The Analysis of Tax Compliance of Local Government Employees: Case Study of West Bandung Regency, Bandung Regency, and Majalengka Regency

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Abstract: As a part of developing countries, Indonesia has problems with tax compliance. We assume the problem occurs due to the lack of role models from local government employees fulfilling the tax obligations. Recently, we found out that local government employees are still role model for society. The study aims to assess the tax compliance of local government employees to increase tax compliance. Within three months, data collection was conducted at three District government, namely West Bandung Regency, Bandung Regency, and Majalengka Regency. Data collection was conducted by survey methodology and questionnaire as an instrument. From the questionnaires' distribution, we processed it to obtain the characteristics of respondent's information and respondents perceptions of compliance and compliance dimensions, including satisfaction about their tax compliance. The data obtained were processed using SPSS application version 16. Overall, the results showed that tax compliance of local government employees is in the "enough" category with the existing dimensions of compliance. Given the role of local government employees as the role models for society, this result suggests improvements to e-SPT applications using data integration, one-door service with maximum computerization, and tax education at all levels of education. These results certainly indicate the need for improvements in the taxation side to maintain and increase the existing tax compliance. They were especially considering that local government employees are the role models for people in the regions to implementing taxation.

Keywords: Tax compliance, local government employee, tax reporting, tax obligation

INTRODUCTION

Increasing the state revenue from tax sector has become one of the main focus of developing or developed countries. This is especially for countries that charge their citizens with taxes. The successfulness in implementation of the state, in a more general scale is highly dependent on tax compliance. In this context, tax compliance is influenced by vertical relations - taxpayers and the government in the context of taxes paid and utilization of taxes and horizontal relations-the relationship between taxpayers, especially in terms of justice. Disharmony in these two relationships has a negative impact on tax compliance. Although this applies to all countries, this problem is felt in developing countries where complex taxation systems, high compliance costs, loopholes in tax rules, tax exemptions, and corruption contribute to the implementation of the public financial system. This makes tax compliance becomes difficult to be realized (Abdullah et al., 2015; Bird, 2004; Burgess & Stern, 1993; Boonvut, 2017; Dwi & Renny, 2017; Islam, 2001; Kurniawati & MeilianaIntani, 2016; Laurence, 1999; Liu & Dong, 2016; Mansfield, 1988; Toye, 2000; Yoo, 2000).

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As part of a developing country, Indonesia also has a problem with public tax compliance. This happened because of the 'gap' between the expectations of taxpayers for public goods and the reality of public goods provided by the government. As a consequence, the taxpayer's trust in the government and the tax system, in general, become weak, and resulted in tax compliance. This is reflected in the low ability of the government to collect taxes or tax ratios. Until 2016, Indonesia's tax ratio is around 12%. This means that only 12% of tax was collected from the circulation of gross domestic product.

We assume that the problems occur due to lack of role model from local government employees in fulfilling tax obligations. This is because, until now, local government employees is still a role model/example for society. And we believe, with its paternalistic culture, local government employees become "father" figures for the society and the agents of change for regional development. Therefore, in this paper, we try to assess the tax compliance of local government employees in order to improve tax compliance. In this context, we focus on local government employees and their tax compliance.

Research Question

In this study, we focus on local government employees and their role in tax compliance. As explained earlier, this study focuses on improving tax compliance through measuring the tax compliance of local government employees and analyzing the factors that affect tax compliance. This is because the functions of local government employees as role models and agents of change for society, where by tax compliance behavior, both positive and negative, will affect public tax compliance in general. Referring to this, the research question in this study is: How do local government employees perceive their tax compliance and their tax compliance dimensions?

Research Objectives

To answer the problem formulation, the objectives of this study are (1) to know the perception of local government employees on tax compliance; (2) to know the perception of local government employees on the dimensions of tax compliance; (3) to know the dimensions that most influence tax compliance; (4) to know the weakest dimensions that affect tax compliance; (5) to know the satisfaction of local government employees towards tax compliance; (6) to formulate strategic steps to improve tax compliance.

THEORETICAL FRAMEWORK

Understanding of Taxation

Definition of tax: Definition of tax according to Rochmat (1994) professors in Tax Law at Pajajaran University, Bandung, as Zain (2007) namely: "Tax is the contribution of the people to the state treasury (the transfer of wealth from the particular sector to the government sector) based on the legislation (can be imposed) without receiving reciprocal services, can be directly shown and used to finance general expenditure."

The main elements of the above definition, namely: (1) fees or levies, (2) levied under legislation, (3) tax is imposed, (4) not accept or obtain reciprocal services, and (5) to finance general Government expenditure.

Function of tax: Tax functions as stated by Ilyas and Burton (2007), namely: (1) Budgeter function also called fiscal function is the function to collect tax money as much as possible in accordance with the law which in time will be used to finance state expenditures; (2) Regularend function is a function where taxes will be used as a tool to achieve certain goals that are located outside the financial sector. Tax is used as a tool of discretion; (3) Democratic functioning is the function which is one form of mutual cooperation system, including government and development activities for the benefit of mankind. This function is often associated with a person's right to get services from the government if he has done his obligation to pay taxes, if the government does not provide good services, taxpayers can complain; (4) Distribution function is a function that more emphasis on the elements of equity and justice in society.

The taxation system: The taxation system of a country consists of three elements, namely Tax Policy, Tax Law and Tax Administration. The tax system can be referred to as a way of managing tax debt owed by taxpayers to flow to the state treasury. Tax collection system according to Ilyas and Burton (2007) namely: Official Assessment System, Semi Self-Assessment System, Self-Assessment System, and Without System.

Understanding of Employees and Regional Government Employees

Definition of employees: Employees are those who are qualified specified in the legislation in force appointed by the competent authority and entrusted with the duty of the state which is stipulated by law and paid according to the prevailing laws and regulations. Local government employees are those who work in a local government, in certain positions or activities by obtaining rewards paid based on the applicable laws and regulations. Local government employees are also referred to as regional civil servants.

Understanding of Taxpayers and Regional Government Employees as Taxpayers

Definition of taxpayers: In law No. 28 of 2007 concerning the Law on General Provisions and new taxation procedures (KUP), the definition of a taxpayer is an individual or entity, including taxpayers, tax cutters, and tax collectors, who have tax rights and obligations in accordance with the provisions of the legislation Taxation laws. In Indonesia, everyone must register themselves and have a NPWP (Tax Identification Number) that is useful for means in tax administration. Variable taxpayer used in this study is the individual taxpayer with an active status depositing and/or reporting SPT so that they have an influence on taxpayer compliance.

Local government employees as civil servants are taxpayers who are required to calculate, fill in, and report their tax return. But keep in mind that the tax subject must have income above PTKP. PTKP stands for non-taxable income. Criteria for local government employees as individuals are taxed if they earn Rp 54,000,000 per year. Civil apparatus is also required to report all of its assets, including the land of donation or inheritance, and income, including the lease of the rented/boarding and buying and selling business. Indonesia adheres Self-assessment tax system, meaning that local government employees are included in taxable income (PKP) is one subject of personal income tax in the country, it is mandatory to calculate, fill in, and report his tax return.

Understanding of Tax Compliance

Tax compliance can be defined as a situation where the taxpayer meets all tax obligations and implementing the right of taxation (Devano & Rahayu, 2006). This identification will be an indicator in the variable of taxpayer tax compliance. According to Nasucha (2004), taxpayer compliance can be identified from (1) Taxpayers compliance to register; (2) Adherence to report back the notification letter; (3) Compliance in the calculation and payment of tax payable. Another opinion about taxpayer compliance is also stated by Novak (1989), which states that taxpayer compliance are (1) Taxpayers understand and try to understand the Tax Law; (2) Fill out the tax form correctly; (3) Calculate the tax with the correct amount; (4) Pay tax on time. According to Devano and Rahayu (2006), taxpayer compliance is defined as entering and reporting on time the necessary information, filling in the correct amount of tax payable and paying taxes in time without coercion. Non-compliance arises if one of the definition requirements is not met.

Awareness and compliance in fulfilling tax obligations also depend on the willingness of the taxpayer, to what extent the taxpayer will comply with the provisions of the legislation. Research on taxpayers' compliance in paying taxes has not been done much, this is due to difficulties in obtaining respondents. Intuitively, it can be predicted that no one likes to pay taxes, dislike paying taxes will be done by not obeying the rules of taxation, in particular the amount of tax paid.

From all the explanations stated above, it can be concluded that taxable compliance is taxpayer compliance in fulfilling all tax laws and regulations, both taxpayer compliance in registering, compliance to report, compliance to calculate and payment of tax payable and taxpayer compliance tax in filling out the tax form correctly.

RESEARCH METHOD

In this study, the research approach is Quantitative approach by conducting Correlation and regression analysis of the related variables.

Population, Sample, and Sampling Technique

The population and sample in this study are local government employees. Since the population in this study is more than 100 people, to determine the sample size, we use the Yamane and Slovin formula (Riduan, 2005) as follows:

$$n = \frac{N}{N.d^2 + 1}$$

Based on this formula, with a confidence level of 95%, the number of samples is as follows: $n = 43.128/(43.128.(0,05)2 + 1) = 396$ samples Taking into account the proportion of the total population of each district, the minimum number of samples obtained from each district is as follows:

Table 1 *POPULATION DETAILS AND SAMPLE SIZE*

Description	Research Area		
	Bandung Regency	West Bandung Regency	Majalengka Regency
The total population of regional civil servants	20.558	9.457	13.113
The minimum sample size	188	87	121

Techniques and Data Collection Instruments

Data collection was carried out through survey methods with questionnaires as instruments. Data collection was conducted within a maximum of 3 months, in May to July 2017 in three districts of Bandung Regency, West Bandung Regency, and Majalengka Regency.

Data Processing Techniques

The data obtained from the distributed questionnaire then processed to produce information on respondent's characteristics and respondent's perceptions of compliance and compliance dimensions including satisfaction with their tax compliance. Processing is done with the help of SPSS ver.16 application. Specifically for description analysis to reveal respondent's perceptions, this study uses a formula:

$$Score = \frac{\sum \text{Answer (strongly agree + agree)}^1 + \sum Answer\text{(strongly disagree + disagree)}^2}{S}$$

Where:
S = Total number of statements in each aspect
The score obtained then interpreted (Narimawati, Anggadini, & Ismawati, 2010) according to the following table:

Table 2 *ASSESSMENT CRITERIA BASED ON ACTUAL SCORES FROM RESPONDENTS*

No.	Score Percentage	Criteria
1.	20.00-36.00	Very bad
2.	36.01–52.00	Bad
3.	52.01-68.00	Enough
4.	68.01-84.00	Good
5.	84.01–100.00	Very good

RESULTS

Result in West Bandung Regency

Based on the distributed questionnaires, there are 102 respondents who are local government employees in West Bandung Regency Government. The description of the respondents is as follows:

Table 3 *CHARACTERISTICS OF RESPONDENTS*

No	Description	Frequency	Percentage
1	Gender		
	Male	55	53.9
	Female	43	42.2
2	Marital Status		
	Single	20	19.6
	Married	72	70.6
	Widowed/Divorced	4	3.9
3	Last Education		
	High School	17	16.7

Table 3 *CONTINUE..*

No	Description	Frequency	Percentage
	Diploma	9	8.8
	Bachelor	49	48.0
	Master	19	18.6
4	Age		
	18 – 28 Years Old	20	19.6
	29 – 39 Years Old	42	41.2
	40 – 50 Years Old	18	17.6
	51 – 61 Years Old	18	17.6

Table 4 *RESPONDENTS' PERCEPTIONS*

Description	Respondent's Perceptions of Compliance and Compliance Dimensions			
	The respondent's compliance in registering to get a NPWP	Compliance in filling out tax forms	Compliance in paying taxes	Reporting compliance
Result in West Bandung Regency	Good Enough	Good Enough	Good Enough	Good
Result Bandung Regency	Good Enough	Good Enough	Good	Good
Result in Majalengka Regency	Good	Good	Good	Good

From the aspect of the source of knowledge about taxes, the largest source of information came from the internet (around 39%), followed by tax socialization (almost 18%), manual book for filling in the personal taxes (around 15%), and tax training (almost 11%). Nearly 10% of respondents indicated that they did not have specific sources related to tax knowledge. Others, respondents obtain knowledge about taxes from the campus, tax service offices, training in tax brevet, and general information.

Respondent's Perceptions of Compliance and Compliance Dimensions

The respondent's compliance in registering to get a NPWP is in the "good enough" category. Similarly, compliance in filling out tax forms and compliance in paying taxes. Both are in the "good enough" category. Only reporting compliance is in the "good" category. This can be understood since there are the assistance of the treasurer to report the tax. Especially considering that local government employees are the role models for people in the regions to implementing taxation.

Result in Bandung Regency

From the aspect of the source of knowledge about tax, the largest source of information came from tax training (37%), followed by tax socialization (almost 27%), manual book for filling in the personal taxes (around 19%), and the internet (almost 17%). About 7% of the respondents indicated that they did not have specific sources related to tax knowledge. Others, respondents obtained knowledge about tax from brevet tax and information from the treasurer. Overall respondents' tax compliance is in the "good enough" category. This result certainly indicates the need for improvements in the taxation in order to increase the tax compliance.

Respondent's Perceptions of Compliance and Compliance Dimensions

The respondent's compliance in registering to get a NPWP and compliance to filling out tax forms is in the "good enough" category. Whereas compliance to pay tax and compliance to report tax are in the "good" category. This can be understood since there are the assistance of the treasurer to report the tax. Overall respondent's tax compliance is in the "good" category. These results certainly indicate the need for improvements in the taxation side in order to maintain and increase the existing tax compliance. Especially considering that local government employees are the role models for people in the regions to implementing taxation.

Result in Majalengka Regency

From the aspect of the source of knowledge about tax, the largest source of information came from tax socialization (44%), followed by from the internet (22%), manual book for filling in the personal taxes (around 19%), and from tax training (4%). Nearly 15% of respondents indicated that they did not have specific sources related to tax knowledge. Others, respondents obtained knowledge about tax from friends, the financial sector and the mass media.

Respondent's perceptions of compliance and compliance dimensions

The respondent's compliance in registering to get a NPWP and compliance to filling out tax forms is in the "good" category. Whereas compliance to pay tax and compliance to report tax are in the "good enough" category. Overall respondent's tax compliance is in the "good" category. These results certainly indicate the need for improvements in the taxation side in order to maintain and increase the existing tax compliance. Especially considering that local government employees are the role models for people in the regions to implementing taxation.

CONCLUSION

The study results showed that local government employees in West Bandung regency perceive their tax compliance, with dimensions of tax compliance in the "good enough" category. While government employees in Bandung Regency and Majalengka Regency perceive tax compliance, with the dimensions of tax compliance in the "good" category. Overall, from those three Regencies, the tax compliance of regional government employees, with the dimensions of compliance, is in the "good enough" category. Based on local government employees as role models for the community, the 'good enough' result is not a good result. Again, considering the role of local government employees as 'role models' and community change agents. This is certainly because there is still a bad perception for government employees on the implementation of taxation from the modern tax administration system, tax sanctions, tax morale, and tax services, which in fact are executors of public employees (government apparatus). Therefore, a comprehensive improvement is needed on these factors.

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