

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Literature review is an excellent way to synthesizing research findings to show evidence on a meta-level and to uncover areas in which more research needed, which is a critical component of creating theoretical frameworks and building conceptual models (Snyder, 2019). In this chapter provides the previous studies, theory that used in this research, research framework and hypothesis.

#### **2.2 Theory of the Study**

##### **2.2.1 Attribution Theory**

Andreas and Savitri (2015) define that attribution theory considers the individual as an amateur psychologist who tries to understand the reasons for event that occurred in the face. Al-Sharif (2020) highlight the framework of attribution theory takes the process of causality one step further. Not only does it seek to explore the causal mechanisms of events and experiences, it also aims to identify who/what is responsible for (agent) and influenced by (target) them and introduces five dimensions to describe these causal mechanisms.

##### **2.2.2 Theory of Planned Behavior (TPB)**

Ajzen (1991) The Theory of Planned Behavior (TPB) define that the Theory of Planned Behavior (TPB) come from intention. Intention is defined as “indicator of how hard people are willing to try perform behavior”. Ajzen (2020) highlight Theory of Planned Behavior (TPB) that “people are expected to be able to act on

their intentions to the extent that they have control over performance behavior". Ajzen (2020) highlight the intention-behavior relation that be stronger when perceived behavioral control is high than when it is low. Yuriev et al. (2020) define the advantages of Theory of Planned Behavior (TPB) is its flexible structure, as scholars have historically expanded this theory by adding variable.

### **2.3 Tax Awareness**

Tax awareness is very important to help the country's development and make the country better in the future. Tax awareness is awareness to know or understand taxes (Herawati et al. 2022). Awareness of Taxpayers' is a person of good faith to fulfill the obligation to pay taxes. If the taxpayer has implemented taxation liabilities are sincere and honest and realize how important taxes for the growth and development of the region, then there will be no non-compliance in paying taxes (Susilawati and Budiarta, 2013).

This study focus on student because student will enter job life after they finish they school, so if they are aware with important of tax, how to calculate, and report tax they can help country development by complying with taxation. According to Herawati et al. (2022) Tax awareness is a driving factor for someone to be tax compliant. Several studies show the effect of tax literacy on tax compliance moderated by tax awareness (Setiyani, 2018; Dwiwati, 2020).

### **2.4 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. Fjeldstad and Heggstad (2012) has define that specific tax knowledge influence taxpayers' attitudes. Bernard et al. (2018) has define that tax knowledge has a close relationship with taxpayers' ability to understand tax rules and regulations as well as their willingness to comply with them. Nasution et al. (2020) explain that with proper knowledge, tax payers' will be able to decide whether they trust the tax authorities. Susanto et al. (2019) explain that education influences taxpayers' trust

in the tax authorities. Alexander et al. (2018) stated that increasing tax literacy among young people is one of the critical and prominent goals in the taxpayer education program. Alexander et al. (2018) stated that young people who have never taken taxation courses have lower tax morale than those who had a tax education. It means that how much a person's knowledge of taxation can affect awareness about tax.

When a person's has adequate knowledge about taxes, he can interpret what he knows to produce the desired results. With tax knowledge possessed they can determine the choice to be aware or not of their tax obligations (Bornman and Wassermann, 2020). According to Arisandy (2017) tax literacy (tax knowledge) is needed to increase tax awareness among student.

According to Andreas and Savitri (2015) hypotheses test result that the tax knowledge were affecting tax awareness. According to Nasution et al. (2020) tax knowledge does not affect taxpayers trust and has no effect on tax compliance. According to Herawati et al. (2022) a higher level of tax literacy (tax knowledge) can lead to an increase in the level of tax awareness for student.

## **2.5 Social Environment**

Suparta et al. (2021) social environment have positive or negative impact on individuals depending on the environment in which the individual is placed. 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. Falk et al. (2023) stated that the development of ability and opportunities to make experiences and to learn from experiences to be scarce and their frequency is depend on the social environment in which people grow up and live in.

Suparta et al. (2021) divided into three the scope and factors that effect social environment which are family environment, School environment, and community environment. Family consists of a number of individuals who have ties, obligation, and responsibilities with other individuals in the social group, school environment

can help family environment to shape and develop individual character. The school environment is a formal educational that focuses on improving the quality of education for the nation's children, Community environment is the environment in which community members live (Suparta et al., 2021).

Can concluded the children who grow up in a family who are obedient to their obligations and have high awareness, will have strong character of responsibility in themselves and have high obedience and awareness of their obligations, which is to carry out taxes in the future because family carries out socializations, education, religion, economy, protection, responsibilities, biology, and affection. From the school we can improve our quality of education, and the children who grow up in the good environment will assume that the children can see and learn from the environment.

## **2.6 Hypotheses Development**

### **2.6.1 Effect of Tax Knowledge on Tax Awareness**

Kasippilai (2000) defined tax knowledge is an essential element in a voluntary compliance tax system. Nurmantu (2005) stated that the higher the level of education or knowledge of taxpayers', the easier it is for them to understand tax regulations and fulfill their tax liability. Tax knowledge influences people awareness about tax. Mohamad et al. (2013) concluded that the level undergraduate accounting tax knowledge is different from the level of non-accounting student tax knowledge. This will lead people aware to paying tax. The first hypothesis predicts:

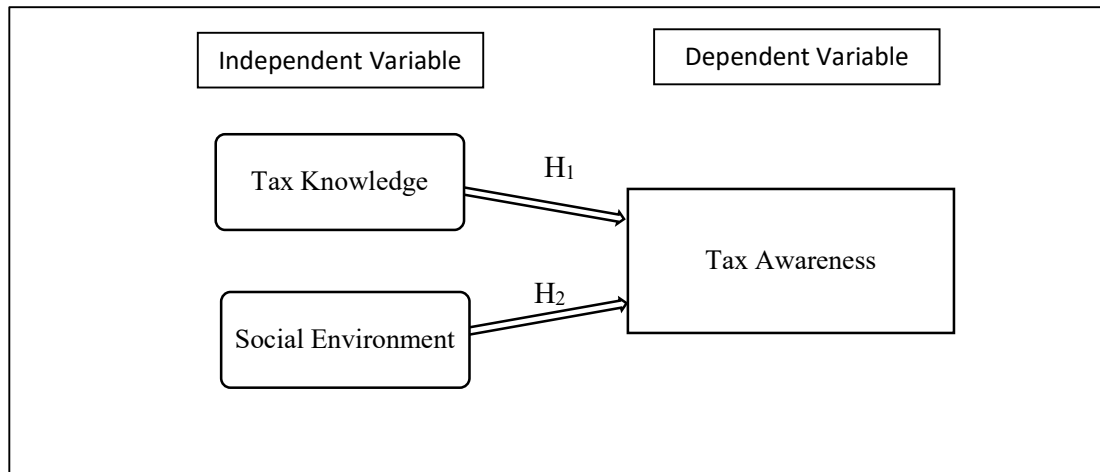
H<sub>1</sub>: There is a significant positive relationship between Tax Knowledge and Tax Awareness

### **2.6.2 Effect of Social Environment on Tax Awareness**

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 (Li et al, 2005). Suparta et al (2021) in their findings state that social environment have an effect on tax awareness.

H<sub>2</sub>: There is a significant positive relationship between Social Environment and Tax Awareness

## 2.7 Conceptual Framework



**Figure 2.1 Conceptual Framework Between Independent Variable and Dependent Variable**

In this study there are two independent variables and one dependent variable. Independent variables divided into two which are tax knowledge and social environment. Dependent variable in this study is tax awareness.

## 2.8 Summary

Tax awareness is an attitude of being aware of the importance of taxes. Social environment is the behavior that can influence on the individuals. This research use attribution theory and theory of planned behavior. This research have two independent variable and one dependent variable.

Literature review is an excellent way to synthesizing research findings to show evidence on a meta-level and to uncover areas in which more research needed, which is a critical component of creating theoretical frameworks and building conceptual models (Snyder, 2019). In this chapter provides the previous studies, theory that used in this research, research framework and hypothesis.