations, including the following:

1. Taxpayers at KPP Pratama Bandung Cibeuuying should contribute more to the state by adhering to tax regulations and participating in government outreach activities. As taxpayer compliance improves, citizen welfare improves.

2. It is essential for KPP Pratama Bandung Cibeuuying to continue improving service performance so that taxpayers do not have a negative perception of services and to conduct tax socialization more frequently, not just when a new law is enacted; it is preferable to conduct tax socialization on a regular basis so that taxpayers better understand and appreciate the value of taxation for development.

3. Future researchers may add additional variables, allowing for the discovery of more variables that affect the level of taxpayer compliance. Additionally, it is recommended to conduct additional research observations to ensure that the resulting data is accurate and allows for generalization.

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