



**THE EFFECT OF TAX AVOIDANCE, TAX PROCEDURE  
AWARENESS, TAX SOCIALIZATION AND TAX  
MODERNIZATION ON TAXPAYER COMPLIANCE AT THE  
MEDAN PRIMARY TAX SERVICE OFFICE**

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## **Abstract**

Taxpayer's obedience is influenced by several factors such as, tax evasion, tax procedure's awareness, tax socialization and tax modernization. Tax procedure's awareness is a condition where the taxpayer understands and comprehends the meaning, function and the purpose of tax payments to the country. The purpose of this research is to verify the influences of tax evasion, tax procedure's awareness, tax socialization and tax modernization towards the taxpayer's obedience in tax service office (tax office) Pratama Medan.

The methodology used in this research is a quantitative approach with questionnaire method such as distributing a list of questionsnaire. Variable is measured by Likert scale. The population in this research is all taxpayers in tax service office/tax office Prata Medan whose sum is 85,180 taxpayers with 118 samples.

The results of this research show that tax evasion, tax procedure's awareness and tax socialization are not working for taxpayer's obedience, but tax modernization is partially and significantly influenced towards the taxpayer's obedience. The result of simultaneous research shows that tax evasion, tax procedure's awareness, tax socialization and tax modernization are influenced positively and significantly for taxpayer's obedience.

**Key Words** Tax Evasion, Tax Procedure's awareness, Tax Socialization, Tax Modernization and Obedience

## **I. INTRODUCTION**

Indonesia as a developing country has one of the main sources of state income, namely tax revenue. State revenue in the largest tax source comes from companies. Companies that carry out business activities must fulfill tax obligations in accordance with the applicable tax regulations and laws in the country where the company carries out business activities. Therefore, currently the country

relies heavily on sources of income from taxes. Taxes have a very important role in national life, because taxes are a source of state income to finance all expenses.

In Indonesia, the self-assessment system is adopted in tax collection. The self-assessment system is a tax collection system that gives authority, trust, and responsibility to taxpayers to calculate, calculate, pay, and report the amount of tax to be paid. With this self-assessment system, taxpayers are given the trust to calculate, pay and report the taxes owed themselves and all risks will be the responsibility of the taxpayer.

By adopting a self-assessment system, the level of taxpayer compliance is influenced by tax avoidance. Tax avoidance is when taxpayers do not clearly violate the law, although sometimes they clearly interpret the law not in accordance with the intent and purpose of the law makers. The background of the problem in this study is that there are taxpayers who avoid taxes by delaying paying taxes, which will cause low taxpayer compliance in paying taxes. In order to reduce tax avoidance, tax sanctions must be applied to those who do not pay taxes on time, if not implemented, there will be legal consequences that apply.

The level of taxpayer compliance is influenced by awareness of tax procedures. If awareness of tax procedures is poorly understood, it will cause low taxpayer obligations in paying and reporting taxes. As a result of low awareness of tax procedures, taxpayers will easily forget their obligations to pay taxes and a negative impression will arise in tax problems that make it difficult for taxpayers to obtain information outside the tax office. Therefore, it is necessary to conduct tax socialization which is one of the factors in the high and low taxpayer compliance. Tax socialization is held by providing knowledge for taxpayers such as basic concepts of taxation, reporting taxes, calculating taxes and how to fill out tax reports. In addition to tax socialization, taxpayers can gain knowledge through tax officers, the internet, magazines, and guidebooks. However, this tax socialization is not often carried out which results in low levels of taxpayer compliance.

The level of taxpayer compliance is also influenced by tax modernization. The more sophisticated the technology improved by the government, the higher the level of taxpayer compliance. To facilitate tax payments and reporting, the government has created a modernization system such as e-registration, e-filing, e-banking, e-SPT and drop box. All systems owned by the government make taxpayers report their taxes regularly and on time. Before the modernization system was implemented, taxpayers were required to be present at the tax service office and with the implementation of the modernization system, taxpayers are not required to come to the tax service office, simply by reporting the Annual Tax Return (SPT) through a system created by the government and taxpayers can also use this system anywhere so as to increase taxpayer compliance.

## **II. LITERATURE REVIEW**

### **Previous Research**

Wijayanto (2016), conducted a study entitled "The Influence of Tax Socialization and Understanding of Tax Procedures on Taxpayer Compliance in Fulfilling Rural and Urban Land and Building Tax (PBB P2) Obligations in Magelang City in 2015." Data were obtained from 10 sub-districts using a questionnaire method. Data were analyzed using descriptive statistical analysis, normality test, linearity test, multicollinearity test, heteroscedasticity test, multiple linear regression, simultaneous test, partial test, coefficient of determination to test all relationships between models. The results of

the study indicate that there is a significant relationship between tax socialization and understanding of tax procedures on taxpayer compliance (PBB P2) in Magelang City.

Hantoyono (2016), conducted a study entitled "The Effect of Tax Avoidance and Tax Sanctions on Taxpayer Compliance at the Tegal Pratama Tax Service Office." Data were obtained from 100 taxpayers with a quantitative approach method. Data were analyzed using Multiple Linear Regression, coefficient of determination, F test, t test to test all relationships between models. The results of the study showed that partially the tax avoidance variable had no significant effect and the tax sanction variable had a significant effect. Simultaneously, the tax avoidance and tax sanction variables had a significant effect on Taxpayer Compliance at Tegal Pratama.

Zuhair (2018), conducted a study entitled "The Effect of Modernization of Tax Administration System, Tax Socialization, Service Quality, and Tax Knowledge on Taxpayer Compliance in Restaurants in Solo and Yogyakarta." Data were obtained from taxpayers who pay restaurant taxes in Solo and Yogyakarta using a questionnaire method. Data were analyzed using validity tests, reliability tests, r tests, t tests to test all relationships between models. The results of the study showed that there was a significant relationship between modernization of the tax administration system and socialization on taxpayer compliance and service quality and tax knowledge were not significant on taxpayer compliance in Solo and Yogyakarta.

#### Theories About Tax Avoidance

Rahayu (2017) defines that tax avoidance is a legal action, can be justified because it does not violate the law, in this case there is no violation of the law at all. The purpose of tax avoidance is to reduce or minimize the amount of tax to be paid.

According to Sari (2016) tax avoidance is carried out in 3 ways, namely:

1. Refrain, what is meant by restraint is that the taxpayer does not do something that can be taxed. Example: Not smoking to avoid tobacco excise.
2. Moving location means moving the location of a business or domicile from a location with high tax rates to a location with low tax rates. Example: In Indonesia, relief is given to investors who want to invest their capital in eastern Indonesia. However, moving location is not that easy for taxpayers to do. They have to think about transportation, accommodation, human resources, natural resources, and facilities that support their business. This must be in accordance with the profits they get and the tax relief they get. Usually, this rarely happens. It only happens to entrepreneurs who have just started a business, or companies that will open a new branch. They open a new branch in a place with a lower tax rate.
3. Legal tax avoidance. Acts in such a way that the acts carried out are not taxed. Usually done by exploiting the gaps or ambiguities in the Law. This is what provides a potential basis for legal tax avoidance. Example: In the Netherlands and in Indonesia during the colonial eraIn the Netherlands, cinema owners provide a row of free seats in the front row specifically for journalists. Assuming that after watching the film, the journalist will write a review of the film and publish it in their newspaper/magazine. This is considered free advertising by the government. Therefore, a tax is imposed on the free seats. Cinema owners avoid this tax by charging a very cheap entrance fee specifically for journalists.

#### Theory of Tax Procedure Awareness

According to Rahayu (2017) said that "taxpayer awareness is a condition where taxpayers understand and comprehend the meaning, function and purpose of paying taxes to the state. With high taxpayer awareness will have an influence on increasing better tax compliance."

According to Pohan (2017a), "the still low level of public awareness of the obligation to pay taxes is not due to problems with satisfaction with the services provided by tax officials, but one of the causes is the problem of worsening role models, especially when the less than commendable role models come from the ranks of the government itself as tax administrators."

#### Theory of Tax Socialization

According to Lubis (2015) said that "Social order can occur when there is good socialization. Socialization can be defined as a social process carried out by a person in experiencing the norms of the group in which he lives so that he becomes part of his group."

#### Theory of Tax Modernization

According to Sari (2016) said that "taxation modernization is basically a manifestation or part of tax reform. This taxation modernization can be interpreted as the use of new tax facilities and infrastructure by utilizing the development of science and technology."

#### Theory of Taxpayer Compliance

According to Pohan (2017a) said that "compliance is identical to discipline. Discipline arises because of the fear of receiving sanctions if not taking action in accordance with existing provisions, so there is a drive from outside oneself. Different from awareness where the strong motivation to take action comes from oneself. Thus, taxpayers who comply with fulfilling tax obligations means that the taxpayer is disciplined in fulfilling the established tax regulations."

According to Rahayu (2017), "tax compliance is the obedience of taxpayers in implementing applicable tax provisions. Compliant taxpayers are taxpayers who obey tax obligations in accordance with the provisions of laws and regulations."

### III. RESEARCH METHOD

This research was conducted at the Pratama Tax Service Office (KPP) in the Medan Region, namely: Medan Pratama Tax Service Office located at Jalan Kolonel Laut Yos Sudarso, No. 27 KM 8.2, Tanjung Mulia, Medan Deli District, Medan City, North Sumatra 20241. The research period starts from September 2023 to December 2023.

#### Population and Sample

The population in this study was all taxpayers registered at the Medan Pratama Tax Office, totaling 85,180 taxpayers (Source: Medan Pratama Tax Office, 2023). Sampling using simple random sampling technique of 118 taxpayers.

The independent variables in the first problem formulation are tax avoidance (X1), tax procedure awareness (X2), tax socialization (X3), and tax modernization (X4). While the dependent variable is taxpayer compliance (Y).

The data analysis model used in this study to answer the hypothesis is multiple regression analysis, namely:  $Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \epsilon$



#### IV. RESEARCH RESULTS AND DISCUSSION

##### Partial Hypothesis Test

The results of the first partial hypothesis testing can be seen in Table 1. Below:

Table 1. Results of Partial Hypothesis Testing

Coefficients <sup>a</sup>			
	Model	t	Sig.
	(Constant)	4.436	.000
	Tax Avoidance	1,401	.164
	Tax_Procedure_Awareness	-.049	.961
	Socialization_of_Taxation	-.930	.354
	Taxation_Modernization	7,053	.000
Dependent Variable: Taxpayer Compliance			

Source: Research results, 2023 (processed data)

Based on Table 1. The following results were obtained:

1. The calculated t value for the tax avoidance variable is 1.401 and the significant value is 0.164 where this significant value is greater than sig 0.05. While the t table is 1.981. Therefore, the calculated t (1.401) is smaller than the t table (1.981), then H<sub>0</sub> is accepted and H<sub>1</sub> is rejected. This shows that partially the tax avoidance variable does not affect the level of taxpayer compliance at the Medan Pratama Tax Service Office (KPP).
2. The t-value for the variable of tax procedure awareness is -0.049 and the significant value is 0.961 where this significant value is greater than sig 0.05. While the t-table is 1.981. Therefore, t-value (-0.049) is smaller than t-table (1.981), then H<sub>0</sub> is accepted and H<sub>2</sub> is rejected. This shows that partially the variable of tax procedure awareness does not affect the level of taxpayer compliance at the Pratama Meda Tax Service Office (KPP).
3. The calculated t value for the tax socialization variable is -0.930 and the significant value is 0.354 where this significant value is greater than sig 0.05. While the t table is 1.981. Therefore, the calculated t (-0.930) is smaller than the t table (1.981), then H<sub>0</sub> is accepted and H<sub>3</sub> is rejected. This shows that partially the tax socialization variable does not affect the level of taxpayer compliance at the Medan Pratama Tax Service Office (KPP).
4. The calculated t value for the taxation modernization variable is 7.053 and the significant value is 0.000 where this significant value is smaller than sig 0.05. While the t table is 1.981. Therefore, the calculated t (7.053) is greater than the t table (1.981), then H<sub>0</sub> is rejected and H<sub>4</sub> is accepted. This shows that partially the taxation modernization variable has an effect on the level of taxpayer compliance at the Medan Pratama Tax Service Office (KPP).

##### Simultaneous Hypothesis Testing

The results of simultaneous testing of the influence of tax avoidance, awareness of tax procedures, tax socialization, and tax modernization on taxpayer compliance can be seen in Table 2.

Table 2. Results of Simultaneous Hypothesis Testing

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	244,146	4	61,037	14,535	.000b
	Residual	474,506	113	4.199		
	Total	718,653	117			
Dependent Variable: Taxpayer Compliance						
Predictors: (Constant), Tax Modernization, Tax Procedure Awareness, Tax Avoidance, Tax Socialization						

a. Dependent Variable: Taxpayer Compliance

b. Predictors: (Constant), Tax Modernization, Tax Procedure Awareness, Tax Avoidance, Tax Socialization

Source: Research results, 2023 (processed data)

Based on Table 2, it is obtained that the F count value (14.535) is greater than F table (2.45) and the significance value of 0.000 is smaller than sig 0.05. This shows that tax avoidance (X1), awareness of tax procedures (X2), tax socialization (X3), and tax modernization (X4) simultaneously have a positive and significant effect on the variable of taxpayer compliance level at the Medan Pratama Tax Service Office (KPP).

Hypothesis Testing

Based on the regression results of the data processed using the SPSS program, the following results were obtained:

Table 3. Hypothesis Regression Coefficients

Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	9,558	2.155	
	Tax evasion	.099	.071	.113
	Tax Procedure Awareness	-.003	.065	-.004
	Taxation Socialization	-.069	.074	-.080
	Taxation Modernization	.582	.083	.574

Source: Research results, 2023 (processed data)

Based on Table 3, the following equation can be made:

$Y = 9.558 + 0.99 \text{ tax avoidance} - 0.003 \text{ tax procedure awareness} - 0.069 \text{ tax socialization} + 0.582 \text{ tax modernization} + e$

From the equation it can be explained that the regression coefficient X1 (tax avoidance) has a positive value (0.99), the regression coefficient X2 (awareness of tax procedures) has a negative value (-0.003), the regression coefficient X3 (tax socialization) has a negative value (-0.069), the regression coefficient X4 (tax modernization) has a positive value (0.582). In other words, a positive regression coefficient proves its contribution to taxpayer compliance (Y) at KPP Pratama Medan.

Coefficient of Determination ( $R^2$ )

To find out the magnitude of the coefficient of determination ( $R^2$ ), see Table 4 below:

Table 4. Hypothesis Regression Coefficients

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.583a	.340	.316	2,049

a. Predictors: (Constant), Tax Modernization, Tax Procedure Awareness, Tax Avoidance, Tax Socialization

Source: Research results, 2023 (processed data)

From Table 4. The coefficient of determination (Adjusted  $R^2$ ) value is 0.316. This shows that the variables of tax avoidance, awareness of tax procedures, tax socialization, and tax modernization have the ability to explain their influence on the level of taxpayer compliance (KPP) Pratama Medan by 31.6%. While the remaining 68.4% is the influence of independent variables that are not examined in this study, namely education level, service level, understanding level, tax sanctions, taxpayer environment and other independent variables.

## V. CONCLUSION AND SUGGESTIONS

Based on the research results, the researcher drew the following conclusions:

1. Partially, the tax avoidance variable does not affect taxpayer compliance at the Medan Pratama Tax Service Office (KPP).
2. Partially, the variable of tax procedure awareness does not affect taxpayer compliance at the Medan Pratama Tax Service Office (KPP).
3. Partially, the tax socialization variable does not affect taxpayer compliance at the Medan Pratama Tax Service Office (KPP).
4. Partially, the tax modernization variable has an effect on taxpayer compliance at the Medan Pratama Tax Service Office (KPP).
5. Simultaneously, the variables of tax avoidance, awareness of tax procedures, tax socialization, and tax modernization have an effect on taxpayer compliance at the Medan Pratama Tax Service Office (KPP).

## Suggestion

The suggestions in this research are as follows:

1. The Medan Pratama Tax Service Office (KPP) is expected to routinely check the SPT reporting period and tax payments to prevent tax evasion and tax sanctions need to be tightened for those who do not report or pay taxes on time.
2. The Medan Pratama Tax Service Office (KPP) needs to develop tax education and often provide free seminars for taxpayers so that they can increase awareness of tax procedures.
3. The Medan Pratama Tax Service Office (KPP) needs to conduct outreach to taxpayers regarding taxation, this outreach can be done through advertisements on television, radio, newspapers and other media.

4. The Medan Pratama Tax Service Office (KPP) is expected to provide guidance and explanation regarding the online system for tax reporting and NPWP registration for taxpayers.
5. Medan Primary Tax Service Office (KPP) need to improve tax knowledge and understanding so that taxpayers can better understand tax sanction regulations and how to use online taxation so that taxpayers are more motivated to use the online service and the quality of the online server needs to be improved routinely so that when reporting the SPT there are no disruptions and it does not take a long time.

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