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The Influence of Penalties, the Trust on Authorities, and the Tax Audit Toward Tax Compliance

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Abstract

This study aims to examine the effect of tax penalties, trust in the tax authorities, and tax audit of taxpayer compliance. This research is based on a decrease in tax revenues that still has not reached the target set in the state budget ("APBN"). This study intends to identify factors that have a significant effect on taxpayer compliance which is limited to factors of tax penalties, trust in the tax authorities, and tax audit. This research will be conducted by using a quantitative approach; it can be done by using an approach through 153 respondents as a sample of this research. The data analysis technique used is multiple linear regression. The results of the study show that partially and simultaneously tax penalties trust in the tax authorities, and tax audit has a significant effect on taxpayer compliance. Determination coefficient value of 0.426 shows that the amount of 0.426 (42.6%) variation of the tax compliance variable is able to be explained by variables tax penalties, tax audit, and trust in the tax authorities.

Keywords: Tax, Tax Penalties, Trust in Tax Authorities, Tax Audit, Tax Compliance

1. Introduction

The development that occurs in a country can be done well, not apart from financial support. The availability of funds for the government is vital to support the process of implementing development. One of the funds obtained by the government is originated from tax. The Ministry of Finance as quoted by the online news portal detik (2019) noted that the realization of tax revenue reached 1,315 trillion. That achievement is the realization of around 92% of the target that set in the state budget ("APBN") which reached 1,424 trillion, so there is still around 109 trillion left. The realization of 92.41% or Rp. 1,315 trillion is a combination of non-oil and gas tax revenues of Rp. 1,251.2 trillion and on oil and gas income tax of Rp. 64.7 trillion. If the non-oil tax consists of non-oil and gas income tax, IDR 686.8 trillion or 84.1% of the IDR 817 trillion targets is specified. While the value added tax was recorded at Rp. 538.2 trillion or 99.3% of the target of Rp 541.8 trillion. Meanwhile, land and building tax was noted at Rp. 19.4 trillion or reached 111.9% of the target of Rp. 17.4 trillion. As for other taxes collected totaling Rp. 6.8 trillion or 70.1% of the target in the APBN of Rp. 9.7 trillion. Based on this data, the state revenue from the tax sector is still not maximum, especially non-oil and gas taxes.

The tax revenue is not yet maximum possibly because of a lack of public compliance to pay taxes. There are still many people who do not want to fulfill their tax obligations, or there are still many tax arrears. In accordance with Minister of Finance Regulation of the Republic of Indonesia No. 74 / PMK.03 / 2012 in Chapter II Article 2 states that compliant taxpayers are those who fulfill four criteria, which are: (1) on time in submitting notification letters for all types of taxes, (2) having no tax arrears, except arrears taxes that have obtained permission to pay gradually or delay payment of taxes, (3) financial statements that have been audited by public accountants or government financial supervision institutions with unqualified opinions for 3 (three) years in a row, and (4) have never been convicted criminal law in taxation based on a court decision that has fixed legal power in the last 5 (five) years. Taxpayer compliance has a critical value because if there is incompliance, it will also trigger an attempt to avoid tax which will decrease the revenue for the state treasury.

Mohdali *et al.*, (2014) in his research showed that giving penalties had a significant positive effect on tax compliance. Penalties can prevent tax avoidance. The research that is conducted by Hantoyo *et al.* (2016) shows that tax penalty variable has a dominant influence on taxpayer compliance. Tax penalties are guarantees that the provisions of the tax laws will have complied or in other words tax penalties are a tool of prevention so that taxpayers will not violate these regulations. The penalties will be given to neglectful taxpayers or with serious acts of fraud.

Taxpayer compliance is also inseparable from the trust on tax authority. This is inseparable from the existence of tax corruption cases that involve employees in the taxation authority. Trust in the tax authority has an important role in why procedural justice encourages the voluntary compliance of people in paying taxes. Tax authorities that can be trusted will not abuse their power or authority. It will encourage people to obey the regulation of taxes' payment, where people will pay taxes voluntarily. Previous research which has been conducted by Zemiyanti (2016) shows that trust in the tax authority has a significant effect on tax compliance. Taxpayer compliance is not only related to the taxpayer's trust in the tax authority but also related to the tax audits.

A well-structured tax audit can provide valuable support in collecting information about the tax system (including taxpayer compliance behavior patterns), educating taxpayers (increasing compliance in the future). Taxpayers must realize their obligation that there will be consequences to those who have not reported their tax and those who do incompliance acts will be detected by the authorities when there is a tax audit in order to prevent taxpayers' disobedient acts (Mebratu, 2016). The tax audit mechanism which has been conducted by the tax authority is an important effort to improve taxpayer compliance also has a goal in the increase of tax revenue (Cahyonowati, 2012). Law Number 28 of 2007 regulates that the Director General of Taxes can conduct tax audits to find out whether tax obligations have fulfilled formal obligations and/or material obligations. The results of the inspection shall be included in the Tax Assessment Letter which shows Payments or More Payments. The Director General of Taxes is also authorized to provide administrative penalties in the form of fines for the behalf of the orderly administration of taxation and increase taxpayer compliance in fulfilling the obligation to submit a notification letter.

This research's goal is to contribute in an attempt to increase the tax revenue. Increasing tax revenue can happen when the taxpayer has a value of compliance to fulfill their obligations. This research will explore some factors that can influence taxpayer compliance which is focused on tax penalties, trust in authority, and tax audits.

2. Literature Review

2.1 Tax

In general, taxes can be defined as collections from the society by the state (government) based on laws that can be forced and owed by taxpayers without getting recompense directly, where the results are used to finance the state expenses in government administration and development. Meanwhile, in the Laws of the Republic of Indonesia Number 16 of 2009 defines taxes as: tax is an obligatory contribution to the state owed by an individual or an entity that is compelling based on the Act, which is used for the needs of the state and prosperity of the people. So, tax is a binding obligation and is a form of transfer of income from citizens to the state with provisions made based on laws that can be forced and used for the benefit of the state.

2.2 Taxpayer

Based on Article 1 number 2 of Law Number 28 of 2007 concerning General Provisions and Tax Procedures, it is explained that Taxpayers are individuals or entities, including taxpayers, tax withholders, and tax collectors, that have taxation rights and obligations in accordance with regulatory provisions taxation legislation. According to Law Number 36 of 2008 concerning Income Tax, Taxpayers are individuals or parties that have fulfilled subjective obligations and objectively. Objective if the person concerned has received or earned income taxed based on the tax provisions. Subjective obligations are fulfilled, among others, with payment and reporting of tax owed. Thus the new tax subject will become taxpayer if someone or entity besides fulfilling formally as a subject of tax as well as fulfilling material requirements, that is the concerned obtains income on non-taxable income ("PTKP") for individuals and/or obtains taxable income for business entities. Furthermore, the taxpayers attached to tax obligations include calculation, consideration, payment, and tax return reporting.

2.3 Tax Penalties

Taxation penalties are guarantees that the provisions of legislation taxation (tax norms) will be obeyed or in other words, taxation rules are a prevention tool so that taxpayers do not violate the norms of taxation (Siamena, et al., 2017). Knowledge of penalties in taxation is important for the Indonesian government in choosing to implement its own valuation system within the framework of tax collection. Taxpayers are entrusted with calculating deposits and reporting their own taxes. To be able to run well, each taxpayer requires knowledge of taxation both in terms of regulation and technical administration. In order for its implementation to be orderly and in accordance with the expected targets, the government has prepared penalties regulated in the applicable Taxation Law (Putra and Hidayat, 2018). Each type of tax violation from the mildest to the most severe is the threat of penalties. Therefore, the firmness of tax penalties is needed so that public awareness in paying taxes can be increased. Taxation penalties consist of administrative penalties and criminal penalties. Administrative penalties consist of fines, interest, and increases, while criminal penalties consist of fines, confinement, and imprisonment. The lightweight of penalties depends on the violation or crime committed.

2.4 Trust to the Authority

The authority related to taxation issues in Indonesia is the Directorate General of Taxes who is competent in collecting state revenues from the tax sector which aims to support the independence of the APBN financing. Tax authorities are expected to have competence in skills, knowledge, and experience in of taxation policies, tax administration, and tax laws. In addition, taxpayers must also have high motivation as public servants. Tax authorities are expected to have an effect on tax compliance in paying taxes (Kamil, 2015). The tax authority's orientation towards taxpayers and the style of interaction conducted by the tax authorities will create a tax climate. The climate of trust will foster cooperation and voluntary compliance from taxpayers, while the climate of resistance is characterized by a reluctance to cooperate and require the power of authority to ensure compliance (forced compliance) (Bornman, 2015).

2.5 Tax Audit

Tax audit based on Article 1 paragraph (25) of Law Number 28 of 2007 concerning Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures is a series of activities to collect and process data, information, and / or evidence conducted in a manner objective and professional based on an inspection standard to test compliance with the fulfillment of tax obligations and / or for other purposes in order to conduct the provisions of tax laws and regulations. Mebratu (2016) explains that tax audit is checks of individual or organizational tax reports by the relevant tax authorities to ensure compliance with applicable laws and tax regulations in a country. At the time of the tax audit, an audit will be conducted on whether the taxpayers have reported their taxes properly and fulfilled other obligations.

2.6 Taxpayer Compliance

The obedience behavior of people is the interaction between the behavior of individuals, groups, and organizations. In the case of applicable tax rules are taxation rules. So in relation to taxpayers - who are obedient, the definition of taxpayer compliance is an obedience to do provisions or tax rules that are required to be implemented (Mandagi,

et al., 2014). Tax compliance can be also defined as a behavior where the Taxpayers (WP) fulfill all tax obligations and carry out their taxation rights (Cahyonowati, et al, 2012).

2.7 Development of Hypotheses

The Relationship of Penalties with Taxpayer Compliance

If tax penalties are given to taxpayers who do not have high compliance, they can be given a contribution to tax compliance. However, this can occur if the implementation of the procedure is considered fair and upholds a sense of justice (Van Dijke and Verboon, 2010). The higher the penalties were given to taxpayers, the lower the taxpayer's decision to do tax avoidance. If the taxpayer has an awareness that violations committed when avoiding taxes and the consequences that must be received when not compliant, the taxpayer will reduce the tendency to avoid taxes (Engida and Baisa, 2014). Penalties are used to create compliance in conducting their tax obligations. Therefore, it is important for taxpayers to have an understanding of tax penalties to find out the legal consequences if they do not have compliance with their obligations. Based on various opinions, the first hypothesis in this research is:

H₁: There is a significant effect of penalties on taxpayer compliance.

The Relationship between Trust in Tax Authorities and Taxpayer Compliance

Taxpayer trust in tax authorities has an important contribution in encouraging people to have voluntary compliance (Mahadianto and Astuti, 2017). Kirchler et al., (2008) stated that trusts owned by taxpayers to the tax authorities in local countries are factors that are important determinants in generating voluntary tax compliance. If the tax authorities and employees owned treat the taxpayer equally in a respectful and responsible manner, voluntary tax compliance will be able to increase. Thus a synergy between tax authorities such as taxpayers will be created. Policies in influencing taxpayers to obey paying taxes voluntarily are determined by the level of trust held by the public at the tax authorities (trust in authorities). Therefore, the policy of increasing public trust in the tax authorities must be prioritized in order to increase voluntary tax compliance (Ratmono, 2014). The role of the tax authority in increasing voluntary compliance from taxpayers is definitely an important matter. Tax compliance places the government and tax authorities as the main parties that play a role in managing the tax system to reduce tax avoidance so that it has a significant impact on determining the attitude of taxpayers, one of which is tax compliance (Engida and Baisa, 2014). Based on these various opinions, the second hypothesis in this study is:

H₂: There is a significant effect of trust in the tax authority on taxpayer compliance.

The Relationship of Tax Audit with Taxpayer Compliance

Tax audit has an impact on tax compliance. This finding shows that tax audits play an important role to increase voluntary compliance. The frequency and accuracy of tax audit can encourage taxpayers to be more careful in completing tax refund, report all income and claim the correct evidence of withholding tax to ensure their tax obligations. Otherwise, taxpayers who have never been subjected to tax audit have a greater desire to disobey by giving their tax reports incorrectly (Engida and Baisa, 2014). Based on these various opinions, the third hypothesis in this research is:

H₃: There is a significant effect of a tax audit on tax compliance.

3. Research Method

3.1 Sample and Criteria of Respondents

The sample used in this research is a personal taxpayer in the area of East Java, Bali, and Central Kalimantan. The criteria used are personal taxpayers who have income above 4.8 billion in a year with the accountancy method. The numbers of samples obtained in this research were 153 personal mandates consisting of 43 personal mandates from Bali, 64 personal mandates from East Java, and 46 personal mandates from Central Kalimantan.

3.2 The instrument for Research, Measurement, and Indicators

The research instrument used in this research was a questionnaire that was measured using a Likert Scale with a choice of answers ranging from Strongly Disagree (STS), Disagree (TS), Neutral (N), Agree (S), and Strongly Agree (SS). The numbers of statement indicators used in the questionnaire were 28 statements consisting of 7

statements for the penalty variable, 7 statements for the variable trust in authority, 7 statements for the tax audit variable, and 7 statements for the variable tax compliance

3.3 Data Analysis Technique

The data analysis technique is a process of systematical by applying statistical or logical techniques to describe, illustrate, and evaluate some data in order to draw the best result base on these techniques. In this research, the data analysis technique is a simple linear regression; to be exact is multiple regression analysis. This technique uses a program which is SPSS 25 program. Multiple regression analysis is a statistical technique that can be used to analyze a relation between a single dependent variable with several independent variables.

4. Results and Discussion

4.1 Profile of Respondents and Descriptive Statistics

The profile of the respondents described the characteristics of respondents based on location, gender, age, and type of work. Based on table 1 above shows that from 153 respondents most of them were from East Java (42%), male (65%), had a range of ages 21-35 years and the type of work was business activities (84%). For more details, it can be seen in table 1 as follows.

Table 1. Respondents Profile

Characteristics	Label	N	Percentage
Location	Bali	43	28%
	East Java	64	42%
	Central Kalimantan	46	30%
Gender	Man	99	65%
	Woman	54	35%
	≥ 51 years old	53	35%
	36 - 50 years old	14	9%
	21 - 35 years old	86	56%
Type of Business	Business Activity	129	84%
	Self-Employment	24	16%

Table 2 shows the mean, standard deviation, minimum value, and maximum value of each variable. The higher the mean value, the respondent shows the more supportive (tends to agree) for all statements on each variable.

Table 2. Variable Descriptive Statistics

Characteristics	Label	Value
Tax Penalties	Minimum	1
	Maximum	5
	Mean	3,61
	Standard Deviation	0,65
Trust in Tax Authorities	Minimum	1
	Maximum	5
	Mean	3,97
	Standard Deviation	0,74
Tax Audit	Minimum	1
	Maximum	5
	Mean	4,05
	Standard Deviation	0,70
Tax Compliance	Minimum	2
	Maximum	5
	Mean	4,21
	Standard Deviation	0,63

The average value in the compliance variable is the highest compared to other variables which are equal to 4.21 with a standard deviation of 0.63. The penalty variable has an average value of 3.61 with a standard deviation of 0.65, the variable trust in authority has an average value of 3.97 with a standard deviation of 0.74 and the tax audit

variable has an average value of 4.05 with a standard deviation of 0.70. The penalties variable, trust in the tax authority, and tax audit have a minimum value of 1 which indicates that there are respondents who give strongly disagree answers to the statements on the three variables. The results of the descriptive statistics also show that the standard deviation value of each research variable is smaller than the average value so that the respondent's answers tend to be homogeneous

4.2 Testing Validity and Reliability

The testing research instruments are using validity and reliability. Validity shows how far to which the data collected does not deviate from the description of the intended variable. This research uses Pearson Correlation to test the validity of research variables consisting of penalties, trust in authority, tax audit, and tax compliance. The minimum validity requirements are considered to be fulfilled if the correlation coefficient value produced has a significant level of less than 0.05. The results of the research shown in Table 3 are all variables consisting of penalties, trust in the tax authority, and valid tax audit because statement indicators have a significant value of less than <0.05.

Table 3. Pearson Correlation Results

Variables	Indicators	Coefficient Correlation	Significant
Tax Penalties	X1.1	0,674**	0,000
	X1.2	0,424**	0,000
	X1.3	0,674**	0,000
	X1.4	0,487**	0,000
	X1.5	0,497**	0,000
	X1.6	0,618**	0,000
	X1.7	0,611**	0,000
Trust in Tax Authorities	X2.1	0,626**	0,000
	X2.2	0,658**	0,000
	X2.3	0,708**	0,000
	X2.4	0,687**	0,000
	X2.5	0,675**	0,000
	X2.6	0,680**	0,000
	X2.7	0,705**	0,000
Tax Audit	X3.1	0,606**	0,000
	X3.2	0,533**	0,000
	X3.3	0,658**	0,000
	X3.4	0,649**	0,000
	X3.5	0,738**	0,000
	X3.6	0,649**	0,000
	X3.7	0,320**	0,000
Tax Compliance	Y.1	0,759**	0,000
	Y.2	0,750**	0,000
	Y.3	0,723**	0,000
	Y.4	0,719**	0,000
	Y.5	0,667**	0,000
	Y.6	0,657**	0,000
	Y.7	0,495**	0,000

The reliability test shows a degree of accuracy shown by the measurement instrument where testing can be done internally is called reliability, that is by analyzing the consistency of the items that exist. The reliability test of this research uses Cronbach's Alpha. Cronbach's Alpha value > 0.6, then it can be said that the question items used have met reliability. The reliability test results as shown in Table 4 are all variables that consist of penalties, trust in authority, tax audit, and tax compliance have Cronbach Alpha values greater than 0.6 so that they can be said to be reliable.

Table 4. Cronbach's Alpha Result

Variables	Cronbach's Alpha
Tax Penalties	0,647
Trust in Tax Authorities	0,802
Tax Audit	0,697
Tax Compliance	0,811

4.3 Normality Test

The normality test is done to test whether the regression results obtained to fulfill the assumptions of normality. The normality test is conducted using the Kolmogorov-Smirnov Test, the provisions used are based on the value of Asymp. Sig. The provisions used are declared normal if a significant value is greater than 0.05. The test results shown in Table 5 are obtained as the Asymp. value. Sig for 0.200 which is greater than 0.05 so that it can be concluded that the normality assumption is fulfilled.

Table 5. One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	153
Test Statistic	.058
Asymp. Sig. (2-tailed)	.200

4.4 Multicollinearity Test

Multicollinearity test is conducted to detect whether the independent variables have a relationship so that multicoll occur. Multicollinearity can be tested by using tolerance values and VIF. To detect the presence or absence of multicollinearity in the regression model are as follows 1) has a tolerance rate above > 0.1 and; 2) has a VIF value below <10.

Table 6. Multicollinearity Test Results

	Tolerance	VIF
Tax Penalties	0,763	1,311
Trust in Tax Authorities	0,658	1,520
Tax Audit	0,530	1,887

In accordance with the presentation of the data above, it can be seen that the VIF value of each independent variable is less than 10 and has a tolerance value of more than 0.1, so it can be concluded that the regression model used in this study is free from multicollinearity.

4.5 Heteroscedasticity Test

Heteroscedasticity test aims to test whether the regression model has similarity in residual variance, one observation to another observation. If the variance shows a fixed pattern, it can be stated that heteroscedasticity does not occur. If the variance from the residual one observation to another observation remains, it is called homokedasticity, and if it is different, it is called heteroscedasticity. Detecting the presence or absence of heteroscedasticity can be done using Scatterplot charts. The result of the research shown in Figure 1 shows no clear pattern, and the points spread above and below the number 0 on the Y-axis so that there is no heteroscedasticity

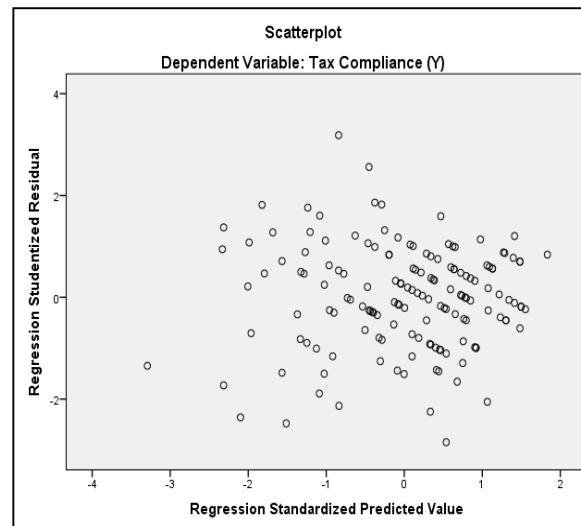


Figure 1. Heteroscedasticity Test

4.6 Analysis of Multiple Linear Regression

Multiple linear regression analysis is a statistical technique that can be used to analyze the relationship between one single dependent variable and several independent variables. Based on the results of data processing that have been done using the SPSS 25 program, the regression coefficient values are obtained as follows:

Table 7. Results of Multiple Linear Regression

Variables	Coefficient Regression (B)	t-count	Significant
Constant	0,907		
Tax Penalties	0,417	5,019	0,000
Trust in Tax Authorities	0,169	2,581	0,011
Tax Audit	0,277	3,195	0,002

Based on the results shown in Table 4.9, it can be explained the regression coefficient value and t-count and its significance as follows:

1. The regression coefficient value for constant obtained is 0.907. This means that when the independent variable consisting of penalties, trust in the tax authority, and tax audit is assumed to be constant or has no effect, taxpayer compliance has a value of 0.907.
2. The regression coefficient for the penalty variable is 0.417. This means that if the penalties increase by one unit then taxpayer compliance will increase by 0.417 with the assumption that the other independent variables are trust in the tax authority and tax audit is in a fixed position. The t-count value for the penalty variable is 5,019 with a significant level of 0,000 which is lower than 0.05 so that it can be concluded that there is a significant effect of penalties on taxpayer compliance. Thus H_1 in this research is accepted.
3. The regression coefficient for the variable trust in the tax authority is 0.169. This means that if trust in the tax authority has increased by one unit then taxpayer compliance will increase by 0.169 with the assumption that the other independent variables are penalties and tax audit are in a fixed position. The value of t-count for the variable trust in the tax authority is 2.581 with a significant level of 0.011 which is lower than 0.05 so that it can be concluded that there is a significant effect of trust in the tax authority on taxpayer compliance. Thus H_2 in this research is accepted.
4. The regression coefficient for the tax audit variable is 0.277. This means that if the tax audit has increased by one unit then taxpayer compliance will increase by 0.277 with the assumption of other independent variables that is penalties and tax audits are in a fixed position. The value of t-count for the tax audit variable is 3.195 with a significant level of 0.002 which is lower than 0.05 so that it can be concluded that there is a significant influence on the audit of tax compliance. Thus H_3 in this research is accepted.

4.7 ANOVA Test and Determination Coefficient

ANOVA test is conducted to determine whether or not there is a simultaneous influence of variable penalties, trust in the tax authority, and tax audits of taxpayer compliance. Table 8 shows the value of F obtained at 36.808 with a significant level of 0.000 which is less than 0.05 so that it can be concluded that the effect is simultaneously variable penalties, trust in the tax authority, and tax audits of taxpayer compliance.

Table 8. ANOVA Test

	Value
N	153
F	36,808
Sig	0,000

The coefficient of determination (R^2) is used to measure how far the ability of the model in explaining dependent variable variations. R^2 has a value ranging from 0 to 1. If the value of R^2 shown has a value reach number 1 or close to number 1, it can be explained that the independent variable used in the research model is able to explain the dependent variable well. Conversely, if the value of R^2 shown has a value reach the number 0 or close to the number 0, it can be explained that the independent variable used in the research model is less able or unable to explain the dependent variable. The result of the coefficient of determination analysis is as follows:

Table 9. The Coefficient of Determination

	Value
N	153
R	0,652
R Square	0,426

Based on table 9, it can be seen that the correlation value (R) is 0.652 which indicates that there is a relationship with the strong enough category between tax penalties, trust in the tax authority, and tax audit of tax compliance. Determination coefficient value of 0.426 shows 0.426 (42.6%) variations of the tax compliance variable that can be explained by variable tax penalties, trust in the tax authorities, and tax audits.

Discussion

The Effect of Penalties on Taxpayer Compliance

Based on the research result, it can be seen that the first hypothesis in this research is proven, meaning that there is a significant effect of penalties on taxpayer compliance. The results of hypothesis testing obtained an at-count value for the penalty variable of 5,019 with a significant level of 0,000 which is lower than 0.05. The results of this research support previous studies conducted by Hantoyo *et al.*, (2016) and Kamil (2015). Thus it can be said if the penalties imposed by taxpayers who do not have compliance have a significant contribution in causing taxpayers to comply with their tax obligations. The higher penalties were given to taxpayers, the lower the taxpayer's decision to do tax avoidance. If the taxpayer has an awareness that violations committed when avoiding taxes and the consequences that must be received when not compliant, the taxpayer will reduce the tendency to avoid taxes (Engida and Baisa, 2014). Penalties are imposed to create compliance in conducting their tax obligations. Therefore, it is important for taxpayers to have an understanding of tax penalties to find out the legal consequences if they do not have compliance with their obligations.

Taxation penalties are a guarantee that taxation legislation (tax norms) will be followed, obeyed or in other words, taxation penalties are a deterrent so that taxpayers do not violate taxation norms (Siamena, et al., 2017). The law governing the imposition of tax penalties is contained in Law No. 28 of 2007. There are two forms of penalties in taxation, which are criminal penalties and administrative penalties. Threats to the violation of tax norm can be threatened with administrative penalties, criminal penalties, and also with administrative and criminal penalties. The implementation of tax penalties can lead to the fulfillment of tax obligations by taxpayers so that taxpayers will obey because they think of severe penalties because of illegal actions that do not fulfill tax obligations.

The Effect of Trust in Tax Authorities on Taxpayer Compliance

Based on the results of the research, it can be seen that the second hypothesis in this research is proven, meaning that there is a significant effect of trust in the tax authority on taxpayer compliance. The calculated value for the trust variable on the tax authority is 2.581 with a significant level of 0.011 which is lower than 0.05. The results of this research support the previous research conducted by Kamil (2015) and Zemiyanti (2016), but on the contrary, this research contradicts the results of research conducted by Mahadianto and Astuti (2017) which show different results that trust in authority does not affect taxpayer compliance.

Taxpayer trust in tax authorities has an important contribution in encouraging people to have voluntary compliance (Mahadianto and Astuti, 2017). Kirchler *et al.*, (2008) stated that trusts owned by taxpayers to the tax authorities in local countries are factors that are important determinants in generating voluntary tax compliance. Trust is one of the aspects that build social life which is an element of social reality. Slippery slope model (Kirchler, *et al.* 2008) supports the fairness heuristic theory of policies to increase voluntary compliance that depends on the level of social trust in the tax authority. People who feel justice will comply with tax obligations but with the society trust in the compliance tax authority that arises not only forced compliance but will lead to voluntary compliance.

Therefore, the policy of increasing public trust in the tax authority must be prioritized in order to increase voluntary tax compliance (Ratmono, 2014). The role of the tax authority in increasing voluntary compliance from taxpayers is clearly an important matter. Tax compliance places the government and tax authorities as the main parties that play a role in managing the tax system to reduce tax avoidance so that it has a significant impact on the determination of taxpayer attitudes, one of those is tax compliance (Engida and Baisa, 2014).

The Effect of Tax Audit on Taxpayer Compliance

Based on the research result, it can be seen that the third hypothesis in this research is proven, meaning that there is a significant effect of a tax audit on taxpayer compliance. The value of t-count for the tax audit variable is 3.195 with a significant level of 0.002 which is lower than 0.05 so that it can be concluded that there is a significant influence on the audit of taxpayer compliance. The results of this research support previous research conducted by Mebratu (2016) and Olatunji (2018). Thus it can be said if the tax audit conducted by the taxation authority has a significant contribution in causing taxpayers to comply with their tax obligations. If there is a higher penalty given to taxpayers, it will impact the lower taxpayer's decision to do tax avoidance.

Tax audit has an impact on tax compliance. This finding shows that tax audits play an important role to increase voluntary compliance. The frequency and accuracy of tax audits can encourage taxpayers to be more careful in completing tax returns, report all income and claim correct deductions to ensure their tax obligations. Otherwise, taxpayers who have never been subjected to tax audit have a greater desire to disobey by giving their tax reports incorrectly (Engida and Baisa, 2014). A tax audit is one of the most effective policies to protect against fraud of taxpayers. The level of tax audit can be determined by two elements, that is how many taxpayers are selected for the audit and the second is how intensive the audit is. The first element is measured easily by the number of taxpayers examined divided by the total number of taxpayers. However, the second element is very difficult to measure because there is no published information about the tax audit process. Usually, a tax audit is measured by the first element to show the level of a tax audit for practical comparison.

5. Conclusion

Based on the discussion result stated before, this research has identified: 1) there is a significant effect of tax penalties on taxpayer compliance; 2) there is a significant effect of trust in the tax authorities on taxpayer compliance, and 3) there is a significant effect of a tax audit on taxpayer compliance. In a system that prioritizes self-assessment by taxpayers on their tax calculations, tax audits can play an important role in increasing voluntary compliance from taxpayers. The tax audits that conducted carefully can encourage taxpayers to be wiser in completing their tax returns, report all income and claim appropriate reductions to ensure their tax obligations. Otherwise, unexamined taxpayers can be interested in reporting actual income and claiming the wrong amount.

The result also shows that trust in the tax authority has a significant effect on taxpayer compliance. The higher the trust of the taxpayer to the tax authorities, the more they will increase the compliance of taxpayers in fulfilling their obligations. This proves that the level of trustworthiness of taxpayers on integrity, service, consistency, and transparency shown by the tax authority affects compliance with the taxation of corporate taxpayers. Therefore, it is expected that the tax authorities can increase the mandatory trust of the agency by implementing clean governance.

Then for the last hypothesis, the results show that penalties have a significant effect on taxpayer compliance. Penalties are individual external factors that can affect taxpayer compliance. Penalties can be said to be detrimental penalties to people who break the rules, so it can be said that tax penalties are negative penalties for people who violate the rules by paying money. The general laws and regulations contain rights and obligations, actions that are permitted and not permitted by society. The existence of a law is basically to be obeyed, but for the fulfillment of compliance behavior, a penalty is required for violators, as well as for tax law. Based on the tax law there are two kinds of penalties, that are administrative penalties and criminal penalties. Administrative penalties can be kind of interest, fines, and increases, while criminal penalties can be imprisonment.

This research can contribute to providing information about the factors that can affect taxpayer compliance. The taxation authority, that is the Directorate General of Taxes, should pay more attention to penalties, trust in the tax authorities, and tax audits. Other research in the future should be able to add factors that affect taxpayer compliance besides penalties, trust in the tax authorities, and tax audit.

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