Determinants of Awareness against Taxpayers Tax Compliance, Micro, Small and Medium Enterprises in Medan

Herman P.1, Hasan Basri Tarmizi2, Murni Daulay2, and Rahmanta Ginting2

1Doctoral Student, Faculty of Economics and Business, Universitas Sumatera Utara
2Faculty of Economics and Business, Universitas Sumatera Utara, Medan, Indonesia

Keywords: Tax Awareness, Taxpayer Attitudes, Tax Knowledge, Subjective Norms, Tax Amnesty, Tax Compliance

Abstract: This study aims to analyze the effect of taxpayer attitudes, taxpayer knowledge, subjective norms and tax amnesty on tax awareness of Micro, Small and Medium Enterprises in Medan. Analyzing the effect of taxpayer attitudes, taxpayer knowledge, subjective norms and tax amnesty on the compliance of taxpayers for Small and Medium Enterprises in Medan. The sample in this study were 344 respondents from small and medium micro enterprises in Medan. Data analysis uses the Structural Equation Modeling (SEM) model. The results of the study are that There is a significant influence of the Taxpayer's Attitude towards tax awareness of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Taxpayers' Knowledge on the tax awareness of Micro, Small and Medium Enterprises in Medan. There is significant effect of Tax Amnesty on the tax awareness of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Subjective Norms on the tax awareness of Micro, Small and Medium Enterprises in Medan. There is significant effect of Tax Amnesty on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is no significant effect of Taxpayer's Attitude on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is no significant effect of taxpayer awareness on the tax compliance of Micro, Small and Medium Enterprises in Medan.

1 INTRODUCTION

Tax compliance issues are a classic problem faced by almost all countries that implement the tax system (Amin et al., 2011; Contos et al., 2009; Sapiei and Ismail, 2014; Supiyandi et al., 2017; Ikhwan et al., 2018). The main problem of taxation in Indonesia is still around the level of taxpayer compliance which is still very low. The level of tax compliance in Indonesia is still low, with only 30 percent of taxpayers paying taxes. When compared with the compliance of tax payments in Malaysia which has 80 percent of registered taxpayers, of course, Indonesia's tax performance is still far behind (Sari et al., 2017; Julyan, 2004; McLellan, 1988). Realization of tax revenue in North Sumatra I Regional Tax Office until mid-June 2011 was recorded at Rp 4.4 trillion, or around 39% of the year-round target of Rp 9 trillion. The tax revenue performance increased by around 9.3% compared to tax revenue in the same period in 2010 whose value was recorded at Rp 3.9 trillion. "Gross tax revenue realization up to June 2011 has reached Rp 4.4 trillion or reached 39% of the target of Rp 9 trillion. The tax revenue performance increased by around 9.3% compared to the realization of tax revenue in the same period in 2010. In the first semester of 2010, the realization of tax revenue in the Regional Office of Medan reached Rp 3.9 trillion. The tax revenue of the North Sumatra I Regional Office in Medan is still much smaller compared to other regional offices in Indonesia. The receipt of the North Sumatra Region I Regional Office in Medan was the 13th largest compared to other regional offices. In 2008, 6.36 trillion increased to Rp 7.32 trillion and 8.00 trillion in 2010.
Low tax compliance from retail traders while they dominate the role in the economy. Perpetrators of retail traders who do not pay taxes, for example, will sell the same goods at lower prices compared to other businesses that pay taxes. Business actors who pay taxes must collect Value Added Tax (VAT) which will increase the selling price to consumers, while businesses that do not pay taxes do not do it for the same item (Nasution et al., 2018; Eddy et al., 2018; Walsh, 1972). On the other hand, business actors who pay taxes must set aside the income earned to pay income tax (PPh) owed, while businesses that do not pay taxes can enjoy all the income they earn.

The distortion that occurs between retail traders who make tax payments with retail traders who do not pay this tax, in the long run, will reduce the ability of retailers who make tax payments in competition in the market. Distortion will also cause disincentives for tax compliance of retail traders who make tax payments. To be able to compete in the market with business people who do not pay taxes, they will tend to misuse their tax obligations, for example not collecting VAT or not paying taxes (Li and Ren, 2010). It is a challenge for tax administrators to how to make tax-compliant retail traders tax compliant and obedient retail traders to remain obedient.

One of the government's efforts to increase tax revenues is by collecting taxes from Micro, Small and Medium Enterprises (MSMEs). The reason for the government to collect taxes from MSMEs is because they have the potential to increase national economic growth (Iqbal et al., 2018). SME business has an essential role in the Indonesian economy. It is because the SME business is the largest business unit in the absorption of labor and the formation of the National GDP (Putra and Hasibuan, 2015; Merwe et al., 2018; Hasibuan et al., 2016). The informal sector including SMEs has boosted Indonesia's economic growth in an improving direction. However, the contribution of tax revenue from the informal sector is still below 2 percent. Tax revenue potential of SMEs in Indonesia is more or less biased to reach seventy-five trillion Rupiah per year. According to Bisnis Indonesia Daily states that SMEs are proven to be resistant to the crisis and able to survive because they do not have foreign debt, there is not much debt to banks because they are considered unbankable, using local input, and export-oriented. The number of MSMEs in Indonesia is currently not recorded clearly, so that the value of SME money tax revenues starting to take effect as of 1 July 2013 cannot be targeted with certainty.

If the Taxpayer has a subjective norm that is following the standard values in the community, the taxpayer will take action by existing regulations such as paying taxes and reporting the tax return. The subjective norms have a significant adverse effect on the intention of tax non-compliance.

2 THEORETICAL FRAMEWORK

Theory of Planned Behavior explains that the behavior displayed by individuals arises because of the intention to behave (Huang et al., 2011; Jafarkarimi et al., 2007; Ritonga et al., 2017). Whereas three determinants determine the intention to behave, such as:

1. Behavioral beliefs, individual beliefs about the results of behavior and evaluation of these results (beliefs strength and outcome evaluation).
2. Normative beliefs, beliefs about normative expectations of people others and motivation to fulfill these expectations (normative beliefs and motivation to comply).
3. Control beliefs, beliefs about the existence of things that support or inhibit the behavior that will be displayed (control beliefs) and perceptions about how strong things which support and inhibits the behavior (perceived power).

Obstacles that may arise when the behavior is displayed can come from within self or from the environment. Sequentially, behavioral beliefs produce attitudes toward positive or negative behavior; normative beliefs produce perceived social pressure or subjective norms (subjective norms) and control beliefs give rise to perceived behavioral control or perceived behavioral controls.

![Figure 1: Theory of Planned Behavior](image-url)
3 METHOD

Analyze data using Structural Equation Model with the formula, Such as:

\[ X_{1.1} = \lambda_1 \text{SWP}_1 + Z_{16} \]
\[ X_{1.2} = \lambda_2 \text{SWP}_2 + Z_{17} \]
\[ X_{1.3} = \lambda_3 \text{SWP}_3 + Z_{18} \]
\[ X_{1.4} = \lambda_4 \text{SWP}_4 + Z_{19} \]
\[ X_{2.1} = \lambda_5 \text{PWP}_1 + Z_{20} \]
\[ X_{2.2} = \lambda_6 \text{PWP}_2 + Z_{21} \]
\[ X_{2.3} = \lambda_7 \text{PWP}_3 + Z_{22} \]
\[ X_{3.1} = \lambda_8 \text{NS}_1 + Z_4 \]
\[ X_{3.2} = \lambda_9 \text{NS}_2 + Z_5 \]
\[ X_{3.3} = \lambda_{10} \text{NS}_3 + Z_6 \]
\[ X_{3.4} = \lambda_{11} \text{NS}_4 + Z_7 \]
\[ X_{4.1} = \lambda_{12} \text{Ta}_1 + Z_8 \]
\[ X_{4.2} = \lambda_{13} \text{Ta}_2 + Z_9 \]
\[ X_{4.3} = \lambda_{14} \text{Ta}_3 + Z_{10} \]
\[ X_{4.4} = \lambda_{15} \text{Ta}_4 + Z_{11} \]
\[ Y_{1.1} = \lambda_{16} \text{KS}_1 + Z_{12} \]
\[ Y_{1.2} = \lambda_{17} \text{KS}_2 + Z_{13} \]
\[ Y_{1.3} = \lambda_{18} \text{KS}_3 + Z_{14} \]
\[ Y_{1.4} = \lambda_{19} \text{KS}_4 + Z_{15} \]
\[ Y_{2.1} = \lambda_{20} \text{KP}_1 + Z_{16} \]
\[ Y_{2.2} = \lambda_{21} \text{KP}_2 + Z_{17} \]
\[ Y_{2.3} = \lambda_{22} \text{KP}_3 + Z_{18} \]
\[ \eta_1 = \gamma_{23} \text{SWP} + \gamma_{24} \text{PWP} + \gamma_{25} \text{NS} + \gamma_{26} \text{Ta} + Z_{24} \]
\[ \eta_2 = \beta_{27} \text{KS} + \gamma_{23} \text{SWP} + \gamma_{24} \text{PWP} + \gamma_{25} \text{NS} + \gamma_{26} \text{Ta} + Z_{23} \]

4 RESULT AND DISCUSSION

Based on AMOS output it is known that all constructing indicators of first order Taxpayer attitudes, Taxpayer knowledge, Subjective norms, Tax Amnesty, Tax Awareness, and Tax Compliance have a significant loading factor value, where all the loading factor values exceed 0.4. If all constructing indicators are significant, then it can be used in representing data analysis.

![Figure 2: Amos Output](image)

**Table 1 Goodness of Fit Indeks**

<table>
<thead>
<tr>
<th>Goodness of Fit Indeks</th>
<th>Chi-Square</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model Evaluation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 2: Critical Ratio and P-Value estimation result.**

<table>
<thead>
<tr>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R</th>
<th>P</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>KS &lt;- $\text{SWP}$</td>
<td>1.344</td>
<td>1.329</td>
<td>$2.729$</td>
<td>.008</td>
</tr>
<tr>
<td>KS &lt;- $\text{PWP}$</td>
<td>.860</td>
<td>.305</td>
<td>$2.818$</td>
<td>.005</td>
</tr>
<tr>
<td>KS &lt;- $\text{Ta}$</td>
<td>.564</td>
<td>.190</td>
<td>2.654</td>
<td>.008</td>
</tr>
<tr>
<td>KS &lt;- $\text{NS}$</td>
<td>.506</td>
<td>.200</td>
<td>1.503</td>
<td>.129</td>
</tr>
<tr>
<td>KP &lt;- $\text{NS}$</td>
<td>.258</td>
<td>.200</td>
<td>1.042</td>
<td>.144</td>
</tr>
<tr>
<td>KP &lt;- $\text{PWP}$</td>
<td>.715</td>
<td>.312</td>
<td>2.506</td>
<td>.000</td>
</tr>
<tr>
<td>KP &lt;- $\text{Ta}$</td>
<td>.453</td>
<td>.190</td>
<td>2.342</td>
<td>.019</td>
</tr>
<tr>
<td>KP &lt;- $\text{SWP}$</td>
<td>.368</td>
<td>.128</td>
<td>2.316</td>
<td>.007</td>
</tr>
<tr>
<td>KP &lt;- $\text{KS}$</td>
<td>.054</td>
<td>.061</td>
<td>2.512</td>
<td>.010</td>
</tr>
</tbody>
</table>

To determine whether a significant influence or not can be seen from column P which is p-value, compared with the significance level (alpha = 0.05) used is usually 0.05. If the p-value is smaller than 0.05 then Ho is rejected. The second way is to look at the value of C.R (Critical Ratio). If C.R is greater than 2.0, Ho is rejected. This means that the influence of independent variables on the dependent variable shown in the table is significant. An asterisk (***) at P (Probability Value) indicates a very small number (less than 0.05).
Based on table 2 above, it is known:

- There is a significant influence of the Taxpayer's Attitude towards the tax awareness of Small and Medium Enterprises in Medan, where the estimated value is 3.544 with a value of C.R 2.729 and a probability of 0.006 < 0.05 so that it is known that the Taxpayer's Attitude significantly affects tax awareness.
- There is no significant effect of Taxpayer Knowledge on tax awareness of Small and Medium Enterprises in Medan, where the estimated value is -0.860 with a C.R. value of -2.818 and the probability of of 0.005 < 0.05 so that Taxpayer Knowledge is not known to affect awareness significantly.
- There is a significant influence of Tax Amnesty on the awareness of taxpayers of Small and Medium Enterprises in Medan, where the estimated value is 2.654 with a C.R value of 2.654 and the probability of 0.008 < 0.05 so that it is known that tax amnesty significantly influences the awareness of taxpayers of Small and Medium Enterprises in Medan.
- There is no significant effect of Subjective Norms on tax awareness of Small and Medium Enterprises in Medan, where the estimated value is -0.308 with a C.R value of -1.543 and a probability of 0.123> 0.05 so that subjective norms are not found to affect tax awareness significantly.
- There is no significant influence of Subjective Norms on the tax compliance of Small and Medium Enterprises in Medan, where the estimated value is 0.299 with a C.R value of 1.461 and a probability of 0.144> 0.05 so that Subjective Norms are not found significantly affect taxpayer compliance.
- There is a significant influence of Taxpayer Knowledge on taxpayer compliance of Small and Medium Enterprises in Medan, where the estimated value is 0.876 with a C.R value of 2.806 and the probability of 0.005 < 0.05 so that it is known that Taxpayer Knowledge significantly affects the compliance of Micro, Small and Medium Enterprises in Medan.
- There is a significant influence of Tax Amnesty on tax compliance of Small and Medium Enterprises in Medan, where the estimated value is 0.458 with a C.R value of -2.342 and a probability of 0.019 < 0.05 so that tax amnesty significantly affects the compliance of Micro,Small and Medium Enterprises in Medan.
- There is no significant influence of Taxpayer's Attitude on taxpayer compliance of Small and Medium Enterprises in Medan, where the estimated value is -3.602 with a C.R value of -2.716 and the probability of 0.007 < 0.05 so that Taxpayer's Attitude is not known significantly influences the compliance of Micro, Small and Medium Enterprises in Medan.
- There is no significant influence of taxpayer awareness on taxpayer compliance of Small and Medium Enterprises in Medan, where the estimated value is -0.954 with a C.R value of -15.512 and the probability of 0.001 < 0.05 so that Taxpayer's Attitude is not known significantly influences the compliance of Micro, Small and Medium Enterprises in Medan.

5 CONCLUSIONS

There is a significant influence of the Taxpayer's Attitude towards tax awareness of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Taxpayers' Knowledge on the tax awareness of Micro, Small and Medium Enterprises in Medan. There is significant effect of Tax Amnesty on the tax awareness of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Subjective Norms on the tax awareness of Micro, Small and Medium Enterprises in Medan. There is significant effect of Tax Amnesty on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Subjective Norms on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is significant effect of Tax Amnesty on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Taxpayer's Knowledge on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is no significant influence of Taxpayer's Attitude on the tax compliance of Micro, Small and Medium Enterprises in Medan.

ACKNOWLEDGEMENTS

The authors gratefully acknowledge that the present research is supported by The Ministry of Research and Technology and Higher Education Republic of Indonesia of the Year 2019.

REFERENCES

A. Ikhwan, M. Yetri, Y. Syahra, and J. Halim, “A Novelty of Data Mining for Promoting Education based on FP-


EBIC 2019 - Economics and Business International Conference 2019

116