THE EFFECT OF SELF ASSESSMENT SYSTEM IMPLEMENTATION ON THE COMPLIANCE OF TAXPAYER

(Case Study of The Distro Owners in Yogyakarta)

A THESIS

Presented as Partial Fulfillment of the Requirements
to Obtain the Bachelor Degree in Accounting Department

By

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YOGYAKARTA
2013

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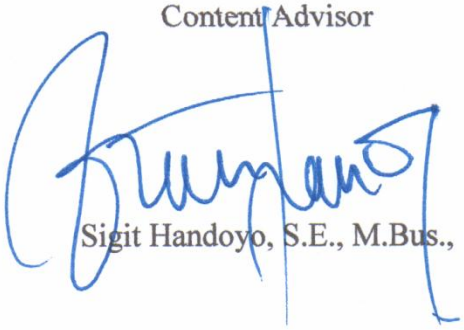

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A BACHELOR DEGREE THESIS

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Defended before the Board of Examiners

On July 26,2013

and Declared Acceptable

Board of Examiners

Examiner I

Drs. Sugeng Indardi MBA. July 26,2013

Examiner II

Sigit Handoyo , S.E.,M.Bus., July 26,2013

Yogyakarta, July 26, 2013

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DECLARATION OF AUTHENTICITY

Herein I declare the originality of this thesis, I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgement. All quotations are cited and listed in the bibliography of this thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation for its consequence.

Yogyakarta, July , 2013

Rizky Wahyu Pratama

ACKNOWLEDGEMENT

In the name of Allah Almighty, The Most Gracious, I would like to express my praise completely to Allah SWT because of His marvelous love and guidance upon the accomplishment this thesis. My honor also goes to Prophet Muhammad SAW for his blessing and enlightening direction. This thesis is created in order to fulfill the requirements to finish study as Bachelor Degree in Accounting Department, Faculty of Economics, Universitas Islam Indonesia. Realizing that all of this hard work could never be done alone, I would like to deliver my sincere gratitude to:

1. Sigit Handoyo, S.E., M.Bus.,, as my Content Advisor, thank you for the great discussion by your support, critiques, and advice during this thesis period and my study.
2. My beloved parents and my whole family, thank you for your patient, pray and support, and also thank you to all my family for brings me love and laugh.
3. My friends from International Program students, we have spent such a great time together and share many things in our life whom I share joy and difficulties with them, the irreplaceable moment we have in our story will never be forgetting.
4. Staff of International Program FE UII, thank you for all your help and kindness until this thesis is complete. I will not forget all of your valuable assistance.

5. To everyone that taught me about life and love, thank you for the experience hope you all will always be happy, lovely and blessed.

Finally, further comments, critiques, and suggestion will be appreciated in order to make this thesis better. Hopefully, this thesis could open a wider knowledge on the field of study.

Alhamdulillahirabbil'alamiin

Yogyakarta, July ,2013

Rizky Wahyu Pratama

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ABSTRACT

Rizky Wahyu Pratama (2013). The Effect of Self Assessment System Implementation on The Compliance of Taxpayer (Case Study of The Distro Owners in Yogyakarta), International Program, Universitas Islam Indonesia.

This research objective is to analyze the effect of self assessment system implementation on the compliance of taxpayer, particularly among the distro owners in Yogyakarta. The implementation of self assessment system consists of the positive effect of tax calculation, tax payment and tax reporting understanding on the tax compliance of the distro owners in Yogyakarta.

This study took 41 respondents who is distro owners in Yogyakarta. The samples taken are limited to small and medium enterprise. The samples are taken by non-probability and convenience sampling method. The methods of data analysis in this study consist of descriptive statistics analysis, classical assumptions test and multiple linier regression analysis. The data were analyzed using SPSS 16.0 for Windows.

The results of the hypothesis testing showed that the tax calculation, tax payment and tax reporting understanding has significantly positive influence on the compliance of taxpayers of among the distro owners in Yogyakarta. This indicated that if the understanding of tax calculation, tax payment and tax reporting of the self assessment system implementation increased, the attitude of the distro owners in Yogyakarta toward tax compliance would also increase..

Keyword: Self Assessment System, Taxpayers' Compliance, Tax Calculation, Tax Payment, Tax Reporting,.

CHAPTER I

INTRODUCTION

1.1. Background of Study

Tax is the most important source of national income which will be used as general expense of the entire government activities. Moreover, taxes are also a measure for the national economic achievement. The improvement of national income through taxes as one of the expenditure sources are still can be increased extensively. It was because the amount of taxpayers also increase year by year equivalent to the increasing of the national population and the welfare of the society.

Since 1984, Indonesia adopted self-assessment system, where taxpayers are required to calculate their taxable income, file tax returns, and pay their tax liability voluntarily. Therefore, taxpayers are required to register and obtain a tax identification number and obliged to keep bookkeeping. And in the framework of exercising administrative supervision, the Directorate General of Taxes (DGT) may conduct an audit and investigation to test compliance in fulfilling tax duties. Taxpayer may file an objection to the Directorate General of Taxes and can only be made against the content of a tax assessment.

Nowadays, the government has faced real challenge to assure its fiscal sustainability. The decline of revenue from oil and gas press the government to effectively boost revenue from taxes. The new tax increases can be achieved by expanding the tax basis and improving compliance without having to increase the

tax rates. Improving tax compliance among the country's wage earners was crucial because tax revenues contributed around 60 percent of domestic revenues in the state budget. According to the Director General of Taxes, the tax compliance rate in Indonesia is still low. Out of 6 million registered taxpayers in Indonesia, only 2.4 million pay taxes regularly, comprising 1.3 million individual taxpayers and 1.1 million institutional taxpayers.

The problem of how to improve taxpayer compliance is a classic problem as old as the tax dilemma itself. The Directorate General of Taxes itself has taken some endeavors to improve taxpayer compliance, such as the following: (1) dissemination; (2) persuasive approach; (3) proactive method; (4) bettering the tax services; (4) law enforcement; and (5) inviting public leaders and communities to become role models in filing the SPT. However, the result is still far from the expected.

The presence of highly growing informal sector is one of the challenges faced by most developing countries including Indonesia. The informal sectors in Indonesia consist of mainly the unregistered and hard-to-tax group such as small scale traders, small manufacturers, small handicraft workshop and other small scale businesses. This small scale economic entities are challenge for taxation. The complexity of collecting income tax from this sector arises from its characteristics that include absence of business premises, mobile nature of operators, high tax collection cost, aggressive nature of the actors, cash operation and the lack of data and information. These characteristics make it hard to collect tax from this sector.

Distro is one of the small scale business which now grows rapidly in Yogyakarta. According to Kamus Bahasa Indonesia (2008), distro is a portmanteau of distribution store or distribution outlet. The word “distro” itself is derived from English as a short-term for the word *distribution*. Formerly, distros were a source for independent publishing (like zines), indie music labels and other DIY (do-it-yourself) crafts. It sometimes associated with youth subculture or underground movement. In Indonesia, distro is known as one kind of a small shop which sell fashion, clothing, accessories or other merchandise. The products sold in distro are not made by large manufacturer, but they are also made by small industry or by the distro itself. The informal character of the distros make them hard to tax.

Considering the significance of tax in Indonesia’s ability to achieve increased domestic revenues and maintain a sustainable approach to economic development. The writer wanted to examine the effect of self assessment system implementation on the compliance of taxpayer, particularly among the distro owners in Yogyakarta.

1.2. Research Questions

Based on the defined problems above, this research study will focus to identify the effect of self assessment system implementation on the compliance of taxpayer. Therefore, the problems can be formulated into this following question:

1. Does the understanding of tax calculation implementation of self assessment system have positive effect on the tax compliance of the distro owners in Yogyakarta?

2. Does the understanding of tax payment implementation of self assessment system have positive effect on the tax compliance of the distro owners in Yogyakarta?
3. Does the understanding of tax reporting implementation of self assessment system have positive effect on the tax compliance of the distro owners in Yogyakarta?

1.3. Research Objectives

The objective of this study is to analyze the effect of self assessment system implementation on the compliance of taxpayer. The specific objectives of this research study are:

1. To identify the effect of tax calculation understanding of self assessment system implementation on the tax compliance of the distro owners in Yogyakarta.
2. To identify the effect of tax payment understanding of self assessment system implementation on the tax compliance of the distro owners in Yogyakarta.
3. To identify the effect of tax reporting understanding of self assessment system implementation on the tax compliance of the distro owners in Yogyakarta.

1.4. Problem Limitations

As in the case with any research efforts, the limitations may occur during the data collection. In order to make this research focus on the effect of self assessment system implementation on the compliance of the taxpayer thus the limitation of this research include:

1. This research only addressed to the distro owners in Yogyakarta, who are already have the NPWP.
2. This data are taken from the distros which are categorized as small and medium enterprise with annual income less than 100 million rupiah.

1.5. Research Contributions

The writer would like to contribute the study for both theoretical use and practical use. Those benefits may be useful for the following parties:

1. The government

   The result of this research will be useful as the evaluation of the self assessment system implementation among the small and medium enterprise owners, especially the distro owners in Yogyakarta.

2. The other researchers

   The result of this research may contribute a literature work to expand the study of the effect of self assessment system implementation on the compliance of the taxpayer.

CHAPTER II

REVIEW OF RELATED LITERATURE

2.1. Theoretical Review

2.1.1. Definition of Taxation

Taxation is the inherent power of the state to impose and demand contribution upon persons, properties, or right for the purpose of generating revenues for public purposes. The power of taxation upon necessity and is inherent in every government or sovereignty. According to Soemitro on Waluyo and Wirawan (2001) tax is citizen's contribution to the state main revenue based on the law (to which can be enforced) with no direct reciprocal which can be shown and were used to pay the general expenses.

The functions of taxes are a manifestation of their essence; they are a means to represent the characteristics of taxes. The functions of taxation illustrate its social purpose of the value-based distribution and redistribution of income. Two main functions of taxes are:

1. Function Acceptance (Budgetary)

   This function serves as a source of tax funds designed for financing expenditures.

2. Function Set (Regulator)

   The regulatory function of taxation was initiated as soon as the state started to take active part in the economic set-up of the society. This function is aimed at achieving special goals of the taxation policy through the taxation mechanism. Taxation regulation entails three sub-functions:

a. The stimulating sub-function is aimed at the development of special socio-economic processes, and is implemented through a system of allowances, exemptions and preference arrangements, The legislation in force stipulates the stimulation of a number of taxpayer categories such as the owners of small enterprises, the agricultural producers, capital investors, or charities.
b. The destimulating sub-function inhibits some socio-economic processes through the conscious exaggeration of the taxation burden. As a rule, the effect of this sub-function is related to the introduction of excessive tax rates. These are, for example, the protectionist measure of the state, aimed at supporting local producers through restricted import custom duties. It is important to keep in mind, nevertheless, that taxation relations, as any other relations, must replicate continuously. Taxes must be collected today, tomorrow and always. This is why the utilization of the destimulating sub-function should not lead to the weakening of the taxation basis, to suppression, or even liquidation of the tax source. Such an exaggeration may result in a situation where there will be no income/processes to be taxed.
c. The replication (regeneration) function is explained as follows: by taxing the utilization of natural resources, roads, mineral, and primary resources, the state uses these proceeds in order to regenerate the exploited resources.

2.1.2. Definition of Taxpayer

An individual is qualified subjectively in paying taxes if he/she fulfils any of these conditions: he/she resides in Indonesia; he/she is present in Indonesia for more than 183 days in any 12-month period; he/she is present in Indonesia during a fiscal year and intends to reside in Indonesia.

2.1.3. Definition of NPWP

NPWP (Nomor Pokok Wajib Pajak) is a number given to the taxpayer (WP) as a self-identification/identity number which will be used in tax administration.

2.1.4. Tax Collecting System

In executing tax payment, both Government and taxpayer must have the knowledge about types of system in collecting taxes that applied in Indonesia. According to Muqodim (2002), there are three types of tax collecting system which are:

1. Official Assessment System

   Official assessment system says that fiscus has the obligation to calculate indebted tax. In the system, the taxpayer is passive. It means that a taxpayer always wait for tax collection letter (or tax assessment letter) from the fiscus. He or she doesn't pay indebted tax before receiving the letter. Conversely, the fiscus (tax department) has active role. Tax office or fiscus has to calculate indebted tax and inform it to taxpayer by publishing collection

letter and/or assessment letter. Implementation of the official assessment system is suitable with the formal theory because indebted tax exist if there is collection letter/assessment letter from tax office.

2. Self-Assessment System

Self assessment system states that the taxpayers have the obligation to calculate indebted tax, pay it then report the obligation through tax return. Therefore, in the system, a taxpayer is active, while the fiscus will monitor, guide, and control the taxpayer in fulfilling the obligation.

3. Withholding System

A withholding system is a tax collecting system in which the taxpayer gives a trust to the third party neither the taxpayer nor the fiscus to determine the amount of indebted tax of the taxpayer. Commonly, the taxpayer hires the third party to calculate their income tax because the taxpayer lacks of the understanding of the self-assessment system income tax collecting.

The difference between official assessment system and self-assessment system.

Table 2.1. The Difference between Official Assessment System and Self-Assessment System

	Official Assessment System	**Self-Assessment System**
Party involved in deciding tax payable	Tax amount is decided by the government (fiscus)	Tax amount is decided by taxpayer
Role of taxpayer	Passive	Active
Fiscus function	Active	fiscus only has the role as a facilitator
The occurrence of tax payable	Only happen when Tax Assessment Letter or Surat Ketetapan Pajak (SKP) issued by the government	happen because of law and taxpayer's action

Source: Mardiasmo (2003)

Tax reform in Indonesia initiated in 1983 by introducing principle of self assessment system. In a self assessment system (SAS), a taxpayer is required to assess his tax liability using a tax notification form (SPT) in which he declares his gross income, allowable deductions, etc. This tax return must then be file with the tax authority together with a payment for the tax liability computed in said return. Basic law in filling the SPT is in chapter 3 verse 1 and (la) UU KUP which said "All taxpayer should fill the notification letter in Bahasa with standard alphabetic letter, Arabic number, rupiah currency, and signed and returned it to the Directorate General of Taxation where taxpayer has been registered.

The basic feature of a SAS is that it is the taxpayer rather than the tax authority that is responsible for the assessment of tax liability. A SAS has distinct merits compared to an official assessment system. The chief merits are:

(i) SAS is more cost effective as it only selects exceptional cases for further scrutiny

(ii) SAS eliminates the administrative nature of assessment work

(iii) SAS encourages an early and timely collection of taxes, and

(iv) SAS reduces corruption by reducing contacts with taxpayer.

From the positive perspectives, these should encourage taxpayers to become more responsible, honest and to up to date with current tax regulations by forcing them to engage more directly with their tax computations process. In contrast, some taxpayers may have a negative reaction by using the nature of SAS to manipulate their tax returns. To reduce the possibility of taxpayers manipulating their tax returns, the tax authorities are likely to implement an

enhanced investigation policy such as increasing tax audits and tax assessments, but these actions, if applied extensively, will in effects eventually turn the SAS back into the old official assessment system. The more tax assessment required by the tax authorities, the less benefit results from a move to self-assessed for tax return. Therefore, the tax authorities have to determine the appropriate operation of SAS and exercise the principles of SAS by ensuring the taxpayers' and tax authority's responsibilities are balanced, thereby minimizing any tax assessment they have to perform so that SAS can genuinely reduce tax compliance costs and increase administrative efficiency as well as developing public voluntary compliance.

Devano and Rahayu (2006) stated that self assessment system contains some essentials which are expected from taxpayer, in example:

a. Tax consciousness or awareness of the taxpayer
b. Tax honesty
c. Tax willingness, A desire to pay taxes
d. Tax discipline

2.1.5. Tax Compliance

Tax compliance is defined as taxpayers' willingness to comply with tax laws, declare the correct income, claim the correct deductions, relief and rebates and pay all taxes on time (Jackson, et al. (1986) and Kirchler (2007)). James and Alley (2004) asserted that non-compliance is not only involved in tax evasion but it also includes some forms of tax avoidance. They defined tax evasion as 'the

attempt to reduce tax liability by illegal means' while tax avoidance is defined as 'reducing taxation by legal mean'. Tax avoidance is simply the practice of working within the legal confines of tax law and regulations to maximize tax deductions while minimizing tax liability. In contrast, tax evasion works outside the rules by trying to duck legal obligations by hiding income through nondisclosure, or improperly taking deductions that one is not qualified for.

The degree of non-compliance may be measured in the terms of the 'tax gap'. This represents the difference between the actual revenue collected and the amount that would be collected if there were 100% compliance. But then there is the question arises whether 'compliance' refers to voluntary or compulsory behavior. If taxpayers 'comply' only because of dire threats or harassment or both, this would not appear to be proper compliance even if 100% of the tax were raised in line with the 'tax gap' concept of non compliance.

It is widely accepted that the goal of an efficient tax administration is to foster voluntary tax compliance using all possible methods including penalties. Penalizing tax evaders or going after delinquent taxpayers are not in themselves the object of tax administration, although it would serve to encourage voluntary compliance if the taxpayers believe that the tax administration can effectively detect and punish noncompliance.

Many of the studies of compliance are concerned with intentional non-compliance. There is, however, considerable scope for unintentional compliance. Full compliance may require positive actions on the part of the taxpayer to discharge his or her legal duties in full. It may be that taxpayers innocently fail to

meet their tax obligations because they fail to complete their tax returns correctly or unaware of, or misunderstand, various provisions of the tax system, or for similar reasons.

The ultimate target of the tax compliance is that successful tax administration requires taxpayers to comply willingly, without the need for enquiries, obstructive investigations, reminders or the threat or application of legal or administrative sanctions. A more appropriate definition could therefore include the degree of compliance with the tax law and administration, which can be achieved without the actual application of enforcement activity, in other words complying with the spirit as well as the letter of the law.

In order to promote the principles of voluntary compliance, various services need to be provided some of the important services keys are:

1. Public Relations

   The purpose of public relations is to build a tax conscious environment not only among taxpayers but also among the public including latent taxpayers, and can be categorized as the need to:

   a. Enhance tax compliance;
   b. Diffuse and enhance public knowledge of taxation;
   c. Improve mutual understanding and trust between taxpayers and tax authorities, and;
   d. Obtain the understanding and cooperation from mass media for tax administration.

These activities can be carried out through the internet and media including regular television and radio programs/spots that provide current tax information, answering questions called-in by viewers, and reminding the public of tax deadlines, etc. or by simply setting up tax information booths.

2. Tax Education

Tax education is a part of public relation activities, which can play important role in creating tax awareness. The target audience is primarily students, who are recognized as future taxpayers. As the next generation of taxpayers, the students need to be provided with an understanding of the significance and role of taxes in financing the government budget and also of their duty as citizens to file accurate returns and pay taxes.

This can be done by issuing supplementary textbooks for the purpose of tax education, conducting classes on taxes, sponsoring high school essay contests on tax topics, etc.

3. Tax Counseling

The objective of tax counseling is to assist taxpayers in matters related to tax and encourage the voluntary submission of accurate tax returns and payment of taxes. Generally, tax counseling offices provide advice on the interpretation and application of tax laws, procedures for filing returns and applications, etc.

4. Guidance and Examination

In order to enhance taxpayer compliance so that they voluntarily file tax returns and pay taxes appropriately, the guidance of the tax administration

on how to improve bookkeeping standards and tax returns for individual and groups are needed. The guidance includes assistance to firms who are launching new business, as well as explanatory sessions that are held when laws are amended.

The dedication of taxation compliance and awareness of the tax obligation is reflected in the following situations:

a. Taxpayers understand or try to understand all the provisions of legislation on tax.
b. Filling out tax forms with complete and clear
c. Calculate the amount of tax payable correctly
d. Paying tax payable on time (Devano and Rahayu, 2006)

2.1.6. Tax Compliance and Self Assessment System

Under the self assessment system, non-compliance should be dealt with justly and swiftly to encourage the majority of taxpayers to comply. The educational level of taxpayers is crucial in determining whether the self assessment system will work effectively. There must also be an observance of proper accounting standard of business. For small traders, this means that must be a minimum level of record keeping. In the absence of proper accounting standards or record keeping, a taxpayer would not be able to declare his income accurately or enable the tax authority to conduct an accurate audit.

2.2. Hypothesis Formulation

H_{01}: The understanding on tax calculation of self assessment system implementation does not have positive effect on the tax compliance of the distro owners in Yogyakarta.

H_{a1}: The understanding on tax calculation of self assessment system implementation have positive effect on the tax compliance of the distro owners in Yogyakarta.

H_{02}: The understanding on tax payment of self assessment system implementation does not have positive effect on the tax compliance of the distro owners in Yogyakarta.

H_{a2}: The understanding on tax payment of self assessment system implementation have positive effect on the tax compliance of the distro owners in Yogyakarta.

H_{03}: The understanding on tax reporting of self assessment system implementation does not have positive effect on the tax compliance of the distro owners in Yogyakarta.

H_{a3}: The understanding on tax reporting of self assessment system implementation have positive effect on the tax compliance of the distro owners in Yogyakarta.

2.3. Conceptual Framework

The model shown in the figure bellow is proposed to test empirically the key conceptual ideas embedded in the implementation of self assessment tax

system. Major interest is in understanding the key linkages between the self assessment system implementation on the compliance of taxpayer.

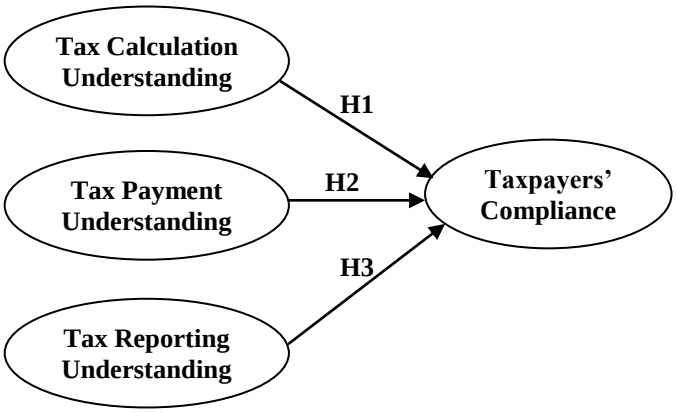


Figure 2.1. Conceptual Framework

CHAPTER III

RESEARCH METHODS

3.1. Type of Study

This research study can be classified as a causal study, and this research is to analyze the effect of self assessment system implementation on the compliance of taxpayer, particularly among the distro owners in Yogyakarta. This research used quantitative approach with survey method and the research instrument is using questionnaire and also using itemized rating scale to assess data from questionnaires that has been spread out.

3.2. Population and Sample

3.2.1. Population

Population is the whole or individual unit becoming the suggestion or the research subject, which the characteristic will be supposed. In this research, the population will be the distro owners in Yogyakarta. Those distros are categorized as small and medium enterprise. The number of distros in Yogyakarta are not exactly known.

3.2.2. Sampling Method

Sample is a subset measurements selected from the population of interest. The samples of this research will be the distro owners in Yogyakarta who are already have the NPWP. For the purpose of this research, more than 30 distro owners in Yogyakarta are going to be taken as the sample respondents. According

to Singarimbun and Effendy (2001), sample size more than 30 are sufficient for statistical analysis.

Due to the limitation of time, this study use non-probability and convenience sampling method. Non-probability sampling is a sampling design in which the elements in the population have not known yet that they will be selected as sample subjects (Sekaran, 2006). Convenience sampling is a non-probability sampling design by which information and data for the research are gained from members of the population who are conveniently accessible to the researcher (Sekaran, 2006).

3.3. Research Variables

Two categories of variables are used for this research. They are independent variable and dependent variable. According to, Sekaran (2006), independent variable is a variable that influences the dependent variable in either a positive or a negative direction. While dependent variable is a variable that was influenced by the dependent variable. This research is conducted with independent variable which are tax calculation, tax payment and tax reporting understanding, and the dependent variable which is taxpayers' compliance.

3.4. Research Instrument and Data Collection Method

The survey method of data collection will be adopted to obtain the primary data in this study. The survey is taken in order to identify the effect of self assessment system implementation on the compliance of taxpayer, particularly among the distro owners in Yogyakarta. In order to respond the answer from the

respondent, this research uses Likert scale. Respondent will be asked to fill the statement in five categories. According to Sekaran (2006), measurement can be based on the rating of the statements given by respondents by giving score 1 represents “strongly disagree” and 5 represents “strongly agree”.

1 = Strongly Disagree

2 = Disagree

3 = Not sure

4 = Agree

5 = Strongly Agree

3.5. The Test of Validity and Reliability

3.5.1. Validity Test

The purpose of validity test is to measure and analyze whether each item of instrument could explain the variable observed or not. The effectiveness of the questionnaire as a measurement tool is the most important factor in determining the quality of the research result. This is because the result of this research is fully dependent on the quality of the data obtained.

In this study the writer will take samples from the total respondents at 5% of significance level, then the critical value for the validity coefficient is about r = 0.361 (Sugiyono, 2004). If the validity coefficient of one item is greater than critical value for validity coefficient (0.361), it means the item can be considered as valid, but if the validity coefficient of one item is less than the critical value for validity coefficient (0.361) it means the item is invalid.

3.5.2. Reliability Test

Reliability test is also designed to find out the consistency of the measurement tools. It could give the result which is relatively consistent if there is re-measurement in the same subject. The reliability of a measure indicates the extent to which the measure is without bias or error free, and hence, offers consistent measurement across time and across the various items in the instrument (Sekaran, 2006).

A reliable measurement tool will be provide a reliable result that is also relevant to the variable used, and if the data is really relevant to the reality condition, the result of any measurement conducted in the next period will always be the same. Reliability test is conducted with SPSS by putting all questions in SPSS 16.0 for Windows to be analyzed. It uses alpha coefficient from Cronbach to find the value of alpha Cronbach (α) is ≥ 0.6 thus the measurement tool of the research is claimed reliable to be used.

3.6. Data Analysis Methods

The methods of data analysis in this study consist of descriptive statistics analysis, classical assumptions test and multiple linier regression analysis.

3.6.1. Descriptive Statistics Analysis

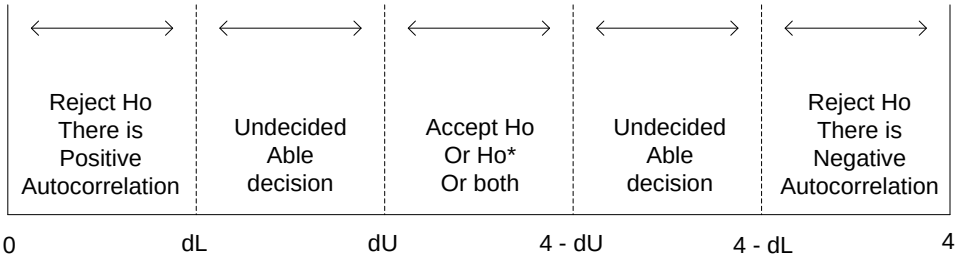
Descriptive statistics analysis is conducted to summarize the measures of the observed data with numerical description. The measurement used in this study are mean, deviation standard, minimum value, and maximum value of each variable used, i.e. tax calculation, tax payment, tax reporting understanding and taxpayers' compliance.

3.6.2. Classical Assumptions Test

The model must meet the classical assumptions of the linear regression, which consists of autocorrelation heteroscedasticity, multicollinearity and normality. The identification of the assumptions are done by the following tests:

a. Autocorrelation Test

Autocorrelation test is used to detect whether there is correlation between an error in period t with an error in period t-1. The autocorrelation is detected by using Durbin-Watson statistic. A good regression model is regression model which free from autocorrelation disturbance. A regression model was declared free from autocorrelation if the value of Durbin-Watson test is met with the condition figured as below (Gujarati, 2003) :



Testing for the presence of autocorrelation phenomena in the data using Durbin Watson test, with the following criteria (Gujarati, 2003) :

- $dw < dL$: reject Ho
- $dw > dU$: accept Ho
- $dL \leq dw \leq dU$: no decision
- $dw > 4\text{-}dL$: reject Ho
- $dw < 4\text{-}dU$: accept Ho
- $4\text{-}du \leq dw \leq 4\text{-}dL$: no decision

b. Multicollinearity Test

Multicollinearity is the existence of perfect linear relationship between some or all independent variables. Multicollinearity test aims to test whether there is correlation found between independent variables in regression model. A good regression model should not has correlation between independent variables (Ghozali, 2006). The present of multicollinearity is detected by analyzing the Variance Inflation Factor. If the number of VIF does not exceed 10 (Gujarati, 2003), it can be concluded that there is no multicollinearity between the independent variables.

c. Heteroscedasticity Test

Heteroscedasticity test aims to test whether there is variance inequality from the residual of one observation to other observations in the regression model. If residual variance from one observation to other observations remains, it is called homoscedasticity. But if residual variance different, it is called heteroscedasticity. A good regression model is homoscedasticity or does not occur heteroscedasticity (Ghozali, 2006).

One way to detect the existence of heteroscedasticity is by observing the scatter plot between the predicted value of independent variable (ZPRED) with its residual (ZRESID). Detection of presence or absence of heteroscedasticity can be done by viewing its patterns on scatter plot graph between ZRESID and ZPRED where Y axis is the Y that has been predicted, and the X axis is the residual (Y predicted – Y real) that has been studentized. Basic analysis is as follow (Santoso, 2007):

1) If there is a certain pattern, like dots which formed a regular specific pattern (wavy, broad then narrow), it indicates there have been a violation of heteroscedasticity assumption.
2) If there is no clear pattern, and the points spread above and below zero (0) on the Y axis, it indicates that the model meet the assumption of heteroscedasticity.

d. Normality Test

Normality test aims to test whether the regression model, the residual variable has normal distribution. One way to detect the normality of the residual is by using the normal P-P plot between. Detection of normality, if the data is spread around the diagonal line, and follow the direction of the diagonal line, then the regression model meet the assumption of normality (Santoso, 2007).

3.6.3. Multiple Regression Analysis

The study is employed multiple regression analysis to test the hypothesis. Multiple regression analysis is used to estimate the coefficient values generated from the linear model which involve independent variables to predict the value of the dependent variable. According to Sekaran (2006) the process of multiple regression analysis consists of following step:

a. Regression Model

The equation of regression model which represent the causal relationship between the independent variables and the dependent variable are as follow:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

Where:

Y = taxpayers' compliance

a = the constants

b_1 to b_3 = regression coefficient

X_1 = tax calculation understanding

X_2 = tax payment understanding

X_3 = tax reporting understanding

b. Statistical Test

The statistical test is conducted to examine whether the significance of the coefficients and to determine the level of accuracy in regression analysis. The statistical test is done by using F-test, t-test and the coefficient of determination (R square).

1) F-test

F-test is used to identify the model that best fits the population from which the data were sampled. The result of the F test also indicates the significant effect of all independent variables simultaneously to the dependent variable. Decision making by comparing the calculated F value with the F table :

- When calculated F value > F table, it means reject Ho, accept Ha
- When calculated F value ≤ F table, it means accept Ho, reject Ha

2) T-test

The t-test is performed to determine the effect of each independent variable partially on the dependent variable. Decision making by comparing the calculated t value with the t table :

- When calculated t value > t table, it means reject Ho, accept Ha
- When calculated t value ≤ t table, it means accept Ho, reject Ha

3) The Coefficient of Determination (R square)

The coefficient of determination or R square (R^2) is a ratio, which is presented in percentage. It represents the ratio of the amount of the variance that can be explained by the relationship between the independent variables and the dependent variable. It will be known how much the dependent variable will be able to be explained by the independent variable, while the rest is explained by the other reasons outside the model. The R square ranges between 0 to 1. The larger R square (close to 1) indicates good fit between both variables.

CHAPTER 4

RESEARCH FINDINGS AND DISCUSSION

This research was conducted to analyze the effect of self assessment system implementation on the compliance of taxpayer. The first section discusses the validity and reliability test to determine whether the data is valid, reliable and meets the requirements of further analysis. The next section is descriptive analysis. It describes the respondents' demographic characteristics which includes age, gender and personal income per year. The statistical analysis used in this research is multiple regression analysis conducted with SPSS 16.0 for Windows.

As mentioned in the previous chapter, to collect the data for this research the writer distributes the questionnaire directly to the respondents, i.e. the distro owners in Yogyakarta. There are 46 distro owners in Yogyakarta to which the questionnaire are given, but only 41 questionnaires are properly and fully filled out. Afterward, the data are edited, coded and tabulated for further analysis. The complete data tabulation are displayed in the appendix for detail.

4.1. Validity and Reliability Test

4.1.1. Validity Test

Validity test show well an instrument that is developed measures the particular concept it is supposed to measure. Validity test in this research was conducted by using SPSS 16.0 for Windows, with the level of confidence 5% and one tailed test used. If the validity coefficient of one item is greater than critical value for validity coefficient (0.361), it means the item can be considered as valid.

The results of validity test show that all of the statements employed in the questionnaire distributed to respondents are valid. Accordingly, all of the questions can be included for the next step of research. The results of the validity test are presented in Table 4.1.

Table 4.1.
Validity Test Results

Variable	Items	Validity Coefficient	Critical Value	Notes
Tax Calculation	X1_1	0,914	0.361	Valid
	X1_2	0,764	0.361	Valid
	X1_3	0,830	0.361	Valid
	X1_4	0,892	0.361	Valid
	X1_5	0,799	0.361	Valid
	X1_6	0,861	0.361	Valid
Tax Payment	X2_1	0,857	0.361	Valid
	X2_2	0,880	0.361	Valid
	X2_3	0,904	0.361	Valid
	X2_4	0,864	0.361	Valid
	X2_5	0,817	0.361	Valid
	X2_6	0,887	0.361	Valid
Tax Reporting	X3_1	0,785	0.361	Valid
	X3_2	0,884	0.361	Valid
	X3_3	0,809	0.361	Valid
	X3_4	0,798	0.361	Valid
Taxpayer Compliance	Y1	0,841	0.361	Valid
	Y2	0,879	0.361	Valid
	Y3	0,887	0.361	Valid
	Y4	0,851	0.361	Valid
	Y5	0,841	0.361	Valid

Source: primary data, 2013.

4.1.2. Reliability Test

The reliability of a measure indicates the stability and consistency with which the instrument is measuring the concept and helps to assess the goodness of a measure. The calculation of the coefficient correlation is conducted by using SPPS 16 for Windows, using Cronbach's alpha technique. If the Cronbach's alpha

(α) is ≥ 0.6 thus the measurement tool of the research is claimed reliable to be used. The results of reliability test show that the questionnaire distributed to respondents are reliable. The concise results of the reliability test is presented in Table 4.2.

Table 4.2
Reliability Test Results

Variable	Cronbach's Alpha	Critical Value	Notes
Tax Calculation	0.918	0.6	Reliable
Tax Payment	0.934	0.6	Reliable
Tax Reporting	0.837	0.6	Reliable
Taxpayer Compliance	0.911	0.6	Reliable

Source: primary data, 2013.

4.2. Respondents Demographic Characteristics

As already mentioned before, the respondents of this research are the distro owners in Yogyakarta. From the questionnaires, the respondent filled out their personal information about age, gender and income.

4.2.1. Respondents Age

Based on the respondents' age, there are four categories. The results of the data analysis based on the respondents' characteristics of age are showed in the Table 4.3.

Table 4.3
Respondents Characteristics Based on Age

Age	Count	Percentage
Below 25 years old	9	22.0%
25 – 35 years old	17	41.5%
35 – 45 years old	10	24.4%
Above 45 years old	5	12.2%
Total	41	100.0%

Source: primary data, 2013.

The Table 4.3 describes that the distro owners in Yogyakarta are mostly between 25 – 35 years old (41.5%). Twenty four point four percent are between 25 – 35 years old, 22,0% are below 25 years and the rest are above 45 years old (12.2%).

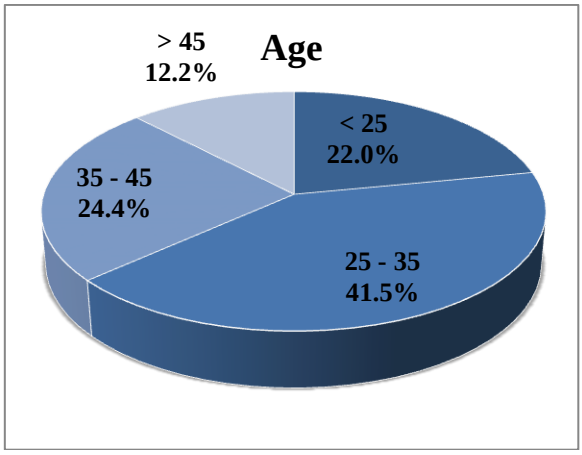


Figure 4.1. Pie Chart of Respondents Characteristics Based on Age

4.2.2. Respondents Gender

Based on the gender, there are two categories which are male and female. The data of the analysis result based on respondents' characteristics of gender are showed in the Table 4.4.

Table 4.4
Respondents Characteristics Based on Gender

Gender	Count	Percentage
Male	24	58.5%
Female	17	41.5%
Total	41	100.0%

Source: primary data, 2013.

The Table 4.4 describes that the distro owners in Yogyakarta are mostly male (58.5%) and the rest are female (41.5%).

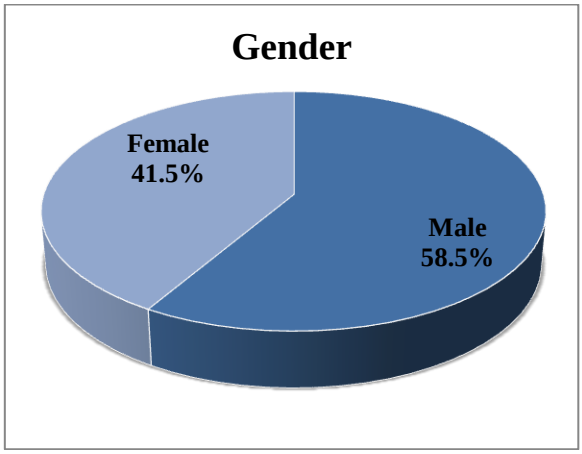


Figure 4.2. Pie Chart of Respondents Characteristics Based on Gender

4.2.3. Respondents' Income per Year

Based on the respondents' income per year, there are five categories: respondents with < Rp 25.000.000; Rp 25.000.000 – Rp 50.000.000; Rp 50.000.000 – Rp 75.000.000; Rp 75.000.000 – Rp 100.000.000 and > Rp 100.000.000. The results of the data analysis based on the respondents' characteristics of annual income are showed in the Table 4.5.

Table 4.5
Respondents Characteristics Based on Income

Income	Count	Percentage
< 25 million	11	26.8%
25 - 50 million	16	39.0%
50 - 75 million	8	19.5%
75 - 100 million	6	14.6%
> 100 million	0	0.0%
Total	41	100.0%

Source: primary data, 2013.

The Table 4.5 describes that the distro owners in Yogyakarta are mostly respondents with annual income between Rp 25.000.000 – Rp 3.000.000 (39.0%). There are 26.8% of the respondents with annual income below Rp 25.000.000, 19.5% of the respondents with annual income between Rp 50.000.000 – Rp

75.000.000 and the rest 14.6% are the respondents with annual income between Rp 75.000.000 – Rp 100.000.000. There are no respondents with annual income above Rp 100.000.000.

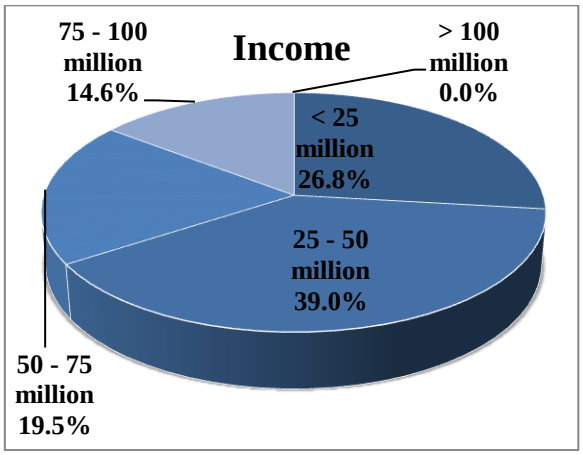


Figure 4.3. Pie Chart of Respondents Characteristics Based on Income

4.3. Descriptive Statistics

Descriptive statistics is needed to observe the sample characteristics that are used in this research. From the tables below, it can be found the minimum and maximum value, mean, and the standard deviation of each variable used, i.e. tax calculation, tax payment, tax reporting understanding and taxpayers' compliance. The concise results of the descriptive statistics is presented in Table 4.6.

Table 4.6
Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Tax Calculation	1.33	4.50	2.821	0.800
Tax Payment	1.33	4.33	2.980	0.877
Tax Reporting	1.25	4.50	2.835	0.815
Taxpayer Compliance	1.80	4.60	3.439	0.731

Source: primary data, 2013.

From the result of the descriptive statistics analysis as showed in the Table 4.6 can be found out that variable tax calculation understanding has minimum value 1.33, maximum value 4.50, mean value 2.821 and standard deviation value 0.800. The variable tax payment understanding has minimum value 1.33, maximum value 4.33, mean value 2.980 and standard deviation value 0.877. The variable tax reporting understanding has minimum value 1.25, maximum value 4.50, mean value 2.835 and standard deviation value 0.815. The variable taxpayers' compliance has minimum value 1.80, maximum value 4.60, mean value 3.439 and standard deviation value 0.731.

4.4. Statistical Data Analysis

This research use multiple regression analysis as the statistical tool for hypothesis testing. This statistic method is used to find out the effect of self assessment system implementation on the compliance of taxpayer.

4.4.1. Classical Assumptions Test

The model must meet the classical assumptions of the linear regression, which consists of autocorrelation heteroscedasticity, multicollinearity and normality. The result of each assumption tests are described below:

a. Autocorrelation Test

Autocorrelation test is used to detect whether there is correlation between an error in period t with an error in period t-1. The autocorrelation is detected by using Durbin-Watson statistic. The result of the autocorrelation test by using SPSS 16.0 for Windows shows the Durbin-Watson statistic 2,010. According to the Durbin-Watson table with 41 samples and 3 dependent

variables it can be find the lower limit (dL) = 1,34 and the upper limit (dU) = 1,66. Since the Durbin-Watson statistic 2,010 > dU, it can be concluded that there is no autocorrelation occurs in the regression model.

b. Multicollinearity Test

Multicollinearity test aims to test whether there is correlation found between independent variables in regression model. The present of multicollinearity is detected by analyzing the Variance Inflation Factor (VIF). The results of VIF statistic for the multicollinearity test by using SPSS 16.0 for Windows is presented in Table 4.7.

Table 4.7
The Multicollinearity Test Output

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1	,672	1,489
	X2	,605	1,652
	X3	,548	1,826

a. Dependent Variable: Y

Source: primary data, 2013.

Since the values of VIF in the Table 4.7 above do not exceed 10, it can be concluded that there is no multicollinearity between the independent variables occurs in the regression model.

c. Heteroscedasticity Test

Heteroscedasticity test aims to test whether there is variance inequality from the residual of one observation to other observations in the regression model. The scatter plot between the predicted value of independent variable (ZPRED) with its residual (ZRESID) is used to detect the existence of

heteroscedasticity. The result of scatter plot for the heteroscedasticity test by using SPSS 16.0 for Windows can be seen in the Figure 4.4.

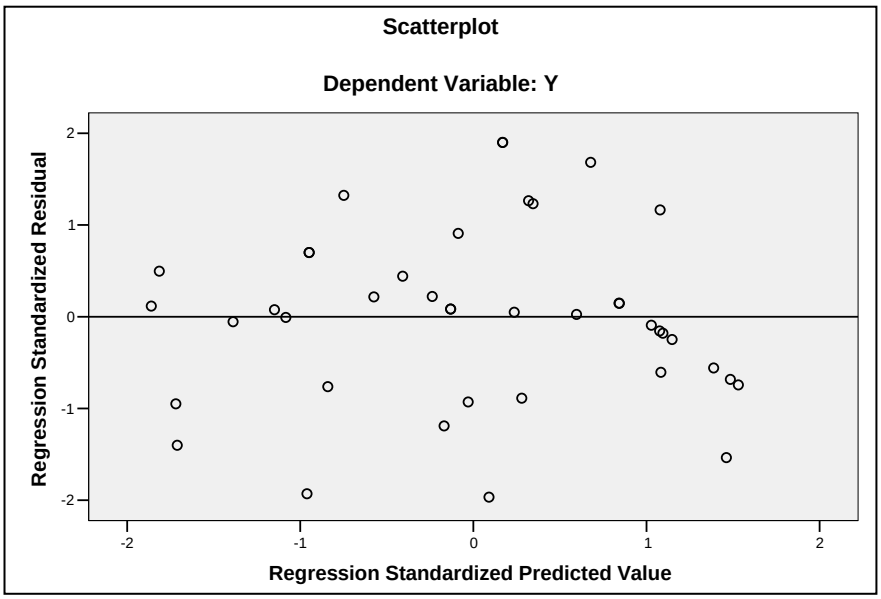


Figure 4.4. The Scatter Plot **for The** Heteroscedasticity **Test**
Source: primary data, 2013.

The Figure 4.4 illustrates that the dots on the scatter plot show no certain pattern, and the points spread above and below zero (0) on the Y axis, it indicates that the model meet the assumption of heteroscedasticity.

d. Normality Test

Normality test aims to test whether the regression model, the residual variable has normal distribution. Detection of normality, if the dots on the normal P-P plot are spread around the diagonal line, and follow the direction of the diagonal line, then the regression model meet the assumption of normality. The result of the normal P-P plot for the normality test by using SPSS 16.0 for Windows can be seen in the Figure 4.5.

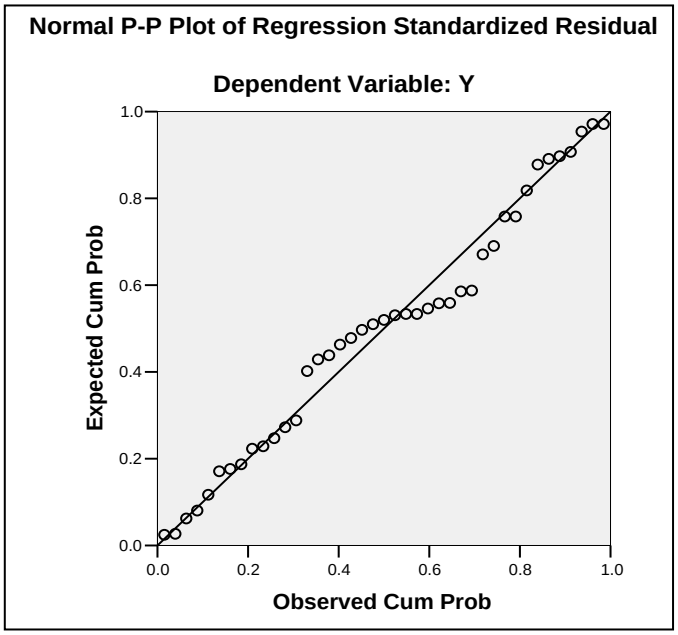


Figure 4.5. The Normal P-P Plot **for the Normality Test**
Source: primary data, 2013.

The result of the normality test above shows thatif the dots on the normal P-P plot are spread around the diagonal line and follow the direction of the diagonal line. Accordingly, it can be concluded that the regression model meet the assumption of normality.

4.4.2. Multiple Regression Analysis

The study is employed multiple regression analysis to test the hypothesis. Multiple regression analysis is used to estimate the coefficient values generated from the linear model which involve independent variables to predict the value of the dependent variable. The result of multiple regression analysis by using SPSS 16.0 for Windows are described in the Table 4.8 below:

Table 4.8
The Regression Analysis Output

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,008	,308		3,279	,002
	X1	,254	,109	,278	2,320	,026
	X2	,308	,105	,369	2,928	,006
	X3	,282	,119	,314	2,369	,023

a. Dependent Variable: Y

Source: primary data, 2013.

Based on the result of the multiple regression analysis by using SPSS 16.0 for Windows can be interpretated as follow.

a. Regression Model

According to result of the regression analysis in the Table 4.8, it can be generated the regression equation which represents the causal relationship between the independent variables and the dependent variable as follow:

$$Y = 1.008 + 0.254X_1 + 0.308X_2 + 0.282X_3$$

Where:

Y = taxpayers' compliance

X_1 = tax calculation understanding

X_2 = tax payment understanding

X_3 = tax reporting understanding

b. Statistical Test

The statistical test is done by using F-test, t-test and the coefficient of determination (R square).

1. F-testj

F-test is used to identify the model that best fits the population from which the data were sampled. The result of the F test also indicates the significant

effect of all independent variables simultaneously to the dependent variables. The results of F test by using SPSS 16.0 for Windows is presented in Table 4.9.

Table 4.9
The F Test Output

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13,767	3	4,589	22,311	,000[a]
	Residual	7,610	37	,206		
	Total	21,378	40			

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

Source: primary data, 2013.

The result of F test by using SPSS 16.0 for Windows in Table 4.7 shows that the F statistic is 22.311 with the probability value 0.000. Since the probability value 0.000 < 0.05, it can be concluded that the regression model used in this research fits the population from which the data were sampled. In the other word, the independent variables simultaneously have significant effect to the dependent variables.

2. T-test

The t-test is performed to determine the effect of each independent variable partially on the dependent variable. The t test is conducted by examining the coefficients in the model which are presented in regression output. If the regression coefficient is significant then the hypothesis of the research is accepted. According to the results of the regression coefficient as presented in the Table 4.8 can be interpretated the hypothesis testing as follow.

a. The coefficient of variable X_1 (tax calculation understanding) estimate is 0.254 with p value is 0.026. Since the regression coefficient of variable X_1 (tax calculation understanding) is positive and significant ($p < 0.05$). Hence the hypothesis 1 which states that the understanding on tax calculation of self assessment system implementation have positive effect on the tax compliance is accepted.

b. The coefficient of variable X_2 (tax payment understanding) estimate is 0.308 with p value is 0.006. Since the regression coefficient of variable X_2 (tax payment understanding) is positive and significant ($p < 0.05$). Hence the hypothesis 2 which states that the understanding on tax payment of self assessment system implementation have positive effect on the tax compliance is accepted.

c. The coefficient of variable X_3 (tax reporting understanding) estimate is 0.282 with p value is 0.023. Since the regression coefficient of variable X_3 (tax reporting understanding) is positive and significant ($p < 0.05$). Hence the hypothesis 3 which states that the understanding on tax reporting of self assessment system implementation have positive effect on the tax compliance is accepted.

3. The Coefficient of Determination (R square)

The coefficient of determination or R square (R^2) represents the ratio of the amount of the variance that can be explained by the relationship between the independent variables and the dependent variable. The results

of the coefficient of determination by using SPSS 16.0 for Windows is presented in Table 4.10.

Table 4.10
The R Square Output

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,802[a]	,644	,615	,45353

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

Source: primary data, 2013.

The result of the coefficient of determination in Table 4.10 shows that the R square of the model is 0.644 or 64.4%. It can be said that 64.4% of the dependent variable is explained by the independent variable, while the rest 25,6% is explained by the other reasons outside the model. The larger R square (close to 1) indicates good fit between both variables.

4.5. Discussion

The results of multiple regression analysis showed that tax calculation variable has significantly positive influence on compliance of taxpayers among the distro owners in Yogyakarta. This indicated that if tax calculation increased in the sense that the prevailing taxation regulation is easy to understand; the change in taxation regulation is considered as part of tax reformation; the current tax rate is considered fair for taxpayers; respondents could easily make tax calculation; financial report is important as the basis of tax calculation; and payable tax

calculation is very simple, the attitude of distro owners in Yogyakarta toward tax compliance would be increased.

The results of multiple regression analysis showed that tax payment variable has significantly positive influence on compliance of taxpayers among of the distro owners in Yogyakarta. This implied that if tax reporting increased in the sense that tax payment form (SSP) is quite clear and easy to complete; the respondents paid tax in time; payable tax payment got easier with the alternative tax payment facilities such as tax office, post office, perception bank or electronic billing system; limitation of tax payment due date was not troublesome; the charge of tax late-payment was affordable.; the difference between self-calculation and tax office calculation was not confusing. Therefore, the attitude of of the distro owners in Yogyakarta toward tax compliance would be increased.

The results of multiple regression analysis showed that tax reporting variable has significantly positive influence on compliance of taxpayers among the distro owners in Yogyakarta. This indicated that if tax reporting increased in the sense that if the payable tax notification (SPT) could be completed easily; payable tax reporting got easier with the alternative tax reporting facilities such as tax office, post office or e-filling; limitation of tax reporting due date was not troublesome; charge of tax late-payment was affordable; therefore the attitude of the the distro owners in Yogyakarta toward tax compliance would be increased.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

The conclusion is a brief and precise statement drawn from the findings of the research and discussion of the findings. There are several conclusions taken from this research, which are derived from the data analysis results.

1. The tax calculation understanding variable has significantly positive influence on the compliance of taxpayers of among the distro owners in Yogyakarta. This indicated that if the understanding of tax calculation implementation on self assessment system increased, the attitude of the distro owners in Yogyakarta toward tax compliance would also increase.
2. The tax payment understanding variable has significantly positive influence on the compliance of taxpayers of among the distro owners in Yogyakarta. This indicated that if the understanding of tax payment implementation on self assessment system increased, then the attitude of the distro owners in Yogyakarta toward tax compliance would also increase.
3. The tax reporting understanding variable has significantly positive influence on the compliance of taxpayers among the distro owners in Yogyakarta. This indicated that if the understanding of tax reporting implementation on self assessment system increased, then the attitude of the distro owners in Yogyakarta toward tax compliance would also increase.

5.2. Recommendations

The recommendations are made based on the research findings and writer's opinion while conducting this study, and are aimed at writers in a similar field wishing to develop a further research.

1. The writer suggests for the future research to use more sophisticated method and develop another parameters in analyzing the effect of self assessment system implementation on the compliance of taxpayer.
2. In order to achieve increased domestic revenues and maintain the sustainability of the economic development, the writer suggest the government through its the Directorate General of Taxes to expand the tax basis and improve compliance.

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