

# An Empirical Investigation of the Relationship between Tax Audit and Taxpayer Compliance: The Mediating Role of Voluntary Disclosure Program

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## Abstract

Taxpayer compliance is the availability of a person to pay tax rights and obligations accompanied by established rules, which is the responsibility of every taxpayer to comply. The research was carried out with the aim of knowing taxpayer compliance with taxpayer awareness as a moderation that is influenced by the variables of tax disclosure, tax sanctions, and tax audits. The sample from this study is the obligatory tax registered at the Batam Indonesia Tax Service Office, where the sample is taken as many as 240 data with test data processed using SmartPLS 3.2.9 software. Findings in this study, the direct test, shows that taxpayer compliance is positively and significantly affected by tax sanctions, while tax audits and voluntary disclosure programs have no significant effect. The direct test also shows that taxpayer awareness moderates tax sanctions and tax audits on taxpayer compliance. However, taxpayer awareness does not moderate the voluntary disclosure program's relationship to taxpayer compliance. Implication this research has an impact on tax policies related to voluntary disclosure programs, tax sanctions, and tax inspections in improving tax compliance.

**Keywords:** Voluntary Disclosure Program, Tax Sanctions, Tax Audit, Taxpayer Awareness, Taxpayer Compliance

## Introduction

Developments in the country that adhere to legal regulations have resulted in very rapid national economic growth and require assistance from the community and government (Imani & Furqon, 2022). In the current era of development, taxation is the main source of national income. This source of income is used to finance state and regional budgets (Wardana & Efendi, 2020). This income and expenditure budget is obtained from various

aspects, both internal and external. Internal revenue includes the APBN. The APBN is the State Revenue and Expenditure Budget where tax collection and calculations are carried out by the government. Internal sources of income have increased in the last 2 years, and this is an important role for the sustainability of the government system for a country and society (Saadah, 2021).

There are several factors in tax matters, one of which is tax compliance. The more compliant a taxpayer is, the more tax revenue a country can obtain. There are many rules regarding tax compliance, for example compliance in recording business transactions, compliance in reporting all business activities based on established regulations and all activities related to taxation. Of the three types of compliance, compliance reporting business activities are the easiest to observe, because every month or year, all taxpayers are required to submit a Notification Letter (SPT) regarding their business activity reports (Imani & Furqon, 2022).

Income collected and deposited either from entrepreneurs or the community is used as a source of income for the State. This income will be used to fund national needs, for example sustainable development, education and health. Currently, the government plans to increase the amount of state revenue in the near future and discuss voluntary tax payments. Voluntary tax distribution, known as the Voluntary Disclosure Scheme, is planned to be implemented in 2022. Voluntary tax distribution means eliminating tax that is still owed but is not subject to fines or tax sanctions.

The voluntary disclosure program is an opportunity provided for taxpayers voluntarily to pay and report their tax assets and liabilities that have not yet been disclosed honestly and accurately. Usually, voluntary disclosure is very useful for the public in tax amnesty. This is because people can pay taxes without having to spend money to pay tax administration fines and tax criminal fines (Ningtyas & Aisyaturrahmi, 2022).

Voluntary disclosure program policies will be difficult to implement successfully without tax compliance contributions. The voluntary disclosure program is a preference for overall tax compliance without disclosing assets in the ongoing period to pay for the disclosure of declared assets with income tax (PPh) costs that will comply with this regulation. Create preferences according to each individual's understanding of the rules of this sincere disclosure program. Tax insight into voluntary disclosure plans is considered valuable to support the implementation of these regulations, because the holders of voluntary disclosure plans are tax officials themselves. The factors that support the formation of awareness of tax compliance are very important regarding behavior, encouragement, desires, experiences, circumstances and something new (Ningtyas & Aisyaturrahmi, 2022). With the description that has been explained, the author is encouraged to carry out further research, so that every taxpayer can obtain information about data on increasing compliance among taxpayers, so the author raises the title

Nowadays, economic and technological growth is increasingly rapid. This growth requires capital to maintain stability both economically and technologically. There are three categories of funding sources, development facilities organized by the APBD and APBN, not including tax objects and grant funds. The largest source of state revenue comes from taxation. However, the realization of national fiscal revenues is still far from the target

(Listyowati et al., 2018). Tax income occurs every year. The low GDP ratio is between 10-12% in the 2017-2020 period. Indonesia's tax rates are relatively low compared to the world average compared to the Philippines 17-18%, Thailand 17-17.5%, Singapore 13-14% and Malaysia 12-15% Teapringga (2020) and Forecast (2021) . The government uses many ways to increase awareness of taxation. For example, by setting rules and providing tax outreach for MSMEs and the community. In order to maximize tax revenues, the DJP carries out various plans, including expanding and intensifying tax revenues. This is achieved by expanding the subjects and objects of taxation and attracting new taxpayers (Halawa & Saragih, 2017). The Comparison Ratio of Target and Realization of the Indonesian APBN for 2017-2021 continues to increase every year, however in 2020 the level of state income and tax revenues experienced a drastic decline. This is due to the high number of Corona Virus cases in Indonesia in 2020. Indonesia also experienced an economic recession resulting in unemployment rates also increasing, so that the amount of state income and tax revenues decreased due to declining economic factors in society.

Table 1

*Comparison Ratio of Target and Realization of the Indonesian APBN 2017-2021*

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Country income	95%	102%	90%	96%	115%
State Expenditure	94%	100%	93%	95%	101%
Tax Revenue	91%	94%	87%	91%	107%

Source: Directorate General of Treasury (2022)

Table 2

*Compliance Level of Indonesian Taxpayers 2017-2021*

<b>Taxpayer Compliance</b>	<b>As of December 31</b>				<b>As of April 30</b>
	<b>2017 (Rp)</b>	<b>2018 (Rp)</b>	<b>2019 (Rp)</b>	<b>2020 (Rp)</b>	<b>2021 (Rp)</b>
Number of registered taxpayers	36.51 Million	39.15 Million	42.51 Million	46.38 Million	49.82 Million
Number of taxpayers who are required to report annual tax returns	16.6 Million	17.65 Million	18.33 Million	19 Million	19 Million
Number of taxpayers who comply with annual tax return reporting	12.04 Million	12.55 Million	13.39 Million	15.97 Million	12.76 Million
Taxpayer Compliance Ratio	73%	71%	73%	84%	67%

Source: DDTCTNews (2021) and Wildan (2022)

Table 3

*Voluntary Disclosure Program (PPS) 1 January 2022 – 30 June 2022*

Number of registered taxpayers	247,918	Taxpayer
Number of Certificates of Assets Reported by Taxpayers	308,059	Certificate
Amount of assets revealed by WP	594.82	Trillion
Amount of Liability Payments from assets disclosed in the Income Tax Form	61.01	Trillion

Source: DDTCNews (2022)

Based on the outlined description, this research endeavors to explore a novel perspective on taxpayer compliance by investigating the interplay between taxpayers' payment and reporting behaviors, alongside the presence of voluntary disclosure programs, tax audits, and tax sanctions. Moreover, this study seeks to elucidate how these factors interact, particularly under the moderating influence of taxpayer awareness, aiming to discern whether such interactions contribute to bolstering taxpayer compliance. In doing so, the research aims to fill a significant gap in the existing literature by providing insights into the nuanced dynamics shaping taxpayer compliance behavior within the context of regulatory frameworks and voluntary disclosure initiatives

### Literature Review

A person's availability to comply with taxation rights and obligations accompanied by the established rules is the responsibility of every taxpayer to comply. Responsible taxpayers must comply with each obligation to carry out tax reporting honestly, accurately and on time (Mansur et al., 2022).

According to Darmayasa et al. (2022), the realized awareness of taxpayers often does not view taxation as a burden, but rather as an obligation that must be fulfilled. Tax awareness usually comes from the taxpayer's personal contribution to the development of the nation, so awareness and obedience to taxpayers is one of the most important things to increase tax revenue.

According to Hantono and Sianturi (2021), one of the things that has an influence on taxpayer compliance in making tax payments is tax sanctions. Halawa and Saragih (2017) stated that tax sanctions are a facility to prevent taxpayers from committing violations of tax regulations. With the existence of tax fines, taxpayers are expected to be liable consistently. For citizens who have the obligation to comply with taxes, if they do not fulfill their tax obligations, they will be subject to tax fines based on existing regulations. So, it is hoped that tax fines will increase the taxpayer's power to comply with taxes (Listyowati et al., 2018).

In implementing the tax payment system established by the state, it is known that tax audits play a useful role in increasing voluntary taxpayer compliance. If taxpayers are afraid of being audited, they will have a higher level of tax compliance. Citizens who fulfill their tax obligations will usually view the risk of audits as likely to be detrimental to taxpayers (Darmayasa et al., 2022).

The voluntary disclosure program (PPS) is a new provision introduced by the government in the field of taxation. This policy is implemented to increase compliance with taxpayers by providing opportunities for taxpayers to report assets that were previously unreported or not reported voluntarily and pay income tax based on the reporting rates for these assets.

Previous research by Afrida and Kusuma (2022) through their research examined the influence of understanding and awareness on individual taxpayer compliance which was moderated by tax socialization. Anggini et al. (2021) stated that the research results show that taxpayer awareness does not moderate tax sanctions on taxpayer compliance. Fatmawati and Adi (2022) conducted research to look at the factors of tax awareness, quality of tax services, level of tax understanding, level of income and tax sanctions, whether there is an influence on taxpayer compliance in paying motor vehicle tax. Pawama and Warongan (2022) researched the variables of implementing Law Number 9 of 2017 and taxpayer awareness of individual taxpayer compliance. Peilouw (2022) qualitative research results show that voluntary disclosure programs have a positive relationship with taxpayer compliance. Researchers believe that this will be achieved because taxpayers are of the view that they will be subject to minimal tax sanctions and are aware of the risk of tax audits for taxpayers who submit false tax data.

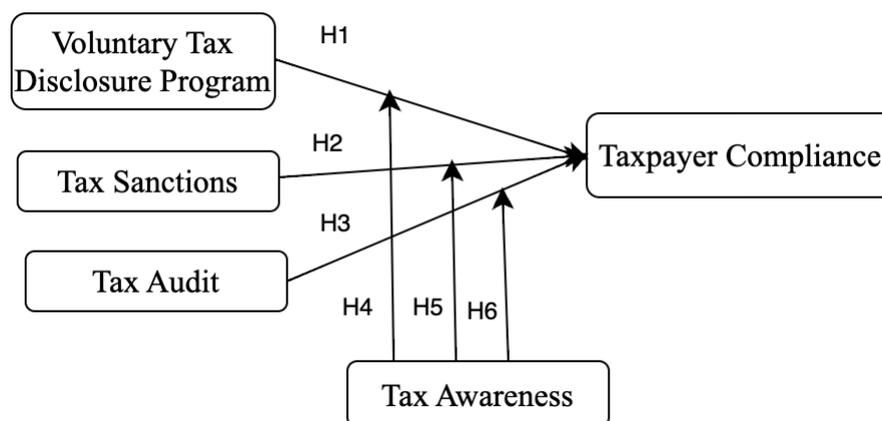


Figure 1. Research Model of the Effect of Voluntary Disclosure Programs, Tax Sanctions, and Tax Audits on Taxpayer Compliance moderated by Taxpayer Awareness

Based on the theoretical framework and description of the model explanation above, the research hypothesis is:

- H1: There is a significant influence of the Voluntary Tax Disclosure Program on Taxpayer Compliance
- H2: There is a significant influence of Tax Sanctions on Taxpayer Compliance
- H3: There is a significant influence of Tax Audit on Taxpayer Compliance
- H4: There is a significant influence of the Voluntary Disclosure Program on Taxpayer Compliance which is moderated by Tax Awareness
- H5: There is a significant effect of Tax Sanctions on Taxpayer Compliance which is moderated by Tax Awareness
- H6: There is a significant influence of Tax Audit on Taxpayer Compliance which is moderated by Tax Awareness

**Research Methodology**

The research uses the Batam City population, the research subjects are taxpayers registered at the Batam City Tax Service Office. This subject was taken because as is known, Batam City is one of the richest cities in Indonesia with a population density of approximately 1,200 people and in 2021 it will be able to produce data on Gross Regional Domestic Product (GRDP) per capita of approximately Rp. 141,000,000. infinite population category. The samples taken are people who live in Batam City and already have a Taxpayer Identification Number (NPWP) both individuals and corporations. This is due to obtaining valid data from people who have registered as taxpayer status. There were 200 questionnaires distributed when the research began to taxpayers where the sample size was determined using the Roscoe formula. The Roscoe formula itself uses the multiplication of the number of sample members of at least 10 respondents from the number of dependent and independent variables studied, (Safaah et al., 2022):

$$n=N \times (Vd+Vi)$$

Note: n = Number of samples; N = Number of populations; Vd = Number of dependent variables

Vi = Number of independent variables;  $n=50 \times (1+3)$ ;  $n=200$

The data analysis method uses *Partial Least Squares* (PLS) to assess *the outer model* and *inner model*, where *the outer model* is intended so that the validity and reliability of the model can be assessed, while *the inner model is done*. Then use SPSS to test the descriptive statistics section. PLS model evaluation is based on prediction orientation which has non-parametric properties. The PLS evaluation model is carried out by assessing *the outer model* (evaluation of the measurement model) and *the inner model* (evaluation of the structural model) (Furadantin, 2018).

Table 4  
*Variable Indicators*

Variable	Statement Indicator
Measuring Compliance Taxpayer	I registered myself as a Taxpayer voluntarily at the Tax Service Office
	I always fill out SPT (Notification Letter) in accordance with statutory provisions
	I always pay the income tax due on time
	I always report a correctly filled SPT (Notification Letter) in a timely manner
	I always pay any income tax shortfall before an audit is carried out
	I have no arrears for any tax category
	I pay taxes according to the provisions of the regulations because the penalties for evasion are very severe
	Timely submission of SPT (Notification Letter) can make it easier for Taxpayers to obtain services
	Taxpayers who report their taxes have the effect of not having arrears
	I have not been sentenced for committing a criminal offense in the tax sector for 10 - 15 years

Variable	Statement Indicator
	I have never committed tax evasion from the authorities for 10 - 15 years
Measuring Taxpayer Awareness	Taxes are a form of community service to the state
	Paying taxes is a form of participation in supporting the country's development
	Taxes are a source of state revenue
	I realize that delaying tax payments can be detrimental to the country
	I realize that paying taxes is the obligation of all citizens
	I realize that paying taxes not according to the amount that should be detrimental to the country
	I realize that the success of tax collection is determined by public awareness
	I know how to fill out tax returns correctly
	I know how to calculate taxes correctly
Voluntary Tax Disclosure Program	I know what the Voluntary Tax Disclosure Program is
	I understand the explanation of the Voluntary Tax Disclosure Program
	I recognize the importance of the Voluntary Tax Disclosure Program
	I am aware of the benefits of the Voluntary Tax Disclosure Program
Tax Sanctions	Strict and clear tax sanctions can increase taxpayer compliance in paying taxes
	Administrative sanctions given to violators of tax regulations can increase taxpayer compliance
	The application of tax sanctions can create discipline for every taxpayer
	Taxpayers who report taxes late will be subject to tax sanctions
	Taxpayers who are late in paying taxes will be subject to tax sanctions
	The imposition of sanctions on taxpayers who violate tax regulations can be negotiated
	The level of application of sanctions from light to heavy
	The level of application of sanctions starts from a warning to the taxpayer
	Elimination of tax sanctions will reduce taxpayer compliance
Tax Audit Measurement	Tax audits can encourage taxpayers to pay and report honestly and correctly
	Tax audits can increase taxpayer compliance
	Tax audits can reduce the level of tax fraud
	Tax audits must be based on the provisions of tax laws and regulations
	Tax audits are carried out by more than one tax officer
	The tax officer must have identification and a tax audit warrant
	Tax officers can convey the purpose and reasons for tax audits to taxpayers

Source: Collect Data (2022)

## Results and Discussions

### Descriptive Statistics

#### *Respondent Demographic Analysis*

The results of successful demographic data analysis for respondents who met the criteria for taxpayers in Batam City were 252 data, where this data had been selected to produce data that was ready to be tested, namely 240 respondent data. The following is a table of *online and offline questionnaire distribution*.

Table 5  
Respondent Data Based on Taxpayer

<b>Taxpayer</b>	<b>Amount</b>	<b>Percentage</b>
<b>Private Person</b>	139	57.9%
<b>Body</b>	101	42.1%
<b>Total</b>	240	100%

Source: Primary data processed (2022)

It can be seen from the results of the analysis of the characteristics of the respondents above that respondents with male gender were 46.7% and female respondents were 53.3%. The age groups in these results can be detailed, namely those aged 21-25 years at 36.7%, then followed by research data aged 26-30 years at 16.7%, data aged 31 to 35 years and 36 to 40 years respectively. 31.7% and 6.7%, and respondents aged over 40 years were 8.3%. This shows that millennial generation taxpayers dominate the research carried out.

Table 6  
*Respondent Data Based on Monthly Income*

<b>Income per Month</b>	<b>Amount</b>	<b>Percentage</b>
4,500,000 to 10,000,000	185	77.1%
10,000,000 to 15,000,000	32	13.3%
15,000,000 to 20,000,000	8	3.3%
> 20,000,000	15	6.3%
<b>Total</b>	<b>240</b>	<b>100%</b>

Source: Primary data processed (2022)

**Inner Model Test Results****Direct Effect Test Results**

Table 7

*Direct Effect Test Results (Direct Influence)*

Influence	Sample Mean	P-Values	Conclusion
Voluntary Disclosure Program -> Taxpayer Compliance	- 0.032	0.670	Not significant
Tax Sanctions -> Taxpayer Compliance	0.395	0,000	Significant Positive
Tax Audit -> Taxpayer Compliance	0.086	0.462	Not significant
Voluntary Disclosure Program * Taxpayer Awareness - > Taxpayer Compliance	- 0.018	0.920	Not significant
Tax Sanctions * Taxpayer Awareness - > Taxpayer Compliance	- 0,331	0.014	Significant Positive
Tax Audit * Taxpayer Awareness - > Taxpayer Compliance	0.294	0.028	Significant Positive

Source: Primary data processed (2022)

**Coefficient of Determination Test Results (R<sup>2</sup>)**

Table 8

*Coefficient of Determination Test Results (R<sup>2</sup>)*

Variable	R Square Adjusted	Conclusion
Taxpayer Compliance	0.923	<i>Strong</i>

Source: Primary Data Processed (2022)

The results of data processing of the *R Square value* for the taxpayer compliance variable with a magnitude of 0.923 show that taxpayer compliance is very capable of being expressed by the variables of voluntary disclosure programs, tax sanctions, tax audits, and tax awareness with a percentage of 92.3% *strong* category. The higher this result, the more consistent the model testing will be and 7.7% was explained by other factors outside the research model.

*Quality Index Test Results*

This calculation comes from average *communalities* (AVE) data of 0.789 and an average *adjusted R square* of 0.923. The formula for calculating *the quality index* is as follows:

$$GoF = \sqrt{0.789 \times 0.923}$$

GoF = 0.728

This means that the GoF value of the data can be classified as GoF >0.36, meaning that the research model is very good for continuing research.

## Discussion of Results

### *Voluntary Disclosure Program for Taxpayer Compliance*

The results of the analysis of the relationship between voluntary disclosure programs and taxpayer compliance show a positive and insignificant effect. Obtaining research results can indicate that the voluntary disclosure program for taxpayers in Batam City has no effect on increasing taxpayer compliance, because through the news conveyed by the Batam City Government, Taxpayer Appreciation (2022) and Tax Performance Until August 2022 Reached IDR 1,171.8 trillion, growing 58.1% (2022) increase in tax revenue has increased from previous years, and taxpayer compliance every year always reaches the target. This states that there is minimal error or dishonesty by taxpayers in submitting their tax obligations, so that with the existence of a voluntary disclosure program there is no impact on Batam City taxpayers being obliged to report the previous year's annual tax return, because the data reported is mostly correct and accurate according to the factual conditions. taxpayer.

These results support research by Bali (2022) , Finrely and Ardiansyah (2022) , Irawan and Raras (2021) showing that voluntary disclosure programs have no effect on taxpayer compliance. Researchers also concluded that the program was only useful for some taxpayers who were aware of past payment and tax reporting errors, although the voluntary disclosure program had an effect on increasing compliance for some taxpayers but would be valid for a short period of time.

### *Tax Sanctions on Taxpayer Compliance*

The results of the analysis of the relationship between tax sanctions and taxpayer compliance show a positive and significant influence. Obtaining these results can indicate that tax sanctions against taxpayers have increased taxpayer compliance, because tax sanctions determined both administratively and criminally at small to large rates can be directly or indirectly imposed on taxpayers who violate tax regulations, so resulting in losses and fines imposed on taxpayers, it is possible to impose sanctions in stages, if ongoing violations are discovered by taxpayers. Likewise, with Darmayasa et al. (2022), Santhi et al. (2022), Halawa and Saragih (2017), Gaol and Sarumaha (2022) who stated that tax sanctions have a positive and significant effect on taxpayer compliance. Researchers say that establishing strong and high tax penalty formulas and rates can be used to strengthen tax compliance.

### *The Relationship of Tax Audits to Taxpayer Compliance*

Through Table 7, the results can be shown which state that tax audits have a direct effect on taxpayer compliance, which involves a *sample mean* of 0.086 and *P-Values* of 0.462, as a result it can be interpreted that the relationship between tax audits and taxpayer compliance has a positive and insignificant effect. Analysis results There is a positive and insignificant effect on the relationship between tax audits and taxpayer compliance. Obtaining these results can be an indication that the majority of taxpayers do not or have never known the purpose and risks of tax audits, resulting in taxpayers having the view that there is no benefit whatsoever for the taxpayers themselves, as well as the implementation of tax audits that are still less consistent with regulations. which are in effect or still have exceptions that deviate from tax regulations in certain cases resulting in taxpayers feeling the freedom to make offers to avoid the risk of a tax audit, thereby allowing for opportunities for taxpayers' mindsets to avoid compliance with taxpayers in the event of a tax audit. The results tested were not in accordance with Darmayasa et al. (2022), Gaol and Sarumaha (2022), Santhi et al. (2022),

Mimi and Mulyani (2022), and Primasari and Hendrani (2022) stated that the high level of smoothness and thoroughness in the implementation of tax audits could result in increased taxpayer compliance, because they were of the view that tax audits would have a negative impact, causing various problems and harming the taxpayers themselves.

*Voluntary Disclosure Program on Taxpayer Compliance moderated by Taxpayer Awareness*

The results of the analysis of the relationship between voluntary disclosure programs moderated by tax awareness and taxpayer compliance show a positive and insignificant effect. Obtaining these results can be indicated according to DDTCTNews (2022) that taxpayer awareness of the knowledge, objectives, benefits and risks of the voluntary disclosure program is not really able to increase taxpayer compliance, because the awareness of most taxpayers has submitted tax data accurately and honestly based on real conditions, so that the program does not have too much influence on taxpayers, this statement has been conveyed by the Batam City Government Appreciation of Taxpayers (2022) and Tax Performance Until August 2022 Reaches IDR 1,171.8 trillion, Grows 58.1% (2022) tax revenues and the level of taxpayer compliance have increased every year and the majority are always in a safe condition.

*Tax Sanctions on Taxpayer Compliance moderated by Taxpayer Awareness*

The results of the analysis of the relationship between tax sanctions moderated by tax awareness and taxpayer compliance have a positive and significant influence. Obtaining these results can be an indication that the value received by taxpayers is not yet overall awareness of tax fines can experience a consistent increase in tax compliance. Due to the lack of rigor in the implemented regulations and clear violations as a result of each violation, taxpayers clearly follow the applicable regulations without exception. So that taxpayers realize that knowledge of tax sanctions is not important in situations where they have not committed any violation, but if the taxpayer commits a violation and is aware of the consequences of the tax violation, then awareness of tax sanctions will increase tax compliance, because the risk received is detrimental and becomes a problem for taxpayers themselves. This supports the research results of Safiq (2020), Putu et al. (2019), and Muh. Syahru Ramadha and Samsudin (2022) states that taxpayers are aware of the tax sanctions that will occur if taxpayers do not comply with their tax obligations.

*Tax Audit of Taxpayer Compliance moderated by Taxpayer Awareness*

The results of the analysis of the relationship between tax audits moderated by tax awareness and taxpayer compliance have a positive and significant influence. Obtaining these results can indicate that taxpayer awareness of the knowledge, objectives, benefits and risks of tax audits can increase tax compliance. Because taxpayers are aware that the class of cases and problems that occur as a result of tax audits on taxpayers themselves, will cause large losses and gradual problems that allow taxpayers to continuously check all assets until they are clean of dishonesty and inaccurate data paid and reported. This is in accordance with research conducted by Gaol and Sarumaha (2022), Santhi et al. (2022), Mimi and Mulyani (2022), and Primasari and Hendrani (2022) concludes that taxpayers are aware of the objectives and consequences of tax audits which can be risky for taxpayers themselves, causing losses and problems for taxpayers themselves which may be difficult to resolve.

## Conclusions

This research contributes to understanding the factors that influence taxpayer compliance. In this research, the variables of voluntary disclosure programs, tax sanctions, and tax audits were tested to see their effect on taxpayer compliance. The research results show that tax sanctions have a positive and significant influence on tax compliance, while voluntary disclosure programs and tax audits do not have a significant influence. Apart from that, taxpayer awareness also moderates the influence of tax sanctions and tax audits on taxpayer compliance. The implications of this research have an impact on tax policies related to voluntary disclosure programs, tax sanctions, and tax audits in improving tax compliance. The author hopes that the next author will be able to expand the scope or population in researching the same research topic to other regions in or outside Indonesia.

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