

# The Effect of Motivation, Tax System Complexity, and Financial Conditions on Taxpayer Compliance

Firna Muflihani<sup>1\*</sup>, Bambang Subroto<sup>2</sup>, Mohamad Khoiru Rusydi<sup>3</sup>

<sup>1</sup>Program Pascasarjana Fakultas Ekonomi dan Bisnis, Universitas Brawijaya, Malang, Jawa Timur, Indonesia

<sup>2,3</sup>Universitas Brawijaya, Malang, Jawa Timur, Indonesia

## ARTICLE INFO

### Article history:

Received : 7 July 2021

Revised : 18 November 2021

Accepted : 23 November 2021

### JEL Classification:

E62, G38, L25

### Key words:

Taxpayer Compliance, Tax Planning, SEM-PLS, Mediation

### DOI:

10.14414/jebav.v24i1.2609

## ABSTRACT

This study was conducted to determine the factors that influence the behavior of taxpayer compliance through tax planning, both internal and external factors. This study used analytical method of SEM (Structural Equation Modeling) with sample consisting of 346 corporate taxpayers and tax professionals in Samarinda City as the unit of analysis. Data were collected by distributing questionnaires either directly or via Google form. The results of this study prove that internal factors have a negative effect on obedient behavior directly and have a positive effect on tax-payer compliance through tax planning. This study also proves that external factors have a positive effect on tax-payer compliance both directly and through tax planning. Therefore, it can be concluded that the motivation for tax compliance is mediated perfectly by tax planning. Meanwhile, the complexity of the taxation system and the financial condition of taxpayer compliance is partially mediated by tax planning. The results of this study imply the importance of tax planning in increasing tax payments.

## ABSTRAK

Penelitian ini dilakukan untuk mengetahui faktor-faktor yang mempengaruhi perilaku kepatuhan wajib pajak melalui perencanaan pajak, baik faktor internal maupun faktor eksternal. Penelitian ini menggunakan metode analisis dengan SEM (Structural Equation Modeling) dengan sampel yang terdiri dari 346 wajib pajak badan di Kota Samarinda dan tenaga profesional pajak sebagai unit analisis. Pengumpulan data dilakukan dengan menyebarkan kuesioner baik secara langsung maupun melalui google form. Hasil penelitian ini membuktikan bahwa faktor internal berpengaruh negatif terhadap perilaku patuh secara langsung dan berpengaruh positif terhadap kepatuhan wajib pajak melalui perencanaan pajak. Penelitian ini juga membuktikan bahwa faktor eksternal berpengaruh positif terhadap kepatuhan wajib pajak baik secara langsung maupun melalui perencanaan pajak sehingga disimpulkan bahwa motivasi kepatuhan pajak dimediasi secara sempurna oleh perencanaan pajak. Sementara itu, kompleksitas sistem perpajakan dan kondisi keuangan kepatuhan wajib pajak sebagian dimediasi oleh perencanaan pajak. Hasil penelitian ini menyiratkan pentingnya perencanaan pajak dalam meningkatkan pembayaran pajak.

## 1. INTRODUCTION

Taxes have become the main source and the largest contributor to state revenue, amounting to 82.5 percent (Sekretariat Jenderal Kementerian Keuangan, 2019). This means that—in running the government and providing access to basic services for the community—the government depends on tax revenues. However, taxpayer compliance in Indonesia is still relatively low. This is reflected in Indonesia's tax ratio, which is a comparison between state revenues from the tax sector and Gross Domestic Product (GDP). Indonesia's state tax ratios

were 10.7 percent in 2017, 11.5 percent in 2018, and 11.9 percent in 2019 (Sekretariat Jenderal Kementerian Keuangan, 2019).

Based on the data above, the tax ratio continues to increase but it is still far from regional standards and global standards when compared to other countries. For example, the data from the World Bank, IMF, and OECD show that the tax ratio of developed countries such as the UK is 30.6 percent, Germany is 37 per-cent, and Scandinavian countries is above 40 percent (Enache, 2020). For several countries in Southeast Asia, the tax ratio is around

\* Corresponding author, email address: firnamuflihani@gmail.com

15 percent, such as Thailand 16.5 percent, Malaysia 14.4 percent, Philippines 13.67 percent, Singapore 14.29 percent, and Cambodia 15.3 percent (Enache, 2020). When looking at these figures, of course, Indonesia's tax ratio is relatively low.

To achieve a tax ratio in accordance with regional standards and global standards, it is necessary to continuously foster awareness and compliance of the taxpayer community to fulfill tax obligations in accordance with the applicable regulation. In increasing taxpayer compliance, the government continues to carry out tax reforms. Some of their efforts have been improved include organization, human resources, information technology, to regulations (Sekretariat Jenderal Kementerian Keuangan, 2019). Also, the Directorate General of Taxes (DGT) has done various things to increase tax revenue through increasing tax compliance, starting from improving the organization, human resources, information technology, to regulation (Sekretariat Jenderal Kementerian Keuangan, 2019).

Another effort—made by the DGT in improving corporate taxpayer compliance—is by expanding Tax Office (Kantor Pelayanan Pajak or KPP). One of the KPPs that were split was KPP Pratama Samarinda into KPP Pratama Samarinda Ilir and KPP Pratama Samarinda Ulu in accordance with the Decree of the Directorate General of Taxes Number KEP-167/PJ/2018 concerning the Organization and Work Procedure of the DGT Vertical Agency. This expansion was carried out because Samarinda City is one of the cities in Indonesia with a relatively low level of corporate taxpayer compliance and has not yet reached the tax revenue target specified so that the DGT expects tax revenue in 2019 to reach the specified tax revenue target. However, in 2019 the DGT still has not reached the target of tax revenue that has been determined.

The realization of tax revenue in 2019 was only Rp. 1,403,457,993,000 from the target of tax revenue in 2019 of Rp. 1,251,941,490,432. Only 59.65 percent of the 16,351 Corporate Taxpayers registered with the Tax Service Office (KPP) Pratama Samarinda (Langodai et al., 2020). This means that almost half of the corporate taxpayers in Samarinda City do not comply with reporting their tax obligations, namely 6,597 Corporate Taxpayers. The number of corporate taxpayers reporting the annual tax report has decreased from 2018, which was 64.47 percent to 59.65 percent in 2019. This is certainly a problem because the expectation that the expansion of the Samarinda KPP Pratama will not increase the tax compliance as expected by the Directorate General

of Taxes. This means that the purpose of the expansion that was carried out was not achieved.

Taxpayer compliance or awareness is influenced by several factors, both internal and external factors. Internal factors that can affect taxpayer compliance is motivation (Alm, 2014). External factors that can affect taxpayer compliance are the complexity of the tax system (Braithwaite, 2017; Palil, 2016), and financial conditions (Lee & Carley, 2016; Jayanto, 2011; Syakura & Baridwan, 2014; Mohamad et al., 2017). According to Alm (2014), the taxpayers' motivation to carry out their tax obligations is due to the fear of being investigated, sanctions, and administrative fines. Taxpayers have viewed that taxes are a burden for them so that they will carry out a strategy to minimize their taxes and optimize profits through tax planning (Kelliher, 2014). This is in line with the research conducted by Puspita et al. (2016) proving that corporate taxpayer compliance can be influenced by tax planning but cannot prove that tax planning is influenced by motivation.

The complexity of the tax system and the financial condition of corporate taxpayers also has an important role in tax compliance. It is related to the complexity or simplicity of a system. The occurrence of tax complexity is partly due to increasing sophistication in tax law. Many corporate taxpayers stated that they have to pay more to involve tax agents in fulfilling their tax obligations or dealing with problems that may arise due to the complexity of the tax system (Saad, 2014). The tax agent or tax consultant is not frequently involved and is also used by the taxpayer in carrying out tax planning on the advice of the tax agent or the taxpayer's request (Syakura & Baridwan, 2014). In other words, due to the complexity of the taxation system, taxpayers will take advantage of the system through a tax professional so that they can minimize the tax they pay. This is in line with research conducted by Braithwaite (2017) and Palil (2016) showing that the complexity of the tax system underlies tax non-compliance behavior. Therefore, financial condition is related to financial pressure and limited income of taxpayers.

Syakura and Baridwan (2014) stated that the company's financial condition affect the behavior of taxpayer compliance. In other words, the better the financial condition of the taxpayer, the more taxpayer compliance will be in fulfilling their tax obligations. However, the results of this study are different from the research conducted by Hamid (2017), Jayanto (2011) and Mohamad et al. (2017). Jayanto (2011) revealed that the higher the financial

pressure experienced by the company, the lower the level of tax professional compliance in reporting their corporate taxes. Hamid (2017) and Mohamad et al. (2017) revealed that high-income taxpayers tend to accumulate tax arrears. This can be interpreted that the lower the financial pressure of the taxpayer, the lower the compliance is.

Tax planning is used as a mediating variable in this study because the tax collection system in Indonesia is self-assessment. For that reason, the taxpayers determine their own tax burden that they have to pay. In agency theory, it is seen as a contractual model between the agent (taxpayer) and the principal (Directorate General of Taxes). Therefore, the taxpayer has the opportunity to carry out a tax collection system by the tax-payer himself in carrying out tax planning practices.

This research is motivated by some aspects. First, there are issues related to the importance of tax-payer compliance for tax revenues (Sekretariat Jenderal Kementerian Keuangan, 2019). Tax revenue is the largest contributor to state revenue so that, in running the government, it depends on the tax revenue. Mean-while, taxpayer compliance in Indonesia is still relatively low when compared to other countries. This is re-flected in Indonesia's tax ratio, which is 11.9 percent. This means that the portion of taxes that can be collect-ed by the state is only around 11.9 percent of Indonesia's total economic activity (Sekretariat Jenderal Kementerian Keuangan, 2019).

Based on the condition above, the researchers are interested in examining the factors that affect tax-payer compliance, both from internal factors such as motivation and external factors such as the competitiveness of the tax system, and financial conditions. Another motivation to do this research is the theory of planned behavior which emerged after deterrence theory. Deterrence theory only explains tax compliance from an external perspective. Then, the emergence of the theory of planned behavior states that internal fac-tors are no less important in explaining tax compliance. From the two theories, it can be seen that internal and external factors of tax compliance are equally important to assess tax compliance simultaneously. In addition, the fulfillment of tax obligations involves two parties, namely external parties (Directorate General of Taxes) and internal parties (Taxpayers). Therefore, it is very important to research from both points of view. Beside, the researcher wants to expand the research by adding tax planning as a mediating variable.

Tax planning is suspected to be a mediating

variable between the dependent variable and the independent variable. This is related to agency theory which reveals that taxpayers as agents have the opportunity to practice tax planning due to the self-assessment system. Thus, taxpayers will determine the amount of their own tax burden through tax planning. In addition, in the study of Puspita et al. (2016) have not been able to prove tax planning as a mediating variable due to the lack of indicators used in the study so that re-researchers re-examined tax planning as a mediating variable. Fourth, there are inconsistent research results on financial condition variables that affect taxpayer compliance. Hamid (2017) and Mohamad et al. (2017) revealed that high-income taxpayers tend to be disobedient by being in arrears on their tax obligations. On the contrary, Syakura and Baridwan, (2014) stated that the company's financial condition will affect taxpayer compliance behavior. In other words, the better the taxpayer's financial condition, the more taxpayer compliance will be in fulfilling their tax obligations. Therefore, the researchers re-tested the financial condition variable with different measurements, namely through the level of profitability, cash flow rate, and profit before tax.

Based on the description above, this study attempts to re-examine the factors that influence obedient behavior both internally and externally through tax planning. The results of this study can provide empirical evidence regarding the factors that can influence obedient behavior. In addition, this research is expected to provide an input for tax authorities, especially for KPP Pratama Samarinda city. By doing so, the researchers can consider internal and external factors that can influence the obedient behavior of taxpayers in making the policies or decisions related to increasing tax revenues.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES**

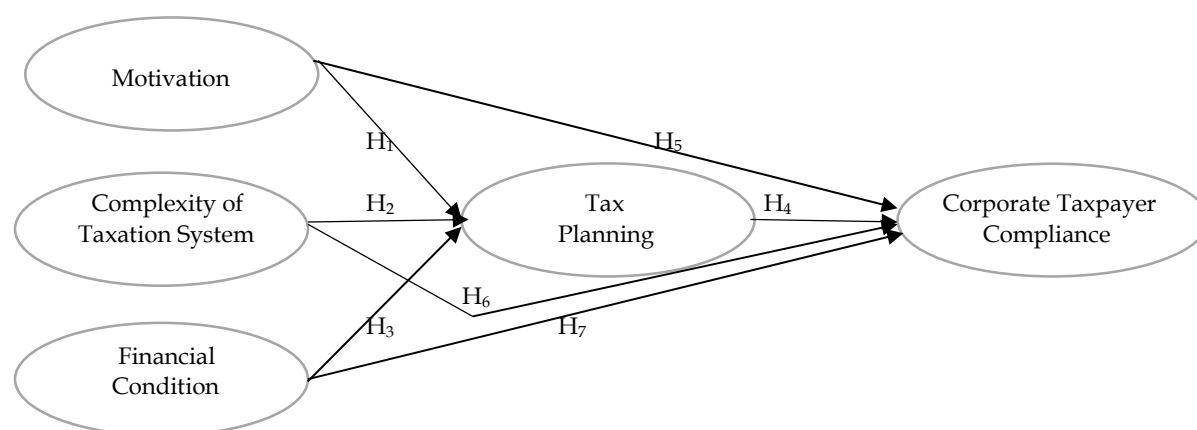
The individual process to behave obediently or disobediently is a behavior that is controlled by internal factors and external factors. To explain this behavior, this study uses Planned Behavior theory for explaining the internal factors that influence obedient behavior. This theory explains why someone behaves by starting the intention from within a person.

There are three determinants of behavioral intentions in this theory. First, it is the attitude towards behavior, subjective norms, and behavioral control. Second, it is deterrence theory to explain external factors that influence obedient behavior.

This theory explains a person's behavior based on that person's paradigm of the benefits, costs, and risks of the chosen action. Third, it deals with agency theory to explain tax planning as a mediating variable. This theory explains that the relationship between the ownership of information is not the same between the principal and the agent can. This condition leads to information asymmetry because

the principal is more passive and the agent is more active.

Referring to previous studies and the theory of planned behavior, agency theory, and deterrence theory above, this study empirically tests individual behavior towards tax compliance with a research model as in Figure 1.



**Figure 1.** Research model

The theory of planned behavior describes an obedient or disobedient behavior which is analogous to taxpayer compliance with taxes regulated in tax regulations (Ajzen, 1991). This theory is also used to find out why taxpayers behave in a certain way in carrying out their tax obligations. In addition, theory of planned behavior explains how taxpayers' intention to maximize their benefits, welfare, and income affect compliance and non-compliance with taxation. This is reinforced by agency theory arguing that taxpayers who have a certain amount of income are faced with the opportunity to determine the amount of their own tax burden on the system determined by the Directorate General of Taxes, namely the self-assessment system.

Motivation is the influential factor toward tax planning to behave obediently. According to the theory of planned behavior, taxpayers are influenced by the intention or motivation to act or behave. The practice of tax planning may also result in agency problem as suggested by agency theory (Jensen & Meckling, 1976). It is due to the relationship between the Directorate General of Taxes as a principal and corporate taxpayers as an agent that can lead to information asymmetry. Both theories are adapted by analogizing tax planning as an action or behavior influenced by taxpayer motivation and affects taxpayer compliance. This is

supported by the results of the research conducted by Cooper and Nguyen (2019), and Wahab and Holland (2012) finding that tax planning is influenced by motivation. Mangoting & Sadjarto (2013) argued that motivation affects taxpayer compliance. Sá et al.(2015) also found that the individual's intrinsic motivation positively influences the individual to comply with his tax obligations. Thus, motivation or intention is the influential factor toward tax planning to behave obediently. From the description above, the researchers formulate alternative hypotheses as follows:

**H<sub>1</sub>:** Motivation positively affects tax planning to behave obediently

Based on deterrence theory—developed by Allingham and Sandmo (1972) and Yitzhaki (1974)—it is assumed that taxpayer behavior is based on the desire to maximize the expected utility. Also, the agency theory stated by Jensen and Meckling (1976) that it is possible to practice tax planning because the relationship between the principal and corporate taxpayers as agent can lead to information asymmetry. For this reason, corporate taxpayers will carry out tax planning by taking advantage of the loopholes contained in the complex tax regulations to reduce the tax burden. Both theories are adapted

by analogizing tax planning as an action or behavior that is influenced by the complexity of the tax system. In turn, this complexity affects taxpayer compliance. The more complex a tax system is, the greater the tax planning carried out by corporate taxpayers to fulfill their tax obligations.

When the taxpayers do not understand the meaning, content, or procedures regulated in the taxation system, they always need the assistance of a tax agent or consultant to fulfill their tax obligations. Tax-payers will also carry out tax planning either on their own volition or on the advice of the tax agent or consultant. This is also supported by research conducted by Syakura and Baridwan (2014) and Palil (2016) finding that the more complex the tax system, the more it affects corporate taxpayers to do tax planning. Devos (2012) states that the complexity of the tax system will further increase taxpayer compliance by applying the advice given by tax consultants. From the description above, the researchers formulate alternative hypotheses as follows:

**H<sub>2</sub>:** Complexity will positively affect tax planning for obedient behavior

Syakura and Baridwan (2014) argue that the economic conditions that are being experienced by tax-payers can be used as the basis for taxpayers to behave obediently or disobediently by carrying out tax planning practices. Financial condition in this study is an economic factor that describes the performance of a company. Several previous studies have had inconsistent results. Based on deterrence theory developed by Allingham-Sandmo (1972) and Yitzhaki (1974), taxpayers are influenced by the desire to maximize utility. For this reason, taxpayers will carry out tax planning by reducing costs so that the company's financial condition remains stable. Both theories are adapted by analogizing tax planning as an action or behavior that is influenced by the financial condition of the taxpayer and affects taxpayer compliance. Thus, the better the financial condition of the taxpayer, the higher the tax planning and taxpayer compliance. This is supported by research conducted by Richardson et al. (2015) which proves that tax planning is influenced by financial conditions. Syakura and Baridwan (2014) and Puspita et al. (2016) show that tax planning affects taxpayer compliance. From the description above, the researcher formulates an alternative hypothesis as follows:

**H<sub>3</sub>:** Financial conditions will positively affect tax planning to behave obediently

Based on agency theory stated by Jensen and Meckling (1976), it is possible to have tax planning carried out by taxpayers as agents because the Directorate General of Taxes as the principal provides opportunities for taxpayers through a tax collection system established by the Directorate General of Taxes itself, namely self-assessment system. Thus, in complying with tax obligations that are calculated and self-reported by the taxpayer, it will be influenced by the tax planning practices they carried out. This is supported by research conducted by Syakura and Baridwan (2014) and Puspita et al. (2016) prove that tax planning affects corporate taxpayer compliance. From the description above, the researchers formulate an alternative hypothesis as follows:

**H<sub>4</sub>:** Tax planning will positively affect taxpayer compliance

Motivation is an impulse or desire from within the taxpayer. This motivation will encourage taxpayers to behave obediently or disobediently in fulfilling their tax obligations. This study adapts the theory of planned behavior which explains that tax compliance is influenced by internal factors in the form of motivation or intentions from within a person. The theory makes an analogy that the more positive the motivation, the greater the taxpayer's tax compliance. Alm (2014), Mangoting and Sadjiarto (2013) and Wahyuni et al. (2017) found that motivation affects taxpayer compliance. From the description above, the researchers formulate an alternative hypothesis as follows:

**H<sub>5</sub>:** Motivation will positively affect the compliance of corporate taxpayers.

Deterrence theory that explains tax compliance is influenced by external factors in the form of the complexity of the tax system. First of all, a study by Allingham-Sandmo (1972) and Yitzhaki (1974) found that a person's behavior—based on that person's paradigm of the benefits, costs, and risks of the chosen action with the complex taxation system—tends to be more obedient. This is analogous to the taxpayer being faced with the benefits, costs and risks as the complexity that he obtains if he behaves obediently or disobediently. Rationally, if the taxpayer behaves disobediently, he will pay another additional costs and risks that he will obtain on this basis the taxpayer that he will be complied with fulfilling his tax obligations. This is

supported by the results of a study by Syakura and Baridwan (2014) proving that the complexity of the taxation system has an effect on increasing tax compliance. From the description above, the researcher formulates an alternative hypothesis as follows:

**H<sub>6</sub>:** The complexity of the taxation system positively affects the compliance of corporate taxpayers.

Financial condition is the manifestation of the company's financial performance. This financial condition will affect taxpayers in carrying out their tax obligations. Based on deterrence theory and agency theory, taxpayer compliance is influenced by external factors that can be in the form of financial conditions. Also, according to deterrence theory, taxpayers will maximize utility so that—with limited financial conditions—they can carry out tax planning to behave obediently or fulfill their tax obligations. This is supported by the results of a study by Syakura and Baridwan (2014) finding that financial condition affects taxpayer compliance. Besides that, Jayanto (2011) also revealed that the higher the financial pressure experienced by the company, the lower the level of tax professional compliance is in reporting its corporate tax. From the arguments above, the researchers formulate an alternative hypothesis as follows:

**H<sub>7</sub>:** The financial condition positively affects the compliance of corporate taxpayers

### 3. RESEARCH METHOD

This study uses a quantitative approach with a positivist paradigm and the method uses survey for collecting data or information purposively. The data were collected by distributing a list of statements to the tax staff of the company through questionnaires. The Tax Office (KPP Pratama Samarinda Ilir) was the unit of analysis. The researchers chose the unit of analysis because the tax staffs are also the actors related to the company's taxation activities. Therefore, for explaining the behavior of corporate taxpayer compliance, the tax staff of the company can be represented. The data were analyzed using SEM (Structural Equation Modeling).

This study used respondents from the corporate taxpayers registered until the end of 2019 at KPP Pratama Samarinda Ilir, with the total number of 16351 corporate taxpayers. The number of corporate tax-payers consists of 401 types of industrial businesses, 10068 types of service businesses, 5560

types of trading businesses, 322 types of agricultural and plantation businesses. Based on the total population, the sample of this study was 390 samples. In this case, the researchers used the Slovin formula for calculating the sample in order to obtain the representative sample. Thus, the results of this study can later be generalized.

The data were collected using a survey method, which is to distribute a list of statements to the company's tax staff. A list of questionnaires was designed which had to be filled out by the respondents and then analyzed using SEM with the SmartPLS Version 2.0M3 application. The model analyzed by SEM must support the theoretical framework, namely the theory of taxpayer compliance with the theory of planned behavior (TPB) (Ajzen, 2019), agency theory (Jensen and Meckling 1976), deterrence theory (Yitzhaki 1974) and the political cost hypothesis (Watts & Zimmerman, 1990).

The proposed research model that was tested deals with the effect of motivation, complexity of the taxation system, and financial condition on taxpayer compliance through tax planning. The instruments and indicators used to measure the construct were the same as that as also used by the previous researchers. The measurement of each construct used a 6-scale Likert scale which has the meaning (6) strongly agree (5) agree (4) somewhat agree (3) somewhat disagree (2) disagree (1) strongly disagree.

### 4. DATA ANALYSIS AND DISCUSSION

#### Descriptive statistics

The respondents are the corporate taxpayers represented by tax staff or finance staff who are related to corporate tax reporting. There were 390 questionnaires distributed to them, and 36 questionnaires were not returned, 8 questionnaires could not be processed. Therefore, the total of 346 questionnaires was processed. The descriptive statistics shown in Table 1 provides an overview of the mean, AVE, CR, Cronbach's, reliability, and of each variable.

The validity test was done using PLS program application through a convergent validity test and a Discriminant validity test. The result of the convergent validity test was seen from the AVE value > 0.5. This can be seen in Table 1. The reliability test was carried out through internal consistency reliability testing for each research variable. The results of the reliability test by looking at the consistency of the statement items show that the coefficient value of Cronbach's Alpha of the

variables of Tax Planning Motivation (TPM), Complexity of the Taxation System (CTS), Financial Condition (FC), Tax Planning (TP), Taxpayer Compliance (TC) are all above the value of 0.6 These results prove that the variables of this study are reliable.

**Table 1.** Descriptive statistics of research variables

Variable	Indicator	Mean	AVE	CR	Cronbach'sAlpha
Tax Planning Motivation (TPM)	TPM2	0.669	0.742	0.894	0.851
	TPM3	0.959			
	TPM4	0.930			
Complexity of the Taxation System (CTS)	CTS1	0.773	0.580	0.805	0.684
	CTS2	0.729			
	CTS4	0.782			
Financial Condition (FC)	FC1	0.706	0.667	0.856	0.744
	FC2	0.914			
	FC3	0.816			
Tax Planning (TP)	TP1	0.674	0.571	0.868	0.808
	TP2	0.656			
	TP3	0.700			
	TP4	0.824			
	TP6	0.896			
Taxpayer Compliance (TC)	TC1	0.818	0.557	0.862	0.800
	TC2	0.802			
	TC4	0.681			
	TC5	0.737			
	TC6	0.682			

### Hypothesis Testing

After testing the outer model as a whole, the next step was to test hypotheses using the bootstrapping method. The test results are presented in Table 2.

**Table 2.** Hypothesis testing results

Hypothesis	Independent Variable	Mediating Variable	Dependent Variable	Coefficient	t-Statistic	p-Value	Research Findings
H1	Taxpayer Motivation	Tax Planning		0.080	3.466	0.001	Accepted
H2	Complexity of the Taxation System	Tax Planning		0.113	3.712	0.000	Accepted
H3	Financial condition	Tax Planning		0.080	2.948	0.003	Accepted
H4		Tax Planning	Taxpayer Compliance	0.294	4.156	0.000	Accepted
H5	Taxpayer Motivation	Tax Planning	Taxpayer Compliance	-0.276	6.831	0.000	Rejected
H6	Complexity of the Taxation System	Tax Planning	Taxpayer Compliance	0.274	6.082	0.000	Accepted
H7	Financial condition	Tax Planning	Taxpayer Compliance	0.226	2.635	0.009	Accepted

### **The Effect of Motivation on Tax Planning for Obedient Behavior**

Table 2 shows a significant value of  $0.001 < 0.05$  and  $t\text{-count} > t\text{-table}$  that is  $3.466 > 1.64$  with a coefficient value of 0.080. This proves that motivation has a positive and significant effect on taxpayer compliance through tax planning. The result of this test indicates that the higher the motivation of the taxpayer, the higher the tax planning carried out by the taxpayer to fulfill his tax obligations. This result supports the result of a study by Mangonting and Sadjarto (2013) and Puspita (2016) that also found that the motivation or intention of taxpayers is mediated by tax planning in fulfilling their tax obligations. In addition, this result also supports the theory of planned behavior, explaining why someone behaves is induced by his intention from within his mind.

Intention is a motivation that influences individual behavior. Behavioral intention indicates to what degree a person is willing to try to have a plan. Strong behavioral intention will influence individual behavior (Ajzen, 1991). This theory also argues that intention will be consistent with individual's behavior when the environment provides him sufficient motivation and opportunities. Therefore, a person will perform a certain action when he sees it positively and believes that another person wants him to perform a certain action and the other person believes that he is capable of doing it.

In relation to the argument above, Ajzen (1991) mentioned that there are three determinants in this theory. One of these determinants is the attitude towards behavior as outlined in the indicator which is the main indicator in this study, namely the risk indicator of non-compliance in paying taxes. How much confidence the taxpayer has in the risks posed if he behaves disobediently then he will be more obedient in fulfilling his tax obligations. The practice of tax planning also reduces information asymmetry as suggested by agency theory (Jensen & Meckling, 1976). So, based on the two theories, it can be concluded that the motivation of taxpayers that affect compliance in fulfilling their tax obligations is mediated by tax planning.

### **The Influence of the Complexity of the Tax System on Tax Planning for Obedient Behavior**

Table 2 shows a significant value of  $0.000 < 0.05$  and  $t\text{-count} > t\text{-table}$  that is  $3.712 > 1.64$  with a coefficient value of 0.113. This proves that the complexity of the taxation system has a positive and significant effect on taxpayer compliance through tax planning. The result of this test shows that the more complex a tax system is, the higher the tax planning carried out by

the taxpayer to fulfill his tax obligations. This result supports the result of research conducted by Syakura and Baridwan (2014) and Palil (2016) showing that the more complex the tax system the more it affects corporate taxpayers to do tax planning. Devos (2012) states that the complexity of the tax system will further increase taxpayer compliance by applying the advice given by tax consultants.

The result of this study supports deterrence theory and agency theory developed by Allingham-Sandmo (1972) and Yitzhaki (1974). This theory assumed that taxpayer behavior is based on the desire to maximize the expected utility. The practice of tax planning also reduces information asymmetry as suggested by agency theory (Jensen & Meckling, 1976). Both theories are adapted by analogizing tax planning as an action or behavior that is influenced by the complexity of the tax system and affects taxpayer compliance. The more complex a tax system is, the stronger the tax planning will be because in carrying out its tax obligations, it will involve a tax consultant.

### **The Influence of Financial Conditions on Tax Planning for Obedient Behavior**

Table 2 above shows a significant value of  $0.003 < 0.05$  and  $t\text{-count} > t\text{-table}$  that is  $2.948 > 1.64$  with a coefficient value of 0.08. This proves that financial conditions have a positive and significant effect on taxpayer compliance through tax planning. The result of this test shows that the better the financial condition of a company or corporate taxpayer, the higher the tax planning carried out to fulfill its tax obligations. The result of this study supports the result of research conducted by Richardson et al. (2015) and Syakura and Baridwan (2014) showing that taxpayer compliance is influenced by financial condition through tax planning.

The result of this study – when associated with deterrence theory developed by Allingham-Sandmo (1972) and Yitzhaki (1974) – assumes that taxpayer behavior is based on the desire to maximize the expected utility. This theory believes that no individual or taxpayer is willing to pay taxes voluntarily (voluntary compliance). In addition, this finding is also in line with agency theory of Jensen and Meckling (1976) implying that the practice of tax planning could reduce information asymmetry. Therefore, based on these two theories, it can be concluded that the better the financial condition of the taxpayer, the greater the desire of the taxpayer to maximize utility through tax planning to comply with his tax obligations.



### **The Effect of Tax Planning on Taxpayer Compliance**

Table 2 also shows a significant value of  $0.000 < 0.05$  and  $t\text{-count} > t\text{-table}$  that is  $4.156 > 1.64$  with a coefficient value of 0.294. This proves that tax planning has a positive and significant effect on taxpayer compliance. The result of this test indicates that the higher the tax planning carried out by the taxpayer, the more obedient the taxpayer is. The result of this study supports the results of research conducted by Syakura and Baridwan (2014) and Puspita et al (2016) showing that tax planning affects corporate taxpayer compliance.

The result of this study supports the agency theory by Jensen and Meckling (1976). Agency theory argues that taxpayers who have a certain amount of income are faced with the opportunity to determine the amount of their own tax burden on the system determined by the Directorate General of Taxes, namely the self-assessment system. They do it because the Directorate General of Taxes as the principal provides opportunities through the established tax collection system, namely the self-assessment system. Due to this opportunity, the taxpayers tend to practice tax planning when they calculate and report their tax.

### **The Effect of Motivation on Corporate Taxpayer Compliance**

Table 2 shows a significant value, namely  $0.000 < 0.05$  and  $t\text{-count} > t\text{-table}$  ( $6.831 > 1.64$ ) with a coefficient value of -0.275. This does not prove that motivation has a positive and significant effect on taxpayer compliance. However, this result supports the result of research done by Puspita (2013). They cannot prove such as the greater the intention of the taxpayer, the more obedient the taxpayer is.

Again this study cannot either provide additional empirical evidence for the theory being used, namely the theory of planned behavior proposed by Ajzen (1991). This theory states that there are three determinants of behavioral intentions, namely attitudes towards behavior, subjective norms, and perceived behavioral control. This is caused by social dilemma situations. Brizi et al.(2015) stated that in social dilemma situations, individuals tend to be faced with rationality so that there will be two types of individuals. First, pro-self-oriented, individuals with pro-self-orientation will see others who maximize profits for themselves. Therefore, individuals with a pro-self-orientation will tend to show disobedience to their tax obligations. Second, pro-social oriented, namely individuals who will donate their money to organizations they trust (Joireman et al., 2001). In this case, pro-social oriented

individuals tend to regard the tax authorities as part of society. Therefore, individuals with a pro-social orientation will tend to comply with their tax obligations or even voluntarily pay taxes. Based on this theory, it can be concluded that the majority of respondents or corporate taxpayers in Samarinda are pro-self-oriented. This can cause the individual to rationalize that non-compliance is a natural thing even though the individual has the motivation to be obedient.

### **The Effect of Tax System Complexity on Corporate Taxpayer Compliance**

Table 2 also shows a significant value, namely  $0.000 < 0.05$  and  $t\text{-count} > t\text{-table}$   $6.082 > 1.64$  with a coefficient value of 0.274. This proves that the complexity of the taxation system has a positive and significant effect on taxpayer compliance. This result indicates that the more complex the tax system, the more obedient taxpayers is. This study supports the result of research conducted by Syakura and Baridwan (2014) that also found that the complexity of the taxation system has an effect on increasing tax compliance.

This study provides evidence of the effect of taxpayers being obedient, when associated with deterrence theory and where tax compliance is influenced by external factors in the form of the complexity of the taxation system. This theory makes an analogy that the more complex the existing tax system, the taxpayer will consider the benefits, costs and risks of the actions he takes. The complex taxation system and the difficulty of the taxpayer to understand the applicable rules do not reduce the willingness of the taxpayer to be obedient. Taxpayers think that this difficulty can be solved by having a tax consultant so that the fulfillment of their tax obligations is still fulfilled even though it requires fees for mandatory tax consultant services. However, when compared with the costs or risks incurred if the taxpayer behaves obediently, the costs will be greater when compared to the costs of tax consultant services for fulfilling their tax obligations.

### **The Influence of Financial Conditions on Corporate Taxpayer Compliance**

As also presented in Table 2, it shows a significant value, namely  $0.009 < 0.05$  and  $t\text{-count} > t\text{-table}$   $2.635 > 1.64$  with a coefficient value of 0.226. This proves that financial conditions have a positive effect on taxpayer compliance. This result indicates that the better the financial condition of a company or corporate taxpayer, the more obedient in its tax obligation is. The result of this study supports the

result of research conducted by Syakura and Baridwan (2014). They also found that financial conditions affect taxpayer compliance. Likewise, research conducted by Jayanto (2011) showed that the higher the financial pressure experienced or the worse the financial condition of a company, the higher the taxpayer's non-compliance with their tax obligations.

This study provides additional empirical evidence regarding deterrence theory which states that tax compliance is influenced by external factors in the form of financial condition. This theory explains that everyone will maximize utility so that better financial conditions will have an impact on fulfilling tax obligation.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The hypothesis testing provides empirical evidence that taxpayer motivation affects tax planning to fulfill tax obligations. It means that the higher the motivation of taxpayers, the higher the tax planning carried out to fulfill their tax obligation is. Furthermore, complexity affects tax planning to fulfill tax obligations, this means that the more complex a tax system, the higher the tax planning carried out by the taxpayer to fulfill his tax obligations. Financial condition affects tax planning to meet tax obligations, meaning that the better the financial condition of a company or corporate taxpayer, the higher the tax planning that will be carried out to fulfill its tax obligations. This study also proves that tax planning has a positive effect on taxpayer compliance. This means that the higher the tax planning carried out by corporate taxpayers, the more obedient in fulfilling their tax obligations.

The results of this study also prove that the complexity of the tax system and financial conditions affect taxpayer compliance. However, motivation did not prove the effect on taxpayer compliance. This is because motivation or internal factors that affect taxpayer compliance are faced with social dilemma situations (Brizi et al, 2015). In social dilemma situations, individuals tend to be faced with rationality so that there will be two types of individuals. First, pro-self-oriented, individuals with pro-self-orientation will see others who maximize profits for themselves. Therefore, individuals with a pro-self-orientation will tend to show disobedience to their tax obligations. Second, pro-social oriented individuals who will donate their money to organizations they trust. In this case, pro-social oriented individuals tend to regard the tax authorities as part of society. Therefore,

individuals with a pro-social orientation will tend to comply with their tax obligation or even voluntarily pay taxes.

Based on the theory, it can be concluded that the majority of respondents or corporate taxpayers in Samarinda are pro-self-oriented. This can cause the individual to rationalize that non-compliance is a natural thing even though the individual has the motivation to be obedient. Therefore, motivation affecting tax compliance is perfectly mediated by tax planning. Meanwhile, the complexity of the taxation system and financial condition on taxpayer compliance is partially mediated by tax planning.

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