

Understanding taxpayer's compliance on E-Commerce

Wiwit Irawati¹, Rendy², Dila Angraini³, Dea Annisaa⁴, Tri Utami⁵

Department of Accounting, Universitas Pamulang, Indonesia¹⁻⁵

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Abstract

E-Commerce should be a potential source of tax revenue seeing its rapid growth and is supported by the growing growth of internet users. But in fact, the tax revenue target has not been achieved. This study aims to determine the effect of Taxpayer awareness and Understanding on Taxpayer compliance. The population used is taxpayers who do E-Commerce registered in Depok City, West Java. The sample was selected using a convenience sampling method with a sample size following the Slovin formula. Before testing the hypothesis, the data are tested by the validity and reliability test and the classical assumption test. The test results show that the understanding of tax regulations partially affects Taxpayer compliance. Furthermore, Taxpayer awareness has no partial effect on Taxpayer compliance with e-Commerce users.

Keywords: *E-Commerce; Taxpayer awareness; Taxpayer compliance; Taxpayer understanding*

¹ wiwitira@unpam.ac.id

Introduction

Taxpayer compliance Issues have often been discussed. It is hoped that by complying with tax regulations, taxpayers will carry out their tax rights and obligations properly, which will lead to increased tax revenue for the government and achieve the planned revenue targets. This research is based on differences in the way of looking at taxes from the point of view of the government and taxpayers, each of which has different interests, where tax for the government is the main source of the state budget, while for taxpayers, tax is one of the burdens that must be minimized.

Jensen & Meckling (1976), in agency theory, explains the contractual relationship between the party delegating a certain decision (principal/owner/shareholder) and the party receiving the delegation (agent/management), i.e. in agency theory, it is assumed that there is a possibility of conflict. The relationship between the principal and the agent is called agency conflict. This kind of relationship occurs to taxpayers who try to keep their tax burden as low as possible so that it is different from the government, which wants its tax revenue to increase. The difference in interests like this can be minimized if the taxpayer has a good enough tax knowledge that the tax paid to the government will be enjoyed again in the form of public facilities.

To raise awareness of taxpayers of their tax rights and obligations, the government has made many efforts, among others, by disseminating taxation and expanding taxpayer literacy through Tax Center on many campuses. With increasing knowledge of taxation and raising Taxpayer awareness, it is also proven to be able to increase the business growth of MSME Taxpayers (Pahlevi & Prasojo, 2019).

Taxpayer awareness by providing tax literacy and socialization is aimed at understanding the taxpayer and the government due to information asymmetry between the two. Information asymmetry is caused by the inequality of the amount of information each party has. The difference in the information held can lead to fraud; this is by the research of Prawira et al. (2014), which states that information asymmetry has a significant positive effect on the tendency of accounting fraud. (Prawira, Herawati, & Darmawan, 2014). Information asymmetry in taxation causes the amount of tax paid to be not as it should be. This difference can be caused by a lack of knowledge of taxation from taxpayers and other external factors such as the level of public confidence that the taxes they pay will be managed and possible following their objectives, namely for the greatest welfare of society.

Online business growth is increasingly prevalent these days, triggered by increasingly sophisticated and easy-to-use information technology development. From the Ministry of Communication and Information data, it is

noted that internet users in Indonesia reached 143 million people or 54% of the total population in 2018 (kominfo.go.id, 2019). The growth of internet users is a fertile marketing ground for online businesses marked by the development of business platforms in Indonesia such as Shopee, Tokopedia, Lazadaa and others through existing online social media with an online platform; business players are facilitated by not requiring business space, storage space, which is touchable, business people can market by uploading photos and images either through the online marketplace or through the social media users.

For the government, online business is a new and promising aspect of taxation. Through PMK No. 210 of 2018, the government regulates trade tax through an electronic system from April 1, 2019. But along with the development of technology, information and online business, the PMK was deemed insufficient, so that it was revoked through PMK 31 of 2019, which took effect from 29 March 2019. E-Commerce taxation again has a legal ground with the issuance of PMK number 48 years 2020.

Although there are many studies on tax compliance, very few focus on e-commerce; this is also because this policy is new in Indonesia. Therefore it is important to understand the characteristics of E-Commerce-based taxpayers. Following the explanation, the research question in this study are: 1) Does Taxpayer's awareness and Taxpayer's understanding affect Taxpayer's compliance? For detail, our research model can see in Fig. 1 in the Method section.

Method

This study uses a population of individual taxpayers who are registered in Depok City. The number of samples was 100 respondents, namely taxpayers who have E-Commerce businesses that have online stores on the Shopee online shop platform. Samples were selected based on a convenience sampling system. Data recap from distributed questionnaires were tested for validity and reliability. Afterwards, classical assumptions were tested using SPSS software and to test partial hypotheses used for multiple linear regression analysis. The mathematical formula of multiple linear regression used in this research follows equation (1). Where Y is Taxpayer compliance for E-Commerce users; a is constant, b represent regression coefficient, X1 is Taxpayer awareness, and X2 is Variable Tax Understanding, and e is error disturbances.

$$Y = a + b_1X_1 + b_2X_2 + e \quad (1)$$



Picture 1. Research's framework

Empirical Result

Validity and reliability tests are carried out before distributing questionnaires to respondents to obtain data as valid as possible for conclusions that are following the actual situation. (Yusup, 2018). The value of the r table for a significance level of 0.05 with the number of respondents 100 is 0.195. So all indicators of the Taxpayer's Awareness, Tax Understanding, and Taxpayer's Compliance variables can be said to be valid.

The Cronbach Alpha result of each variable is > 0.7 , so the data can be said to be reliable. To test the hypothesis with multiple linear regression analysis requires the data to pass the Classical Assumption Test, which consists of Data Normality Test, Multicollinearity Test and Heteroscedasticity Test. With a significance of 0.477, it can be concluded that the data are free from abnormalities. It can be seen from the Table 1 that the tolerance value for each variable is greater than 0.1 and VIF is less than 10, so it can be said that the data is free from multicollinearity. By looking at the Sig. For each of the above variables is greater than 0.05, it can be said that the data is free from

Taxpayer awareness with a significance value of 0.496 has no significant effect on Taxpayer compliance. In contrast, Tax Understanding on Taxpayer compliance has a significance of 0.000 less than 0.05, which has a significant effect. The correlation between Taxpayer awareness to Taxpayer compliance is 0.135 or 13.5%, which means it is fragile, while the correlation between Tax Understanding and Tax Compliance is 0.379 or 37.9% on a moderate scale, the strength of the correlation.

By looking at the Sig. 0.000 means that the regression model is good enough and from the results of the t-test results (partial) by looking at the value of B, the regression equation obtained follow equation (2).

$$TPC = 23.483 + 0.07TPA + 0.372TU + e \quad (2)$$

Taxpayer awareness to Taxpayer's Compliance with a regression coefficient of 0.07 has a significance of $0.496 > 0.05$, meaning that Taxpayer awareness does not affect Taxpayer compliance. Research results differ from research (Lisa & Hermanto, 2018) and (Savitri, 2015), which states that Taxpayer awareness has a positive effect on Taxpayer compliance. Online business actors are generally people who have a fairly good background in

information technology. The new tax regulation that is enforced more rigidly will cause online business people to study both the regulations, including the weaknesses of the existing regulations. Likewise, the newly enacted tax regulations will initially lead to non-compliance. Initially, there will be no taxes then taxed at the beginning of implementation will occur a lot of non-compliance, even though the Taxpayer is aware of an obligation that must be done if the knowledge to implement it is still confused or not well understood, then non-compliance can occur.

Table 1. Results of multiple linear regression

	Unstandardized		Standardized		
	Coefficients		Beta	t	Sig.
	B	Std. Error			
(Constant)	23.483	3.713		6.324	.000
TPA	.070	.102	.065	.684	.496
TU	.372	.097	.367	3.839	.000
	Sum of squares	df	Mean squares	F	
Regression	117.744	2	58.872	8.409	.000 ^a
Residual	679.096	97	7.001		
Total	796.840	99			
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
.384 ^a	.148	.130	2.64594	1.874	
Collinearity Statistics					
Tolerance	VIF				
(Constant)					
TPA	.964	1.038			
TU	.964	1.038			
Kolmogorov-Smirnov Z	Asymp. Sig (2-tailed)				
0.842	0.477				

Tax understanding's beta coefficient of Taxpayer's compliance of 0.372 has a significance of 0.000 <0.05, it can be said that Tax Understanding affects Taxpayer's Compliance. Research results differ from research (Arisandy, 2017) which states that there is no influence of Tax Understanding on Individual Taxpayer compliance who conducts online business activities in Pekanbaru and also the research of Ningsih et al., which states that the understanding of taxation regulations does not affect Taxpayer compliance of E-Commerce users. (Ningsih, Maslichah, & Mawardi, 2019). But these results support the research

(Tsegaw, 2017), which states that Taxation Knowledge affects Taxpayer compliance in the city government of Addis Ababa. Differences may be possible due to differences in the study samples from respondents with different demographic, environmental and background factors. This raises a perspective, a perspective that ultimately affects compliance in paying taxes.

The coefficient of determination seen from the value of Adjusted R Square results in a value of 0.13, which means that the independent variable affects the dependent variable by 13%, and 87% is influenced by other variables which are not studied. Taxpayers who know about taxation will grow awareness by themselves; this awareness is the initial seed for creating compliance from within the taxpayers themselves. Kamaludin and Madi's research (2005) states that socialization, workshops, tax literacy are needed to raise Taxpayer awareness (Kamaluddin & Madi, 2005). Rahayu Siti Kurnia supports this in her book, which states that tax awareness is supported by one of them is an understanding of the applicable tax rules. (Rahayu, 2010)

Conclusions

Taxpayer awareness does not affect Taxpayer compliance, just being aware of taxes will not make taxpayers able to comply with their obligations. Tax Understanding affects Taxpayer compliance by knowing that taxpayers will be able to better comply with their tax obligations.

From the results of the study, it was found that E 'Commerce Taxpayer's Compliance was not influenced by the Taxpayer's Awareness variable, meaning that even though taxpayers were aware that taxation would not affect their compliance in paying taxes, a good understanding of the taxpayers was needed so this is a challenge for the government in today's digital era where the e-commerce business is growing to socialize further and provide literacy on tax policies and regulations to increase understanding of online businesses to increase the value of Taxpayer compliance.

Testing using the SPSS 16 application is less able to accommodate the causal relationship between latent variables. The use of the questionnaire also causes different interpretations of each respondent, which will affect the assessment of the statements given. For further research, it is expected that using applications other than SPSS can add to the research sample so that the results become more accurate.

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