

THE EFFECT OF INDIVIDUAL TAXPAYER COMPLIANCE ON ARTICLE 21 INCOME TAX REVENUE AT THE REGIONAL OFFICE OF THE DIRECTORATE GENERAL OF TAXES OF NORTH SUMATRA I

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ABSTRACT

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Indonesia is a developing country with a state goal, namely, to increase the country's development. To realise growth, funds are needed, which come from relatively significant state revenues. The state revenue that makes the most significant contribution is tax sector revenue. Taxes are people's contributions to the state treasury based on law, which can be imposed without receiving direct reciprocal services and are used for general expenses. So, action is needed to increase tax revenues. This research aims to determine the effect of individual taxpayer compliance on income tax revenues under Article 21. The data collection techniques used in this research are documentation and questionnaires. The population in this study was 1,695,904 individual taxpayers registered at the Regional Office of the Directorate General of North Sumatra I. The sampling technique in this research is Non-Probability Sampling, namely Random Sampling using the Slovin formula. The data analysis technique used is a descriptive statistical analysis using SmartPLS-based Partial Least Square (PLS) software. This research indicates that Individual Taxpayer Compliance positively and significantly affects Income Tax Revenue Article 21 at the Regional Office of the Directorate General of Taxes, North Sumatra I.



Introduction

Indonesia is a developing country with a state goal to improve the country's development. Realising development requires considerable funds or capital. The funds are obtained from state revenues. Based on the State Budget (APBN), the state revenue that contributes the most is revenue from the tax sector. Table 1 shows that the percentage of state revenue from the tax sector increases yearly, so taxes play a vital role in developing a more advanced country.

Table 1

Realisation of the State Budget from the Tax Sector (Billion Rupiah) 2017-2021

Year	Budget	Realisation	Percentage
2017	1.472.709,86	1.343.529,64	91,22%
2018	1.618.095,49	1.518.789,77	93,86%
2019	1.786.378,65	1.546.134,75	86,55%
2020	1.404.507,50	1.285.136,32	91,50%
2021	1.444.541,56	1.547.867,68	107,15%

Tax revenue is strongly influenced by taxpayer compliance; the more expenditure is needed, the more the government demands an increase in the state (Mulyanti & Sunarjo,

2019). To increase tax revenue, the efforts carried out by the government, especially the Directorate General of Taxes, are to increase the number of active taxpayers, expand objects subject to tax, increase specific tax rates, and improve services and supervision and inspection of taxpayers. In addition to increasing state revenue, this aims to increase taxpayer compliance in fulfilling their tax obligations (Arviana & W, 2018).

To improve taxpayer compliance in fulfilling their tax obligations, the Indonesian government has made changes to the tax collection system, namely the self-assessment System, which gives the most significant trust to taxpayers to report all relevant information in tax returns, calculate the basis for imposition of the tax, calculate the amount of tax owed, deposit the amount of tax owed themselves. This self-assessment System contains essential things for taxpayers, such as taxpayer awareness, honesty, desire to pay taxes, and taxpayer discipline toward tax obligations (Rahayu, 2017).

Table 2
Target Number and Realization of Article 21 Income Tax Revenue at the Regional Office of the Directorate General of Taxes of North Sumatra I

Tax Year	Target	Realisation	Persecument
2017	2.633.286.699.000	2.005.036.406.582	76,1%
2018	2.896.371.527.000	2.402.001.452.007	82,9%
2019	2.614.454.353.000	2.552.254.724.834	97,6%
2020	2.313.385.961.000	2.403.561.963.302	103,9%
2021	2.301.889.066.000	2.518.954.014.322	109,4%

From Table 2 above, the percentage of tax revenue realisation has increased well; it can be seen from the rate that increases every year. This shows that there is taxpayer participation to fulfil their tax obligations. In submitting the tax return, it is very decisive to realise Article 21 income tax revenue so that the Annual Tax Return procedures, such as withholding, depositing, and reporting taxes on taxpayer income, can be carried out as well as possible.

Valianti & Damayanti (2017). Taxpayer compliance is the main factor affecting tax realisation. Taxpayer compliance is taxpayers' voluntary and sincere attitude without being forced to fulfil tax obligations by calculating taxes, paying taxes, and reporting taxes.

Table 3
Individual Taxpayer Compliance Data at the Regional Office of the Directorate General of Taxes of North Sumatra I

Tax Year	WPOP Registered	Effective WPOP	WPOP Delivering Annual SPT	WPOP That Does Not Submit Annual Tax Return
2017	1.178.803	282.317	279.335	896.486
2018	1.251.525	303.646	300.147	947.879
2019	1.332.199	323.548	286.138	1.008.651

Tax Year	WPOP Registered	Effective WPOP	WPOP Delivering Annual SPT	WPOP That Does Not Submit Annual Tax Return
2020	1.617.507	347.993	360.036	1.269.514
2021	1.695.904	382.253	360.409	1.313.651

What happened at the Regional Office of the Directorate General of Taxes of North Sumatra can be seen from the data above WPOP, which submits Annual Tax Returns very far from WPOP registered yearly. If Individual Taxpayers meet the compliance criteria for Submitting Annual Tax Returns, then what should happen is an increase in the number of registered individual taxpayers followed by an increase in Individual Taxpayers Submitting Annual Tax Returns. According to (2014), what must be done to improve compliance is to continue to increase awareness, observation, and concern (honesty) of all taxpayers to submit their income tax annual tax returns.

This study refers to several researchers (Simamora & Suryaman, 2015) who concluded that individual taxpayers' compliance level affects personal income tax revenue at KPP Pratama Cibinong. The study's results (Kastolani & Ardiyanto, 2017) also concluded that the level of compliance of individual taxpayers has a significant positive effect on income tax revenue. On the contrary, the results of researchers (Annisa et al., 2021) show no effect of individual taxpayer compliance on personal income tax revenue at KPP Pratama Tegal. The study's results (Wulandari & Wibowo, 2019) also show that the level of taxpayer compliance does not affect income tax revenue.

Research Methods

In this study, the techniques used to collect data were documentation and questionnaires with measurements using the Likert Scale. The type of data used in this study is quantitative data, with primary and secondary data as data sources. The population in this study is individual taxpayers registered at the Regional Office of the Directorate General of Taxes of North Sumatra I for the 2021 tax year, as many as 1695,904. The sampling technique in this study is Non-Probability Sampling, namely Random sampling using the Slovin formula.

$$ne = \frac{N}{1 + Ne^2}$$

Ifoonemation:

n: Sampl Sie

N: Population sizee2: Percentage of faultallowance one tolerable or desirable sampling errors (eg., 1, 5%, 10% e $\frac{N}{1+N} = \frac{1.695.904}{1+1904(0,1)^2} = 99,99 = 100$

So, the sample in this study contained as many as 100 responses.

Results and Discussion

Test Measurement Model (Outer Model)

A research model can use latent constructs with both reflective and formative indicators. These indicators need to be tested for validity and reliability. The following is a convergent validity test having loading factor values (>0.7) and AVE (>0.5), discriminant validity tests using Cross Loadings (>0.7) and AVE (>0.5) values, and indicator reliability using Cronbach's Alpha and Composite Reliability is said to be reliable if the value is (>0.7), AVE value (>0.5).

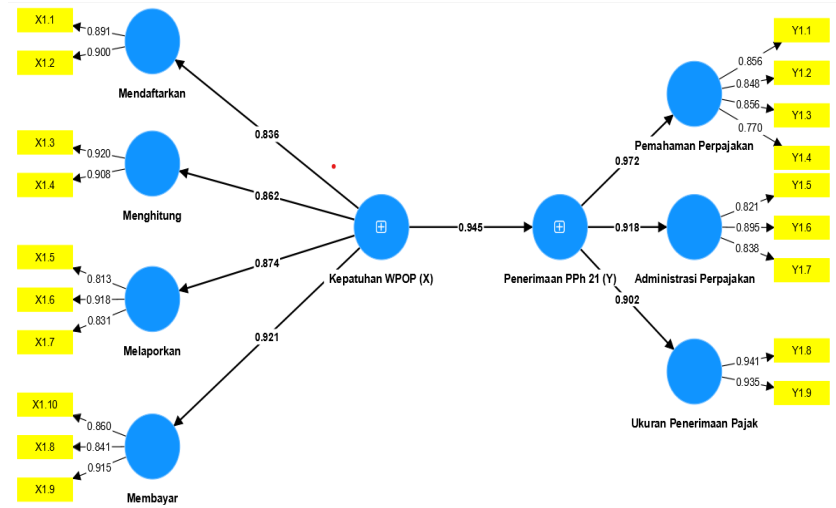


Figure 1 Outer Model Path Diagram

In the outer step of this model, it can be seen from the path diagram above that all data shows greater than 0.7 and 0.5, so the data can be said to be valid and reliable.

Uji Model Struktural (Inner Model)

In this inner model test, the R-square test (R²) is a way to assess how much endogenous constructs can be described by exogenous constructs. An R² value of 0.67 is categorised as substantial, an R² value of 0.33 is classified as moderate, an R² value of 0.19 is categorised as weak, and an R² value of > 0.7 is categorised as vital. Table 4 shows that the ability of the variable X1 to Y1 is a robust model with a value of 0.893 or 89.3%.

Table 4 R-Square

	R-Square	R-Square Adjusted
Y1	0.893	0.892

Model Fit (Model Fit)

To measure model fit with Standardized Root Mean Square Residual (SRMR). SRMR is the standardised residual mean index between the observed correlation and hypothesis matrices. The SRMR value < 0.1 or 0.08 model is increasingly suitable to meet the model fit criteria. Table 5 above shows that the appropriate model table in this study is smaller than 0.1 with a value of 0.096, so this suitable model meets the criteria value.

Table 5

Model Fit		
	Saturated Model	Estimated Model
SUMMER	0,096	0,098

Hypothesis Test (Bootstrapping)

For hypothesis testing using statistical values, for alpha 5%, the t-statistical value used is 1.96. So, the criteria for rejecting the hypothesis are H_a accepted and H_0 rejected when the t-statistic is > 1.96 . To leave or take a belief using probability, H_a is obtained if the p-value < 0.05 .

Table 6
Path Coefficients

	Original sample	Sample mean	Standard deviation	T statistic	P value
X1 → Y1	0,945	0,944	0,014	65,607	0,000

In Table 6, the value of Path Coefficients, namely the effect of X1 on Y1, is 0.945, and the P-value is 0.000 smaller than 0.05, meaning that the influence of Individual Taxpayer Compliance (X1) on Article 21 (Y1) Income Tax Revenue is positive and significant.

The effect of individual taxpayer compliance on income tax revenue Article 21.

Based on the study results, the data shows that this research hypothesis has a positive and significant effect on Individual Taxpayer Compliance with Income Tax Revenue at the Regional Office of the Directorate General of Taxes of North Sumatra I. This is accompanied by an explanation using the SmartPLS software program with a t-statistical value of $65,607 > 1.96$ and a Value of 0.000 with a significant level of $0.00 < 0.05$. H_a is accepted, and H_0 is rejected.

This is in relation to the statement from Simamora and Suryaman's (2015) research, which states that individual taxpayers' compliance level affects Article 21 income tax revenue. The results of Annisa et al. (2021) said that there was no effect of individual taxpayer compliance on taxpayer income tax revenue.

Kastolani and Ardiyanti (2017) state that Taxpayer compliance is one of the determining factors in increasing income tax revenue, and compliance is also taxpayer awareness regarding their obligations in terms of taxation. Compliance in carrying out tax obligations such as registering, reporting Annual Tax Returns, and paying taxes greatly understands the receipt of Article 21 income tax by applicable laws and regulations. Compliance with paying taxes begins with the understanding that we already enjoy and use public goods and services in our daily lives, and public services that have been used need to be maintained and developed in the future. After knowing the importance of taxes for development, it is hoped that there will be awareness and compliance of taxpayers in paying taxes. This study uses the theory of planned behaviour, which assumes that humans are rational and use information that allows them to use it for themselves systematically. Before acting, the individual will think about the implications or intent of his action before deciding to perform the behaviour. So, it can be concluded

that taxpayers' compliance in carrying out their tax obligations dramatically affects the level of tax revenue; the more expenditure needed, the more the government demands an increase in state revenue.

Conclusion

Based on the results of research and distribution that have been stated, conclusions can be drawn from the research on the Effect of Individual Taxpayer Compliance on Article 21 Income Tax Revenue at the Regional Office of the Directorate General of Taxes of North Sumatra I, namely:

1. This study found that individual taxpayer compliance with Article 21 Income Tax Revenue had a positive and significant effect. With the results of Path Coefficients with t-statistical values of $65.607 > 1.96$ and P Value 0.000 with substantial levels of $0.00 < 0.05$, H_a is accepted, and H_0 is rejected.
2. With an understanding of carrying out tax obligations such as registering, reporting annual tax returns, and paying taxes will help increase Article 21 income tax revenue. Compliance with paying taxes begins with the understanding that we already enjoy and use public goods and services in our daily lives, and public services that have been used need to be maintained and developed in the future. After knowing the importance of taxes for development, it is hoped that there will be awareness and compliance of taxpayers in paying taxes.

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