

CHAPTER I

INTRODUCTION

A. Background

Taxes in Indonesia have important roles as a main sources of revenue in this country. Tax is a source of funds used for overcoming problems in a country, such as social problems, welfare and infrastructure. Handling these problems has become into a contract between the state and its citizens (Ruyadi, 2009). As one element of state revenue, tax has an increasingly reliable role in financing government spending (Supadmi, 2009).

Tax is a levy on society by the state based on a law that is forced, and owed which must be paid by not getting direct compensation, the proceeds of which are used to finance state expenditures in the administration of government and development (Siahaan, 2013). Based on some of these statements, it can be interpreted that tax is a compulsory duty of each taxpayer where the impact will be felt again by the taxpayer and the community through development infrastructure and community services.

Tax according to shari'a, etymologically, it comes from the Arabic language referred to as *dharibah*, means to oblige, establish, determine hitting, explaining or charging. Language, as well as tradition, *dharibah* in its has many meanings, but the scholars use *dharibah* to define as treasure collected as a liability. This is evident in the phrase that *jizyah* and *kharaj* are *dharibah*. That is mandatory. Even some scholars say *kharaj* is *dharibah*. In the Qur'an, it is said that

the meaning of the word *Jizyah* on QS. At-Thaubah verse 29 is defined as Tax (Gusfahmi, 2015).

This is explained in the QS. At-Thaubah verse 29:

قَاتِلُوا الَّذِينَ لَا يُؤْمِنُونَ بِاللَّهِ وَلَا بِالْيَوْمِ الْآخِرِ وَلَا يُحَرِّمُونَ
مَا حَرَّمَ اللَّهُ وَرَسُولُهُ، وَلَا يَدِينُونَ دِينَ الْحَقِّ مِنَ الَّذِينَ
أُوتُوا الْكِتَابَ حَتَّى يُعْطُوا الْجِزْيَةَ عَنْ يَدٍ وَهُمْ
صَاغِرُونَ ﴿٢٩﴾

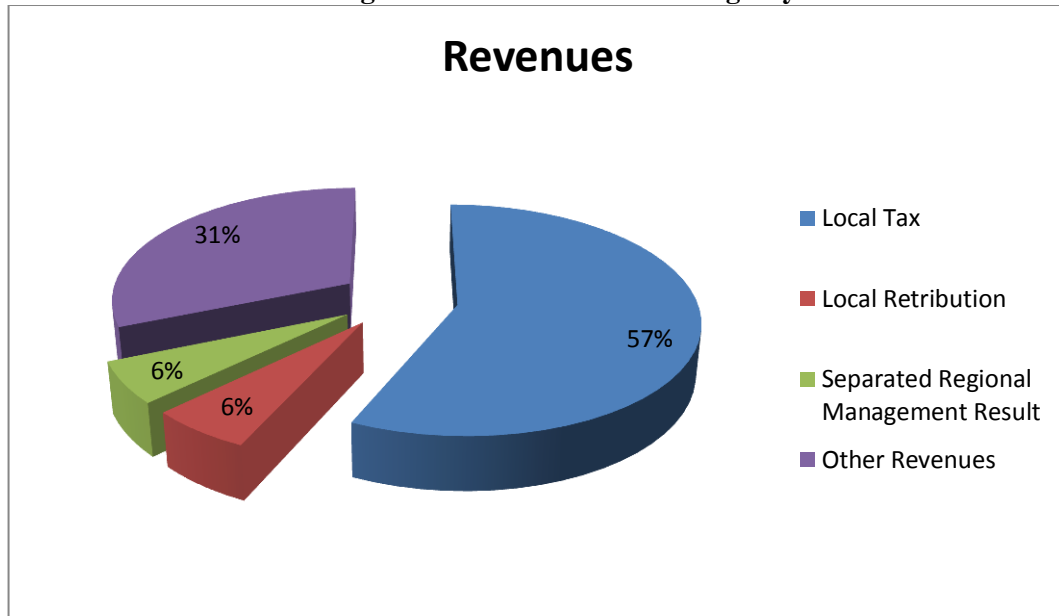
Translation of QS. At-Taubah verse 29 is “Fight those who do not believe in Allah or in the Last Day and who do not consider unlawful what Allah and His Messenger have made unlawful and who do not adopt the religion of truth from those who were given the Scripture - [fight] until they give the jizyah willingly while they are humbled” (QS.[9]:29)

In the Qur'an and translations, said that the meaning of the word *Jizyah* on QS. At-Thaubah verse 29 is defined as Tax (Gusfahmi, 2015). From QS translation. At-Thaubah verse 29, researcher understand that the government may make tax withdrawals to society whatever religion, because the government has served the society in the form of development efforts and community prosperity. In an effort to make the distribution of development, the central government it is impossible to carry it out effectively and efficiently. To be able to organize and monitor directly conducted problems that are on region, then decentralization is a good step by the central government. In order that the organization can run

effectively and efficiently, then some of the affairs will be given to the local government. Whether related to policy, planning, implementation, or financing but not separated from central government supervision. In the Act No 32 of 2004 on Regional Government mentions "The development of autonomy in regencies and municipalities is held taking into account the principles of democracy, community participation, equity, and justice and attention to potential and diversity of the area".

The Regional Revenue Service is a government institution whose duty is to raise funds from the public in the form of taxes which will then be used for development and financing which is for the welfare of society. Based on Law no. 28 of 2009 Article 2 paragraph (1) on local taxes and user charges there are five types of local taxes they are motor vehicle tax, customs duties on motor vehicles, motor vehicle fuel tax, water tax on surfaces and cigarette tax. There are types of local taxes for Regencies / municipalities, including a tax for boarding houses. A boarding house tax is one of the local taxes that constitutes a category of hotel tax. The boarding house tax is the tax imposed on the ownership of a boardinghouse business that has more than 10 rooms and is rented out. In big cities the business growth of boardinghouses is very high, because the number of open jobs in large cities is increasing and the numerous employees come from out of town so require a boarding house as a place to live. In the city there are many colleges which will also make boarding house business increase because many of them are from outside the city.

Figure 1.1
The Actual Regional Revenue of Sleman Regency in 2016



Sources : The Agency of Regional Asset

The diagram above shows the actual regional revenue of Sleman Regency in 2016 , that consist of Local Tax, Local Retribution, Separated Regional Management Result, and Other Revenues. The Actual Regional Revenues (PAD) in 2016 reached 717.15 billion rupiah, about 43.217 billion or 6 % obtained from Local Retribution, about 42.031 billion or 6% obtained from Separated Regional Management Result, about 224.23 or 31% obtained from Others Revenue, remaining about 407.67 billion rupiah or 30.79% obtained from Local Tax. It means that the largest contribution or revenues is comes from the Local Revenue, and one of them is Boarding House Tax.

The Sleman Regency is one of the cities that impose the tax on business boarding house, because there are many companies and universities both public and private. In this city the number of construction of boarding houses in the Sleman Regency shows better economic growth. This development will produce

better income for both the owner and the revenue taxes in the region. In accordance with Law no. 17 of 2000, "every one additional income or economy gained by business owners the boarding house should have contributed deeper income payments in the form of taxes to the State". Application of taxes on this boarding house is set forth in Sleman Regency Regional Regulation number 1 years 2011.

Local Regulation of Sleman Regency no. 1 year 2011, then updated to be Regulation no. 9 year 2015, mentioned that the local taxes consist of hotel tax, advertisement tax, street lighting tax, nonmetallic and stone mineral tax, parking tax and swallow nest tax. The boarding house tax is a categorized as hotel tax, included in the object of hotel tax is a hotel, tourism cottage, guest house, boarding house with rooms more than 10 (ten), home stay and business activities other like. The hotel tax rate is 10% (ten percent) applies to all hotel categories, but for boarding house category is 5%.

Implementation of tax on boarding houses imposed by the government area of Sleman Regency is not necessarily increase regional income. Each taxpayer has a varies response upon the imposition of tax on boarding houses. Some rejections from the community related to the enactment of local regulations related to boarding house tax also happen a lot in Sleman Regency because the income of a boarding house is not same as the hotel income. In the rejection the people do not agree if the tariffs are charged the same as the hotel tax rate, because revenue of boardinghouse in a month different with to hotel income in day, so do not agree if the rate charged is the same (Haluan, 2016).

Since enacted in 2011, the implementation of the regulation on boarding house tax impressed not run according to the provisions. In that sense, there is has not the same understanding between local governments and boarding house owners. In addition, the socialization surrounding tax collection has not been able to show the existence of Sleman's Regional Regulation number 1 of the year 2011. Response of society is quite diverse, some of them refuse because they think that it will only incriminate the students because indirectly this regulation will increase the price of boardinghouse rent in the Sleman Regency. However, some others agree with the local regulation because they think the tax revenue of the Sleman Regency would gain greater funds so that it will be available for development and prosperity of Sleman Regency community. They expect that with the increased amount of funds received by the local government, it will make better performance of the government itself (Andalas, 2013).

Taxpayer compliance is an important factor in determine the amount of tax revenue. Kusuma (2014) states that in fact for every taxpayer, compliance is not an easy action to realize. Most of taxpayers have a tendency to be able to escape from the obligation to pay taxes and take action against taxes. There are several factors that cause the degree of compliance from taxpayer to fulfill his obligation as a taxpayer.

The first factor has an influence on taxpayer compliance is the understanding the tax regulations. Rahmanto (2015) states that understanding the tax regulations has a positive and significant impact on taxpayer compliance. Kusuma and Supadmi (2016) argues that the understanding of tax laws

contributed positively in improving mandatory compliance Tax. The study was not in line with the research undertaken by Iraningsih (2015) which states that understanding the tax regulations does not have an influence on taxpayer compliance.

People with more tax knowledge will tend to be more obedient and aware of their rights and obligations as taxpayers (Witono, 2008). According to Ekawati and Endro (2008) understanding includes the correct filling of Notice/ *Surat Pemberitahuan* (SPT), tax calculation in accordance with the tax payable underwritten by mandatory tax, so the taxpayer must have a deep understanding to calculate the tax payable and pay in a timely manner accordingly legislation.

Rahayu (2010) states that the the understanding of tax regulations has an influence on taxpayer compliance level. Knowledge of taxation will be good for both parties, both from the government side and from the community side. When viewed from the side of the government, tax regulation understanding will improve taxpayer compliance to pay taxes so as to increase state revenue of the tax sector. From the side of society as a taxpayer, the understanding of tax regulation will help them to be obedient and aware of the rights as well obligations as tax payers, also help them to pay taxes payable them in a timely manner so as to avoid that sanction may apply.

The second factor that has an influence on taxpayer compliance is taxpayer awareness. Taxpayers own awareness will grow if the community as a taxpayer is aware of what is meant by taxes, what is the benefit of the taxes they paid, and the functions of the tax itself. Taxpayers who have understood the purpose of it all are

expected able to fulfill his obligations voluntarily as a taxpayer. Concerns the public as a taxpayer to fulfill his obligations pay taxes due to the rampant cases of misuse of tax funds which is done by the tax authorities as the party responsible for taxes that the public have paid for. Kusuma and Supadmi (2016) states that awareness of taxpayer has a positive influence on taxpayer compliance. A research conducted by Amalia et al (2016) also states that taxpayer awareness has a positive influence on taxpayer compliance, but it differs from a research by Heryanto and Toly (2013) which states that awareness of taxpayer negatively affects taxpayer compliance.

The third factor considered to have an effect on taxpayer compliance is a tax sanction. Lack of consciousness from society in paying increasing taxes, causes the government to impose and further reinforce the tax sanctions applicable. It is intended that the public listed as taxpayers can be obedient and have the will to pay off the obligations existing taxes. Mardiasmo (2011) states that tax sanctions are guarantee that the community as a taxpayer does not violate the rules taxation that has been applied in Indonesia. Sanctions imposed for any taxpayer who violates the provisions of laws and regulations taxation ie administrative sanctions, criminal sanctions, or both. The administration sanctions imposed to a taxpayer may be in the form of interest, fine, or increase of tax.

Kusuma and Supadmi (2016) state that tax sanctions have a positive effect on taxpayer compliance. The research is in line with Tiraada (2013) study stating that tax sanctions have a positive effect on taxpayer compliance. Second research

is not in line with the research Winerungan (2013) resulting in that tax sanctions have no effect on taxpayer compliance.

The next factor that can affect the compliance of the boarding house taxpayer is the tax authorities service. One of the efforts to improve taxpayer compliance is giving good service to taxpayer. Supriyati and Nurhidayati (2008), mention the causes the low compliance of taxpayers is because during this time many taxpayer that have negative perceptions to tax collectors or tax authorities.

Tax authorities ability is very influential in helping and guiding the community as taxpayers when they are going to pay taxes they. A good fiscal officer will be able to provide that maximum service when taxpayers pay taxes directly, provide good information service and able to answer the sense of taxpayer's Curiosity on the tax system (Arum, 2012). Kusuma and Supadmi (2016) state that the tax authorities service has a positive effect on taxpayer compliance. This research is in line with the Mutia (2014) stating that the quality of service tax authorities have a positive influence on taxpayer compliance, research conducted Winerungan (2013) produces that quality fiscal services have no effect on taxpayer compliance.

Apart from these fourth factors, religiosity can affect the compliance of the boarding house taxpayer. Based on a research conducted by Retyowati (2016) and Anggraeni (2016), it shows that taxpayer compliance is influenced by religiosity. Religiosity is a belief owned by taxpayers that they believe to God, they afraid of violating tax regulations (Basri, 2015). Violating tax regulations is unethical behavior, because it is detrimental to the state. This unethical behavior is the

dimension of religiosity. However a research conducted by Tania (2011) provides different evidence where religiosity cannot affect taxpayer compliance.

This research is a replication of Tene's (2016) with the title The Effect of Taxpayer Understanding, Tax Awareness, Tax Sanctions and Fiscal Services on Taxpayer Compliance (Empirical Study on Individual Taxpayers Registered at Manado Primary Tax Office). The research results are as follows: 1) The understanding of taxpayers has a significant effect on taxpayer compliance at the KPP Pratama Manado. This shows that the higher the taxpayer's understanding, the higher the taxpayer's compliance; 2) Taxpayer awareness has a significant effect on taxpayer compliance at Manado Primary Tax Office. This shows that the higher the tax awareness, the higher the taxpayer compliance; 3) Tax sanctions have a significant effect on taxpayer compliance at Manado Primary Tax Office. This shows that the higher the tax sanctions, the higher the taxpayer's compliance; 4) The tax authorities' service does not have a significant effect on taxpayer compliance at Manado Primary Tax Office.

The similarities and differences between this research and the previous are as follows:

1. Both are using the same dependent variable; taxpayer compliance
2. The previous research use independent variables; the tax regulations understanding, taxpayer awareness, tax sanctions, and tax authorities services. While this research add them with religiosity.

3. The subjects of previous research are individual taxpayers that registered on KPP Pratama Manado, while this research are the boarding house owners in Sleman Regency.
4. The sampling technique of previous research use purposive sampling that is the individual taxpayers have source of income from freelance or other businesses, while this research use convinience sampling.

Based on those exposition, the writer are interested in looking for **The Effect of Tax Regulations Understanding, Taxpayer Awareness, Tax Sanctions, Tax Authorities Services, and Religiosity towards Taxpayer Compliance (Study on Boarding House Owners In Sleman Regency About Regional Regulations Number 1 in 2011 Boarding House Tax Category).**

B. Research's Scope

The scopes of this research are:

1. Independent variable tested in this research are tax regulations understanding, taxpayer awareness, tax sanctions, tax authorities services, and religiosity. While the dependent variable in this research is taxpayer compliance regarding on paying boarding house tax.
2. Samples used in this research are boarding house owners that have boarding house more than 10 rooms and rented in Sleman Regency using convinience sampling.

C. Research Question

The research questions are formulated as follows :

1. Does the tax regulations understanding have a positive effect on taxpayers compliance?
2. Does the taxpayer awareness have a positive effect on taxpayers compliance?
3. Does the tax sanctions have a positive effect on taxpayers compliance?
4. Does the tax authorities services have a positive effect on taxpayers compliance?
5. Does the religiosity have a positive effect on taxpayers compliance ?

D. Research Objectives

The research objectives are formulated as follows :

1. To test whether the tax regulations understanding has a positive effect on increasing the compliance of taxpayer boarding house.
2. To test whether the taxpayer awareness has a positive effect on increasing the compliance of taxpayer boarding house.
3. To test whether the tax sanctions have a positive effect on increasing the compliance of taxpayer boarding house.
4. To test whether the tax authorities services have a positive effect on increasing the compliance of taxpayer boarding house.
5. To test whether the religiosity has a positive effect on increasing the compliance of boarding house taxpayer.

E. Research Benefits

1. Theoretical Benefit

The results of this study are expected to provide broader insight to the public associated with taxpayer compliance with Regional Regulations of Sleman Regency number 1 of 2011 on boarding house tax category. In addition, this study may also be used as a reference for similar studies in the future.

2. Practical Benefit

a. For Sleman Regency Government

As a form of evaluation of the work of local financial management on the implementation of local regulations Sleman Regency number 1 of 2011 boarding house tax category.

b. For the boardinghouse owners.

It helps to provide information and is expected to be more aware of the local regulations and increase contributions to local taxes.

c. Citizen

It can provide information about hotel tax materials, especially boarding houses related to Sleman Regency Regulation No. 1 of 2011 boarding house tax category.

d. Academician

The writer hopes that this research could use as reference of the academician or to make another research that is related with the regulation of Sleman Regency No 1 Year 2011 about boarding house tax category.