

## **The effects of Voluntary Disclosure Program (VDP) and tax sanctions on individual taxpayer compliance**

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### **ABSTRACT**

Tax revenue has an important role in national development. The government continues to pursue various policies to improve taxpayer compliance so that tax revenues can increase. One of the efforts made by the government is to pass the Law on the Harmonization of Tax Regulations. One of the programs contained in the law is the voluntary disclosure program (VDP). The purpose of this research is to find out the effect of the Voluntary Disclosure Program (VDP) and Tax Sanctions on Individual Taxpayer Compliance. The type of research applied in this study is quantitative research with a correlational approach. In this study, the population studied were individual taxpayers registered at KPP Pratama Badung Selatan, using purposive sampling techniques in sampling based on predetermined criteria and using the slovin formula, so as to get a sample of 100 respondents. The data used in this study was primary data using a likert scale of scores 1 to 4. The data analysis technique used in this study is multiple linear regression using the SPSS v.26.00 software program. The results of this research show that the voluntary disclosure program has a significant positive effect on taxpayer compliance, tax sanctions have a significant positive effect on taxpayer compliance, and the voluntary disclosure program and tax sanctions simultaneously have a significant effect on Taxpayers compliance.

Keywords: voluntary disclosure program, tax sanctions, taxpayer compliance, individual taxpayers

### **1. Introduction**

Taxes are the main source of income for the state and their potential will continue to be explored to re-build the country's current economy [1]. The use of funds obtained from the tax sector is regulated in the APBN which is used for national growth and development in various sectors that will support the improvement of the welfare level and standard of living of the Indonesian people, such as in the education, health, industry and other sectors [2]. The role of taxes is so large in national development, making the government continue to strive to increase the level of compliance ratio of taxpayers. This will have an impact on tax revenue, but it cannot be denied that the role of taxpayers is the main key in realizing this [3]. Taxpayer compliance will increase and the implementation or tax receipts can run smoothly, if the government is able to carry out tax dissemination, tax service and law enforcement [4]. Many policies to improve taxpayer compliance have been issued by the government, but to capture this momentum in achieving the target is still difficult to realize. Reflecting on the efforts of the Indonesian state in increasing taxpayer compliance by issuing a tax amnesty policy which aims to overcome the problems of taxpayers who are still experiencing difficulties in increasing awareness of taxpayers themselves [5]. The level of taxpayer compliance will be in line with the increase in participation from the tax amnesty. Likewise, taxpayer compliance will not continue to increase in line with the sanctions imposed [6].

In a working meeting of the Director General of Taxes at the Ministry of Finance of the Republic of Indonesia, Suryo Utomo with Commission XI of the DPR, it was stated that based on Automatic Exchange of Information data, many taxpayers have not disclosed all their income in the 2016-2019 SPT. So many polemics from the impact caused by the COVID-19 pandemic, considering the declining economic growth, the government proposed the Law on the Harmonization of Tax Regulations (RUU HPP) with the hope of being able to increase revenue to the state through tax revenue on the basis of increasing compliance in a general manner. taxpayer voluntary. On October 29, 2021, the government passed Law no. 07 of 2021 concerning Harmonization of Tax Regulations. The content of the law is to regulate the Voluntary Disclosure Program (VDP) which is carried out for first semester in early 2022. The government hopes that in implementing this program, apart from increasing voluntary tax compliance, it is also hoped that Indonesian citizens can repatriate assets placed abroad or repatriate which will certainly increase income from the tax sector. In addition to VDP, the government also imposes tax sanctions to obtain potential income from taxes. Tax sanctions can be given if the taxpayer is unable to fulfill his obligations properly. The government imposes sanctions on VDP if the taxpayer does not submit or has not submitted net assets, he will be subject to final income tax of 30% plus administrative sanctions. The effect of VDP and tax sanctions on tax compliance is also accompanied by an empirical study of research developed by several researchers along with the re-enactment of the tax amnesty program in Indonesia. [7] explained that tax amnesty has positive effect on tax compliance, but [8] explained that tax amnesty has no effect on tax compliance. [9], [10] said that tax sanctions increased tax compliance, while according to [11], [12] explained that tax sanctions have no effect on taxpayer compliance. Those difference results can be explained by the attribution theory which states that the theory of taxpayer compliance is related to the attitude of taxpayers in assessing the tax itself. Basically, attribution theory states that when individuals observe the behavior of others, they try to determine whether it is from internal or externally factors.

The number of facilities and government policies that can make it easier for taxpayers to carry out their obligations, should be able to increase taxpayer compliance with contributions to the state from the tax sector, but the realization of taxpayer compliance is still low compared to the number of taxpayers themselves. With the enactment of VDP and the sanctions applied, it is hoped that taxpayers will report their wealth and carry out their tax obligations in an orderly manner. To follow up on the problems and phenomena that have been described in the background above, the researcher wants to carry out a study entitled "The Effects of Voluntary Disclosure Program (VDP) and Tax Sanctions on Individual Taxpayer Compliance".

Implementation of the Voluntary Disclosure Program (VDP), which aims to increase voluntary compliance, which will have an impact on increasing the country's tax sector. Adopting from attribution theory, the behavior of taxpayers on taxpayer compliance can be caused by the efforts of internal and external factors such as government policies implementing VDP, so that taxpayers can behave or respond because of the demands of the situation. In this study, the Voluntary Disclosure Program (VDS) is the independent variable (X1). Based on research by [7] found that tax amnesty has a positive effect on increasing tax compliance. [13] stated tax amnesty received a positive response and increased taxpayer compliance and [2] found that there was a positive and significant effect of the tax amnesty on individual taxpayer reporting compliance. Referring to the theoretical basis and research results described earlier, the first hypothesis is formulated as follows:

H<sub>1</sub>: The Voluntary Disclosure Program partially affects Taxpayer Compliance.

According to [3] tax sanctions are a condition that will determine an event based on the regulations of the tax law that will be carried out by the taxpayer. Looking at the attribution theory, the behavior of fulfilling tax obligations by taxpayers is very much due to good conditions originating from within the taxpayer or internal as well as external or external circumstances. Tax sanctions become the independent variable (X2) in this study. Research conducted by [1] found that there was a significant positive effect between tax sanctions and

the variable taxpayer compliance. [9] stated that tax sanction has a positive effect on taxpayer compliance. [6] also obtained results in his research that there was a positive effect from the strictness of tax sanctions applied to taxpayer compliance. Seeing from the theoretical basis and the results of previous research, the second hypothesis can be arranged as follows:

H<sub>2</sub>: Tax sanctions partially affects taxpayer compliance.

According to [13] compliance is a rational action carried out by someone without any coercion from any party. It requires the active role of all taxpayers and the public in implementing the voluntary compliance tax system. The authorities will continue to encourage taxpayers to carry out their obligations, but all decisions return to the taxpayers themselves. The implementation of VDP with tax sanctions exists to give the impression of being orderly and obedient to taxpayers so that they always act rationally without any irregularities. VDP and tax sanctions will become elements in efforts to increase taxpayer compliance if they have a positive understanding of taxes, have good knowledge about taxes, and have sufficient information about taxation and are supplemented by the government in applying tax sanctions. Good cooperation from two directions, namely from taxpayers and from the government will increase mandatory compliance, it can be said that VDP along with tax sanctions applied by the government have an influence on taxpayer compliance. [6] found that there was a positive influence on the application of tax sanctions and tax amnesty to taxpayers seen from their compliance. And research by [14] found the application of tax sanctions and tax amnesty had a positive and significant impact on taxpayer compliance. Looking at the theoretical basis and the results of previous research, the third hypothesis can be developed as follows:

H<sub>3</sub>: The Voluntary Disclosure Program and tax sanctions simultaneously affect taxpayer compliance.

## 2. Method

This study is quantitative research that has the characteristics of a correlation problem, to determine the cause-and-effect relationship of the independent variable, namely the Voluntary Disclosure Program (VDP) and tax sanctions on the dependent variable of taxpayer compliance. The location of this research is KPP Pratama South Badung which is located on Jl. Tantular No.4, Dangin Puri Klod, Kec. East Denpasar, Denpasar City, which was held from February to July 2022. The population in this study, namely individual taxpayers registered at the South Badung KPP Pratama, were 41,580 people, with a total of 100 respondents who had been selected by purposive sampling technique until the end. The data collection technique used is a questionnaire (questionnaire), while the data collection instrument uses a Likert scale. The data analysis techniques used are validity test, reliability test, descriptive data analysis, classical assumption test (normality test, multicollinearity test, and heteroscedasticity test), hypothesis testing (multiple linear regression analysis, coefficient of determination test, t test, and F test).

## 3. Results and Discussion

### Characteristic of Respondents

**Table 1.** Characteristics of Respondents Based on Gender

No.	Gender	Frequency (Person)	Percentage (%)
1.	Man	62	62
2.	Women	38	38
	Amount	100	100

Source: Data Processed, 2022

Referring to Table 1, the number of responses for male taxpayers is 62% of all respondents and 38% for female taxpayers of all respondents. From this percentage, the majority of the population are male taxpayers.

**Table 2.** Characteristics of Respondents Based on Age

No.	Age	Frequency (Person)	Percentage (%)
1.	< 25 years old	8	8
2.	25 – 50 years old	75	75
3.	> 50 years old	17	17
Amount		100	100

Source: Data Processed, 2022

Referring to Table 2, the percentage of respondents aged under 25 years is 8% of the total respondents, 75% of respondents aged 25-50 are 75% of all respondents, and respondents aged above 50 years are 17% of all respondents. From these results show the majority of respondents have the age of 25-50 years.

**Table 3.** Characteristics of Respondents Based on Profession

No.	Profession	Frequency (Person)	Percentage (%)
1.	Employee	52	52
2.	Non-employee	48	48
Amount		100	100

Source: Data Processed, 2022

Referring to Table 3, respondents who have jobs as employees is 52% of the total respondents, while respondents with jobs as non-employees are 38%. It is concluded that the majority of the population has a job as an employee.

#### **Instrument of Validity and Reliability Test**

**Table 4.** Validity Test Results

Statement	r count	r table	Description
<b>Voluntary Disclosure Program (X<sub>1</sub>)</b>			
X1.1	0.870	0.195	Valid
X1.2	0.757	0.195	Valid
X1.3	0.739	0.195	Valid
X1.4	0.805	0.195	Valid
X1.5	0.711	0.195	Valid
X1.6	0.698	0.195	Valid
X1.7	0.617	0.195	Valid
<b>Tax Sanctions (X<sub>2</sub>)</b>			
X2.1	0.834	0.195	Valid
X2.2	0.816	0.195	Valid
X2.3	0.814	0.195	Valid
X2.4	0.723	0.195	Valid
X2.5	0.778	0.195	Valid
X2.6	0.721	0.195	Valid
<b>Taxpayer Compliance (Y)</b>			
Y1.1	0.820	0.195	
Y1.2	0.781	0.195	Valid
Y1.3	0.839	0.195	Valid
Y1.4	0.578	0.195	Valid
Y1.5	0.859	0.195	Valid
Y1.6	0.802	0.195	Valid
Y1.7	0.72	0.195	Valid

Source: Data Processed, 2022

Referring to Table 4, it shows the overall validity of the questions on the re-search instrument. This conclusion can be drawn because the value of  $r$  is greater than the value of  $r$  table, which is 0.195.

**Table 5. Reliability Test Results**

Variable	Cronbach's Alpha	Standard	Description
Voluntary Disclosure Program (X <sub>1</sub> )	0.864	0.60	Reliable
Tax Sanctions (X <sub>2</sub> )	0.870	0.60	Reliable
Taxpayer Compliance (Y)	0.893	0.60	Reliable

Source: Data Processed, 2022

Referring to Table 5, it shows that the overall instrument of the research is stated to be reliable and can be implemented for research because the overall value is above 0.60.

### Test of Classic Assumption

**Table 6. Normality Test Result**

N	Test Statistic	Asymp. Sig. (2-tailed)
100	0.093	0.327

Source: Data Processed, 2022

Referring to the test results in Table 6 the significant value obtained by 0.327 has passed the conditional value requirement, namely 0.05, so the regression equation model used is normally distributed.

**Table 7. Multicollinearity Test Result**

Variable	Tolerance	VIF
Voluntary Disclosure Program (X <sub>1</sub> )	0.185	5.408
Tax Sanctions (X <sub>2</sub> )	0.255	3.922

Source: Data Processed, 2022

Referring to Table 7, it is shown that all values of the independent variables have exceeded the 10% tolerance value, in which all VIF values have been lower than 10. It can be concluded that there are no symptoms of multicollinearity.

**Table 8. Heteroscedasticity Test Results**

Variable	Significance
Voluntary Disclosure Program (X <sub>1</sub> )	0.927
Tax Sanctions (X <sub>2</sub> )	0.216

Source: Data Processed, 2022

Table 8 shows that the value of the independent variable is above 0,05 with a significance value for the VDP variable equal to 0.927, and a value of 0.216 for tax sanctions. There is no heteroscedasticity in the study.

**Table 9. Multiple Linear Regression Analysis Results**

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients			Standardized Coefficients		Sig.
	B	Std. Error	Beta	t		
1	(Constant)	5.998	1.730		3.467	0.001
	X1	0.176	0.075	0.181	2.342	0.021
	X2	0.724	0.086	0.648	8.381	0.000

Source: Data Processed, 2022

Based on Table 9, the following regression equation is obtained:

$$Y = 5.998 + 0.176 X_1 + 0.724 X_2 \quad (1)$$

According to the regression equation above, the results can be interpreted, namely:

- With a constant value of 5.998, it indicates that if VDP and tax sanctions (independent variables) are declared constant, the value of the dependent variable of taxpayer compliance will be the same as 5.998.
- With the value of the VDP regression coefficient of 0.176, it means that the value of taxpayer compliance increases by the same amount, namely 0.176 if the VDP increases by one point from the previous.
- With the value of the regression coefficient on the tax sanction free variable equal to 0.724 which means that taxpayer compliance will increase equal to 0.724 if the tax penalty has increased by one point from the previous.

Individually testing the hypothesis on the Voluntary Disclosure Program variable with the hypothesis:

H<sub>1</sub>: The Voluntary Disclosure Program partially affects Taxpayer Compliance.

Based on Table 9, a significant value of 0.021 is obtained and the positive value of the regression coefficient is 0.176 and the t-count value is 2.342. Significance Value 0.021 < 0.050. It was found that t arithmetic > t table (2,342 > 1.66071) which indicates the decision that H<sub>0</sub> is rejected and H<sub>1</sub> is accept-ed. It can be concluded that the first hypothesis is accepted, which means that the voluntary disclosure program has a positive and significant effect on taxpayer compliance.

Based on the findings of hypothesis testing, VDP is able to increase taxpayer compliance. The more taxpayers understand the objectives and requirements for participating in the voluntary disclosure program, the more taxpayer compliance will also increase. So, VDP organized by the government effectively encourages individual taxpayers compliance. These results are in accordance with what is explained in the attribution theory that one's actions can be understood by knowing internal and external factors. In this study, knowing the behavior of taxpayers related to their compliance can be done with efforts from internal factors, namely the understanding of the taxpayer.

Previous research also supports the results of this study, namely [7] found that tax amnesty through measurement of the taxpayer's understanding of tax amnesty has a positive and significant effect on increasing taxpayer compliance. [13] found that the tax amnesty was responded positively and was able to improve the attitude of taxpayers regarding their compliance seen from the success of increasing voluntary compliance from taxpayers. And [2] found results that the tax amnesty turned out to have a positive and significant effect on individual taxpayer compliance in its reporting.

Partial hypothesis testing on the Voluntary Disclosure Program variable with the hypothesis:

H<sub>2</sub>: Tax Sanctions partially affects Taxpayer Compliance.

Referring to the data in Table 9, we get a significant value of 0.000 and a positive regression coefficient value of 0.724 and a t-count value of 8.381. Significance value is less than 0.050 (0.000 < 0.050). And found the results that t count > t table (8.381 > 1.66071) thus

identifying  $H_0$  is rejected and  $H_2$  is accepted. It can be concluded that the second hypothesis is accepted, which means that tax sanctions have a positive and significant effect on taxpayer compliance.

The results of the regression coefficients for each independent variable show a t-test significance value of less than 0.05 which indicates VDP and tax sanctions have a significant and significant effect on the independent variable of taxpayer compliance.

The results of testing the hypothesis illustrate that tax sanctions are able to provide an increase in taxpayer compliance. The stricter the sanctions applied by the tax authorities to all taxpayers who commit violations, the more taxpayer compliance will be. This shows that the implementation of tax sanctions on VDP organized by the government has effectively increased individual taxpayer compliance. These results are in line with attribution theory which states that an effort that can be made in understanding the causes of one's and other people's behavior can be caused by internal or external factors. In this study to determine the behavior of taxpayers towards taxpayer compliance when fulfilling tax obligations is largely determined by circumstances, such as external factors that demand situations with the application of strict tax sanctions.

Previous research also supports and is in line with this research, namely from [1] with the results of tax sanctions on individual taxpayers compliance having no effect but having a positive impact on the taxpayer compliance variable. Likewise, [9] found the results of tax sanctions had a positive and significant impact on taxpayer compliance. And [6] found results, namely the strictness of tax sanctions has a positive impact on taxpayer compliance.

Simultaneous hypothesis testing on the independent variables, namely voluntary disclosure programs and tax sanctions with the hypothesis:

$H_3$ : The Voluntary Disclosure Program and Tax Sanctions simultaneously affect the Taxpayer Compliance tax.

**Table 10.** F Test Result

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	420.035	2	210.017	65.095	0.000 <sup>b</sup>
	Residual	312.955	97	3.226		
	Total	732.990	99			

Source: Data Processed, 2022

Based on the data in Table 10, it shows that the significance value of P value is 0.000 which is smaller than 0.05. It can also be seen that  $f_{\text{arithmetic}} > f_{\text{table}}$  ( $65.095 > 3.09$ ) which indicates that  $H_0$  is rejected and  $H_1$  is accepted. These results mean that all independent variables are able to predict or explain the phenomenon of taxpayer compliance. In other words, there is a simultaneous influence of the VDP variable and tax sanctions on taxpayer compliance. This means that the model can be used for further analysis.

**Table 11.** Coefficient of Determination ( $R^2$ )

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.757 <sup>a</sup>	0.573	0.564	1.79610

Source: Data Processed, 2022

Referring to Table 11 gives the results where the value of Adjusted R Square is 0.564. Which indicates that the variation of taxpayer compliance is significantly influenced by the VDP variable and tax sanctions of 56.4%, while the remaining 43.6% is explained by other factors not examined in this study. Based on the large percentage of Adjusted R Square, it can be seen that VDP and tax sanctions are very important in increasing taxpayer compliance [6], [14].

#### 4. Conclusion

This study aims to determine the effect of VDP and tax sanctions on compliance and simultaneously carried out on individual taxpayers registered at KPP Pratama South Badung. In accordance with the results of the research and discussion in this study, several conclusions were obtained, namely:

- 1) VDP has a positive and significant effect on compliance with individual taxpayers registered at KPP Pratama South Badung. Which means that taxpayers understand their tax rights and obligations, thereby increasing tax awareness and tax compliance.
- 2) Tax sanctions have a positive and significant effect on compliance with individual taxpayers registered at the KPP Pratama South Badung. Which means that individual taxpayer compliance will increase in accordance with the firmness of the application of tax sanctions.
- 3) VDP and tax sanctions simultaneously have a significant effect on compliance with individual taxpayers registered at KPP Pratama South Badung. And simultaneously the two independent variables have an influence on individual taxpayer compliance with an effect of 56.4%.

The next researcher can develop this study by adding other variables outside of this variable to obtain varied results regarding the factors that can increase tax compliance.

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