

CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

1) Taxpayer Compliance

According to Abdul Rahman (2010), taxpayers are individuals or entities in carrying out their tax obligations, namely collecting or cutting certain taxes in accordance with the provisions of tax laws and regulations. Meanwhile, Fidel (2008) says that taxpayers are tax subjects who fulfill objective requirements, namely people who receive or obtain taxable income (PKP), i.e. income that exceeds non-taxable income (PTKP) for domestic taxpayers in accordance with regulatory provisions invitation.

The regulation of Minister of Finance Number 192/PMK.03/2007 concerning Taxpayers with certain criteria in the framework of the preliminary return of overpayment of Taxpayers' tax with certain criteria is called to as Obedient Taxpayers if they fulfill the following conditions:

- 1) Accuracy in submitting SPT; when submitting a Taxpayer's Tax Return, people must be on time in the last three years, that is the third month after the tax year.
- 2) Arrears of tax, which are installments that have not been repaid in time or after the date of imposition of a fine. For all types of taxes there are no tax arrears, except those who have already obtained permission to unemployed or delay payment of taxes.
- 3) Financial reports must be audited by a Public Accountant or a government financial supervisory institution with an unqualified opinion for three consecutive years. Unqualified Opinion is given by the auditor if there are no overall material errors in the financial statements presented,

meaning that the financial statements are in accordance with the Financial Accounting Standards.

4) There has been no criminal record (never been convicted) for committing a criminal offense in the field of taxation in accordance with the audit decision which has a permanent legal force within the last five years.

2) Electronic Tax System

Electronic systems in taxation services are made by the Directorate General of Taxes which has the aim to simplify and to accelerate taxpayers in carrying out their obligations. The electronic tax system itself consists of:

a. E-Registration

According to the Ministry of Finance of the Republic of Indonesia, the Directorate General of Tax e-Registration is a service system product that has been provided by the Directorate General of Taxes, i.e. a registration system by taxpayers and the determination of taxable entrepreneurs and data changes connected online with the Directorate General of Taxes.

The purpose of providing this e-Registration service is to facilitate taxpayers in carrying out their tax obligations to register, to update, to delete data, and to provide services that are more efficient, effective, and more optimal both administratively and operationally to the community by using the latest facilities namely utilization information technology via the internet. The e-Registration service includes registration of new Taxpayers, stipulations, change in taxpayer data that have been registered with the tax office, revocation as a Taxable Person for VAT purposes and request for Revocation of Taxable Entrepreneurs.

E-Registration has been effectively used since 2005, i.e. when it was published: "Director General of Tax Regulations Number: KEP-173 / PJ / 2004 dated 7 December 2004 concerning Procedure for Registration and Removal of NPWP" and determination and revocation of taxable entrepreneurs with e-system Registration that has been updated with: "The Regulation of the Director General of Taxes Regulation Number: PER-24 / PJ / 2009 dated March 16, 2009 concerning procedures for registering NPWP and / or stipulating taxable employers and changes in taxpayer data or taxable entrepreneurs with e-Registration system". Revision to these regulations bring significant changes, one of which is that tax officers at the tax service office no longer need to wait for registration documents from Taxpayers to carry out the NPWP validation process.

b. E-Billing

Innovations launched by the Directorate General of Taxation in the aspects of tax or billing payments, i.e. e-Billing, which is an online system where taxpayers can pay off their liabilities online, i.e. by payment via an internet banking (ATM), this makes it easier for taxpayers. So, there is no need to pay at the post office or to go directly to the tax office and also do not need to queue at a bank teller.

This e-Billing facility was introduced in 2011 as stipulated in: "The Regulation of Director General of Taxes Regulations Number: PER-24 / PJ / 2009 dated March 16, 2009 concerning procedures for registering NPWP and / or stipulating of employers subject to taxation and changes in taxpayer data or a taxable entrepreneur with an e-Registration system "which is subsequently changed to" The Regulations Director General of Taxes Number PER-19 / PJ / 2012. "

In 2004 the two regulations were updated with: "The Regulations

Director General of Taxes Number PER-26 / PJ / 2014 regarding the electronic tax payment system" established on October 13, 2014. Now e-Billing facilities can already be applied throughout Indonesia. To improve tax services, the Directorate General of Taxes issued a press statement on December 30, 2015, starting January 1, 2016 to pay taxes online through e-Billing. Whereas the manual tax service system that exists in all private banks and State-Owned Enterprises (BUMN) banks and post offices will expire on December 31, 2015. Then, starting January 1, 2016 tax payments are made online.

c. E-Filing

E-Filing is a method of submitting Annual Tax Return or an extension of the Annual Tax Return which is conducted online through the web by visiting the web pages of the Directorate General of Taxes or through the application. This E-Filing is set in: "The Regulation of Director General of Taxes Number PER-26 / PJ / 2012 concerning Procedures for Processing and Receiving Annual Tax Return" and: "The Regulation of Director General of Taxes Number PER-39 / PJ / 2011 concerning Procedures Submission of Annual Tax Return for Individual Taxpayers (WPOP) using e-Filing Form 1770S or 1770SS through the web page of the Directorate General of Taxes (www.pajak.go.id)". Which has been changed in PER-1 / PJ / 2014.

d. Justice Tax System

The principle of justice in the principles of tax legislation and in terms of its implementation must be adhered to, even though justice is very relative. According to Richard and Peggy in their book about Public Finance in Theory and Practice, there are two types of tax collection principles of justice, as follows:

1) Benefit Principle

In a fair taxation system, every taxpayer must pay taxes in line with the benefits given by the government. This approach is called revenue and expenditure approach.

2) Ability Principle

In this approach, the tax authorities are charged to taxpayers on the basis of their ability to pay.

The issue of justice in tax collection is charged, among others, as follows:

a. The Horizontal Justice

Horizontal tax collection is if the tax burden is the same for all taxpayers who earn the same income with the same number of dependents, without differentiating the type of income or source of income.

b. Vertical Justice

Justice can be formulated (horizontal and vertical) when tax collection is fair and if people who are in the same economic condition are subject to the same tax, and vice versa.

The thing that needs to be noticed in the application of a country's taxation is justice. Justice in taxation is the main factor that will underlie every taxpayer willing to comply with tax regulations. The community here needs clarity regarding fair treatment of the imposition and collection of state taxes. Adam Smith (1981) states that the most important principle in the context of tax collection is justice in taxation which is stated by a statement that every citizen should participate in government funding, as possible as they can proportionally in accordance with their abilities, such as by comparing income earned by the protection he gets from the country.

This principle of justice must be applied well. Indonesia itself now is using the self assessment system which is a tax collection system in calculating the tax payable by this Taxpayer submitted to the tax authorities. In this case, the Taxpayer must be active in calculating, depositing, and reporting to the Tax Service Office while this tax office has the task of providing information and supervision. The purpose of this justice is in order that taxpayers adhere to existing systems and implement tax obligations wisely.

3) Taxation Theory

There is one theory taken that can explain or provide justification for granting rights to the state to collect taxes. The theory is the Devotional Theory. The basis of justice for tax collection lies in the relations of people with their country. The state itself has the absolute right to collect taxes. As dedicated citizens, the people must always be aware that tax payments are obligation and proof of their dedication to the state so that the government of the country can run well and smoothly.

4) The Definition of Tax

According to Laws No. 28/2007 concerning general provisions and taxation procedures, tax is a compulsory contribution owed by taxpayers to countries that are compelling based on the law by not getting direct compensation and used for the state's needs for the maximum prosperity of the people. Mardiasmo (2011) states that taxes are contributions made by the public or taxpayers to the state treasury in accordance with laws that are compelling and without obtaining any compensation directly and are used to pay for public expenditure.

5) Technology Acceptance Model (TAM)

Fatmawati (2015) regards that Technology Acceptance Model (TAM) is a theory that uses a behavioral theory approach which is used to study the process of adopting information technology. TAM itself provides the basis for knowing the influence of external factors on attitude, trust, and purpose of the user. This Technology Acceptance Model is a theory of information systems whose model is how its users operate and accept technology. The assumption is that when a user operates a new system, there are several factors that influence it, such as:

a. Perceived Ease of Use

Perceived ease of use can make users believe that ICT (Computer Information Technology) is easier to use and not a burden for users. Computer Information Technology itself will always be used by companies because of its nature that makes it easy for users (Fatmawati, 2015). Davis (1999) defines that ease of use as a level which in the use of the system, people will believe that when using a particular system it can reduce the burden of someone in doing something.

Goodwin (1987) and Silver (1988) state that the level of communication usage between users and systems can show ease of use. Easier to operate and better known, it is a system that is often used by users in carrying out their activities. The explanation above shows that the perception of ease can explain a reason why the user is operating the system and can explain that this new system can be accepted by the user.

b. Usefulness Perceived

Usefulness perceived is a view which one will believe when a certain system used by the user can improve the performance of that person. This means that the benefits of using Computer Information Technology

(ICT) can improve one's performance in carrying out their duties. Lindawati (2012) says that the usefulness of information technology is highly expected by computer information technology users in carrying out their duties and individuals will use computer information technology if they know the benefits or advantage for their usage.

The theory of the TAM model explains the perception of ease of use and the perceived usefulness of use to form attitude, trust, and purpose whether taxpayers are willing to use or reject the new system in taxation namely e-Registration, e-Billing, and e-Filing (Lindawati, 2012).

6) Theory of Reasoned Action

Fishbein (1975) states that a person will use computer technology when it can produce or has a positive impact on the use of the computer, for example, in work it can be completed faster and the results are also better so that the performance of someone can be said as increased when using technology computer.

Theory of Reasoned Action is the basis for gaining a better understanding of user behavior in the use and acceptance of computer information technology (Davis, 1989). Davis (1989) also says that acceptance in the application of computer information technology is related to the attitude of someone who uses it rather than computer information technology. According to Fishbein (1975), there are two main constructs, the first namely Behavioral Intention, which means a measure of the strength of one's goals in carrying out a specific action. Secondly, subjective Norm is a person's perception of the public opinion whether he is obliged or not obliged to take an action as stated by many people. These subjective norms are based on beliefs called normative beliefs, i.e. beliefs about agreeing or disagreeing with someone or groups that are important to

the individual to a behavior.

7) Unified Theory of Acceptance and Use of Technology (UTAUT)

Venkatesh, et al., (2003) develop UTAUT from several leading technology acceptance theories, such as by comparing features of the theory into one theory. The results of this test are several variables that determine the purpose and use of information technology, namely performance expectancy, effort expectancy, social influence, and facilitating conditions and four variables as moderating variables between determinants and objectives and use of information technology, namely gender, age, experience, and voluntariness (whether or not to use information system at work)."

a. Performance Expectancy

It is a trust of the user when using a system that will help the user produce a performance in full work, so the results can be better. There are theories incorporated in this performance expectancy. The first is perceived usefulness. Davis (1989) says that it is the level in which a person believes that by using a system can improve their work performance. The second is extrinsic motivations. Davis (1993) says it is the perception that users will do an activity because they feel that the tool produces something more valuable such as improving work performance, generating income, and promoting job. The third is job fit. Thompson, et al., (1991) say that one is belief in using a technology will improve work performance. The fourth is relative advantage. Benbasat (1991) says that it is the level at which an innovation is felt better.

b. Effort Expectancy

Effort expectancy is a level of effort felt by users in using the system. The theories incorporated in the first effort expectancy are

perceived ease of use. Davis (1989) suggests that the degree to which a person is sure to use the system will be free from effort. The second is complexity Thompson, et al. (1991) says that the degree to which an innovation is perceived is more difficult to understand and to use. The third is ease of use. Benbasat (1991) says that it is the degree to which an innovation felt is better.

c. Social Influence

Social influence is someone's awareness of other people using the system. Theories incorporated in social influence, namely, the first, subjective norm are from Ajzen, (1991), Davis (1989), Fishbein (1975), Mathieson (1991), and Taylor and Tood (1995). They say that a person's perceptions are related to important people such as family or partners who can determine a person's mind not to do or have to do the requested behavior. The second is, social factor. Thompson, et al., (1991) state that feelings in a person are related to the culture of a group and agreement between proposals made by someone with another on certain social situations. Then, the third is the image. Benbasat (1991) states that the degree to which innovation is used will enhance one's image or status in the social system.

d. Facilitating Conditions

It is a belief that there are organizational and technical facilities that support the activities of the users. There are some theories incorporated in facilitating condition. Title are the first is the perceived behavioral control. Azjen (1991) and Taylor (1995) says that it is, about the feeling of being easy or difficult to display a behavior. The second is, facilitating conditions. According to Thompson, et al. (1991), environmental factors are observed as things that make things easier to

do. The third is compatibility. Benbasat (1991) suggests that the degree to which an innovation is felt is consistent with existing values, needs, and previous experiences.

The theory of the Unified Theory of Acceptance and Use of Technology (UTAUT) explains that the behavior of taxpayers to use e-Registration, e-Billing, and e-Filing can be influenced by several factors, among others, Performance Expectancy, i.e. a Taxpayer's belief when using the system, it can help produce a full work performance. Effort expectancy which is an effort felt by Taxpayers in the use of the system, Social Influence which is the awareness of a person or Taxpayer about the existence of other people who use the system, and Facilitating Condition which is the belief that there are facility of Directorate General of Taxes and technique that support taxpayer activities (Venkatesh, et al., 2003).

B. Hypothesis Development

1) The Relationship between e-Registration Application and Taxpayer Compliance

The e-Registration system is a system created by the Directorate General of Taxes to facilitate taxpayers in submitting taxpayer registration numbers (NPWP) without having to come to the Tax Service Office. Taxpayers only open an application that has been provided by the Tax Directorate called e-Registration. This e-registration provides convenience for people who have met the requirements under the tax law in registering as taxpayers. This can increase taxpayer compliance.

The e-Registration system itself is in line with the theory of TAM, TRA, and UTAUT, that e-Registration is able to provide services that are easy to fulfill tax obligations by taxpayers because in the theory described

above, the condition of a technology acceptable in the user's environment is to give more benefits than without using the technology. So, taxpayers are willing to accept the existence of an e-Registration system and comply with their tax obligations.

Wasao (2014) argues that online registration has a positive effect on mandatory compliance. The research is in line with that of Muturi et al. (2015) that online tax registration has a positive effect on taxpayer compliance. Sulistyorini (2016) also concludes that the use of e-Registration administration system has a positive effect on the compliance of Individual Taxpayers (employees) of the Regional General Hospital (RSUD) Dr. Moewardi Surakarta. This research is also in line with Fatih's research (2017) that the application of the e-Registration has a positive effect on UMKM in Yogyakarta Special Region.

Based on the explanation above, it can be concluded that the application of the online tax system, i.e. e-Registration has a positive influence on taxpayer compliance. The online tax system that is e-Registration will help simplify and accelerate taxpayers in carrying out their tax obligations, namely in terms of making a new Taxpayer Identification Number (NPWP) or of registering as a Taxpayer, so that taxpayers will tend to comply with taxation obligations. From the explanation and analysis above, the hypothesis that will be tested in this study are:

H1: The e-Registration application has a positive effect on Taxpayer Compliance

2) The Relationship between e-Billing Implementation and Taxpayer Compliance

The e-Billing system is a system created by the Directorate General of Taxes to support tax payment activities by taxpayers. This system is able to work in realtime without time constraints when taxpayers only need to fill in the tax bill in accordance with the obligations they are responsible for, and then the taxpayer will receive a billing code. The billing code will be used when making payments at the bank that has collaborated with the Directorate General of Taxes, at ATMs, and at internet banking by simply entering the code. This system is able to cut down on activities that are too long when making payments manually and also data input errors that may occur in the manual process will not occur in e-Billing.

Similar to the e-Registration system, the e-Billing system itself is in line with the theory of TAM, TRA, and UTAUT, that e-Billing is able to provide easy services in fulfilling tax obligations by taxpayers because in the theory described above, the requirements of a technology that can be received in the user's environment can provide more benefits than without using the technology. Thus, taxpayers are willing to accept the existence of an e-Billing system and adhere to fulfill their tax obligations.

This e-Billing application makes tax payment activities faster, easier and more accurate. This ease of payment can increase taxpayer compliance in paying taxes. Maisiba's research (2016) mentions that electronic tax payment or tax billing has a positive effect on tax revenue. This research is also in line with that of Wasao (2014) which shows that online billing has a positive effect on tax compliance. Sulistyorini (2016) also concludes that the use of e-Billing administration system has a positive effect on taxpayer compliance. This research is also in line with Fatih's research (2017) that the

implementation of e-Billing system has a positive effect on UMKM in Yogyakarta Special Region.

Based on the explanation above, it can be concluded that the application of the online tax system of e-Billing has a positive influence on taxpayer compliance. With the online tax system, e-Billing will help simplify and accelerate taxpayers in carrying out their tax obligations, namely in terms of tax payments. Therefore, the formation of such perceptions is the result of the implementation of the e-Billing system which becomes more effective and significant.

In addition, this e-Billing system does not have a space and time limit so that taxpayers themselves can use this system anytime, as long as there is a connection to the internet without having to go to a tax service, bank, or post office. From the explanation and analysis above, the hypothesis that will be tested in this study are:

H2: The e-Billing application has a positive effect on Taxpayer Compliance

3) The Relationship between e-Filing Application and Taxpayer Compliance

E-Filing is a way of submitting an Annual Tax Return online through the website of the Directorate General of Taxes or the ASP (Application Service Provider). As in other electronic systems, this system makes Taxpayers no longer need to come to the tax service office to submit Annual Tax Return, but they only visit the web page of the Directorate General of Taxes or the service provider. This E-Filing provides convenience, speed, and cost savings so that it can improve taxpayer compliance in reporting tax returns anytime and anywhere.

Similarly, the E-Registration, e-Billing, and e-Filing system themselves are also in line with the theory of TAM, TRA, and UTAUT, that e-Filing is able to provide easy services in fulfilling tax obligations for

taxpayers because in the theory described in above, the requirement for a technology to be accepted in the user's environment is to provide more benefits than without using the technology. Thus, taxpayers are willing to accept the existence of an e-Filing system and comply with their tax obligations.

Sulistiyorini (2016) concludes that the application of the e-Filing system has a positive effect on taxpayer compliance. This is in line with the research conducted by Fatih (2017) that the application of e-Filing has a positive effect on UMKM in Yogyakarta Special Region. Another study is from Astuti (2014) that the application of the e-Filing system has a positive effect on taxpayer compliance. Another study from Astuti (2014) states that the application of the e-Filing system is considered to be able to overcome various problems that occur, among others, queues in submitting Annual Tax Return by taxpayers who are at due date report and Annual Tax Return data recording officers in tax service offices who are limited in number so the process is a little bit slow.

Tresno et al., (2013) says that the e-Filing system could change the behavior of taxpayers because e-Filing itself is a new technology that can help taxpayers in Annual Tax Return reporting quickly and easily so that taxpayers do not need to come to Tax Service Office (KPP) to take the reporting form and the result is that the implementation of the e-Filing system has a positive effect on taxpayer compliance.

Based on the explanation above, it can be concluded that the application of the online tax system, i.e. e-Filing has a positive influence on taxpayer compliance. With the online tax system, e-Filing will help simplify and speed up taxpayers in carrying out their tax obligations, namely in terms of annual tax return reporting.

In addition, e-Filing has no space and time constraints so that taxpayers themselves can use this system anytime and anywhere by noting that there is a connection with the internet without having to go to a tax service station, bank, or post office. From the explanation and analysis above, the hypothesis that will be tested in this study are:

H3: The application of e-Filing has a positive effect on Taxpayer Compliance

4) The Relationship between Justice Tax System and Taxpayer Compliance

The results of testing by Syakura (2014) show that the fairer the taxation system in Indonesia, the more the level of taxpayer compliance will increase in paying taxes. These results also support Sari (2009) research results which say that the better the perception of a fair taxpayer will improve taxpayer compliance.

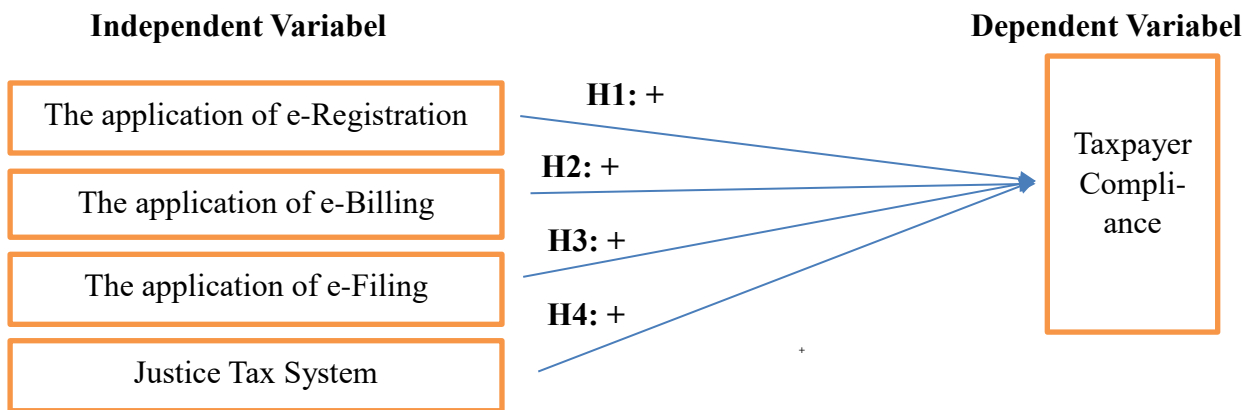
Brainyyah (2013) in his research shows that tax system justice has a significant effect on tax compliance. Richardson (2006) also states the same thing that taxpayers tend to avoid taxes if they consider this tax system unfair. This shows the importance of tax justice as a variable that influences taxpayer compliance behavior. Each taxpayer is related to the enactment of Government Regulation No. 46 of 2013 concerning the rate of 1% of gross circulation and is final, this will have a different perception on the regulation.

Based on the explanation above it can be concluded that the fairness of the taxation system has a positive influence on taxpayer compliance because if the taxation system itself is good in this case it is fair in the imposition and collection of taxation, it will also increase taxpayer compliance in carrying out its tax obligations. It is also supported by the Government Regulation No. 46 of 2013. From these explanations, the hypotheses to be tested in this study are:

H4: Tax System Justice has a positive effect on Taxpayer Compliance

5) Research Model

The figure below is the relationship between the dependent factors of Taxpayer Compliance with independent factors of the application of e-Registration, e-Billing, e-Filing, and Justice of the Tax System.



Picture 2.1
Research Model