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The Impact of Tax Knowledge on Tax Compliance Case Study in Kota Padang, Indonesia

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INTRODUCTION

- Tax contribution is very important for the organization of a Country.
- Indonesia using the Self-Assessment System that has been implemented since 1983 is very dependable to the taxpayers' honesty and compliance to report their tax obligations.
- High number of SMEs growth is a tax source that can be used to increase state revenues.

DEVELOPMENT OF THEORITICAL MODEL

- Prasetyo ,2006 declares that tax knowledge has negative significant effect on tax compliance.
- McKerchar, 1995; Saad, 2009;Rajif, 2011 declare factor that has significance effect towards tax compliance which is tax knowledge.

DEVELOPMENT OF THEORITICAL MODEL

- Tax knowledge is an essential element in a voluntary compliance tax system (Kasippilai, 2000), particularly in determining an accurate tax liability (Palil, 2005; Saad et al., 2004).
- More recent studies undertaken in Malaysia (Loo, 2006; Loo et al., 2008; 2009) also suggested tax knowledge to be the most influential factor to determine taxpayers' compliance behavior under the self-assessment system.

HYPOTHESES

- H_1 : Tax Knowledge effect has positive influence on Tax Compliance

METHODOLOGY

- The population in this study are all the SMEs located in the city of Padang.
- Sampling method used purposive sampling, so it was taken based on certain criteria. Some of the criteria that can be done in the sampling, namely:
 - Taxpayers who are active in paying a tax of 1% of turnover under IDR 4.8 billion per year
 - Taxpayers have a TIN (Taxpayer Identification Number)
 - Taxpayers whose taxable turnover below 1% of IDR 4.8 billion per year

OPERATIONAL VARIABLES

- The first part of the questionnaire covered the demographics of respondents.
- The second part of the questionnaire covered tax knowledge and included questions relating to principles of taxation and some specific knowledge of the tax law. Tax Knowledge, independent variable, was measured by the degree of compliance with tax law and administration without the need for enforcement activity.
- The third part of the questionnaire related to tax compliance attitudes. Tax compliance, the dependent variable, was measured by basing on the three items (Brown and Mazur, 2003) which included; filling on time, report his/her tax liability accurately and pay the full amount his/she reported as tax liability.

FINDINGS

No	Description	Amount	Percentage
1	Number of questionnaires distributed	300	100 %
2	Number of questionnaires were not returned	42	14 %
3	The number of questionnaires returned	258	86 %
4	Number of questionnaires that could not be processed	21	7%
5	Number of questionnaires that can be processed	237	79%



Respondent Demographics

	Description	Amount	Percentage
Gender	Male	126	53%
	Female	111	47%
Age	20 – 25 years	64	27%
	26 – 30 years	66	28%
	31 – 35 years	48	20%
	>35 years	59	25%
The duration of a taxpayer	< 1 year	28	10%
	1-2 years	60	25%
	2-5 years	81	34%
	> 5 years	68	31%

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
X	237	19.00	51.00	39.2658	6.56273
Y	237	3.00	15.00	11.6962	2.31137
Valid N (listwise)	237				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.086 ^a	.007	.006	.25002

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.306	.172		13.428	.000
X	.003	.004	.086	.756	.452

a. Dependent Variable: Y

- The t-value for tax knowledge is 0.756 and the P-value is 0.452, since the P-value of tax knowledge is more than alpha of 0.05, therefore, it implies that tax knowledge has no a significant effect on tax compliance.

CONCLUSION

- The main objective of the study was to examine the impact of tax knowledge on tax compliance in Kota Padang. Survey design was used with questionnaire as the major tool of data collection.
- Copies of questionnaire were administered to 300 respondents and 79% of these respondents returned their questionnaires.
- The result showed that tax knowledge has no impacts on tax compliance among small and medium enterprises (SMEs) in Kota Padang. From the research findings, it can be summarized that tax knowledge no effect on tax compliance (Lewis, 1978, Roberts et al., 1994, Niemirowski et al., 2002).



Thanks for Your Attention