

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is intended to review the existing literature regarding the factors influencing the taxpayers compliance. It begins with a review of the relevant empirical studies and theoretical underpinning for the research. The empirical review concentrates on research on factors influencing stock return. The underpinning theory concentrates on theories relating to factors influencing stock return. The section is concluded by developing a suitable research framework for the research.

2.2 Underpinning Theories

2.2.1 Theory of Planned Behavior (TPB)

The theory of planned behavior (TPB) is an extension of the theory of reasoned action (TRA). Numerous studies have applied TPB to investigate behavior prediction using attitudinal variables. According to TPB, people's actions are determined by their intentions and perceptions of control, where as their intentions are influenced by attitudes towards behavior, subjective norms, and perceptions of behavioral control. Ajzen (1980) reviewed numerous studies that demonstrated the applicability of TPB to various content domains.

Ajzen also demonstrated the ability of TPB in providing a very useful theoretical framework for understanding and predicting the acceptance of new information technology. Abundant empirical evidence suggests that TPB effectively explains individual intentions and behavior in adopting new information technologies. Such evidence includes the acceptance of telemedicine technology by physicians, the widespread adoption of virtual banking, computer resource center adoption and usage, IT adoption in work settings, acceptance of electronic brokerage services 28 and other. This research assumes that theory has an influence on understanding of the Taxpayer against intention to fulfill their tax

obligations. In addition, research also makes assumptions that this theory has influence on a perception of tariffs tax.

2.2 Theory of Reasoned Action (TRA)

In Theory of Reasoned Action (TRA) developed by Ajzen (1980) explains that a person will do something or react because there are intentions that precede it and the things that cause it. The theory connects between a person's beliefs about things to be done, attitudes toward things, intentions and behavior as well as one's subjective norm. The use of the theory in this study to find out how the taxpayers perceptions of the online application of taxes, especially e-filing and e-billing and how the reactions that arise in its use and how its influence on tax compliance, especially in tax deposits and tax reporting.

2.3 Tax Compliance

This refers to the degree to which a taxpayer complies (or does not comply) with the tax rules of their country, for example by declaring income, filing a tax return, and paying the tax due in a timely manner (ACCA Global, 2017). Tax compliance will either relate to corporate tax or personal tax. In the case of this study all references to tax is in respect to corporate tax.

According to the Big Indonesian Dictionary (KBBI). Compliance comes from the word obey. Obey means like and obey orders or rules, and be disciplined. Obedience means obedience, obedience, and submission to teachings or regulations. According to Law Number 6 of 1983 as last amended by Law Number 16 of 2009. That the Legal Basis of General Provisions and Tax Procedures. That the taxpayer is an individual or entity, including taxpayers, tax-cutters, and tax collectors. Which have tax rights and obligations under the provisions of tax laws and regulations. Taxpayer Compliance is the Taxpayer's awareness in fulfilling all tax obligations and exercising taxation rights.

Tax compliance can be defined a situation which the taxpayer pays all of their tax obligations and exercises their taxation rights (Suhayati, et al, 2010). One of the efforts to increasing taxpayer compliance, the government conducted a policy that aims to improve the tax administration system, to facilitate taxpayers, and to

improve the tax compliance, by developing an administration system based IT such as e-filing. E-filing is one of the modernizations of taxation program based on the e-government that aims to provide convenience of annual SPT for personal income tax (PPH), to increase the compliance of individual taxpayers.

For the tax officials, e-filing could facilitate them in the management of databases the storage of taxpayer documents already computerized. E-filing offers many convenient features to taxpayers (i.e., time to file, place of filing, ease-of-use, information searching and online transactions) that are not quite available in the traditional channels (Azmi K Y & Hamid N H A, 2012). E-filing has shortened the tax filing system reducing the number of supporting documentations from twenty-one to five. The e-filing system has also reduced the chances of corruption according to the finding of the study (World Bank, 2021). E-filing has reduced human errors and lowered instances of corruption because of the lack of personal contact as everything is processed electronically (Durrani, 2020).

2.4 Electronic Filing System

Electronic filing is the process of submitting tax returns via the internet, it requires tax preparation software that has been preapproved by the Internal Revenue Service (IRS). It allows taxpayers to file taxes from home at their leisure and returns refunds much faster than by filing paper tax forms. (The Investopedia Team, 2022). Electronic filing relies on technology. The technology utilized in electronic filing includes software applications and the internet. Electronic filing is used to ensure that the desired results are achieved. According to (Muwonge, 2011), some of the electronic filing measures include minimizing errors during tax processing, reducing the life of tax, and ensuring tax efficiency and allowing tax officers to ensure that taxpayers comply with the tax regulation.

Based on the research from (Amilia R F, 2016) showed that the implementation of e-filing has the significant effect on taxpayer compliance. This research has the same result (Kiswara D & Jati I K, 2016) dan (Tambun S & Kopong Y, 2017) showed that the implementation of e-filing has a significant effect on tax

compliance. The different result of the research conducted by (Handayani K R & Tambun S, 2016) showed that the implementation of e-filing has no significant effect on tax compliance.

2.5 Taxpayer Awareness

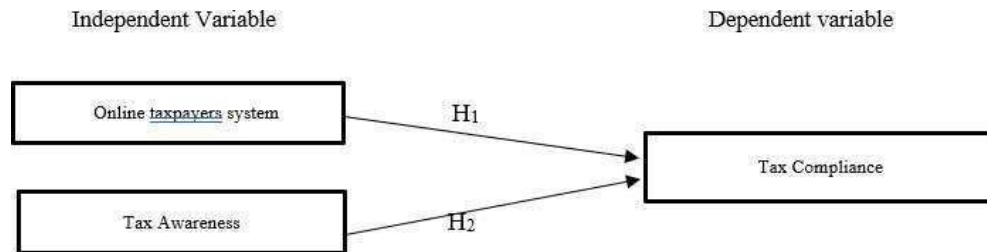
Consciousness is an element in human beings to understand the reality and how they act or behave towards reality. (Widayati & Nurlis, 2010) describe some form of consciousness of paying taxes that encourage taxpayers to pay taxes. First, the realization that the tax is a form of participation in supporting development of the country. Knowing this, the taxpayer would pay taxes because they are not disadvantaged in tax collection is done.

Second, the realization that the delay in payment of taxes and the reduction of the tax burden is very detrimental for country. Taxpayer want to pay taxes because it understands that the delay in payment of taxes and the reduction of the tax burden impact on the lack of financial resources which could lead to delays in development of the country. Third, the realization that the tax is set to legislation and can be enforced. Taxpayers will pay for the tax payment was realized to have a strong legal foundation and is the absolute duty of every citizen.

Consciousness is a state of knowing, understanding and feeling. Awareness here to comply with the provisions (tax laws) that apply certainly involves factors whether these provisions have been known, recognized, respected, and complied with. If someone only knows, it means that the awareness of the taxpayer is still quite low. Taxpayer awareness is a conditions in which the taxpayer knows, understands, and implements tax provisions correctly and voluntarily.

2.6 Research Framework and Hypotheses

Based on the literature review above, this study proposes a conceptual framework as illustrated in Figure 2.1.



Source : Fatimah Data, (2023)

Figure 1 Research Framework

Framework 2.1 illustrates that each independent variable has an impact on the dependent variable used in this study.

2.7 Research Hypotheses

This study uses one dependent variable and two independent variables. Based on the research framework, the hypothesis in this study is the level of awareness and the implementation of tax comprehension on online application can affect to taxpayer compliance.

The level of awareness and the implementation of tax comprehension on online application can't affect to taxpayer compliance.

The following are hypotheses developed based on research findings or gaps that occurred in previous studies :

H₁ = Taxpayers system can affect the taxpayer compliance.

H₂ = Tax awareness can affect to taxpayer compliance.

2.8 Summary

In conclusion, this chapter contains the factors that influence the taxpayers compliance, theories that related on and also the gaps that resulted from previous studies. Furthermore, this chapter also presents the research framework for this study and the development of the study hypothesis