

The Contribution of e-filing Implementation and The Level of Tax Literacy on Taxpayers Compliance with Risk Preference as a Moderator at Tax Services Office (KPP) Medan Timur with The Focus on Individual Taxpayers

Hendra¹, Yusuf Ronny Edward², Enda Noviyanti Simorangkir³
^{1,2,3}(Universitas Prima Indonesia, Indonesia)

Abstract: *The goal from the paper is to discover the contribution of e-filing implementation and the level of tax literacy on taxpayer compliance with risk preference as a moderator at Medan Timur Tax Office branch with the focus on individual taxpayers. 399 individual taxpayer use as volunteers for data collection experiment. Data analysis method used is regression analyses with multiple liner, moderation (MRA) analysis. The results interpretation suggest that the implementation of e-filing and tax literacy had a positive and significant effect on individual taxpayer compliance. The output exhibit e-filing implementation and tax literacy had a positive and significant effect on individual taxpayer compliance. The moderation analysis results shows that risk preference is not a moderating variable in term correlation between of e-filing implementation and the level of tax literacy on individual taxpayer compliance. This study confirms that the Directorate General of Taxes need to improve the response and confirmation of reporting of e-filing applications and intensify the socialization of tax regulations that are not familiar to taxpayers but have a huge impact.*

Keywords: *e-filing implementation, tax litercay, tax complying, risk preference.*

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I. Introduction

Over the past five years, tax revenue in Indonesia has continued to increase. However, the tax statistics failed to reach the target that set each year. It was recorded that in 2015 the tax revenue was only realized at 83.29%, then in 2016 it was 83.48%, in 2017 it was 91.23% and in 2018 it was 93.86%. This low levels of tax revenue has been a concern of the Organization for Economic Co-operation and Development (OECD), which in its publication highlights Indonesia's government inability to increase the tax revenue ratio or tax ratio. The report was published in their article (Revenue Statistics in Asian and Pacific Economies 2019, 2019) which revealed that Indonesia's tax ratio was the lowest in the Asia Pacific region after comparing the tax ratio data of countries in the region in 2017. Indonesia's tax ratio is at 11.5%, far behind compared to OECD member countries which have an average tax ratio of 34.2% and are also below the tax ratio of Latin American and Caribbean countries of 22.8% and are even lagging behind African countries have an average tax ratio of 18.2%. In an effort to encourage an increase in the tax ratio, the government must pay attention to tax compliance, especially in terms of reporting the annual tax returns. Fulfillment of tax obligations that has not been optimal has an effect on taxes as an instrument used to realize income redistribution in reducing economic inequality.

Until the end of December 2019, Indonesia had 42 million registered taxpayers. Most of these taxpayers are dominated by individual taxpayers with a total of 38.7 million taxpayers, and the remaining 3.3 million are corporate taxpayers consisting of foundations, firms, cooperatives, limited partnership, limited liability companies and Permanent Establishments. From the data, it can be divided for taxpayers who have fulfilled the requirements for annual tax returns filing compulsory 18.33 million taxpayers with a composition of 13.81 million, including individual taxpayers the criteria for employees; 3.04 million non-employee personal taxpayers and 1.47 million corporate taxpayers.

One of the tax office branch in the work zone area of the North Sumatra I Region Tax Office whose tax revenue target in 2019 failed to meet the target is Tax Services Office (KPP) Medan Timur. Until the end of 2019, the tax revenue realization was still lower than the target set. This will become an evaluation material for Tax Services Office (KPP) Medan Timur so that in the future the tax revenue target can be better so that it can contribution in easing the burden on the state budget.

Table 1. Target and Realization of the 2019 Revenue - Tax Services Office (KPP) Medan Timur

	2019 (Amount) IDR
Tax Revenue Target	Rp 1.190.128.519.000
Tax Revenue Realization	Rp 1.112.533.933.953

The government, represented by the Ministry of Finance through the Directorate General of Taxes, is determined to continuously improve services to taxpayers by providing easy access and practicality in fulfilling their tax reporting obligations. One of them is through the e-filing channel. The presence of e-filing is expected to make taxpayers more freely report their annual tax returns. Annual tax return reporting can be done at home or anywhere using a personal computer, laptop or smartphone as long as it is connected to the internet. Taxpayers can be free from long queues, which have always been a phenomenon when the deadline for reporting individual annual tax returns in March is approaching.

After increasing the ease of reporting access through e-filing, the level of tax literacy or the understanding the laws and regulations that each taxpayer has also plays a crucial role in the level of tax compliance. In simple terms, tax literacy can be explained at a level when taxpayers understand tax provisions regulated through legal products such as statutory regulations, ministerial regulations to director general regulations that regulate technical instructions, tariffs, payment and reporting deadlines, prohibitions and sanctions. a criminal or civil offense. So in fact, the level of each taxpayer's understanding is at a very relative level, depending on conditions such as education and profession of taxpayers.

In addition to the understanding factor of taxation regulations, taxpayer compliance is also caused by risk preferences that can affect the taxpayer's decision in carrying out its tax obligations. The risk preference theory is a theory that explains the effect of an event that has consequences on the behavior of the individual, in this case the decision to be taken by the taxpayer. When taxpayers decide to report all their assets and income on the Annual Tax Returns, this will have implications for the disclosure of information that can be accessed by the Directorate General of Taxes which will determine the level of compliance of the taxpayer. If based on the results of tracing carried out through the inspection by the Directorate General of Taxes it turns out that the taxpayer has not fully fulfilled its tax obligations, then a tax assessment will be issued which contains arrears on tax payable, fines and accompanying sanctions.

These factors finally inspired the author to do the research with topic the contribution of e-filing implementation and the level of tax literacy on taxpayer compliance with risk preference as a moderator at Tax Services Office (KPP) Medan Timur branch with the focus on individual taxpayers. With the increasing budget needed by the government to finance development, this research will be able to play a role in exploring less potential taxation based on the tax ratio.

II. Literature Review

Taxpayer Compliance

According to (Nurmantu, 2005) tax compliance is when the taxpayer is in a condition of being able and competent to fulfill all his tax rights and obligations.

Simon James in (Gunadi, 2005) states that tax compliance is when taxpayers are consciously and voluntarily willing to carry out their tax obligations without the need for forced efforts or testing from the tax authorities such as tax audits, investigations, application of both criminal and administrative sanctions.

Referring to ("Glossary of Tax Terms - OECD," nd) tax compliance is the Degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

Based on the description of the above definitions, the authors summarize taxpayer compliance related to an effort from individual person who consciously and voluntarily meets the criteria as a tax subject to carry out tax obligations in accordance with applicable regulations in his country which consists of registration, calculation, payment, and reporting on tax objects.

The Taxpayers Compliance Indicators which are summarized based on (Indonesia, 2009) are as follows:

1. Registration to obtain a Taxpayer Identification Number (NPWP).
2. Calculate and make tax payments appropriately and correctly.
3. Willingness to pay taxes in arrears.
4. Report and fill in the Annual Tax Returns appropriately and correctly.

e-filing Implementation

The e-filing system is a means that utilizes online services to report annual tax returns received in real time (Liberty, 2007). In the book (Prastowo, 2014) explains that e-filing is the creation of annual tax returns that

are processed by the e-SPT application electronically and then reported through the DJP Online website or using an Application Service Provider channel appointed as the official partner of the DGT so that it can be sent directly. In the Regulation of the Directorate General of Taxes Number (Pajak, n.d.), it explains that e-filing is a way of submitting electronic Annual Tax Returns via the internet on the Directorate General of Taxes website online and in real time.

Based on above definition, the authors conclude that e-filing is a web-based and realtime service channel provided by the Directorate General of Taxes in reporting Annual Tax Returns by utilizing developments in information technology in order to provide convenience and efficiency as a form of commitment to provide better services to taxpayers.

The indicators of the e-filing implementation which are the basis of reference for researchers are:

1. e-filing operation is easy to learn.
2. Ease of filling and submitting the Annual Tax Returns.
3. Accuarate and fast to submit the Annual Tax Returns.
4. Saving time, effort and cheaply in submitting the Annual Tax Returns.

The Level of Tax Literacy

Tax literacy according to (Lovihan, 2014) is the understanding or interpretation of a taxation rule in law according to each taxpayer. (Hardiningsih & Yulianawati, 2011) stated that taxpayers will have a tendency not to (fail) to obey if they do not understand or do not know tax regulations. If taxpayers know the sanctions that await if they are negligent in carrying out their tax obligations, it will make taxpayers tend to be more disciplined to avoid these sanctions.

Based on the description of the definition above, the authors conclude that tax literacy is the knowledge and depth of understanding that taxpayers have in interpreting taxation regulations according to their essence so that they are able to independently carry out their tax rights and obligations without violating the provisions stipulated in law.

Indicators of understanding tax regulations as a reference in this study are as follows:

1. General Taxation Provisions and Procedures.
2. The Taxation System in Indonesia.
3. Taxation function.
4. Tax Sanctions.

Risk Preference

According to Torgler, as quoted (Aryobimo & Cahyonowati, 2012) the response of a taxpayer to things that contain risks will affect their decisions in terms of taxation. This response does not mean that taxpayers are not willing to carry out their tax obligations, but it is expected that it will affect the level of tax compliance. Risk preference is one part of decision-making theory, namely prospect theory (Kahneman & Tversky, 1979). Prospect theory explains the uncertainty and risky conditions for the decisions taken. In certain situations, individuals tend to avoid something that is a probability rather than something with a definite result. This behavior is termed a certainty effect that will contribution to risk aversion by individuals against options that produce definite benefits and risk aversion if the options chosen contain the possibility of harm.

According to (Nicholson, Soane, Fenton-O'Creedy, & Willman, 2005), the indicators used in determining risk preferences are as follows:

1. Financial Risk
2. Health Risks
3. Social Risk
4. Job Risk
5. Safety Risk

Hypothesis Development

The Contribution of e-filing Implementation on Taxpayer Compliance

The e-filing tax reporting system is an attempt to digitize tax services following the development of information technology utilizing internet services. The purpose of e-filing is to create a perception of convenience for taxpayers. If the application of e-filing is considered by taxpayers to facilitate and provide benefits for themselves in completing the Annual Tax Returns report, this will form a positive image towards the goal of increasing taxpayer compliance. However, if it turns out that taxpayers perceive that the e-filing system is not useful enough to facilitate Annual Tax Returns reporting, the application of e-filing will create a negative response from taxpayers because it is considered to have no effect on the goal of increasing taxpayer compliance through improving tax services.

(Tambun & Witriyanto, 2016) in their research at the Sunter Agung Jakarta Housing Complex, revealed that the application of the e-system provides benefits and is appreciated by taxpayers. The same research conclusion is also stated by (Sulistyorini, Nurlaela, & Chomsatu S, 2017) where the results show that the use of e-filing has a positive impact on taxpayer compliance. Likewise, the research presented by (Agustiningih & Isroah, 2016) where the results concluded that the presence of e-filing was sufficient to provide benefits and convenience in efforts to increase taxpayer compliance.

The Contribution of The Level of Tax Literacy on Taxpayers Compliance

The level of tax literacy in their effect on taxpayer compliance is that if the knowledge of the taxpayer is getting better, it will make taxpayers more aware of the consequences of being violated if they do not implement these rules according to the guidance of the law conversely, if the taxpayer does not have a good enough understanding of tax regulations, it will have an impact on the high chance of violating the provisions stipulated in the tax regulations. A good level of understanding of tax regulations will have a positive impact on taxpayer compliance, while a low level of understanding will have the potential to reduce the level of taxpayer compliance.

Several researchers have conducted research on the contribution of tax literacy on taxpayer compliance. Research results (Devi & Utari, 2019) show that tax literacy has a positive and significant effect on taxpayer compliance. Besides that, the results of the study also concluded that the public needs to be educated about tax regulations because then there will be awareness from the public to be willing to pay taxes. The same results are shown by research (R, Paramita, & Prananditya, 2018) where the results show that tax literacy has a significant positive effect on taxpayer compliance. Research conducted (Kusuma, 2016) shows that tax literacy has a positive and significant effect on individual taxpayer compliance at Office of Tax Services, Counselling and Consultation (KP2KP) Wonosobo.

The Contribution of Risk Preference in Moderating the e-filing Implementation on Taxpayers Compliance

By submitting the Annual Tax Returns through e-filing, it means that taxpayers have indirectly reported disclosure of information regarding income, both the type of income earned and the amount, assets owned, credit loans through banks, leasing, and individuals. This will have implications for increasing the risk to taxpayers because the information obtained by the tax authorities from the Annual Tax Returns can be used to assess taxpayer compliance through a research and examination process where if concrete data is found showing taxpayer violations or non-compliance, a Tax Collection Letters (STP) or underpaid tax assessment letter (SKPKB) will be issued which contains the principal amount of tax that has yet to be paid along with the penalties for the violation. The results of the study (White, RA, Harrison, PD, & Harrell, 1993) also found that taxpayers in an underpaid Annual Tax Returns position tended to choose the risk of being less compliant (non-compliant) than taxpayers in overpaid Annual Tax Returns position who wanted to return overpayments (restitution)

The results of previous research on the contribution of risk preference on taxpayer compliance have been documented by several researchers. Research (Devi & Utari, 2019) states that risk preference is able to moderate the understanding of tax regulations on taxpayer compliance. The high risk preference of the taxpayer will increase compliance, whereas a low risk preference tends to lead to taxpayer non-compliance. (R et al., 2018) in their research also revealed that risk preference is able to moderate understanding of tax regulations and taxpayer awareness of taxpayer compliance at Tax Services Office (KPP) Salatiga.

The Contribution of Risk Preference in Moderating The Level of Tax Literacy on Taxpayers Compliance

One of the provisions stipulated in taxation provisions is taxation sanctions. These sanctions are intended for taxpayers to carry out their tax obligations properly. Sanctions can be in the form of administrative sanctions, namely fines, blocking of accounts, taking hostages to imprisonment. It is in this context that the understanding factor of taxation regulations plays a role because it will affect the tax compliance of taxpayers related to the risk preferences faced. For taxpayers who have good knowledge of tax regulations, these sanctions will be of particular concern because of the tendency of each individual to avoid risks. Meanwhile, if the tax literacy of the taxpayer's is weak, then the threat of sanctions is not known so that this risk preference will have less impact on tax compliance.

Research conducted (Tambun & Witriyanto, 2016) shows that risk preference as a moderating variable does not have a significant effect on taxpayer awareness and the application of e-systems on the level of taxpayer compliance. Research conducted (Rara Susmita & Supadmi, 2016) concluded that the presence of e-filing made taxpayers satisfied with the increase in services provided by the tax authorities. The improvement of these services should always be maintained by continuing to modernize the tax system services.

Research Hypothesis

Based on some of these previous studies, the authors formulated the following hypothesis:

- H₁ e-filing implementation and the level of tax literacy has a simultaneous effect on individual taxpayer compliance at Tax Services Office (KPP) Medan Timur.
- H₂ e-filing implementation affects individual taxpayer compliance at Tax Services Office (KPP) Medan Timur.
- H₃ The level of tax literacy affects individual taxpayer compliance at Tax Services Office (KPP) Medan Timur.
- H₄ Risk preference is a moderating variable that is able to moderate the effect between e-filing implementation and individual taxpayer compliance at Tax Services Office (KPP) Medan Timur.
- H₅ Risk preference is a moderating variable that is able to moderate the influence between the level of tax literacy and individual taxpayer compliance at Tax Services Office (KPP) Medan Timur.

III. Research Methods

Researchers applied a quantitative descriptive research approach. This study aims to present an observed indication using values to explain individual or group characteristics (Syamsudin & Damayanti, 2011).

Population and Research Sample

The total number of individual taxpayers registered at Tax Services Office (KPP) Medan Timur is 119,023 people as the population in this study. The sample observed was a number of 399 individual taxpayers. The basis for calculating the number of samples uses the Slovin formula with a margin of error tolerance limit of 5%. The sampling technique applied is convenience sampling by considering the time factor, conditions and availability of access that can be reached by the researcher.

Operational Definition

The operational definition of research can be summarized in the table presented as follows:

Table 2.
Operational Definition

No	Variable	Operational Definition	Scale	Score
1	e-filing Implementation	A web-based and realtime service channel provided by the Directorate General of Taxes in reporting Annual Tax Returns by utilizing developments in information technology in order to provide convenience and efficiency as a form of commitment to provide better services to taxpayers	Likert	5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly Disagree
2	The Level of Tax Literacy	The knowledge and depth of understanding that taxpayers have in interpreting taxation regulations according to their essence so that they are able to independently carry out their tax rights and obligations without violating the provisions stipulated in law	Likert	5 = Extremely Familiar 4 = Familiar 3 = Somewhat Familiar 2 = Slightly Familiar 1 = Not at all Familiar
3	Risk Preference	Individual behavior in avoiding something that is probability compared to something that has definite results if the option chosen contains the possibility of harm	Likert	5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly Disagree
4	Taxpayers Compliance	An effort from individual person who consciously and voluntarily meets the criteria as a tax subject to carry out tax obligations in accordance with applicable regulations in his country which consists of registration, calculation, payment, and reporting on tax objects.	Likert	5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly Disagree

Data Collection Technique

The data output on which the research is based comes from the responses collected to the questionnaires that were distributed. The questionnaire targets respondents who live in the work zone area of Tax Services Office (KPP) Medan Timur, consisting of Medan Timur District, Medan Tembung District and Medan Perjuangan District. Before the respondent fills out the questionnaire, the researcher first explains the purpose and purpose of the questionnaire and ensures the confidentiality of the filler identity. The researcher also explained the procedures for filling out the questionnaire in order to avoid filling errors that resulted in invalid answers to the questionnaire.

IV. Result and Discussion

From the results of the recapitulation of answers given by respondents, the data are then grouped into ranges of values categorized by class to reflect the measurement results.

Table 3. Measurement of Respondents' Answers

No	Value	Measurement
1	1.00 – 1.80	Extremely Poor
2	1.81 – 2.60	Very Poor
3	2.61 – 3.40	Poor
4	3.41 – 4.20	Good
5	4.21 – 5.00	Very Good

The results of descriptive analysis of the response data or respondents' answers (399 respondents) are summarized in the following table:

Table 4. Descriptive Statistical Analysis Results

Variable	Average Value	Measurement Results
e-filing Implementation	3.87	Good
The Level of Tax Literacy	3.42	Good
Risk Preference	3.10	Poor
Taxpayers Compliance	3.61	Good

From the table presented above, it is known that a summary of the responses or answers of the respondents from the 399 respondents studied on each variable represented by the statement indicator in the questionnaire. e-filing implementation produces an average total value of 3.87 which indicates that the response to the e-filing implementation variable is good. Most of the respondents appreciated DGT's application of e-filing which is considered environmentally friendly by reducing the amount of paper used. Respondents also consider e-filing to be quite easy to learn and practical so that it is quite helpful for taxpayers and is easy to access using the internet without needing to come in line to the tax office. Most respondents have a good level of tax literacy where the average value generated is 3.42. Respondents are quite familiar with generally accepted tax regulations, such as the Taxpayer Identification Number (NPWP) registration procedure and the sanctions they will accept if they are late or do not carry out their tax obligations in a timely manner. Meanwhile, the risk preference variable produces an average total value of 3.10 which indicates poor results. This means that most respondents think risk preference is not something that affects the compliance of respondents in carrying out their tax obligations unless the respondent has a physical disability or there is a change in government policy that increases the risk for taxpayers. The taxpayer compliance variable produces a good value, in this case it is reflected in the average value of 3.61. Most of the respondents agree that if the respondent has income, then the respondent will register to obtain an Taxpayer Identification Number (NPWP) and report the Annual Tax Returns before the end of the reporting deadline, namely March 31 of the following year and pay taxes payable before its due date.

Hypothesis Test Results

Table 5. F-Test Results ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6681,434	2	3340,717	927,522	,000 ^b
	Residual	1426,300	396	3,602		
	Total	8107,734	398			

a. Dependent Variable: Taxpayers Compliance (Y)

b. Predictors: (Constant), The Level of Tax Literacy (X2), e-filing Implementation (X1)

Simultaneous testing (F test) to test the H₁ hypothesis, it is known that the calculated F value is 927.522 and F table 3.02 and the significance value is P = 0.000 < α = 0.05 or greater than the required value. This result supports the accepted H₁ which states that the e-filing implementation and the level of tax literacy has a significant effect on taxpayer compliance.

Table 6. T-Test Results Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4,558	,783		-5,822	,000
	e-filing Implementation (X1)	,580	,025	,633	23,385	,000
	The Level of Tax Literacy (X2)	,355	,026	,365	13,477	,000

a. Dependent Variable: Taxpayers Compliance (Y)

The results of the T test to test the H₂ and H₃ hypotheses showed the following results:

1. Hypothesis H₂ after the T test, it is found that the value of T value is 23.385 and T table is 1.966 and a significance value of P = 0.000 < α = 0.05 or greater than the required value. These results support the accepted hypothesis H₂ which states that there is a significant influence between the e-filing implementation on taxpayer compliance.
2. Hypothesis H₃, after performing the T test, it is found that the value of T value is 13.477 and T table is 1.966 and a significance value of P = 0.000 < α = 0.05 or greater than the required value. These results support the accepted hypothesis H₃ which states that there is a significant influence between the the level of tax literacy on taxpayers compliance.

Moderation Test Results

Table 7. MRA Test Results Phase I with X₁ e-filing Implementation Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4,232	,964		-4,390	,000
	e-filing Implementation (X1)	,738	,024	,806	30,867	,000
	Risk Preference (Z)	,145	,024	,158	6,048	,000

a. Dependent Variable: Taxpayers Compliance (Y)

Table 8. MRA Test Results Phase I with X₂ The Level of Tax Literacy Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,083	1,115		1,867	,063
	The Level of Tax Literacy (X2)	,672	,032	,690	20,998	,000
	Risk Preference (Z)	,196	,030	,213	6,491	,000

a. Dependent Variable: Taxpayers Compliance (Y)

1. The results of the MRA Phase I test to test the effect of the moderating variable of risk preference on the relationship between the e-filing implementation and taxpayers compliance (X₁, Z to Y). The test results found that the value of P = 0.000 < α = 0.05; which explains the significant Phase I Equation.
2. The results of the MRA Phase I test to test the effect of the moderating variable on risk preference on the relationship between the level of tax literacy and taxpayers compliance (X₂, Z to Y). The test results found that the value of P = 0.000 < α = 0.05; which explains the significant Phase I Equation.

Table 9. MRA Test Results Phase II with X₁ e-filing Implementation Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.098	4,256		-.023	,982
e-filing Implementation (X1)	,631	,110	,689	5,747	,000
Risk Preference (Z)	,008	,140	,009	,059	,953
X1Z	,004	,004	,221	,997	,319

a. Dependent Variable: Taxpayers Compliance (Y)

Table 10. MRA Test Results Phase II with X₂ The Level of Tax Literacy Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,730	5,420		,319	,750
The Level of Tax Literacy (X2)	,683	,174	,702	3,929	,000
Risk Preference (Z)	,208	,173	,226	1,202	,230
X2Z	,000	,005	-.020	-.067	,947

a. Dependent Variable: Taxpayers Compliance (Y)

1. The results of the Phase II MRA test to test the effect of the moderating variable on risk preferences and the multiplication of e-filing implementation with risk preference on the relationship between e-filing implementation and taxpayers compliance (X₁, Z, X₁ * Z to Y). The test results found that the value of P = 0.319 > α = 0.05; Thus it is concluded that the Phase II Equation is not significant.
2. The results of the MRA Phase II test to test the effect of the moderating variable on risk preferences and the multiplication of the level of tax literacy with risk preferences on the relationship between understanding tax regulations and taxpayers compliance (X₂, Z, X₂ * Z to Y). The test results found that the value of P = 0.947 > α = 0.05; Thus, it is concluded that the Phase II equation is not significant.

By comparing the two tests of Phase I and Phase II above, it is known:

1. Risk preference is not a moderating variable that can strengthen or weaken the relationship between e-filing implementation on taxpayer compliance but is a predictor variable (independent) in the interactions that occur (Equation Phase I is significant, Equation Phase II is not significant).
2. Risk preference is not a moderating variable that can strengthen or weaken the relationship between the level of tax literacy on taxpayers compliance but is a (independent) predictor variable in the interactions that occur (Equation Phase I is significant, Equation Phase II is not significant).

Discussion

The Contribution of e-filing Implementation and The Level of Tax Literacy on Taxpayers Compliance

Based on the analysis of the first hypothesis testing, it is concluded that e-filing implementation and the level of tax literacy simultaneously has a positive and significant effect on taxpayer compliance which is supported by the results of the simultaneous statistical test (F test).

The research findings emphasizes that the presence of an e-filing-based tax service system is beneficial for taxpayers and level of tax literacy is a factor that plays an important role in pursuing an increase in taxpayer compliance, especially at Tax Services Office (KPP) Medan Timur. If Tax Services Office (KPP) Medan Timur is more focused on paying attention to the improvement of the indicators mentioned in the questionnaire, then the increase in taxpayer compliance will undoubtedly be achieved.

The Contribution of e-filing Implementation on Taxpayers Compliance

Based on testing the second hypothesis, it is concluded that e-filing implementation has a positive and significant effect on taxpayers compliance. This is supported by the results of statistical T test which forms a positive direction based on the coefficient value of 0.580. This means that when e-filing implementation gets a positive response from respondents, the compliance of individual taxpayers at Tax Services Office (KPP) Medan Timur will increase by 0.580 in certain units of measurement.

These findings confirm that e-filing implementation has an impact on extentionation efforts in pursuing compliance with individual taxpayers at Tax Services Office (KPP) Medan Timur. Annual Tax Returns reporting through e-filing becomes easier so that it will increase the enthusiasm of taxpayers because there is an element of practicality when reporting the Annual Tax Returns. e-filing is also considered quite user friendly because it is easy to learn and minimizes errors through the automatic tax calculation menu which in turn will encourage increased tax compliance.

This finding is supported by (Tambun & Witriyanto, 2016), (Sulistyorini et al., 2017), (Agustiningasih & Isroah, 2016), (Muturi, 2015) which states that e-filing implementation will have a positive and significant impact on taxpayer compliance.

The Contribution of The Level of Tax Literacy on Taxpayers Compliance

Based on the second hypothesis testing, it is concluded that when the taxpayer has a relatively good level of tax literacy, it will tend to create compliance. This is supported by the results of statistical T test. This influence forms a positive direction marked by the coefficient value of the level of tax literacy on taxpayer compliance of 0.355. This means that when the understanding of tax regulations changes, the compliance of individual taxpayers at Tax Services Office (KPP) Medan Timur has increased by 0.355 in certain units of measurement.

These findings confirm that the level of tax literacy of each taxpayer will affect the level of compliance at Tax Services Office (KPP) Medan Timur. If taxpayers are more familiar with tax regulations, tax compliance will tend to increase. A good level of tax literacy will make taxpayers understand the rights and obligations attached to them and understand the purpose and function of taxation so that they will voluntarily be willing to carry out tax obligations which will ultimately increase tax compliance.

This finding is in line with research (Devi & Utari, 2019), (R et al., 2018), (Agustiningasih & Isroah, 2016), (Kusuma, 2016) which concludes that there is also a significant positive effect which is generated by the ability to understand regulations taxpayers have on their tax compliance.

The Ability of Risk Preference in Moderating the Influence between e-filing Implementation and Taxpayers Compliance

Based on the Moderated Regression Analysis (MRA) test, it shows that risk preference is not a moderating variable. Risk preference only acts as an independent variable in the established relationship and is unable to strengthen or weaken the correlation between e-filing implementation and taxpayer compliance. This is reflected in the risk preference probability value in the MRA test of the phase I equation with significant results and the multiplication probability value of e-filing implementation with risk preference in the MRA test of the phase II equation with insignificant results.

The faster the tax authorities get data related to income and assets that are reported by taxpayers through e-filing to verify the truth is a risk that might be faced is not a factor that prevents taxpayers from carrying out their tax obligations. This means that taxpayers are confident enough to have the courage to disclose any tax information required in the e-filing menu.

This finding is supported by (Tambun & Witriyanto, 2016) which states that risk preference as a moderating variable does not have a significant effect on the application of the e-system on the level of taxpayer compliance.

The Ability of Risk Preference in Moderating the Influence between The Level of Tax Literacy and Taxpayers Compliance

Based on the results of the MRA test, it shows that risk preference is not a moderating variable. Risk preference only acts as an independent variable in the established relationship and is unable to strengthen or weaken the correlation between the understanding of tax regulations and taxpayer compliance. This is reflected in the risk preference probability value in the MRA test of the phase I equation with significant results and the multiplication probability value of the level of tax literacy with risk preference in the MRA test of the phase II equation with insignificant results.

The level of tax literacy regarding the provisions governing taxation procedures such as registration of Taxpayer Identification Number (NPWP), imposition of tax rates, the limit of non-taxable income (PTKP), sanctions and late fines regulated in the taxation law as risks that may be faced actually makes taxpayers

understand the purpose of tax collection. Taxpayers are aware that the tax payment funds are used by the government for development and social welfare, which benefits from the provision of various public facilities. Sanctions and fines are also well understood whose purpose is to provide a deterrent effect to discipline taxpayers who are negligent in carrying out their obligations for the sake of a sense of justice. The Directorate General of Taxes can also consider these sanctions and fines to be abolished through the taxpayer's application.

This finding is not in line with the results of research (Devi & Utari, 2019), (R et al., 2018), which outlines that the risk preference of each taxpayer is able to moderate the relationship between the understanding of tax regulations on taxpayer compliance.

V. Conclusions and Suggestions

Conclusions

The first hypothesis is accepted which states that e-filing implementation and the level of tax literacy has a simultaneous effect on individual taxpayer compliance at Tax Services Office (KPP) Medan Timur. The second hypothesis is accepted which states that e-filing implementation affects individual taxpayer compliance at Tax Services Office (KPP) Medan Timur. The third hypothesis is accepted by the statement that the level of tax literacy affects individual taxpayer compliance at Tax Services Office (KPP) Medan Timur. The fourth hypothesis is rejected because the MRA test results from the study show that the risk preference variable is not a moderator which has the function of strengthening or weakening the effect of the application of e-filing on individual taxpayer compliance at Tax Services Office (KPP) Medan Timur. The fifth hypothesis was also rejected because from the results of the MRA test from the study it was concluded that risk preference was not a moderator which had the function of strengthening or weakening the effect of understanding tax regulations on individual taxpayer compliance at Tax Services Office (KPP) Medan Timur.

Suggestions

1. For e-filing implementation, it is hoped that the Directorate General of Taxes and Tax Services Office (KPP) Medan Timur will improve the response and confirmation of the Annual Tax Returns of the e-filing application to be even better, e-filing services often experience server connection issue, especially just before the deadline for SPT reporting. Then it is also hoped that the e-filing system can further increase the confidence of taxpayers that they have calculated their taxes correctly, for example through automatic synchronization of tax data from third parties such as proof of withholding and income reported by tax withholding parties. This can be a concern for the Directorate General of Taxes because it is the statement with the lowest score on the questionnaire regarding the application of e-filing.
2. For the level of tax literacy, it is hoped that the Directorate General of Taxes and Tax Services Office (KPP) Medan Timur will intensify the socialization of tax regulations that are not well known to taxpayers in general but have a broad impact, such as the rules for the use of Net Income Tax Norm (NPPN) and import taxes on purchases goods from abroad at a certain price, which in this case is the statement with the lowest score on the questionnaire regarding the understanding of taxation regulations.
3. For the public, it is hoped that more people will be aware of the tax function and will not hesitate to register Taxpayer Identification Number (NPWP) if the subjective and object requirements are fulfilled as taxpayers so that they participate in building the nation and state.
4. For future researchers, it is suggested to use other independent variables to develop research on taxpayer compliance, for example by elaborating on the effect of the tax amnesty program and risk preference on taxpayer compliance.

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