

## CHAPTER II

### LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

#### A. Theoretical Framework

##### 1. Theory of Reasoned Action (TRA)

According to Asfa and Meiranto (2017), Theory of Reasoned Action (TRA) is the underlying theory of social psychology, where this theory relates between behavioral intention, attitude, and subjective norms affecting behavior. In this theory, the behavior is influenced by intention, while intentions are influenced by the attitude and the subjective norm. Intention determines a person to commit a behavior or to not conduct a behavior.

According to Ajzen (1991), the attitude affects behavior through a process of careful decision making and reasoning. Its impact is limited to three things: (1) behavior does not heavily determined by the general attitude but by a specific attitude toward something, (2) behavior is influenced not only by attitude but also by the objective norms (subjective norms) of our belief in what others want us to do, (3) the attitude towards a common behaviour of subjective norms forms a certain intention.

TRA is influenced by intentions, while intentions are influenced by attitudes and subjective norms. Attitude is influenced by conviction of the outcome of past actions. Subjective norm is influenced by the belief in others' opinions and the motivation to obey that opinion. In brief, this

theory says that a person will do a deed when he or she sees it as positive and if he or she believes that the other person wants him or her to do it.

## 2. Theory of Planned Behavior (TPB)

According to Fishbein and Ajzen (1975) in Anjani and Restuti (2016), Theory of Planned Behavior is the development of Theory Reason Action (TRA) which is based on the assumption that humans will normally behave in accordance with common sense considerations, and humans will take existing information about behavior that is available implicitly or explicitly by considering as a result of that behavior. TPB explains the behavior of individuals arising due to the intention of the individual to behave based on several internal and external factors of the individual.

According to Bobek and Richard (2003), behavior is caused by the intention to behave. The emergence of intentions to behave, according to the TPB, is determined based on 3 factors: (1) behavioral beliefs, which is a belief on the likelihood of occurrence of a behavior, (2) normative beliefs, which is a confidence in the hope that arises because of the influence of others and the motivation to achieve those expectations, (3) control beliefs, which is a beliefs about the existence of things that support or inhibit behaviors to be displayed (control beliefs) and their perception of how powerful things support and inhibit their behavior (perceived power).

### 3. E-commerce

According to Loudon (1998), E-commerce is a process of transaction carried out by buyers and sellers in buying and selling various products electronically from companies to other companies by using computers as an intermediary for conducting business transactions.

According to Bajaj and Nag (2000), E-commerce is the exchange of business information without using paper (The paperless exchange of business information), but through EDI (Electronic Data Exchange) E-mail, EBB (Electronic Bulletin Board), Electronic Fund Transfer and other technologies using network services (Net).

According to Kalakota and Whinston (1997), The notion of E-commerce is the activity of online shopping using internet networks as well as the transaction method through digital money transfers. The researchers review the meaning of E-commerce from four perspectives, namely:

- a) Communication Perspective : E-commerce is a process of sending goods, services, information, or payment through computer networks or other electronic equipment.
- b) Business Process Perspective : E-commerce is the application of technology to assist the automation of business transaction and workflows.
- c) Service Perspective : E-commerce is a tool that can meet the wishes of companies, management, and consumers to reduce service costs when

improving the quality of goods and increasing the speed of shipping services.

- d) Online Perspective : E-commerce provides convenience to sell and buy products and information through internet services and other online facilities

According to Turban and King (2009), E-commerce is defined in two perspectives, namely:

- a) Collaboration Perspective : E-commerce is a facilitator that can be used to enable the collaboration process in an organization or between organizations.
- b) Community Perspective : E-commerce is a gathering place for members of a community to learn, interact, transact, and collaborate with each other.

#### 4. E-commerce Transaction Mechanism

E-commerce transaction mechanism begins with the offer of a product made by the seller (for example residing in Malaysia) on a website through a server located in Indonesia. If Indonesian consumers make a purchase, the consumer must fill in the "*mail order*" that has been provided by the seller.

According to Sanusi (2001), online contracts in E-commerce have many types and variations, namely : 1) contracts through chat and video conferencing, 2) contract by e-mail, 3) contracts through the website. The payment method for E-commerce can be done by consumers by:

- a) atm model transactions.
- b) direct payment between two parties transacting without intermediaries.
- c) with third-party intermediaries.
- d) micropayment (change).
- e) anonymous digital cash.

If the payment process has been authorized, the shipping process can be done.

## 5. Taxation

The definition of tax is very much expressed by several experts, including the one stated by Smeeths (1951) in Ilyas and Burton (2013), tax is a government achievement owed through norms and can be imposed without the existence of a counter-achievement from each individual, the purpose is to finance the expenditure of the government or the state.

According to Soemahamidjaja (1964) in Mardiasmo (2013), tax is a compulsory payment for citizens, whether for money or goods taken by the government based on legal rules that function to pay off all payments for the production of goods and services to reach public peace in general.

According to Ministry of Finance in the book “Lebih Dekat Dengan Pajak” (2013: 2), tax is a mandatory contribution to the state owed by individuals or entities that are coercive based on the law with no direct reward and used for the state's needs for the greatest prosperity of the people.

Meanwhile, according to the National Taxation Law, tax is a mandatory payment of the people to the state according to the law without finding a direct reply that is used for payment of all costs in general and the costs of development.

## 6. Taxpayer

According to the tax law year No. 6 of 1983 updated to Act No. 16 of 2009 concerning general provisions and tax procedures, taxpayers are individuals or entities, including taxpayers, tax cutters, and tax collectors, who have the right and tax obligations by the provisions of tax laws and regulations. A taxpayer is someone who has rights and obligations that must be fulfilled and protected by the government through law.

Taxpayer obligations are to have an NPWP, pay, deduct, and report taxes cooperatively at the time of the tax check. Meanwhile, the rights of the taxpayer are the right to the excess tax payment, the right to be kept confidential, the right to nod and delay payments by reporting the reasons and the right to be exempt from taxation obligations.

In law number 16 of 2009 concerning the determination of “Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 5 Tahun 2008” concerning the fourth amendment to law number 6 of 1983 in article 1, the institution is a group of people or capital which is both a unit that does business and does not conduct business that including limited liability company, company, other company, state-owned enterprises, or business-owned enterprises with names and in any form, firms, partners,

cooperatives, pension funds, alliances, associations, foundations, mass organizations, social-political organizations, or other organisations, agencies and other body forms including collective investment contracts and permanent establishment.

#### 7. Taxes Charged in E-commerce Business

The legal bases for imposing a tax on E-commerce transactions according to Circular Letter number SE-62/PJ/2015 concerning deduction and/or collection of income tax on E-commerce transactions are:

- 1) Law No. 7 of 1983 on income tax as amended several times in the last by Law No. 36 the year 2008;
- 2) Ministry of Finance Regulations number 244/PMK.03/2008 concerning other services types as referred to in article 23 paragraph (1) Letter C Number 2 Act No. 7 of 1983 on income tax as amended several times last Act No. 36 the year 2008;
- 3) Ministry of Finance Regulations number 252/PMK.03/2008 concerning the implementation of tax withholding instruction on income in respect of employment, services, and activities of private persons;
- 4) Ministry of Finance Regulations number 154/PMK.03/2010 concerning income tax with holding article 22 concerning the payment on the delivery of goods and activities in the field of import or business activities in other fields as amended several times last with the Ministry of Finance Regulations number 175/PMK. 011/2013;

- 5) Regulation of the Minister of Finance number PER-57/PJ/2010 on the procedures and procedure for withholding income tax article 22 in respect of payment of goods and activities in the field of import or business activities in other fields as several times the last amended by regulation of the Directorate General of Taxation number PER-06/PJ/2013;
- 6) Director of Tax Regulations number PER-31/PJ/2012 concerning technical guidelines for cutting procedures, deposits and reporting of Income Tax article 21 and/or Income Tax article 26 in respect of the work, services, and activities of the private persons;
- 7) Circular Letter of Directorate General of Taxation number SE-62/PJ/2013 on the affirmation of taxation provisions on E-commerce transactions.

## 8. Taxpayer Compliance

According to Siat and Toly (2013), taxpayers compliance is a taxpayer's intention to understand tax laws and tax obligations attached to itself as taxpayers. Compliance may be constructed as an observance or discipline for a taxpayer obligation to be attached to a taxpayer to pay the tax owed or register as a taxpayer.

According to Pratama (2012), taxpayer compliance is the fulfillment of tax obligations to make significant contributions to the country's government. Taxpayer compliance is an important aspect considering that the Indonesian taxation system adheres to a self-assessment system that in



the absolute process gives the taxpayer the confidence to calculate, pay, and report taxes.

According to Muliari and Setiawan (2011), the criteria for compliant taxpayers according to Minister of Finance Decree number 544/KMK.04/2000 taxpayers compliant are as follows:

- a. timely in submitting spt for all types of taxes in the last two years.
- b. has no tax arrears for all types of taxes, unless they have obtained permission to pay in installments or delay payment of taxes.
- c. never been sentenced for committing a criminal act in the field of taxation in the last 10 years.
- d. in the last two years, the bookkeeping has been carried out and in the case of taxpayers, an examination has been carried out. corrections at the last examination for each type of tax payable are at most five percent.
- e. taxpayers whose financial statements for the past two years have been audited by public accountants with unqualified opinions or opinions with exceptions insofar as they do not affect fiscal income.

#### 9. Factors Influencing Taxpayers Compliance

Several factors that influence the taxpayer compliance, according to Resmi (2015); Permadi (2013); Rahayu (2016); and Aprilina (2016); Wulandari (2014), among others are:

- 1) Education Level

According to Hasan (2005), Education is essentially an effort to develop human resources systematic, pragmatic and level to produce the human quality that can provide benefits and simultaneously improve the dignity. The improvement of human self-quality achieved through education is expected to cover several aspects, among others: (a) improvement in thought quality (intelligence, analytical skills, creativity, and visionary), (b) improvement in moral qualities (piety, honesty, steadfastness, fairness and responsibility), (c) improvement in work quality (skill, professional, and efficient), (d) improvement in life quality (material and spiritual welfare, tranquility and dignity, and self-esteem). Therefore, the higher the level of education awareness, the higher the level of compliance of one in carrying out the obligation to pay tax.

## 2) Taxation Knowledge

According to Resmi (2009), The knowledge and understanding of tax regulations are a process whereby taxpayers know about taxation and implement it in the obligation to pay taxes, as well as understand the general provisions and procedures for taxation (KUP) which include how to pay taxes, payment places, deadline for payment of fines and SPT reporting . Therefore, the higher the person's taxation knowledge, the higher also the person's level of compliance in carrying out the obligations to pay tax.

### 3) Level of Trust in Government Systems

According to Permadi (2013), The level of trust in the system of government and law refers to a form of appraisal relationship between state institutions in carrying out state powers for the benefit of the state itself to realize people's welfare by applicable laws. Thus, if the community does not believe in the government mechanism, then the awareness of paying taxes will also be low.

### 4) Moral Norms

According to Ajzen (2002), The ethic (the principle of life or the feeling of guilt) is a moral obligation that every person has in carrying out something. Moral obligations are not imposed from the outside but are commanded from within themselves by the conscience and moral of the individual. According to Salman (2008), Moral aspects in taxation compliance include the moral obligation of a taxpayer in fulfilling the tax obligations and moral awareness held by the Fiscus in managing taxes. The moral obligation owned by the taxpayer will have responsibility for the financing of the country with the payment of tax. Taxpayers who have a conscious moral obligation as a good citizen in carrying out their tax obligations are different from those who are not aware of their moral obligations.

### 5) Tax Examination

The definition of examination according to article 1 paragraph (25) Law No. 28 of 2007 is a series of activities to collect (collect data to be

examined by taxpayers) and process data (data will be checked according to the provisions of tax audits), information, and/or evidence carried out objectively and professionally based on an inspection standard to test compliance with the fulfillment of tax obligations and/or for other purposes in order to implement the provisions of tax laws and regulations.

6) Tax Consciousness

According to Muliara and Setiawan (2011), Tax Consciousness is a condition where someone knows, acknowledges, respects, and adheres to the applicable tax provisions and has the sincerity and desire to fulfill his tax obligations

## **B. Hypothesis Development**

### 1. The Influence of Education Level on Taxpayer Compliance in Personal Tax Reporting in the Field of E-commerce

According to Hasan (2005), education is essentially an effort to develop human resources, which is done systematically, pragmatically and levelly, to produce the human quality that can provide benefits and simultaneously improve the dignity. According to Asfa and Meiranto (2017), the increasing quality of human resources is conducted through education, not only education in the narrow sense of the school, but also in a broad sense that includes education in the family and society. This is because education is essentially a process of the culture of attitude, character, and behavior that lasts early even since humans are fetuses in

the womb of a mother. Education as a cultural process will grow and develop the fundamental values that must be possessed by every human being such as behavior, faith, discipline, morality, and work ethic as well as instrument values such as the mastery of science and technology and the ability that are elements of the nation forming and independence.

TRA suggests that a person's desire to behave or not in an action is based on the person's beliefs and the evaluation results from his behavior. Indirectly, this theory suggests that a person's behaviour is influenced by someone's intention of whether to do the behavior. One's education also affects a person's decision to behave. A good education will have an effect on the person's attitudes and behaviour. With education someone understands that tax is an important thing for the building of the country and a person also understands that everyone who has an income is a taxpayer and is obliged to report taxes themselves. Therefore, the better the education level, the better the compliance of individual taxpayers.

Therefore, based on research conducted by Wulandari (2014), the higher level of education awareness, the higher the level of compliance of one in carrying out the obligation to pay tax. Based on this, the hypothesis can be formulated into:

**H<sub>1</sub>: Education level has a positive effect on taxpayer compliance in personal tax reporting in the field of E-commerce.**

## 2. The Influence of Taxation Knowledge on Taxpayer Compliance in Personal Tax Reporting in the Field of E-commerce

According to Siti (2014), knowledge is very important in helping taxpayer carry out their obligation, especially knowledge of tax. A taxpayer is said to be obedient, if he know what are the obligation. If the taxpayer does not have a tax knowledge base, then the taxpayer will have difficult in the register, the filling out the notification (SPT),and not knowing how much tax he should pay.

TRA suggests that a person's desire to behave or not in an action is based on the person's beliefs and the evaluation results from his behavior. Indirectly, this theory suggests that a person's behaviour is influenced by someone's intention of whether to do the behavior. A good tax knowledge will affect a person's decision to pay their taxes. If someone has a tax knowledge well, they will know that tax is an important thing for the development of the country and they also understand that everyone who has income is a taxpayer and is obliged to report taxes themselves. Therefore, the better knowledge of one's taxation, the better the compliance of individual taxpayers.

According to the Resmi (2009), the knowledge and understanding of taxation regulations is the process by which taxpayers know about taxation and implement it in the obligation to pay taxes, as well as understand the general provisions and procedures of taxation (KUP)

which includes how to make tax payments, place of payment, deadline for payment of fines and reporting of SPT.

Therefore, based on research conducted by Asfa dan Meiranto (2017), the higher of the taxation knowledge, the higher the level of compliance of a person in carrying out obligations to pay tax. Based on this, the hypothesis can be formulated into:

**H<sub>2</sub>: Taxation Knowledge has a positive effect on taxpayer compliance in personal tax reporting in the field of E-commerce.**

3. The Influence of Level of Trust in Government Systems on Taxpayer Compliance in Personal Tax Reporting in The Field of E-commerce

According to Arismayani, Yuniarta, and Yasa (2018), confidence in the government and legal system will encourage the taxpayer's willingness to pay taxes if the funds gained from the tax collection are distributed evenly to finance the country's needs and expenses. The level of trust comes from the internal taxpayers themselves. Thus, it can be said that the level of trust in governments and laws can affect the taxpayer's level of compliance.

TPB shows that an important determinant of a person's behavior is the intention to behave. The essence of a behavior is a combination of attitudes in displaying the behavior. Individual attitudes toward behavior include beliefs about a behavior, evaluation of behavioral outcomes, subjective norms, normative beliefs and motivation to obey. Subjective

attitudes and norms are measured by a scale (for example, a Likert scale / rating scale) using likes / dislikes, good / bad, and agree / disagree. The intention to display a behavior depends on the results of measuring attitudes and subjective norms. Positive results indicate intention to behave. The level of trust in the government system is very much influenced by one's belief and so does the behavior. If someone has confidence in the government system, they will believe that the government has a good government system so they believe that the taxes they have deposited to the government are wisely allocated to the development of the country. Therefore, the better the level of someone's trust in the government system, the better the compliance of individual taxpayers.

According to Permadi (2013), the level of belief in government and legal systems refers to a form of assessment relationship between state institutions in organizing state powers for the benefit of the country itself to realizing the welfare of its people by applicable laws.

Thus, based on research conducted by Wijayanti (2017), if society does not believe in governance mechanisms, then the awareness of paying taxes will also be low. Based on this, the hypothesis can be formulated into:

**H<sub>3</sub>: The level of trust in government systems has a positive effect on taxpayer compliance in personal tax reporting in the field of E-commerce.**



#### 4. The Influence of Moral Norms on Taxpayer Compliance in Personal Tax Reporting in the Field of E-commerce

According to Sulistyarini (2017), moral norms are individual norms that a person has, but may not be possessed by others. If a taxpayer has a high moral, the taxpayer will think positively and do something that is assessed as well and necessary and will avoid wronged deeds.

TRA suggests that a person's desire to behave or not in an action is based on the person's beliefs and the evaluation results from his behavior. Indirectly, this theory suggests that a person's behaviour is influenced by someone's intention of whether to do the behavior. If someone has good moral norms, it will affect his decision to behave. Someone who has morals will understand that taxes are an important thing for the development of the country and also understand that every person who has income is a taxpayer and is obliged to report his own tax. Therefore, the better a person's moral norms, the better the compliance of individual taxpayers.

According to Benk, Cakmak, and Budak (2011), taxpayers who have high morals will understand the importance of tax on human life in improving people's welfare. Thus the taxpayer will promptly fulfill its tax obligations, leaving negative assumptions in the community about taxes.

In contrast, based on research conducted by Rahayu (2016), taxpayers who have low moral regard the tax as an unimportant thing and avoid the

obligation of taxation. Based on this, the hypothesis can be formulated into:

**H<sub>4</sub>: Moral norms has a positive effect on taxpayer compliance in personal tax reporting in the field of E-commerce.**

#### 5. The Influence of Tax Examination on Taxpayer Compliance in Personal Tax Reporting in the Field of E-commerce

According to Aprilina (2016), tax examination is a series of activities in seeking, collecting, processing data or other information to test compliance with tax obligations and other objectives to implement regulation of taxation laws.

TPB shows that an important determinant of a person's behavior is the intention to behave. The essence of a behavior is a combination of attitudes in displaying the behavior. Individual attitudes toward behavior include beliefs about a behavior, evaluation of behavioral outcomes, subjective norms, normative beliefs and motivation to obey. Subjective attitudes and norms are measured by a scale (for example, a Likert scale / rating scale) using likes / dislikes, good / bad, and agree / disagree. The intention to display a behavior depends on the results of measuring attitudes and subjective norms. Positive results indicate intention to behave. With a tax examination someone will build a trust in the government. If the government does a tax examination, then someone has the confidence in the government, they will believe that the government has a good government system so that the government does the tax

examination. Therefore the better the tax examination, the better the compliance of individual taxpayers.

According to KUP Law No. 16 of 2009 Article 29 paragraph 1, the implementation of the examination to test the fulfillment of taxpayer tax obligations is conducted by tracing the truthfulness of notices, bookkeeping or recording and complying with other tax obligations to the taxpayer's current state or business activities.

Thus, based on research conducted by Aprilina (2016), the tax examination is one of the tools used by the government so that taxpayers can pay taxes by the prevailing provisions. Based on this, the hypothesis can be formulated into:

**H<sub>5</sub>: Tax examination has a positive effect on taxpayer compliance in personal tax reporting in the field of E-commerce.**

#### 6. The Influence of Tax Consciousness on Taxpayer Compliance in Personal Tax Reporting in the Field of E-commerce

According to Muliari and Setiawan (2011), tax consciousness is a condition that one knows, acknowledges, appreciates, and obeys the prevailing taxation provisions and has the sincerity and willingness to fulfill its tax obligations.

TRA suggests that a person's desire to behave or not in an action is based on the person's beliefs and the evaluation results from his behavior. Indirectly, this theory suggests that a person's behaviour is influenced by someone's intention of whether to do the behavior. The level of

consciousness of someone also affects a person's decision to behave. Someone who has an consciousness of their obligations, it will affect his attitude and behavior. With the consciousness of paying taxes, one will understand that taxes are important for developing the country and also understand that everyone who has income is a taxpayer and is obliged to report his own tax. Therefore the better the level of consciousness of paying taxes, the better the compliance of individual taxpayers.

According to Widayati and Nurlis (2010), tax consciousness is a human element in understanding reality and how to act or to respond to reality. When a high taxpayer awareness comes from the motivation to pay taxes, the awareness to pay taxes will be high and the state's income from taxes will increase.

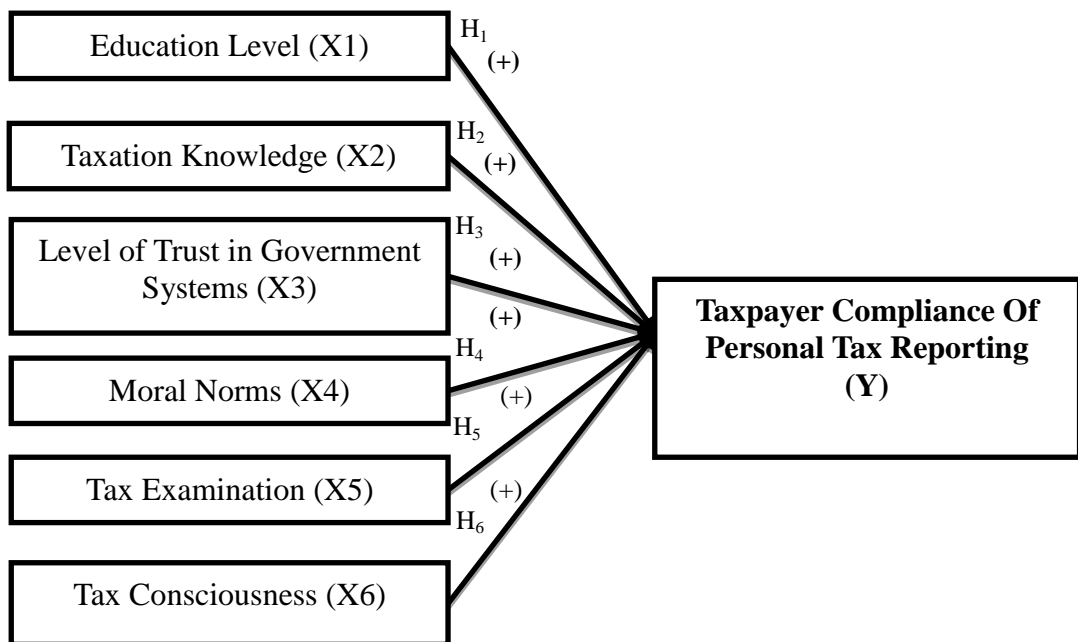
Therefore, based on research conducted by Beti (2016), the higher the tax consciousness, the higher the level of compliance of someone in carrying out the obligation to pay tax. Based on this, the hypothesis can be formulated into:

**H<sub>6</sub>: Tax consciousness has a positive effect on taxpayer compliance in personal tax reporting in the field of E-commerce.**

### **C. Research Model**

Based on theoretical studies and strengthened by previous research, it is assumed that education level, taxation knowledge, level of trust in government systems, moral norms, tax examination, tax consciousness have a

positive effect on taxpayer compliance of personal tax reporting of online shopping entrepreneurs. The framework can be formulated as follows :



**Figure 2. 1 Data Processed (2019)**