

The Effect of Tax Socialization on the Individual Taxpayer Compliance with Taxation Knowledge as Intervening Variable

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ABSTRACT : The purpose of this study is to examine and obtain empirical evidence of the effect of taxation socialization on individual taxpayer compliance with taxation knowledge as an intervening variable. This research was conducted at the East Denpasar Pratama Tax Office. The sample selection in this study uses convenience sampling techniques of 100 individual taxpayers. Data analysis technique used is path analysis. Based on the results of the study showed that the taxation socialization variable had a positive and significant effect on taxation knowledge, and taxation socialization had a positive and significant effect on the compliance of the individual taxpayers with taxation knowledge as an intervening variable.

KEYWORDS: *taxation-socialization, taxation knowledge, taxpayer compliance.*

I. INTRODUCTION

Taxes are one of the country's biggest sources of revenue. According to Law Number 16 of 2009 concerning General Provisions and Tax Procedures Article 1 paragraph (1) states that "Taxes are mandatory contributions to the state owed by individuals or entities that are forcing based on the Law, with no direct compensation and are used for purposes the state for the greatest prosperity of the people ". Revenue from the tax sector can be a tool to sustain the course of a country's economy. Tax revenue plays a very important role in the wheels of the Indonesian economy (Jannah, 2016). Once the magnitude of the role of tax for state revenue, making the government in this case the Director General of Taxes strives to continue to increase revenue from the tax sector.

Given the important role of taxes as a means to finance various types of state expenditure, the government in this case the Directorate General of Taxation continues to strive to optimize tax revenue. Revenue from the tax sector will increase if supported by taxpayer compliance. The concept of taxpayer compliance is defined as a positive attitude arising from within an individual towards his willingness to pay taxes (Helhel and Ahmed, 2014). Taxpayer compliance refers to the fulfillment of tax obligations as determined by the law carried out by taxpayers in the context of contributing to the country which is expected to be voluntarily fulfilled (Serem et al., 2017). Compliance in taxpayers can be said as compliance in tax reporting requirements where taxpayers submit and report obligations in accordance with applicable regulations (Devos, 2009).

Criteria for compliant taxpayers are regulated by Regulation of the Minister of Finance Number 192 / PMK.03 / 2007, which states that taxpayers can be stipulated as compliant taxpayers if they meet the following criteria: 1). Punctual in submitting Notification Letter (SPT); 2). Do not have tax arrears for all types of taxes, except tax arrears that have obtained permission to pay in instalments or delay tax payments; 3). The financial statements are audited by a public accountant or government financial oversight body with an unqualified opinion for three consecutive years; 4). Never been convicted of a criminal offense in the field of taxation based on a court decision that has had permanent legal force for the past five years. Taxpayers are said to be compliant if it is in accordance with the provisions of the Minister of Finance Regulation No. 192 / PMK.03 / 2007, meaning that if a taxpayer does not meet just one of these criteria, it can be said that the taxpayer is not compliant.

The KPP of East Denpasar is one of the Bali Tax Service Offices, which is also the location of this research. Table 1 is the Compliance Level of Individual Taxpayers in KPP of East Denpasar is presented as follows:

Table 1: Compliance Level of Individual Taxpayers in the East Denpasar Pratama Tax Office 2013-2017

No.	Year	Registered WPOP	Effective WPOP	WPOP who report annual tax return (SPT)	WPOP who does not report annual tax return (SPT)	Percentage of Taxpayer Compliance %
1.	2013	91.440	71.928	36.386	35.542	50,58
2.	2014	83.926	64.405	35.820	28.585	55,61
3.	2015	87.652	68.124	36.928	31.196	54,20
4.	2016	91.048	71.554	41.175	30.379	57,54
5.	2017	96.073	76.543	38.647	37.896	50,49

Source: *KPP Pratama Denpasar Timur, 2017*

Based on Table 1, there are some taxpayers registered at the East Denpasar KPP Pratama do not submit their annual tax return, this indicates that the individual taxpayers at the East Denpasar KPP are not compliant because it is not in accordance with the taxpayer compliance criteria in Regulation of the Minister of Finance Number 192 /PMK.03/2007. The data in Table 1.2 also illustrates the level of compliance of individual taxpayers experiencing fluctuations due to the large number of taxpayers who do not submit their annual tax returns.

Non-compliance of taxpayers is influenced by several factors, including the lack of socialization about taxation, lack of quality service, unsatisfactory service system, lack of awareness and concern for taxpayers to fulfill their tax obligations in accordance with tax regulations (Setiawan, 2016). This non-compliance must be corrected, one of the efforts that can be done by the East Denpasar Pratama Tax Office in increasing the number of taxpayer compliance in East Denpasar is by conducting socialization to the public with the aim of making people aware of their tax obligations (Setiawan, 2016).

Taxpayer compliance can be influenced by two factors, namely external factors and internal factors. Attribution theory explains that when individuals observe a person's behavior, the individual seeks to determine whether the behavior is caused internally or externally (Robbins and Judge, 2008). One external factor that can affect the compliance of individual taxpayers is taxation socialization, while the internal factor is taxation knowledge. In this research, tax socialization becomes an independent variable and tax knowledge becomes an intervening variable because tax socialization and tax knowledge are two different things that indirectly have a relationship (Anwar, 2015). This relationship is the taxation socialization will increase taxpayer compliance, because it indirectly increases the knowledge and awareness of taxpayers in making tax payments so that tax knowledge can be intervening for tax socialization in influencing individual taxpayer compliance.

II. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

Tax socialization system according to attribution theory is an external cause that can influence the behavior of taxpayers in carrying out their tax obligations. If a taxpayer can accept these external influences, the taxpayer's perception of his understanding of taxation will be better so that it will have an impact on increasing tax knowledge. The tax socialization process is expected to positively impact public taxation knowledge so that it can also increase the number of taxpayers, increase taxpayer compliance, which in turn increases state revenue from the tax sector (Prabowo, 2015). Research conducted by Anwar (2015) found that taxation socialization has a positive effect on taxpayers' tax knowledge. Tax information dissemination helps to increase the taxpayer's knowledge about the importance of paying taxes so that the taxpayers comply. Based on the explanation above, the authors arrange a hypothesis as follows.

H1: Tax socialization has a positive effect on tax knowledge.

Carolina (2009) tax knowledge is tax information that can be used by taxpayers as a basis for acting, making decisions, and for taking certain directions or strategies with respect to the implementation of their rights and obligations in the field of taxation. Knowledge of taxation according to attribution theory is an internal cause that can influence the behavior of taxpayers in carrying out their tax obligations. Because of his higher knowledge about taxation, the broader knowledge of general provisions and tax procedures can be understood by taxpayers, which will have an impact on increasing taxpayer compliance. Witono (2008) analyzes the role of tax knowledge in tax compliance. The results of this study indicate that there is a positive influence of tax knowledge on the level of tax compliance. Having good tax knowledge can help improve taxpayer compliance with the importance of paying taxes and taxpayers can do it according to tax legislation. Taxpayers who do not have knowledge of tax regulations and processes, the taxpayer cannot determine their behavior properly. This is supported by research Tambun (2016), which states that taxpayer knowledge has a positive effect on taxpayer compliance. Based on the explanation, the writer compiled a hypothesis as follows.

H2 : Knowledge of taxation has a positive effect on the compliance of individual taxpayers.

Socialization is important in an effort to increase taxpayer awareness and compliance. Taxation socialization is giving insight and coaching to taxpayers in order to know about everything about taxation

(Tambun, 2016). The Directorate General of Tax always tries to optimize its services so that taxpayers always carry out their obligations. One way to optimize the service is to socialize the importance of paying taxes that are expected to increase compliance with taxpayers to fulfill their tax obligations.

One factor that can be emphasized by officials in raising awareness and tax compliance is by socializing tax regulations both through counseling, moral appeal both with billboard media, billboards, or opening tax regulation sites which can be accessed by taxpayers at any time (Witono, 2008). Tax socialization has a positive and significant effect on taxpayer compliance (Suderajat et al, 2015). As socialization activities increase, the level of taxpayer compliance will also increase. This is supported by research Rohmawati et al (2012) which states that socialization has a positive effect on taxpayer compliance, Widowati research (2015) which states that taxation socialization has an effect on personal taxpayer compliance, and Purba research (2016) which states that there is a positive influence between the socialization of taxation against individual taxpayer compliance. Based on the explanation above, the authors arrange a hypothesis as follow

H3 : Tax socialization has a positive effect on individual taxpayer compliance.

Intervening variables used in this study are taxation knowledge because taxation socialization and taxation knowledge are two different things that indirectly have a relationship (Anwar, 2015). Knowledge of taxation can be intervening for tax socialization in influencing taxpayer compliance. The higher the level of taxation socialization, the higher the level of taxation knowledge, and the higher the level of taxation knowledge, the higher the level of personal taxpayer compliance.

Tax information dissemination is carried out to provide good and correct information so that taxpayers will have knowledge about the importance of paying taxes and will ultimately increase the compliance of individual taxpayers. Tax information dissemination if conveyed clearly, correctly and comfortably by the tax official, the taxpayer will have knowledge about the importance of paying taxes which will automatically increase taxpayer compliance. This is supported by Anwar's research (2015) which states that taxation socialization has a positive effect on taxpayer tax knowledge. Purba Research (2016) found that there is a positive influence between tax socialization on individual taxpayer compliance. Witono's research (2008) states that there is a positive influence of tax knowledge on the level of tax compliance, Oladipupo and Obazee (2016) and Saad (2014) which also concludes that tax knowledge has an effect on tax compliance. Based on the explanation above, the authors arrange a hypothesis as follows.

H4 : Tax socialization has a positive effect on individual taxpayer compliance through taxation knowledge

III. METHODS

The approach used in this study is a quantitative approach that is associative. According to Sugiyono (2017), quantitative research methods are research methods based on the philosophy of positivism, used to examine specific populations or samples, collecting data using research instruments, analyzing quantitative or statistical data, by testing established hypotheses. The sampling method in this study uses convenience sampling technique. According to Santoso and Tjiptono (2001) convenience sampling is a sampling procedure that selects samples from the person or unit that is most easily found.

This research was conducted in the Denpasar area and for data collection conducted at the Tax Office (KPP) Pratama East Denpasar. The method used in this study is a survey method using a questionnaire or questionnaire. The questionnaire is a list of statements given to others with the intention that the person given is willing to respond according to user requests (Arikunto, 2010). The object used in this research is personal taxpayer compliance. The population in this study were all individual taxpayers registered at KPP East Denpasar, totaling 76,543 people. The sample in this study used the Slovin formula. The number of samples in this study were 100 individual taxpayers registered at KPP of East Denpasar.

Path Analysis in this study uses the Statistical Package for Social Science (SPSS) program. The regression model in this study is shown by the following equation.

Direct effect: $Z = \alpha + \beta_1 X_1$

Indirect effect: $Y = \alpha + \beta_1 X_1 + \beta_2 Z$

Annotation

Y = Personal Taxpayer Compliance

α = Constant

β = Regression Coefficient

X₁ = The independent variable is Taxation Socialization

Z = Intervening Variable, Tax Knowledge

IV. RESULT AND DISCUSSION

Path analysis is used as data technique to determine the direct effect of variable X on the Y variable, and the indirect effect, namely the effect of variable X on the variable Y through the variable Z (Puspita.2016). The results of the path analysis test are presented in Table 2.

Tabel2. Result Tests Path

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Model 1	(Constant)	4.079	3.024		1.349	.180
	Tax Socialization	.703	.064	.742	10.958	.000
Model 2	(Constant)	5.716	3.169		1.804	.074
	Tax Socialization	.375	.099	.337	3.778	.000
	Tax Knowledge	.620	.105	.527	5.907	.000

Source: *Processed Data in 2019*

Based on Table 2, the model one linear regression equation can be arranged as follows.

$$Z = 4,079 + 0,703 (X1) + e$$

A constant value of 4.079 means that if the tax socialization system variable (X1) is considered constant at 0 (zero), then taxation knowledge (Z) can be interpreted to increase by 4.079. Regression coefficient $\beta_1 = 0.742$ means that if the taxation socialization variable (X1) increases by 1 unit, the taxation knowledge (Z) will increase by 0.742. The two model linear regression equation can be arranged as follows.

$$Y = 5,716 + 0,375 (X1) + 0,620 (Z) + e$$

A constant value of 5.716 implies that if the taxation socialization variable (X1), taxation knowledge (Z) is considered constant at 0 (zero), then personal taxpayer compliance (Y) can be interpreted to increase by 5.716. Regression coefficient $\beta_1 = 0.337$ means that if the taxation socialization variable (X1) increases by 1 unit, then personal taxpayer compliance (Y) will increase by 0.337 assuming other variables are considered constant. Regression coefficient $\beta_2 = 0.527$ means that the taxation knowledge variable (Y) Z) increases by 1 unit, then the taxpayer compliance of individuals (Y) will increase by 0.527 assuming other variables are considered constant.

Hypothesis testing (t test) is performed to determine whether there is a significant influence between the independent variables on the dependent variable. The level of significant (α) used is 5%. H_0 is accepted if p-value $< \alpha = 0.05$. Based on the results of path analysis in Table 2 the test results on the effect of independent variables on the dependent variable and intervening variables can be described as follows.

Based on the significance level of the socialization variable of 0,000 which is smaller than $\alpha = 0.05$, then H_0 is accepted. This proves that taxation socialization has a positive effect on tax knowledge, this supports the Attribution theory where tax socialization is an external factor that influences taxpayers in carrying out their tax obligations. Intensive tax socialization will increase public knowledge of taxes, so that taxpayers know their obligations as citizens so that they will increase awareness in paying their tax debt. This is in accordance with research conducted by Jannah (2016) finding that intensive tax socialization can increase taxpayers' knowledge about all matters relating to taxation. Anwar's research (2015) states that tax socialization has a significant effect on taxpayer knowledge of taxation. In contrast to the study of Winerungan (2013) that with less intensive socialization given will have an impact on the low knowledge and understanding of taxpayers so that it affects the tax compliance.

Based on the significance level of the tax knowledge variable of 0,000 which is smaller than $\alpha = 0.05$, then H_0 is accepted. This proves that tax knowledge has a positive effect on the compliance of individual taxpayers, this supports the Attribution theory where tax knowledge is an internal factor that influences individuals in carrying out their tax obligations. The said taxation knowledge is that the taxpayer fully understands the general provisions and tax procedures in force in Indonesia and is able to apply that knowledge in carrying out tax obligations. Rasshid and Noor (2004) conducted a study to evaluate the effect of taxation knowledge on taxpayer compliance behavior in Malaysia. His statistical findings, emphasizing that those who have tax knowledge, tend to have higher levels of compliance than those who do not have tax knowledge. The results of this study are also strengthened by the results of research conducted by Oladipupo and Obazee (2016) and Setiyani et al. (2018) which concluded that tax knowledge has a positive effect on taxpayer compliance.

Based on the significance level of tax socialization variable of 0,000 which is smaller than $\alpha = 0.05$, then H_0 is accepted. This proves that taxation socialization has a positive effect on individual taxpayer compliance. this supports the Attribution theory whereby taxation socialization is an external factor influencing individuals in carrying out their tax obligations. With the socialization of taxpayers is expected to be increasingly aware of their obligations in paying taxes. This is supported by Rohmawati's research (2012) which states that socialization has a positive effect on taxpayers' compliance and Purba (2016) which states that there is a positive influence between taxation socialization on individual taxpayer compliance.

Based on the direct effect of taxation socialization on taxation knowledge of 0.742 and the indirect effect is the multiplication of the value of β (beta) taxation socialization (X1) on taxation knowledge (Z) with the value of β (beta) tax knowledge (Z) on compliance of individual taxpayers (Y) which is $0.742 \times 0.527 = 0.391$. Then the total effect of taxation socialization on tax compliance of individual taxpayers is the direct

effect plus the indirect effect of $0.337 + 0.391 = 0.728$. Based on the results of these calculations it can be seen that the value of the indirect effect is greater than the direct effect, this proves that the socialization of indirect taxation through tax knowledge has a positive effect on the compliance of individual taxpayers, then H_1 is accepted. Based on attribution theory, tax socialization is an external factor and tax knowledge as an internal factor influencing taxpayers in carrying out their tax obligations. If taxation socialization can increase taxpayer knowledge in making tax payments, taxpayers are satisfied with the taxation socialization provided. Tax knowledge gained by taxpayers will have an impact on the level of tax compliance, because if the taxpayer knows the payment procedures and functions of the tax, then the taxpayer will fulfill his obligation to pay taxes.

The results of this study are supported by Anwar's (2015) study which found tax socialization had a significant effect on taxpayer tax knowledge. Purba Research (2016) found that there is a positive influence between tax socialization on individual taxpayer compliance. Witono's research (2008) states that there is a significant influence of tax knowledge on the level of tax compliance.

V. CONCLUSION

Tax socialization has a positive effect on tax knowledge. The more intensive the socialization about tax are, the better the level of taxpayer knowledge about taxation. Tax knowledge has a positive effect on individual taxpayer compliance. The better the level of understanding of tax regulations owned by taxpayers will encourage taxpayers to meet their tax obligations, so that compliance must also increase. Tax socialization has a positive effect on taxpayer compliance. The more intensive the socialization is given, the more it will encourage taxpayers to carry out their obligations. Taxation socialization has a positive effect on taxpayer compliance through tax knowledge. With intensive socialization, it will indirectly increase taxpayers' knowledge of taxation so that with better taxpayer knowledge, taxpayers are more aware of their tax obligations

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