

# CHAPTER 1

## INTRODUCTION

### 1.1 Research Background

In order to improve the welfare of the community from all aspects, both economic, health, education, and socio-cultural, development in Indonesia is very important in meeting development needs, which, of course, cannot be separated from the need for very large funds. These funds cannot be separated from domestic income or loans to foreign countries, which of course makes the national debt increase (Khoiroh, 2017). Therefore, the funds used should come from within the country. One of the state revenues that is becoming the prima donna is income from taxes; its contribution to the state is increasingly vital and is the state's largest income source.

Taxes are one of the tools used by the government to achieve its goal of getting revenue either directly or indirectly from the community. Taxation is the most important source of state revenue in Indonesia. Taxes can be used to finance government activities aimed at improving people's welfare. Payment of taxes is a manifestation of state obligations and the participation of taxpayers in directly and jointly carrying out tax obligations for state financing and national development. In accordance with the philosophy of tax law, paying taxes is not only an obligation but also the right of every citizen to participate in state financing and national development.

There are several types of taxes. One of them is the type of tax grouping based on the collecting agency. Taxes are classified into two types based on this type: central taxes and regional taxes. Central taxes can also be called "state taxes," which are taxes collected by the central government and used to finance state households. The Central Tax Manager is mostly managed by the Directorate General of Taxes (DGT) and the Ministry of Finance of the Republic of Indonesia (Kemenkeu). Meanwhile, regional taxes are taxes collected and managed by the regional government and used for economic development or improvement in the area. Regional taxes consist of provincial taxes and regency/city taxes. The main function of taxes is as a source of state finance (budget). Taxes have a broader function than just as a source of state finance, namely the function of regulating or implementing state policies in the economic and social fields.

Legislation (UU), which is based on a strong law to regulate it, is used to create and ratify a policy that controls taxation in Indonesia. Laws govern taxes so that there is clarity regarding the tax. The interaction between the people as taxpayers and the government as tax collectors governed by tax law. Tax law is divided into two categories: procedural law and material law, which refers to the rules or regulations of tax law that relate to the content of the applicable legislation. The purpose, kind, or level of the tax is described by material tax law. Additionally, formal tax law is a body of legislation that specifies how material tax law should be implemented.

The President of the Republic of Indonesia has stipulated Government Regulation Number 55 of 2016 concerning General Provisions and Procedures for

Collecting Regional Taxes on November 21, 2016 and has promulgated it on November 22, 2016. The government regulation is a mandate from Law (UU) 28 of 2009 concerning regional taxes and regional levies.

The Government Regulation is a revision of PP Number 91 of 2010 concerning the types of regional taxes collected based on the determination of the regional head or taxes paid by the taxpayer himself. The materials regulated by the government regulation include the following:

1. types of regional taxes and tax determination arrangements in regional regulations;
2. taxpayer registration and tax period;
3. determination, payment, reporting, and assessment of taxes;
4. collection and write-off of tax receivables;
5. Objections and appeals
6. bookkeeping and auditing;
7. Examination of the letter of payment of local taxes on the acquisition of land and building rights;
8. rural and urban land and building tax assessments;
9. Taxes paid and collected by the government

This KUPD is very important in the regulation of regional taxes. Why is this KUPD so important to regional tax regulation? Because this KUPD regulates the procedures for fulfilling tax rights and obligations as well as sanctions for those who

violate tax obligations, the existence of this KUPD can provide taxpayers with information about this tax procedure. Therefore, this KUPD is very important for taxpayers to know because it will greatly assist them in understanding tax procedures. The goal is to help taxpayers understand the processes or procedures used in local taxes. And it is hoped that it will also assist taxpayers in fulfilling their rights and obligations under regional taxation.

However, the Tanah Datar government has not regulated in such a way that the understanding of taxpayers, both in terms of regulations and practices they face, has been explored. It can be seen that the regional regulations governing general provisions and procedures for collecting taxes have not been revised and refer to PP No. 55 of 2016. That's why this research is important to do.

Based on this background, the main focus of this study is the understanding of tax procedures by taxpayers in Tanah Datar Regency. In an effort to find the level of understanding of taxpayers in Tanah Datar Regency, it is hoped that the findings of this study can be a solution for related parties, especially local governments, as evaluation material to increase taxpayer understanding and also local tax revenues. Therefore this is what encourages researchers to conduct research entitled "**Analysis of Formal Tax Law at the Local Government: Taxpayer's Perspective (Empirical Study in Tanah Datar Regency)**".

## 1.2 Research Problem

Based on the description above, the problems to be discussed in this study is do the people in Tanah Datar Regency understand the provisions and procedures for collecting taxes properly.

## 1.3 Research Objectives

Based on the problems above, the researcher wants to find out the level of understanding of taxpayers in Tanah Datar Regency regarding general provisions and procedures for collecting taxes properly and the extent of their understanding. Do they have an understanding of the procedures for registration, assessment, payment, tax assessment, reporting tax, tax collection, objections, appeals, bookkeeping, and understanding during a tax audit?

## 1.4 Research Contribution

With this research, it is hoped that it can provide benefits to several parties, either directly or indirectly, including:

### 1. Theoretical Benefits

Theoretically, this research contributes to developing taxation science, especially in understanding the provisions and procedures for tax collection in detail from beginning to end. And can add insight into the development of science, especially in the field of accounting on taxation as well as for the development and progress the world of education.



## 2. Practical Benefits

This study provides information to the government about the understanding of taxpayers about general provisions and procedures for collecting taxes in Tanah Datar Regency. It is hoped that this information can help the government to improve local regulations in an effort to increase taxpayer compliance in paying taxes.

### 1.5 Research Scope and Limitation

This research was conducted based on Regional Regulation Number 6 of 2011 concerning Regional Taxes and PP number 55 of 2016, the scope of this research is taxpayers in Tanah Datar Regency with the limitation of only taxpayers who are close or developed to the center of Batusangkar city so that the subjects in this study are taxpayers domiciled in Lima Kaum, Rambatan, Sungai Tarab, Sungayang, and Tanjung Emas.

### 1.6 Writing Systematics

The writing systematic of this thesis consists of 5 chapters which are described as follows:

#### CHAPTER I: INTRODUCTION

This chapter discusses the background, problem formulation, research objectives, research benefits and writing systematics of this thesis.

## CHAPTER II: LITERATURE REVIEW

This chapter discusses the theoretical basis used to support the research, reviews of previous research, the research framework and the hypotheses that will be tested in this study.

## CHAPTER III: RESEARCH METHODS

This chapter discusses the types of research, population and samples, types and sources of data, data collection techniques, definitions and measurement of variables and methods of data analysis.

## CHAPTER IV: RESEARCH RESULTS AND DISCUSSION

This chapter describes the description of the object under study, analysis of the data, hypothesis testing, and research discussion.

## CHAPTER V: CONCLUSION

This chapter describes the conclusions of the research that has been carried out, suggestions for further research and also the limitations of the study.

