Tax Compliance in the Perspective of Motivation Theory X and Y and Their Implications for *Fraud*

Dedi Kurniawan[1], Sahat Parlindungan Hutapea [2*], Erza Rahmi Andini [3*],

and Rizki Lanniari HS [4*]

1* Batam State Polytechnic
Accounting Study Program
Jl. Ahmad Yani, Batam Centre, Batam29461, Indonesia
E-mail: dedi@polibatam.ac.id

2* Batam State Polytechnic
Managerial Accounting Study Program
Jl. Ahmad Yani, Batam Centre, Batam29461, Indonesia
E-mail: sahathutapeap08@gmail.com

3* Batam State Polytechnic
Managerial Accounting Study Program
Jl. Ahmad Yani, Batam Centre, Batam29461, Indonesia
E-mail: erza.r.andini@gmail.com

4* Batam State Polytechnic
Managerial Accounting Study Program
Jl. Ahmad Yani, Batam Centre, Batam29461, Indonesia
E-mail: rizkilanniari@polibatam.ac.id

Abstract

Indonesia applies the principle of a self-assessment system in its tax collection process. The public is expected to comply with this rule by calculating, depositing, and self-reporting the tax they owe. Therefore, the level of public awareness of taxes is a major factor in the operation of this system. However, in reality, there are still many people who intentionally or unintentionally commit tax fraud. So, the tax collection process does not run as effectively as expected. This study was conducted to determine the effect of knowledge on tax benefits and sanctions on tax compliance. The research was conducted in the Batam State Polytechnic campus and industry. The object of this research is students and employees who already must pay taxes. The research was conducted by combining two methods, namely, experimental and case studies. This method examines the causal relationship between the independent variable and the dependent variable and explores employee tax compliance. Based on the results of data collection, processing, and analysis, it is obtained that people have a high motivation to comply with taxes if they know the benefits of paying taxes.

Keywords: Collection, Awareness, Fraud, Benefits, Sanctions

1. Introduction

1.1 Background of the Problem

A country must ensure the survival of its people and ensure that every aspect of the country runs properly. Of course, to carry out its obligations, the state requires substantial funds. According to (Rachdianti, Astuti, & Susilo, 2016), tax is a source of state revenue that has an important role in supporting development financing and describing economic independence.

Based on Law no. 28 of 2007 concerning General Provisions and Taxation Procedures, tax is a mandatory contribution to the state-owned by an individual or entity that is coercive under the law, without receiving direct compensation and being used for the state for the greatest prosperity of the people. Every Indonesian citizen who has met certain criteria will be determined as a taxpayer by having a Taxpayer Identification Number, every taxpayer must pay taxes to the state. The collected tax funds will then be managed to carry out the state's obligations to its people. The willingness of taxpayers to pay taxes is an important thing in tax collection. In reality, the people themselves do not like to pay taxes. This is because people never know the concrete form of rewards from the money spent paying taxes (Firmansyah, 2018). But all agree that taxes are very important and beneficial to the public interest.

Indonesia adheres to the principle of a *self-assessment system* in the tax collection process. The government gives taxpayers the confidence to calculate, deposit and report their tax payable. But in reality, this system is misused or does not work as expected. The tax system is *self-assessment* and still unable to change taxpayers in carrying out their tax activities properly and correctly. (Hantoyo, Kertahadi, & Handayani, 2016)

Whereas taxes are one of the most important sources for financing the development of a country and the welfare of its citizens (Nirmala, 2012).

Many people try to do *tax fraud*, either by avoiding taxes or reducing the amount of tax owed. Although tax *avoidance* is a taxpayer effort that does not violate the law, actually tax avoidance is an unwanted action by the government so the government makes rules to prevent it (Hantoyo, Kertahadi, & Handayani, 2016).

The existence of tax sanctions and knowledge of taxpayers about tax benefits is very influential in the implementation of *a self-assessment system*. Lack of knowledge of taxpayers about sanctions and tax benefits makes people not care about reporting and paying taxes.

Based on the above background, the author intends to conduct research with the title: "Tax Compliance in the Perspective of X and Y Motivation Theory and Its Implications for Fraud".

1.2 Formulation of the Problem

Based on the background above, the formulation of the problem in this study is as follows:
1. Is the taxpayers' understanding of tax sanctions able to improve tax compliance?
2. Can taxpayers' understanding of tax benefits improve tax compliance?

1.3 Scope of the Problem

This research will focus on tax compliance which is influenced by sanctions and tax benefits. Tax compliance was measured using a questionnaire. The research was conducted at Batam State Polytechnic and one of the industries in Batam City. This study involved students and employees as respondents.

1.4 Purpose of Writing

This study has 2 (two) objectives, namely:
1. Analyzing the impact of taxpayers' understanding of tax sanctions on tax compliance.
2. Analyzing the impact of taxpayers' understanding of tax benefits on tax compliance.

2. Discussion

2.1 Basic Theory

The theory used to explain the findings in this study is theory X and Y. Theory X and Y are motivational theories developed by Douglas McGregor. Theory X explains that a person is motivated if he is given a reward or reprimand

according to the results of his actions. While theory Y explains that a person is motivated internally without being given a reward or reprimand (Ghozali, 2020).

2.1.1 Tax Benefits

Taxes paid by the community have benefits for the community itself, so it is important to provide education to the public regarding tax benefits. Taxes have several benefits, namely:
1. The Function of the Tax Budget
   The tax as the largest source of state revenue is used by the government as a budget to pay all state needs, including terms of state administration and paying civil servant salaries.
2. The Function of Tax Regulation
   The tax is used by the government as a regulation of state policy or fiscal policy, one of which is the application of import duties to reduce imports so that domestic products can compete. The application of import duties will increase the price of imported goods, thus imported goods will find it difficult to compete if they continue to enter the Indonesian market.
3. The Function of Stabilities
   With the existence of taxes, the government can implement policies related to price stability, thus the government can control inflation.
4. The Function of Equitable
   Tax funds can be used by the government to subsidize the community so that the economy of the community is equal.

2.1.2 Sanctions of Tax

Sanctions of Taxes are given to the public or taxpayers' who do not carry out their tax obligations. Tax sanctions can be in the form of fines and interest. Late payment of taxes will increase the amount of tax paid, so tax reporting and tax payments should be made on time.

2.1.3 *Fraud*

Fraud is fraud committed by several parties. One of the frauds committed by taxpayers in taxation is *tax evasion. Tax evasion* is tax fraud that is carried out by taxpayers subtly by looking for loopholes in the applicable tax provisions.

2.2 Literature Review

(Kurniawan, 2020) In his research, he stated that tax education has an impact on tax compliance. Research conducted at the Batam State Polytechnic by providing tax education to students can influence student compliance behaviour in fulfilling their obligations as taxpayers.

(Samadiartha & Darma, 2017) In his research, he stated that tax knowledge has a positive and significant influence on taxpayer compliance. Taxpayers will obey taxes if there is awareness of the importance of taxes from within themselves first.

2.3 Hypothesis Development

Based on theories X and Y, as well as a literature review, the researcher formulates the following hypothesis:

H1:There is a difference in tax compliance between experimental subjects who receive videos of tax benefits and sanctions and tax subjects who do not receive videos.

H2: There is a difference in tax compliance between experimental subjects who receive the video of tax benefits and experimental subjects who receive the video of tax sanctions.

2.4 Research Methods

This research uses mixed research methods (mixed method). The type of quantitative method used is experimental and the type of qualitative method used is the case study. The purpose of the quantitative method is to examine the causal relationship between the independent variable and the dependent variable. The qualitative method aims to explore the motivation of taxpayers in carrying out their tax obligations and confirm the results of quantitative research.

2.4.1 Data Collection Techniques

Data collection techniques used in this study are experimental and interview techniques. Researchers conducted experiments on selected students by giving videos containing knowledge about tax sanctions and videos containing knowledge about tax benefits and some students

were not given videos at all, then the selected students were asked to fill out a questionnaire. Furthermore, the researchers conducted interviews with industrial employees who had carried out their tax obligations.

2.4.2 Operational Variables and Their Measurement

1. In this study, the researcher used three independent variables. The first variable, namely tax sanctions, tax sanctions are a series of penalties that will be received by taxpayers if they do not report or do not pay taxes on time. The second variable is tax benefits, tax benefits are a series of benefits or reciprocity obtained by taxpayers when carrying out their tax obligations. The third variable is not given videos related to sanctions and tax benefits. These three variables will be tested using experimental methods to analyze whether they affect increasing taxpayer compliance.
2. The dependent variable in this study is tax compliance.

2.5 Results and Discussion

2.5.1 Description Statistics

This section describes the results of descriptive statistical tests on the data that has been collected and processed.

TABLE 1

EXPERIMENT DESCRIPTION STATISTICS

	N	Mean	Std. Deviation	Minimum	Maximum
Benefit of Tax	37	46,0270	4,59762	34	50
Sanction of Tax	37	42,6486	8,22333	10	50
Not Receiving Video	37	42,7838	4,28262	34	50

Based on the data above, the respondents for each experiment were 37 students. The experimental group that received the tax benefits video had the highest average compared to the other two groups of respondents, namely

46,0270. Then, the experimental group that did not receive the video had an average score of 42.7838 higher than the experimental group that received the video on tax sanctions. Finally, the experimental group that received the video on tax sanctions had the lowest average score of 42.6486. Meanwhile, interviews were conducted with five employees in an industry in Batam City.

2.5.2 Quantitative Research Results

Researchers conducted experiments at the Batam State Polytechnic by selecting several classes of new students who of course still did not understand or had not received education related to tax obligations. The reason for choosing the new student class is to get neutral respondents so that the experimental results are valid. In the experimental process to collect data using a questionnaire, the researcher continues to monitor the experimental subject so that the resulting data is valid, at the end of the experiment process the researcher again tests the subject by asking questions related to the video that has been shown, if the subject cannot provide an answer then the subject is removed from the list of experimental subjects and the subject data is not used in the ANOVA test analysis.

The data obtained using experimental techniques were then analyzed using the ANOVA test and produced the following data:

TABLE 2

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	270,721	2	135,360	3,792	,026
Within Groups	3855,676	108	35,701		
Total	4126,396	110			

TABLE 3
MULTIPLE COMPARISON

(I) Independent Variable	(J) Independent Variable	Sig.
Benefit of Tax	Sanction of Tax	,017
	Not Receiving Video	,021
Sanction of Tax	Benefit of Tax	,017
	Not Receiving Video	,923
Not Receiving Video	Benefit of Tax	,021
	Sanction of Tax	,923

Based on the results of the analysis that has been done, each variable has a sig value below 0.05 for other variables.

Hypothesis Testing

This study has 2 hypotheses that have been formulated at the beginning of the study. The first hypothesis is that there is a difference in tax compliance between experimental subjects who receive tax benefits and sanctions videos and tax subjects who do not receive tax videos. The second hypothesis that has been formulated is that there are differences in tax compliance between experimental subjects who receive tax benefits videos and experimental subjects who receive tax sanctions videos.

Based on the data that has been tested, the resulting data is that tax subjects who are given videos of tax benefits and tax sanctions have a tendency to comply in reporting and paying taxes than taxpayers who are not given educational videos of tax benefits and sanctions, this proves the truth of the first hypothesis, namely that there is different tax compliance between experimental subjects who receive tax benefits and sanctions videos and tax subjects who do not receive tax videos

The data also presents data that there is a significant difference related to tax compliance among subjects who are given educational videos about tax benefits with subjects who are given educational videos about tax sanctions, the data shows that subjects tend to be more obedient to taxes after knowing tax benefits than knowing tax sanctions. So this can prove the hypothesis in

this study, namely that there is a difference in tax compliance between experimental subjects who receive tax benefits videos and experimental subjects who receive tax sanctions videos. benefit from taxes paid to the government.

2.5.3 Qualitative Research Results

In addition to using quantitative techniques, researchers also used qualitative techniques to organize this research. The qualitative technique was carried out with data collection techniques, namely, interview techniques, interviews were carried out in one of the researchers' workplaces by conducting interviews with workers who had been registered as taxpayers'. The questions asked are related to the motivation of taxpayers to carry out their tax obligations. Through interviews, the researchers concluded that taxpayers tend to be obedient to taxes after knowing the benefits of the tax rather than knowing tax sanctions, this shows that there is a need for tax education from an early age so that taxpayers' will be more obedient in the future in carrying out their tax obligations. The results of this interview support the hypothesis of quantitative research.

3. Closing
3.1 Conclusion

Based on the results of quantitative and qualitative research conducted, it can be concluded that:

Taxpayers' are more obedient in carrying out their tax obligations after knowing the benefits after paying taxes and sanctions if they are late or do not pay taxes. Therefore, it is important for the government, especially the directorate general of taxation, to conduct tax education so that future taxpayers' will be more obedient in paying taxes. The increase in tax payment compliance will certainly increase tax funds in Indonesia, with the increase in tax funds, the researcher also hopes that there will be an increase in the prosperity of the people in Indonesia and an increase in infrastructure in Indonesia.

Taxpayers' tend to be more obedient in paying taxes after knowing the tax benefits rather than knowing the tax sanctions.

The awareness of taxpayers to carry out their tax obligations will reduce tax fraud in Indonesia, with reduced tax fraud, the tax funds that can be managed by the government for the welfare of the community will increase.

3.2 Suggestions

The tendency of taxpayers' to comply with taxes is after receiving education related to tax benefits and tax sanctions, therefore it is important to carry out tax education by the Directorate General of Taxes to the public, especially to students and students, because in the future it is students and students who will become obligated tax. Tax education is hoped that it will reduce tax fraud in Indonesia.

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