The Influence of The Modern Taxation System on Taxpayer Compliance

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ARTICLE INFORMATION

ABSTRACT

The aim of this research is to examine and analyze the influence of the modern tax system on taxpayer compliance at KPP Pratama Medan Belawan. The approach used in this research is an associative approach. The population in this study were all taxpayers registered at KPP Pratama Medan Belawan. The sample in this study using the Slovin formula was 99 people at KPP Pratama Medan Belawan, but only 34 people returned the questionnaire. Data collection techniques in this research used observation techniques and questionnaires. The data analysis technique in this research uses a quantitative approach using statistical analysis using Auter Model Analysis, Inner Model Analysis and Hypothesis Testing. Data processing in this research uses the PLS (Partial Least Square) software program. The Results of the Modern Taxation System Influence Taxpayer Compliance.

Keywords: Modern Taxation System; Taxpayer Compliance

INTRODUCTION

Tax is one of the sources of state income which provides the largest income for the Republic of Indonesia. The contribution of tax in recent years has become increasingly significant and is considered as the backbone of national financing sources in the context of the success of national development programs which will gradually increase economic growth and prosperity. nation and society in general. The number of taxpayers is also increasing from time to time as a reflection of increasing awareness and compliance of taxpayers to implement and manage their tax rights and obligations properly and correctly. Revenue from taxes is used by the government for national development, such as state infrastructure, for example, roads, bridges and other buildings that are necessities for the wider community. If the amount of state income from taxes is not met then how will national development continue and run smoothly?

Income sourced from taxes comes from taxpayers, both corporate taxpayers and individual taxpayers, using a tax collection system called the self-assessment system, namely a tax collection system that gives taxpayers confidence to calculate/calculate, pay and report themselves. the amount of tax that should be owed based on tax laws and regulations. The Self Assessment System demands a direct and active role from the community in fulfilling obligations. This system is expected to increase revenue from the tax sector after previously using the official assessment system before tax reform in 1983.

Even though the tax collection system has been changed to a self-assessment system, in reality the level of taxpayer compliance, especially individuals, is still relatively low because they have not submitted their annual tax returns (SPT). Reporting SPT is one of the obligations of Taxpayers as mandated by the Indonesian Tax Law. Law No. 28 of 2007 in Article 3 paragraph (1) states: "Every Taxpayer is obliged to fill out a Tax Return correctly, completely and clearly, in Indonesian, using Latin letters, Arabic numbers, Rupiah currency units, and sign and submit it to the Office of the Directorate General of Taxes where the Taxpayer is registered or confirmed or another place determined by the Director General of Taxes"

This is a challenge for the Directorate General of Taxes to ensure that individual taxpayers report their annual tax returns on time. One way the Directorate General of Taxes can make this happen is by creating new programs or reforms in the taxation sector that make the system easier, faster and more practical to use. In this case, the DJP carries out renewable innovations by creating tax administration programs which aim to make it easier for taxpayers to manage their tax obligations. With the concept of modernizing tax administration as stated above, the reform programs which consist of e-Billing, e-Filing, and e-Registration will be realized. These three things are the result of innovations carried out by the DJP to increase taxpayer compliance.

In 2014, it started with the application of information technology in services to taxpayers in the context of submitting Tax Returns using electronics or the internet, called eFiling. However, the above regulations have been revised by the government to become 5 General Tax Regulations Number PER - 01/PJ/2017 concerning Submission of Electronic Tax Returns. It is hoped that this update in the tax administration system will have a positive impact on the state and also taxpayers in Tax Modernization Before this system existed, taxpayers who wanted to report their Annual Tax Returns had to go to the Tax Service Office or post office to meet a tax officer (tax fiscus) so that it took a lot of time and energy and was faced with a lot of paper which made people taxpayers are in trouble so it is inefficient. With the e-Filing system, the Directorate General of Taxes aims to improve services to taxpayers and make taxpayers no longer experience difficulties in reporting their Annual Tax Returns because Tax Modernization has become

easier and more efficient because it is online-based and is expected to increase mandatory compliance. tax in reporting the Individual Taxpayer's Annual Tax Return. Some people, especially individual taxpayers, do not yet understand how to use the e-Filing system due to a lack of socialization and understanding of taxpayers about e-Filing, and a lack of compliance from the taxpayers themselves.

Table 1. Taxpayer Data

Tax year	Registered Entity Taxpayer	WP OP registered
2018	338	6,846
2019	343	7,784
2020	408	23,255
2021	533	8,255
2022	601	9,735

Based on Table 1, it can be seen that from 2018 - 2022 the number of Taxpayers registered at KPP Pratama Belawan has decreased, where in 2018Individual Taxpayers There is 6,846 people then in 2019 individual taxpayers increased to 7,784 people. In 2020, individual taxpayers increased drastically to 23,3255. However, in 2021 individual taxpayers will decrease to 8,255 people and in 2022 individual taxpayers will increase again to 9,735 people. HThis is because the socialization that continues to be carried out by the government is likely to decrease due to the Covid cases that hit in 2020 so that many individuals do not want to register their personal taxes.

LITERATURE REVIEW

E-Registration
Various steps have been taken as the front guard in providing services to taxpayers. In 2013 18 the use of information and communication technology began with the implementation of an online taxpayer registration system. This system allows tax subjects to register themselves as taxpayers without needing to come to the tax office where they live. This can make it easier for taxpayers who do not have enough time to be present to make a taxpayer identification number. In the e-Registration process, taxpayers only need to fill out the form according to the instructions provided and scan the Non-Indigenous Resident Card online.

E-Filling
The definition of tax e-Filing is "a method of submitting SPT or notification of the extension of the Annual SPT which is done online and in real time via the DJP Online tax e-Filing website or the application provided by the tax ASP (Application Service Provider)". This is a new breakthrough made by the Directorate General of Taxes in optimizing tax services to the public. This system also makes its application very easy for the public. According to General Tax Regulation Number PER - 01/PJ/2017 concerning Submission of Electronic Tax Returns, Article 4 reads: "Taxpayers can submit Electronic Tax Returns through certain channels as intended in Article 2 paragraph (6) within a period of 24 (twenty four) hours a day and 7 (seven) days a week with Western Indonesian Time standards." This certainly means that the busyness and activities of taxpayers are not an obstacle for them not to report their annual SPT. In this way, it is hoped that taxpayers will no longer queue in long queues at the Tax Service Office at the specified SPT reporting time so that they can save time.
The aim of the e-Filing service is "to make it easier for the public (taxpayers) to report Periodic or Annual Tax Returns without having to come to the Tax Service Office, without

having to queue to meet a tax officer, and without using a lot of paper". The e-Filing service also helps taxpayers in terms of using their time, which can be done anywhere and at any time without interruption and saves costs With new innovations in tax services for the public, such as e-Filing, the Directorate General of Taxes hopes to increase tax revenues as desired so that they can meet targets and also increase state income. However, this is not as easy as imagined in terms of implementation.

E-Billing
Tax e-Billing according to the Directorate General of Taxes (DJP) is "an online (electronic) tax payment system by first creating a billing code or billing ID". Now tax e-Billing has implemented the MPN G2 (Second Generation State Revenue Module) system and closed the MPN G1 (First Generation State Revenue Module) system since July 1 2016. This tax e-Billing is here to realize the DJP's commitment in transferring the manual system to electronic taxation system.

Modern Taxation
The form of tax reform being promoted is the modernization of tax service administration through the use of information and communication technology. Of course, it is no longer relevant for tax administration to use cassette tape era technology to obtain optimal results in this digital era. This is important to do so that taxpayers find it easy to comply with their tax obligations. "One of the causes of minimal taxpayer compliance is an administrative process that is difficult, ineffective and inefficient, resulting in significant compliance costs". This article will discuss several tax administration reforms that have been carried out by the Directorate General of Taxes.

RESEARCH METHOD

The data was analyzed using a quantitative research approach and statistical analysis, namely Partial Least Squares - Structural Equestion Model (PLSSEM) which aims to carry out path analysis with latent variables.This analysis is often referred to as the second generation of multivariate analysis(Ghozali & Latan 2015). Variant-based structural equation analysis (SEM) can simultaneously test measurement models as well as test structural models. The measurement model is used to test validity and reliability, while the structural model is used to test causality (testing hypotheses with prediction models)

RESULTS

Measurement Model Analysis

Convergent Validity
Convergent validity is used to see the extent to which a measurement correlates positively with alternative measurements of the same construct. To see whether an indicator of a construct variable is valid or not, look at the outer loading value. If the outer loading value is greater than (0.4) then an indicator is valid(Hair Jr et al., 2017).

Table 2. Convergent Validity

	X. Modern Taxation System	Y. Taxpayer Compliance
X.1	0.823	
X.2	0.893	
X.3	0.858	
X.4	0.936	

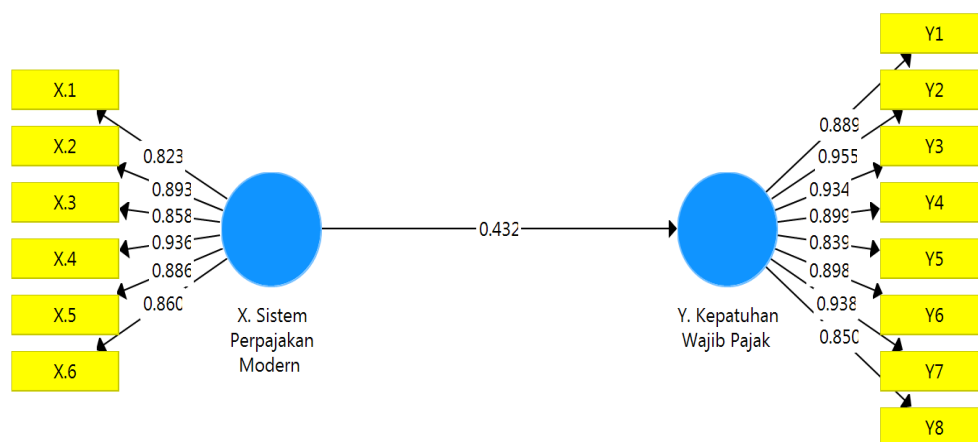|		
X.5	**0.886**	
X.6	**0.860**	
Y1		**0.889**
Y2		**0.955**
Y3		**0.934**
Y4		**0.899**
Y5		**0.839**
Y6		**0.898**
Y7		**0.938**
Y8		**0.850**

Note. SEM PLS (2023)

Figure 1. C.V. Test

The table above is known
1. The outer loading value for the Modern Taxation System variable is greater than 0.4, so all indicators in the Modern Taxation System variable are declared valid.
2. Outer loading value for variables Taxpayer Complian cegreater than 0.4 then all indicators in the variable Taxpayer Complian cedeclared valid.

Internal Consistency Analysis
Internal consistency analysis is a form of reliability used to assess the consistency of results across items on the same test. Internal consistency testing uses composite reliability values with the criteria that a variable is said to be reliable if the composite reliability value is > 0.600(Hair Jr et al., 2017)

Table 3. Internal Consistency Analysis

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X. Modern Taxation System	**0.941**	**0.974**	**0.952**	**0.769**
Y. Taxpayer Compliance	**0.967**	**0.978**	**0.972**	**0.812**

Note. SEM PLS (2023)

Based on the internal consistency analysis data in the table above, the testing obtained are variable
1. The Modern Taxation System has a composite reliability value of 0.952 > 0.600, so the Modern Taxation System variable is reliable
2. Taxpayer Compliancehas a composite reliability value of 0.972 > 0.600, then the variableTaxpayer Complianceis reliable

Discriminant Validity
Discriminant validity aims to assess whether an indicator of a construct variable is valid or not, namely by looking at it Heterotrait Value - Monotrait Ratio Of Correlation (HTMT) < 0.90, then the variable has good discriminant validity (valid)(Hair Jr et al., 2017).

Table 4. Discriminant Validity

	X. Modern Taxation System	Y. Taxpayer Compliance
X. Modern Taxation System		
Y. Taxpayer Compliance	**0.405**	

Based on the table above, the results of the Heterotrait - Monotrait Ratio of Correlation (HTMT) correlation are obtained
The Modern Tax System variable with Taxpayer Compliance of 0.405 < 0.900, the correlation between the Heterotrait - Monotrait Ratio of Correlation (HTMT) variables is declared valid.

Collinearity (Collinearity / Variance Inflation Factor / VIF)
Collinearity testing is to prove whether the correlation between latent variables/constructs is strong or not. If there is a strong correlation, it means that the model contains problems from a methodological point of view, because it has an impact on the estimation of statistical significance. This problem is called collinearity. The value used to analyze it is by looking at the Variance Inflation Factor (VIF) value.(Hair Jr et al., 2017).
If the VIF value is greater than 5.00 then it means there is a collinearity problem, and conversely there is no collinearity problem if the VIF value is <5.00(Hair Jr et al., 2017).

Table 5. Collinearity

	X Modern Taxation System	Y Taxpayer Compliance
X. Modern Taxation System		**1,000**
Y. Taxpayer Compliance		

Note. SEM PLS (2023)

From the data above it can be described as follows:

1. VIF for the correlation between the Modern Tax System and Taxpayer Compliance is 1,000 < 5.00 (no collinearity problems occur)

Thus, from the data above, the structural model in this case is not all correlations that are free from collinearity problems.

Structural Model Analysis (Inner Model)

In this test there are two stages, namely testing the direct influence hypothesis and testing the indirect influence hypothesis. The hypothesis testing path coefficients are in the image below:
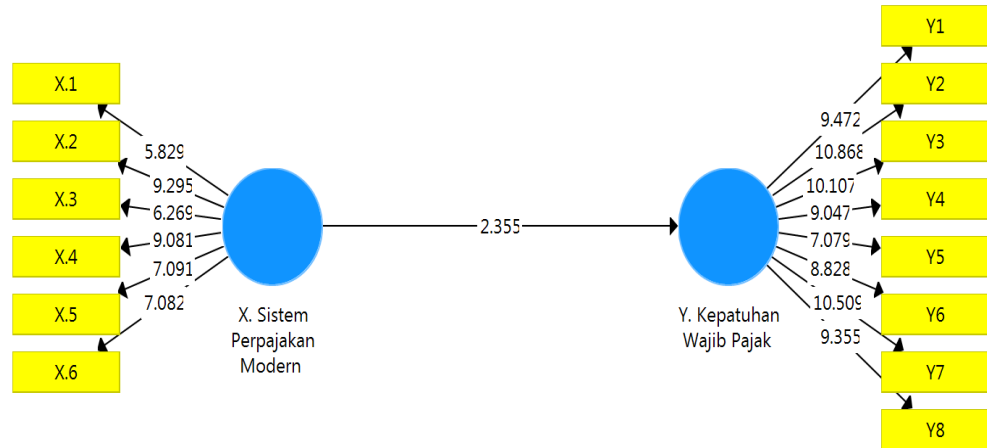

Figure 2. Hypothesis test

Direct Effect Testing
Direct influence hypothesis testing aims to prove the hypotheses of the influence of a variable on other variables directly (without intermediaries), namely:
1. If the path coefficient value is positive, it indicates that an increase in the value of one variable is followed by an increase in the value of another variable.
2. If the path coefficient value is negative, it indicates that an increase in one variable is followed by a decrease in the value of another variable.(Hair Jr et al., 2017)
    And the probability value is:
1. If the probability value (P-Value) < Alpha (0.05) then Ho is rejected (the influence of one variable on other variables is significant).
2. If the probability value (P-Value) > Alpha (0.05) then Ho is accepted (the influence of one variable on other variables is not significant)

Table 6. Direct Influence Hypothesis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X. Modern Taxation System -> Y. Taxpayer Compliance	0.432	0.452	0.183	2,355	**0.019**

Note. SEM PLS (2023)

Based on the table above, it can be obtained
1. The direct influence of the Modern Tax System on Taxpayer Compliance has a path coefficient of0.432(positive), and has a P-Values value of 0.019, so 0.019 < 0.05, so it can be stated that the Modern Taxation System has a significant effect on Taxpayer Compliance.

Coefficient of Determination (R Square)
The Coefficient of Determination (R Square) aims to evaluate the accuracy of predictions of a variable. In other words, to evaluate how variations in the value of the dependent variable are influenced by variations in the value of the independent variable in a path model.(Hair Jr et al., 2017)
1. An R Square value of 0.75 indicates a strong PLS model
2. An R Square of 0.50 indicates a moderate PLS model.

3. An R Square value of 0.25 indicates a weak PLS model(Ghozali & Latan, 2015).

Table 7. Coefficient of Determination

	R Square	Adjusted R Square
Y. Taxpayer Compliance	0.187	0.161

Note. SEM PLS (2023)

In the table above, the results show the influence of the Modern Taxation System andMain Duties and Functions (Tupoksi)on Taxpayer Compliance is 0.187, meaning the magnitude of the influence is 187%, this means it shows a weak PLS.

DISCUSSION

Testing of this researchhas a path coefficient of0.432(positive), and has a P-Values value of 0.019, so 0.019 < 0.05, so it can be stated that the Modern Taxation System has a significant effect on Taxpayer Complianceon tax users at KPP Pratama Medan Belawan, this shows that using a modern tax system, namely E-Filling, will increase taxpayer compliance..Taxes are the main source of state revenue which is managed by the Directorate General of Taxes. To be able to maximize sources of state revenue, taxpayers are required to be obedient in carrying out their obligations, namely paying their taxes to the state. Therefore, the Directorate General of Taxes always tries to optimize its services so that Taxpayers are not reluctant to carry out their obligations. One way to optimize these services is by updating or perfecting the tax administration system or commonly known as the modern tax administration system which is carried out through tax administration reform which is expected to provide convenience and comfort in service to taxpayers to fulfill their tax obligations.(Hanum et al., 2023)

The main objective of tax administration is to promote effective compliance together with the obligation to pay taxes based on the tax system. Effective compliance must be spontaneous, namely by facilitating or motivating compliance in all ways and dealing with taxpayers who do not comply with law enforcement. The goal of tax administration is to encourage voluntary tax compliance and punish tax evaders.(Astana & Merkusiwati, 2017). Compliance with the submission of Annual Tax Returns is an important matter in the Self Assessment adopted by the Indonesian State. Taxpayers, especially individual taxpayers, do not fulfill their obligations to submit annual tax returns. To overcome this, the DJP issued a new policy, namely the elimination of tax sanctions. It is hoped that this policy will allow taxpayers to become active again as taxpayers who comply with the applicable laws. Based on the framework of thinking below, it can be explained that KPP Pratama Medan City is the government agency that implements the Tax Amnesty (Tax Amnesty) policy, and in terms of reporting the Annual SPT of Individual Taxpayers as the research object that will be studied by analyzing the compliance of individual taxpayers after Tax Amnesty. And whether the success of Tax Amnesty in terms of reporting compliance with Annual Tax Returns was carried out well(Dahrani et al., 2021).

CONCLUSION

Based on the results of the testing and discussion previously stated, the following conclusions can be drawn:"Tax Modernization System significant effecton Taxpayer Compliance at KPP Pratama Medan Belawan".

Based on previous phenomena and research results, we can provide suggestions as follows:KPP Pratama Medan Belawan to be more active in socializing it modernization pinvite to Awesome pinvite pribadi in Medan Belawan, as well as KPP Pratama Medan Belawan to further increase the tax payment date for individual taxpayers in Medan

Belawan.KPP Pratama Medan Belawan to provide strict sanctions for individual taxpayers who are late in paying taxes.

LIMITATION

This research has been attempted and carried out in accordance with science and procedures, but it still has limited problems in evaluating what factors influence taxpayer behavior in complying with their obligations as taxpayers.

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DECLARATION OF CONFLICTING INTERESTS

The author has no conflict of interest in writing this article.

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