

## **EFFECT OF TAX KNOWLEDGE ON INDIVIDUAL TAXPAYERS COMPLIANCE**

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### **ABSTRACT**

*Indonesia uses self-assessment system in income tax collection. This system requires the taxpayer to understand the method of calculating payments and tax reporting in accordance with applicable regulations. The problem faced by many taxpayers who do not understand the tax laws. Taxpayers who do not understand tax law become an obstacle for the implementation of self-assessment system in the collection of income tax. This study will examine empirically the influence of tax knowledge on tax compliance of individuals enrolled in the Tax Office (KPP) Central Java Region I. This study develops previous studies that have been carried out in Indonesia by separating variable tax knowledge into 3 (three) variables i.e. knowledge of tax reporting, tax calculation knowledge, and knowledge of tax payments. Data were collected using a questionnaire that is sent directly to the taxpayer. Questionnaires were sent as many as 200 copies. A total of 196 copies of the completed and can be processed. The test results indicate that the instruments used in this study are valid and reliable. Results of hypothesis testing using regression provides empirical evidence that knowledge of tax reporting, tax calculation and knowledge of tax payments significant effect on tax compliance.*

**Keywords:** tax knowledge, tax compliance, individual taxpayers

### **INTRODUCTION**

Tax is a compulsory levy to be paid by people to the state, forced by law, and does not get reward directly. The revenue from the tax is used to finance the state's needs for the welfare of the people. The statement is written in Act No. 28 year 2007 on General Provisions and Tax Procedures (KUP). Indonesia's state revenue from taxes continues to increase. As written by Manurung (2013) that the growth of tax revenues in 2009-2012 reached 17 percent, however, the adherence rates percentage is still low, not different from previous years. The article also stated that individuals who had income exceeding the limit of taxable income (PTKP) were 60 million people, while who registered as taxpayer were only 20 million people and who submitted the annual notification letter (SPT) income taxes were only 8.8 million people with a ratio of SPT about 14 percent. Muniriyanto (2014) stated that tax revenue from 2008-2011 did not increase significantly compared to the increase of registered taxpayers who experienced an average growth of 29 percent annually. Although the number of registered taxpayers increased almost three-fold from 2008 to 2011, but tax revenue

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increased by less than 50 percent in 2011. The ratio of taxpayers' compliance in 2013 was 52 percent. Former Director General of Taxation Fuad Rahmany (Kompas, 2014 / March / 7) stated that there were 40 million citizens who had been able to pay tax but they had not paid it yet. The potential was estimated at least Rp. 150 trillion. The great individual tax potential could provide income for the state to support the income distribution.

Income tax collection in Indonesia uses *self-assessment system*. *Self-assessment system* requires competence, honesty, capability and readiness of taxpayers to take into account the tax burden payable. With this system, individual taxpayers who have income exceeding the limit of taxable income (PTKP) are required to register to obtain Taxpayer Identification Number (NPWP) without having to wait the assessment from the Government. Then, after having NPWP the taxpayers have other obligations such as paying income tax according to tax laws, and reporting by using the annual notification letter (SPT) form. The amount of PTKP is determined under the Act and regulations of the finance minister.

The problem faced is there are many taxpayers who have not understood the tax laws. Tarjo and Kusumawati research results (2006) in Bangkalan showed 69.9 percent of individual taxpayers did not know the applicable tax rate, and 78.6 percent did not know the changes in income tax laws, and 57.1 percent did not have the ability to calculate taxes. Unfamiliarity of the society becomes an obstacle for the implementation of *self-assessment system* in the collection of income tax. In Indonesia *self-assessment system* has been implemented since 1984, but the index of taxpayer compliance is still low that is 2.53 (two point fifty three) lower than Malaysia which has just implemented *self-assessment system* since 2001, that is 4.34 (four point thirty four) (Palil, 2010). The spirit of *self-assessment system* according to Palil (2010) is to educate taxpayers and to make them care about their tax obligations. Therefore, the taxpayer must have the knowledge to understand the tax laws. Palil (2010) conducted study on the effect of tax knowledge on tax compliance in Malaysia. Palil (2010) used the variables of knowledge of the rights and the obligations of the taxpayer in reporting tax, the knowledge of the type of income counted as taxable income and the knowledge of tax allowances on tax compliance. The results showed the three variables significantly influence tax compliance.

The research on the knowledge of the tax and its effects on tax compliance had been conducted in Indonesia by Adiasa, (2013), Nasir (2010), Witono, (2008). The research results expressed the tax knowledge significantly affected tax compliance. These studies used one (1) construct to describe the variable of tax knowledge so that it could not be recognized which tax knowledge significantly affected tax compliance. Based on the characteristics of *self-assessment system* the taxpayers are given the authority to calculate, to deposit / to pay, and to report the taxes owed. (Resmi, 2014; Mardiasmo, 2011; Siahaan, 2010a).

This study will examine empirically the knowledge of the tax calculation, the knowledge of tax payments, and the knowledge of tax reporting on tax compliance of individual taxpayers registered in work areas of the Directorate General of Taxation, Central Java I. The working area of the Directorate General of Taxation in Central Java is divided into two, namely Central Java Region I in the northern part of Central Java and Central Java Region II in the

southern part of Central Java. The study is limited to individual taxpayers who have business activities. Individual taxpayers who have business activities each month calculate, pay and submit employment owed tax, while taxpayers who do not have business do not calculate and pay their taxes themselves but deducted and paid by the employer. This research is expected to provide input whether the knowledge of tax reporting, the knowledge of tax calculation, or the knowledge of tax payments significantly effect on tax compliance. This research is expected to provide input for the government to improve tax compliance.

## REVIEW OF RELATED LITERATURE

### Self-Assessment System

Income tax collection in Indonesia uses *self-assessment system*. The statement is contained in the general explanations of the Act on General Provisions and Tax Procedures (KUP). *Self-assessment system* is a tax collection system that gives credence to the taxpayer in determining the amount of tax. Issue on tax assessment plays an important role in the tax law because without being set by the party determined by the law then there is no owed tax to be paid by the taxpayers (Siahaan, 2010).

Siahaan (2010) stated that in *self-assessment* tax system, taxpayers are given the authority to calculate and pay taxes themselves according to the calculation of taxpayers, without government interference. The authority to calculate owed tax themselves indicated the presence of authority granted by tax law to set its owed tax to be paid by the taxpayer themselves. Having established their own tax returns, then the taxpayer must pay the tax to pay off tax debts. Taxpayers must take account for the determination and the payment of the tax by submitting according to the appropriate period of time determined by using a specific means that is the annual notification letter(SPT). After the report came in the tax authorities will conduct the examination to ascertain whether the tax payers have done their authority according to the appropriate legislation. Although the taxpayers are given the authority to calculate, to pay and to submit tax returns according to the version of the taxpayers but there is no guarantee that the calculation and the payment of taxes have been in accordance with the provisions of the law. Based on the results of the assessment the tax authorities will make the determination of the tax by issuing tax assessments letter of less / overpayments which can mean underpayments of tax calculation, overpayments of tax calculation, or compliance of tax calculation and nil tax assessments letter is issued.

### Tax Compliance

The definition of tax compliance according to Simon James et.al in Utami, et.al (2012) is the taxpayer has a willingness to meet their tax obligations in accordance with the applicable rules without the need for the holding of the examination, thorough investigations, warnings, or even threats and sanctions implementation either legal or administrative. According to Pangestu and Rusmana, (2012) compliance in terms of taxation means the state of taxpayers who conduct the rights and particularly obligations in discipline manner in accordance with the regulations and ordinances of applicable tax. Tax compliance is

interpreted freely as the adherence in conducting all tax regulations. Pangestu and Rusmana (2012) stated that there are two kinds of tax compliance, namely:

1. Formal compliance that is a condition in which the taxpayers meet their tax obligations formally in accordance with the provisions of the Tax Act.
2. Material compliance, that is a condition in which the taxpayers substantively or essence fulfill all terms of taxation material, i.e. in accordance with the contents and spirit of Tax Law.

Furthermore, Pangestu and Rusmana (2012) stated that if the taxpayers submit SPT and pay the owed tax on time, it can be said that the taxpayers have met the formal compliance. If the taxpayers fill SPT honestly, properly and correctly in accordance with the provisions of the Tax Act, the taxpayers have fulfilled the material compliance (pay on time). Pangestu and Rusmana (2012) conducted research on tax compliance in the delivery of SPT of future PPN. The instruments used by Pangestu and Rusmana (2012) were to measure the formal and material compliances that are the delivery of SPT of future PPN on time, the payment of owed PPN on time and payment of PPN on time.

Formal and material compliances are contained in the KUP Act article 3 (three) paragraph 1 (one) and the explanation which states that every taxpayer is required to fill The annual notification letter (SPT) correctly, completely, clearly and deliver it to the office of the Directorate General of Taxation where the taxpayers are registered. Correct according to these provisions is correct in the calculation, correct in the application of the provisions of the tax legislation, correct in writing and match the actual situation. Complete means it contains all the elements related to taxes and other elements that must be reported in SPT. It is clearly means reporting the origin or source of taxes and other elements that must be reported in SPT.

The annual notification letter(SPT) must be submitted not later than 20 (twenty) days after the end of the tax period. The annual notification letter(SPT) of Income Tax of Individual Taxpayer must be submitted not later than 3 (three) months after the end of the tax year. The late submission of the annual SPT of individual taxpayers got administrative sanctions Rp100,000.00.

In addition to the provisions, there are specific provisions governing tax compliance criteria that are eligible for introduction refund. The regulation of the Minister of Finance of the Republic of Indonesia No. 192 / PMK.03 / 2007 article 1 (one) and article 2 (two) state the taxpayers are declared compliant if they meet the criteria, namely: delivering annual SPT on time, SPT period which is late is delivered not more than three ( three) tax period for each type of tax, the late submission of SPT period does not occur in sequence, and it does not exceed the time limits of the next month report, and it does not have tax arrears. Taxpayers who meet these criteria are expressed as tax compliance and have the right to apply for an introduction refund on tax overpayment.

### **Tax Knowledge**

*Self-assessment system* can work well if the people have appropriate knowledge of tax regulations. The taxpayer's knowledge shows the understanding of the taxpayer in applying

the tax rules particularly on income tax. Knowledge is the information known or recognized by someone (Utami, et.al.2012). In another sense, knowledge is a variety of symptoms encountered and obtained by human through sense observation. Knowledge arises when one uses his intellect to recognize certain objects or events that have never been seen or felt before. Knowledge is something that is known to be associated with the learning process. This learning process is influenced by various factors from within such as motivation and external factors such as the means of information available as well as socio-cultural circumstances. (Utami, et.al.2012).

Tax knowledge and the complexity of tax collection are seen as a contributing factor to the behavior of non-compliance of taxpayers. Saad research (2013) in Malaysia showed that the respondents did not have enough technical knowledge on taxes and perceived the complexity of the tax system. This contributes to non-compliance of taxpayers in Malaysia. The research conducted by Eriksen and Fallan (1996), quoted by Palil (2010) stated that tax knowledge related to attitude towards the application of tax laws and the taxpayer's behavior can be improved by a better understanding of tax law. According to Palil (2010) there are many factors that influence taxpayer's compliance, but knowledge is the main affecting factor particularly the *self-assessment system*.

Witono (2008) conducted research on the effect of knowledge on taxpayer's compliance with tax justice intervening variables. The study was conducted on individual taxpayers and corporate taxpayers listed in KPP Surakarta. The results showed tax knowledge had significant effect directly on tax compliance, tax fairness had significant effect on tax compliance, but tax knowledge did not have significant effect on tax justice as an intervening variable. Based on these results it can be concluded that the better the knowledge of the taxpayer on tax laws, the higher the level of tax compliance. Nasir (2010) conducted research on the effect of tax knowledge and tax administration system on taxpayers' compliance. The research was conducted on the taxpayer of land and buildings tax in KPP Pratama Jakarta Pasar Rebo. His research result stated that tax knowledge and the effectiveness of tax administration system had positive and significant effect on the level of taxpayers' compliance. Adiasa (2013) conducted a research on the effect of the understanding of tax rules on taxpayers' compliance with risk preferences as moderating variable. The research was carried out on individual tax payers in West Semarang. His research results showed that an understanding on tax laws affected the taxpayers' compliance. Risk preferences as moderating variable did not have effect on tax compliance. Risk preferences could not moderate the effects between tax rules understanding and tax compliance. Saad (2013) examined the level of tax knowledge and perception of the tax payers on the complexity of income tax collection system, as well as the underlying reasons for taxpayers' noncompliance. The results showed that taxpayers did not have sufficient technical knowledge and considered tax system was complicated. Palil (2010) conducted a study on individual taxpayers in Malaysia. Palil (2010) used the knowledge independent variables of rights and obligations in tax reporting, the knowledge on the type of income

counted as taxable income and the knowledge on tax allowances. The results showed these variables affected significantly on tax compliance.

### **The Effect of Tax Reporting Knowledge on Tax Compliance**

Every taxpayer who has been registered and has NPWP has obligations and rights set out in Act. Related to tax reporting activities, each individual taxpayers is required to report their income earned for 1 (one) year and report the taxes having been paid and / or cut by using a form called the annual notification letter (SPT). The forms can be obtained free of charge at the tax services offices (KPP) or by online sistem. On the form, the taxpayers are asked to fill in the data about the identity, family status, sources of income received and taxes having been paid and / cut. The annual SPT of individual taxpayers must be submitted not later than 3 (three) months after the tax year ends. If the time limit is not met, the taxpayer has the right to apply for extension of SPT submission not longer than 3 (three) months. If the taxpayer does not understand the procedure, then it is likely there will be a delay in reporting SPT and will be subjected to sanctions. Taxpayers' negligence caused by the incomprehension will be indicated as tax noncompliance.

Tarjo and Kusumawati (2006) conducted a study on the implementation of *self-assessment system* in Bangkalan. The results showed 62.5 percent of taxpayers could fill out SPT, 83.9 percent of taxpayers reported SPT on their own consciousness not because of fine and as much as 57.1 percent of taxpayers reported SPT exceeding the specified time limit. Palil (2010) in Malaysia stated that the knowledge on the rights and obligations of taxpayers in the tax reporting had significant effect on tax compliance. Based on the theoretical study, hypothesis is formulated as follows:

H1: The knowledge on tax reporting has significant effect on tax compliance

### **The Effect of Tax Calculating Knowledge on Tax Compliance**

The function calculation is a function that entitles taxpayers to determine their owed tax themselves according to the rules of taxation, (Tarjo and Kusumawati, 2006). On the basis of the function, the taxpayer is obliged to pay the owed tax due to the Bank's perception or the post office. Then, the taxpayers reported the payments and how much the tax which had been paid to the Tax Service Office (KPP). To carry out this function the taxpayers must know the applicable tax laws as a basis to determine the amount of taxable income. The basis to determine the income to be taxed, among others related to the tax rate, the limit of non-taxable income (PTKP), a reducer of taxable income, as well as the types of income that are subject to and not to be taxed. The tax rate for individual taxpayers is set out in article 17, paragraph 1 (one) of Act No. 36 year 2008. The limit of non-taxable income (PTKP) is set out in article 7 (seven) paragraph 1 (one) of Act No. 36 year 2008, while the changes are regulated by the Regulation of the Minister of Finance. The amount of PTKP experiences adjustment from time to time, therefore, the taxpayer is required to keep up to date regarding the amount of the applicable PTKP.

Error in determining the amount of PTKP, an error in applying the tax rate, and incomprehension in determining the type and the source of income subject to and not

subject to tax will cause an error in the payment of the taxes, incurred a fine or tax arrears and this may indicate the presence of tax noncompliance.

Tarjoand Kusumawati research results (2006) showed 69.6 percent of taxpayers did not know the amount of the applicable tax rate. A total of 53.6 percent of taxpayers had made a mistake in calculating the owed tax. A total of 42.9 percent of taxpayers were able to make financial records to calculate the owed tax, and 57.1 percent of taxpayers were not able to make financial records and used the services of authorities or consultant to calculate the owed tax. This is not in accordance with the purpose of *self-assessment system*. Palil (2010) in Malaysia stated that the knowledge on the type of income that could be counted as taxable income affected tax compliance significantly. Based on the theoretical study, the hypothesis is formulated as follows:

H2: The tax calculating knowledge affected tax compliance significantly.

### **The Effect of Tax Payment Knowledge on Tax Compliance**

After taking into account the owed income tax then taxpayers must carry out a function to pay. The payment of income tax is done by using the form of Tax Payment Letter (SPP). *Self-assessment system* requires taxpayers to understand the procedure of tax payment. Individual taxpayers, particularly those with business activities are required to pay tax within the specified time limits. The taxpayer is required to know the places of tax payments, understand the magnitude of the fine if late in paying taxes. In addition to having the obligation to pay, taxpayers will also have the right to demand the return (restitution) if there is tax payments excess, and they also have the right to compensate for the loss of business that experienced in the previous year. The ignorance on the rules regarding the payment of taxes can result in late payment and fined. This will be indicated as tax noncompliance. Tarjo and Kusumawati research results (2006) showed that 51.8 percent of taxpayers were able to pay tax by using Tax Payment Letter (SPP). A total of 37.5 percent of taxpayer undertook the payment themselves, while 62.5 percent used the services of other people to pay their owed tax. A total of 57.1 percent of taxpayers paid through post office, 16.1 percent of taxpayers paid through perception bank, and 26, 8 percent of taxpayers paid their owed tax at Tax Service Office (TSO).

Based on the theoretical study, hypothesis is formulated as follows:

H3: The knowledge of tax payments affected on tax compliance significantly.

## **RESEARCH METHOD**

### **Population and Sample**

The population in this study was the individual taxpayers who had business activities and registered at the Tax Service Office (KPP) Central Java I Region. Central Java I Region covered the northern part of Central Java (northern coast of Central Java). The number of samples was determined based on quota that was 200. A total of 80 copies of questionnaires were sent to taxpayers in Semarang, 20 copies in Demak, 20 copies in Pati, 20 copies in Cepu and Rembang, 20 copies in Kaliwungu, 20 copies in Batangand 20 copies in Pekalongan, Samples were selected based on the willingness of respondents to fill out questionnaires. The data

used for this research were the respondents' answers obtained through questionnaires. The distribution of questionnaires was conducted using *convenience sampling* method, by coming directly into taxpayers who had business activities in the Northern Coast Region of Central Java and who were willing to become respondents.

## **The Definition of Operational and Measurement of Variables**

### **Independent Variables**

Tax reporting knowledge variable is defined as the understanding of taxpayers regarding their rights and obligations in reporting the calculation and payment of owed income tax. These variables were measured with 6 (six) questions. Respondents were given a questionnaire containing statements regarding the deadline for submitting SPT, penalties for reporting SPT late, the right of taxpayers to extend the reporting period, the presence of the way of submitting SPT directly at tax office, through the corner of tax, and by mail. Respondents were given a choice of answers on the statements by putting a cross in number 1 (one) to 5 (five). Number 1 (one) = 'definitely wrong' indicates a very low level of understanding on the correctness of the statement given, number two (2) = 'probably wrong' indicates a low level of understanding on the correctness of the statement given; number 3 (three) = 'doubt' indicates the medium level of understanding (not high and not low) on the correctness of the statement given; number 4 (four) = 'probably true' indicates a high level of understanding on the correctness of the statement given; number 5 (five) = 'must be true' indicates a very high level of understanding on the correctness of the statements given.

The variable of tax payment knowledge is defined as the understanding of taxpayers regarding their rights and obligations in implementing tax payments. These variables are measured by 4 (four) questions about the tax payment deadline, penalties if the payment exceeds the prescribed time limit, the rights of taxpayers on compensation for the lost, and this right of taxpayers to file restitution. The variable of tax calculation knowledge is defined as the understanding the taxpayers in the calculation of the income to be taxed. The variable of tax calculation knowledge is measured by 8 (eight) questions about the type of income that is subject to and which is not taxed, the limit value of nominal income which is not taxed (NTI), the increase in NTI because of marital status and the number of dependents in the family. The variable measurement of tax payment knowledge and tax calculation knowledge is done in the same manner with the variable of tax reporting knowledge. This variable measurement scale adopts Palil (2010), by using instruments adjusted to the prevailing tax regulations in Indonesia.

### **Dependent Variables**

The definition of tax compliance is that taxpayer has a willingness to meet their tax obligations in accordance with the applicable rules without the need for the holding of the examination, thorough investigations, warnings, or even the threat and application of legal or administrative sanctions. (Utami, et.al, 2012). Tax compliance is the adherence of the taxpayer in calculating, reporting and paying taxes in accordance with applicable regulations. Tax compliance is the compliance in filling out SPT correctly, completely, clearly, paying taxes



on time and report SPT within the limits prescribed time without holding the examination, a warning, or a legal or administrative sanctions. Correct means correct in calculation, correct in the application of tax laws, correct in writing and matching the actual situation. Complete means contains all the elements associated with the object of tax to be reported in SPT. Clear means reporting the origin or source of tax that should be reported in SPT.

Based on the operational definition then indicator of tax compliance variable is prepared which consists of 6 (six) indicators namely reporting all income received, does not have tax arrears, reporting SPT not exceed the specified time limit, attaching SPT with the required documentations, the data in SPT are stated correct by the tax authorities, the calculation of the tax already paid is stated correct by the tax authorities. Respondents were asked to provide feedback on the activities stated in the proposed instruments. Indicators of variables are measured with scale 1 (one) to 5 (five). Scale 1 (one) is to state "never" does the activities stated on the instruments and scale 5 (five) is to state "always" does the activities stated in the proposed instrument. The higher the respondents answer score indicates a high level of the respondents' compliance to perform their obligations.

Analysis tools used to test the hypothesis in this study was multiple regressions with equation formulated as follows:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + e.$$

Notes:

$\alpha$  = constant; Y = Tax Compliance; X1 = Knowledge of tax reporting;

X2 = Knowledge of tax calculation; X3 = Knowledge of tax payments

## RESEARCH RESULT

### Descriptive of Respondents Answers Data

From 200 copies of questionnaires distributed, there were 196 questionnaires which could be processed and 4 (four) questionnaire could not be processed due to incomplete filling data. The distribution of data obtained are: 80 copies in Semarang, 20 copies in Demak, 18 copies in Pati, 18 copies in Cepu and Rembang, 20 copies in Kendal and Kaliwungu, 20 copies in Batang, 20 copies in Pekalongan.

Based on the respondents' answers, data tabulation was compiled and they were analyzed descriptively on the basis of respondents' answers. X1 variable used 6 (six) indicators with scale 1 (one) - 5 (five) then theoretically the minimum score of respondents answers number for X1 variable was 6 (six) and the maximum score was 30. X2 variable used 8 (eight) indicators with scale 1 (one) - 5 (five) then theoretically the minimum score of respondents answers number for X2 variable was 8 (eight) and the maximum score was 40. X3 variable used 4 (four) indicators with scale 1 (one) - 5 (five) then theoretically the minimum score of respondents answers number for X3 variable was 4 (four) and the maximum score was 20. Y variable used 6 (six) indicators with scale 1 (one) - 5 (five) then theoretically the minimum score of respondents answers number for Y variable was 6 (six) and the maximum score was 30. The descriptive data analysis using SPSS obtained a total score of respondents answers for X1 had minimum score of 13 and maximum score of 30, and the average score was

23.34. From X2 variable minimum score of 18 and maximum score of 40 were obtained, with an average score of 30.49. From X3 variable minimum score of 9 and maximum score of 20 were obtained and the average score was 15.44. From Y variable minimum score of 15, maximum score of 30 and the average score of 25 were obtained. Descriptive of respondents' answers data can be seen on Table 1 and Table 2 in appendix 2.

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Table 1  
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### **Validity Test**

Validity test is used to measure the ability of a questionnaire to reveal a construct. The measurement of validity used in this research is by performing bivariate correlations among respective indicator scores with total score of the construct. If the correlation among each indicator on the total score of the construct showed significant results, it can be concluded that each question indicator was valid. The results of validity test using Pearson correlation demonstrated X1.1 to X1.6 indicators significantly correlated with the total score of X1 construct at the level of 0.01, the indicator of X2.1 up to X2.8 variables significantly correlated with the total construct of X2 at the 0.01 level, indicator of X3.1 to X3.4 variables correlated with the total score of X3 construct at the level of 0.01 and indicator of Y1 to Y6 variables significantly correlated with the total score of Y construct at the level of 0.01. Therefore, it can be concluded that the indicators of variables were valid to be used as a measure of the construct of each variable. The results of validity test can be seen on table 3 appendix 2.

### **Reliability Test**

Reliability test is used to measure the consistency of response to a question from time to time (Ghozali, 2013). The measurement used in this study was Cronbach's Alpha statistics test using SPSS. According to Nunnally (Ghozali, 2013), a construct is said to be reliable / good if the Cronbach's Alpha value is greater than 0.7. Reliability test for the variable of tax reporting knowledge (X1) produces a value of Cronbach Alfa amounted to 0.714, reliability test for variable of ax calculation knowledge (X2) produces a value of Cronbach's Alpha amounted to 0.744, reliability test for variable of tax payments knowledge (X3) produces a value of Cronbach Alfa amounted to 0,711, and reliability test of tax compliance variable (Y) produces Cronbach Alfa value of 0.761. All the independent and dependent variables were declared reliable because they produce Cronbach's Alpha values > 0.7. The results of reliability test of independent and dependent variables can be seen on table 4, table 5, table 6 and table 7 appendix 2.

### **Normality Test**

Normality Test aims to test whether the residual regression model has normal distribution. The statistics test used was Kolmogorov-Smirnov nonparametric statistics test. The test results demonstrated the value of the Kolmogorov Smirnov 0.799 with a probability of 0.546 means receiving H0 stating that the residual data was normally distributed. The results of normality test can be seen on table 8 appendix 2.

### **Multicollinearity Test**

Multicollinearity test aims to test whether in the regression model found a correlation among the independent variables. A good regression model should not happen correlation among independent variables. Multicollinearity detection was seen from the value of tolerance and variance inflation factor (VIF). Cutoff values used to indicate the presence of multicollinearity was tolerance  $\leq 0.1$  or equal to VIF value  $\geq 10$ . Test results using SPSS showed there was no independent variable which has a value of tolerance  $\leq 0.1$  and none has the VIF value  $\geq 10$ . So it can be concluded multicollinearity did not happen in the regression model. The complete test results can be seen on table 11 appendix 2.

### **Heteroscedasticity Test**

Heteroscedasticity test aims to test whether in the regression equal model shows the inequality variance of residual from one observation to another. A good regression model is homoscedasticity or heteroscedasticity does not happen. Test was conducted with Glejser's test by regressing the absolute value of the residuals on independent variables. The test results using SPSS showed there was no independent variable that significantly affected the dependent variable that was the absolute value of residuals. This showed that in regression model, heteroscedasticity did not happen. The complete test results can be seen on table 9 appendix 2.

### **Autocorrelation Test**

Autocorrelation test aims to test whether in the linear regression model there was correlation among residuals in  $t$  period with residual in  $t-1$  period. On *cross-sectional* data, autocorrelation problem was relatively rare because residual on different observations came from different individual/ groups. Autocorrelation detection was performed by *Run-Test*. The test results of autocorrelation using SPSS showed the test value-0.01725 with probability of 0.252 so that it can be concluded receiving  $H_0$  stating that residual was random.

### **Hypothesis Test**

Hypothesis testing was done by  $t$  statistics test. The  $t$  statistics test basically showed how far the effect of one independent variable individually in explaining the dependent variable. The results of regression test can be seen on table 12:

===== TABLE 12 =====

Based on regression test on Table 12, equation was obtained as follows:

$$Y = 0.331X_1 + 0.361X_2 + 0,112X_3.$$

Table 12 shows the significance probability of  $X_1$  and  $X_2$  variables of 0000 each while the significance probability of  $X_3$  was 0.007 which means that all independent variables significantly affected the dependent variable at level 0.01. The equation showed the positive coefficient direction for the three independent variables. This means that the increase in the value of  $X_1$ ,  $X_2$ , and  $X_3$  variable will be followed by the increase in the value of  $Y$  variable.

The three independent variables significantly affected the dependent variable with positive coefficient direction. So H1 which stated that tax reporting knowledge significantly affected tax compliance was acceptable, H2 stating tax calculation significantly affected tax compliance was acceptable, and H3 stating tax payments knowledge significantly affected tax compliance was acceptable. Further this testing was also equipped with simultaneous significance test (F-Test) and determination coefficient test. On table 14, appendix 2 it can be seen that F test has significance level of  $0.000 < 0.05$ . This means that simultaneously X1, X2, and X3 variables affected Y. Table 13 appendix 2 showed the value of the determination coefficient of 48.8% means that the dependent variable could be explained by the independent variable of 48.8% and the rest of 51.2% was explained by other variables outside the model.

## **DISCUSSION**

The research results showed that taxpayers had a high level of understanding regarding the deadline for submitting their annual SPT of individual taxpayer, the fine for late submission of the annual SPT of individual taxpayer, the rights of taxpayers to extend the deadline for submission of their annual SPT, as well as the presence of the way of delivering their annual SPT directly in the tax office, through the corner of tax, and by mail. Overall the taxpayers had a high level of understanding of the rights and obligations in reporting the calculation and the payment of owed tax. The results validity and reliability test showed that the statements could be used as a construct measure of tax reporting knowledge variable well and had high internal consistency in measuring these variables.

The results of tax calculating knowledge research showed the taxpayers had a high level of understanding on the types of taxable income derived from work and reward, the income limit that was not taxed, and the addition to the marital status and the number of burden in the family, and the tax consolidation of husband and wife. Meanwhile, in the statement regarding income from inheritance and zakat, the level of understanding was only at moderate level. Overall the taxpayers had a high level of understanding in the calculating the income to be taxed. The results of validity and reliability test showed that the statements could be used as a construct measure of tax calculations knowledge variable well and had a high consistency in measuring the variables.

The research results on tax payment knowledge showed that most respondents had a high level of understanding on deadline for end year tax payment, the rights of taxpayers to propose tax returns, the rights of the taxpayers to compensate losses gained in the previous year, and the penalties for late payment of tax. Overall the taxpayers had a high level of understanding on the rights and obligations in implementing tax payments. The results of validity and reliability test showed that the statements could be used as a construct measure of tax payments knowledge variable well and had a high consistency in measuring the variables.

The results of tax compliance research overall showed that taxpayers had a high level of compliance on their rights and obligations in reporting the calculation and the payment of

owed income tax. The validity and reliability testing of tax compliance variable showed that the statements proposed to the respondents could be used as a construct measure of tax compliance variable well and had high consistency in measuring the variables.

The results of hypothesis testing showed that tax reporting knowledge, tax calculating knowledge and tax payment knowledge significantly affected tax compliance. The higher the understanding level of taxpayers on tax reporting knowledge, tax calculating knowledge, and tax payment knowledge would be followed by the increase on taxpayers compliance level. Overall it could be concluded if taxpayers understood tax reporting procedure, understood tax calculating technique, and understood tax payment procedure well could increase their compliance in performing their tax obligations. This result could support the research conducted by Palil (2010).

## CONCLUSION

This research provides empirical evidence that taxpayer's knowledge on their rights and obligations in tax reporting, income that can be considered as taxable income and knowledge on the rights and obligations in paying tax affect taxpayers' compliance. These findings are expected to give input particularly for tax officers in the area of Central Java I that taxpayers who understand tax reporting, calculation, and payment will be more compliance. Taxpayers' compliance will increase if they have sufficient understanding on tax regulations. The calculation of owed tax conducted independently will be used to determine the amount of owed tax by taxpayers according to *self-assessment system*. These findings provide input for the government to intensify the activities to increase taxpayers understanding e.g. by providing training for taxpayers, or by socializing continuously by government /tax officers.

The limitation of this study is using closed questionnaires so that it cannot cover deep information completely on the cause of the people in understanding on tax regulations and the things that cause taxpayers' noncompliance. The next study is expected to be completed with opened interviewed to taxpayers, and it is expected to extend the term of references not only individual taxpayers but also institution taxpayers.

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## Appendix: SPSS Outputs

**Table 1:**  
**Variables' Descriptive Statistics**

	Mean	Median	Mode	Std. Deviation	Variance	Min	Max
<b>X1</b>	23.34	24.00	26	4.340	18.840	13	30
<b>X2</b>	30.49	30.00	32	3.981	15.851	18	40
<b>X3</b>	15.44	15.00	13	3.010	9.058	9	20
<b>Y</b>	25.41	25.00	30	3.503	12.274	15	30

**Table2:**  
**Items' Descriptives**

	Mean	Median	Mode	Std. Deviation	Variance
<b>X1</b>	23.34	24.00	26	4.340	18.840
<b>X1.1</b>	4.0714	4.0000	5.00	1.09778	1.205
<b>X1.2</b>	3.7398	4.0000	5.00	1.18046	1.393
<b>X1.3</b>	3.6429	4.0000	3.00	1.14354	1.308
<b>X1.4</b>	4.1939	4.0000	5.00	.85525	.731
<b>X1.5</b>	3.9337	4.0000	5.00	1.10972	1.231
<b>X1.6</b>	3.7959	4.0000	4.00	1.21916	1.486
<b>X2</b>	30.49	30.00	32	3.981	15.851
<b>X2.1</b>	4.6429	5.0000	5.00	.58617	.344
<b>X2.2</b>	3.8316	4.0000	5.00	1.24745	1.556
<b>X2.3</b>	3.0459	3.0000	3.00	1.34085	1.798
<b>X2.4</b>	3.4031	3.0000	5.00	1.33043	1.770
<b>X2.5</b>	4.0102	4.0000	5.00	.98183	.964
<b>X2.6</b>	4.0612	4.0000	5.00	.91502	.837
<b>X2.7</b>	3.7500	4.0000	3.00	1.06879	1.142
<b>X2.8</b>	3.7449	4.0000	5.00	1.16629	1.360
<b>X3</b>	15.44	15.00	13	3.010	9.058
<b>X3.1</b>	3.9031	4.0000	5.00	1.02070	1.042
<b>X3.2</b>	3.9133	4.0000	5.00	1.07543	1.157
<b>X3.3</b>	3.6735	3.0000	3.00	.98476	.970
<b>X3.4</b>	3.9490	4.0000	5.00	1.07056	1.146
<b>Y</b>	25.41	25.00	30	3.503	12.274
<b>Y1</b>	4.55	5.00	5	.930	.865
<b>Y2</b>	3.49	4.00	5	1.584	2.508
<b>Y3</b>	4.70	5.00	5	.637	.406
<b>Y4</b>	4.41	5.00	5	.881	.776
<b>Y5</b>	3.70	5.00	5	1.534	2.353
<b>Y6</b>	4.56	5.00	5	.848	.719

**Table3:**  
**Validity Results**

Indikator	Pearson's Correlations	Conclusion
X1.1	0,767**	Valid
X1.2	0,572**	Valid
X1.3	0,644**	Valid
X1.4	0,395**	Valid
X1.5	0,752**	Valid
X1.6	0,711**	Valid
X2.1	0.606**	Valid
X2.2	0.650**	Valid
X2.3	0.567**	Valid
X2.4	0.570**	Valid



X2.5	0.687**	Valid
X2.6	0.797**	Valid
X2.7	0.525**	Valid
X2.8	0.558**	Valid
X3.1	0.819**	Valid
X3.2	0.563**	Valid
X3.3	0.761**	Valid
X3.4	0.765**	Valid
Y1	0.573**	Valid
Y2	0.713**	Valid
Y3	0.549**	Valid
Y4	0.607**	Valid
Y5	0.635**	Valid
Y6	0.757**	Valid

**Table 4:**  
**X1 Reliability Results**

<b>Reliability Statistics</b>					
Cronbach's Alpha Based on Standardized					
Cronbach's Alpha	Items			N of Items	
0.722	0,714			6	
<b>Item-Total Statistics</b>					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
X11	19.2653	12.740	.625	.414	.632
X12	19.5969	14.375	.343	.156	.718
X13	19.6939	13.752	.446	.293	.686
X14	19.1429	16.636	.211	.062	.741
X15	19.4235	12.676	.595	.401	.639
X16	19.5612	12.689	.516	.327	.664

**Table 5:**  
**X2 Reliability Results**

<b>Reliability Statistics</b>					
Cronbach's Alpha Based on Standardized Items					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items			N of Items	
0,701	0,744			8	
<b>Item-Total Statistics</b>					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
X21	26.5969	17.452	.518	.335	.665
X22	27.1276	16.163	.359	.333	.679
X23	28.3878	17.859	.099	.436	.746
X24	28.0612	17.730	.109	.482	.744
X25	27.0969	14.703	.584	.609	.626
X26	26.9847	14.620	.748	.715	.601
X27	27.1633	15.635	.472	.560	.654
X28	27.1173	14.935	.560	.629	.633

**Table 6:**  
**X3 Reliability Results**

<b>Reliability Statistics</b>		
Cronbach's Alpha Based on Standardized Items		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	
0.703	0.711	
	4	

<b>Item-Total Statistics</b>					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
X31	11.5357	5.071	.641	.468	.532
X32	11.5255	6.569	.242	.061	.779
X33	11.7653	5.514	.557	.381	.590
X34	11.4898	5.277	.536	.345	.599

Table 7:

**Y Reliability Results**

<b>Reliability Statistics</b>					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items			
0,725	0,761	6			
<b>Item-Total Statistics</b>					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Y1	22.08	6.845	.636	.548	.653
Y2	22.57	6.729	.377	.274	.714
Y3	22.04	7.122	.593	.528	.668
Y4	22.33	6.067	.559	.619	.655
Y5	22.55	6.628	.307	.257	.749
Y6	22.16	6.671	.465	.617	.686

Table 8:

**Normality Test Results**

<b>One-Sample Kolmogorov-Smirnov Test</b>		
		Unstandardized Residual
N		196
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.71908529
	Absolute	.057
Most Extreme Differences	Positive	.030
	Negative	-.057
Kolmogorov-Smirnov Z		.799
Asymp. Sig. (2-tailed)		.546

a. Test distribution is Normal.  
b. Calculated from data.

Table 9:

**Heteroscedasticity Test Results**

<b>Coefficients<sup>a</sup></b>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.610	.909		2.871	.005
X1	-.004	.032	-.010	-.132	.895
X2	-.073	.036	-.166	-2.023	.064
X3	.084	.050	.144	1.683	.094

a. Dependent Variable: ABSRES1

**Table 10:**  
**Autocorrelation Test Results**

Runs Test	
	Unstandardized Residual
Test Value <sup>a</sup>	-.01725
Cases < Test Value	98
Cases >= Test Value	98
Total Cases	196
Number of Runs	91
Z	-1.146
Asymp. Sig. (2-tailed)	.252

a. Median

**Table 11:**  
**Multicollinearity Test Results**

Collinearity Statistics		
	Tolerance	VIF
X1	0.81	1.234
X2	0.751	1.332
X3	0.692	1.445

**Table 12:**  
**Regression Coefficients & Hypotheses Testing Results**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	9.625	1.419		6.781	.000		
1 X1	.267	.050	.331	5.317	.000	.810	1.234
X2	.314	.056	.361	5.579	.000	.751	1.332
X3	.131	.078	.112	1.666	.007	.692	1.445

a. Dependent Variable: Y

**Table 13**  
**Determination Coefficients**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.631 <sup>a</sup>	.498	.488	2.740

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

**Table 14:**  
**F-Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	951.808	3	317.269	42.252	.000 <sup>b</sup>
	Residual	1441.718	192	7.509		
	Total	2393.526	195			

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X1, X2