

## The Impact of Tax Literacy and the Complexity of Tax Rules on Taxpayer Compliance

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### Abstract

The impact of tax literacy and the complexity of tax regulations on taxpayer compliance at KPP Pratama North Makassar was the focus of this study. 100 taxpayers registered with KPP Pratama North Makassar participated in this quantitative research. Primary data was collected by distributing questionnaires directly to taxpayers at KPP Pratama North Makassar. The research findings indicate that the tax literacy variable has a partially positive and significant influence on taxpayer compliance at KPP Pratama North Makassar. If taxpayers' tax literacy increases, taxpayers will understand and comprehend their obligations and be able to understand the essence of the payments made. Other results show that the variable complexity of tax regulations partially positively and significantly affects taxpayer compliance at KPP Pratama North Makassar. The complexity of tax regulations requires taxpayers to learn tax procedures so that taxpayer understanding will increase. The complexity of tax regulations can also be used to provide clarity regarding the tax rules that apply under legislation.

**Keyword:** Complexity of Tax Rules, Taxpayer Compliance, Tax Literacy

### INTRODUCTION

The economic development of a country depends on the amount of income generated for the development of infrastructure and social services. To assist national development, domestic revenues must be increased, including by maximizing revenues from the tax sector (Astuti & Panjaitan, 2018). The role of taxes is so important that the government is encouraged to continue trying to implement various strategies to maximize tax revenues. To increase state revenues from various tax sources, taxpayer compliance is required. According to reports from Tax Justice Network 2020, tax evasion is expected to cost Indonesia US\$ 4.86 billion annually, or IDR 68.7 trillion (Rupiah exchange rate: IDR 14,149/US dollar). The level of tax avoidance by taxpayers shows that taxpayer compliance in Indonesia is still minimal.

**Table 1. Tax Revenue at KPP Pratama North Makassar 2017-2021**

Year	Number of Taxpayers	Tax revenue
2017	173.116	IDR 1,063,213,808,553
2018	183.707	IDR 1,262,470,684,229
2019	195.961	IDR 1,157,820,641,316
2020	231.937	IDR 1,110,695,287,081
2021	246.870	IDR 1,132,095,947,522

Source: KPP Pratama North Makassar, 2022

Based on this table, it can be seen that the number of taxpayers at KPP Pratama North Makassar increases every year. Likewise, the realization of tax revenues in 2018 was higher than revenues in

2017. However, in the following year, after 2018, tax revenues decreased. The realization of tax revenues from 2019 to 2021 has not exceeded the realization of revenues in 2018. This reduced realization of tax revenues is not balanced with the number of taxpayers, which increases every year. If you look at this, there are still taxpayers who are not compliant in carrying out their obligations. The motivation is there to research the factors that can impact taxpayer compliance. The level of taxpayer compliance is crucial in determining whether tax revenues will be high or low. Several factors, such as tax literacy and the complexity of tax regulations, can influence taxpayer compliance.

The first factor that can influence tax compliance in Indonesia is the lack of literacy or public understanding of tax regulations, which are always developing. Taxpayers who do not understand the applicable tax regulations tend to become non-compliant taxpayers. Because they are aware of the strict tax laws, taxpayers may better comprehend the repercussions of failing to fulfill their tax-related duties. The findings of studies by Musfira (2021) and Wardani et al. (2022), which demonstrate that knowledge of tax laws affects taxpayer compliance, support this. In contrast to research findings (Pebrina & Hidayatulloh, 2020), which indicate that taxpayer compliance is unaffected by knowledge of tax laws.

Taxpayer compliance can be influenced by the complexity of taxation, as noted by Sukoco (2022). High levels of complexity can lead to uncertainty about tax regulations and impede economic development, according to Collier et al. (2018). Nooren & Kristanto's (2021) research demonstrates that tax complexity negatively impacts taxpayer compliance in multiple countries. Conversely, the complexity of tax regulations indirectly necessitates that taxpayers familiarize themselves with existing tax laws, thereby increasing taxpayer knowledge and facilitating compliance with their tax obligations. Previous research by Wiyarni et al. (2017) indicates that the complexity of tax regulations positively correlates with tax compliance. However, Vilion & Kristanto's (2021) study suggests that tax complexity does not affect taxpayer compliance.

From the description outlined above, taxpayer compliance is still an unresolved issue that can decrease state revenues from the tax sector. There are still different results from each previous researcher, which makes taxpayer compliance an interesting topic for further research. The research aims to investigate the impact of tax literacy and the complexity of tax regulations on taxpayer compliance at KPP Pratama North Makassar. The goal is for the findings to offer valuable insights into taxpayer compliance and help prevent non-compliance among taxpayers in meeting their tax responsibilities.

## **LITERATURE REVIEW**

### **Attribution Theory**

Basically, attribution theory tries to explain how someone interprets events and the reasons and causes of their actions (Noviani, 2018). This research uses attribution theory, which can be used as a relevant theoretical basis for understanding the factors that can influence taxpayer compliance. The attitude of taxpayers in providing opinions and tax assessments can be used as a link to taxpayer compliance (Alamanda & Mulyani, 2020). Internal and external factors can cause compliance and non-compliance by taxpayers in explaining their obligations.

### **Tax Literacy**

When the public, especially taxpayers, are able to read and understand good tax regulations, they will understand and implement the applicable tax provisions (Martinez & da Silva, 2019). The theory relevant to tax literacy is attribution theory. Tax literacy is an internal factor that can influence taxpayer compliance because it is caused by control from within the individual himself. A high level of tax literacy can reduce taxpayers' desire to avoid taxes or comply with tax regulations. The more people who understand tax regulations, the better tax compliance will be (Nichita et al., 2019). Ultimately, a better level of tax compliance will lead to increased state revenues.

### **Complexity of Tax Rules**

Tax complexity is a description of the difficulty in complying with existing tax regulations (Hoppe et al., 2018). The complexity of the tax system in a country can make government revenues less than optimal because taxpayers fail to fulfill their responsibilities as taxpayers, whether

intentionally or unintentionally (Wiyarni et al., 2017). Attribution theory is in accordance with tax complexity, where tax complexity is an external factor because it is an external influence that can influence taxpayer compliance.

### Taxpayer Compliance

Tax compliance is a taxpayer's actions in complying with their tax responsibilities. Taxpayers are required to pay and report periodic and annual taxes regularly and in accordance with applicable regulations (Tambun & Ananda, 2022). Taxpayer compliance means timely entering and reporting the required data, filling in the tax owed correctly and paying taxes voluntarily on time.

### Hypothesis

This research tests two hypotheses, namely:

H<sub>1</sub>: Tax literacy influences taxpayer compliance.

H<sub>2</sub>: The complexity of tax regulations influences taxpayer compliance.

## METHODS

Quantitative research in the form of causal research was utilized for this study, which was conducted at KPP Pratama North Makassar starting in December 2022. The research population included all 263,340 registered taxpayers at KPP Pratama North Makassar. The researchers randomly selected samples from individuals they encountered at KPP Pratama North Makassar using the Slovin formula for sampling.

$$n = \frac{N}{(1 + N \cdot It is^2)} = \frac{263.340}{(1 + 263.340(10\%^2))}$$

$$n = 99.99 = 100 \text{ (rounded)}$$

Based on the results of the calculations above, it is known that there are 100 samples in this research. This research uses primary data, which is data collected from respondents filling out questionnaires, which was carried out directly by the researcher. The answers to the questionnaire are in the form of a choice scale consisting of five Likert points, namely, strongly disagree (value 1), disagree (value 2), neutral (value 3), agree (value 4) and strongly agree (value 5). The questionnaires that have been collected will then be tabulated in the Microsoft Office Excel program and processed using SPSS. The research employs descriptive statistical analysis, assesses data quality, tests classical assumptions, conducts multiple linear regression analysis, and performs hypothesis testing using analytical methods.

## RESULTS AND DISCUSSION

### RESULTS

#### Analysis of Multiple Linear Regression

Finding the functional relationship between a dependent variable and two or more independent variables is the aim of multiple linear regression analysis. The following table displays the multiple linear regression analysis's findings.

**Table 1. Analysis of Multiple Linear Regression Results**

Model	Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Say.
	Unstandardized Coefficients B	Std. Error			
1 (Constant)	23.578	3.601		6.548	.000
Tax Literacy	.325	.107	.278	3.044	.003
Complexity of Tax Rules	.347	.098	.324	3.549	.001

a. Dependent Variable: Taxpayer Compliance

Sumber: Output SPSS, 2023

Based on the results of the multiple linear regression analysis test above, the regression equation is obtained as follows.

$$Y = 23.578 + 0.325X_1 + 0.347X_2 + e$$

#### Partial Test (t-Test)

The table's determination was computed using the formula  $df = (n - k - 1)$  with a 5% significance level, where  $n$  represents the total number of respondents, which is 100, and  $k$  is the number of variables. Substituting the values,  $df = 100 - 3 - 1 = 96$ , resulting in a t-table value of 1.984 for this study. Looking at Table 1's t-test results, it is evident that the t-values for each variable are 3.044 and 3.549, exceeding the Table 1.984, with significance levels of 0.003 and 0.001 for each variable, both less than 0.05. This indicates that tax literacy and the complexity of tax regulations each partially affect taxpayer compliance.

#### Coefficient of Determination Test ( $R^2$ )

The extent of the independent variable's impact on the dependent variable or the magnitude of the independent variable's influence on the dependent variable is indicated by this test. The table below displays the outcomes of the coefficient of determination test ( $R^2$ ).

**Table 2. Coefficient of Determination Test Results ( $R^2$ )**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.450 <sup>a</sup>	.202	.186	2.798

a. Predictors: (Constant), Complexity of Tax Rules, Tax Literacy  
b. Dependent Variable: Taxpayer Compliance

Sumber: Output SPSS, 2023

The table results above indicate that the R Square column's coefficient of determination value is 0.202. This indicates that 20.2% of the taxpayer compliance variable is influenced by the tax literacy variable and the complexity of tax regulations. The remaining 79.8% is attributed to other factors or variables that were not addressed or included in this study.

## DISCUSSION

### Tax Literacy Partially Influences Taxpayer Compliance

The analysis of multiple regression results indicates that the tax literacy variable ( $X_1$ ) has a partially positive and significant impact on the taxpayer compliance variable ( $Y$ ) at KPP Pratama North Makassar. Therefore, it is evident that the first hypothesis in this study has been validated and accepted. As tax literacy levels rise, taxpayers can better grasp the genuine advantages of taxes in daily life, leading to an increase in taxpayer compliance with their tax obligations. Tax literacy plays an important role in successfully growing taxpayer compliance. Through taxpayer tax literacy, we can find out when taxpayers have to pay taxes, when the reporting deadline is and how to calculate the amount of tax owed. The increased compliance of taxpayers can help them fulfill their duties as responsible citizens and boost state revenues through tax payments. The findings of this study align with the research conducted by (Wardani et al. 2022) (Andani, 2022), which suggests that tax literacy positively influences taxpayer compliance.

### The Complexity of Tax Rules Partially Influences Taxpayer Compliance

The analysis of multiple regression results indicates that the variable for tax regulation complexity ( $X_2$ ) has a partially positive and significant impact on taxpayer compliance ( $Y$ ) at KPP Pratama North Makassar. Therefore, it can be concluded that the second hypothesis of this study is confirmed and accepted. The findings of this research are in line with prior studies conducted by (Dharmawan & Adi, 2021), (Supawanhar et al., 2021), and (Wiyarni et al., 2017). From a theoretical standpoint, this study presents evidence that the complexity of tax regulations has a partially positive and significant influence on taxpayer compliance. The complexity of tax regulations can enhance taxpayers' comprehension, as they are required to familiarize themselves with these regulations. Through a thorough examination of the applicable tax regulations, taxpayers can expand their knowledge and expertise, potentially leading to improved compliance with their tax obligations.

The complexity of tax regulations is due to the large number of rules and frequent changes to tax regulations, which can create difficulties and limited understanding by the public. However, according to research (Supawanhar et al., 2021), what is meant by the complexity of tax regulations is the clarity and certainty of laws relating to taxation. When the law regarding taxation is clear and fair without any partiality, and there is an understanding between taxpayers and tax authorities regarding tax regulations, it will motivate taxpayers to fulfill their tax responsibilities. With clarity in these regulations, taxpayers can also comply and can help improve the country's economy.

## CONCLUSION

From the research findings and conversations outlined, we can draw the following conclusions from this study. The regression coefficient results for the tax literacy variable indicate that partial tax literacy has a significant and positive impact on taxpayer compliance at KPP Pratama North Makassar. An increase in taxpayers' tax literacy will lead to a better understanding of their obligations and the nature of their payments. Increased knowledge and understanding of taxation among taxpayers will result in higher levels of compliance with their tax responsibilities. The regression coefficient results for the complexity variable in tax regulations indicate that, to some extent, the complexity of tax regulations has a significant and positive impact on taxpayer compliance at KPP Pratama North Makassar. Taxpayers are required to familiarize themselves with tax procedures due to the complexity of tax regulations, which in turn enhances taxpayer understanding. Moreover, the complexity of tax regulations can be utilized to offer clarity on the applicable tax rules as per the legislation. As taxpayers gain more experience and a better understanding of fair tax laws, they are more likely to comply with and meet their tax obligations.

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