The Effect of Taxpayer Awareness and Fiscus Services on Taxpayer Compliance of Medan City of Medan in the Covid-19 Pandemic

Oky syahputra[1], Irna Triannur Lubis[2], Syafrida Batubara[3], Malkit Kaur[4], Vera Safira[5]
[1,2,4,5]Universitas Battuta

ABSTRACT: MSMEs are aware of the importance of paying taxes to finance government spending and national development, so taxpayers do not feel disadvantaged by tax collection or do not feel that taxes are a burden that will reduce their income, so that it can encourage someone to participate in realizing their responsibilities as a responsible taxpayer. obey. The problem is the low awareness of MSME taxpayers, so that the level of community compliance in carrying out tax obligations is still low which has an impact on decreasing state revenues. The problem is the low quality of the tax service for MSE actors, so that the level of public compliance in carrying out tax obligations is still low which has an impact on decreasing state revenues. The purpose of this study is to analyze how much awareness of taxpayers towards MSME taxpayer compliance. The purpose of this study is to analyze how the tax service services to MSME taxpayer compliance. Method of analysis This research is descriptive quantitative research. This research uses data analysis with Partial Least Square (PLS) approach. The results of the study showed that there was a significant effect of taxpayer awareness on MSME taxpayer compliance in the city of Medan during the Covid-19 pandemic. Meanwhile, the tax service does not have a significant effect on the compliance of Medan City MSME taxpayers during the Covid-19 pandemic Method of analysis This research is descriptive quantitative research. This research uses data analysis with Partial Least Square (PLS) approach. The results of the study showed that there was a significant effect of taxpayer awareness on MSME taxpayer compliance in the city of Medan during the Covid-19 pandemic. Meanwhile, the tax service does not have a significant effect on the compliance of Medan City MSME taxpayers during the Covid-19 pandemic Method of analysis This research is descriptive quantitative research. This research uses data analysis with Partial Least Square (PLS) approach. The results of the study showed that there was a significant effect of taxpayer awareness on MSME taxpayer compliance in the city of Medan during the Covid-19 pandemic. Meanwhile, the tax service does not have a significant effect on the compliance of Medan City MSME taxpayers during the Covid-19 pandemic.

KEYWORDS: Taxpayer Awareness, Fiscal Service, Taxpayer Compliance

INTRODUCTION

At this time all countries in any part of the world are being hit by an outbreak of the Novel Corona Virus Disease 19 (Covid-19). An epidemic that has hit all parts of the country is called a pandemic. Social distancing as an effort to break the chain of the spread of COVID-19 has resulted in a decline in economic activity and productivity of business actors which has resulted in a decrease in Taxpayer Compliance [1].

The success of a country in collecting taxes from its citizens will certainly be beneficial for the economic stability of the country concerned [2]. Sources of state revenue from taxes have become the main element in supporting economic activities, driving the wheels of government and providing public facilities for the community. In the 2021 State Budget, Taxpayer compliance in 2021 has reached Rp 647.7 trillion, year 2020Tax Revenues amounted to Rp1,033.0 trillion, in 2019 amounted to Rp1,957,2 trillion. The Indonesian economy has been dominated by the activities of Micro, Small and Medium Enterprises (MSMEs). The following shows the business growth rate:

The Effect of Taxpayer Awareness and Fiscus Services on Taxpayer Compliance of Medan City of Medan in the Covid-19 Pandemic
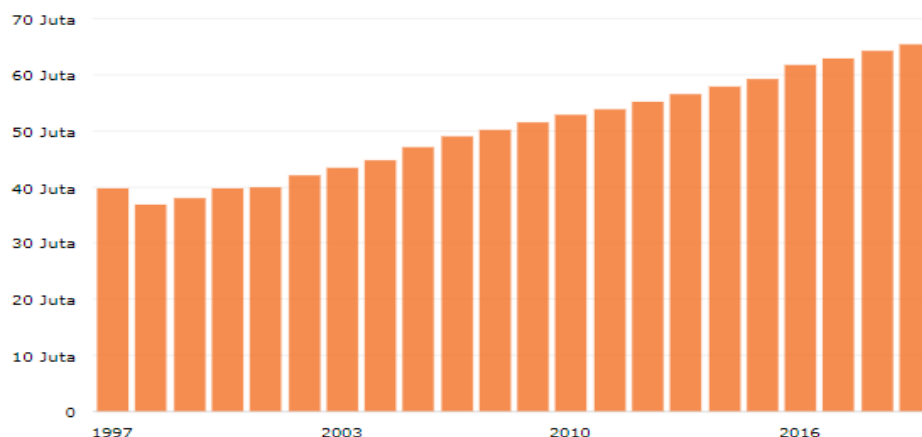

Image 1.Number of Micro, Small and Medium Enterprises (MSMEs) in Indonesia
Source: www.bps.go.id.

According to the Director General of Extension Services and Public Relations of the Director General of Taxes, Kismantoro Petrus, the contribution of MSMEs has contributed 61.07 percent to Indonesia's GDP or worth Rp. 8,573.89 trillion.

The level of community compliance in carrying out tax obligations is still low [3]. It is noted that for the mandatory DGT of North Sumatra I there are 173,777 SPTs that have been reported by taxpayers. Meanwhile, SMEs are still far from expectations, based on the National Tax Census.

The legal consequence that is accepted if the taxpayer does not comply with his obligations is that he will be given the imposition of sanctions made with the aim that the taxpayer is afraid to violate the tax law. Tax sanctions are a guarantee that the provisions of tax laws and regulations (tax norms) will be complied with.

ProblemIn order for the compliance ratio of MSMEs in carrying out their tax obligations to increase, awareness is needed from the taxpayers themselves. Awareness possessed by humans is a unique form where they can place themselves according to what they believe, awareness shows how we act in accordance with the existing reality [4].

Service to taxpayers aims to maintain taxpayer satisfaction so that the tax authorities (tax officials) must be people who are considered competent in the field of taxation, and have good communication skills, so that it will build a positive image and taxpayers are not deterred from dealing with the tax authorities [4]. The urgency of research in terms of taxes, it is said that taxes have a coercive nature based on the law, so there are legal consequences if they do not obey or comply with the law. This legal consequence is the imposition of sanctions made with the aim that taxpayers are afraid to violate tax laws. Or in other words, tax sanctions are a tool (preventive) so that taxpayers do not violate tax norms [6].

THEORETICAL BASIS
Compliance Theory (Compliance Theory)

Compliance with a system of rules has consequences for social interactions that run well, without the possibility of turning into open or hidden conflicts in chronic conditions [8]. The basics of compliance are:

1) *Indotrination*
The first reason why the community members obey the rules is because they are indoctrinated to do so.

2) *Habituation*
Because since childhood they have experienced the process of socialization, over time it becomes a habit to obey the applicable rules.

3) *Utility*
Basically, humans have a tendency to live properly and regularly, but what is appropriate and orderly for one person is not necessarily appropriate and orderly for another.

4) *Group Identification*
One of the reasons why someone obeys the rules is because obedience is a means of identifying with the group.

Besides these theories, there are also theories in sociology that provide answers to the question "why do people obey the law?" [8] namely:

a. Compliance is enforced by sanctions (Coercion theory).

The Effect of Taxpayer Awareness and Fiscus Services on Taxpayer Compliance of Medan City of Medan in the Covid-19 Pandemic

    b.   Compliance is given on the basis of the consent given by the community members to the law that is treated for them (Consent Theory).

    Compliance theory is a theory that explains a condition in which a person obeys the orders or rules given. Awareness itself is part of intrinsic motivation, namely motivation that comes within the individual itself and extrinsic motivation, namely motivation that comes from outside the individual, such as encouragement from tax officials to improve tax compliance. One of the ways that the DGT government does is by reforming the modernization of the tax administration system in the form of improving services for taxpayers through e-system-based services such as e-registration, e-filing, e-SPT, and e-billing. This is done so that taxpayers can register themselves, make tax returns, calculate and pay taxes easily and quickly online.

Theory of Reasoned Action

This theory, which underlies social psychology, states that the relationship between beliefs, attitudes, norms, goals, and individual behavior [9]. Based on this model, a person's behavior is determined by the interests and behavioral goals to do or not to do, influenced by several factors, namely.

MSME Taxpayer Compliance

Taxpayer compliance is the fulfillment of tax obligations carried out by taxpayers in the context of contributing to state development which is expected to be fulfilled voluntarily. Tax compliance is a climate of compliance and awareness of fulfilling tax obligations which is reflected in a situation where taxpayers understand and try to understand all provisions of tax laws and regulations, fill out tax forms completely and clearly, calculate the amount of tax owed correctly and pay taxes correctly. in time [10].

Taxpayer Awareness

A self-assessment tax collection system has been implemented which makes it easier for taxpayers to calculate, pay and report their own taxes. The convenience provided by the government for taxpayers should have an impact on taxpayers so that they voluntarily pay taxes.

Fiscal Service

Fiscal service is to provide services in accordance with the basic rules and procedures that have been set to people or communities who have an interest in the organization [13]. Fiscal services are all efforts to assist taxpayers in fulfilling their tax obligations. The services provided by the tax authorities to taxpayers can be seen whether the taxpayer understands their tax obligations in terms of what type of tax will be calculated, what type of deposit will be paid by the taxpayer and how to report the tax or SPT using e-systems such as e-filling. and e-billing.
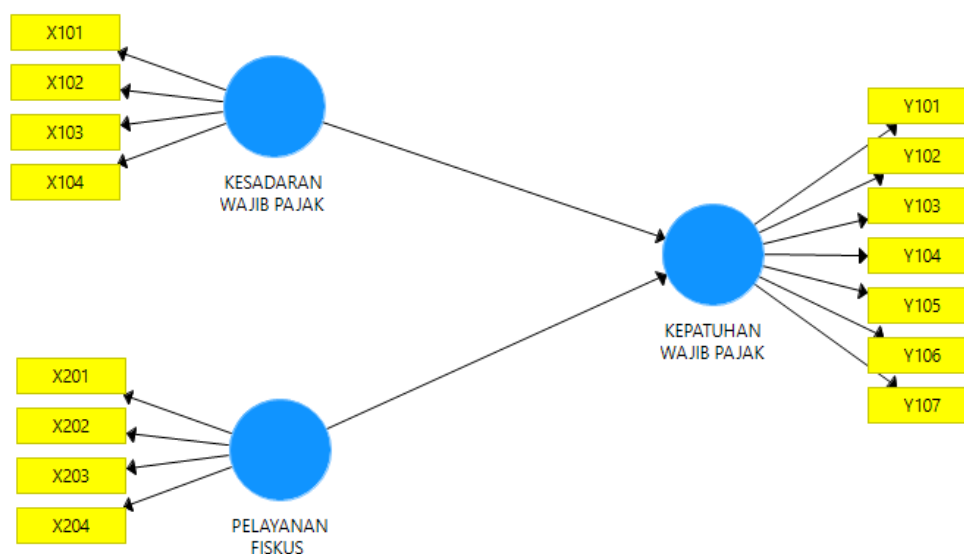
Conceptual framework

Figure 2. Conceptual Framework

The Effect of Taxpayer Awareness and Fiscus Services on Taxpayer Compliance of Medan City of Medan in the Covid-19 Pandemic

HYPOTHESIS

Hypotheses are temporary answers to a study problem formulation, with the problem formulation expressed in the form of a question phrase (Sugiyono 2013). The hypotheses used in this study are:

The hypotheses in this study are:

H1   :Taxpayer Awareness Significantly Affects Medan City MSME Taxpayer Compliance During the Covid-19 Pandemic

H2   :Fiscal Services Has a Significant Influence on Medan City MSME Taxpayer Compliance During the Covid-19 Pandemic

RESEARCH METHODS

Research sites

This research was conducted in the city of Medan KPP Medan Timur, while the research period was from January to December 2022.

Population and Research Sample

The population in this study is an entity that becomes a taxpayer at the KPP Medan Timur. The sample in this study were respondents who were met by researchers randomly and in determining the sample was determined by using the Slovin formula for 100 respondents.

Research Approach

According to Sugiyono (2016: 7), the research approach used in this study is a quantitative research method. Quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical with the aim of testing hypotheses. has been established.

Data analysis technique

The frequency and percentage of each alternative answer given by each respondent in the research questionnaire can be calculated using the following formula (Ridwan, 2012).

$$f = \frac{f}{n} x \; 100\%$$

Information :

P = Percentage of respondents' answers for each question answer.

F = Frequency of respondents' answers for each question item.

n = Number of respondents.

The percentage of respondents' answers to each question item in the research questionnaire can be categorized using the following criteria:

Table 1. Research score criteria

Research Score	Category
80 – 100	Very good
70 – 79	Well
60 – 69	Pretty good
50 – 59	Not good
< 49	Very Not Good

Source: Ridwan (2012: 89)

In this study, data analysis uses the Partial Least Square (PLS) approach, PLS is a component or variant-based Structural Equation Modeling (SEM) equation model. PLS is a powerful analytical method and is often referred to as soft modeling because it eliminates OLS (Ordinary Least Square) regression assumptions, such as data that must be normally distributed in a multivariate manner and there is no multicollinearity problem between exogenous variables.

The multiple regression model is formulated in the following form

Y= a + b1X1 + b2X2+e

Information :

Y   = Taxpayer Compliance

The Effect of Taxpayer Awareness and Fiscus Services on Taxpayer Compliance of Medan City of Medan in the Covid-19 Pandemic

  a   = Constant
  X1   = Taxpayer Awareness
  X2   = Fiscal Service
  b12   = Coefficient
  e   = Error

RESEARCH RESULTS AND DISCUSSION

Investment Decisions

In this study, hypothesis testing uses the Partial Least Square (PLS) analysis technique, with the SmartPLS 3.0 program. The following is a schematic of the PLS program model tested.
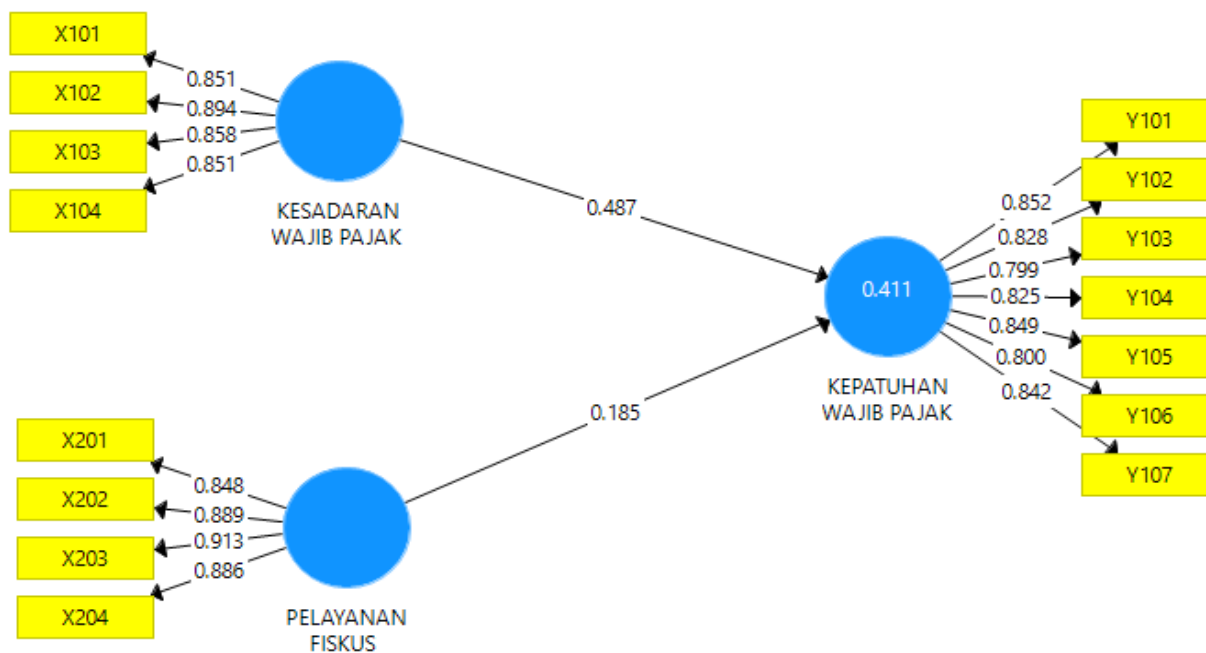

Figure 2. PLS Algorithm. Calculation Output Display

From the output of the analysis, it can be concluded that the expected cross loading value is greater than 0.7 (Ghozali and Latan, 2015). So that the discriminant validity requirements with the cross loading method have been met.

The reliability of the indicator aims to assess whether the indicator measuring the latent variable is reliable or not. Reliability test can also use internal consistency reliability. Which aims to measure how capable the indicator can measure its latent construct (Memon et al, 2017). The tools used to assess this are composite reliability and cronbach alpha. The following is a table of composite reliability and cronbach alpha values.

Table 1 Constryct Reability and Validity

Variabel	Composite Reliability
Kompetensi	0,953
Integritas	0,939
Kualitas Hasil Audit Internal	0,961

Table 1 shows that Cronbach's Alpha is above 0.7 and Composite Reliability 0.6-0.7 indicates a high reliability of the measuring instrument with the meaning that the measure of each construct is highly correlated.

Hypothesis test results

Whether or not a proposed hypothesis is accepted, it is necessary to test the hypothesis using the Bootstrapping function on SmartPLS 3.0. The hypothesis is accepted when the significance level is less than 0.05 or the t-value exceeds the critical value (Hair et al, 2014).

The Effect of Taxpayer Awareness and Fiscus Services on Taxpayer Compliance of Medan City of Medan in the Covid-19 Pandemic

Table 2. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Taxpayer Awareness→Taxpayer Compliance	0.487	0.482	0.120	4.060	0.000
Fiscal Service→Taxpayer Compliance	0.185	0.191	0.119	1.555	0.120

Based on Table 2, it can be seen that the most dominant factor in influencing taxpayer compliance is taxpayer awareness with the highest path coefficient of 0.4887. Based on the table, the following structural equations can be formed:

Taxpayer Compliance = 0.487 Taxpayer Awareness + 0.185 Fiscal Service

The first hypothesis is VariableTaxpayer AwarenessaffectTaxpayer Compliance. In table 2, it can be seen that the P value of 0.000 < 0.05 indicates that the variableTaxpayer AwarenessaffectTaxpayer Compliance. Thus the first hypothesis is accepted, this can be interpreted that the variableTaxpayer Awarenesshave a significant influence onTaxpayer Compliance. Variable score ups and downsTaxpayer Awarenesswill have a significant effect on the variableTaxpayer Compliance.

The second hypothesis is that the tax service variable has an effect on taxpayer compliance. In table 4.14 it can be seen that the T statistical value of the tax service variable on taxpayer compliance can be seen from the P value which is 0.120> 0.05 indicating that the tax service variable does not affect taxpayer compliance. Thus the second hypothesis is rejected, it can be interpreted that the tax service variable has a insignificant effect on taxpayer compliance. The rise and fall of the tax service variable score will not have a significant effect on the Taxpayer Compliance variable.

DISCUSSION

The Effect of Taxpayer Awareness on Taxpayer Compliance

The results of this study indicate that taxpayer awareness partially has a significant effect on the level of taxpayer compliance. This means that the higher the awareness of the taxpayer, the higher the taxpayer's compliance. This is in line with the theory of Sri Putri Tita Mutia (2013) which explains how the importance of a high tax awareness is useful for increasing compliance. Taxpayers must be aware and consider that taxes are a form of participation in supporting the development of the country. By realizing this, taxpayers are willing to pay taxes because they feel they are not disadvantaged from the tax collection carried out. Taxpayer awareness is a condition where taxpayers understand and carry out their obligations as taxpayers properly without any element of coercion. Taxpayer awareness has logical consequences for taxpayers so that they are willing to contribute funds for the implementation of the tax function.

The results of this study support previous research, namely Rahmadian (2013), Mutia (2013) and Jotopurnomo and Mangoting (2013) which suggest that taxpayer awareness affects taxpayer compliance. However, the results of this study contradict the results of research conducted by Utami and Cardinal (2013) and Amanda, Rifa and Minovia (2013) which state that taxpayer awareness has no effect on taxpayer compliance.

The Effect of Fiscal Services on Taxpayer Compliance

The results of this study indicate that the fiscal service has a significant partial effect on the level of taxpayer compliance, this means that the higher the quality of service provided by the tax office, the taxpayer compliance will increase. This is in line with the theory of Farid Syahril (2013) which states that taxpayers will comply in fulfilling their tax obligations depending on how tax officials provide the best quality service to their taxpayers. By providing quality services, taxpayers will be happy to pay taxes and increase their compliance in paying taxes.

Fiscal service is a way for tax officials to help process tax payments made by taxpayers. Service to taxpayers aims to maintain taxpayer satisfaction so that the tax authorities must be people who are considered competent in the field of taxation, and have good communication skills, so that they will build a positive image and taxpayers are not deterred from dealing with the tax authorities.

The results of this study support previous research, namely Mutia (2013), Amanda, Rifa and Minovia (2013) showing that the tax service service has an effect on taxpayer compliance. However, the results of this study contradict the results of research

conducted by Trisnawati and Stevano (2010), Rahmadian (2013) which states that the tax service does not affect taxpayer compliance.

CONCLUSION

Based on the results of research and discussion through the proof of the hypothesis. The conclusions of this study are as follows:

1. Taxpayer awareness has a positive and significant impact on Medan City MSME Taxpayer Compliance during the Covid-19 Pandemic
2. And the Fiscal Service does not have a significant effect on Medan City MSME Taxpayer Compliance during the Covid-19 Pandemic

SUGGESTION

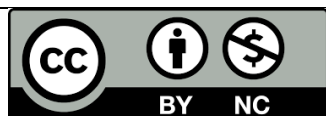Suggestions that can be given by researchers for the perfection of further research are:

1. It is hoped that the next research can expand the object of research, for example taking samples at KPP Pratama in several districts/cities so that the results obtained are more optimal and provide a clearer picture of this research.
2. For further researchers, it is recommended to be able to add other variables that also affect taxpayer compliance. This is necessary to improve the accuracy of the results obtained in the future that can be more perfect from this research.

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