

CHAPTER 1

INTRODUCTION

1.1 Background

Technological progress is marked by the increasing development of communication and information technology. The presence of technology in the form of electronic media is an alternative for humans today to find information faster. The government began to develop online systems and rely on internet facilities as innovations to improve taxpayer compliance in fulfilling tax obligations and to modernize tax administration systems. The IT was and is changing the social and organizational aspects of life, and even other changes in the development of the world helped to create a surrounding that is very different than that from the days of first modern democratic governments and their services (Decman and Klun, 2008). In the past, e-government normally used information technology (IT) to improve efficiency and communication (Decman & Klun, 2008; Norris & Kraemer; 1996). The main focus was on mass transaction processes inside the government. It was the internet revolution and its wide use in the private sector and personal life that gave new wings to the e-government as well. The focus turned to the new and more capable client who knew and wanted to use IT (Decman and Klun, 2008). At present, in various parts of the world including Indonesia are using communication and information technology that can facilitate daily activities. This is then followed by the presence of an internet network that makes it easy for everyone to access information (Masari and Suartana, 2019). The internet (interconnection-network) is a series of computers connected in several series. According to Febriana (2019) explained that understanding the internet is the ability to be able to understand with a thing with the help of communication networks that are connected between computers that are very broad so that we can understand such things easily and precisely. Following the rapid development of the internet, the internet provides many benefits for everyday life, namely: 1) users easily get various information, 2) the internet provides freedom of access to search or obtain the required knowledge, 3) The internet provides speed in accessing various information (Oktaviani *et al.*, 2019). Based on this explanation, it can be concluded

that understanding the internet is a true understanding of what the internet is and knowing how to use the internet.

Based on a survey conducted by the Indonesian Internet Network Providers Association revealed that more than half of Indonesia's population has been connected to the internet. The explosive growth of the Internet and Computer-Mediated Communication (CMC) signifies the importance of understanding the social context of this medium. Communications technologies that mediate the communication process in distance education and training create social climates that are very different from the traditional classroom (Gunawardena, 1995). An independent nation or nation certainly wishes for its prosperity and independence, as for one way to realize that desire, then the country or nation must have a strong and independent economy in order to support the sustainability of the state without the need to depend on other countries so as to compete amid the competition global today. To be independent of a state or a nation must be able to manage and maximize the sources of income of the country. The source of income of a state one of which is tax. Technological Progress encourages the Directorate General of Taxes to utilize technology by carrying out tax reforms that produce e-tax. The tax has become a key element in supporting the state's sustainability such as supporting economic activities, move the wheels of government, and provide public facilities. So the tax is an obligation that must be fulfilled by every citizen (Hardana *et al.*, 2019). It's the largest source of state revenues for the country's incomes (Solichah *et al.*, 2018). Article 1 of the Law of the Republic of Indonesia Number 16 of 2009 concerning KUP defines that "Tax is a mandatory contribution to the state-owned by individuals or entities that are forcing based on the Law by not getting direct compensation and used for the state's purposes for the maximum prosperity of the people ". The concern in paying taxes will be difficult to realize if in the sense of taxes no element can be forced. This element provides an understanding that people are required to pay taxes voluntarily and with full awareness as good citizens.

Tax revenue is one of the biggest sources that contribute to national income. The unique source of income in developing and the developed nation is tax revenue. Taxes are compulsory levy imposed by tax authorities on the taxpayers, it could be individual, firms, or another object (Olajide *et al.*, 2019). Various tax definitions in several books, but in essence have the same meaning and purpose. In accordance with the philosophy of the Taxation Law, paying taxes is not only an obligation but also

the right of every citizen to participate directly and together with other citizens to support state financing and national development. The problem of the State of Indonesia after independence is how to build, grow, and develop the country to a better level. Initially, the Indonesian government relied on revenues from the oil and gas sector. However, with the decline in oil and natural gas prices in the world market around the 1980s, the role of revenues from the oil and gas sector in state revenue also declined. The Indonesian government secures state revenue, one of which is by diverting state cash income from the tax sector (Fajarwati *et al.*, 2014). The tax sector is the biggest contributor to the State Budget (Faizah, 2018).

Prior to the tax reform, all taxation activities were carried out manually or carried out directly at the tax office. The implementation of a manual taxation system by the government often facing obstacles that affected the level of tax compliance. The constraints of the manual taxation system include the administrative process which is quite complicated, time-consuming, and not economical because it requires a lot of paper usage. If it continues it can lead to negative perceptions by taxpayers that can cause a decrease in the level of compliance. To overcome the problems in the manual taxation system, the Directorate General of Taxes makes some efforts by carrying out modern tax administration reforms with online systems. The ease of online systems is applied in terms of tax services (Oktaviani *et al.*, 2019).

The Directorate General of Taxes has carried out a digital transformation in improving the quality of service and compliance of taxpayers through e-tax supported by the internet. Tax Online is a system used in Zambia to file returns and pay taxes online (Soneka and Phiri, 2019). The use of information technology, especially in the modernization of the tax administration system, causes many tasks that are normally done by humans, although they can be replaced by systems and machines. An information technology-based taxation system makes it easy to save time is accurate and paperless. The use of information technology in system modernization is expected to increase compliance and trust in tax administration.

In previous studies, there were inconsistent variables such as the application of E-Filing. Results of Sitorus Research (2018) who said e-filing, has no effect on taxpayer's compliance. Modernization of tax administration with e-filing did not have an effect on the taxpayer's compliance. Inconsistent results are found in the application of E-tax, according to research by Putri (2018) stated that E-Tax does not affect taxpayer compliance. This is because the use of information technology and the

internet is still low, so many taxpayers are still late in submitting tax returns and paying tax payable. In this literature will combine from previous studies that not only focus on consistent previous research but also on studies that are not consistent with E-Tax and E-Filing. These variables affect taxpayer compliance but still, show inconsistent results. Based on the description above and the inconsistency of the results of previous studies. Therefore, this literature will begin with an explanation of e-tax, e-filing, e-billing, tax compliance, and the implementation of the tax modernization system for taxpayer compliance and conclusions.

1.2 Literature Study Problem

Many previous studies still show inconsistent results in the use of information technology in the modernization of the system which is expected to increase compliance and trust in tax administration. The problem to be discussed in the literature is whether tax modernization affects taxpayer compliance?

1.3 Literature Study Objective

The purpose of this literature is to compiling literature about the effect of tax modernization toward tax compliance.

1.4 Literature Study Benefit

The benefits of this literature are as follows:

1. For Academics

This literature is expected to increase taxpayer understanding of E-tax, E-Filing, and E-Billing and enrich their insight in the field of taxation especially in compliance with taxpayers in their obligation to pay taxes using online tax payments.

2. For Directorate General of Tax (DGT)

From this literature, DGT should be able to increase counseling on new taxation systems, so that taxpayers can utilize the technology available in tax regulations.

3. For Future Research

This literature as a source of reference and information to allow subsequent studies concerning discussion modernization of tax.

