

LITERATURE REVIEWS OF INTERNAL ASPECTS OF INDIVIDUAL TAXPAYERS THAT INFLUENCE TAX-PAYING COMPLIANCE

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Abstract

Studies on individual taxpayer compliance have been carried out. Several internal factors from within the taxpayer can affect taxpayer compliance. In this study, researchers will identify any internal factors affecting taxpayer compliance in paying taxes. Researchers reviewed 20 articles related to internal factors that can affect tax compliance. Such internal factors include tax morale, education level, income level, age, and gender. According to the 20 articles, there are still inconsistencies. Several studies have stated that these internal factors affect taxpayer compliance. Another study states that the internal factors did not affect taxpayer compliance.

Keywords: Internal Aspects; Influence; Tax-Paying Compliance

Introduction

Taxes are the primary source of the state budget for Indonesia until today. Data from the Ministry of Finance of the Republic of Indonesia shows that the realization of state revenue in 2020 is sourced chiefly from taxes, which is 65.99%. Realization of other state revenues comes from customs and excise revenues of 13.13% and non-tax state revenues of 20.88%. The data shows that the primary source of all state activities still comes from taxes. The tax collection system adopted in Indonesia for individual taxpayers is self-assessment.

This collection system provides confidence for taxpayers to calculate and report their tax payables. This makes it possible for taxpayers not to correctly carry out their tax obligations. In 2020, the level of formal compliance of individual employee taxpayers was 85.42%. This percentage increases compared to the individual employee taxpayer compliance rate in 2019, which was 73.2%. In contrast, individual taxpayers' level of formal compliance in 2020 decreased compared to the previous year. In 2019, the level of formal compliance of non-employee individual taxpayers was 75.31%, while in 2020, it decreased by 52.45% (ddtc.co.id). According to [Anjanni \(2019\)](#), the success of implementing a self-assessment system can be achieved if the public has a

sufficient understanding of the applicable tax laws and regulations and understands tax reporting procedures and the tax penalties that follow.

Tax compliance may be defined as a form of exercising rights and obligations in taxation (Prasetyo & Dicky Arisudhana, 2019). According to achieve compliance from taxpayers, it can be influenced by taxpayers' internal and external factors. The internal factors that can encourage compliance to come from inside the taxpayer. Internal factors that can encourage taxpayers to carry out their tax obligations include tax morale, education level, income level, gender, and age. For external factors, tax compliance can be achieved with a push from the external taxpayers. These external factors include the modernization of the taxation system, socialization of taxation, and applicable tax penalties.

Taxpayer compliance can be interpreted as a form of implementation of the obligations of a taxpayer. The tax collection system for individual taxpayers implemented in Indonesia is a self-assessment system. This collection system gives taxpayers the right to make calculations, payments and report taxes independently.

(Prasetyo & Dicky Arisudhana, 2019) mentions that there are two types of tax compliance: formal tax compliance and material tax compliance. Formal tax compliance is compliance by taxpayers through fulfilling their tax obligations according to provisions of tax regulations. An example of formal tax compliance is registering as a taxpayer and submitting a tax return on time. Material tax compliance is defined as fulfilling all material tax provisions following tax laws. Examples of the material provisions are submitting a tax return honestly, completing documents that need to be attached to the tax return, and doing proper tax calculations correctly.

The theory used as the basis in this research is the Theory of Planned Behavior. This theory states that a person's behavior depends on the behavior's intention. There are three factors that encourage a person to behave, namely behavior values, normative beliefs, and control beliefs (Andreas & Savitri, 2015). Theory of Planned Behavior is a tool that can predict individual behavior when the individual does not have complete control of his own volition.

Method

The method used in this study is a literature review. (Snyder, 2019) stated that this method is a method of research by analyzing the views of the experts written in the research article through collecting data and the essence of the research.

Through this study, researchers try to identify previous studies relating to taxpayers' tax compliance and internal factors of taxpayers that affect the level of taxpayers' compliance.

Table 1
Research on Individual Taxpayer Compliance and Internal Factors are Affecting It

No	Researcher	Title	Variable	Population & Sample	Results
1	(Tyas, 2018)	Age, Education Level, Gross Income, Moral And Tax Payment Compliance	Independent Variable: Age, Education, Gross Income, Moral Dependent Variable: Compliance with Tax Payments	The individual taxpayer entrepreneur in Ciputra Mall.	<ul style="list-style-type: none"> • Age has a positive effect on compliance with tax obligations. • Education has a positive effect on compliance with tax obligations. • Gross income has a positive effect on compliance with tax obligations. • Moral has a positive effect on compliance with tax obligations
2	(Lisi, 2015)	Tax morale, tax compliance and the optimal tax policy	Key variable and co-state variable		<ul style="list-style-type: none"> • examine the positive relationship between tax compliance and tax morale into the social welfare function and obtain optimal tax policies for honest taxpayers and those who do tax avoidance. • Optimal tax theory pays less attention to the intrinsic influence that exists on a person, namely why people are willing to pay taxes. (Tax morale). • The tax policy that the government must take to prevent tax evasion depends on the morality of the taxpayer.
3	(Rahman, 2015)	The State Defense Program as an Embodiment of the Rights and Obligations of Citizens in the Implementation of National Defense			<ul style="list-style-type: none"> • The participation of every citizen in defending the country is not only identified physically or in terms of physical or military training. However, it can also be realized through the role of each citizen according to their expertise, condition, and profession. • The implementation of the

				state defense program should not be done instantly. However, it must also be carried out continuously into a sustainable program by the state's financial capacity.
4	(Andreas & Savitri, 2015)	The Effect of Tax Socialization, Tax Knowledge, Expediency of Tax ID Number and Service Quality on Taxpayers Compliance With Taxpayers Awareness as Mediating Variables	Mediating Variable: Taxpayer Awareness	Individual taxpayers who registered at the tax office located in Pratama Senapelan-Pekanbaru as 83.149 persons.
5	(Susila, Juniult, & Hidayat, 2016)	Taxpayers and Young Generation: Tax Morale of Indonesian College Students	Control Variable and Independent Variable	University of Indonesia students
				<ul style="list-style-type: none"> • The tax socialization, tax knowledge, and quality of service were affecting tax awareness. In contrast, the expediency of tax id numbers does not affect tax awareness. • Tax socialization, tax knowledge was affecting tax compliance. In contrast, the expediency of tax id numbers and service quality do not affect tax compliance.
				<ul style="list-style-type: none"> • There are different responses to tax morale between the female and male sexes. • The control variables, namely age, family economic level, and the presence or absence of income itself, give the same response to tax morale. • Moral rules give a positive but not statistically significant response to tax morale. • The perception of tax justice is not statistically significant on tax morals. • The level of trust in the government significantly affects on tax morale. • Carrying out solid religious education that can build strong student character and obey the law, including being tax-abiding. • Taxes are considered as an absolute contribution for every citizen Public trust in the government needs to be

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				continuously built to increase public trust in the state.
6.	(Cyan, Koumpias, & Martinez-Vazquez, 2016)	The determinants of tax morale in Pakistan	Outcome variable and continuous variable	2562 individuals across 13 metropolitan areas of Pakistan
				<ul style="list-style-type: none"> Workers groups with lower levels of employment tend to have higher levels of compliance. The level of tax compliance is very high for individuals who have a very high or deficient level of education compared to individuals who have an education level equivalent to a bachelor's. Individuals who live in the city center, who receive government services, have higher tax morale. Women have a higher level of compliance than men.
7	(Maruapey, 2016)	Tax And State Defense		
				<ul style="list-style-type: none"> Payment of taxes as a reflection of State Defending Efforts will make every citizen proud and increase awareness of having Indonesia and his love for the homeland. A shared understanding of taxes as the primary source of fiscal resilience must be communicated to every citizen to increase awareness of paying taxes. The obligation to pay taxes is part of the community's contribution to nation-building. Paying taxes for development is an effort to defend the country.
8	(Jimenez & Iyer, 2016)	Tax compliance in a social setting: The influence of social norms, trust in government, and perceived fairness on taxpayer compliance	Depend Variable: The likelihood of a taxpayer to comply with tax laws.	
				<ul style="list-style-type: none"> Traditional methods to improve tax compliance. Social norms influence compliance intentions indirectly through internalization as personal norms. We also conclude that trust in government has a significant influence on both perceived fairness.

9	(Pertiwi, 2011)	Tax Morale: An Option Increasing Tax Compliance Of The Muslim Community	Religiosity Variable & Nationalism Variable	238 individual taxpayers who are Muslim	<ul style="list-style-type: none"> Religiosity affects tax morale. Nationalism does not affect tax morale.
10	(Rodriguez-Justicia & Theilen, 2018); (Mukhadi & Madha, 2018)	Education and tax morale	Depend Variable: Tax morale Explanatory variable: education	educational level	<ul style="list-style-type: none"> Individuals who get a direct impact from taxes will have higher tax morale. The higher the level of education of a person, the more aware of the benefits received from paying taxes. The better the performance of public institutions will increase the individual's tax morale. A higher level of education will have higher tax morale than individuals who have a low level of education.
11	(Mukhadi & Madha, 2018)		Building State Defense Awareness for The Millennial Generation in The State Defense System		<ul style="list-style-type: none"> Millennials have more opportunities in accessing science and technology that will significantly affect his mindset, including in responding to the implementation of defending the country. The millennial generation has its way of expressing defending the country. Instilling awareness of defending the country to the millennial generation adapted to its characteristics. The implementation of state defense is adjusted to the existing situation and conditions to realize national resilience.
12	(Wijayanto J. & Marzuki, 2018)	State Defense Education as a Pallone of Civilization of the Soul of Youth Patriotism			<ul style="list-style-type: none"> The implementation of state defense education is a means of supporting growing patriotism in students. Through state defense activities carried out at SMA Negeri Titian Teras H. Abdurrahman Sayoeti Jambi, it has a role as a strengthening and

					foundation for the spirit of patriotism for students in attitude or behavior.
13	(Laut & Jaya, 2019)	The reality of tax awareness among the younger generation (college students) of Yogyakarta and Surabaya		<ul style="list-style-type: none"> • Student who has completed five semesters • The minimum value of taxation courses is AB • GPA for semesters one to five at least 3.71 and above • Students who are active in tax center activities or other taxes as evidenced by the ownership of certificates from administrators or participants. 	<ul style="list-style-type: none"> • Students still do not understand the meaning of tax. They assume that everything must have a consideration
14	(Bruno, 2019)	Tax enforcement, tax compliance and tax morale in transition economies: A theoretical model	Costs Variable	<ul style="list-style-type: none"> • who argue that the probability distribution of the political outcome depends on the fraction 	<ul style="list-style-type: none"> • A good quality political institution does not guarantee that tax enforcement and tax compliance are also good. Suppose a political institution cannot attach additional information. In that case, it is considered that the institution still has low tax compliance and tax morale
15	(Prasetyo & Dicky Arisudhana,	Analysis of Some Aspects in Taxpayers	tax knowledge, taxpayer awareness, tax	<ul style="list-style-type: none"> • 100 respondents who 	<ul style="list-style-type: none"> • Knowledge of Taxation has a positive and significant effect on Taxpayer

2019)	and Tax Regulations that Influence Taxpayer's Compliance in the Fulfillment of its Obligations	penalty, implementation of e-filing on taxpayer compliance	have a taxpayer identification number at KPP Pratama Jakarta Kebayoran Lama.	<p>Compliance.</p> <ul style="list-style-type: none"> • Awareness of paying taxes has a positive and significant effect on taxpayer compliance. • Tax Penalties do not affect Taxpayer Compliance. • The implementation of E-Filing has a positive and significant effect on Taxpayer Compliance.
16	(Rahayu, Farida, & Apriana, 2019)	State Defense Awareness in Students	<p>love for the homeland variable, awareness of the nation and the state variable, belief in the power of Pancasila variable, being willing to sacrifice for the homeland and the nation variable, ability to defend the country variable</p>	<ul style="list-style-type: none"> • PNJ Students • From the results and data analysis, the highest score in the student's awareness of state defense is on the belief in the supernatural power of Pancasila, and the lowest value is love for the homeland variable.
17	(Suriata, 2019)	Actualization of State Defense Awareness for the Young Generation in Improving National Defense	<ul style="list-style-type: none"> • searching on the internet for the involvement of young generation in violating the law 	<ul style="list-style-type: none"> • Awareness of State Defense in the younger generation is getting weaker. • Awareness of defending the country has not become a culture in everyday life. • Actualization of state defense awareness which is still not maximally implemented
18	(Kemme, Parikh, & Steigner, 2020)	Tax Morale and International Tax Evasion	<p>Dependent variable: Log (Equity Flows) Independent variable: Tax Savings</p>	<ul style="list-style-type: none"> • 7451 observations of FPI from 138 source countries into 21 OECD host countries between 2002 and <p>Tax avoidance at the inter-country level carried out by individuals is strongly influenced by the individual's behavior in his willingness to pay or not. The author also mentions that the Foreign Account Tax Compliance Act (FACTA) can be one way to improve behavior to pay taxes.</p>

		2013	
19	(Putro & Tjen, 2020)	Analysis of Tax Education and Tax Knowledge: Survey on University Students in Indonesia	<p>Variable descriptions: SCORE, PIMP, PNEED, EDU, GEN, REG</p> <ul style="list-style-type: none"> university students located in Indonesia. <ul style="list-style-type: none"> The DGT said that knowledge of public tax in Indonesia is still low. There is a significant difference between students who have received tax education and students who have not received tax education, in terms of their level of tax knowledge. Regarding students perceptions regarding the importance of tax education, there is no significant difference among students who have received tax education and those who have not received tax education.
20	(Engel, Mittone, & Morreale, 2020)	Tax morale and fairness in conflict an experiment	<p>the ratio of declared over requested tax</p> <p>participants with low income</p> <ul style="list-style-type: none"> comply less as soon as they are made aware of the heterogeneity <ul style="list-style-type: none"> People do tax compliance because of tax morale, mainly because they follow the rules. Taxpayers pay taxes because they only have to do it. Compliance will be reduced for taxpayers who have multiple sources of income compared to taxpayers who have one source of income

Results and Discussions

(Cahyonowati, 2011) states that tax morale is an intrinsic driver for taxpayers in carrying out their tax obligations. Tax morale on each taxpayer can prevent the desire of each taxpayer from violating the rules (Hidayat & Nugroho, 2010). Tax morale is always associated with domestic tax avoidance. Citizens who have low tax morale tend to do tax evasion. This tax avoidance can occur because most citizens consider it a natural thing to avoid tax (Kemme et al., 2020). The moral level of Indonesian citizens' taxes, driven by intrinsic factors, is still low, in contrast to external factors, namely hard/coercive regulations. Citizens are willing to carry out their tax obligations because of compulsion and fear of being subject to tax sanctions. Tax morale can not only affect taxpayer compliance. This tax morale can also evaluate how the taxation system is implemented in a country (Braithwaite & Ahmed, 2005).

The taxpayer's background can also affect taxpayer compliance in carrying out their tax obligations. (Rodriguez-Justicia & Theilen, 2018) states that the level of

education influences each individual to comply with the obligation to pay taxes. Taxpayers who have a high educational background have a more extraordinary ability to justify the quality of government institutions' services. Taxpayers who have a high education can also assess the indirect benefits obtained when paying taxes. Tax education is also crucial for potential taxpayers to be a provision in carrying out their tax obligations in the future. This tax education will be a reference and literacy material when carrying out tax obligations (Palil, Akir, & Ahmad, 2013).

Other factors supporting taxpayer compliance include income level, age, and gender. (Tyas, 2018) states that the gross income level of a taxpayer has a positive influence on taxpayer compliance. In addition, the age of a taxpayer also has a positive influence on taxpayer compliance. (Cyan et al., 2016) examined the effect of gender on the level of taxpayer compliance. The study results indicate that women are more obedient in carrying out their tax obligations. The study results are in line with the research of (Lasmana & Tjaraka, 2011).

Conclusions

Until now, the source of income for the Indonesian state is still from taxes. The taxation system used in Indonesia uses many self-assessment systems. This opens up opportunities for tax evasion by taxpayers. As a result, the state income level is not optimally received following the number of taxpayers obliged to pay taxes. Several internal factors from within the taxpayer can affect taxpayer compliance. These internal factors include tax morale, income level, education level, age, and gender. This needs special attention for the government to optimize state revenues from taxes.

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