The Influence of Tax Literacy on Compliance with Individual Income Tax Obligations (PPH 21) in 2023

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A R T I C L E I N F O

A B S T R A C T

This research explores the impact of tax literacy on the compliance of taxpayers PPh 21 in 2023. Based on a review of the literature, it has been found that tax literacy significantly influences compliance, with taxpayers who understand their tax obligations being more disciplined in reporting their taxes. The low level of literacy presents a challenge, indicating the need for effective tax education programs and more intensive outreach efforts. The utilization of information technology for accessing tax resources and collaboration with the private sector is also recommended. Furthermore, enhancing the quality of tax services can improve taxpayer comfort. With these measures, it is anticipated that tax literacy will increase and contribute to better tax compliance in Indonesia

INTRODUCTION

National development aims to enhance the welfare of the people and requires appropriate financing. In this regard, the government must consider sources of national revenue, particularly from taxes. Tax, defined as a mandatory contribution paid by individuals or entities to the state without direct compensation, serves the prosperity of the people in accordance with Law Number 28 of 2007, amended by Law No. 7 of 2021 concerning the harmonization of tax regulations. Taxes have two main functions. First, the budgetary function, which means generating funds for state expenditures, and second, the regulatory function, which is used to govern social and economic policies. Taxes are the primary source of revenue for the State Budget (APBN) and make a significant contribution to national development. Therefore, optimizing taxes as a source of national revenue is crucial to support national development and enhance the welfare of society.

Table 1. Tax Revenue of the Indonesian State Year 2017-2022

Year	Tax Revenue (In Billion Rupiah)	Realization (%)
2017	1.147	89,4%
2018	1.395	95,2%
2019	1.539	90,0%
2020	1.283	83,4%
2021	1.278	100,0%
2022	1.716	115,6%

Source: Processed Data, Central Bureau of Statistics (BPS), (2022).

The table shows the annual increase in Indonesia's tax revenue. In 2022, it reached IDR 1,716 trillion, growing by 34.3% compared to the previous year. Several factors contributed to this significant increase in tax revenue, including:

1. **Economic Recovery**: Indonesia's economy has rebounded from the COVID-19 pandemic, resulting in increased economic activity and enhanced tax-related activities.
2. **Effectiveness of Tax Reforms**: The expansion of the tax base and improved tax compliance are government tax reforms that have boosted tax revenue.

As the primary source of state revenue, income from the tax sector plays a crucial role in determining the success of infrastructure development and public facilities. Tax revenue enables the government to carry out various activities and build independently. Although tax collection reduces individual income, the money paid through taxes is returned to the community in the form of routine expenditures and development. Therefore, the benefits of taxes can be seen in daily life, including in education and health sectors. To maximize tax revenue potential, both the government and the Directorate General of Taxes need to focus on increasing income from the tax sector, which requires active participation from taxpayers.

However, in practice, taxpayer contributions to tax payments have not met expectations. Indonesia applies a self-assessment system, where taxpayers are

responsible for fulfilling their own tax obligations. Taxpayer compliance is crucial for the success of this system and can be defined as the behavior of taxpayers in meeting tax obligations according to the law. There are two types of tax compliance: formal compliance, which includes timely reporting and payment, and material compliance, which relates to paying taxes according to regulations. The level of individual taxpayer compliance in Indonesia remains low, with formal compliance at only 70.7% and material compliance at 57.9% in 2022. Public dissatisfaction with public services, uneven infrastructure development, and corruption are some factors contributing to this low compliance. Additionally, both internal and external factors influence tax compliance, including the characteristics of individual taxpayers and their surrounding environment.

Driving factors for fulfilling tax obligations can be categorized into coercive and voluntary factors, where coercion relates to the perception of tax authority power, while voluntary factors enhance public awareness of their obligations. The Directorate General of Taxes has undertaken various efforts to improve compliance through outreach, monitoring, and ease of tax reporting. Tax literacy, which encompasses taxpayers' knowledge and awareness of taxes, is also important for enhancing compliance. In the digital economy era, the utilization of technology can facilitate taxpayers in meeting their obligations. Therefore, this research aims to explore the impact of tax literacy on the compliance of individual taxpayers in the digital economy era.

LITERATURE REVIEW

National development aims to improve the welfare of the community and requires appropriate financing. In this context, the government must consider the sources of national revenue, especially from the tax sector. Taxes, which are defined as mandatory contributions paid by individuals or entities to the state without direct compensation, function for the welfare of the people in accordance with Law No. 28 of 2007 as amended by Law No. 7 of 2021 concerning the harmonization of tax regulations. Taxes have two main functions, namely the budget function, which means generating funds for state spending, and the regulatory function, which is used to regulate social and economic policies. Taxes are the main source of revenue for the State Revenue and Expenditure Budget (APBN) and make a significant contribution to national development. Therefore, tax optimization as a source of national income is very important to support national development and improve community welfare (Jamil, 2019; Siregar, 2021).

Based on data from the Central Statistics Agency (BPS), Indonesia's tax revenue shows a significant increase from year to year. In 2022, tax revenue reached IDR 1.716 trillion, which increased by 34.3% compared to the previous year. Some of the factors contributing to this increase are the economic recovery after the COVID-19 pandemic and the effectiveness of tax reforms, such as expanding the tax base and increasing tax compliance (BPS, 2022). Tax revenues have a very important role in funding the development of infrastructure and public facilities. However, despite the increase in tax revenue, the taxpayer's contribution to tax payments still does not meet expectations. Therefore, it is important for the government to continue to improve tax compliance through various policies and strategies, including tax education programs (Mardiasmo, 2016).

The self-assessment system implemented in Indonesia requires taxpayers to meet their tax obligations independently. Tax compliance is key to the success of this system and can be divided into two types: formal compliance, which includes reporting and timely payments, and material compliance, which deals with paying taxes in accordance with applicable regulations. According to data obtained in 2022, the formal compliance rate was 70.7%, while material compliance was only 57.9%, a figure that is quite low and reflects the major challenges in achieving optimal tax compliance (BPS, 2022). Some of the factors that affect tax compliance include public dissatisfaction with public services, uneven infrastructure development, and corrupt practices in the government (Waluyo, 2011). In addition, internal and external factors, such as the individual characteristics of taxpayers and their social environment, play a role in determining the level of tax compliance.

The driving factors for fulfilling tax obligations can be divided into two main categories, namely coercive and voluntary factors. The coercive factor relates to the perception of the power of the tax authority, while the voluntary factor involves increasing public awareness of their obligations. To improve tax compliance, the Directorate General of Taxes has made various efforts such as socialization, supervision, and ease of tax reporting. One of the most important

aspects of improving compliance is tax literacy, which includes taxpayers' knowledge and awareness of taxation. In the era of the digital economy, the use of information technology can make it easier for taxpayers to fulfill their tax obligations (Dwikora, 2013; Siti, 2014).

In this study, the literature reviewed shows that tax literacy has a significant influence on taxpayer compliance, especially related to income tax (PPh 21) in 2023. A good understanding of tax obligations, including the calculation and reporting of Income Tax 21, contributes to increased taxpayer compliance. This is in line with the findings of Mardiasmo (2016) which states that taxpayers with a high level of tax literacy tend to be more disciplined in fulfilling their tax obligations. In addition, research by Siti (2014) It also shows that good tax literacy can increase taxpayers' awareness of the importance of their contribution to national development. On the contrary, low tax literacy among taxpayers is still a big challenge. Many taxpayers do not fully understand their rights and obligations, as well as the procedures to follow in tax reporting. Waluyo (2011) emphasized the importance of a more effective tax education program to improve taxpayer understanding.

Overall, tax literacy has a very important role in improving Income Tax 21 tax compliance. Efforts to improve tax literacy through effective education and socialization programs can contribute greatly to improving taxpayer compliance in Indonesia. Good tax literacy will not only provide benefits for the government in increasing tax revenue, but also support more sustainable and equitable economic development.

METHODOLOGY

In this study, a descriptive method is applied using a qualitative approach. The choice of this approach is based on the aim to understand and interpret the meaning of the data that has been collected. The data collection techniques used include literature review, where data is obtained from various secondary sources such as books and research findings relevant to the topic being studied. With this approach, it is hoped that this research can provide a comprehensive overview of the challenges faced as well as the solutions that can be implemented to improve tax compliance in Indonesia.

RESULTS AND DISCUSSION

This study aims to explore the impact of tax literacy on taxpayer compliance, specifically regarding income tax (PPh 21) in 2023. Based on the literature review conducted, it was found that tax literacy has a significant influence on taxpayer compliance. According to Dwikora (2013), a good understanding of tax obligations, including the calculation and reporting of PPh 21, contributes to increased compliance. This study aligns with the findings expressed by Mardiasmo (2016), which state that taxpayers with a high level of tax literacy tend to be more disciplined in fulfilling their tax obligations. Literature indicates that having adequate knowledge of tax regulations can reduce errors in reporting and enhance compliance. This is supported by research conducted by Siti (2014), which found that good tax literacy can increase taxpayers' awareness of the importance of their contributions to national development. She noted that taxpayers who understand their rights and obligations are more likely to meet their tax obligations in a timely manner.

However, the analysis results also indicate that low tax literacy among taxpayers remains a significant challenge. Many taxpayers do not fully understand their rights and obligations, as well as the procedures that must be followed in tax reporting. This is consistent with Waluyo's (2011) opinion, which emphasizes the need for more effective tax education programs to enhance taxpayers' understanding. Overall, the results of this study indicate that tax literacy plays a crucial role in improving PPh 21 tax compliance. Efforts to enhance tax literacy through appropriate educational programs and outreach can significantly contribute to increased taxpayer compliance in Indonesia. Improved tax literacy will not only benefit the government in terms of tax revenue but also contribute to more sustainable and equitable economic development.

CONCLUSIONS AND RECOMMENDATIONS

From the research conducted on the impact of tax literacy on the compliance of PPh 21 taxpayers in 2023, it can be concluded that tax literacy plays a crucial role in enhancing taxpayer compliance. The study shows that a good understanding of tax obligations, including the calculation and reporting of taxes, significantly contributes to the discipline of taxpayers in fulfilling their obligations. The analyzed literature reveals that a high level of tax literacy is directly related to better compliance. This indicates that taxpayers who understand their rights and obligations are more likely to report taxes in a timely manner.

However, low tax literacy among taxpayers remains a challenge that must be addressed. Therefore, more intensive efforts from the government and related institutions are needed to enhance tax literacy through effective educational and outreach programs. Improving tax literacy will not only benefit the government in terms of tax revenue but will also contribute to more sustainable and equitable economic development.

RECOMMENDATIONS

From the findings of the research on the impact of tax literacy on the compliance of PPh 21 taxpayers, it is recommended that the government and tax institutions enhance tax education programs with clear and relevant materials. The communication of taxpayers' rights and obligations should also be strengthened through seminars and social media campaigns. The utilization of information technology, such as online applications, can facilitate access to tax information for taxpayers. Additionally, cooperation with the private sector in outreach and improving the quality of services by tax officials is essential to enhance taxpayer comfort. With these measures, it is hoped that tax literacy will increase and contribute to better tax compliance in Indonesia.

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