

## TAX AWARENESS AS MODERATOR TOWARDS TAX KNOWLEDGE, SUBEJCTIVE NORMS, PERSONAL NORMS, AND TAX COMPLIANCE

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### ABSTRACT

The development and quality improvement of public service is highly relying on funding from taxation. However, tax compliance is still low in Indonesia. The purpose of this research is to investigate whether subjective norms, personal norms, and tax knowledge have positively influence to taxpayer compliance and whether those factors of tax compliance is moderated by tax awareness. The researcher used electronic questionnaire to distribute questionnaire to respondents domiciled in Cikarang. The minimum samples taken in this research are 135 and 174 questionnaires are eligible. Statistical analysis used in this research is Structural Equation Modeling (SEM). The results show that subjective norms has directly insignificant influence to taxpayer compliance. Furthermore, personal norms and tax knowledge have directly significant influence to tax compliance. On the other hand, subjective norms are not moderated by tax awareness to tax compliance. Personal norms and tax knowledge are moderated by tax awareness to tax compliance. The implication of this study is that the level of taxpayer compliance should be put into account and be improved. According to the result of this research, level of taxpayer compliance may give a positive effect to ease the amount received from tax and report the tax return.

**Keywords:** subjective norms, personal norms, tax knowledge, tax awareness, tax compliance

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### INTRODUCTION

As the major contribution to state revenue, tax has crucial role for maintaining its function, which are budgeter function and regulerend function. Budgeter function utilizes tax as an instrument to raise the revenue for state expenditure. Moreover, regulerend function utilizes tax as an instrument for controlling the society living. Kementerian Keuangan Republik Indonesia, (2018) revealed that tax revenue participated in achieving the target of state revenue which is 85.4 percent of total state revenue. The remaining of state revenues are obtained from non-tax revenue and grant, which are 14.5 percent and 0.1

percent, respectively. This is a proof that tax is the biggest contribution to state revenue and playing a significant role in deciding the future of Indonesia.

It is seen from the Table 1, that tax revenue is not adequately stable year by year although the decreasing amount is not overly substantial. Realizing that the state expenditure will increase in the coming year, state is required to increase state revenue, one of them coming from tax revenue. However, state revenue, especially tax revenue may be reflected from the compliance of taxpayers to fulfill their obligation, which is paying taxes.

**Table 1. Role of Tax Revenue to State Revenue**

Year	Amount (in Trillion)			Ratio of Tax to State Revenue
	State revenue	Tax Revenue	State Expenditure	
2016	1,882.5	1,546.7	2,095.7	85%
2017	1,750.3	1,498.9	2,080.5	86%
2018	1,894.7	1,618.1	2,220.7	85%

In addition, Direktorat Jendral Pajak (2017) expressed the need for government policies to increase consumption, government expenditure, investment, and international trading in order to achieve the goal of state economic growth. Tax instrument is one of the fiscal provisions that government can use to boost economic growth. However, compliance is still low for taxpayer. It is supported by the statement of Minister of Finance of the Republic of Indonesia, Sri Mulyani Indrawati, that she spared the low of tax compliance in Indonesia because the development and quality improvement of public service is highly relying on funding from taxation (Kementerian Keuangan Republik Indonesia, 2018). Besides Sri Mulyani Indrawati, World Bank data supports her statement. Tax ratio of Indonesia on 2017 is only 9.9 percent, compared to Malaysia which has the tax ratio above 13 percent and Thailand for 14.8 percent (The World Bank, 2019). Furthermore, Jimenez & Iyer (2016) said that worldwide governances try to carry out budget deficits by relying on voluntary tax compliance.

Briefly, taxes are collected in an unrequited and mandatory manner by the state, the actual and legal entities, in accordance with the laws for public service use (Güzel et al., 2019). Hence, governments all around the world concern about tax compliance (Zachary et al., 2017). Additionally, compliance of tax does not appear itself. There are various factors that shall influence the compliance of taxpayer.

Furthermore, Jimenez & Iyer (2016) cited the better idea to improve tax compliance decisions, by considering the noneconomic factors which is social factors. Besides, increasing detection risks, levying

high penalties, could costs more and the effects is unsubstantial. However, only personal norms and subjective norms from social norms are chosen for independent variable to be investigated because those norms are important and has significant influence in affecting taxpayer compliance. This statement is supported by Onu & Oats (2015) which is subjective norms and another variable, personal norm, have the most influential effect on taxpayer compliance. The outcome is supported by a research from Jimenez & Iyer (2016) stated that personal norms has directly positive effect to tax compliance and subjective norms has indirectly positive effect to tax compliance.

Besides social norms, the other important element in voluntary compliance tax system is a knowledge of tax (Newman & Nokhu, 2018). It is attest by them that shown the proof that tax knowledge has a greatly close relationship with capability of taxpayers to comprehend the tax laws and tax regulation, and their abilities to obey them. Wadesongo et al. (2018) stated that taxpayer tend not to obey with tax law without having tax knowledge, either intentionally or unintentionally. However, an object for observation which is tax knowledge is that the result from previous researchers relating tax knowledge to tax compliance are inconsistent. This is the ground of tax knowledge being independent variable. Furthermore, tax knowledge on reporting, calculating, paying tax resulted in significant effect to tax compliance (Damajanti & Karim, 2017). Otherwise, research conducted by Manual & Xin (2016) resulted the insignificant of tax knowledge to tax compliance behavior.

Other than knowledge of tax, tax awareness also has essential role in taxpayer's compliance. according to research of Nurkhin et al. (2018) awareness of taxpayer is taxpayer's condition in which they know, understand, and implement tax regulation, with legitimate, voluntary, and correct to fulfill obligations of taxpayer. On the other hand, tax awareness has positive influence on compliance of taxpayer (Suyanto & Trisnawati, 2016). Furthermore, awareness of tax is also chosen as moderating variable instead of as an independent variable. This variable will be used to investigate whether the tax awareness can moderate the influence of subjective norms, personal norms, and tax knowledge on taxpayer's compliance. Hence, in accordance with the background, the author is fascinated in doing this research about tax awareness, subjective norms, personal norms, tax knowledge and tax compliance.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Subjective Norms

According to Jimenez & Iyer (2016) research, subjective norm explains what is agreed upon by people who are close to individuals. They said that this norm is well-known as peer pressure. Subjective norm needs to have an approval from individual's closest person such as family, friends, etc. In addition, Jimenez & Iyer (2016) mention that subjective norms help individuals to determine whether compliance decision need approval from the closest persons.

The purpose of subjective norm is to build and maintain social relationships as well as injunctive norms but it has relationship to people who has opinions matters the most, not group-related (Greppin et al., 2017). Individuals must have their own closest persons. Due to the close relationship, individual may follow the lead of his close person's intention to pay tax. Otherwise, when their closest persons think it is okay not

to pay tax, individual may be motivated not to comply to tax regulation. These conditions may influence tax compliance. In brief, subjective norms have significant influence to taxpayer compliance (Muzakkir et al., 2019).

### Personal Norms

Research conducted by Jimenez & Iyer, (2016) resulted in the directly strong influence of personal norms to tax compliance. Although, Jimenez & Iyer (2016) also stated that personal norms is difficult to have direct influence due to personal norms is formed through experiences internalization. The experiences gained from descriptive norms; other's actual behavior, injunctive norms; general societal expectation, and subjective norms; expectation of closest friends.

Furthermore, personal norms help to maintain individual's sense of worth-it (Greppin et al., 2017). Individuals tend to believe what they should do because it is from their own belief. When they believe that paying tax is an obligation, then they will pay. However, individual has its own perception to tax. If he has bad perception to tax, then it will also influence to the tax compliance. Prior research, Jimenez & Iyer, (2016), proved that personal norms has are significantly related to tax compliance intention.

### Tax Knowledge

Knowledge of tax is referring to the taxpayer's capability to comprehend and obey or not obey to law of tax (Wadesongo et al., 2018). The knowledge level is essential in the way individuals grasp the actuality taxation principal and the attitude in which associated to taxation and the best way to reduce the level of tax evasion. Besides that, tax knowledge involves the combination of information about financial knowledge with rules of tax in order to calculate the taxpayer's economic consequences. Hence, the existence of tax knowledge will make taxpayer feel the ease of facing taxation and able to avoid the

misperception. The same idea is put forward by Damajanti & Karim (2017) which is also stated that tax knowledge is a crucial element in attaining voluntary compliance especially in specifying the liability due in a self-assessment system environment.

According to Belay & Viswanadham (2016), tax knowledge is divided by three categories. There are general, legal, and technical knowledge. First, general knowledge associates to common knowledge of income tax system, for instance, the purpose and structure of tax. Second, legal knowledge is a knowledge gained by taxpayers on regulation facet of income tax system, for example, taxpayer's cognizance to submit tax return on time and penalty as consequence of being not complied. The last, technical knowledge is focused on the ability of taxpayers to fill and report their tax return themselves.

Research conducted by Newman & Nokhu (2018) assumed that tax knowledge is a crucial element in a voluntary compliance tax system. They also quoted in which stated the poor knowledge could generate distrust and negative attitude of taxpayer toward tax, conversely, good knowledge correlates with taxpayer's positive attitude towards tax. Furthermore, their research cited that tax knowledge has a highly close relationship with capability of taxpayers to comprehend the tax laws and tax regulation, and their abilities to obey them. Besides that, research of Damajanti & Karim (2017) resulted tax knowledge on reporting, calculating, and paying tax resulted in significant effect to tax compliance. Otherwise, Manual & Xin (2016) obtained the opposite result, the tax knowledge did not have a significant impact on the readiness to pay tax. Hence, tax knowledge needs to be discussed in current research so that it can be confirmed that influences toward tax compliance.

### **Tax Awareness**

Tax awareness is expressed as state of consciousness to understand or know about

taxes (Suyanto & Trisnawati, 2016). Other definition of awareness of tax is an effort or action accompanied by self-encouragement and willingness to perform the tax right and obligations and in accordance with tax laws (Rahayu et al., 2017).

Besides that, tax awareness also has important role in taxpayer's compliance. This idea is supported by Wadesongo et al. (2018). Their research stated that tax knowledge and tax awareness have important role of against level of compliance. Another statement by Nurkhin et al. (2018) also support the important of tax awareness. They said that tax awareness could influence tax compliance and it is necessary due to self-assessment system applied in Indonesia provide full opportunity for taxpayer to report their tax return. Furthermore, tax awareness has positive effect on taxpayer compliance (Suyanto & Trisnawati, 2016). Briefly, they argued that tax revenue will be increasing year by year if the taxpayers are already aware of paying taxes as their responsibility.

In addition, the taxpayer awareness of tax function toward state fund is necessary to look up compliance of taxpayer. To sum up, tax awareness is as important as other factors in this research. By having a great tax awareness level as it would also generate in a great level of tax compliance rate and conversely.

### **Tax Compliance**

Kang (2016) identified the compliance of tax as the person's willingness to act based on both the 'spirit' and the 'letter' of the tax law and administration without the application of enforcement action. Previously, Fauziati et al. (2016) said the tax compliance as filling the required tax return at the proper time and record the liability accurately in accordance with tax laws at the time tax return is filed.

In accordance with Zachary et al. (2017) research, tax compliance is being concerned by governments all around the world. Wadesongo et al. (2018) also added that

taxation is a major issue for many authorities and it is not an easy task to persuade taxpayer to comply to tax laws even though tax laws are not always precise. Besides that, there are various factors that affecting taxpayer to be compliant. In Jimenez & Iyer (2016) research, they cited the better idea to improve tax compliance decisions, by considering the noneconomic factors which is social factors. Since, increasing detection risks, levying high penalties, could costs more and the effects is unsubstantial.

Furthermore, tax compliance is also low. It is proven by the statement of Finance Minister – Sri Mulyani. She revealed that Indonesia state revenue from tax, custom duty, and non-tax state revenue is below the average rate. Indonesia is collecting revenue in 2016 only 14.1% and the expenditure is only 16.6% from the Gross Domestic Product (GDP), rather than the China and Germany which are 27% and 44% respectively. Moreover, some taxpayers think that if they have already paid the tax by withholding, they do not need to submit the tax return. This is one of grounds that may affect the low compliance of taxpayer. Finally, tax compliance is crucial problem to be raised up in research.

### **Hypothesis Development**

#### **The Influence of Subjective Norms to Taxpayer Compliance**

Subjective norms mean perception of closest persons about what individual should act. Closest persons could be individual's family, friends, etc. Subjective norms in tax compliance behavior can be identified as interaction occurred between individual with his/her closest persons that may affect individual tax compliance decision. Moreover, prior researchers, Muzakkir et al. (2019), attest that subjective norms have significant influence to tax compliance.

In subjective norms, actions taken by individual need approval from his or her

closest persons (Jimenez & Iyer, 2016). Hence, if the closest persons perceive tax compliance is good, then individual feel motivated to comply. A good action of closest persons will lead the individual as a compliant taxpayer. Otherwise, when the closest persons perceive cheating on tax system is okay, then individual also feel motivated to be not complied. Hence, the hypothesis being developed from the explanation is:

**H<sub>1</sub>: Subjective norms has positive influence to taxpayer compliance**

#### **Subjective Norms, Tax Awareness, Taxpayer Compliance**

Consistently, subjective norms mean perception of closest persons about what individual should act. However, subjective norms are not the only one that may influence taxpayer. According to Güzel et al. (2019), tax awareness come along participating as non-economic variable to influence taxpayer compliance. In addition, tax awareness is expressed as state of consciousness to understand or know about taxes (Suyanto & Trisnawati, 2016). Briefly, taxpayer awareness is good faith individuals to fulfill their liabilities which is paying taxes.

Moreover, the result of Suyanto & Trisnawati (2016)'s research, tax awareness has positive effect on the taxpayer compliance. Besides that, subjective norms also have significant influence to tax compliance (Muzakkir et al., 2019). When individuals receive good action to pay tax from their closest persons, the awareness of taxpayer to pay tax is still needed in order to moderate the willingness or readiness toward their obligation which is paying tax and lead to the voluntarily taxpayer. Therefore, the hypothesis being developed from the explanation is:

**H<sub>2</sub>: The influence of subjective norms to taxpayer compliance is moderated by tax awareness**

### **The Influence of Personal Norms to Taxpayer Compliance**

Personal norms are standard of individual toward individual's behavior itself. According to Jimenez & Iyer (2016), personal norms represent individual's belief that can influence all his or her behavior including tax compliance behavior. Personal norms are simply what individual believes he or she should do. According to Jimenez & Iyer (2016), personal norms has significant influence to tax compliance.

In personal norms, individual believe to what is right and wrong. According to Jimenez & Iyer (2016), they said that the only type of norms that directly influence behavior is personal norms including tax compliance behavior. Individual may believe if paying tax is a right choice, and vice versa. Therefore, tax compliance is mainly taxpayer's private decision (Mohdali et al., 2015).

**H<sub>3</sub>: Personal norms has positive influence to taxpayer compliance**

### **Personal Norms, Tax Awareness, Taxpayer Compliance**

Personal norms are individual's belief about what is right and wrong. Personal norms play important role in tax compliance due to tax compliance is mainly taxpayer's private decision (Mohdali et al., 2015). Prior research proved that personal norms has directly strong influence to tax compliance, such as research from Jimenez & Iyer (2016).

According to Nurkhin et al. (2018), tax awareness is needed due to in Indonesia, the tax system applied is self-assessment system. This kind of system allow taxpayer to calculate, pay, and report its own tax return. Tax awareness is demanded in this self-assessment system. According to Güzel et al. (2019), tax awareness is one of non-economic variable that may affect the compliance of taxpayer in which also lead to the voluntary taxpayer and increase state revenue. In research of Nurkhin et al. (2018), it is resulted a positive and significant influence of tax

awareness to tax compliance. Hence, when individual belief that paying tax is a right choice, tax awareness may moderate the willingness of being compliant due to paying tax is required to be in accordance to tax regulation.

**H<sub>4</sub>: The influence of personal norms to taxpayer compliance is moderated by tax awareness**

### **The Influence of Tax Knowledge to Taxpayer Compliance**

Tax knowledge is a crucial element in a voluntary compliance tax system (Newman & Nokhu, 2018). They also quoted which is the bad knowledge could generate distrust and negative attitude of taxpayer toward tax, conversely, good knowledge correlates with taxpayer's positive attitude towards tax. Next, statement from Damajanti & Karim (2017) which is also stated that tax knowledge is a crucial element in attaining voluntary compliance especially in specifying the liability due in a self-assessment system environment.

Previous research, statement from Newman & Nokhu (2018) revealed tax knowledge has a highly close relationship with capability of taxpayers to comprehend the tax laws and tax regulation, and their abilities to obey them. Besides that, Newman & Nokhu (2018) cited that with having a greater tax knowledge would lead to greater compliance rates. Hence, the existence of tax knowledge will make taxpayer feel the ease of facing taxation and able to avoid the misperception that is because tax knowledge helps taxpayers to fulfill their obligation to the state, which is paying tax on time and properly.

**H<sub>5</sub>: Tax knowledge has positive influence to taxpayer compliance**

### **Tax Knowledge, Tax Awareness, Taxpayer Compliance**

Both tax knowledge and awareness of tax have significant role in affecting tax compliance. This statement is supported Wadesongo et al. (2018) and Suyanto &

Trisnawati (2016). Another statement from Newman & Nokhu (2018) revealed tax knowledge has a greatly close relationship with capability of taxpayers to comprehend the tax laws and tax regulation, and their abilities to obey them. On the other hand, Suyanto & Trisnawati (2016) expressed that tax awareness has positive effect on taxpayer compliance.

Consistently with the statement from Wadesongo et al. (2018) regarding the crucial role of tax knowledge and tax awareness towards tax compliance. The ground is that taxpayers who have knowledge about tax should be compliant because they have already known how to calculate, pay, and report their responsibility regarding tax in accordance with tax regulation. Undeniable, they certainly know the consequence of disobey the tax regulation such as detection and penalties. However, it cannot be denied if taxpayers still disobey to pay taxes because they have knowledge to avoid tax itself. Taxpayers may abuse their knowledge for their own interest. From here, tax awareness plays important role to straighten up the nature of taxes for the taxpayer point of view and their intention to pay taxes. Finally, the hypothesis being developed from the explanation is:

**H<sub>6</sub>: The influence of tax knowledge to taxpayer compliance is moderated by tax awareness**

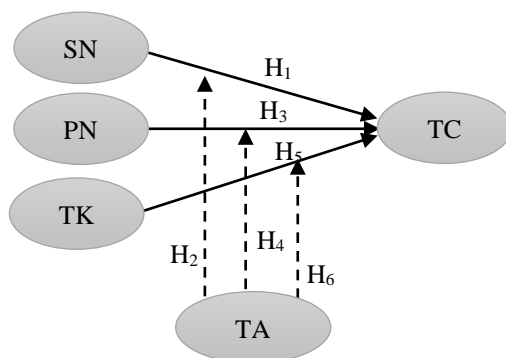


Figure 1. Research Framework

## METHOD

### Primary Data Collecting and Processing

This research uses primary data for the method of data collection and quantitative analysis as the research method. Primary data is collected by distributing the electronic questionnaire to the taxpayers domiciled in Cikarang as the respondents. Since the questionnaire is filled in online platform, respondents can answer honestly without any pressure from neither researcher nor other parties.

The sample size used is 135 respondents which in accordance with book from (Srinivasan & Lohith, 2017) that stated the 5:1 comparison between respondents and questions. This research uses purposive sampling with several criteria which are individual taxpayers, has Tax Identification Number, age ranging from 18-64 years old.

### Measurements

Subjective norms are measured using five items questions. These questions are adapted from previous researchers, Bobek et al. (2007) and Bobek et al. (2011). All the items are quantified using a five-point Likert scale of ranging from strongly disagree (1) up to strongly agree (5).

Personal norms are measured using five items questions. These questions are adapted from previous researchers, Bobek et al. (2011) and Bobek et al. (2007). All the items are quantified using a five-point Likert scale of ranging from strongly disagree (1) up to strongly agree (5). Tax knowledge is measured using nine questions. These questions are adapted from previous research, Saad (2010). All the items are quantified using a five-point Likert scale of ranging from strongly disagree (1) up to strongly agree (5).

Tax awareness is measured using five questions. These questions are adapted from Nurkhin et al. (2018). All the items are quantified using a five-point Likert scale of

ranging from strongly disagree (1) to strongly agree (5).

Taxpayer compliance is measured using three questions. These questions are adapted from prior research, Siglé et al. (2018). All the items are quantified using a five-point Likert scale of ranging from very unimportant (1) to very important (5).

#### Statistical Analysis

The statistical analysis used in this research is Structural Equation Modeling (SEM) and followed by Partial Least Squares (PLS) as the statistical analysis tool. PLS-SEM is chosen due to the capability of analyzing complex construct (Hair et al., 2019). PLS-SEM is a good choice when the size of sample is small (Hair et al., 2017). Since the sample size used is 135 respondents, PLS-SEM is applicable in current research. The author uses SmartPLS 3 as the software to run the data.

## RESULT AND DISCUSSION

### Demographic Analysis

The questionnaire received are 230 and 174 questionnaires are eligible.

**Table 2. Demographic Data**

Demographic	Total	Percentage (%)
Gender		
Male	90	51.72%
Female	84	48.28%
Age		
18 – 24	65	37.36%
25 – 34	43	24.71%
35 – 44	21	12.07%
45 – 54	29	16.67%
55 – 64	16	9.20%
Region		
West	55	31.61%
Cikarang		
Central	21	12.07%
Cikarang		
South	27	15.52%
Cikarang		
East	16	9.20%
Cikarang		
North	55	31.61%
Cikarang		
Occupation		
Student	29	16.67%
Employee	102	58.62%
	18	10.34%
Entrepreneur		
Self-Employed	25	14.37%

Based on Table 2, the majority of respondents are male, respondents who has age from 18-24 years old, both domiciled in West Cikarang and North Cikarang, and work as employee.

### Test of Measurement Model (Outer Model)

#### Validity Test

Validity test is used to examine whether the questionnaire as the measurement tool in the research can reveal the element to be tested. In brief, validity is the accuracy of a measure. There are two types of validity test conducted in current research; convergent validity and discriminant validity. In convergent validity, items need to be considered are outer loading of indicators and Average Variance Extracted



(AVE). Moreover, discriminant validity involves outer loading of indicators on associated construct must have greater or higher amount than any of its cross-loading on other constructs (Hair et al., 2017).

Additionally, Hair et al. (2017) revealed the outer loading that have indicator value between 0.4 to 0.7 is considered to be removed only when deleting it leads to the increasing of composite reliability. Furthermore, another item used for evaluating convergent validity of construct, AVE, shall be 0.5 or higher (Hair et al., 2019).

**Table 3. Convergent Validity**

Variable Construct	Loading Value
<b>Personal Norms (AVE = 0.703)</b>	
P1	0.860
P2	0.855
P3	0.799
<b>Subjective Norms (AVE = 0.598)</b>	
S1	0.656
S2	0.829
S3	0.686
S4	0.896
<b>Tax Awareness (AVE = 0.733)</b>	
TA1	0.842
TA4	0.844
TA5	0.881
<b>Tax Compliance (AVE = 0.774)</b>	
TC1	0.878
TC2	0.890
TC3	0.872
<b>Tax Knowledge (AVE = 0.520)</b>	
GK1	0.792
GK2	0.706
LK5	0.783
TK6	0.809
TK7	0.455

**Table 4. Discriminant Validity**

	P	S	TC	TK
P	0.838			
S	0.726	0.773		
TC	0.769	0.654	0.880	
TK	0.736	0.670	0.753	0.721

If there is item that does not meet the criteria of outer loading value and AVE, it is suggested to drop the items out.

Furthermore, in part of discriminant validity, AVE for the construct is criteria defined as grand mean value of the squared loadings of the indicators associated with the construct (Hair et al., 2017). Cross loading in discriminant validity should be higher than the correlation between latent variables in the same column. Following is the result of discriminant validity conducted in current research.

Based on Table 3 and 4, all outer loadings, AVE, and discriminant validity fulfill the requirements of outer model.

#### Reliability Test

Reliability test is a test to value or measure how consistent the respondents answer the questionnaires. Simply, reliability is the consistency of a measure. Composite reliability (CR) and Cronbach's alpha (CA) are item determined in reliability test. According to Hair et al. (2017), 0.7 is the agreed amount for CA, although it may be decreasing to 0.6 in exploratory research. Furthermore, accepted amount of CR is 0.6 to 0.7 in exploratory research. Following is the result of reliability test conducted in this research that shows the fulfillment of requirement towards reliability test.

**Table 5. Reliability Test**

Variable	Cronbach's Alpha	Composite Reliability
P	0.788	0.876
S	0.770	0.854
TA	0.817	0.891
TC	0.854	0.911
TK	0.762	0.840

#### Test of Structural Model (Inner Model)

There are several element need to be passed as requirement of structural model test, such as determined coefficient (R-Squared),

predictive relevance (Q-Squared), variance inflation factor (VIF) and path coefficient. Following is the result of structural model test

in which involving the R-Squared, Q-Squared, VIF, and path coefficient.

**Table 6. Variance Inflation Factors (VIF)**

	P	P_TC	S	S_TC	TA	TC	TK	TK_TC
P						3.391		
P_TC						4.739		
S						3.083		
S_TC						4.247		
TA						3.127		
TC								
TK						3.205		
TK_TC						6.877		

First, determinant coefficient or known as R-Squared is a measurement of the endogenous proportion (dependent) of the variance of the construct, explained by its predictor (independent) construct (Hair et al., 2017). Concisely, R-Squared shows the percentage of construct endogenous can be explained by exogenous construct. The higher the value of R-Squared, the better the construct is explained by independent variables and indicates that the model is good (Hair et al., 2017). In this research, R-Squared for tax compliance is 0.736. It means that taxpayer compliance can be explained at 73.6% by subjective norms variable, personal norms variable, tax knowledge variable, interaction of subjective norms to tax awareness, interaction of personal norm to tax awareness, and interaction of tax knowledge to tax awareness.

Second, the value of Q-Squared should be greater than zero as the criteria to indicate structural model predictive accuracy for that construct (Hair et al., 2019). They also said that Q-Squared value that is greater than 0, 0.25, and 0.5 represent small, medium, and large of predictive relevance of path model of PLS. In this research, Q-Squared value is 0.525 which means the diversity of the research data can be explained by the research model is

52.5%. Whilst the others, 47.5% is explained by other factors outside current research model.

The last, VIF is used to detect the multi-collinearity. Multi-collinearity means that a condition of a very high inter-correlation among the independent variables. According to Thompson et al. (2017), a common threshold for finding severe multi-collinearity is if  $VIF > 10$ . Table 6 shows the VIF in this research and all the VIF values are below 10, which represents this model is free from multi-collinearity issue. Besides, from the Table 6 below, all value of VIF does not exceed the threshold for severe multi-collinearity which is  $VIF > 10$ .

**Table 7. R Square**

	R Square	R Square Adjusted
tc	0.736	0.725

**Table 8. Q Square**

	SSO	SSE	Q <sup>2</sup>
<b>p</b>	522.000	522.000	
<b>p to tc</b>	174.000	174.000	
<b>s</b>	696.000	696.000	
<b>s to tc</b>	174.000	174.000	
<b>ta</b>	522.000	522.000	
<b>tc</b>	522.000	247.803	0.525
<b>tk</b>	870.000	870.000	
<b>tk to tc</b>	174.000	174.000	

**Hypothesis Testing**

Hypothesis 1 (H1) stated that subjective norms have positive influence to taxpayer compliance. Subjective norms have p-value 0.394 and path coefficient 0.068. It means that subjective norms have 0.068 direct effect to taxpayer compliance. It also shows subjective norms has insignificantly positive influence to taxpayer compliance due to the P-value does not fulfil the requirement of hypothesis to be accepted which is < 0.05. This statement is in accordance with Hair et al. (2017). From the explanation above, H1 is rejected.

**Table 9. Direct Effect of SN to TC**

Path Coefficient	P-value
0.068	0.394

Hypothesis 2 (H2) shows the influence of subjective norms to taxpayer compliance and moderated by tax awareness. According to Table 10, H2 has p-value 0.588 and path coefficient -0.030. It means that subjective norms moderated by tax awareness have -0.030 effect to taxpayer compliance. It also shows subjective norms in which moderated by tax awareness has insignificantly influence to taxpayer compliance due to the P-value does not fulfil the requirement of hypothesis to be accepted which is < 0.05. This statement is in accordance with Hair et al. (2017). From the explanation above, H2 is rejected.

**Table 10. Indirect Effect of SN to TC**

Path Coefficient	P-value
-0.030	0.588

Hypothesis 3 (H3) stated that personal norms have positive influence to compliance of taxpayer. According to Table 11, H3 has p-value < 0.001 and path coefficient 0.320. It means that personal norms have 0.320 direct effect to taxpayer compliance. It also shows personal norms has significantly positive influence to taxpayer compliance. P-value shown already meet the requirement of hypothesis to be accepted which is < 0.05. This statement is in accordance with Hair et al. (2017). Furthermore, path coefficient in H3 is positive and match with the hypothesis. From the explanation above, H3 is supported.

**Table 11. Direct Effect of PN to TC**

Path Coefficient	P-value
0.320	<0.001

Hypothesis 4 (H4) shows the influence of personal norms to taxpayer compliance and moderated by tax awareness. Based on Table 12, H4 has p-value 0.006 and path coefficient -0.180. It means that personal norms moderated by tax awareness have -0.180 effect to taxpayer compliance. It also shows personal norms in which moderated by tax awareness has significantly negative influence to taxpayer compliance. P-value shown already meet the requirement of hypothesis to be accepted which is < 0.05. This statement is in accordance with Hair et al. (2017). Furthermore, path coefficient in H4 is negative and match with the hypothesis. From the explanation above, H4 is supported.

**Table 12. Indirect effect of PN to TC**

Path Coefficient	P-value
-0.180	0.006

Hypothesis 5 (H5) stated that knowledge of tax has positive influence to the

compliance of taxpayer. Based on Table 13, H5 has p-value 0.032 and path coefficient 0.165. It means that tax knowledge has 0.165 direct effect to taxpayer compliance. It also shows tax knowledge has significantly positive influence to taxpayer compliance due to the P-value fulfils the requirement of hypothesis to be accepted which is < 0.05. This statement is in accordance with Hair et al. (2017). Moreover, path coefficient of this hypothesis is positive and match with the hypothesis. From the explanation above, H5 is supported.

**Table 13. Direct effect of TK to TC**

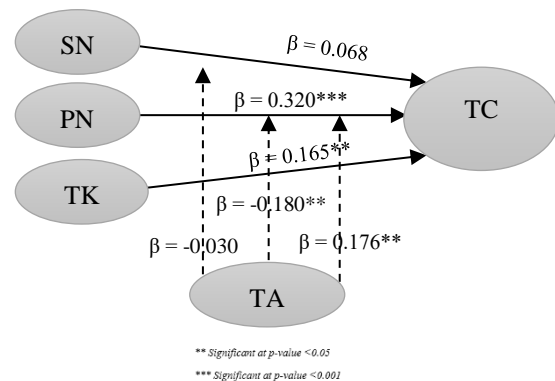
Path Coefficient	P-value
0.165	0.032

Hypothesis 6 (H4) shows the influence of tax knowledge to taxpayer compliance and moderated by tax awareness. Based on Table 14, H6 has p-value 0.016 and path coefficient 0.176. It means that tax knowledge moderated by tax awareness have 0.176 effect to taxpayer compliance. It also shows tax knowledge in which moderated by tax awareness has significantly positive influence to taxpayer compliance. P-value shown already meet the requirement of hypothesis to be accepted which is < 0.05. This statement is in accordance with Hair et al. (2017). Furthermore, path coefficient in H6 is positive and match with the hypothesis. From the explanation above, H6 is supported.

**Table 14. Indirect effect of TK to TC**

Path Coefficient	P-value
0.176	0.016

**Discussion**



**Figure 2. Full Model**

The result of first hypothesis shows that subjective norms has directly insignificant influence to taxpayer compliance. This result shows that the greater pressure from social norms to comply tax regulation, the greater also the intention of taxpayer to comply the tax regulation. Unfortunately, the strong insignificant shows the taxpayer compliance is not solely influenced by social norms. According to Jimenez & Iyer (2016), subjective norms has directly insignificant influence to tax. Individuals will internalize perception from his or her close persons before they decide to comply to tax. Hence, H1 is rejected due to the insignificant influence of subjective norms to tax compliance.

The result of second hypothesis shows different in which subjective norms has insignificant influence to taxpayer compliance after being moderated by tax awareness.

Based on the result, the influence of subjective norms is already insignificant toward tax compliance. Hence, tax awareness cannot neither strengthen nor weaken the influence of subjective norms to taxpayer compliance. To sum up, H2 is rejected.

The result of third hypothesis shows that personal norms have significantly positive influence toward compliance of tax. Besides, according to Mohdali et al. (2015), personal norms have significant influence to comply with tax laws and tax compliance is mainly

taxpayer's private decision. Hence, H3 of this research is accepted.

The fourth hypothesis shows the influence of personal norms to taxpayer compliance and moderated by tax awareness. Personal norms here are the result of internalization of social norms. Furthermore, research from Bennie & Mladenovic (2015) cited that there are four stages of ethical decision-making models. Those are ethical issue or ethical sensitivity recognition, making ethical judgment, ethical intent establishment, and engaging in ethical behavior. Inhere, personal norms is inclusive to establishing ethical intent or puts moral value first over other values. Taxpayer is already know that paying taxes has moral value. Besides, Mohdali et al. (2015) revealed that personal norms have significant influence to comply with tax laws. On the other hand, tax awareness is individual's intention to fulfill their obligation to the state which is paying taxes caused by the knowing, understanding of the importance of tax and the implementation of tax itself. Inhere, tax awareness is inclusive to recognizing ethical issue or ethical sensitivity. This is caused by the tax awareness is only limited to realize against knowing, understanding of the importance of tax and the implementation of tax itself. The result of this research is that interaction of personal norms and tax awareness has significantly negative influence to taxpayer compliance. It means that the lower the tax awareness is, the influence of personal norms to taxpayer compliance become weak. In this condition, taxpayers are not yet aware to pay taxes. To sum up, tax awareness weakens the influence of personal norms to taxpayer compliance. Hence, H4 in this research is acceptable.

The fifth outcome shows that tax knowledge has significantly positive influence to taxpayer compliance. In the condition of when taxpayer has greater knowledge of tax, it would certainly increase the compliance of

taxpayer on paying taxes. Unfortunately, some taxpayers use their tax knowledge to avoid tax, and it definitely will decrease the compliance in which automatically also decrease the state revenue. The result of this research shows that tax knowledge has significantly positive influence to taxpayer compliance. The same result was obtained by Damajanti & Karim (2017) in which tax knowledge on reporting, calculating, and paying tax resulted in significant effect to compliance of taxpayer. Taxpayer with knowledge of tax will feel easy to pay taxes and/or avoid their obligations. Both advantage and disadvantage of tax knowledge may affect the state revenue. In sum, H5 is accepted in this research.

The sixth hypothesis shows the influence of tax knowledge to taxpayer compliance and moderated by tax awareness. Tax knowledge is taxpayer's knowing and ability to comprehend towards general provision of tax from the tax definition, penalties, until taxpayer file and report of tax return. Tax awareness is individual's intention or voluntarily to fulfill their obligation to the state which is paying taxes caused by the knowing, understanding of the importance of tax and the implementation of tax itself. The result of H6 is that interaction of tax knowledge and tax awareness has significantly positive influence to taxpayer compliance. The same result was obtained by Damajanti & Karim (2017) in which tax knowledge on reporting, calculating, and paying tax resulted in significant effect to tax compliance. Additionally, research conducted by Suyanto & Trisnawati (2016) revealed that there is positive effect on tax awareness to tax compliance. Furthermore, tax knowledge and tax awareness have important role of against level of compliance (Wadesongo, Mhaka, et al., 2018). It means that the greater the awareness of tax, the greater also the effect tax knowledge on taxpayer compliance becomes. In this condition, taxpayers are

already had tax knowledge, and they are also already aware of paying taxes. In sum, tax awareness strengthens the influence of tax knowledge on taxpayer compliance. Hence, H6 on this research is acceptable.

### **CONCLUSION**

This research aims to is to investigate the influence of subjective norms, personal norms, and tax knowledge that is moderated by tax awareness on taxpayer's compliance. The results show that four hypotheses are accepted and other two hypotheses are rejected.

Recalling it again, the four accepted hypotheses are hypothesis 3, 4, 5, and 6. The result of third hypothesis shows that personal norms have significantly positive influence to tax compliance. Furthermore, fourth hypothesis's result revealed that interaction of personal norms and tax awareness has significantly negative influence to taxpayer compliance. On the other hand, the result of fifth hypothesis shows that tax knowledge has significantly positive influence to taxpayer compliance. The last, H6 shows the result of interaction of tax knowledge and tax awareness has significantly positive influence to taxpayer compliance. It means that H3, H4, H5, and H6 pass statistically the requirement of accepted hypothesis, in which the significant level is less than 0.05.

The remaining, the two hypotheses rejected are hypothesis 1 and 2. The result of first hypothesis shows that subjective norms has directly insignificant influence to taxpayer compliance. This hypothesis does not fulfill statistically the requirement of hypothesis to be accepted. On the other hand, the result of second hypothesis shows that subjective norms have insignificant influence to taxpayer compliance after being moderated by tax awareness. This hypothesis also does not statistically pass the requirement of hypothesis to be accepted in which the significant level is less than 0.05.

From the explanation above, the implication of this study is that the level of taxpayer compliance should be put into account and be improved. According to the result of this research, level of taxpayer compliance may give a positive effect to ease the amount received from tax and report the tax return.

Furthermore, this research is expected to be useful and able to give contributions. Indonesia is still relying on tax revenue to fund government expenditures. After conducting this research, taxpayers are expected to comprehend several factors tested that are crucial in affecting the taxpayer compliance in which automatically lead to the realization of state revenue. Moreover, in this research, government is expected to improve their service quality because taxpayers are tax subject, the ones who pay taxes as the contribution of the state revenue. Since the taxpayer is increasing year by year, government can do a program such as socialization about benefit of paying taxes and material and formal tax laws in order to improve taxpayer perception to fiscus, tax knowledge, tax awareness, and also taxpayer compliance. Additionally, this research is expected to be a reference in order to help future researcher expanding the research.

### **Limitation and Recommendation**

In here, there are two limitations founded in current research. The first limitation, the research is conducted only in Cikarang area. Therefore, the result of this research cannot be generalized for sample domiciled outside Cikarang area. Future researcher may expand the sample area in order to prove whether the different area will lead to the different result. For instance, Jabodetabek.

The last, variables used in this research is non-economic factors that affect tax compliance. Those variables are subjective norms, personal norms, and tax knowledge as independent variable and tax awareness as moderating variable. However, there are

various factors that may affect taxpayer compliance besides those variables used in this research. In order to get better result, future researcher is expected to expand the research by adding the variable related to factor of taxpayer compliance.

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