

The effect of tax knowledge, sanctions, tariffs and fees on individual taxpayer compliance

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Abstract

Purpose: This study aims to determine whether there is significant tax knowledge, tax sanctions, tax rates, and cost of compliance with the compliance of individual taxpayers.

Methods: This study's population consisted of individual taxpayers registered. The sample consisted of 100 respondents, and the sampling method used was incidental sampling. Data was collected by distributing questionnaires to respondents and using a Likert scale. The analysis used was multiple regression analysis with the help of Eviews 9 Software.

Findings: The results show that taxation knowledge has a significant positive effect on individual taxpayer compliance, tax sanctions have a significant positive effect on individual taxpayer compliance, tax rates have a significant positive effect on individual taxpayer compliance, and compliance costs have a significant negative effect on individual taxpayer compliance.

Practical Implications: Research shows that tax knowledge and tax sanctions positively affect individual taxpayer compliance. Fair tax rates support compliance, while high compliance costs can reduce motivation. Therefore, tax agencies need to increase socialization regarding taxation and apply strict sanctions. With these steps, a more compliant society can be created to fulfill tax obligations.

Keywords: Knowledge of Taxation, Tax Sanctions, Tax Rates, Cost of Compliance, and Taxpayer Compliance

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Abstrak

Tujuan: Penelitian ini bertujuan untuk mengetahui ada tidaknya pengaruh pengetahuan perpajakan, sanksi perpajakan, tarif pajak, dan biaya kepatuhan terhadap kepatuhan wajib pajak orang pribadi.

Metode: Populasi penelitian ini adalah wajib pajak orang pribadi yang terdaftar. Sampel penelitian berjumlah 100 responden, dan metode pengambilan sampel yang digunakan adalah sampling insidental. Pengumpulan data dilakukan dengan menyebarkan kuesioner kepada responden dan menggunakan skala likert. Analisis yang digunakan adalah analisis regresi berganda dengan bantuan perangkat lunak Eviews 9.

Temuan: Hasil penelitian menunjukkan bahwa pengetahuan perpajakan berpengaruh positif signifikan terhadap kepatuhan wajib pajak orang pribadi, sanksi perpajakan berpengaruh positif signifikan terhadap kepatuhan wajib pajak orang pribadi, tarif pajak berpengaruh positif signifikan terhadap kepatuhan wajib pajak orang pribadi, dan biaya kepatuhan berpengaruh negatif signifikan terhadap kepatuhan wajib pajak orang pribadi.

Implikasi Praktis: Penelitian menunjukkan bahwa pengetahuan perpajakan dan sanksi perpajakan berdampak positif terhadap kepatuhan wajib pajak perorangan. Tarif pajak yang wajar mendukung kepatuhan, sedangkan biaya kepatuhan yang tinggi dapat mengurangi motivasi. Oleh karena itu, lembaga perpajakan perlu meningkatkan sosialisasi mengenai perpajakan dan menerapkan sanksi yang tegas. Dengan langkah-langkah ini, masyarakat yang lebih patuh dapat tercipta untuk memenuhi kewajiban perpajakan.

Kata Kunci: Pengetahuan tentang Perpajakan, Sanksi Perpajakan, Tarif Pajak, Biaya Kepatuhan, dan Kepatuhan Wajib Pajak

1. INTRODUCTION

Taxes are a mandatory contribution to the state owed by individuals or entities that are coercive under the law, without receiving direct reciprocity, and are used for the state for the greatest prosperity of the people (Law Number 16 of 2009). There are two main functions of taxes; the first is the function of the budget (budgetary), which functions to finance routine expenditures and state development. The second is the regulatory function, which functions as a regulator of economic growth through tax policy. (Wardani et al., 2018; Wati et al., 2018) state that with taxpayers' compliance, it is expected that taxpayers will try to comply with applicable tax law regulations, either fulfilling their obligations or exercising their tax rights. According to the target, one of the basics of tax revenue is taxpayer compliance. According to (Suharyono et al., 2018), tax compliance is the act of a taxpayer who carries out his tax obligations by a country's tax laws and regulations. Good taxpayer compliance can be seen from the regularity of taxpayers in depositing taxes.

Based on data obtained from the Tax Service Office KPP Jakarta Timur From 2016 to 2019, KPP Jakarta Timur recorded increased registered taxpayers. However, the compliance rate of individual taxpayers during the period experienced significant fluctuations. 2016 the compliance rate was 38%, but it decreased to 34% in 2017. This situation shows the challenges in achieving consistent compliance. Despite an increase in 2018 to 37%, taxpayer compliance declined again to 36% in 2019. This phenomenon indicates that although the number of taxpayers increased, their compliance rate remained low and never reached 50% between 2016 and 2019. Therefore, it is essential to explore the factors that influence individual tax compliance more deeply. This research will highlight the role of tax knowledge, tax sanctions, tax rates, and compliance costs in driving individual taxpayer compliance.

2. Theoretical background and Hypothesis

Theoretical background

Platform theory

The Theory of Planned Behavior, proposed by Ajzen in 1991, posits that an individual's behaviour is influenced by their willingness to act. Central to this concept are three key factors: behavioural beliefs, which reflect a person's evaluation of the outcomes of their actions; normative beliefs, which encompass the perceived expectations and motivations from others; and control beliefs, indicating how supportive or obstructive external factors affect behaviour. This theory is particularly relevant to taxation, as it clarifies how intentions, knowledge, and the presence of tax sanctions shape taxpayer behaviour. Additionally, attribution theory elucidates how individuals explain their actions, categorizing behaviours as internally or externally driven, further enriching the understanding of compliance with tax obligations.

Tax sanctions

Sanctions in tax law are essential to ensure compliance with regulations, with two main categories being administrative sanctions (fines and interest) and criminal sanctions (imprisonment and heavy fines). Violators who fail to file tax reports on time can be subject to penalties ranging from IDR 500,000 to IDR 1,000,000, depending on the type of violation. The KUP Law regulates sanctions, including a fine of one to two times the tax for the first violation and imprisonment of up to six years for deliberate violators. Consistent application of sanctions, as explained by (Sari et al., 2018; Priyadi et al., 2018) and Handayani and (Subardjo et al., 2019), is essential to encourage tax discipline, influence taxpayer behaviour, and educate them about compliance with the tax system.

Tax rates

Tax rates, which are essential for determining tax liabilities, can be classified into four types: proportional, fixed, progressive, and degressive (Mardiasmo, 2018:11). Romansyah (2018) indicates that higher tax rates may lead to increased tax fraud, while lower rates can improve taxpayer compliance. It's vital that tax rates correspond with individuals' capacity to pay and that taxpayers understand these rates. This study includes indicators linking tax rates to income levels, as Oktaviani and Adelina (2016) noted.

Compliance costs

Compliance costs refer to expenses taxpayers must bear to exercise their rights and obligations. According to Rosdiana and Irianto (2011:40), these costs can be categorized into three main groups. First, there are fiscal costs, which include expenses that can be measured monetarily, such as the tax rate applied, sanctions imposed due to delays, and costs for consultation and transportation related to tax administration. Furthermore, time costs are an essential consideration, where taxpayers must allocate time to fulfil their obligations, such as when filling out tax forms and interacting with tax consultants. In addition, compliance costs also include psychological aspects related to the emotional burden experienced by taxpayers. Stress often accompanies the process of fulfilling obligations, especially during audits.

These compliance cost indicators include various expenses, ranging from using tax consultant services and document administration costs to the time required to process Tax Returns (SPT) and the psychological impact of errors or objections to taxes owed. Therefore, understanding compliance costs is very important in improving taxpayer compliance. Tax compliance is the behavior of taxpayers in fulfilling their obligations according to tax regulations. Rahayu (2013:139) defines compliance as the implementation of obligations and rights according to law, while Harjo (2019:78) emphasizes the importance of enforcing regulations by compliant taxpayers.

Juliani and Sumarta (2021) identify compliance indicators, including providing complete data during audits, filling out clear tax forms, calculating tax payable accurately, paying on time, and submitting tax returns (SPT). In addition, Astuti and Achadiyah (2016) highlight the role of accuracy, honesty, and readiness to face sanctions in increasing compliance. This study will use these indicators to measure tax compliance, focusing on filling out forms, timely filing of SPT, accurate tax calculations, and paying on time and without arrears. All of these factors form a comprehensive picture of tax compliance among taxpayers.

Hypothesis development*Relationship of Knowledge Tax to Individual Taxpayer Compliance Taxpayers*

Those with tax knowledge will be more aware and obedient to their rights and obligations without coercion. Knowledgeable taxpayers will have the attitude of being self-aware of the level of compliance in paying their tax obligations. According to Saad (2014), the results state that tax knowledge has a positive effect on taxpayer compliance; this research is in line with the research of Khasanah and Yushita (2016), which says that tax knowledge has a positive and significant effect on taxpayer compliance. Research by Ghassani (2019) juga mengatakan shows that tax knowledge significantly impacts individual taxpayer compliance. Similar to other researchers, research according to Wardani and Wati (2018) and Zahrani and Mildawati (2019) also says that tax knowledge positively influences individual taxpayer compliance. In addition, research according to Dewi (2019), Amalia (2020), and Rahayu (2017) agrees that tax knowledge has a positive effect on individual taxpayer compliance. Based on the description above, the researcher can suspect that Knowledge of taxation affects the compliance of individual taxpayers.

Relationship of Tax Sanctions to Compliance of Individual Taxpayers

According to Mardiasmo (2018:62), tax sanctions are a guarantee that the provisions of tax laws and regulations (tax norms) will be complied with, in other words, tax sanctions are a preventive tool so that taxpayers do not violate tax norms. The tax system used in Indonesia is the self- assessment system, the self-assessment system gives full authority to taxpayers to determine the amount of tax owed themselves. However, with this system in fact there are still many taxpayers who have not fulfilled their obligations. Therefore, there is a need for sanctions for taxpayers who do not fulfill their tax obligations. The results of the study according to Purnamasari et al. (2018) Tax sanctions have a positive and significant effect on taxpayer compliance, in line with research Dewi and Sumaryanto's (2019) that tax sanctions have a positive effect on taxpayer compliance, that the more strict the tax sanctions given, the more taxpayer compliance can be and vice versa the less strict tax sanctions, it can reduce taxpayer compliance.

Perdana and Dwirandra's research (2020) also states that tax sanctions have a positive and significant effect on taxpayer compliance. Prena et al. (2019) states that tax sanctions have a positive effect on taxpayer compliance. Likewise with research according to Kedang and Suryono (2018), Pujiwidodo (2016), and Syafira and Nasution (2021) which say that tax sanctions have a positive effect on taxpayer compliance. Research by Suriambawa and Setiawan (2018), Agustini and Widhiyani (2019), and Solekhah and Supriono (2018) also agrees that tax sanctions have a positive effect on individual taxpayer compliance. So that the researchers suspect that: Tax sanctions affect the compliance of individual taxpayers.

Relationship of Tax Rates to Individual Taxpayer Compliance

Regulations regarding tax rates are expected to increase taxpayer compliance in fulfilling their rights and obligations. However, despite the existence of these regulations, there are still taxpayers who do not fulfil their rights and obligations. According to research, Oktaviani and Adelina (2016) said that tax rates have a significant positive effect on taxpayer compliance; this research is supported by Noviyanti et al. (2020) that tax rates positively impact taxpayer compliance. Research by Tawas et al. (2016) and Muhammad et al. (2019) also says that the tax rate significantly positively affects individual taxpayer compliance. In addition, Dewi et al. (2020), Raharjo et al. (2020), and Cahyani and Noviani (2019) agree that tax rates have a positive effect on taxpayer compliance. Likewise, Chandra and Sandra (2020) researched tax rates positively affecting individual taxpayer compliance. Based on the description above, the researcher estimates that Tax rates affect individual taxpayer compliance.

Relationship of Compliance Costs to Individual Taxpayer Compliance

The level of taxpayer compliance can be caused by the costs incurred by taxpayers when fulfilling their rights and obligations. Suppose the tax compliance costs incurred by the taxpayer are more significant than the estimate. In that case, there will be a potential for the taxpayer to be disobedient when fulfilling his rights and obligations. Previous research conducted by Susmita and Supadmi (2016) hurts taxpayer compliance; this agrees with Endaryanti's research (2017) that tax compliance costs significantly adversely affect taxpayer tax compliance. Obedient taxpayers expect the tax compliance costs received to be as low as possible when fulfilling their tax obligations. Likewise, the research of Damayanti et al. (2020), Tresnalyani (2018), Dewi (2018), and Ilman (2020) state that the cost of

compliance hurts taxpayer compliance.

Based on the background explanation previously described, the problem formulation that has been developed, and various theoretical foundations to support the hypothesis, this study intends to examine the effect of tax knowledge, tax sanctions, tax rates, compliance costs and taxpayer awareness on individual taxpayer compliance. The research conceptual framework can be described with various existing analyses. The model can be seen in Figure 1

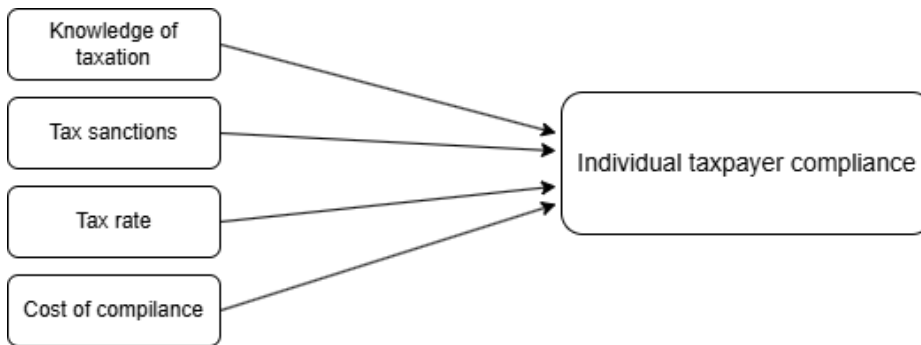


Figure 1. Research Conceptual Framework

3. Methods

3.1. Result and discussion

This study uses a quantitative approach to analyze a population or sample by collecting data using predetermined research instruments. The focus of the analysis is hypothesis testing in the context of a survey of individual taxpayers registered at KPP Jakarta Timur, with a questionnaire as the primary tool for data collection. The research population reached 108,128 taxpayers, and the sample size was determined through non-probability techniques with an incidental sampling method, using the Slovin formula with an error rate of 10% so that the number of samples needed was 100 taxpayers. The data used consists of primary data, obtained through questionnaires, and secondary data, including the KPP Jakarta Timur profile and information on the number of taxpayers. The Likert scale model is used as a measuring tool for data collection.

3.3. Data analysis techniques

In this study, the analysis will be conducted using statistical methods that include data quality tests, classical assumption tests, and hypothesis testing. As part of the analysis process, multiple regression analysis is used with the help of Eviews 9 software.

4. Result and Discussion

4.1. Hypothesis testing

The data analysis in Table 1 reveals, that the adjusted coefficient of determination (adjusted R^2) is 0.3711, suggesting that the combined variables of tax knowledge, tax sanctions, tax rates, and compliance costs account for 37.11% of taxpayer compliance. This indicates that a substantial 62.89% of taxpayer compliance is influenced by other factors not covered in this study.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Knowledge of taxation	0.250640	0.100271	2.499628	0.0141
Tax sanctions	0.389992	0.123526	3.157173	0.0021
Tax rate	0.521345	0.163166	3.195187	0.0019
Cost of compliance	-0.327589	0.130249	-2.515104	0.0136
C	13.71898	3.538687	3.876856	0.0002

R-squared	0.396527	Mean dependent var	29.49000
Adjusted R-squared	0.371117	S.D. dependent var	3.520488
S.E. of regression	2.791822	Akaike info criterion	4.939973
Sum squared resid	740.4557	Schwarz criterion	5.070231
Log likelihood	-241.9986	Hannan-Quinn criter.	4.992691
F-statistic	15.60551	Durbin-Watson stat	2.017448
Prob(F-statistic)	0.000000		

Source: Data processed by researchers, 2021

Delving deeper into the specific variables, the tax knowledge variable demonstrates a significant impact on tax compliance, proven by a probability value of 0.0141 and a coefficient of 0.250640. Additionally, tax sanctions emerge as another influential factor, showing a significant relationship with a probability value of 0.0021 and a coefficient of 0.389992, thus contributing positively to tax compliance. Furthermore, the analysis reveals that tax rates also play a significant role, with a probability of 0.0019 and a coefficient of 0.521345, indicating a strong positive effect. Conversely, the cost of compliance presents a different scenario; it has a probability value of 0.0136, reflecting a significant yet negative impact on tax compliance, as indicated by a coefficient of -0.327589. This comprehensive analysis underscores the complex interplay of various factors influencing taxpayer compliance.

4.2. Discussion

Tax knowledge is essential to improving taxpayer compliance. Taxpayers must understand their obligations, reporting deadlines, and payment procedures to fulfil their commitments. Research shows that tax compliance is directly proportional to tax knowledge, which aligns with previous studies by Saad (2014) and Khasanah and Yushita (2016). Tax sanctions also have a significant impact; strict sanctions can improve payment discipline and compliance, supporting the theory of planned behaviour, according to the research results of Dewi and Sumaryanto (2019).

Tax rates affect compliance. High rates have the potential to encourage tax avoidance, while lower rates can increase willingness to pay, which is in line with the findings of Muhamad et al. (2019). The cost of compliance is essential; high costs of

fulfilling tax obligations are negatively correlated with compliance, according to research by Susmita and Supadmi (2016). Reducing compliance costs is expected to increase the level of taxpayer compliance.

5. Conclusion

From this study, knowledge about taxation has a positive and significant influence on the fulfilment of individual taxpayers at KPP Jakarta Timur. This shows that the higher the tax knowledge possessed by taxpayers, the higher their level of compliance. Conversely, low tax knowledge will be directly proportional to low compliance. In addition, tax sanctions have also been shown to provide a positive and significant contribution to taxpayer compliance. The existence of strict sanctions motivates taxpayers to comply with their tax obligations; however, if these sanctions are not applied strictly, it has the potential to make taxpayers ignore their obligations.

Furthermore, tax rates have a positive and significant influence on taxpayer compliance. Research shows that fair tax rates are related to increased compliance; the more equitable the tax rate imposed, the higher the level of taxpayer compliance, while unfair rates can reduce compliance. On the other hand, compliance costs show a significant negative influence on taxpayer compliance. High costs to fulfil tax obligations can lead to taxpayer approval, so if these costs can be reduced, taxpayers will be more willing to carry out their duties. Thus, knowledge, sanctions, tax rates, and compliance costs influence each other in controlling the level of tax compliance at KPP Jakarta Timur.

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