

## Analysis of the Determinants of Individual Taxpayers' Compliance in Paying Income Tax: Evidence from the Menteng Area, Central Jakarta

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Article Info	Abstract
<p><i>Keywords:</i></p> <ul style="list-style-type: none"> <li>○ Tax compliance;</li> <li>○ Income tax;</li> <li>○ Individual taxpayer</li> </ul>	<p><b>Purpose</b> – One of the state's primary sources of income is tax revenue. This study aims to analyze the factors influencing individual taxpayer compliance in paying income tax in the Menteng area, Central Jakarta.</p> <p><b>Design/methodology/approach</b> – The research employs a qualitative approach, utilizing interviews and literature reviews.</p> <p><b>Findings</b> – The findings show that adequate tax knowledge significantly enhances taxpayer awareness regarding the importance of paying taxes and the correct procedures for reporting them. Strict and fair tax sanctions serve as a deterrent for non-compliant taxpayers, while clear tax incentives and facilities can encourage higher compliance. Trust in the tax system also plays a crucial role; taxpayers who believe that their taxes are used transparently and accountably tend to exhibit greater compliance. Additionally, economic factors such as income levels and financial stability, as well as the social and cultural environment surrounding taxpayers, influence compliance.</p> <p><b>Research limitations/implications</b> – To further improve tax payment compliance, ongoing tax education and socialization efforts are necessary, along with the implementation of fairer and more proportional sanctions.</p>
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## INTRODUCTION

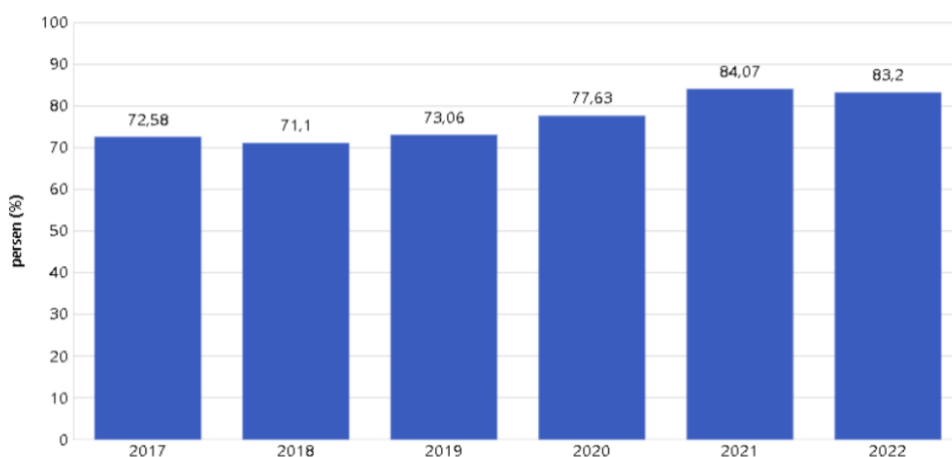
Many developing countries, including Indonesia, continue to implement changes to drive national development across various sectors. National development requires substantial funding, which often necessitates government efforts to secure financing by drawing on diverse sources of state revenue. According to the Ministry of Finance of the Republic of Indonesia, several types of state revenue have increased, with taxes playing a significant role in boosting these revenues (Lestari et al., 2022).

The largest source of national income obtained by the state of Indonesia comes from tax revenues which also aim to turn the wheels of government and also the infrastructure run by the government (Afifah, 2019). If there is also a shortage of infrastructure, it can be estimated that it is caused by a decrease in tax revenues. without optimal tax revenues each year, the process of building a country will not run well and not optimally, so that to optimize it to run

well, an important role is needed from the government and individual taxpayers (Atarwaman, 2020). In fact, not all individual taxpayers comply with the tax regulations that have been determined.

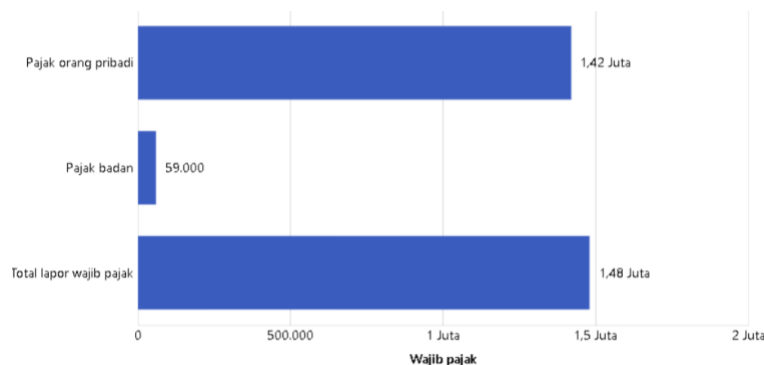
The growth and development of tax revenues is closely related to taxpayer compliance in fulfilling tax obligations, therefore an effort is needed to help the country realize a well-growing economy. But, individual taxpayer compliance is still very minimal and is very little recognized by every individual taxpayer (Setiawan, 2023). Although the individual taxpayer system has been established, there are still taxpayers who are reluctant or ignore taxpayer compliance so that this can of course affect the achievement of tax revenue targets, especially in Indonesia (Lestari et al., 2022). A loss in tax revenue means that governments must either reduce spending on valuable public goods and services or increase the tax burden on compliant taxpayers (Feldstein, 1999).

Taxpayer compliance is very important, considering that there are many factors that can cause a taxpayer to comply with their obligations, such as the issuance of tax sanctions. The figure below illustrates data related to the compliance ratio of tax return (SPT) reporting in 2017-2022.



**Figure 1.** Compliance ratio of tax return (2017-2022)

Based on Figure 1, there was a general increase in the tax return compliance ratio from 2018 to 2021, reaching 84.07% in 2021. In 2022, the compliance ratio was slightly lower at 83.2%. This decrease may have been caused by the COVID-19 pandemic, which impacted the economic sector, leading to job losses, layoffs, and business closures (Saputra, 2021; Sara et al., 2020). Despite the decrease in 2022, the ratio still exceeded the set target. Moreover, taxpayers who reported SPT as of January 2024 have reached 1.48 million, consisting of individual taxpayer and corporate taxpayer.



**Figure 2.** number of taxpayer reporting SPT  
Source: Nabila (2024)

The role of taxes is so important for the State, that efforts to increase tax revenues continue to be carried out by the Government which is the task of the Directorate General of Taxes. A person must have an awareness of taxpayers that should arise in each individual and do it sincerely without any coercion in it. Moreover, Indonesian citizens or the community must also be aware that taxes are levies that will be used for government costs or state needs (Atarwaman, 2020), such as infrastructure development, education, health, and social welfare. So that a high level of compliance ensures the availability of sufficient funds to run government programs, while low compliance can cause a shortage of funds and have a negative impact on the economy.

Based on the background above, further research to examine the determinants that influence tax payments needs to be conducted. The purpose of this study is to analyze the factors that influence individual taxpayer compliance in paying income tax. The observation area that the author chose in this study is the Menteng area, Central Jakarta.

## LITERATURE REVIEW

Taxes serve as a tool to regulate the economy and control inflation. The government can use taxes to influence the economy, for example through fiscal policies that can stimulate economic growth or control the rate of inflation. Taxes also serve as a means of distributing income, where taxes collected from high-income groups can be allocated to programs that support low-income groups (Setiawan, 2023). From a legal perspective, taxes are regulated by laws that regulate the types of taxes, tax rates, and the rights and obligations of taxpayers and tax authorities. Harsono (2022) explains that tax laws are designed to create a fair and efficient tax system. This is important to ensure that the tax system runs well and supports national goals.

According to (Suryani & Rahmawati, 2022), the level of taxpayer compliance is greatly influenced by tax knowledge, the quality of tax services, and the tax sanctions imposed. Good knowledge of tax regulations, reporting procedures, and the benefits of tax payments can increase taxpayer awareness and compliance. Effective education about the importance of taxes for national development and how the tax process works is very important to foster compliance (Darmawan, 2021). In addition to tax knowledge, the quality of service from tax

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officers also plays an important role in increasing taxpayer compliance (Nursifa & Putrianda, 2023). Fast, accurate, and friendly service can encourage taxpayers to fulfill their obligations on time. Research shows that good service from the tax authorities can increase taxpayer compliance because they feel more appreciated and facilitated in the tax administration process (Atarwaman, 2020). The quality of tax services, which includes speed, accuracy, and friendliness of service, greatly influences taxpayer attitudes. Good service can create a positive experience for taxpayers, so that they are more motivated to comply with their tax obligations (Pratama, 2022).

Another study by Putri and Handayani (2021) revealed that taxpayers' perceptions of tax sanctions also influence decisions in paying taxes. Strict and fair sanctions are considered to be able to increase compliance because taxpayers feel that there are real consequences if they are negligent in paying taxes. This shows that consistent and transparent law enforcement can be an effective tool to increase tax compliance (Putri & Handayani, 2021). The factor of trust in the tax system also plays a significant role in determining the level of taxpayer compliance. Taxpayers who believe that the taxes they pay are used properly and transparently tend to be more compliant in paying income tax. According to research by Widodo (2021), transparency and accountability in the management of state taxes can increase public trust in the tax system and encourage them to fulfill their obligations (Widodo, 2021).

Taxpayers' trust in the government and the tax system is also an equally important factor. According to Wijaya (2020), taxpayer trust is built through transparency and accountability in tax management. Taxpayers who believe that the taxes they pay are used properly and transparently for the public interest tend to be more compliant. This trust can be strengthened through government efforts to increase information transparency and budget use (Wijaya, 2020).

## RESEARCH METHOD

The research method used in this study is qualitative, aiming to describe a phenomenon in depth without relying on numerical or statistical measurements (Gunawan, 2020). This study seeks to analyze the factors influencing individual taxpayers in the Menteng area of Central Jakarta to pay income tax, making qualitative research an appropriate approach for a deeper analysis.

Data was collected through interviews with individual taxpayers in Menteng, Central Jakarta. This area was chosen for its central location, home to various business, government, and diplomatic institutions. The interview method enables more in-depth data collection, as communication between the interviewer and the informant facilitates the acquisition of additional information (Amir, 2020).

Data analysis was conducted descriptively, presenting research findings in detail and chronological order to enhance reader understanding (Sugiyono, 2019). Indicators used to identify factors affecting individual taxpayers' compliance in Menteng were based on prior

research (Sinaga & Arista, 2022) and include tax knowledge, quality of tax services, tax sanctions, trust in the tax system, economic factors, and the socio-cultural environment.

The study's informants were randomly selected from different professions within Menteng, including entrepreneurs, private-sector employees, and civil servants (PNS).

## RESULTS

This study analyzes several factors that can affect individual taxpayers in paying income tax in the Menteng area, Central Jakarta. Data were collected through surveys and interviews with taxpayers in the area. The following are the main findings of this study to determine the factors of individual taxpayers in paying income tax in the Menteng area, Central Jakarta, based on indicators from the study (Sinaga & Arista, 2022), namely tax knowledge, quality of tax services, tax sanctions, trust in the tax system, economic factors and socio-cultural environment.

Firstly, regarding tax knowledge, most respondents stated that adequate knowledge of tax regulations and procedures helps them understand their tax obligations better. Tax knowledge is the key to paying taxes correctly. Even though taxpayers do not have a tax background, taxpayers need to continue to learn and understand changes in applicable tax regulations to avoid errors in tax reporting. Taxpayers who have good tax knowledge tend to be more compliant in paying income tax. "Tax knowledge is very important in carrying out obligations as a taxpayer. I always try to understand applicable tax regulations and follow the latest developments in this field."

The second indicator studied was the quality of tax service. The service provided by tax officers has a significant effect on taxpayer compliance. Respondents agree that friendly, responsive, and efficient service increases taxpayer comfort and willingness to fulfill tax obligations. Respondents also stated that tax service in the Menteng area is quite good and satisfactory. "In my opinion, the quality of service from the tax officer has a big impact on their motivation to pay taxes correctly. I am satisfied with the response of tax officers in the Menteng area, who always help when I need clarification or assistance regarding tax administration"

Thirdly, the perception of tax sanctions also plays an important role. Respondents believe that strict sanctions can make taxpayers more compliant in reporting and paying income tax. In addition, they agree that sanctions must be carried out fairly and proportionally. "Tax sanctions must be applied fairly. This can be a reminder for me to always fulfill my tax obligations"

The taxpayer trust in the transparency and accountability of the tax system affects their compliance. Taxpayers who believed that their taxes are used properly and transparently are more likely to comply. Respondents also believe that tax management in the Menteng area has been carried out transparently and accountably. "I do have quite high trust in the tax system. For me, transparency and accountability in tax management are important to build public trust in the system," said a personal taxpayer who works as an entrepreneur.

The income level and financial stability of taxpayers also affect their ability to pay taxes. Taxpayers with stable incomes show a higher level of compliance. "I admit that economic factors do have an effect on paying taxes. Financial stability plays an important role in



determining how smoothly I can pay my personal taxes".

The next indicator studied was the influence of the social and cultural environment. Based on the interview results, social and cultural norms around taxpayers also affect the level of compliance. In an environment where tax compliance is considered the norm, individuals tend to be more compliant. For example, a personal taxpayer who works as a civil servant said that the work environment has a big influence on tax compliance, where he works in a government environment so that he is motivated to pay taxes.

## DISCUSSION

This study is in line with research conducted by Sinaga & Arista (2022) that good knowledge of taxation increases taxpayer compliance. Individuals with a positive outlook on tax regulations and a strong understanding of tax principles are more likely to meet tax obligations (Matshona et al, 2024). The authors suggest that to increase the awareness about tax compliance, the government needs to continue to improve tax education through various socialization and training programs for taxpayers. Providing clear and easily accessible information about tax rules and procedures can also help taxpayers better understand their obligations.

The quality service is important in improving taxpayer compliance. Tax officers must be trained to provide friendly and professional service. In addition, the use of technology to improve efficiency and convenience in the tax reporting and payment process must continue to be improved.

The application of strict and fair sanctions is an important factor in increasing compliance. The application of strict and fair sanctions is an important factor in increasing taxpayer compliance. Strict sanctions show the government's commitment to enforcing tax regulations, thus providing a deterrent effect on violators and preventing similar violations in the future. Meanwhile, fair sanctions ensure that the punishment given is commensurate with the violation committed, thus creating a sense of justice among taxpayers (Suryani & Rahmawati, 2022). Mannan et al. (2020) identified a positive correlation between perceived fairness, the enforcement of tax penalties, taxpayers' views on government spending, and tax compliance. Moreover, an experiment in china highlighted that credit penalties and overdue fines significantly boost tax compliance (Yang et al, 2024).

This study found that trust in the tax system is vital for establishing long-term tax compliance. Trust in the government is particularly important, as individuals are more inclined to pay taxes when they perceive the government as fair and transparent (Matshona et al., 2024). Mebratu (2024) investigated the factors affecting voluntary tax compliance in Ethiopia, drawing on tax compliance theory. His findings indicate that perceived trust in the government has a positive and significant impact on tax compliance behavior.

The financial stability of taxpayers affects the ability of taxpayers to pay taxes so that the government needs to consider the economic conditions of taxpayers in determining tax policies. Developing countries need to focus on both economics and non-economics factors to achieve tax compliance (Augustine, 2020). By understanding the financial situation of

individuals or taxpayers, the government can design fairer and more effective policies, thereby ensuring higher compliance and minimizing undue burdens for taxpayers who are facing economic difficulties (Nabilah, 2024).

Social and cultural norms surrounding taxpayers also influence the level of compliance. Individuals' compliance behaviors and attitudes toward the tax system are shaped by the behaviors and social norms of their reference group (Snaveley, 1990). A person's reference group such as friends, neighbors, and family, can impact their compliance behavior and attitudes toward the tax system.

## CONCLUSION (judul font Book Antiqua size 12, Huruf besar semua)

The study results indicate several key factors that influence individual taxpayer compliance with income tax payments in the Menteng area of Central Jakarta. These factors include tax knowledge, quality of service, tax sanctions, trust in the tax system, economic conditions, and the social and cultural environment. The study demonstrates that increasing tax compliance requires a comprehensive approach, encompassing enhanced tax literacy, improved fiscal service quality, consistent and fair sanction implementation, increased government transparency and accountability, and consideration of taxpayers' economic and socio-cultural contexts.

## IMPLICATION AND LIMITATION

By focusing on improving tax knowledge and service quality, implementing sanction, maintaining trust, as well as considering taxpayers' economics and socio-cultural contexts, it is expected to increase the level of individual taxpayer compliance in the Menteng area, Central Jakarta. The study provides insights into the factors influencing tax compliance and offers recommendations for government actions to improve it, such as expanding tax education and outreach and applying fairer and more proportional sanctions for taxpayers.

However, as this study was limited to the Menteng area, Central Jakarta, the characteristics of individual taxpayers in other regions may differ. Future research is encouraged to expand coverage to other regions across Indonesia.

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