

## **CHAPTER I INTRODUCTION**

### **1.1 Introduction**

This chapter provides information about background of study, problem statement of the study, research objective, research question, significant of study, limitation of study, and definition of key terms.

### **1.2 Background of the Study**

Indonesia is a developing country located in Southeast Asia. Based on *Badan Pusat Statistik* in June 2023 Indonesia is recorded to have a population of 278,696,200 people throughout Indonesia. One of Indonesia's state revenue sources comes from taxes to finance all expenditures including development expenditures for the state. Based on *Direktorat Jenderal Pajak* the philosophy of tax regulations, paying taxes is not only an obligation but is the right of every citizen to participate for help participation in state financing and national development.

However, not all citizens are aware of the importance of paying taxes due to a lack of tax knowledge. Araki and Claus (2014), who classified Indonesia into a group of other countries with low tax compliance, such as Cambodia and India. This shows that there is still a lack of citizen compliance with tax regulations in Indonesia.

The lack of awareness and compliance with tax regulations in Indonesia is caused by a lack of learning and minim literacy of tax regulations. As Indonesian students, we should learn about the applicable tax regulations and tax penalties in Indonesia because awareness of paying taxes is very important to help the development of the country.

Nugroho (2012) argues if taxpayers understand how to calculate, pay and report their tax liability according to tax regulation, certainly increase taxpayer awareness. Awareness of paying taxes is influenced by how much a person knows about taxation and tax sanctions if they do not comply with these regulations.

The purpose of this research is to examine the relationship between tax knowledge and social environment on the student awareness about tax. Whether tax knowledge and social environment can affect the level of tax awareness.

### **1.2.1 Background of Tax Knowledge**

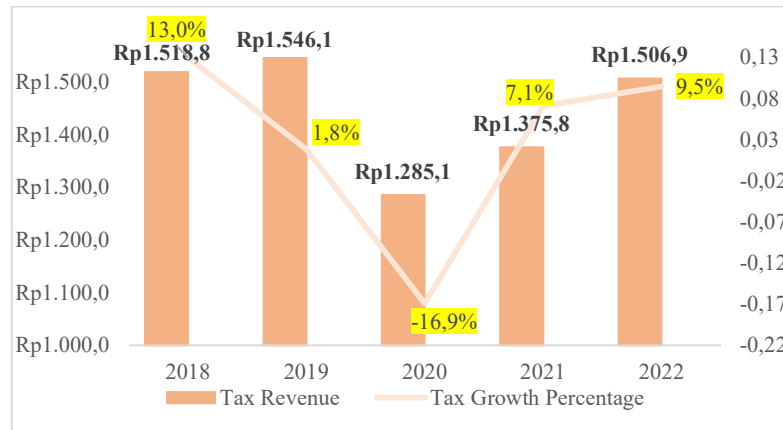
According to *Direktorat Jenderal Pajak (DJP)* Tax is a mandatory contribution for every citizen. In Indonesia, taxes are a contributor to state revenue to help the country's development. During 2022 the government recorded total state revenue from taxes amounting to Rp.1,716.8 trillion or 115.6% of the target outlined in *Peraturan Presiden (Perpres)* Number 98 of 2022. Tax knowledge is a person's ability to understand what is tax, for what tax is used, and what are the benefits of tax for the state and society.

### **1.2.2 Background of Social Environment**

Suparta, Upa, and Karundeng (2021) stated social environment can influence on individuals positive or negative impact depending on the environment in which the individual is placed and social environment has a significant influence on a person's life. According to Kusumasari (2015) environmental, family, and school factors significant influence the person's social attitudes and behavior. Suparta et al. (2021) stated that tax awareness of high school student is also influenced by social environment factors.

### **1.3 Problem Statement**

The lack of tax knowledge is due to a lack of learning and understanding of the importance of taxes for the state. Many students in Indonesia are still unfamiliar with tax knowledge, even though this is very important for them when they get job. Taxpayers are said to have awareness if know the existence of tax laws and regulations, know the function of taxes for state financing, understand that tax regulations must be carried out following the provisions, and calculate, pay, reporting taxes correctly.



**Figure 1.1 Tax Revenue Contribution to APBN 2018-2022 (Trillion)**

Source: (UU APBN & Nota Keuangan 2022; Advertorial RAPBN 2022)

Based on the table above tax revenue and the percentage of tax growth in Indonesia decreased in 2020. In an effort to increase the achievement of the APBN revenue target, the *Direktorat Jenderal Pajak (DJP)* is trying to optimize tax revenues by increasing compliance by carrying out educational activities and improving tax services. And from that effort tax revenue and the percentage of tax growth. If someone knows about tax knowledge, it will affect the level of tax awareness, but if someone doesn't know about tax it will decrease the government's income because fewer people are aware it means fewer people paying taxes.

Herawati, Yasa, Resmi, and Yastini (2022) stated tax awareness should start from early childhood education to high-level education and can be carried out by educational institutions. Because, one of state revenue sources come from tax if people aware it can help country development. Knowledge of taxation can be disseminated to undergraduate students before they get a job, so that they understand and are aware of the importance of paying taxes.

Based on the issue above, it means that is specific effect whether it will affect the relationship between tax knowledge and social environment on increasing tax awareness.

#### **1.4 Research Questions**

The purpose of research question is to examine what are the relationship between tax knowledge and social environment on tax awareness. The research question as follows:

- a. What is the relationship between tax knowledge and tax awareness?
- b. What is the relationship between social environment and tax awareness?

#### **1.5 Research Objectives**

The purpose of the research objectives is to examine the relationship between tax knowledge and the social environment on tax awareness. The research objectives are as follows:

- a. To examine the relationship between tax knowledge and tax awareness.
- b. To examine the relationship between social environment and tax awareness.

#### **1.6 Significant of the Study**

##### **1.6.1 Theoritically Significant**

This research will provide an overview to the wider community of how important knowledge of taxation and social environment is to increase student awareness about taxes in Indonesia.

##### **1.6.2 Practically Significant**

###### **1. Public**

Through this research, everyone especially students will be more aware of the importance of knowledge of taxation and social environment so that they become taxpayers who comply with applicable tax regulations.

## 2. Other Researchers

Through this research other researcher can get information to conduct further research on the same or related field.

### 1.7 Limitation of the Study

The limitations from conducting this research is the time given to complete this research is limited and the sample in this study is limited to a particular area only accounting student in the State of Polytechnic Sriwijaya.

### 1.8 Definition of the Key Terms

#### 1.8.1 Tax Awareness

Tax awareness is awareness to know or understand taxes (Herawati et al. 2022). According to Andreas and Savitri (2015) explained that taxpayers' awareness is a condition when taxpayers understand how to calculate and pay their tax liability. Awareness of the taxpayer is a person of good faith to fulfill the obligation to pay taxes. Tax Awareness is defined as 'having knowledge and understanding of the tax laws and system' (Ahmad and Ali, 2013).

#### 1.8.2 Tax Knowledge

Wong and Lo (2015) has define Tax Knowledge is refers to one's perception of the ability to comply with tax laws, which includes technical tax knowledge and general tax knowledge about the tax system and tax compliance. Tax Knowledge is a necessary element (Palil and Mustapha, 2011).

#### 1.8.3 Social Environment

According to Li et al. (2005) social environment is a behavior that is inherently shaped by one's social environment in the most activities occurs within the bounds of family, communities, and neighborhoods. Suparta et al. (2021) social environment have positive or negative impact on individuals depending on the environment in which the individual is placed.

## **1.9 Summary**

Tax is a mandatory contribution for every citizen. In Indonesia, taxes are a contributor to state revenue to help the country's development. Tax revenue as of January 2023 amounted to Rp 162.23 trillion or 9.44% of the target achievement. For citizens who do not comply with taxes they will be subject to tax penalties. The latest changes in regulations are by government regulations in Lieu of Law Number 2 of 2022 concerning Job Creation.

This chapter concluded the basis research project, the background of study, problem statement of the study, research question, research objective, significant of study, scope of study, limitation of study, and definition of key terms.