

CHAPTER I

INTRODUCTION

1.1. Background

The government necessitates considerable financial resources to establish and administer a nation. The acquired resources provide the cash for use. This may manifest as revenues from natural resources or communal contributions. Taxes are the nation's primary source of revenue and a means of public contribution. Law No. 07 of 2021 concerning General Provisions and Tax Procedures defines tax in Article 1, paragraph 1,

"Kontribusi wajib kepada negara yang terutang oleh orang pribadi atau badan yang bersifat memaksa berdasarkan Undang-Undang, dengan tidak mendapatkan imbalan secara langsung dan digunakan untuk keperluan negara bagi sebesar-besarnya kemakmuran rakyat"

The previous definition implies that taxes are mandatory. In Indonesia, taxes provide the principal revenue stream, funding different governmental requirements outlined in the APBN (*Anggaran Pendapatan Belanja Negara*). We anticipate that this tax income will continue to rise, effectively facilitating the country's growth. Expanding the taxpayer base can help realize the increase in tax income. Furthermore, the Directorate General of Tax (DGT) and the taxpayers play a crucial role in optimizing tax collections. Increased taxpayer compliance will result in higher state tax collections. All taxpayers fulfilling their responsibilities will lead to the nation's progress and the attainment of the tax sector's revenue objectives.

The Directorate General of Taxes (DGT) reported a compliance percentage of 68.75% among formal taxpayers in submission annual tax returns (*SPT*) (Bisnis.com, accessed September 24, 2024). This information was obtained from

the Directorate General of Taxes. Approximately 13.3 million of the 19.4 million taxpayers required to submit SPT have complied with their obligations. The data suggests that the DGT has yet to achieve its goal of reaching a compliance level of 83%. This reflects a lack of compliance with SPT reporting, especially among professional taxpayers and corporations. (Suryo,2023).

Tax non compliance is particularly prevalent among professional taxpayers engaged in freelance work. Unlike employees or entrepreneur's taxpayer, whose income taxes directly withheld by their employers, freelancers bear full responsibility for calculating, paying, and reporting their tax obligations. The combination of administrative complexity, fluctuating income, and limited understanding of tax regulations heightens their vulnerability to non compliance, which frequently manifests as late submissions, errors in calculation, or incomplete reporting.

A low rate of tax compliance among professional individual taxpayers (*wajib pajak orang pribadi pekerja bebas*) indicates that many professionals and service providers still face significant obstacles in fulfilling their tax obligations. Contributing factors include the intricacies of tax administration, irregular income, and limited comprehension of prevailing tax regulations. The Directorate General of Taxes (*DGT*) has responded by undertaking measures such as targeted taxpayer education programs, the enforcement of administrative penalties for late reporting, and introducing supervision and law enforcement initiatives to encourage consistent and timely compliance. These efforts exemplify the government's ongoing

commitment to improving the effectiveness of tax collection and strengthening the crucial role of tax revenues in supporting national development.

Several factors are thought to affect the compliance behavior of professional taxpayers. Primarily, the understanding of self-assessment system grants taxpayers full responsibility to accurately calculate, remit, and report their tax obligations. This framework aims to enhance taxpayer compliance by requiring individuals to possess adequate understanding of the rules and procedures governing their own tax responsibilities. For professional individual taxpayers, whose income sources are often irregular and self managed, comprehension of how the understanding of self-assessment system operates becomes essential in ensuring accurate record keeping and proper tax reporting. Limited understanding of these requirements may lead to errors, misinterpretations, or delays in fulfilling obligations, which in turn can reduce compliance levels. Therefore, the extent to which professional individual taxpayers understand the self-assessment mechanism plays a significant role in shaping their overall tax-compliance behavior (Mardiasmo, 2016).

A second factor that can enhance taxpayer compliance in tax payments is the assessment of the taxpayer's level of tax knowledge. Tax knowledge refers to a taxpayer's comprehension of tax regulations, procedures, and rates, which facilitates the accurate fulfillment of their tax obligations (Rahayu, 2010). Taxpayers possessing sufficient tax knowledge exhibit higher compliance rates in tax reporting. In the context of freelancers, tax literacy is crucial because they bear full responsibility for their tax obligations without any assistance from an employer.

The subsequent variable is the tax burden perception, which serves as a significant factor influencing taxpayer compliance. A heavy perceived tax burden, often generated by tax rates considered too high, creates concerns among taxpayers, especially among professional taxpayers who may feel that the financial obligations imposed on them are excessive relative to their economic capacity. This of an overly heavy tax burden perception can create a sense of unfairness, leading to a diminished willingness to comply and encouraging taxpayers to seek ways to mitigate their payable taxes (Waluyo,2017). This highlights the importance of maintaining a tax burden that is proportionate and fair in the eyes of taxpayers, so that the state can secure adequate revenue while still encouraging voluntary compliance. Therefore, ensuring fairness, transparency, and economic feasibility in determining the appropriate level of tax burden perception (as reflected in the perceived tax rates) is essential in promoting sustainable taxpayer compliance.

Researchers identified these variables by analyzing their impact on taxpayer compliance. Tantono (2024) found that the self-assessment system significantly enhances individual taxpayer compliance at KPP Pratama Jakarta Kembangan. This study demonstrates that the implementation of a self-assessment system enhances taxpayer awareness and compliance in reporting and fulfilling tax obligations. The findings indicate that tax audits, e-filing understanding, and tax penalties positively and significantly influence taxpayer compliance. This system promotes enhanced independence among taxpayers in the accurate and timely reporting of their taxes. Zulfa (2020) found that the self-assessment system did not affect compliance in her study at KPP Pratama Semarang Timur. Tax sanctions and tax modernization were

the primary factors influencing compliance. This indicates that, although the self-assessment system may offer advantages for some individuals, alternative mechanisms, such as tax penalties and contemporary tax systems, could exert a more immediate impact in specific contexts.

Herlangga (2021) examined the influence of tax understanding, tax sanctions, tax rates, and tax service on taxpayer compliance in Pekanbaru City, concluding that tax rates and tax service positively impacted compliance. This indicates that both punitive measures and voluntary awareness campaigns are crucial for enhancing compliance. However, the comprehension of tax regulations and the imposition of tax penalties did not influence the taxpayer's adherence to compliance. Talip (2022) found that higher tax rates negatively and significantly impact taxpayer compliance, indicating that increased tax rates lead to a decrease in compliance levels among taxpayers. This study suggests that tax payments do not significantly influence taxpayer compliance, implying that this factor alone may not be sufficient to motivate individuals to meet their tax obligations. Studies indicate a positive effect of tax knowledge on taxpayer compliance, suggesting that a comprehensive understanding of tax regulations enhances taxpayers' awareness and motivation to comply with relevant provisions. The findings underscore the significance of tax knowledge in enhancing taxpayer compliance and indicate the necessity for increased focus on the impact of tax rates on compliance behavior.

Azmi (2018) concluded that tax knowledge and tax sanctions do not significantly impact tax compliance; however, tax awareness has a positive and significant effect on tax compliance. None of the five prior studies have

incorporated the elements of understanding of self-assessment system, tax knowledge, and tax burden perception. This study will integrate and evaluate the impact of these three independent factors on tax compliance among corporate taxpayers. This study aims to examine the effect of the self-assessment system, tax knowledge, and tax burden perception on tax compliance among professional taxpayers, specifically freelance, at Yogyakarta City. Professional taxpayers have unique characteristics and tax obligations that differentiate them from regular employees, as they are required to calculate, remit, and report their taxes independently.

The selection of Yogyakarta City as the focus of this study is based on its representative nature of professional workers, whose income varies and comes from commissions and incentives. This raises distinct challenges in tax compliance compared to fixed salary employees. By studying professional taxpayers in this city, this research seeks to provide empirical evidence about the effectiveness of tax policies applied under the understanding of self-assessment system, and to understand how tax knowledge and tax burden perception impact compliance levels. The findings are expected to offer insights into improving tax compliance strategies for individual professional taxpayers operating under similar conditions.

This study aims to enhance tax compliance and improve the efficiency of the tax system among professional taxpayers, particularly in Yogyakarta City. Professional taxpayers face unique tax obligations due to the variability of their income and the need to independently calculate, pay, and report taxes, which makes their compliance crucial for maintaining stable tax revenue. Data from the

Directorate General of Taxes (*DGT*) indicate that tax compliance among professional taxpayers, required to submit Annual Tax Returns (*SPT*), remains inadequate. The complexity of freelance income and limited tax knowledge contribute to this challenge, highlighting the need for targeted policies and educational efforts to support this important group in fulfilling their tax responsibilities effectively.

1.2. Formulation of the Problem

1. Does the understanding of self-assessment system has effect tax compliance among professional taxpayers at Yogyakarta?
2. Does tax knowledge has effect tax compliance among professional taxpayers at Yogyakarta?
3. Does the tax burden perception has effect tax compliance among professional taxpayers at Yogyakarta?

1.3. Research Objectives

The objective of this study is to examine the influence of the self-assessment system, tax knowledge, and tax burden perception on tax compliance among professional taxpayers who work as professional individual taxpayers in Yogyakarta City. Specifically, the study seeks to determine how the understanding of self-assessment system affects freelancers' ability to fulfill their tax obligations, analyze the role of tax knowledge in shaping compliance behavior, and investigate the impact of varying tax burden perception on their adherence to tax regulations. Furthermore, this research aims to evaluate the combined effect of these three

factors on overall tax compliance, providing insights that may contribute to improving tax policies and support mechanisms for professional taxpayers.

1.4. Benefits of Research

1.4.1. Theoretical Benefit

The research findings are expected to improve academic understanding of corporate behavior regarding tax compliance. This study's findings may inform future research regarding the impact of understanding of self-assessment systems, tax knowledge, and tax burden perception on tax compliance among professional taxpayers in Yogyakarta.

1.4.2. Practical Benefits

This research's results may assist the government in developing effective strategies to improve tax payment compliance among professional taxpayers in Yogyakarta.