



## The Impact of Tax Digitalization and Tax Awareness on Compliance Among Taxpayers: a Study of Individual Taxpayers at KPP Pratama Badung Utara

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### ABSTRACT

This study employs a quantitative methodology, utilizing statistical techniques and associative analysis to investigate the relationships among certain variables. Causal research, in contrast, seeks to determine the relationships typically characterized as causal, symmetrical, or interactive associations. The main objective of this study is to provide evidence regarding the effect of the independent variables-tax digitalization (X1) and tax knowledge (X2)-on the dependent variable, taxpayer compliance (Y). Data for this study was gathered via a survey, which involved distributing questionnaires to participants. The research commenced in June 2023, with a focus on individual taxpayers at KPP Pratama Badung Utara. Results: The findings of this research demonstrate that the digitization of the taxation process markedly enhances taxpayer compliance, as evidenced by a significance value of 0.000, which falls below the 0.05 threshold.

## **INTRODUCTION**

Taxes are the main source of income for Indonesia. Tax collection is done through the Self Assessment System, which mandates compliance with tax regulations by the public (Rachmawan et al., 2020). As noted by Fitria & Muiz (2021), tax revenue plays an important role in financing government activities in general and is an indicator of the country's economic performance. The Ministry of Finance reported that the realization of Individual Income Tax (IIT) revenue had increased by 13% until the end of March 2022, amounting to IDR 6.95 trillion. This figure surpassed the IDR 6.15 trillion recorded in the same period in the previous year. The Minister of Finance, Mrs. Sri Mulyani Indrawati, indicated that this year's PPH growth rate is lower than the growth rate that occurred in the previous year.

In the previous year, the Indonesian government extended the deadline for filing individual income tax returns from March 2021 to April 2021. To address this, a study was conducted with a focus on taxpayers in North Badung, an area of particular concern. In collaboration with the Badung Land and Building Tax Office (KP PBB), KPP Pratama Badung Utara offers a wide range of tax services, including training and consultation. The office previously known as Kerobokan Primary Tax Service Office (KP2KP) changed its name to KPP Pratama Badung Utara in 2005 as part of the Directorate General of Taxes' modernization initiative. KPP Pratama Badung Utara is situated at Jalan Ahmad Yani No. 100, within the Dauh Puri Kaja region of North Denpasar District. This office caters to a diverse range of taxpayers, including those who are individuals.

Taking into account the increasing trend in tax revenue seen in July 2022, which indicates a positive economic outlook, the government has undertaken several initiatives to improve tax collection. The Directorate General of Taxes (DGT), which falls under the Ministry of Finance, is pursuing innovation through the implementation of Tax Reform aimed at achieving taxation objectives. In particular, the DGT is concentrating on technological advancements and digitalization.

## **LITERATURE REVIEW**

Taxes in Indonesia are the country's largest source of income. Tax collection is carried out through the Self Assessment System, which requires the public to follow tax regulations (Rachmawan et al., 2020). According to Fitria & Muiz (2021), tax revenue is used to support general government operations and is a measure of the country's economic success. According to the Ministry of Finance, the realization of Individual Income Tax (IIT) revenue has increased by 13% until the end of March 2022, reaching IDR 6.95 trillion. This is higher than the same period in the previous year, which was IDR 6.15 trillion. Finance Minister Mrs. Sri Mulyani Indrawati said this year's PPH growth is lower than the previous year's PPH growth.

For the record, in the previous year, the Indonesian government extended the deadline for filing Individual Income Tax (OP) returns from March 2021 to April 2021. To resolve this issue, research was conducted on taxpayers in North Badung, which is an area of interest. The North Badung Primary Tax Service Office is a branch of the Primary Tax Service Office, which originated from the West Denpasar Tax Service Office. In collaboration with the Badung Land and Building Tax Service Office (KP PBB), KPP Pratama Badung Utara provides tax services, training, and consultation. Kerobokan (KP2KP) The name of this KPP was changed to KPP Pratama Badung Utara in 2005 as part of the modernization process of the Directorate General of Taxes. The office is located at Jalan Ahmad Yani No. 100, Dauh Puri Kaja, North Denpasar District. Individuals who have to pay taxes are one of the types of taxpayers managed by the North Badung Pratama Tax Office.

Taking into account the dynamics of tax revenue in July 2022 which has increased, which shows a positive signal for the economy, the government has made various efforts to increase tax revenue. The Directorate General of Taxes (DGT), which is under the Ministry of Finance, innovates by implementing Tax Reform to achieve taxation targets. For example, DGT is turning to the technology and digitalization sector.

## METHODOLOGY

This research is quantitative and uses associative analysis methods to explore the relationship between certain variables. It is suspected that the relationship may be causal, symmetrical, or interactive. This research aims to provide evidence for a causal link between the independent variables of tax digitalization (X1) and tax knowledge (X2), and the dependent variable of taxpayer compliance (Y). Data was collected through a survey given to respondents at the North Badung Primary Tax Service Office.

Where in this study primary data is obtained from the results of distributing questionnaires containing questions about tax digitalization, and this study examines the relationship between taxpayer compliance with two main variables, namely independent variables, Tax Digitalization (X1) and Tax Knowledge (X2), and the dependent variable, Taxpayer Compliance (Y1).

Primary data obtained from distributing surveys to respondents will be the research material that will be used by the author. Sugiyono (2014, p. 134) states that the Likert scale serves as a tool for assessing the attitudes, opinions, and perceptions of individuals or groups concerning a social phenomenon. The data for this study was collected through a survey, aimed at producing accurate information.

This research employs a questionnaire that includes the following scoring criteria:

SS: Strongly Agree	Score: 5
S: Agree	Score: 4
N: Neutral	Score: 3
TS: Disagree	Score: 2
STS: Strongly Disagree	Scored: 1

In testing this data, researchers selected a population of 44,239 taxpayers from the North Badung Pratama KPP, and a sample of 100 individual taxpayers from the same office..

**Slovin's formula:**

$$n = \frac{N}{1+N(e)^2}$$

Description:

n = number of samples

N = total population

e = sampling error tolerance limit 10%

$$\begin{aligned} n &= \frac{44.239}{1+44.239(0,1)^2} \\ &= \frac{44.239}{1+44.239(0,01)} \\ &= \frac{44.239}{1+44.239} = \frac{44.239}{44.240} \end{aligned}$$

n = 99,97 rounded to 100.

KPP Pratama Badung Utara is responsible for supervising 100 individual taxpayers who are the main subjects in this study.

## RESEARCH RESULT AND DISCUSSION

According to the findings of the study, a total of 100 respondents were gathered, characterized by the following profile:

**Table.1 Respondent Profile**

<b>Respondent Characteristics</b>	<b>Total</b>	<b>Percentage</b>
<b>Gender</b>		
Male	48	48%
Female	52	52%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Age</b>		
20-30	34	34%
31-40	43	43%
41-50	22	22%
51-60	1	1%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Have a Tax ID Number</b>		
Yes	100	100%
No	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>

Data source: Questionnaire Results

The number of respondents, minimum, maximum, and average values for each variable in the study are given through descriptive statistics. A total of 100 individuals took part in this survey, comprising 48 males and 52 females, with the predominant age group being between 31 and 40 years. Each respondent has a Taxpayer Identification Number (NPWP).

**Table.2 Descriptive Statistics Test Results**

	<b>Tax Digitization</b>	<b>Taxpayer Knowledge</b>	<b>Tax Compliance</b>
<b>N</b>	100	100	100
<b>Mean</b>	29,58	21,23	24,14
<b>Std. Deviation</b>	2,656	2,291	2,142
<b>Minimum</b>	23	14	20
<b>Maximum</b>	35	25	30

Data source: SPSS results

### Validity Test

A total of 100 individuals took part in the study, with a confidence level set at 95% ( $\alpha=5\%$ ). The degree of freedom (df) for this sample was determined to be 0.195. To guarantee the reliability of the research instrument, a validity test was performed to evaluate the quality of the questionnaire utilized. The results of the validity test are presented in the following table: A question is deemed valid if the computed r value surpasses the r table value.

**Table.3 Results of Validity Test**

<b>Variabel</b>	<b>Question Item</b>	<b>r (Count)</b>	<b>r (Table)</b>	<b>Description</b>
Tax Digitalization (X1)	X1.1	0,536	0,195	Valid
	X1.2	0,468	0,195	Valid
	X1.3	0,455	0,195	Valid
	X1.4	0,436	0,195	Valid
	X1.5	0,470	0,195	Valid
	X1.6	0,529	0,195	Valid
	X1.7	0,306	0,195	Valid
Tax Knowledge (X2)	X2.1	0,514	0,195	Valid
	X2.2	0,503	0,195	Valid
	X2.3	0,577	0,195	Valid
	X2.4	0,454	0,195	Valid
	X2.5	0,346	0,195	Valid
Tax Compliance (Y)	Y1	0,462	0,195	Valid
	Y2	0,502	0,195	Valid
	Y3	0,530	0,195	Valid
	Y4	0,495	0,195	Valid
	Y5	0,575	0,195	Valid
	Y6	0,247	0,195	Valid

Data source: SPSS results

The table presented indicates that the research table has a correlation coefficient of  $r = 0.195$ , with a significance level of 0.05. This implies that the findings of this study yield  $r_{count}$  greater than  $r_{table}$ , thereby confirming the validity of all instruments utilized.

### Reliability Test

Reliability relates to the consistency of individual responses to questions over a period. A higher reliability coefficient indicates greater validity of respondents' answers. An Alpha Cronbach coefficient exceeding 0.60 indicates that the respondent's answer is considered reliable, while a value below 0.60 indicates that the response is not reliable. The results of the reliability assessment are presented in the following table.

**Table.4 Reliability Test Results**

Variables	Alpha Cronbach's	Description
Tax digitization (X1)	0,766	Reliable
Taxpayer Knowledge (X2)	0,717	Reliable
Tax Compliance (Y)	0,675	Reliable

Sumber data : Hasil SPSS

Table 5 demonstrates that all research variables have a Cronbach's alpha value greater than 0.6, indicating their reliability.

### Normality Test

The data normality test is carried out to assess whether the dependent and independent variables in the regression model show a normal distribution. A well-built regression model is considered to have a normal or near normal distribution. In this research, the Kolmogorov-Smirnov test was employed to assess the normality of the data.

**Table.5 Normality of Test Results**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
<b>N</b>		100
<b>Normal Parameters<sup>a,b</sup></b>	Mean	0,0000000
	Std. Deviation	1,54618691
<b>Most Extreme Differences</b>	Absolute	0,066
	Positive	0,047
	Negative	-0,066
<b>Test Statistic</b>		0,066
<b>Asymp. Sig. (2-tailed)</b>		.200 <sup>c,d</sup>

Data source: SPSS results

The results of the normality test indicate that the research data conforms to a normal distribution. The probability value for asymptotic significance (2-tailed) of 0.200 exceeds the 0.05 threshold, thus confirming that the data distribution is considered normal. This assessment is performed to ascertain if there is a correlation among the independent variables within the regression model.

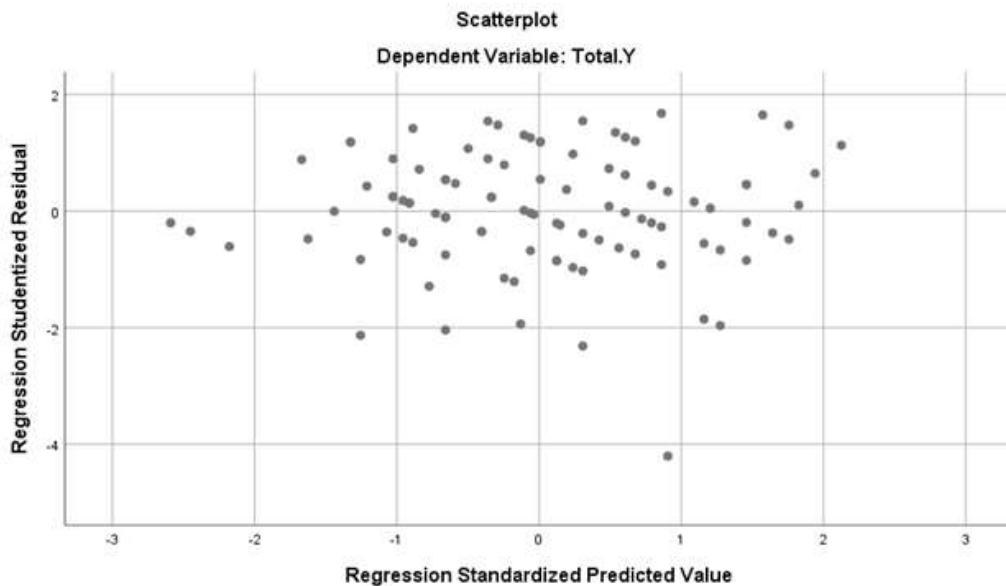
**Table.6 Multicollinearity Results**

Multicollinearity Test Results								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7,668	1,917		4,001	0,000		
	Digitalization	0,273	0,066	0,338	4,155	0,000	0,810	1,235
	Tax Knowledge	0,443	0,076	0,474	5,815	0,000	0,810	1,235

Dependent Variable: Taxpayer Compliance

Data source: SPSS results

According to the table presented above, multicollinearity is absent, as the independent variables of tax digitalization and taxpayer knowledge exhibit a VIF value below 10 and a tolerance value exceeding 0.10. Heteroscedasticity arises when the variance of the probability distribution of the disturbance varies across different observations of the research variables. In this study, a scatterplot diagram was used to assess the presence of heteroscedasticity.



**Figure.1 Heteroscedasticity Test**

The distribution pattern of the existing data is illustrated in the dispersion plot presented above. This pattern does not have a clear formation, but rather consists of dots scattered above and below the central axis. The observed distribution indicates the absence of heteroscedasticity, thus fulfilling the assumptions associated with this condition. To taxpayer compliance (Y). 2. To

determine the effect of independent variables, namely tax digitalization (X1) and taxpayer knowledge (X2) on taxpayer compliance (Y), multiple linear regression models are used. The results of multiple regression calculations are presented in the following table.

**Table.7 Multiple Linear Regression Test Results**

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	7,668	1,917
	Digitalization	0,273	0,066
	Tax Knowledge	0,443	0,076
Dependent Variable: Kepatuhan Wajib Pajak			

Data Source: SPSS Results

The positive relationship between taxpayer digitization (X1) and taxpayer knowledge (X2) is shown by the previous regression equation. Consequently, this equation can be described as follows:

1. Tax digitalization and tax knowledge, independent variables, are considered constant. With a constant of 7.668, the value of Y, or taxpayer compliance, is 1.917.
2. According to the regression coefficient of tax digitalization of 0.273, personal taxpayer compliance will increase by 0.273 with each addition of 1 (one) tax service value.
3. Based on the taxpayer knowledge coefficient of 0.443, personal taxpayer compliance will decrease by 0.443 every time the value of the application of the tax e-system is increased to 1.

**Partial Test (t Test)**

To determine whether the independent variable affects the dependent variable, the t test is performed.

**Table.8 t Test Results**

Model		t	Sig.
1	(Constant)	4,001	0,000
	Digitalization	4,155	0,000
	Tax Knowledge	5,815	0,000

Dependent Variable: Taxpayer Compliance

Data source: SPSS results

Based on the t test results above, the following results are obtained:

1. The initial hypothesis (H1) has been validated, indicating that the digitalization of tax processes significantly enhances taxpayer compliance. This finding is corroborated by the data illustrated in the preceding table, where the computed t value of 4.155 surpasses the critical t value of 1.660, and the significance level is 0.000, which is less than 0.05.
2. The second hypothesis (H2) is affirmed, indicating that tax knowledge exerts a significant positive influence on taxpayer compliance. This conclusion is supported by the data presented in the table above, where the calculated t-value of 5.815 exceeds the critical t-value of 1.660, and the significance level is 0.000, which is less than 0.05.

The objective of this assessment is to ascertain whether the dependent variable and the independent variable are influenced concurrently. A significance level ( $\alpha$ ) of 5% is employed to evaluate the Fcount value against Ftable. If Fcount is less than Ftable, the null hypothesis (H0) is accepted; conversely, if Fcount exceeds Ftable, the null hypothesis (H0) is rejected.

**Table.9 F Test Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	217,361	2	108,681	44,541	.000 <sup>b</sup>
	Residual	236,679	97	2,440		
	Total	454,040	99			

Data source: SPSS results

Based on the t test results above, the results show that:

1. The preliminary hypothesis (H1) concerning the connection between tax digitalization and taxpayer compliance has been validated. The information displayed in the table shows that the F count of 44.541 exceeds the F table value of 3.09, while the significance level of 0.000 is lower than the 0.05 threshold.
2. The second hypothesis (H2) is proven correct, which shows that tax knowledge simultaneously affects taxpayer compliance. The data illustrated in the table above substantiates this conclusion, as the Fcount of 44.541 surpasses the Ftable value of 3.09, and the significance value of 0.000 is less than 0.05.

The coefficient of determination test assesses the extent to which the model accounts for variations in the dependent variables.

**Table.10 Test Results of the Coefficient of Determination**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.692 <sup>a</sup>	0,479	0,468	1,562

Sumber data : Hasil SPSS

The coefficient of determination of 0.468 was found from the table above. This shows the effect of the study's independent variables on taxpayer compliance. personal amounted to 46.8% and the remaining 53.2% was influenced by other variables

### The Effect of Tax Digitalization on Taxpayer Compliance

To enhance tax revenue, the government has adopted digitalization as a key strategy within its tax reform initiatives. According to Sepriliani & Ismatullah (2021), the contemporary framework of tax administration significantly contributes to improving compliance among individual taxpayers. The results of their study suggest that the digitization of tax processes has a beneficial effect on taxpayer compliance. This conclusion is consistent with the research carried out by Wulandari (2021), which highlights that the introduction of e-filing in the tax administration framework enhances taxpayer adherence. The Influence of Tax Knowledge on Taxpayer Compliance.

Every taxpayer in Indonesia is obliged to report, calculate, and deposit their taxes, because this country uses the Self-Assessment System for taxation. Therefore, it is important for individuals to understand tax procedures in order to fulfill their tax responsibilities (Muti'ah and Anwar, 2021). The findings of this study indicate that an increase in taxpayer knowledge correlates with an increase in taxpayer compliance. This result is consistent with previous research (Albab & Suwardi, 2021), which shows that knowledge affects taxpayer compliance behavior through mechanisms such as observational learning or direct information sharing.

### CONCLUSIONS AND RECOMMENDATIONS

The findings from the research conducted on the Impact of Tax Digitalization and Tax Knowledge on Taxpayer Compliance, focusing on individual taxpayers of KPP Pratama Badung Utara, allow for the following conclusions to be drawn.

1. Tax Digitalization has a significant positive effect on taxpayer compliance. This can be proven based on the table above,  $t$  count  $4.155 > t$  table  $1.660$  and a significance value of  $0.000 < 0.05$ . Where the government makes tax changes through digitalization to increase tax revenue.

2. Tax knowledge plays a crucial role in enhancing taxpayer compliance. This assertion is corroborated by the data presented in the table above, which indicates that the t count value of 5.815 surpasses the critical t value of 1.660, and the significance level of 0.000 is below the established threshold of 0.05.

### ADVANCED RESEARCH

Still conducting further research to find out more about The Impact of Tax Digitalization and Tax Awareness on Compliance Among Taxpayers: a Study of Individual Taxpayers at KPP Pratama Badung Utara.

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