



The Effect of Demographic Factors and E-Filing Usage on Tax Compliance

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Abstract

Tax compliance is the most important factor of all factors affecting tax revenues. Tax compliance is influenced by economic and non-economic factors. The study examined the effects of demographic factors (age and education) and e-filing usage on tax compliance. The research design adopted in this study is survey and sample selection is done by purposive sampling method. Data collection was done by distributing questionnaires and samples of 90 taxpayers. Multiple regression were used to test the hypotheses. From analysis, we found that demographic factors (age and education) and e-filing usage have no effect on tax compliance.

Keywords: Tax Compliance; Age; Education; E-filing Usage.

1. Introduction

Tax is the domestic revenue which is the largest source of state financing in administering the government. Development will not be achieved maximally without adequate funding support, for this sector in the domestic revenue, especially the tax sector is needed in order to achieve the state's goal to improve the welfare of the community. To be able to increase tax revenues hence depends on high compliance of society to tax. Tax compliance is an issue that is still being discussed today. Much of the tax literature identifies factors affecting taxpayer compliance. Attitudes and behavior of taxpayers to obedience is influenced by many factors both economic and non-economic factors [1]. Some of the non-economic factors that have been widely studied are the demography and use of E-Filing. The results of previous research concluded that demographic factors correlated with tax compliance behavior, such as age [2] [3], gender and Education [3] [4], income level, marriage and occupation [5].

2. Literature Review

2.1. Tax Compliance

Organisation for Economic Co-operation and Development (OECD) defines tax compliance as a condition in which the Taxpayer fulfills all tax obligations and exercises its taxation rights in both formal and material forms. Accordingly, tax compliance refers to the willingness, willingness, and ability of the Taxpayer to submit to and comply with applicable taxation laws, report income, and pay taxes correctly and on time. The fulfillment of the tax laws and regulations should be voluntary by the Taxpayer without prior inspection, investigation, warning, threats, and the application of either criminal or administrative sanctions. Taxpayer compliance also includes non-compliance of non-compliance

and accidental non-compliance. Unintentional non-compliance occurs because Taxpayers do not know or understand the tax rules so that they have difficulty in the implementation of tax obligations. Deliberate disobedience is a violation of tax regulations because taxpayers are trying to avoid their tax obligations.

Tax compliance is currently a topical issue, especially in developing countries as well as to improve efficiency in tax revenue collection to finance their budgets. Small and medium enterprises (SMEs) are the majority of tax revenue collections [6]. Research on Tax Compliance has been done by previous researchers such as [7] examined religion factor, national pride, tax knowledge, tax morale and tax fairness to tax compliance in Libya; [8] examined the tax system structure, tax morale, tax fairness, peer influence and sales turnover in Jordan; [9] examined the tax knowledge on tax compliances in Indonesia; [10] examined taxes and penalties in Nigeria and [4] studied age, gender and education on tax compliance in Jordan.

2.2. Demographic

Demographic variables appear to be important causes of non compliance [11]. The importance of demographic factors towards tax compliance has also been discussed in previous studies. Demographic factors are usually meticulous such as gender, education, age, occupation, income etc. Previous research that examines the relationship of age to Tax complenes; [12] found that age was positively correlated with adherence, [13] found that age had a significant and positive effect on tax compliance, [14] found no significant behavioral differences between respondents aged under 25 years and 25 years and over against compliance and [15] found that qualification/education have correlated with tax compliance.

Finding that age has an effect on and negative to tax compliance. Education is one of the demographic factors studied

against tax compliance. The higher the education level of a taxpayer then he will be more aware of taxation and understand the benefits of paying taxes when compared with lower-educated taxpayers. This will encourage higher educated people to be more compliant. [16] have identified four measures of education (ii) knowledge involving evasion opportunities, (iii) general education attainment and (iv) specific tax knowledge. These different dimensions may assist in explaining the confusion surrounding the effect that the education variable has on taxpayer compliance. Previous research that has been done is [17] who found that low tax knowledge led to low levels of tax compliance. In contrast, high levels of education indicate high levels of ethics and tax morale [13] [15].

2.3. E-Filing Usage

E-filing is a means of submitting annual tax return or submission of Annual Renewal of Annual Tax Returns made on-line in real time through the website of the Directorate General of Taxation (www.pajak.go.id). E-filing is intentionally made so that no taxpayers with taxpayers and taxpayer control can be high because of his own record annual tax return. E-filing aims to achieve transparency and can eliminate Corruption, Collusion and Nepotism practices. With the implementation of e-filing system is expected to facilitate and speed up the taxpayer in the delivery of tax returns because taxpayers do not need to come to the tax office for data transmission annual tax return, with ease and more simply process in administration taxation is expected to increase in compliance of taxpayers.

E-filing is also perceived to be benefited by the Tax Office ie faster acceptance of annual tax return report and easier administrative activities, data collection, distribution, and filing of annual tax return report. Previous research that has been studied about e-filing are: [18] from user satisfaction with the three methods of tax filing (manual, two-dimensional barcode, web-based) in Taiwan, according to such parameters as ease of data entry, correction, operation, learning and data submission, explanation completeness, filing form neatness and total filing time. [19] extended the technology acceptance model (TAM) to include such Theory of Planned Behavior parameters as subjective norms, self efficacy, resource facilitating conditions and technology facilitating conditions. According to [20] electronic tax filing systems may include delay, navigability, site content, interactivity, responsiveness, user satisfaction, the likelihood of website return and frequency of use.

According to [21], computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the Internal Revenue Service (IRS) staff into the Service's computers hence there is less chance of errors. [22] examined the factors that affect the e-filing usage behavior among Personal Income Tax (PIT) payers in Malaysia. Furthermore, by employing a logistic regression analysis, it was found that perceived usefulness and anxiety were two significant factors that affected a taxpayer's decision to use or not to use the e-filing system. Specifically, taxpayers with a high level of perceived usefulness and low level of anxiety were likely to use the system and vice versa.

Hypotheses

- H1 : Age has an affect on tax compliance.
 H2 : Education has an affect on tax compliance.
 H3 : E-filing usage has an effect on tax compliance.

3. Methodology

The population in this research is all Micro Small-Medium Enterprises in Padang City. The research design adopted in this study is survey and sample selection is done by purposive sampling method. The data collection for this study utilized a researcher-administered questionnaire survey method. The questionnaire was sent out to 100 small business taxpayers with a response rate of 90% (90 respondents). The instruments are development of questionnaires adopted from [22] and [23]. The definitions and measurements of each variable are described as follows:

XAge The age of the business. The term category of business is coded in the regression model: if the business has been in operation for five years or less and 2 (the reference category) if the business has been operating for more than five years.

Xeducation. The various levels of education of the respondents are coded as follows in the regression model:

- 1 if they had a high school education
- 2 if they had undergraduate education
- 3 if they had master education
- 4 if they had Ph.D education

XE-filing. Measurement of E-filing variables using questionnaires adopted from [22]. For each statement, respondents were asked to indicate their level of agreement using five-point Likert scales (strongly disagree to strongly agree). The number of statements to be answered by the respondent is 7 questions. Statements include useful, quick, refund, save cost, easy use, apprehensive and scare in the use of E-filing.

TC. Compliance is referred to the amount and timing of tax payments. This variable is measured by likert scale 1 = Strongly disagree, 2 =Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly Agree. The higher the score indicates the company has a sound compliance towards tax rules and regulations.

4. Findings

Table 1 : Reability and Validity Results

Variables	Cronbach's Alpha	Kaiser-Meyer-Olkin	Factor loading	Decision
Tax Compliance	0.723	0.652	0.489 -0.745	Reliable and Valid
E-Filing Usage	0.677	0.656	0.492 – 0.688	Reliable and Valid

Before testing the hypothesis, the researcher first tested the validity and reliability of the questionnaire. Instrument will be valid if Kaiser-Meyer-Olkin value > 0.5 and factor loading > 0.4 [24]. Reliability test used is Cronbach Alpha. Cronbach Alpha is a reliability coefficient that indicates how well items in a measuring instrument are positively correlated with others. A measuring instrument is said to be reliable if Cronbach Alpha > 0.6 [24]. Reliability test results obtained by Cronbach Alpha coefficient value greater than 0.6 so that the measuring tool used is reliable. Result of validity and reliability test for instument can be seen from table 1 above.

Table 2: Results of Hypothesis Testings

Model	Coeff Regr esion	Sig	Results
(Constant)	29.593	0.000	-
Age	0.457	0.458	H0 Accepted
Edu	-0.212	0.785	H0 Accepted
E-Filing Usage	0.050	0.443	H0 Accepted
R-Square	0.028		
F-sig	0.00		

the result of R-square test, F and hypothesis can be seen from table 2. R-square value is very weak is 0.028 and this value is below 0.50. It means the influence of the demographics (age and education) and e-filing usage on tax compliance is 2.8%. The significance value F shows 0.000 which means the demographics (age and education) and e-filing usage simultaneously affect the tax compliance. To test the hypothesis seen from the value of significance t obtained value 0.458, 0.785 and 0.443 (> 0.05). This means demographics (age and education) and e-filing usage have no effect to tax compliance.

5. Conclusions

study examines the affect of demographic factors (age and education) and e-filing usage on tax compliance. The result shows that age and education do not have affect on tax compliance. The older the company and the higher level of taxpayers education but no effect on tax compliance This finding is inconsistent with [2] and [3]. E-filing usage do not have affect on tax compliance. Application of e-filing in reporting has no effect on tax compliance This finding is inconsistent with [25].

the findings of this research, it can be concluded that demographic factors and E-filing usage have no effect on tax compliance. This may be due to other demographic factors affecting tax compliance such as gender, income, occupation and marital status. The implementation of E-filing in Indonesia, which has only been implemented for 3 years, has caused few taxpayers to use it and have not felt the benefits of E-filing. It is expected that the Directorate General of Tax will improve the socialization of E-filing to taxpayers so that they can benefit from the application of E-filing.

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