



**INFLUENCE OF TAXPAYER'S KNOWLEDGE AND TAX SANCTIONS ON
TAXPAYER COMPLIANCE WITH AWARENESS OF TAX PAYMENT AS A
MODERATOR**

Pandi Afandi^{1*}, Edi Wicaksono Abdurrosid², Erna Sudarmawanti¹, Dwi Nurrahmawati¹

¹STIE Ama Salatiga, Jl. Diponegoro No.39, Salatiga, Sidorejo, Salatiga, Central Java 50714, Indonesia

²Universitas Muria Kudus, Jl. Lkr. Utara, Kayuapu Kulon, Gondangmanis, Kudus, Central Java 59327, Indonesia

*pandafyees@gmail.com

ABSTRACT

The aim of the research is to empirically test the influence of taxpayer knowledge and tax sanctions on the payment compliance of individual taxpayers in Kudus Regency with taxpayer awareness as a moderator, with a sample size of 100 respondents who have submitted annual tax returns to KPP Pratama Kudus. The results of the research show that taxpayer knowledge has a significant effect on compliance with individual tax payments, but tax sanctions do not have a significant effect on compliance with individual tax payments in Kudus Regency. Taxpayer awareness has not succeeded in strengthening the influence and sanctions of taxes on compliance with individual tax payments in Kudus Regency. As much as 59.2 percent of knowledge, tax sanctions and taxpayer awareness contribute to compliance in paying individual taxes. Massive socialization to increase tax literacy supported by the tax digitalization program needs to continue to be encouraged in line with increasing service quality so as to increase mandatory confidence in fulfilling tax obligations and increasing the achievement of tax revenue targets. Taxpayer awareness in this research failed to strengthen the influence of knowledge and tax sanctions on compliance in paying taxes so that it is possible to modify it by including other variables such as tax avoidance, motivation, commitment to taxes or other variables.

Keywords: taxpayer knowledge; tax sanctions; tax payment awareness; taxpayer compliance

INTRODUCTION

Taxes are highly relied upon by the State as a source of income, therefore taxes have a strategic role in supporting national independence, meaning that if the contribution of state revenue from the tax sector is high, it shows the increasing level of independence of a nation, in Indonesia the role of the tax sector is reflected in the contribution of tax realization to the APBN in 2022 of 65.37% and in 2023 it reached 69.05%, the tax ratio in 2022 was 10.39 percent and reached 10.21 percent in 2023 (Ministry of Finance, 2024). The tax ratio to GDP reflects the level of taxpayer compliance in fulfilling their tax obligations (tax compliance). Based on calculations in 2022-2023, the tax contribution to the APBN increased by 3.68 percent, but the tax ratio to GDP decreased by 0.18, it is suspected that this is related to compliance in fulfilling tax obligations.

The interesting thing about taxes is in accordance with the theory of devotion that the State has the right to collect taxes, so that citizens are considered to have an obligation to pay taxes for their devotion to the State (Idhom, MA, 2022). Tax payment compliance is influenced by several factors such as tax knowledge, tax sanctions and taxpayer awareness, the results of research on taxpayer compliance that tax knowledge, tax socialization, tax sanctions, payment awareness have a positive effect on taxpayer compliance in paying their taxes (Agun, Ujur, et al 2022). The results of another study (Kurniawan, et al, 2023) on the factors that influence Tax Compliance, that in Indonesia Tax Compliance is influenced by Taxpayer Awareness, Tax Knowledge, Tax Obstacles, Tax Sanctions, and Tax Regulation.

Research with different results was conducted by (Reynaldo Tan, et al, 2021) that taxpayer awareness has no effect on taxpayer compliance. However, tax services and tax regulations have a positive effect on taxpayer compliance. Taxpayer compliance is also influenced by perceptions of fairness, tax understanding and changes in rates, by placing the variable of tax payment awareness as a moderating variable, the results obtained are that perceptions of fairness and tax understanding have a significant effect on payment compliance, but changes in tax rates do not affect tax payment compliance, in addition, taxpayer awareness failed to moderate the relationship between perceptions of fairness, taxpayer understanding and rate changes with taxpayer compliance (Yuliani, Dewi Siti and Setyaningsih, 2020). Another study that also placed taxpayer awareness as a moderator between tax morale, tax audits and tax sanctions on taxpayer compliance showed that taxpayer awareness moderates the relationship between tax morale and tax audits on payment compliance but tax payment awareness failed to moderate the relationship between sanctions on payment compliance (Darmayasa, et al, 2022).

That tax compliance is a determining factor in increasing state revenue in the tax sector is influenced by tax regulation factors, perception of fairness, tax socialization, tariff changes, tax morale and tax audits. Tax knowledge, tax sanctions and taxpayer awareness are three independent variables that have received the attention of previous researchers with different results, especially in relation to taxpayer awareness, while tax understanding/knowledge and tax sanctions in two different researchers have different results in influencing taxpayer compliance. When taxpayer awareness is placed as a moderating variable, two researchers show results that taxpayer awareness fails to moderate the relationship between tax understanding/knowledge and taxpayer compliance, using different independent variables, namely tax sanctions, tax payment awareness fails to strengthen the relationship between tax sanctions and taxpayer compliance, so it is interesting to follow up by re-examining the influence of taxpayer understanding/knowledge and tax sanctions on tax compliance by positioning taxpayer awareness as a moderating variable with the object of research in Kudus Regency.

The selection of Kudus as a research object is very reasonable considering that KPP Pratama Kudus is the largest tax service office in Central Java. In 2022, tax realization managed to exceed 125.74 percent, which is Rp. 613 billion more than the targeted tax of Rp. 487.8 billion, while the 2023 target of Rp. 777 billion was achieved by Rp. 810 billion or around 104.35 percent and grew by 22.10 percent compared to 2022. so that KPP Pratama is the highest tax recipient in the Central Java Region. The increase in tax realization is related to the increase in tax compliance due to the level of awareness of payments and the understanding/knowledge of taxpayers or because the enforcement of sanctions is interesting to study. According to the main problem, the following problem formulation can be made: (1). Does understanding/knowledge of taxation have an influence on tax payment compliance, (2) Do tax sanctions have an influence on tax payment compliance, (3) Does understanding of tax knowledge have an influence on tax payment compliance with payment awareness as a moderator, and 4) Do tax sanctions have an influence on tax payment compliance with taxpayer awareness as a moderator, The purpose is to empirically test the influence of each independent variable of tax understanding/knowledge, tax sanctions on payment compliance with tax payment awareness as a moderator. The results of the study are expected to provide a complete picture of tax payment compliance in Kudus Regency in particular so that they can contribute to providing input for tax stakeholders to further increase their tax revenues, with a high level of taxpayer compliance and consistency with tax sanction regulations being valuable input related to tax services by tax authorities. For further researchers, it can be a roadmap to develop further research models by adding or combining with other variables such as perceptions of tax fairness,

changes in tax rates, tax services and morals and other variables that are relevant to different objects. The results are expected to support national income leading to increased welfare of the Indonesian people.

METHOD

Literature Review

Absolute Obligation Theory (Devotion Theory)

Theory that places the relationship between the State and its people where the State has the right to collect taxes and the people have the obligation to fulfill their obligation to pay taxes as a service to the State, this theory refers to the principle of Organische Staatsleer (in Idhom, Addi, 2022).

Tax Compliance

Reviewing tax compliance by describing it based on two perspectives, namely the economic model and nonpecuniary models which include social norm factors, views on government legitimacy, and Thimmesch's behavior (2015). Compliant citizens are those who are obedient in fulfilling their obligations in accordance with the laws and regulations (Rahayu, 2017: 192). According to Permenkeu 74/PMK.03/2012, taxpayers are included in the category of compliant taxpayers if they meet the criteria: 1) submitting SPT on time, 2) with the exception of tax arrears where taxpayers have been given permission to pay or postpone tax payments and 3) for three consecutive years a public accountant or government financial supervisory agency audits the financial statements with an unqualified opinion, and 4) has never been convicted of a tax crime based on a court decision.

Tax Knowledge

Knowledge related to taxation includes; knowledge of their tax obligations and rights, tax benefits, tax rate levels, rule of law, and others. Citizens who have good knowledge will benefit both themselves and the country. With the understanding/knowledge of tax that they have, it will help taxpayers in calculating and reporting their own Annual Tax Returns, so that their compliance will increase, Rahayu (2017).

Tax Sanctions

Sanctions as one of the important actions to prevent unwanted behavior Obaid et al (2020). In accordance with Law Number 28 of 2007, taxpayers who refuse to pay taxes in accordance with the provisions of tax laws and regulations can be subject to administrative sanctions and/or criminal sanctions. Administrative sanctions include; fines, interest and increase sanctions. Criminal sanctions include imprisonment and imprisonment.

Taxpayer Awareness

A person's alertness to certain events in their environment. Understanding tax awareness in fulfilling their obligations in depth, taxpayers feel relieved after reporting their Tax Returns. Citizens who have a high awareness of paying taxes usually do not consider taxes to be a burden but rather a routine obligation. Taxpayers' awareness in fulfilling their obligations is clarified by an understanding of tax provisions and the level of taxpayer service (Hartikayanti and Siregar, 2019), there are factors that can increase awareness of tax payments, including socialization of tax regulations, quality of tax office services, level of knowledge, economic level and good perception of the tax system applied.

Hypothesis Development

Research conducted by Agun, Ujur et al (2023) tax knowledge, tax sanctions, and tax payment awareness affect taxpayer compliance in paying their taxes. The results of other studies on factors that influence Tax Compliance, that Tax Compliance is influenced by Taxpayer Awareness, Tax Knowledge, Tax Obstacles, Tax Sanctions, and Tax Regulation (Kurniawan, et al, 2023). With increasingly adequate tax knowledge, the level of taxpayer compliance will increase, so that the hypothesis can be formulated:

H1: There is an influence of Taxpayer Knowledge on Tax Payment Compliance.

Ujur, et al (2023) and Kurniawan, et al, 2023, also produced the influence of tax sanctions on Taxpayer Compliance, the stricter the sanctions applied to taxpayers, the more it will impact taxpayer compliance, so that the hypothesis can be formulated:

H2: There is an Influence of Tax Sanctions on Tax Payment Compliance.

The results of the study by placing tax payment awareness as a moderator, conducted by Yuliani and Setyaningsih (2020), that tax payment awareness did not succeed in strengthening the relationship between perceptions of justice, understanding/knowledge and tax payment compliance. The hypothesis built in this study is based on adequate tax knowledge increasing compliance due to increased awareness, so that payment awareness strengthens the relationship between knowledge and payment compliance, so the hypothesis can be formulated:

H3: There is an Influence of Taxpayer Knowledge on Tax Payment Compliance With Tax Payment Awareness as a Moderator.

The tax sanctions applied will increase taxpayer compliance because they are supported by increasing taxpayer awareness, the results of the study show that taxpayer awareness moderates the relationship between tax morale and tax audits on taxpayer compliance, but taxpayer awareness does not succeed in strengthening the relationship between sanctions and taxpayer compliance (Darmayasa, et al, 2022). Taxpayer awareness resulting from the application of tax sanctions can strengthen the relationship between tax sanctions and taxpayer compliance, so that the hypothesis can be formulated:

H4: Tax Sanctions Affect Tax Payment Compliance With Tax Payment Awareness as a Moderator

METHOD

The causal relationship between the variables of tax knowledge/understanding, tax sanctions, payment awareness and payment compliance is analyzed through moderating regression, so the type of research is explanatory research which explains the causal relationship between variables (Sugiyono, 2012: 21), analyzed using a description through the moderating regression analysis model framework (Chandrarini, 2017) & (Kuncoro, A et al, 2023). The number of customer communities who submitted annual SPTs to the Kudus Pratama Tax Office in 2022 was 30,683 individual taxpayers as the population, from the total population of taxpayers, so that the number of samples was determined using the following Slovin formula.

$$n = \frac{N}{1 + (N \times e^2)}$$
$$n = \frac{30.683}{1 + (30.683 \times 0.1^2)}$$
$$n = 99,68$$

Rounded up to 100 respondents

The data processed from the questionnaire was obtained using non-probability sampling or purposive sampling techniques. From the questionnaire containing the respondents' perception answers, it was measured using a Likert-scale category.

Operationalization of Variables

This variable is related to the actions taken by individuals that determine whether or not citizens comply with various regulations and laws related to state taxation, with indicators of economic and non-economic factors (Barbuta in, Thimmesch (2015)). Instruments as measurements include; economic factors, aspects of calculating tax compliance with income, tax payments in line with income, while non-economic factors taxpayers carry out tax obligations, feel guilty if they do not pay taxes. Knowledge related to taxation (Rahayu, 2017) includes; understanding taxation, benefits of taxes, tariff levels, tax law regulations, and others. Having good knowledge will provide benefits for both themselves and the country. An adequate level of knowledge further encourages them to fulfill their tax obligations. Sanctions related to the implementation of tax regulation enforcement so that taxpayers do not refuse to pay taxes, the more afraid of tax sanctions, the higher the level of compliance in paying their taxes. According to Law 28 of 2007, tax evasion in accordance with the provisions is subject to administrative sanctions and/or criminal sanctions. Administrative sanctions include; fines, interest and increased sanctions. Criminal sanctions include imprisonment and imprisonment. Payment awareness is related to citizens who are aware and understand how to calculate, pay, and report SPT, where this awareness is measured by the existence of socialization of tax regulations, quality of tax services, good perceptions of the tax system and economic level (Hartikayanti and Siregar, 2019). With the increasing awareness of taxpayers, it reflects compliance in fulfilling their tax obligations. Regression moderation analysis, MRA, (Chandrarin, 2017) is used to resolve the influence between variables whether Taxpayer Awareness is a variable that strengthens and weakens tax understanding/knowledge and tax sanctions on tax compliance, as explained in the following model.

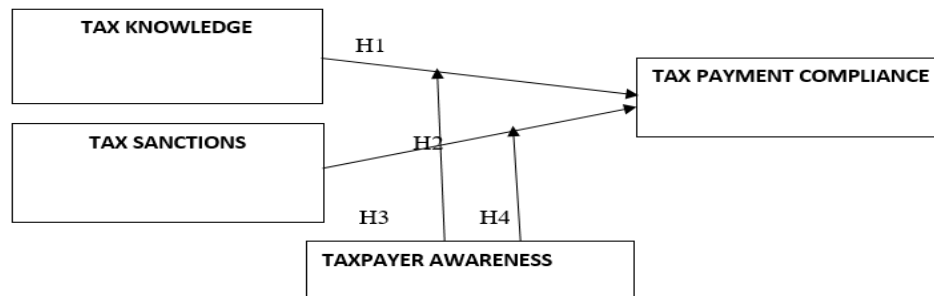


Figure 1: Research Model Framework

Based on the research model image, knowledge and sanctions will foster awareness to fulfill their obligations obediently, and awareness of payment will be a reinforcement of knowledge and sanctions that can increase compliance in paying their taxes. To complete the MRA model, the SPSS device is used to help facilitate the completion of the model, SPSS software that simplifies the fitting of multilevel mediation and moderated mediation models, including models containing more than one mediator (Hayes, 2017). From the MRA model framework, the regression equation is compiled as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + [\beta_1 X_1 Z] + [B_2 X_2 Z] + e$$

Description:

a = Intercept

Y = Tax Payment Compliance

β_1, β_2 = Regression Coefficient Value (Beta)

X1 = Tax Understanding/Knowledge

X2 = Tax Sanctions

Z = Taxpayer Awareness

X1Z, X2Z = Moderating Effect (Interaction Variable)

e = Estimator Error Rate

The results of the regression test based on the MRA model obtained a regression equation as below.

$$Y = 4.555 + 0.599X_1 + 0.050 X_2 + 0.003X_1.Z - 0.01X_2Z$$

From the regression equation, knowledge related to taxation and tax sanctions has a positive effect on the level of tax payment compliance and moderating awareness of taxpayer knowledge also has a positive effect on compliance, except that moderating awareness of tax sanctions has a negative effect on taxpayer compliance.

RESULTS AND DISCUSSION

Data Quality Test

The data quality test starts from the validity test with corrected item to total correlation, using a value of $\alpha = 0.05$, $df = 98$, obtained $r\text{-table} = 0.197$, the value of the tax knowledge construct in the range of the lowest $r\text{-count}$ number at 0.775 to 0.804, tax sanctions 0.426 to 0.644 and taxpayer awareness in the range of 0.746 to 0.841, and taxpayer compliance in the range of 0.577 to 0.780, all variables are above the $r\text{-table}$ 0.197 so that the results of the construct of each variable are declared valid. Furthermore, the consistency test was carried out with the reliability test, each obtained Cronbach's alpha on the tax knowledge variable with a figure of 0.899, tax sanctions 0.724, taxpayer awareness 0.901 and taxpayer compliance 0.856, overall above the comparative alpha figure of 0.70, so the results are reliable, then the results of the data quality test are valid and reliable.

Hypothesis Test Results The Effect of Taxpayer Knowledge on Tax Payment Compliance

The results of the hypothesis test on the effect of taxpayer knowledge on tax compliance obtained a significance figure below 0.05 or 0.00 or 3.674 above the $t\text{-table}$ 1.985, so there is a significant effect of taxpayer knowledge on tax compliance, the more intensive the taxpayer understands his rights and obligations and knows the tax regulations that must be obeyed. In line with the research results of Agun, Ujur et al (2023) tax knowledge, tax sanctions, and tax payment awareness have an effect on taxpayer compliance in paying their taxes, and Kurniawan, et al, 2023 that with increasingly adequate tax knowledge, the level of taxpayer compliance will increase.

The Effect of Tax Sanctions on Tax Payment Compliance

The significance results for the effect of tax sanctions on tax payment compliance obtained a significance value of 0.784 or greater than 0.05 with $t\text{-count} = 0.275$ below $t\text{-table}$ 1.985, meaning that tax sanctions do not have a significant effect on tax payment compliance. These results do not support the results of previous research by Kurniawan, et al, 2023, where tax sanctions have an effect on tax payment compliance, the stricter the sanctions applied to taxpayers, the more it will affect taxpayer compliance. Based on the results of this study, it shows that tax sanctions are not effective in efforts to increase taxpayer compliance in paying taxes.

Taxpayer Knowledge Affects Tax Payment Compliance With Tax Payment Awareness as a Moderator

Taxpayer awareness as a moderating variable between taxpayer knowledge and the level of tax payment compliance, that awareness as a moderator obtained a significance figure of 0.773 above 0.05 or with a $t\text{-count}$ of 0.289 below 1.985, meaning it is not significant, meaning that taxpayer awareness did not succeed in strengthening the influence of knowledge on tax compliance. This result is consistent with the research produced by Yuliani and Setyaningsih (2020), that tax payment awareness did not succeed in strengthening the relationship between perceptions of justice, understanding/knowledge and tax payment compliance.

Tax Sanctions Affect Tax Payment Compliance With Tax Payment Awareness as a Moderator

Taxpayer awareness as a moderating variable between tax sanctions and tax payment compliance obtained a significance figure above 0.05 of 0.930 with a t-count of -0.089 above a t-count of 1.985 so that it is not significant, meaning that taxpayer awareness does not strengthen the influence of tax sanctions on tax compliance, so tax sanctions are not effective in increasing taxpayer awareness to comply with taxes. This is in line with the results of the study which showed that taxpayer awareness moderates the relationship between tax morale and tax audits on taxpayer compliance, but taxpayer awareness did not succeed in strengthening the relationship between sanctions and taxpayer compliance (Darmayasa, et al, 2022). Simultaneously, taxpayer knowledge and tax sanctions moderated by taxpayer awareness have a significant effect on compliance in paying taxes as indicated by a significance value of 0.00 below 0.05 and an F-count of 36,883 far above the F-Table of 2,464, supported by a coefficient determination value of 59.2%, the remaining 40.8 percent is influenced by other factors such as motivation, commitment and tax avoidance.

CONCLUSION

Compliance in tax payments greatly determines the success of KPP Pratama Kudus in collecting individual taxpayers in Kudus Regency, considering that Kudus Regency is a very reliable source of tax revenue in Central Java. Taxpayer knowledge has a positive and significant effect on compliance in tax payments, but tax sanctions do not affect compliance in tax payments. Taxpayer awareness as a moderating variable does not succeed in strengthening the influence of tax knowledge and sanctions on compliance in tax payments. Awareness of paying taxes is due to tax services, socialization and good perceptions about taxes. Taxpayer knowledge is proven by taxpayers to fulfill their tax obligations so that socialization, understanding of tax knowledge needs to be continuously intensive and massively promoted by the Tax Office such as tax digitalization (eg e-filing) and other tax digitalization supported by the quality of services provided to taxpayers, tax sanctions do not affect tax payment compliance, so a persuasive approach to taxpayers needs to be prioritized, and the variable of taxpayer awareness does not succeed in moderating the influence of tax knowledge and sanctions on tax payment compliance, so it still needs to be tested again by including other variables such as tax avoidance, commitment, taxpayer motivation or other variables.

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