

The Mediating Role of Tax Awareness: Understanding and Sanctions on Taxpayer Compliance

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Abstract

The primary objective of this research is to examine and assess the impact of tax comprehension and tax penalties on taxpayer adherence to tax payment obligations, with tax awareness serving as an intermediary variable. The study will be conducted at the South Jakarta Madya Tax Office. The data utilized in this study were collected from taxpayers who were registered at the South Jakarta Madya Tax Office and voluntarily participated as respondents. This study employs primary data collection methods through direct field research, utilizing questionnaires administered to respondents. The proposed data analysis methodology encompasses several components: descriptive statistical tests, outer model tests, inner model tests, and hypothesis testing. These analyses will be conducted utilizing the comprehensive model of structural equation modeling (SEM) analysis with smartPLS. The findings indicated that the variables of tax comprehension, tax sanctions, and tax awareness exhibited a favorable and statistically significant impact on taxpayer compliance to some extent. The variables about tax comprehension and tax penalties show a clear and statistically significant effect on tax consciousness. Taxpayer compliance is influenced by two key variables: tax understanding and tax sanctions. These variables have been found to have a favorable and significant impact on compliance levels when mediated by tax awareness.

Keywords: Tax Understanding; Tax Sanctions; Tax Awareness; Taxpayer Compliance

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Introduction

Implementing the self-assessment system in Indonesia's tax-collecting framework instills a sense of trust and assurance among taxpayers about fulfilling their tax responsibilities and entitlements. In essence, taxpayers are empowered to assess the precise amount of tax

liability they owe independently. The Self Assessment System is subject to a flaw whereby it places significant reliance on taxpayers, hence making the accuracy of tax payments contingent upon the integrity and adherence of taxpayers to accurately reporting their tax liabilities. Nevertheless, in practical implementation, it becomes challenging to achieve the desired outcomes or is frequently subject to misuse. The non-compliance among taxpayers can be attributed to the limited public awareness, which challenges individuals in fulfilling their tax payment duties (Diamastuti, 2016).

The issue of tax compliance is a pervasive challenge encountered in nearly all nations that adopt a taxation system. Non-compliance by taxpayers can engender a propensity to engage in actions aimed at circumventing, evading, smuggling, or neglecting tax obligations. Ultimately, the move above will result in a decrease in tax revenue for the state. It is anticipated that the community, including taxpayers, will actively meet their tax payment duties per the established taxation regulations. Ensuring taxpayer compliance in the payment of taxes is a crucial imperative for augmenting tax revenue. Taxpayers are considered to comply when they fully understand all tax laws and rules, carefully fill out forms with complete accuracy, correctly calculate their tax obligations, and pay and report their taxes on time (Supadmi, 2018).

The significance of tax compliance lies in its ability to deter tax avoidance endeavors, as non-compliance can prompt individuals and entities to engage in such activities. According to the 2016 DGT survey findings, the levels of taxpayer compliance for individual income tax, corporate income tax, and VAT were all found to be below 80 %, failing to meet the 80% threshold. The insufficiency of taxpayer compliance implies a corresponding deficiency in individuals' awareness and willingness to fulfill their obligations to pay income tax. Indeed, many individuals commit tax fraud by intentionally underpaying their income tax liabilities. The Ministry of Finance's statistics reveal a notable observation on the proportion of income tax revenue derived from people, amounting to a mere 0.04 % of the overall tax revenue in 2015 (<https://ortax.org/>).

Noncompliance is not limited to individuals in the entrepreneurial sector but is also observed among other professional workers. According to Nugroho & Zulaikha (2014), if taxpayers understand the criteria and calculations of their tax obligations, they will be equipped with the necessary knowledge and consciousness to fulfill their income tax responsibilities. To enhance taxpayer compliance, it is imperative to augment taxpayer understanding regarding the role of taxation as a means of state finance (Jatmiko, 2016; Muliari & Setiawan, 2017). The fulfillment of tax responsibilities necessitates adherence to relevant tax legislation and regulations. Hence, taxpayers must comprehend the tax legislation, which is usually applied comprehensively. By fostering public awareness of taxation, individuals are anticipated to acknowledge the significance of taxes in promoting national development and progress. Enhancing the public's comprehension of taxation rights and

obligations necessitates concerted endeavors. The primary responsibility of the Directorate General of Taxes is to engage in the dissemination of information and education regarding taxation. This comprehension encompasses the completion of the Tax Return (SPT)—the process of tax calculation, tax deposits, and tax reporting. To ensure compliance with relevant legislation, taxpayers can fulfill their tax obligations by acquiring a comprehensive awareness of tax regulations. Taxpayers needing a thorough understanding of tax regulations are likelier to exhibit non-compliance. The statement above is the foundation for the proposition that taxpayers' comprehension of tax regulations impacts their compliance in accurately reporting and fulfilling their tax obligations (Hardiningsih, 2016). According to Aini (2016), those with knowledge and comprehension of tax legislation demonstrate a greater propensity to fulfill their tax obligations. According to Jatmiko (2016), taxpayers are more likely to comply with their tax duties when they perceive that the imposition of tax sanctions will negatively impact them. The implementation and consequences pertain to administrative fines and criminal penalties. According to the Indonesian Dictionary, the term "sanction" refers to measures, such as acts or punishments, that are imposed to compel individuals to adhere to agreements or comply with legal obligations. Tax sanctions serve as a mechanism to ensure compliance with tax rules and regulations, thereby reinforcing adherence to tax norms. Tax sanctions are a preventive mechanism to deter taxpayers from violating tax regulations (Mardiasmo, 2011).

Tax sanctions are enforced when taxpayers fail to meet their tax duties stipulated by tax legislation. The imposition of sanctions on taxpayers serves as a means to encourage compliance and prompt the fulfillment of tax obligations, hence enhancing taxpayer adherence. People who pay taxes are likely to follow the rules because they know that breaking them could lead to tax evasion fines (Devano & Rahayu, 2006). Arum's research (2016) discusses how taxpayer education, financial services, and tax penalties affect the tax compliance behavior of individuals who run their businesses or work alone. Nevertheless, this research introduces an additional independent variable about the comprehension of tax matters, with an intervening variable called taxpayer awareness. Researchers are interested in investigating the potential impact of tax knowledge on taxpayer compliance. Specifically, they aim to determine if a comprehensive understanding of taxes can increase taxpayers' awareness and compliance.

Fritz Heider first proposed the development of attribution theory in 1958, and Herold Kelly further developed it in 1995. According to Robbins (2010), this theory posits that individuals assess whether the observed behavior is attributable to internal or external causes. Internally induced behavior is behavior that a person thinks they can control and that comes from things inside them like personality traits, self-awareness, and cognitive abilities. In contrast, conduct that is externally induced, whether by external factors such as equipment or social influence exerted by others, compels individuals to act against their will. According to Nugroho (2014), the presence of taxpayer knowledge and comprehension of tax legislation

and the provision of high-quality services to taxpayers might foster a heightened awareness and willingness to fulfill tax obligations. The acquisition and understanding of tax regulations entail taxpayers' familiarity with the principles of taxation and their ability to utilize this information in fulfilling their tax obligations. The limited inclination of taxpayers might be attributed to their insufficient understanding and perceptions of taxes and tax authorities, which still need to be improved. Tax knowledge is acquired by taxpayers through several means, including seeking guidance from tax officials, accessing information from media sources, consulting with tax professionals, and attending tax seminars and training sessions. According to the findings of a study conducted by Adiasa in 2018, it was observed that the level of comprehension regarding tax legislation influences taxpayer compliance.

H₁: Understanding of taxes has a positive and significant effect on taxpayer compliance

Tax sanctions are implemented to instill a sense of fear and deterrence among taxpayers to prevent them from contravening the provisions of the Tax Law. According to Jatmiko (2016), taxpayers are more likely to adhere to their tax obligations when they perceive that non-compliance might result in more harm, such as facing sanctions. Tax sanctions are a mechanism to ensure compliance with tax laws and regulations, also called tax norms. Their primary purpose is to act as a deterrent, discouraging taxpayers from engaging in any activities that would contravene these tax norms (Mardiasmo, 2018). Tax penalties have a noticeable and positive impact on individual taxpayers' compliance (Priambodo & Yushita, 2017). Implementing tax penalties on people who engage in tax evasion and fail to meet their tax responsibilities might incentivize taxpayers to fulfill their tax obligations, enhancing taxpayer compliance with tax payments. This phenomenon occurs because of the apprehension and onus experienced by taxpayers in response to the impending sanctions that will be enforced upon them for failing to fulfill their tax responsibilities.

H₂: Tax sanctions have a positive and significant effect on taxpayer compliance

Taxpayer awareness refers to the state where taxpayers possess knowledge, comprehension, and adherence to tax regulations correctly and voluntarily. According to Muliori & Setiawan (2017), there is a positive correlation between the amount of taxpayer knowledge and the comprehension and execution of tax responsibilities, leading to an enhancement in compliance. To enhance taxpayer compliance, it is imperative to augment taxpayer understanding regarding the role of taxation as a means of state finance (Wahyudi & Sanjaya, 2018). In his study, Jatmiko (2016) investigates the impact of taxpayer views on enforcing fines, providing fiscal services, and promoting tax awareness about taxpayer

compliance. The findings about one of the independent variables indicate that tax awareness exerts a noteworthy impact on taxpayer compliance. According to Karnedi (2019), a lack of public tax awareness frequently contributes to substantial untapped tax potential. Enhancing taxpayer compliance necessitates heightened taxpayer knowledge (Tene et al., 2017). Several previous studies (Agustiningsih & Isroah, 2016; Ermawati, 2018; Fitria, 2017) have demonstrated a favorable correlation between taxpayer awareness and compliance.

H3: Tax awareness has a positive and significant effect on taxpayer compliance

Taxpayer awareness refers to the state where taxpayers possess knowledge, comprehension, and adherence to tax regulations correctly and voluntarily. According to Muliari and Setiawan (2017), a positive correlation exists between taxpayer awareness and the comprehension and execution of tax responsibilities, ultimately leading to enhanced compliance. To improve taxpayer compliance, it is imperative to augment taxpayer understanding regarding the role of taxation as a means of state finance (Jatmiko, 2016). The study by Budhiartama and Jati (2016) demonstrates that possessing information about taxes positively and substantially impacts individuals' awareness of tax payments. According to Nugroho's study from 2014, learning more about taxes through formal and informal education can lead to better taxpayer awareness. Consequently, this heightened awareness will likely increase taxpayers' inclination to fulfill their tax obligations.

H4: Understanding of taxes has a positive and significant effect on taxpayer awareness.

Tax sanctions are implemented to instill a sense of fear and deterrence among taxpayers to prevent them from contravening the provisions of the Tax Law. According to Jatmiko (2016), taxpayers are more likely to adhere to their tax obligations when they perceive non-compliance would result in more harm, such as imposing a penalty. Tax sanctions serve as a mechanism to ensure compliance with tax laws and regulations, acting as a deterrent against potential violations of tax standards (Mardiasmo, 2018). According to the principles of social learning theory, individuals who fail to fulfill their tax duties may face various consequences, including administrative punishments and even confiscation of their assets by taxation authorities, due to their firsthand observation and personal experiences. The imposition of sanctions instills fear and stress among taxpayers, leading people to recognize the potential harm such measures can inflict. According to a study conducted by Triyani (2017), it was discovered that tax punishments exert a notable and favorable impact on the compliance of individual taxpayers. Implementing tax penalties on persons who engage in tax evasion and fail to meet their tax responsibilities may incentivize taxpayers to fulfill their tax obligations,

enhancing taxpayer compliance with tax payments. This phenomenon occurs due to the apprehension and burden experienced by taxpayers in response to the potential imposition of consequences for non-compliance with their tax responsibilities.

H5: Tax sanctions have a positive and significant effect on taxpayer awareness

According to Nugroho (2016), taxpayer knowledge and comprehension of tax legislation and providing high-quality services to taxpayers might increase awareness and willingness to fulfill tax obligations. The limited inclination of taxpayers might be attributed to their insufficient understanding and perceptions of taxes, and tax authorities still need to be improved. Specific individuals acquire tax knowledge via tax officials, while others learn it through information media, tax consultants, seminars, and tax training. Nugroho & Zulaikha, (2014) assert that obtaining a thorough understanding of taxation, encompassing formal and non-formal education, can increase taxpayers' awareness of and motivation to fulfill tax obligations. According to the principles of social learning theory, an individual is more likely to comply with timely tax payments if they have directly observed and experienced the cheerful outcomes tax collection has brought to the growth of their local community. To ensure that taxpayers possess knowledge regarding their responsibility to fulfill tax obligations. Taxpayer awareness has a notable and beneficial impact on taxpayer compliance (Agustiningih & Isroah, 2016).

H6: Understanding of taxes has a positive and significant effect on taxpayer compliance through taxpayer awareness

Tax sanctions are implemented to instill a sense of fear and deterrence among taxpayers to prevent them from contravening the provisions of the Tax Law. According to Jatmiko (2016), taxpayers are more likely to adhere to their tax obligations when they perceive that non-compliance might result in more harm, such as facing sanctions. Tax sanctions are a mechanism to ensure compliance with tax laws and regulations, also called tax norms. Their primary purpose is to act as a deterrent, discouraging taxpayers from engaging in any activities that would contravene these tax norms (Mardiasmo, 2018). Tax penalties have a noticeable and positive impact on individual taxpayers' compliance (Priambodo & Yushita, 2017). Implementing tax penalties on people who engage in tax evasion and fail to meet their tax responsibilities might incentivize taxpayers to fulfill their tax obligations, enhancing taxpayer compliance with tax payments.

H7: Tax sanctions have a positive and significant effect on taxpayer compliance through taxpayer awareness

Research Design and Method

The present study falls within the category of quantitative research. The present study comprised a sample of 100 individual taxpayers from the South Jakarta Madya KPP, selected through purposive sampling. The primary data source utilized in this study is the first-hand collection of information collected by administering questionnaires. The questionnaire items about each variable in this study were assessed using an ordinal scale. The purpose of this scale is to determine the subject's degree of agreement or disagreement with the assertions using a 5-point scale. A score of 5 represents "strongly agree," a score of 4 means "agree," a score of 3 represents "less agree," a score of 2 represents "disagree," and a score of 1 represents "strongly disagree."

The proposed data analysis approach encompasses several components. Firstly, descriptive statistical tests will be conducted to summarize and describe the data. Secondly, outer model tests will be performed to assess the measurement model's convergent validity, discriminant validity, and composite reliability. Third, inner model tests will be used to look at the structural models, and the R-square statistic will be used to see how well the dependent constructs can explain things. Lastly, t-tests and significance tests will be conducted to examine the significance of the structural path parameter coefficients and do hypothesis testing through comprehensive model analysis. Structural Equation Modeling (SEM) is used in conjunction with the smartPLS software package.

Table 1. Operational Variables and Indicators

Variable	Item	Indicator	Source
Tax Understanding	X1.1	Registration of NPWP at the tax office	(Damajanti & Karim, 2017; Purnamasari & Sudaryo, 2018; Tene et al., 2017)
	X1.2	NPWP ownership at the office according to domicile	
	X1.3	Knowing how to pay tax on time	
	X1.4	Knowing your rights as a taxpayer	
	X1.5	Knowing tax penalties in the form of administrative sanctions	
	X1.6	Knowledge and understanding of the non-taxable income rate	
	X1.7	Taxpayers must know and understand tax regulations through socialization.	
	X1.8	Taxpayers must know and understand the tax regulations through the tax training they attended	
Tax Sanctions	X2.1	Sanctions are needed to create taxpayer discipline in paying taxes	(Anam et al., 2018; Arum, 2016; Ghassani, 2017)
	X2.2	Sanctions are strictly applied to taxpayers who violate	
	X2.3	Sanctions are given according to the offense committed	
	X2.4	The application of sanctions must be in accordance with applicable provisions and regulations	
Tax Awareness	Z1.1	Contribute funds for the implementation of the taxation function	(Priambodo & Yushita, 2017;

	Z1.2	Public awareness as a taxpayer	Wahyudi &
	Z1.3	Taxes are the largest source of revenue	Sanjaya, 2018)
	Z1.4	Paying taxes is my obligation as a citizen	
	Y1.1	In general, it can be said that they understand and try to understand the Tax Law.	(Oladipupo &
Taxpayer Compliance	Y1.2	Always fill out tax forms correctly	Obazee, 2016; Tene
	Y1.3	Calculate tax with the correct amount	et al., 2017)
	Y1.4	Always pay taxes on time	

Results and Discussion

The research description explains the results of each respondent's answers to the questions asked during the research.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Understanding	100	31.00	40.00	35.8100	3.90983
Tax Sanctions	100	20.00	25.00	21.9600	2.26042
Tax Awareness	100	19.00	30.00	25.8900	3.05470
Taxpayer Compliance	100	22.00	35.00	30.1600	3.52400
Valid N (listwise)	100				

After looking at the information in Table 2, it is clear that respondents consistently show a strong tendency to agree on all critical dimensions: understanding taxes, tax penalties, being aware of taxes, and paying taxes. Regarding tax understanding, the mean score of 35.81, calculated against 8 question items, translates to an average agreement score of 4.47625, strongly indicating a high level of agreement among respondents. The standard deviation value of 3.90983 reflects a relatively low deviation from this consensus, further underscoring the consistency of responses. Similarly, for tax sanctions, the mean score of 21.96 (against 5 question items) results in an average agreement score of 4.392. The standard deviation of 2.26042 shows that the responses are close to each other, which supports the strong agreement in this dimension. To tax awareness, the mean score of 25.89 (across 6 question items) yields an average agreement score of 4.315. The standard deviation 3.0547 indicates a moderate deviation from the mean, yet the overall trend toward agreement remains robust. Finally, concerning taxpayer compliance, the mean score of 30.16 (considering 7 question items) gives an average agreement score of 4.3086. The standard deviation of 3.524 suggests a slightly more comprehensive range of responses than the other dimensions, but most respondents still strongly agree. The consistent and high levels of agreement across all dimensions signify respondents' cohesive understanding and perception regarding tax-related matters. The minor variations in standard deviation values indicate a generally uniform stance, affirming the reliability and coherence of the survey responses.

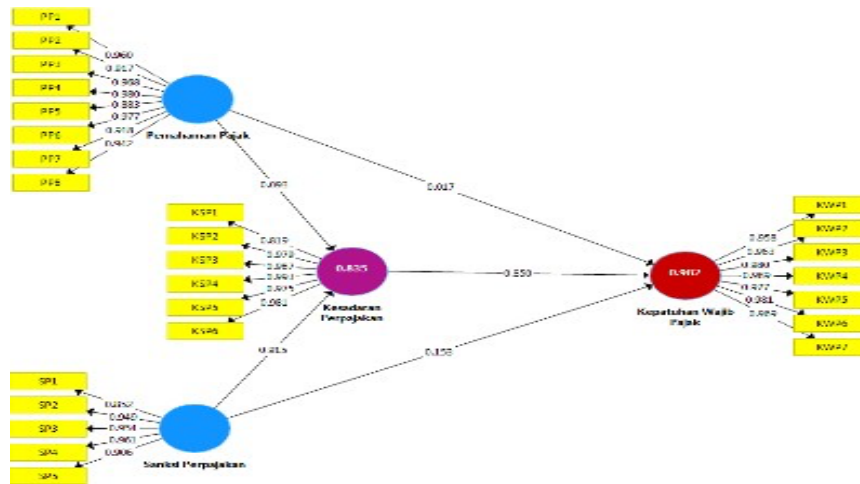


Figure 1. Uji Full Model SEM Menggunakan smart PLS

Based on Figure 1, it can be seen that there is no loading factor value below 0.50, so there is no need to drop data to remove indicators with a loading value below 0.50 to obtain a good model.

Table 3. Validity Test Results (Outer Loading)

Variable	Instrument	r-calculated	Info
Tax Understanding	X1.1	0.960	Valid
	X1.2	0.917	Valid
	X1.3	0.968	Valid
	X1.4	0.980	Valid
	X1.5	0.883	Valid
	X1.6	0.977	Valid
	X1.7	0.918	Valid
	X1.8	0.942	Valid
Tax Sanctions	X2.1	0.852	Valid
	X2.2	0.949	Valid
	X2.3	0.954	Valid
	X2.4	0.961	Valid
	X2.5	0.906	Valid
Tax Awareness	X3.1	0.819	Valid
	X3.2	0.979	Valid
	X3.3	0.987	Valid
	X3.4	0.993	Valid
	X3.5	0.975	Valid
	X3.6	0.981	Valid
Taxpayer Compliance	Y1.1	0.958	Valid
	Y1.2	0.963	Valid
	Y1.3	0.980	Valid
	Y1.4	0.989	Valid
	Y1.5	0.977	Valid
	Y1.6	0.981	Valid
	Y1.7	0.969	Valid

Source: PLS Output, (2021)

The results presented in Table 3, the outer loading values obtained through Partial Least Squares (PLS), provide strong evidence supporting the validity of the reflective indicators for tax understanding, tax sanctions, tax awareness, and taxpayer compliance. The outer loading values for all indicators exceed the 0.70 threshold; this indicates a strong relationship between the observed variables and their respective latent constructs. Values above 0.70 are generally considered solid indicators for construct validity.

Table 4. Cronbach's Alpha, Composite Reliability and AVE Testing Results

	Cronbachs Alpha	Composite Reliability	AVE	Info
Tax Understanding	0.991	0.992	0.949	Reliable
Tax Sanctions	0.981	0.985	0.917	Reliable
Tax Awareness	0.987	0.985	0.891	Reliable
Taxpayer Compliance	0.958	0.967	0.856	Reliable

Source: PLS Output, (2021)

Table 5. Cross Loading Testing Results

	Taxpayer Compliance	Tax Awareness	Tax Understanding	Tax Sanctions
X1.1	0.008	0.009	0.960	-0.111
X1.2	0.009	0.014	0.917	-0.133
X1.3	0.024	0.024	0.968	-0.057
X1.4	0.035	0.031	0.980	-0.057
X1.5	-0.030	-0.033	0.883	-0.119
X1.6	0.035	0.031	0.977	-0.057
X1.7	0.011	0.011	0.918	-0.087
X1.8	0.017	0.009	0.942	-0.076
X2.1	0.709	0.721	-0.177	0.852
X2.2	0.893	0.875	-0.027	0.949
X2.3	0.900	0.870	-0.008	0.954
X2.4	0.912	0.897	-0.003	0.961
X2.5	0.843	0.829	-0.079	0.906
X3.1	0.762	0.819	-0.086	0.824
X3.2	0.989	0.979	0.036	0.895
X3.3	0.980	0.987	0.072	0.874
X3.4	0.983	0.993	0.053	0.879
X3.5	0.972	0.975	0.082	0.855
X3.6	0.975	0.981	0.060	0.898
Y1.1	0.958	0.942	-0.020	0.952
Y1.2	0.963	0.963	0.019	0.908
Y1.3	0.980	0.987	0.072	0.874
Y1.4	0.989	0.979	0.036	0.895
Y1.5	0.977	0.960	0.066	0.870
Y1.6	0.981	0.966	0.044	0.914
Y1.7	0.969	0.948	0.074	0.890

Source: PLS Output, (2021)

As shown in Table 4, the test results for both composite reliability and Cronbach alpha are satisfactory. This means that the value of each variable is above the minimum value of

0.70. All constructs generate AVE values that are higher than 0.50. This shows the consistency and stability of the instruments used are high. In other words, all constructs, namely the variables of tax understanding, tax sanctions, tax awareness, and taxpayer compliance, have become fit-measuring instruments, and all questions used to measure each construct have good reliability. Table 5 reveals that the cross-loading value of the indicators of tax understanding, tax sanctions, tax awareness, and taxpayer compliance exhibits a higher loading factor on the tax understanding construct than other constructs. Consequently, these indicators possess a favorable discriminant validity value, thereby being deemed valid.

Table 6. R-Square Variable Construct

	R Square
Taxpayer Compliance	0.982
Tax Awareness	0.835

Source: PLS Output, (2021)

Table 6 shows the R-squared value, which shows how much of the variation in the dependent variable can be explained by the independent variables. This means that the tax understanding and sanction variables can explain 83.5% of the variation in income tax awareness. The tax awareness variable has an R-squared value of 0.835, 83.5 percent. Factors or variables not considered in this study will affect the remaining 16.5%. This substantial R-Square value indicates a high level of predictability and reliability in the relationship between tax understanding, tax sanctions, and tax awareness. For the variable of taxpayer compliance, the R-Square value of 0.982 (98.2%) means that the variables of tax understanding, tax sanctions, and tax awareness in this study can explain 98.2% of the variation in taxpayer compliance. The remaining 1.8% of the variability can be caused by other factors not included in this study. This very high R-Square value indicates a solid and comprehensive understanding of the factors that influence taxpayer compliance within the scope of this study.

Table 7. Hypothesis Testing Results (Direct Effect)

Hypothesis	Original Sample	Sample Mean	Standard Error	T Statistics	P Values
H ₁	0.850	0.856	0.092	9.279	0.000
H ₂	0.017	0.018	0.009	1.783	0.038
H ₃	0.093	0.090	0.037	2.539	0.006
H ₄	0.153	0.152	0.085	1.787	0.037
H ₅	0.915	0.922	0.030	30.220	0.000

Source: PLS Output, (2021)

Hypothesis 1 posited a significant favorable influence between tax understanding and taxpayer compliance. The statistical findings support this hypothesis, with a substantial level of 0.038 and a positive coefficient value of +0.017. This indicates that a strong positive effect

exists, leading to the acceptance of Hypothesis 1.

Hypothesis 2, which proposed a positive and significant influence between tax sanctions and taxpayer compliance, is substantiated by the results. The tax sanction variable exhibits a significant level of 0.037 and a positive coefficient value of +0.153, supporting the idea that tax sanctions have a positive and statistically significant effect on taxpayer compliance.

Hypothesis 3, suggesting a positive and significant influence between tax awareness and taxpayer compliance, is strongly supported by the data. The tax awareness variable shows a significant level of 0.000 and a substantial positive coefficient value of +0.850, indicating a robust and statistically significant positive effect on taxpayer compliance.

Hypothesis 4 posited a significant positive influence between tax understanding and tax awareness. The tax understanding variable demonstrates a significant level of 0.006 and a positive coefficient value of +0.093, supporting the notion that tax understanding has a positive and statistically significant effect on tax awareness.

Hypothesis 5, proposing a positive and significant influence between tax sanctions and tax awareness, finds strong support in the data. The tax sanction variable exhibits a significant level of 0.000 and a considerable positive coefficient value of +0.915, indicating a robust and statistically significant positive effect on tax awareness.

Table 8. Hypothesis Testing Results (Indirect Effect)

Hypothesis	Original Sample	Sample Mean	Standard Error	T-Statistics	P-Values
H ₆	0.079	0.076	0.031	2.585	0.005
H ₇	0.777	0.790	0.094	8.278	0.000

Source: PLS Output, (2021)

The sixth hypothesis says there is a statistically significant and positive link between how well someone understands tax concepts and follows tax rules, which is made more accessible by how much they know about tax issues. The variable about tax comprehension exhibits a statistically significant level of 0.005, indicating a significance level more minor than the conventional threshold of 0.05. The coefficient value of +0.079 for the parameter indicates a positive effect on the dependent variable. If the sixth hypothesis is true, a positive and statistically significant link exists between taxpayers who understand taxes and those who follow the law. Tax awareness mediates this connection. This indicates that the variable of tax awareness serves as an intervening variable in the relationship between tax comprehension and taxpayer compliance.

The seventh hypothesis posits that a statistically significant and positive relationship exists between tax sanctions and taxpayer compliance, mediated by tax awareness. The tax punishment variable exhibits a statistically significant level of 0.000, indicating a significance level more minor than the conventional threshold of 0.05. The coefficient value of +0.777 for

the parameter indicates a positive effect on the dependent variable. Accepting the seventh hypothesis means that tax penalties make people more aware of their taxes, which has a positive and statistically significant impact on their compliance with the law. This suggests that the variable of tax awareness serves as an intervening variable in the relationship between tax punishments and taxpayer compliance.

Discussion

Individuals who thoroughly comprehend tax legislation and principles exhibit increased motivation and adherence in meeting their tax obligations. The key determinants contributing to the comprehension of taxation encompass the registration of NPWP (punctual tax remittances, familiarity with taxpayer entitlements, and understanding of tax penalties. The present study aligns with the principles of attribution theory, which posits that when individuals directly observe actual improvements emerging from their tax payments, it enhances their willingness to comply with tax obligations. The likelihood of individuals adhering to tax obligations is heightened when they perceive tangible and beneficial outcomes resulting from the allocation of tax income within their community. The imposition of tax penalties plays a crucial role in influencing taxpayer compliance. Stringent punishments motivate taxpayers to fulfill their duties swiftly, circumventing substantial liabilities and losses linked to delayed payments.

The understanding of taxpayers on the role of taxes in funding national development is positively correlated with their level of awareness and inclination to fulfill their tax obligations. This aligns with the principles of attribution theory, which emphasizes firsthand experiences' influence in changing taxpayers' behavior. On the other hand, a lack of comprehension about taxes has an adverse impact on taxpayer adherence, primarily due to insufficient awareness of tax-related matters. This study posits that an excessive emphasis on tax comprehension may result in declining compliance. Nevertheless, taxpayer compliance can be positively influenced by enhancing their understanding of the societal advantages of tax payments. This study highlights the significance of tax sanctions in controlling taxpayer compliance using tax knowledge. The implementation of elevated tax penalties serves to foster heightened consciousness among taxpayers as they become cognizant of the repercussions associated with delayed payments. The presence of sanctions is a deterrent, motivating taxpayers to complete their duties swiftly.

Conclusions

The findings of this study indicate that there are significant implications for policymakers and tax authorities. It is recommended that efforts be directed toward promoting tax education and awareness initiatives, aiming to improve taxpayer comprehension and motivation. The utilization of rigorous yet equitable tax penalties can

function as a potent mechanism to guarantee adherence. Additionally, cultivating a feeling of civic responsibility and highlighting the societal ramifications of tax contributions might facilitate the development of a more collaborative taxpayer mentality.

To facilitate future study endeavors, it is advisable to explore further the intricate mechanisms by which comprehension and consciousness of tax matters influence compliance. Examining the cultural and contextual variables that may affect these interactions has the potential to yield significant insights for the development of focused interventions. Furthermore, including longitudinal studies that monitor the enduring impacts of tax education and awareness programs on compliance behavior would enhance the breadth of knowledge regarding the underlying mechanisms at play.

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