

CHAPTER I

INTRODUCTION

1.1 Background

Indonesia is a unitary state that follows the decentralisation principle. The principle of decentralization is very necessary in a country that consists of a fairly wide and diverse area. The principle of decentralization provides opportunities and flexibility to government administrators to carry out regional autonomy as stated in the Law No. 23 of 2014 with relation to Local Government. This law authorizes regions to control and oversee the interests of regional communities based on community aspirations. Local government administrators are directed to immediately realize the welfare of the community by improving services, empowering and playing the role of the community, and increasing regional competitiveness. One factor that must be taken into account in order to achieve communal welfare is the source of funding. Actual autonomy will only be implemented if the local government has adequate fiscal resilience which can be seen from the regional revenue (Anggoro, 2017)

Each local government has the right to run and organize its government based on decisions made by the regional government. The regional government has the right to levy on the local community and place the burden on the community (Mafaza et al., 2019). As explained in Law No. 1 of 2022 concerning the financial relationship between the central government and local governments, one of the government's revenues comes from local own-source revenue (PAD). PAD is local government revenue derived from government activities, services to the community,

and use of the region's resources. PAD is often used as an indicator of the progress of a region. A region is seen as more developed if its PAD is higher. The high PAD allows the region to be less dependent on the central government to fund its Regional Revenue and Expenditure Budget.

One of the PADs consists of local taxes. Local taxes provide a greater opportunity to be maximally mobilized compared to other PAD components. It is due to several factors, the most important factor is that local tax levies have clear properties and characteristics, including policy and implementation (Larasati & Natasya, 2018). The local tax definition or the tax definition as stated by Prof. Dr. Rochmat Soemitro, S.H. says that: "Taxes are contributions of the people to the state treasury based on laws (which can be imposed) by not getting reciprocal services (contraprestasi) which can be directly shown and which are used to pay for public expenses." Furthermore, local taxes in accordance with Resmi (2019), "are taxes levied by local governments, both level I regions (provincial taxes) and Level II regions (district/city taxes) and are used to finance their respective regional households. Provincial taxes consist of motor vehicle taxes (PKB) and vehicles on water, motor vehicle title transfer fees (BNKB) and vehicles on water, motor vehicle fuel taxes, and taxes on the collection and utilization of surface water. Meanwhile, district/city taxes consist of hotel, restaurant, entertainment, billboard, street lighting, non-metallic minerals and rocks, parking, rural and urban PBB, land and building acquisition fees, and taxes on the collection and utilization of underground water."

Motor vehicle tax is one source of local revenue that has a high contribution to local revenue. Motor vehicle tax has a significant impact on local revenue

(Widajantie & Anwar, 2020), Therefore local governments need to maximize revenue from this PKB through several efforts to raise this industry's earnings, one of which is by encouraging more motor vehicle taxpayers to comply (Wardani & Asis, 2017). However, tax collection can be said to be quite difficult, besides the proactive role of tax authorities, it also requires awareness from the taxpayers themselves. Taxpayer awareness can be interpreted as an intention that arises from the taxpayer himself to carry out an obligation voluntarily without coercion (Widajantie & Anwar, 2020). If tax compliance is high, then government revenue from the tax sector will also increase. Because tax revenue is expected to be higher to support economic growth, therefore the government through The Directorate General of Taxation is constantly updating and working to increase tax income from the community or taxpayers, namely innovating from all aspects for the better (Akbar, 2017).

The innovations made are expected to increase tax revenue, where the number of motorized vehicles keeps rising every year. However, along with that, the amount of PKB arrears also continues to increase, which means that taxpayer compliance has also decreased. The willingness of taxpayers to satisfy their tax payment responsibilities might be regarded as compliance. Fulfillment of these obligations must be by following existing regulations without any threats (Harinurdin, 2009).

Table 1. 1 Data on the number of motor vehicles in West Sumatra 2019 – 2023

Year	The quantity of motor vehicles (units)	The quantity of taxpayers that pay tax (units)	The quantity of individuals who fail to pay vehicle taxes (percentage)
2019	2.374.526	1.044.375	56.01%
2020	2.421.828	967.504	60.05%
2021	2.540.728	969.900	61.82%
2022	2.656.691	997.770	62.44%
2023	2.979.897	761.036	74.46%

Source: The Central Bureau of Statistic West Sumatra 2019-2023

A tax amnesty scheme is one way to boost taxpayer compliance. held by the local government. The tax amnesty policy aims to provide relief and convenience for taxpayers in understanding the importance of completing tax payment obligations and increasing local tax revenues managed by the provincial revenue office (Widajantie & Anwar, 2020). Through this tax amnesty policy, taxpayers who experience delays in paying taxes can pay off the tax by making the vehicle tax principal payment without incurring a late fee. This policy is aimed at individuals who fail to pay taxes on time, to increase local government revenue and encourage taxpayers to immediately complete their tax obligations (Gaol, 2023). The tax amnesty policy is the local government's way of encouraging taxpayers who haven't fulfilled their obligations to pay vehicle taxes by waiving the penalties for the late payment. The tax amnesty policy is an opportunity for taxpayers to pay off arrears without paying late penalties (Widajantie & Anwar, 2020).

As in other regions, the West Sumatra government also provides relief to the local community, especially for Taxpayers who have not fulfilled their tax payment obligations. The vehicle tax amnesty policy in West Sumatra is based on governor regulation No. 7 of 2022. The governor's regulation explains that tax amnesty is in the form of partial or full exemption of PKB principal and administrative sanctions. Taxpayers will get several benefits if they want to take advantage of this policy held by the government (Rahayu & Amirah, 2018). However, the reality is that there are still numerous taxpayers have not fully benefited from this strategy. In addition to the tax amnesty policy, the government also innovates to increase tax revenue by utilizing technology through the implementation of E-SAMSAT or Electronic SAMSAT (One-Stop Administration Service Office). E-SAMSAT is a program where the government provides cooperates with several banks in Indonesia so that Payments for vehicles taxes can be made via E-banking or ATMs. E-SAMSAT makes easier for taxpayers to fulfill their obligations to pay taxes (Megayani & Noviani, 2021). Because taxpayers can perform their tax payment duties anywhere and at any time without having to physically visit the SAMSAT office, the E-SAMSAT system can reduce costs and expedite the tax payment process. It is anticipated that the degree of taxpayer compliance will rise in tandem with the implementation of E-SAMSAT.

Various efforts to rise taxpayer compliance and maximize tax collection have been made by local governments. The government continues to innovate, both directly and involving technology. In addition to E-SAMSAT, there is also a mobile SAMSAT that provides convenience to taxpayers. The Mobile SAMSAT is a service for validating Vehicle Number Certificates (STNK), paying vehicle taxes,

and contributions to the Mandatory Traffic Accident Funds (SWDKLLJ), which is a mobile organisation. For taxpayers who can pay their car tax obligations in person at the SAMSAT Joint office, mobile SAMSAT is a way to equalise services. (Ningrat & Supadmi, 2019).

Based on data recorded at the statistical center, West Sumatra has a population of 5,757,000 people. The large population in West Sumatra allows for high potential vehicle tax revenue that can be collected from the local community. In actuality, though, the low level of compliance among vehicle taxpayers with their responsibilities means that local governments continue to underutilise the cash generated by the vehicle tax sector. In order to boost and optimise local government revenue from vehicle taxes, the government is expected to address the low compliance of vehicle taxpayers.

Studies on the impact of the car tax amnesty program on vehicle taxpayer compliance as described by Widajantie & Anwar (2020), The study, conducted at the SAMSAT South Surabaya Joint Office, looks at how motor vehicle tax amnesty, taxpayer awareness, tax socialisation, and services affect motor vehicle taxpayer compliance. The results demonstrate that car taxpayer compliance is positively impacted by the vehicle tax amnesty program. The results of this study have a simultaneous impact on automobile taxpayer compliance, which is supported by research by Widya Sasana et al. (2021) that examines the relationship between the tax amnesty policy and exemption from transfer expenses. However, in contrast to research conducted by Sasana et al. (2021) which examines the effect of tax amnesty and exemption from transfer of title fees on tax compliance of vehicle

taxpayers, the results of the tax amnesty policy have a negative impact on the compliance of vehicle taxpayers.

Research on the effect of E-SAMSAT on tax compliance was conducted by Megayani & Noviari (2021), as in Megayani & Noviari (2021) on E-SAMSAT can improve vehicle taxpayer compliance, as demonstrated by the Impact of Taxpayer Satisfaction, Mobile SAMSAT, and the E-SAMSAT Program on Vehicle Taxpayer Compliance. In line with previous studies, Anggita et al (2023) which examine Examined at the Bandung Regency SAMSAT office, the study's findings show that the E-SAMSAT system has a beneficial impact on the degree of vehicle taxpayer compliance when compared to income level, taxation knowledge, and the system itself. However, the study The E-SAMSAT system partially has no influence on the level of tax compliance, according to Aprilianti's (2021) study, The influence of Taxpayer Awareness, Taxation Socialisation, Tax Incentives, and the E-SAMSAT System on Motor Vehicle Taxpayer Compliance.

According to Maulana & Septiani's (2022) study, "The Effect of Mobile SAMSAT Services, E-SAMSAT, and Tax Sanctions on Motor Vehicle Taxpayer Compliance," research on Mobile SAMSAT's effects on tax compliance supports the conclusion that the availability of mobile SAMSAT facilitates tax payments, thereby increasing tax compliance. The findings corroborate the study's conclusions of Mutia & Hamta (2020) which examines the Impact of Drive-thru, SAMSAT Corner, and Mobile SAMSAT Implementation on Vehicle Taxpayer Compliance in Batam City which states that mobile SAMSAT has a significant effect on tax compliance in Batam City. In contrast to research by Chaerani et al.(2024) This study (Empirical Study of East Jakarta SAMSAT) looks at how tax amnesty,

Vehicle taxpayer compliance is impacted by mobile SAMSAT and taxpayer awareness. It finds that In East Jakarta, taxpayer compliance is unaffected by mobile SAMSAT.

Based on the explanation above, between one study and another, there are differences in research results. Also, West Sumatra is one of the provinces with a relatively high rate of motor vehicle ownership, yet it continues to face challenges in terms of taxpayer compliance. This makes the region particularly relevant for analysing the effectiveness of programs aimed at improving compliance, such as tax amnesty policy, the E-SAMSAT, and mobile SAMSAT services. There has been limited prior research that specifically and comprehensively examines the relationship between these three variables, which is tax amnesty policy, E-SAMSAT, and mobile SAMSAT and taxpayer compliance in West Sumatra. This presents an opportunity to offer both academic insight and practical contributions. Therefore, the authors are interested in researching the impact on vehicle taxpayer compliance in West Sumatra of the E-SAMSAT system, Mobile SAMSAT, and Tax Amnesty policy.

1.2 Problem Formulation

Based on the background described above, the problem formulations in this study are:

1. Does the vehicle tax amnesty policy affect vehicle taxpayer compliance in West Sumatra?
2. Does the implementation of the E-SAMSAT system affect vehicle taxpayer compliance in West Sumatra?

3. Does mobile SAMSAT affect vehicle taxpayer compliance in West Sumatra?

1.3 Research objectives

According to how the issues mentioned above were formulated, the goals this study hopes to accomplish are:

1. To find out whether the vehicle tax amnesty policy affects compliance of vehicle taxpayer in West Sumatra.
2. To examine whether the application of E-SAMSAT affects compliance of taxpayer in West Sumatra.
3. To investigate whether mobile SAMSAT affects vehicle taxpayer compliance in West Sumatra

1.4 Research benefits

The following are the anticipated advantages of this study:

1. Theoretical Benefits

This research is expected to be a guide and add to the literature in conducting and developing further research and is useful for readers to find out the effect of tax amnesty policies, E-SAMSAT systems, and Mobile SAMSAT on vehicle taxpayer compliance in West Sumatra.

2. Practical benefits

The West Sumatra local government can use the outcomes of this investigation as a basis for analysis in making decisions and policies to increase vehicle taxpayer compliance.

Providing information for the West Sumatra regional government to be used as input and material for evaluating policies to increase vehicle taxpayer compliance in West Sumatra.

1.5 Systematics of Writing

The writing systematic aims to provide an overview of the things that will be discussed in writing this thesis. Where, The five chapters that make up the systematics of composing this thesis are as follows:

CHAPTER I INTRODUCTION

The research background, problem formulation, aims, research benefits, and research writing systematics are all included in this chapter.

CHAPTER II LITERATURE REVIEW

This chapter describe the theoretical basis, hypothesis development, and framework.

CHAPTER III RESEARCH METHOD

The type of study, population and sample, data and data collection methods, research variables and variable measurements, and data analysis methodologies are all included in this chapter.

CHAPTER IV RESULT AND DISCUSSION

The basic description of respondents, research findings, and an analysis of the author's research are all covered in this chapter.

CHAPTER V CLOSING

The results of the discussion that was detailed in Chapter IV, the research's limits, and recommendations and proposals for further study are all covered in this chapter.

