

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. Analyzing the effect of taxpayer attitudes, taxpayer knowledge, subjective norms and tax amnesty on tax awareness and tax compliance of Micro, 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 no significant influence of Subjective Norms on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is significant effect of Taxpayers' Knowledge 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 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.

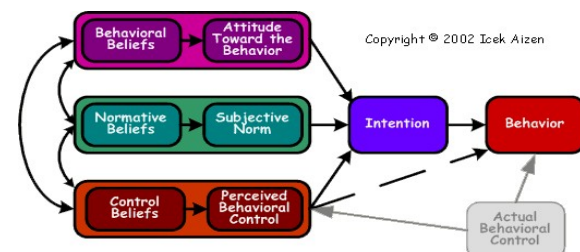


Figure 1: Theory of Planned Behavior

3 METHOD

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

X1.1	= λ_1 SWP1	+ Z ₁₆
X1.2	= λ_2 SWP2	+ Z ₁₇
X1.3	= λ_3 SWP3	+ Z ₁₈
X1.4	= λ_4 SWP4	+ Z ₁₉
X2.1	= λ_5 PWP1	+ Z ₂₀
X2.2	= λ_6 PWP2	+ Z ₂₁
X2.3	= λ_7 PWP3	+ Z ₂₂
X3.1	= λ_8 NS1	+ Z ₈
X3.2	= λ_9 NS2	+ Z ₇
X3.3	= λ_{10} NS3	+ Z ₆
X3.4	= λ_{11} NS4	+ Z ₅
X4.1	= λ_{12} Ta1	+ Z ₄
X4.2	= λ_{13} Ta2	+ Z ₃
X4.3	= λ_{14} Ta3	+ Z ₂
X4.4	= λ_{15} Ta4	+ Z ₁
Y1.1	= λ_{16} KS1	+ Z ₁₅
Y1.2	= λ_{17} KS2	+ Z ₁₄
Y1.3	= λ_{18} KS3	+ Z ₁₃
Y1.4	= λ_{19} KS4	+ Z ₁₂
Y2.1	= λ_{20} KP1	+ Z ₁₁
Y2.2	= λ_{21} KP2	+ Z ₁₀
Y2.3	= λ_{22} KP3	+ Z ₉
η 1	= γ_{23} SWP + γ_{24} PWP + γ_{25} NS + γ_{26} TA	+ Z ₂₄
η 2	= β_{27} KS + γ_{23} SWP + γ_{24} PWP + γ_{25} NS + γ_{26} 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.

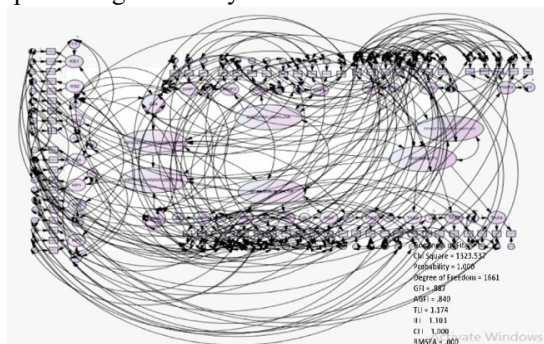


Figure 2: Amos Output

Table 1 Goodness of Fit Indeks

Goodness of Fit Indeks	Cut of Value	Result	Model Evaluation
2 - Chi-square (λ)	$p > 0,05$	1323.537	Fit
Probability	$\geq 0,05$ atau tidak boleh 0 (nol) (Ferdinand, 2014)	1.000	Fit
CMIN/DF	$< 2,00$ (Ghozali, 2016)	0.797	Fit
Root Mean Square Error of Approx (RMSEA)	$\leq 0,08$ Browne dan Cudeck (1993)	0.000	Fit
Goodness of Fit Index (GFI)	$\geq 0,90$ (Ghozali, 2016)	0.887	Marginal Fit
Adjusted Goodness of Fit Index (AGFI)	$\geq 0,90$ (Ghozali, 2016)	0.840	Marginal Fit
Parsimony Goodness of Fit Index (PGFI)	0 - 1,0	0.628	Fit
PRATIO	0,60 - 0,90	0.729	Fit
Normed Fit Index (NFI)	$\geq 0,90$ (Ghozali, 2016)	0.752	Marginal Fit
Relative Fit Index (RFI)	0 - 1	0.632	Fit
Incremental Fit Index (IFI)	$\geq 0,90$ Byrne (1998)	1.103	Fit
Tucker-Lewis Index (TLI)	$\geq 0,90$ (Ghozali, 2016)	1.174	Fit
Comparative Fit Index (CFI)	$\geq 0,90$ (Bentler (2000)	1.000	Fit
Root Mean Square Residual (RMR)	$\leq 0,5$ (Ghozali, 2016)	0.039	Fit

Based on the results of the Fit Model Assessment, it is known that all model analyzes have good conditions as a SEM model. To see the relationship between each variable is done by path analysis (path analysis) of each variable both direct relationships and indirect relationships.

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

	Estimate	S.E.	C.R.	P	Label
KS <- SWP	3.544	1.299	2.729	.006	par_67
KS <- PWP	-.860	.305	-2.818	.005	par_68
KS <- TA	.504	.190	2.654	.008	par_69
KS <- NS	-.308	.200	-1.543	.123	par_70
KP <- NS	.299	.205	1.461	.144	par_52
KP <- PWP	.876	.312	2.806	.005	par_53
KP <- TA	.458	.196	2.342	.019	par_54
KP <- SWP	-3.602	1.326	-2.716	.007	par_55
KP <- KS	-.954	.061	-15.512	.001	par_71

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 H_0 is rejected. The second way is to look at the value of C.R (Critical Ratio). If C.R is greater than 2.0, H_0 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 $0.005 < 0.05$ so that Taxpayer Knowledge is not known to effects awarness 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 awarans 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 no significant influence of Subjective Norms on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is significant effect of Taxpayers' Knowledge 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 effect of Taxpayer's Attitude on the tax compliance of Micro, Small and Medium Enterprises in Medan. There is no significant effect of taxpayer awarans 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-

- Growth Algorithm,” *Int. J. Civ. Eng. Technol.*, vol. 9, no. 7, pp. 1660–1669, 2018.
- A. K. Sari, H. Saputra, and A. P. U. Siahaan, “Effect of Fiscal Independence and Local Revenue Against Human Development Index,” *Int. J. Bus. Manag. Invent.*, vol. 6, no. 7, pp. 62–65, 2017.
- B. WALSH, “VALUE ADDED TAX,” *Ind. Commer. Train.*, vol. 4, no. 10, pp. 481–485, Oct. 1972.
- D. McLellan, “VALUE ADDED TAX: IMPLICATIONS OF THE EUROPEAN COURT JUDGMENT FOR SURVEYORS AND PROPERTY MANAGERS,” *Prop. Manag.*, vol. 6, no. 4, pp. 299–302, Apr. 1988.
- E. Huang, N. C. Yeh, and I.-C. Hung, “Using decomposed theory of Planned Behavior to explain virtual currency use intention,” in *2011 International Conference on E-Business and E-Government (ICEE)*, 2011, pp. 1–4.
- G. Contos, A. Eftekhazadeh, J. Guyton, B. Erard, and S. Stilmar, “Econometric simulation of the income tax compliance process for small businesses,” in *Proceedings of the 2009 Winter Simulation Conference (WSC)*, 2009, pp. 2902–2914.
- G. J. Van Der Merwe, L. Van Der Merwe, L. Pretorius, and J. D. Van Wyk, “Business management models for high technological small to medium enterprises (SMEs), incorporating the close relations of subdivisions within the company, and aspects of volatile economic climates,” in *IEEE International Engineering Management Conference*, vol. 2, pp. 577–584.
- H. A. Hasibuan, R. B. Purba, and A. P. U. Siahaan, “Productivity Assessment (Performance, Motivation, and Job Training) using Profile Matching,” *Int. J. Econ. Manag. Stud.*, vol. 3, no. 6, pp. 73–77, 2016.
- H. Jafarkarimi, R. Saadatdoost, A. T. H. Sim, and J. M. Hee, “Cyberbullying among students: An application of Theory of Planned Behavior,” in *2017 International Conference on Research and Innovation in Information Systems (ICRIIS)*, 2017, pp. 1–6.
- H. M. Ritonga, H. A. Hasibuan, and A. P. U. Siahaan, “Credit Assessment in Determining The Feasibility of Debtors Using Profile Matching,” *Int. J. Bus. Manag. Invent.*, vol. 6, no. 1, pp. 73–79, 2017.
- I. Ajzen, *Constructing a TpB Questionnaire: Conceptual and Methodological Considerations*. 2002.
- L. Julian, “Value-added tax on new residential properties: A comparative study to establish possible alternatives regarding developers registered for VAT purposes,” *Meditari Account. Res.*, vol. 12, no. 2, pp. 67–84, Oct. 2004.
- Li and Y. Ren, “Government fiscal policy toward SMEs in China,” in *2010 Second International Conference on Communication Systems, Networks and Applications*, 2010, pp. 158–160.
- M. Iqbal, S. H. A. Kazmi, A. Manzoor, A. R. Soomrani, S. H. Butt, and K. A. Shaikh, “A study of big data for business growth in SMEs: Opportunities & challenges,” in *2018 International Conference on Computing, Mathematics and Engineering Technologies (iCoMET)*, 2018, pp. 1–7.
- M. D. T. P. Nasution, Y. Rossanty, P. B. Sari, and A. P. U. Siahaan, “Online Shoppers Acceptance: an Exploratory Study,” *Int. J. Civ. Eng. Technol.*, vol. 9, no. 6, pp. 793–799, 2018.
- M. Gopi and T. Ramayah, “Applicability of theory of planned behavior in predicting intention to trade online,” *Int. J. Emerg. Mark.*, vol. 2, no. 4, pp. 348–360, Oct. 2007.
- N. S. Sapiei and K. Ismail, “Components of tax compliance costs for the Malaysian corporate taxpayers,” in *2014 International Symposium on Technology Management and Emerging Technologies*, 2014, pp. 438–443.
- P. O. H. Putra and Z. A. Hasibuan, “E-business framework for small and medium enterprises: A critical review,” in *2015 3rd International Conference on Information and Communication Technology (ICoICT)*, 2015, pp. 516–521.
- S. M. Amin, R. M. Noor, N. Mastuki, and A. R. Ambali, “Corporate governance and tax compliance,” in *2011 IEEE Symposium on Business, Engineering and Industrial Applications (ISBEIA)*, 2011, pp. 117–122.
- Supiyandi, M. I. Perangin-angin, A. H. Lubis, A. Ikhwan, Mesran, and A. P. U. Siahaan, “Association Rules Analysis on FP-Growth Method in Predicting Sales,” *Int. J. Recent Trends Eng. Res.*, vol. 3, no. 10, pp. 58–65, 2017.
- T. Eddy, B. Alamsyah, S. Aryza, and A. P. U. Siahaan, “An Effect Phenomena Circle Living Field in Secanggang Langkat,” *Int. J. Civ. Eng. Technol.*, vol. 9, no. 7, pp. 1575–1580, 2018.