



Knowledge of Fraud and Taxpayer Compliance

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Abstract

Fraud is a unique crime committed by many people in various activities including in the tax sector that resulted in losses to the state. A research conducted in 2015 aimed at examining the factors that influence the taxpayer compliance in paying taxes with knowledge of fraud as a moderating variable. This research used Banguntapan city taxpayers as respondents. Sample collection method in this research used the convenience sampling method. The analytical tool used is Structural Equation Model (SEM) with the help of SmartPLS software. The results of this research prove that tax sanctions, service quality, and tax penalties have a positive effect on taxpayer compliance. The results of this research also prove that taxpayer knowledge does not positively affect the taxpayer compliance and also prove that the taxpayer interaction and knowledge of fraud have a positive effect on their tax paying compliance. So the implications of this research expect that tax authorities can apply tax laws in which including sanctions and taxes penalties evenly in each level of the taxpayers and improvement of services in the field of taxation in the form of provision of information to the taxpayers.

Key words : *fraud, quality tax service, taxpayer compliance, tax knowledge, tax penalties, tax sanction*

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INTRODUCTION

The dominance of taxes as a source of revenue is a very reasonable thing because this source of revenue has unlimited age, especially with the increasing number of people who are increasing each year. Taxes have an enormous and reliable role for the development and the government expenditures (Hardiningsih and Yulianawati, 2011). As the source of State Budget (APBN), approximately 75% of revenue is obtained from taxes; taxes are also oriented towards sustainable development. Tax revenues are not dependent on foreign aid and there is no obligation to provide a half of the country's revenue to the creditor country as a form of interest payments on foreign loans. In this case, the number of the tax revenue will determine the capacity of the state budget in financing the state expenditure both for development financing and for routine budget financing. Taxation has a positive effect on the economic growth in both the developed and developing countries. It is not excessive if every budget year of the state budget (APBN), the government always tries to increase the tax revenue to finance the development that has been carried out (Simanjuntak, 2009).

Efforts to increase the tax revenues are currently faced with the public role that is not optimal yet in fulfilling the obligations to the state. Tax compliance as an indicator of public role in fulfilling taxation obligation is still very low (38% in national level). In this case, there are still a lot of people who conduct the non-compliance action in relation to the fulfillment of its obligations (Simanjuntak, 2009).

Taxpayer compliance is an important issue throughout the world, both the developed and developing countries. If the

taxpayer does not obey the law, it will cause the desire to conduct actions such as tax avoidance, evasion, smuggling, and evasion that ultimately will make the tax revenue reduced. Taxpayer compliance can be influenced by several factors such as the condition of the tax administration system of a State, the service to the taxpayers, the tax law enforcement, the tax audit, and the tax rate (Rahayu, 2010).

Cash spending for tax payments will be favored as long as when the taxpayers spend their money to pay taxes, the government is considered to be able to provide counter-achievement in proportion to the money paid. Of course it is difficult and it does not make sense, because there are a lot of taxpayers and the amount of the tax is also different among one taxpayer with others. On the other hand, the government is required to be able to think and provide counter-achievement directly and in accordance with the value of money received from the taxpayers for the tax payment (Mangoting, 1999).

The self-assessment system contains an element of trust to the taxpayer in which the taxpayer is given full authority to calculate, take into account, deposit, and report the tax payable in accordance with the applicable taxation provisions. Awareness of paying taxes in macro will bring up tax morality society. Tax morality or morality (real consciousness) of paying taxes is one aspect or part of state consciousness. If the state consciousness is high, the tax morality will also be high (Siahaan, 2010).

Attempts to increase the state revenues from taxes are not an easy task. Education efforts, counseling, and many others will not necessarily mean much to increase the motivation of the taxpayers in fulfilling the taxation obligations if they do not feel the benefits of paying the taxes. This is due to the lack of their motivation in paying taxes and there are still many other things that make them less aware of paying taxes. For example is the

manipulation or corruption issue that is currently happening a lot committed by the tax authorities. With the fraud cases in the field of taxation, the taxpayers will feel worried and cannot acquiesce on taxes they pay. Such cases can make the taxpayer compliance or motivation to pay taxes decrease (Rengki, Herawati, and Puttri, 2014).

In his research, Rengki et.al (2014) argued that the knowledge and understanding of taxpayers about taxation regulations, assertion of tax sanctions, tax deviation, and taxpayer perceptions on service performance may influence the motivation of the taxpayers in fulfilling tax obligations. While Prabawa (2012) suggested in the results of his research that the quality of tax services affect the taxpayer compliance in paying taxes, This is in accordance with a research conducted by Rengki et.al (2014), which stated in his research that taxpayer perceptions on the performance of tax services influence against the motivation of the taxpayer in fulfilling the tax obligations

Knowledge and understanding of tax laws is the process in which the taxpayers know about taxation and apply the knowledge to pay taxes (Nugroho, 2012). Or in other words the taxpayers know and understand the general provisions and taxation procedures (KUP) including how to submit notification letter (SPT), payment, fines, and deadline of payment or reporting the tax return. Having knowledge of tax laws in the new tax system, the taxpayers are given the confidence to implement the system of calculating, taking into account, paying, and reporting their own taxes. With this system they know the function of paying taxes. And the understanding of the taxpayers of taxation regulations is the way they understand the existing tax laws. Taxpayers who do not understand the tax laws are clearly likely to become disobedient taxpayers. In the

taxpayer's knowledge factors, according to Taslim (2007), the high low of the taxpayer's knowledge can be measured by understanding the procedure or how to fill the SPT, understanding the SPT reporting deadline, and understanding the tax and administration sanctions.

Tax Knowledge is also a reflection of tax information that the taxpayers can use as a basis to conduct actions, to make decisions, and to pursue certain directions or strategies with regard to the exercise of their rights and obligations in taxation (Carolina, 2009: 7). In a research, Adesina Olugoke Oladipupo and Uyioghosa Obazee (2016) in Nigeria stated that tax knowledge has a positive and significant impact on compliance in paying taxes. Good tax knowledge will have an impact on tax compliance. Having good tax knowledge, the taxpayers will be more easily obedient. It is in accordance with the theory of liaison stating that if people have adequate level of knowledge of taxation, it will generally be easier for the taxpayers to obedient on tax laws (Rahayu, 2010). There is an influence of tax knowledge on tax compliance level; the better the taxpayers' knowledge on the tax regulation is, the higher the taxpayer compliance level will be (Witono, 2008).

Tax sanctions are a guarantee that the provisions of tax laws and regulations will be obeyed. Or in other words tax sanction is a preventive tool so that taxpayers do not violate the norms of taxation (Mardiasmo, 2011). The higher the sanction given to the taxpayers committing violation is, the lower the violations will occur, because the taxpayers feel very aggrieved from the sanctions they will receive if committing violation. And vice versa, the lower the sanction given to the taxpayers committing

violation is, the higher the violations will occur, because the taxpayers do not feel burdened on the sanctions they will receive if committing violation.

According to Burton (2002), criminal sanctions and administrative sanctions in the tax law can be widely interpreted as a goal for the continuity of community life and as one of people's basic obligations to the society in which the taxpayers are to pay taxes. If the violation committed is mild, it can be resolved administratively; but if the violation is severe, the criminal sanction should be applied. As stipulated under Article 29 Paragraph 1 of KUP Laws in 2000, it states that, "The Director General of Taxes is authorized to conduct an examination or to examine compliance with tax obligations and for other purposes in order to implement the provisions of the taxation legislation".

There are two kinds of sanctions in the tax law those are administrative sanctions and criminal sanctions. Administrative sanctions may be imposed if the taxpayer commits an offense, especially on the obligations laid down in the Laws no. 28 in 2007 on General Provisions and Procedure of Taxation (UU KUP), which can be in the form of administrative sanction of interest, penalty, and increase, while the criminal sanctions can be punishment in detention and prison (Rahayu, 2010: 13). According to Resmi (2008: 71), tax sanctions occur because there is a violation of the tax laws and regulations in which the greater the mistake made by a taxpayer is, the more severe the sanctions will be. According to Nugroho (2006), taxpayers will fulfill their tax obligations if they consider . That tax sanctions will be more harmful. In addition, according to Faisal (2009: 37), although there is a potential for the state revenues in each sanction, but the motivation of sanctions imposed is that the taxpayers obediently carry out their tax obligations.

Some empirical evidence such as researches conducted by Kahono (2003), Jatmiko (2006), Suryadi (2006), and Daroyani (2010) also show that taxpayer attitudes towards sanctions have a positive effect on taxpayer compliance.

Quality of service is a measure of how well the level of service provided is able to adjust to the customer expectation, so the quality of service is realized through the fulfillment of the customer's needs and desires and the provision of service delivery to the customer's expectations (Elitans and Anatan, 2007: 47).

Quality of service is the ability of a party that offers benefits to the other party that is basically intangible to meet the expectations and needs of the other party. According to Risnawati (2009), the Directorate General of Taxation needs to improve the good tax service in accordance with the provisions of the prevailing taxation legislation in order to support the compliance of the taxpayers in fulfilling their tax obligations and to support the achievement of government goals to carry out the development and the wheels of government to run well. Improving the quality of service in the field of taxation is also expected to increase the satisfaction on the taxpayer as a customer in order to increase the compliance in the field of taxation (Prabawa, 2012).

Tax frauds are attitudes, means, distorted processes, or fund misuse by the tax mafias against the tax funds paid by the taxpayers (Irawan, 2013). The occurrence of tax fraud is caused by a weak system in taxation. The tax fraud certainly can reduce the state revenues from the tax sector so it may hamper the infrastructure development.

According to Prasetyo (2003), fraud can be defined as all things that cover all things people can think of and all that one seeks to gain benefit from others by wrong means or coercion of truth, and cover all the unexpected, hidden, and any

unnatural means that causes others to be deceived.

Meanwhile, according to the Association of Certified Fraud Examiners (ACFE), fraud is unlawful acts committed intentionally for certain goals (manipulation or misrepresentation of others) committed by people from within or outside the organization for personal gain or groups that directly or indirectly harm others.

The existence of a game or cooperation made by the taxpayer with the tax authorities in doing tax evasion still happens. It starts from the falsification of information including documents, manipulating in filling SPT, even the negotiation of the amount of tax payable. Both parties seem to have "both know" what each desires (Puspitasari, 2012). In addition, Torgler, Benno (2008) also stated that by having the knowledge of tax fraud, then in generating profits will be more efficient, which means to keep away from fraud so that the taxpayers become more obedient.

The purpose of this research is to test and provide empirical evidence that there is influence of taxpayer's knowledge of taxation, services provided by tax office, tax sanction applied to the taxpayer, and tax penalty given to taxpayer compliance. The difference of this research with the previous ones is the use of variable knowledge of fraud as a moderator among other independent variables that had not been previously done in Indonesia. The data used in this research is primary data that is obtained from the distribution of questionnaires to the taxpayers who have NPWP (Tax Identification Number). The technique of collecting questionnaires uses convenience sampling, in which the questionnaire is given to the samples encountered only. Questions in this questionnaire are taken from the previous researches, while for the scale it uses the Linkert scale. The determination of the

number of samples is obtained from the calculation of determining the minimum sample size by using Slovin formula.

In the view of Resource-Based Theory, companies or organizations will excel in business competition and gain good financial performance by owning, mastering, and utilizing important strategic assets (tangible and intangible assets). A potential strategy for improving the performance of a company or organization is to bring together the tangible and intangible assets. Resource-Based Theory is a thinking that develops in the theory of strategic management and competitive advantage of companies or organizations, which believes that a company or organization will achieve excellence if it has the resources. Based on the Resource-Based Theory approach, it can be concluded that the company or organization must utilize its resources; this will encourage the company or organization to report it (Widodo, 2014).

In the view of Resource-Based Theory, firms or organizations gain competitive advantage and good financial performance by owning, mastering, and utilizing important strategic assets. These strategic assets include tangible and intangible assets. The company or organization can achieve and maintain a competitive advantage through the implementation of its own resource processing for value creation. Resources owned by companies or organizations are essentially heterogeneous and have characteristics in every company or organization (Suhendah, 2012). Some researchers have classified corporate or organizational resources as tangible and intangible resources. Suhendah (2012) categorized three types of resources those are the capital of physical resources (technology,

building, equipment), human capital (training, experience, insight), and organizational resources (formal structure)

RESEARCH METHOD

Population in this research is the taxpayers in Banguntapan Area of Bantul. The samples are randomly selected to represent the population. In this research, the researchers used a sample of 100 taxpayers that can be used to represent the population in Banguntapan Area of Bantul who have NPWP (Taxpayer Identification Number).

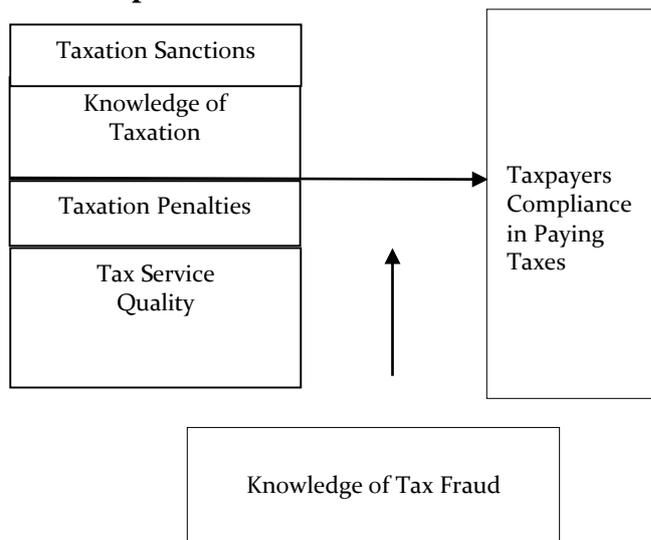
This is a quantitative research. It discusses the problems in the form of current facts from a population that uses a particular calculation analysis and aims at testing the hypothesis or at answering the questions related to the current status of a subject under study. The data used in this research is primary data that is obtained from the distribution of questionnaires to the taxpayers who have NPWP. The technique of collecting questionnaires using non probability sampling is convenience sampling, in which the questionnaire is given to the samples encountered only. The questionnaires are distributed to the taxpayers who have NPWP. The questions in this questionnaire use the Likert scale.

The research model will be analyzed using SmartPLS (Partial Least Square) software support. PLS is a set of statistical techniques that allows a testing of a series of relations simultaneously. The data obtained then are processed informatively and scientifically. The data then are tested using multiple regressions. Dependent variables, factors that influence are regressed to four independent variables those are tax sanctions, taxation knowledge, tax service quality, and tax penalties, and also moderating variable that is knowledge of tax fraud. The research model is as follows:

$$KPT = \alpha + \beta_1S + \beta_2PP + \beta_3DP + \beta_4KP + \beta_5SF + \beta_6PPF + \beta_7DPF + \beta_8KPF + e$$

- KPT : Tax Compliance
- $\beta_1 - \beta_8$: Regression Coefficient
- S : Tax Sanctions
- PP : Tax Knowledge
- DP : Tax Penalties
- KP : Service Quality
- F : Fraud Knowledge
- E : error

Road Map



RESULTS AND DISCUSSION

Population in this research is the taxpayers who are registered in Banguntapan Bantul. The amount of samples in this research uses the population of 100 respondents. From the questionnaire plan distributed to 100 respondents, all questionnaires are eligible for analysis. The construct validity in this research is assessed convergently. Convergent validity refers to the existence of correlations among different instruments that measure the same construct. Convergent validity is seen from the instrument loading value, the average variance (AVE). The value of loading is the value between the construct, and the instrument is the proportion of the variance of an item. Validity is said to have a good value based on the rule of thumb if the

AVE value is greater than 0.5 (Ghozali, 2008). SmartPLS software is used to evaluate discriminant validity. Here are the results of the AVE calculation:

Table 1. Calculation Result of AVE

	AVE
Tax Penalties	0.850540
Tax Penalties*Fraud	0.971102
Fraud	0.890484
Compliance	0.866868
Service Quality	0.866543
Service Quality*Fraud	0.985361
Tax Knowledge	0.921090
Tax Knowledge*Fraud	0.990037
Tax Sanctions	0.839426
Tax Sanctions*Fraud	0.969318

Source: Data processed 2015

In Table 1 above it can be concluded that the AVE root of each research construct is greater than 0.5. The results can be interpreted that all constructs in the estimated model meet the criteria of discriminant validity. Reliability test is conducted to know the stability level of a measuring instrument. Reliability test results are as follows:

Table 2. Reliability Test Result

	Composite Reliability
Tax Penalties	0.957918
Tax Penalties*Fraud	0.998144
Fraud	0.970164
Compliance	0.984869
Service Quality	0.983169
Service Quality*Fraud	0.999587
Tax Knowledge	0.987908
Tax Knowledge*Fraud	0.999641
Tax Sanctions	0.969077
Tax Sanctions*Fraud	0.998683

Source : Data Processed 2015

Based on Table 2 above, Composite reliability shows a satisfactory value that is the value of each variable above the minimum

value of 0.70. These values indicate that the consistency and stability of the instruments used are very high. In other words, it can be concluded that the reliability of the instrument is fulfilled.

The inner model test is to evaluate the relationship of latent constructs or variables that have been hypothesized in this research. Inner Model testing is conducted to see the relationship between construct and its significance value and R-square value. The R-square value is used to assess the effect of the independent variable on the dependent variable whether it has a substantive effect or not. The following is the inner model calculation of data obtained and used by researchers by using Partial Least Square.

Table 3. Inner Model Test Result

R Square	
Tax Penalties	
Tax Penalties*Fraud	
Fraud	
Compliance	0.942981
Service Quality	
Service Quality*Fraud	
Tax Knowledge	
Tax Knowledge*Fraud	
Tax Sanctions	
Tax Sanctions*Fraud	

Source: Data Processed, 2015

Based on table 3, the model gives an R-square value of 0.942981 on the variable of interest in repeated use, which means that taxpayer compliance variable can be explained by tax penalty variable, taxpayer knowledge, service quality, tax sanction and fraud moderating variable of 0.942981.

Table 4. Significance of Relationship among Variables

	Original Sample (o)
Tax Penalties*Compliance	0.184443
Tax Penalties*Fraud*Compliance	-0.419149

Fraud*Compliance	0.064221
Service Quality*Compliance	0.312725
Service	-0.433882
Quality*Fraud*Compliance	
Tax Knowledge*Compliance	0.114468
Tax	-0.427443
Knowledge*Fraud*Compliance	
Tax Sanctions*Compliance	0.264272
Tax Sanctions*Fraud*Compliance	1.190999

Source: Data Processed 2015

Based on table 4, which is the hypothesis test results, the results of research indicate a model in the following:

$$KPT = \alpha + 0.264272S + 0.114468PP + 0.184443DP + 0.312725KP + 1.190999SF - 0.427443PPF - 0.419149DPF - 0.433882KPF + e$$

The explanation of the results of table 4 in this research will be explained in the discussion below.

Testing on the hypothesis of tax sanctions affecting the compliance is conducted through testing the significance of the regression coefficient of the tax sanction variable. The magnitude of the regression coefficient is 0.264272 and the t-statistic value is 2.433386. At the level of significance $\alpha = 5\%$; then the regression coefficient is significant because t-statistics (2.43386) > t-table (1.98). Based on the results of hypothesis testing above, it can be concluded that tax sanctions have a significant positive effect on taxpayer compliance so that the first hypothesis of this research can be supported.

Tax sanctions are made to make the taxpayers afraid to violate the Taxation Law. The taxpayers will comply with their tax payments when they see that the sanctions will be more harmful to them. Tax sanction is a guarantee that the provisions of taxation

legislation (taxation norms) will be obeyed; in other words, sanction taxation is a preventive tool for the taxpayers not to violate the norms of taxation. Therefore, the view of taxpayers on tax sanctions is expected to affect their compliance in paying taxes. Although in a research conducted in Malaysia by Raihana, Khadijah and Salwa (2014) it was found that sanctions would have an effect on the taxpayers who did not comply and had no effect on taxpayers, the optimization of the regulation and the application of penalty sanctions comparable to the violation of the taxation provisions is more effective to apply because the penalties for tax breaches will be a source of the state revenue. In addition, it may reduce the psychological negative effects for the economic actors who are also as the taxpayers. The results of this research are in accordance with the researches of Rengki et al (2014), Kahono (2003), Jatmiko (2006), Suryadi (2006), and Daroyani (2010), which found that tax sanction have a positive effect on the taxpayer compliance. Fair and comprehensive sanctions will also affect the taxpayer compliance in paying taxes. This is stated by Musimenta, Stephen, Brenda, Moses, and Irene (2017) in their research in Uganda that the enactment of the same law including fair sanctions will affect the taxpayer compliance in paying taxes.

Testing of the hypothesis of knowledge taxation affecting on compliance is conducted through testing the significance of the regression coefficient of the knowledge variable. The magnitude of the regression coefficient is 0.114468 and the t-statistic value is 1.085700. At

the level of significance $\alpha = 5\%$; then the regression coefficient is not significant because t -statistic (1.085700) $<$ t -table (1.98). Based on the results of hypothesis testing above, it can be concluded that taxpayer knowledge has no significant effect on taxpayer compliance so that the second hypothesis of this research cannot be supported.

Taxpayers' knowledge of the applicable tax rules and regulations is expected to increase the tax compliance. Information owned by the taxpayers will affect them on their compliance. The more information they know will help them to respond. However, the amount of information obtained from the media may cause a negative effect of the taxpayers on their compliance. While the taxpayers who are less informed will usually be normal because they do not really know the problem so they will still give a positive opinion. Ultimately the level of knowledge possessed by the taxpayers will affect their decision to fulfill their tax obligations. There is no difference regarding the tax knowledge of the individual taxpayers. This result is not in accordance with the researches of Adesina et.al (2016), Rengki et.al (2014), and Natrah Saad (2014), which found out that taxpayers' knowledge influences tax motivation and compliance. This may also mean that taxpayers have a priori attitude to what they pay or even more due to the provision of less information about taxation.

Testing on the hypothesis of service quality affecting on compliance is conducted through testing the significance of the regression coefficient of service quality variables. The magnitude of the regression coefficient is 0.312725 and the t -statistic value is 2.543349. At the level of significance $\alpha = 5\%$; then the regression coefficient is significant because t -statistics (2.543349) $>$ t -table (1.98).

Based on the results of hypothesis testing above, it can be concluded that service quality has a significant positive effect on taxpayer compliance so that the third hypothesis of this research can be supported. A taxpayer will be obedient to pay taxes if he has direct experience of the services provided by the fiscal authorities to the taxpayer and the results of his tax levy may contribute to the development. Therefore, if the taxpayer's perception is satisfied with the services provided by the fiscal authorities, the taxpayer will obey the taxes and the taxpayer compliance in a State will increase. This result is in accordance with a research conducted by Mahardika (2015). Later in a research in America, Andreoni, Brian and Jonathan (1998) stated that the importance of good relations between the taxpayers and the tax collector will have a great effect on taxpayer compliance. While an experimental research conducted by Alm, Todd, Michael Jones, and Michael McKee in America found that there is a close relationship between tax compliance and services providing information given to the taxpayers. So it can be concluded that there is a close relationship between the services provided by fiscal authorities to the taxpayers on tax payments compliance. This is in accordance with the Public Interest Theory in which the taxpayer will report well that means the taxpayer compliance will be higher if the information about taxes are also given well.

Testing on the hypothesis of tax penalties affecting taxpayer compliance is conducted through testing the significance of the regression coefficient of variable tax penalties. The magnitude of the regression coefficient is 0.184443 and the t -statistic value is 2.350257. At the level of significance $\alpha = 5\%$; then the

regression coefficient is significant because t-statistics (2.350257) > t-table (1.98).

Based on the results of hypothesis testing above, it can be concluded that tax penalties have a significant positive effect on taxpayer compliance so that the fourth hypothesis of this research can be supported. The penalties will provide support in an effort to improve the taxpayer compliance. Penalties will provide a deterrent effect to the taxpayers who do not follow the procedures or conditions that have been set. Fines will directly provide assurance that the taxpayers can meet their tax obligations. Given the policy regarding the imposition of penalties due to late paying taxes is reasonable to improve discipline. Therefore, it can improve taxpayer compliance. This result is in accordance with a research of Rengki et.al (2014), which found that tax penalties affect the motivation to pay taxes.

Testing of the hypothesis of knowledge of fraud affecting the relationship between tax sanctions and taxpayer compliance is conducted through testing the significance of regression coefficients of tax sanctions interaction variables and knowledge of fraud. The magnitude of the regression coefficient is 1.190999 and the t-statistic value is 2.527506. At the level of significance $\alpha = 5\%$; then the regression coefficient is significant because t-statistics (2.527506) > t-table (1.98).

Based on the results of hypothesis testing above, it can be concluded that knowledge of fraud have a significant positive effect on the relationship between tax sanctions and taxpayer compliance so that the fifth hypothesis of this research can be supported. Tax payments can be viewed as a transfer, in which the purchasing power of an individual is exchanged for public services that the government may grant from tax funds collected from the taxpayers. Therefore,

the taxpayers have an incentive to act fraudulently, that is, it is more profitable to save money than to transfer it to the government by paying taxes. Yet individuals do not fully possess such opportunistic motivation. For example, some individuals honestly report their tax liabilities although they have a chance to cheat because they believe the cheating is unethical, so fraud can strengthen the taxpayers in paying taxes. This is in line with a research conducted by Yusof, Azrina and Lai (2014), which stated that the existence of information about fraud with fraud triangle approach will affect the taxpayer compliance.

Testing of the hypothesis of knowledge of fraud affecting the relationship between taxation knowledge and taxpayer compliance is conducted through testing the significance of regression coefficients of taxpayer knowledge interaction variables and knowledge of fraud. The magnitude of the regression coefficient is -0.427443 and the value of t-statistics of 1.223537. At the level of significance $\alpha = 5\%$; then the regression coefficient is not significant because t-statistics (-0.427443) < t-table (1.98).

Based on the results of testing the hypothesis above, it can be concluded that knowledge of fraud has no significant effect on the relationship between taxpayer knowledge and taxpayer compliance so that the sixth hypothesis of this research cannot be supported. The decision to obey or disobey tax rules is a cognitive behavior that is within the control of the individual. In making a tax compliance decision, taxpayers base their knowledge of fraud. The presence or absence of knowledge of fraud will not lead to the attitude of not paying taxes due to taxpayers.

Testing of the hypothesis of knowledge about fraud affecting the relationship between service quality and taxpayer compliance is conducted through testing the significance of the regression coefficient of service quality

interaction variables and knowledge of fraud. The magnitude of the regression coefficient is -0.433882 and the value of t-statistics is 1.003136. At the level of significance $\alpha = 5\%$; then the regression coefficient is not significant because t-statistics (1.003136) < t-table (1.98).

Based on the results of hypothesis testing above, it can be concluded that knowledge of fraud does not significantly affect the relationship between service quality and taxpayer compliance, so that the seventh hypothesis of this research cannot be supported. This result is because there is still a bad perception of the taxpayers towards tax fiscal authority service. Unqualified service is given to the taxpayer. The fiscal authorities have the competence in skill, knowledge, and experience in terms of taxation policy, tax administration and tax legislation. The service of the bank officer of the payment who is obliged to serve and provide explanation to the taxpayer kindly may bring bad experience to the taxpayer. Knowledge of fraud committed by fiscal authorities and of fraud can weaken the taxpayer compliance level in paying taxes.

Testing on the hypothesis about fraud affecting the relationship between tax penalties and compulsory compliance is conducted through testing the significance of the regression coefficient of variable interaction tax penalties and knowledge of fraud. The magnitude of the regression coefficient is -0.419419 and the value of t-statistics of 1.347742. At the level of significance $\alpha = 5\%$; then the regression coefficient is not significant because t-statistics (1.347742) < t-table (1.98).

Based on the results of hypothesis testing above, it can be concluded that knowledge of fraud does not significantly affect the relationship between tax penalties

and taxpayer compliance so that the eighth hypothesis of this research cannot be supported. Penalties are an effective policy to prevent non-compliance. To prevent non-compliance and to encourage taxpayers to fulfill their tax obligations, high administrative penalties must be enforced in order to advance the fairness and effectiveness of the tax system. However, this research proves that a high penalty is not an effective policy to prevent non-compliance. This is because the high penalties implementation is not so maximum yet that fraud may weaken the level of compliance of the taxpayers in paying taxes.

CONCLUSION

Taxpayer compliance in fulfilling taxation obligations in Indonesia is still always in trouble. Various efforts have been made by the government in an effort to attract the public cash to increase the State's cash for state expenditures. This research proves that tax sanctions, tax penalties, and tax services have a significant influence on taxpayer compliance in carrying out its obligations. However, tax knowledge received by the taxpayer does not affect taxpayer compliance. It possibly because the taxpayer only compensates for what he has to pay and there has been better tax and service consultancy services from the tax office. Then with respect to the presence or absence of influence of fraud knowledge on the four independent variables, it indicates that fraud knowledge can only affect the relationship between sanctions and taxpayer compliance. This proves that the more the taxpayers know the tax sanctions caused by negligence or deliberate are, the more they will avoid fraud or, in other words, will be more obedient. The implication of this research is that the government is expected to improve the quality of

tax services especially in the field of tax information, which is considered still not getting a good response from the taxpayers.

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