



**ORIGINAL ARTICLE**

## **Community Tax Compliance During the Covid 19 Pandemic In Medan: Export Study**

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### **ABSTRACT**

This study aims to see how the people of Medan complied during the Covid-19 pandemic in fulfilling their tax obligations. In terms of tax compliance, the author assesses the aspect of awareness and also the services provided by the Medan City Government. This study took samples from the Medan Tax Office with a total sample of 100 people. By using the Multiple Linear Regression data analysis technique. The results of the study found that taxpayer awareness has an effect on tax compliance and services affect tax compliance. Simultaneous testing produces awareness results and also services have a simultaneous effect on compliance with paying taxes during the covid 19 pandemic in the city of Medan.

**Keywords:** Compliance, Awareness, Service, Tax

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## **INTRODUCTION**

The Covid-19 pandemic has been going on for two years since the beginning of 2020, but so far it has not shown when it will end. The euphoria of the slowing down of COVID-19 cases is marked by a decrease in public awareness of carrying out strict health protocols, according to government recommendations. Due to negligence in implementing the health protocol, Covid-19 cases have increased in several regions, especially the islands of Java and Sumatra. The serious impact caused by COVID-19 is the decline in people's purchasing power due to the large number of layoffs that cause people to lose their livelihoods, as well as the sluggish business climate in both the micro and macroeconomic sectors. Many small and medium entrepreneurs have had to close their businesses due to activity restrictions imposed by the government, which in turn paralyzed the economic sector. The paralysis of the economic sector has a domino effect on people's obligations to fulfill their obligations, especially tax obligations.

Tax is a mandatory contribution to the state that is owned by an individual or entity that is coercive based on the law, with no direct compensation, and is used for state needs for the greatest prosperity of the people (Law No. 28 of 2007). "Taxes are a tool for the government in achieving its goal of obtaining direct and indirect revenues from the community to finance routine expenditures as well as national and economic development of the community. The taxation system always changes from time to time according to the development of society and the state, both in the state sector as well as in the social and economic fields. Nainggolan, EP (2022)

Taxes have an important role as the largest source of state revenue and a tool for the government to encourage national economic development. Therefore, the effectiveness of tax payments by taxpayers, usually defined as tax compliance, is an important contributor to government revenues. De Neve et al. (2021) define tax compliance as the involvement of correct reporting of taxable income and timely payment of taxes owed.

By reporting taxes and paying taxes on time, people will be categorized as obedient to their tax obligations. Of course, public compliance in paying taxes will also be influenced by several other factors apart from the ability to pay taxes. One of the supporting factors is the convenience and services provided by the government. With the innovation from the government in facilitating tax payment services, it will greatly assist the community in carrying out their tax obligations.

In this study, the author will review how the community's ability to carry out tax obligations during the COVID-19 pandemic and examine it based on government regulations, including government efforts to provide tax incentives to encourage people to carry out their tax obligations. This research was conducted in the city of Medan. As one of the Big Cities in Indonesia, Medan City has fairly high business mobility. However, the COVID-19 pandemic has changed everything. The social restrictions imposed by the government have quite an impact on the business world in the city of Medan. Many small and medium enterprises have to stop their business activities because they cannot continue to bear losses if they continue to operate. The decline in people's purchasing power also has an impact on the survival of small and medium businesses in the city of Medan.

Regional taxes are one of the sources of revenue at the Medan City Revenue Service, therefore it requires a budget or revenue plan from local taxes. The budget is made intended as a tool for planning and monitoring so that the realization of revenue from local taxes can be realized properly. Hanum, Z (2010). Quoted from Suarasumut. id, the Head of the City BPKAD Medan said, in 2021 the realization of regional tax revenues in the city of Medan decreased and did not reach the expected target. percent). The target regional retribution is Rp. 110.4 billion, the realization is Rp. 91.3 billion (82.69 percent). The

results of the management of regional assets are targeted at Rp. 20.6 billion, the realization is Rp. 16.1 billion (78.27 percent). Other -Other legitimate PAD, the target is IDR 300.4 billion, while the realization is IDR 78.1 billion (26.04 percent)”

Law of the Republic of Indonesia Number 28 of 2007 concerning general provisions and procedures for taxation provides the following definition of tax: “compulsory contributions to the state-owned by individuals or entities that are coercive under the law, with no direct compensation and use for the needs of the state for the greatest prosperity of the people”.

Meanwhile, Mardiasmo (2006:1) provides a tax definition as follows: "Taxes are people's contributions to the state treasury based on the law (which can be enforced) without receiving reciprocal services (contra-achievements) that can be directly shown and which are used to pay expenses. general".

I Gede Putu Pranadata (2014), tax service is one thing that increases the interest of taxpayers in fulfilling their tax obligations and it is hoped that tax service officers must have good competence related to all matters relating to taxation in Indonesia. Boediono (200), the quality of tax services is a process of assistance to taxpayers in certain ways that require sensitivity and interpersonal relationships to create satisfaction and success.

Human consciousness is a unique form in which it can position yourself according to what you believe. Awareness shows how we act to deal with the existing reality. Puspita (2014) taxpayer awareness of taxation is a feeling that arises from within the taxpayer for his obligation to pay taxes sincerely without any element of coercion. Taxpayer awareness is formed because of the understanding and knowledge that taxpayers have about the taxation field

Gunadi (2013) states that taxpayer compliance means that taxpayers have a willingness to fulfill their tax obligations by applicable rules without the need for inspections, thorough investigations, warnings, or threats, and the application of both legal and administrative sanctions. Widodo (2010) stated, " That tax compliance is studied by looking at how an individual decides the choice of carrying out his obligations in carrying out taxes or doing tax evasion ". With compliance, tax revenue will indirectly run smoothly because taxpayer compliance has shown that taxpayers have carried out their tax obligations well. Taxpayer compliance is tax compliance which is defined as a condition in which the taxpayer fulfills all tax obligations and exercises his taxation rights.

Compliant Taxpayers are Taxpayers who are determined by the Director-General of Taxes as Taxpayers who meet certain criteria and can be given a preliminary refund of tax overpayment. Every year at the end of January, a Compliance Taxpayer is determined. Service facilities as a Compliance Taxpayer can only be provided after the Taxpayer is determined as a Compliance Taxpayer. The determination of the Compliance Taxpayer is valid for 2 (two) years.

## **METHOD**

The research approach used in this study is associative. According to Sugiyono (2010). The associative approach is research that aims to determine the effect between two or more variables to determine the effect or influence between one variable and another. The total population in this study was 15,630 individual taxpayers at Tax Office in Medan Barat, with a sample of 100 people.

**RESULTS AND DISCUSSION****Table 1.** Partial Test

	Model	t	Sig.	t table	Results
1	(Constant)	.769	.651		
	X1 - Tax Awareness	4.764	.001	1,661	Received
	X2 - Tax Service	4.530	.000	1,661	received

a. Dependent Variable: Y - Compliance

Based on the partial test results, the effect of Awareness of Paying Taxes on Compliance with Paying Taxes is obtained by the  $t$ -count value of 4,764 while the  $t$  table is 1,661 and has a significant number of  $0.01 < 0.05$ . Based on the decision-making criteria, it can be concluded that  $H_a$  is accepted ( $H_0$  is rejected), this indicates that there is a significant influence between awareness of paying taxes on compliance with paying taxes. Based on the partial test results, the effect of tax services on compliance with paying taxes is obtained by the  $t$ -count value of 4.530 while the  $t$ -table is 1.661 and has a significant number of  $0.00 < 0.05$ . Based on the decision-making criteria, it can be concluded that  $H_a$  is accepted ( $H_0$  is rejected), this indicates that there is a significant effect between tax services on tax compliance.

**Table 2.** Simultaneous Test

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	531,430	3	218.951	56.591	.000 <sup>a</sup>
	Residual	196,231	96	2.572	—	
	Total	727,661	99			

Table 2 shows that the significance is 0.000. This illustrates that the variables of taxpayer awareness, tax service, and taxpayer compliance together affect tax revenue; this is by following the significance level of 0.05 and that which occurs below 0.05 (0.000). From the attachment, it is obtained that  $F_{0.05; 2; 96} = 2.699$ . When compared with the value of the  $F$  table, then  $F_{count} > F_{table}$ , or  $56.591 > 2.699$ . Thus, it can be concluded that all independent variables ( $X_1, X_2$ ) have a simultaneous effect on the dependent variable (Y). This is to the results of research conducted by Ardiani (2010) that there is a significant influence between taxpayer awareness, tax services, and taxpayer compliance with tax revenues.

**CONCLUSION**

From the results of research, data analysis, and discussion, the following conclusions can be drawn: Taxpayer awareness influences Tax Paying Compliance, Tax services influence Compliance with Paying Taxes, Awareness of taxpayers and tax services Simultaneously affect the Compliance with Paying Taxes.

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