

TAXPAYER COMPLIANCE WITH TAX COLLECTION IN INDONESIA: ANALYSIS OF FACTORS AND IMPACT

CONFORMIDADE DO CONTRIBUINTE COM A ARRECADAÇÃO DE IMPOSTOS NA INDONÉSIA: ANÁLISE DE FATORES E IMPACTO

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Abstract

Taxes are mandatory contributions from the public to the state treasury as regulated by law, so that their collection is compulsory and does not provide direct compensation to the payer. Meanwhile, taxpayer compliance is the action of taxpayers in fulfilling their tax obligations as regulated by law and following the regulations that apply in the country. The purpose of this scientific article is to determine the effect of taxpayer compliance on tax collection in Indonesia. This study uses a juridical-normative method with primary and secondary data sources. The analysis is conducted descriptively and qualitatively through theme grouping, data classification, and interpretation of legal meanings in a social context to obtain a comprehensive understanding of the issues under review. The results of the study show that tax awareness, tax knowledge, the quality of fiscal services, tax morality, and the application of sanctions have a significant effect on the level of taxpayer compliance. In addition, a high level of compliance can increase the efficiency of tax collection and optimize state revenue.

Resumo

Os impostos são contribuições obrigatórias do público para o tesouro do Estado, conforme regulamentado por lei, sendo sua cobrança compulsória e não proporcionando compensação direta ao contribuinte. A conformidade tributária, por sua vez, refere-se à ação dos contribuintes em cumprir suas obrigações tributárias, conforme regulamentado por lei e seguindo as normas vigentes no país. O objetivo deste artigo científico é determinar o efeito da conformidade tributária sobre a arrecadação de impostos na Indonésia. Este estudo utiliza o método jurídico-normativo com fontes de dados primárias e secundárias. A análise é conduzida de forma descritiva e qualitativa por meio de agrupamento temático, classificação de dados e interpretação de significados legais em um contexto social, a fim de obter uma compreensão abrangente das questões em análise. Os resultados do estudo mostram que a conscientização tributária, o conhecimento tributário, a qualidade dos serviços fiscais, a moralidade tributária e a aplicação de sanções têm um efeito significativo sobre o nível de



Keywords: Tax, Taxpayer Compliance, Tax Collection.

conformidade tributária. Além disso, um alto nível de conformidade pode aumentar a eficiência da arrecadação de impostos e otimizar a receita do Estado.

Palavras-chave: Imposto. Conformidade Tributária. Arrecadação de Impostos.

1 INTRODUCTION

The state is the highest form of social organization that possesses certain powers, giving it specific characteristics that distinguish it from other social organizations. One of these characteristics is the ability to enforce compliance with laws and regulations by citizens, including compelling citizens to pay taxes. Taxes are mandatory contributions from the community to the state treasury that are regulated by law, so their collection is compulsory and does not provide direct compensation to the individual payer, unlike levies, the benefits of which can be felt immediately. Law No. 16 of 2009 concerning General Provisions and Tax Procedures provides a definition of tax: “Tax is a mandatory contribution to the state owed by individuals or entities that is compulsory in nature based on the law, without receiving direct compensation, and is used for the needs of the state for the greatest prosperity of the people.”

Taxes and other compulsory levies for the benefit of the state are regulated by law, as stipulated in Article 23A of the Third Amendment to the 1945 Constitution. The government collects taxes based on a legal framework to cover the costs of providing public goods and services for the general welfare. In practice, taxes can be in the form of direct or indirect contributions imposed by public authorities on citizens or taxable objects, thereby creating obligations (tax debts) as regulated by law. Thus, taxes are the prerogative of the government, namely mandatory contributions collected from taxpayers to finance state expenditures, both routine and development, without any direct compensation that can be designated for use. Tax collection is compulsory and does not provide individual consideration. In Indonesia, taxation is managed by the Directorate General of Taxes (DJP), a work unit under the Ministry of Finance of the Republic of Indonesia.

Within a country, taxes have three functions: budgetary, regulatory, and social. The budgetary function of taxes is to collect as much revenue as possible to be put into the state treasury to finance government spending. In other words, taxes serve as the main instrument for drawing funds from the community into the state treasury. Even in Indonesia, taxes are the main source of revenue, with more than 80% of the government budget coming from tax revenue. The regulatory function of taxes means that taxes are used as a tool to encourage economic activity among the public in order to improve welfare. Thus, the government uses tax policy to guide and stimulate or restrict public behavior in line with national development goals, even though this measure sometimes sacrifices potential tax revenue. (Shome, 2021)

Meanwhile, the social function of taxation affirms that the right to own and utilize private property is still recognized, but its use must not harm the public interest. Therefore, the amount of tax must be adjusted to the taxpayer's economic capacity so that after paying taxes, they can still meet their basic needs. Within the framework of its regulatory function, the government is also required to provide tax exemptions for income that is only sufficient to meet minimum living standards, as well as to consider personal factors such as family structure, health conditions, and other special needs when determining the amount of tax to be paid.

In collecting taxes, the government bases its actions on several theories that serve as legal foundations. These theories include the theory of interest, which states that the state imposes taxes on the people to protect them. The purpose of this theory is that the amount of tax depends on the interests of the taxpayers being protected, so that the greater the interests protected, the greater the tax that will be paid. The purchasing power theory views taxes as a pump that draws purchasing power from households and then returns it to the community to maintain their livelihoods and bring about desired outcomes. In other words, money comes from the people and returns to the people through different channels. (Terra & Wattèl, 2008)

Recognizing that taxes play an important role in a country shows that the tax collection process must run smoothly. However, in reality, the tax collection process still faces many obstacles and challenges, one of which is a lack of awareness regarding tax obligations. Therefore, this study aims to determine the extent to which taxpayer compliance affects the effectiveness of tax collection in Indonesia. The purpose of this

study is to identify the factors that influence taxpayer compliance and to analyze how taxpayer compliance affects tax collection.

2 METHODOLOGY

This study applies a legal-normative approach to maintain the uniqueness of law as a normative discipline. Data was obtained from primary and secondary sources. Primary sources in this study included official legal documents that were the main sources of study, such as laws and government regulations. Meanwhile, secondary sources included textbooks, scientific journals, and articles. The data was then processed descriptively by describing the legal conditions as they were. The results of the study are presented through exploratory and descriptive qualitative methods. All data were collected and then systematically organized, grouped based on patterns and themes, and categorized and classified. The relationships between data were analyzed through interpretation to understand their meaning in a social context, before the researcher finally made an interpretation based on the overall quality of the data. (Diantha, 2016)

3 RESULTS AND DISCUSSION

3.1 Factors affecting taxpayer compliance

Simply put, tax compliance intention is the intention of taxpayers to fulfill their obligations in accordance with the applicable regulations in the country (infoarta). According to Minister of Finance Decree No. 554/KMK/.04/2020, taxpayer compliance refers to the actions of taxpayers in fulfilling their tax obligations as stipulated in the law and following the regulations applicable in the country. Tax compliance covers various activities related to tax administration, such as bookkeeping, tax withholding or collection, filing, reporting, providing data for tax audit purposes, and various other matters. Tax compliance can be seen from the extent of understanding of all tax regulations, complete and clear form filling, accurate calculation of tax payable, and timely tax payment and reporting. This study aims to analyze the influence of taxpayer

attitudes, tax knowledge, and service quality from the tax authorities on tax compliance.(Mahyuliza *et al.*, 2021)

Humans have various forms of consciousness, including consciousness of themselves, others, the past, and the future.(Rahmayanti *et al.*, 2020) In taxation itself, there is the term tax awareness. Tax awareness is the good intention of individuals to fulfill their tax obligations sincerely and wholeheartedly in accordance with their conscience. The higher the level of tax awareness, the better the understanding and implementation of tax obligations, which in turn can increase tax compliance.(Idrus *et al.*, 2020) In the context of modern taxation, taxpayer awareness is a crucial element. Therefore, it is important for every taxpayer to be aware of their obligation to pay taxes, which are then used by the state to support development and improve the welfare of society as a whole.(Rahmawati & Yulianto, 2018)

Tax compliance can be divided into two categories: voluntary compliance and enforced compliance. Voluntary compliance occurs when taxpayers fulfill their tax obligations based on personal awareness. Meanwhile, enforced compliance arises due to pressure or the threat of sanctions that may be imposed if these obligations are not fulfilled. In general, paying taxes is not something that many people enjoy. Therefore, it is important to examine various factors that can encourage individuals to comply with their tax obligations.(Taing & Chang, 2021)

The factors that influence taxpayer compliance are diverse, one of which is tax knowledge. Tax knowledge among the public is very important so that they understand how vital the role of taxes is as a source of state revenue. With this understanding, the public will realize the benefits of paying taxes and their urgency for the development and progress of the country. In addition, this knowledge also helps taxpayers realize the importance of maintaining compliance with their tax obligations in order to support the sustainability of the country. On the other hand, firmness in the application of tax sanctions also plays a role in encouraging compliance. Strict enforcement of sanctions is one of the efforts to create a deterrent effect. Severe sanctions can make the public think twice and ultimately decide to comply with their tax obligations.(Alm *et al.*, 2010)

In addition to individual awareness, taxpayer compliance is also greatly influenced by the quality of tax services. Good services can help taxpayers overcome various obstacles that are often encountered, such as reporting processes, form filling, and

tax liability calculations. When the taxation process becomes easier and more transparent, this will increase taxpayer comfort and trust, which will ultimately have a positive impact on their compliance rates. In line with this, the use of information technology in modern tax administration systems, such as e-filing, e-billing, and other online tax services, also makes it easier for taxpayers to fulfill their obligations. An efficient and transparent system not only reduces the potential for errors but also strengthens taxpayer confidence and compliance. In addition, the tax amnesty program provides taxpayers with the opportunity to report undisclosed assets in exchange for the removal of administrative and criminal penalties. This program is considered effective in encouraging increased compliance in the future, especially when accompanied by ongoing education and guidance to strengthen understanding and awareness of taxation. (Chandra *et al.*, 2021)

Tax compliance is not only influenced by factors such as opportunity, tax rates, law enforcement, and penalties, but also relates to individual motivation to comply, which is influenced by tax morality. In other words, when tax morality is well established, the level of tax compliance will also increase. Voluntary tax compliance tends to increase when taxpayers feel that tax regulations are applied fairly and they feel the benefits. Environmental factors and moral aspects, which are influenced by the collective and familial characteristics of Indonesian society, also influence taxpayers' intentions to comply with taxes. (Infoarta) Although sanctions and law enforcement have an influence on taxpayer compliance, they do not always encourage people to comply; the intention to comply has a greater influence on tax compliance itself. Although perceived behavioral control influences tax compliance, its influence on the intention to comply is not significant. Sanctions and law enforcement are more coercive in nature, but do not always guarantee voluntary compliance. (Le *et al.*, 2020)

3.2 The effect of taxpayer compliance on tax collection

Tax collection is the activity of collecting taxes owed from a transaction. Meanwhile, a tax collector is a party that collects and/or adjusts the amount of bills or values that should be received, including the Tax Base. (Reilly, 2009) In tax collection, there are requirements that serve as the basis for collection so that tax collection does not cause obstacles or resistance. First, the requirement of fairness, namely that tax collection

is carried out fairly in accordance with the objectives of the law, by imposing taxes generally and evenly and adjusting them to the ability of each individual. In practice, fairness is realized by giving taxpayers the right to file objections with the Head of the Tax Office and appeal to the Tax Court. Second, the legal requirement, whereby tax collection must be based on the provisions stipulated in the law. Third, the economic requirement, which means that tax collection must not interfere with the smooth running of economic activities, such as production and trade, so as not to cause a slowdown in the community's economy. Fourth, the financial requirement, namely that tax collection must be efficient and function as a tool to fill the state coffers (budgetary function), with collection costs kept as low as possible compared to the results obtained. Finally, the tax collection system must be simple, so that it is easy for the public to fulfill their tax obligations. (Sinaga, 2016)

The tax collection process involves tax collection procedures, also known as the tax collection system. Tax collection procedures are methods used by the fiscus (government) to optimize tax collection in order to meet the needs of the state treasury, while still considering the principles of efficiency, effectiveness, simplicity, fairness, and providing legal certainty for taxpayers. In theory, there are three types of tax collection systems, namely the real system, the fictitious system, and the mixed system. The real system is a tax collection system based on the actual objects or income obtained by taxpayers. In this system, taxes are imposed based on factual data listed in the tax object registration letter for the current tax year. If the data provided is incorrect, the state suffers losses because the amount of tax that should be paid becomes smaller. Therefore, tax laws regulate sanctions for parties who provide false data. (Kasianenko *et al.*, 2020)

The fictitious system is a tax collection system based on assumptions or estimates, usually referring to the amount of tax paid by taxpayers in the previous year. To minimize the possibility of errors, tax collectors conduct a careful analysis of the taxpayer's condition, especially in relation to potential income and the type of income earned. In addition, tax officials also often analyze the taxpayer's company books or business developments, considering that there may be a decline in income in the following year. This step aims to maintain balance, so as not to harm either the taxpayer or the state. The mixed system is a tax collection system that combines fictitious and real methods. Initially, the amount of tax is determined based on estimates, then adjusted with actual data at the

end of the period, or vice versa. If the data provided by the taxpayer is suspicious, inaccurate, or even not submitted despite receiving a warning letter, the amount of tax can be determined based on estimates.(Abate, 2019)

In addition to tax collection procedures, there are also tax collection systems. There are four types of tax collection systems used. First, the official assessment system, which is a system in which the tax authorities (government) determine the amount of tax to be paid by taxpayers. In this system, taxpayers are passive and only find out the amount of tax owed after receiving a letter of assessment from the tax authorities. Second, the semi-self-assessment system, which gives taxpayers the authority to calculate and pay their taxes independently at the beginning of the tax year, while the tax authorities determine the actual amount of tax at the end of the year based on reports from taxpayers. Third, the self-assessment system, in which taxpayers are given full authority to calculate, assess, deposit, and report the amount of tax owed themselves. In this system, the tax authorities only supervise and take action in the event of a violation. Finally, there is the withholding system, which is a system in which a third party is appointed to deduct or collect tax on certain transactions and then deposit it with the tax authorities. In this system, the tax authorities only play a supervisory role, while taxpayers and tax authorities are passive in the collection process.(Tomy & Nofitasari, 2025)

Regarding the effect of taxpayer compliance on tax collection, taxpayer compliance certainly has an effect on tax collection in Indonesia. Tax compliance has a significant effect on tax collection and tax revenue. The higher the level of taxpayer compliance, the more optimal the state's tax revenue will be because taxpayers voluntarily calculate, pay, and report their obligations in accordance with applicable regulations. This compliance also reduces the need for audits, collection, and sanctions by the tax authorities, making tax collection more efficient and lowering administrative costs. Conversely, low compliance hinders tax revenue, increases monitoring costs, and can lead to unfairness between compliant and non-compliant taxpayers.(Riyadi *et al.*, 2021) In addition to taxpayer compliance affecting tax collection, the tax collection system also has an impact on taxpayer compliance. The tax collection system has a positive effect on the level of taxpayer compliance. This indicates that the tax collection mechanism contributes to improving taxpayer compliance. Therefore, it can be concluded that the

relationship between taxpayer compliance and tax collection is reciprocal. (Putri & Dewi, 2022)

4 CONCLUSION

Based on the discussion, it can be concluded that taxpayer compliance is influenced by various factors, including taxpayer awareness, tax knowledge, the quality of fiscal services, strictness in the application of sanctions, tax morality, and the influence of the social environment. A high level of awareness and understanding of tax obligations plays a significant role in shaping compliance behavior, both voluntarily and due to the pressure of sanctions. Furthermore, taxpayer compliance has been proven to have a significant influence on the effectiveness of tax collection. A high level of compliance has a positive impact on the optimization of state tax revenue and the efficiency of tax administration. Conversely, low compliance can hinder the achievement of state revenue targets and increase the burden of supervision. In addition, the tax collection system implemented also affects the level of taxpayer compliance. Thus, the relationship between taxpayer compliance and tax collection is reciprocal and mutually reinforcing. To improve taxpayer compliance and tax collection effectiveness, the government needs to improve the quality of tax services, expand education on the importance of taxes to the public, and make optimal use of information technology in the tax administration system. Consistent and fair law enforcement is also important to create a deterrent effect without undermining the sense of justice in society.

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Authors' Contribution

All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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