THE INFLUENCE OF NOTICE OF TAX COLLECTION AND NOTICE OF TAX UNDERPAYMENT ASSESSMENT ON REVENUE OF INCOME TAX ARTICLE 25
(STUDY AT TAX OFFICE MADYA MALANG PERIOD OF 2009-2013)

UNDERGRADUATE THESIS
**Presented as Form Prerequisite the Bachelor Degree of Taxation
At Faculty of Administrative Science University of Brawijaya**

**NI'MATUL FAIZAH
NIM. 105030400111054**

**UNIVERSITY OF BRAWIJAYA
FACULTY OF ADMINISTRATIVE SCIENCE
DEPARTMENT OF BUSINESS ADMINISTRATION
PROGRAM STUDY OF TAXATION
MALANG
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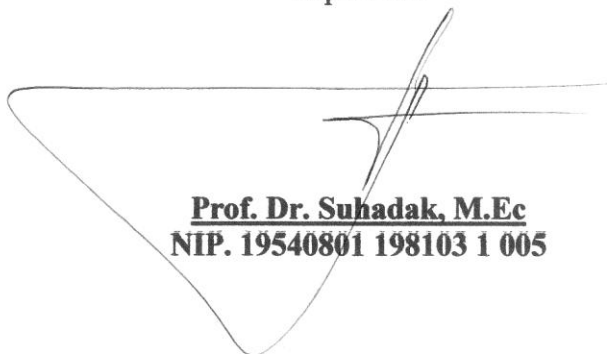|	
Title	: The Influence of Notice of Tax Collection and Notice of Tax Underpayment Assessment on Revenue of Income Tax Article 25 (Study at Tax Office Madya Malang Period of 2009 – 2013)
Author	: Ni'matul Faizah
Student ID Number	: 105030400111054
Faculty	: Faculty of Administrative Science
Department	: Business Administration
Program Study	: Taxation

Malang, April 29 2014

Board of Advisors,

Supervisor

Co-Supervisor

Prof. Dr. Suhadak, M.Ec
NIP. 19540801 198103 1 005

Dr. Siti Ragil Handayani, M.Si
NIP. 19630923 198802 2 001

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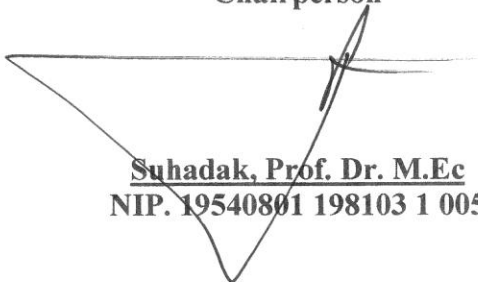
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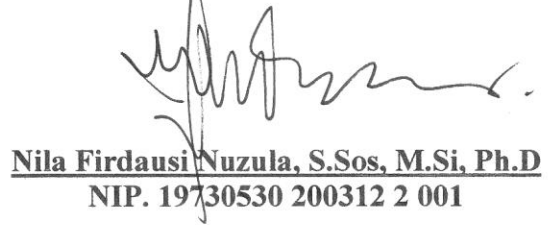NIP. 19540801 198103 1 005

Member

Siti Ragil Handayani, Dr. M.Si
NIP. 19630923 198802 2 001

Member

Kertahadi, Dr. M.Com
NIP. 19540917 198202 1 001

Member

Nila Firdausi Nuzula, S.Sos, M.Si, Ph.D
NIP. 19730530 200312 2 001

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Herewith I,

Name : Ni'matul Faizah
Student ID Number : 105030400111054
Faculty : Faculty of Administrative Science
Department : Business Administration
Program Study : Taxation

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105030400111054

RINGKASAN

Ni'matul Faizah, 2014, **Pengaruh Surat Tagihan Pajak (STP) dan Surat Ketetapan Pajak Kurang Bayar (SKPKB) terhadap Penerimaan Pajak Penghasilan Pasal 25 (Studi pada Kantor Pelayanan Pajak Madya Malang Periode 2009 – 2013)**, Prof. Dr. Suhadak, M.Ec, Dr. Siti Ragil Handayani, M.Si, 96 Halaman + xiii

Latar belakang penelitian ini berawal dari reformasi perpajakan yang mengimplementasikan *Self Assessment System* dalam sistem perpajakan Indonesia. Pada prakteknya, di Kantor Pelayanan Pajak (KPP) Madya Malang masih terdapat kesalahan yang dilakukan oleh wajib pajak dalam pelaporan pajaknya ataupun wajib pajak yang tidak membayar dan melaporkan pajaknya sesuai dengan peraturan perpajakan. Pihak KPP selaku pihak yang berwenang berupaya untuk mengatasi masalah ini dengan melakukan penelitian pajak dan pemeriksaan pajak yang menghasilkan Surat Tagihan Pajak (STP) dan Surat Ketetapan Pajak Kurang Bayar (SKPKB) yang digunakan sebagai sarana penagihan pajak. Melalui tindakan ini diharapkan dapat mengamankan penerimaan pajak terutama Pajak Penghasilan (PPh) Pasal 25.

Tujuan penelitian ini adalah untuk menjelaskan pengaruh variabel bebas STP (X_1) dan SKPKB (X_2) terhadap variabel terikat penerimaan PPh Pasal 25 (Y) baik secara bersama-sama (simultan) maupun terpisah (parsial). Jenis penelitian ini adalah penelitian penjelasan *(explanatory research)*. Populasi dan sampel yang digunakan adalah laporan jumlah STP dan SKPKB serta penerimaan PPh Pasal 25 periode 2009 – 2013 atau sebanyak 60 bulan untuk masing – masing laporan yang diterbitkan oleh KPP Madya Malang dengan jenis data *time series*. Pengujian hipotesis dilakukan dengan menggunakan uji asumsi klasik dan uji regresi linear berganda untuk mengetahui pengaruh independen variabel terhadap dependen variabel baik secara simultan maupun parsial.

Hasil pengujian hipotesis pertama menunjukkan bahwa STP dan SKPKB berpengaruh signifikan terhadap penerimaan PPh Pasal 25 secara simultan. Hal ini dibuktikan dengan nilai F_{hitung} yang lebih besar dari F_{tabel} yaitu 4,163 lebih besar dari 3,23. Sementara itu, hasil pengujian hipotesis kedua menunjukkan bahwa variabel STP berpengaruh negatif tidak signifikan terhadap penerimaan PPh Pasal 25 secara parsial dengan nilai t_{hitung} -1,558 lebih kecil dari t_{tabel} 2,01954. Sedangkan variabel SKPKB berpengaruh positif signifikan terhadap penerimaan PPh Pasal 25 secara parsial dengan nilai t_{hitung} 2,339 lebih besar dari t_{tabel} 2,01954.

SUMMARY

Ni'matul Faizah, 2014, **The Influence of Notice of Tax Collection and Notice of Tax Underpayment Assessment on Revenue of Income Tax Article 25 (Study at Tax Office Madya Malang Period of 2009 – 2013)**, Prof. Dr. Suhadak, M.Ec, Dr. Siti Ragil Handayani, M.Si, 96 Pages + xiii

The background of this research is started from tax reform that implements Self Assessment System in Indonesian taxation system. Practically, Tax Office Madya Malang records there are mistakes made by the taxpayer in reporting tax or tax payers who do not pay and report taxes in accordance with the tax laws. Tax office as the authority tries to solve the problem by doing tax verification and tax audit which will issue Notice of Tax Collection and Notice of Tax Underpayment Assessment that is used as media to collect taxes. This actions are expected to be able to save tax revenue especially Income Tax Article 25.

This research is aimed to explain the effect of independent variable Notice of Tax Collection (X_1) and Notice of Tax Underpayment Assessment (X_2) on dependent variable Income Tax Article 25 revenue (Y) either simultaneously or partially. The type of this research is explanatory research. Population and sample that are used in the current research is report of Notice of Tax Collection, Notice of Tax Underpayment Assessment, and Income Tax Article 25 revenue period of 2009 – 2013 or 60 months for each report that has been issued by Tax Office Madya Malang with time series data type. The hypothesis test is done by using Classical Linear Regression Model (CLRM) and multiple linear regression to know the effect of independent variables on dependent variable either simultaneously or partially.

The first hypothesis test result shows that Notice of Tax Collection and Notice of Tax Underpayment Assessment affect Income Tax Article 25 revenue significant simultaneously. This result is proven by the value of F_{count} greater than F_{table} i.e. 4,163 higher than 3,23. Meanwhile, the second hypothesis test result shows that independent variable Notice of Tax Collection negatively affects Income Tax Article 25 revenue insignificant partially with the value of t_{count} -1,558 lower than t_{table} 2,01954. Whereas, independent variable Notice of Tax Underpayment Assessment positively affects Income Tax Article 25 revenue significant patially with the value of t_{count} 2,339 greater than t_{table} 2,01954.

PREFACE

Great thank to The Most Gracious and The Most Merciful Allah SWT who always give blessing and guidance in this life, so this undergraduate thesis can be finished well. Peace and salutation be upon to the Prophet Muhammad SAW and his family. This undergraduate thesis, entitled **"The Influence of Notice of Tax Collection and Notice of Tax Underpayment Assessment on Revenue of Income Tax Article 25 (Study at Tax Office Madya Malang Period of 2009-2013)"**, is the final assignment to fulfill the part of requirements in accomplishing Bachelor Degree in Faculty of Administrative Science University of Brawijaya.

The author also would like to express the deepest thanks to people who have helped and supported in completing this undergraduate thesis, they are:

1. Family comprises Mother, Father, and Sister for every single love given to me and big support during all these times.

2. Prof. Dr. Bambang Supriyono, MS as the Dean of Faculty of Administrative Science University of Brawijaya.

3. Dr. Kadarisman Hidayat, M.Si as the Head of Program Study of Taxation in Faculty of Administrative Science University of Brawijaya.

4. Yuniadi Mayowan, S.Sos.,MAB as the Secretary of Program Study of Taxation in Faculty of Administrative Science University of Brawijaya.

5. Prof. Dr. Suhadak, M.Ec as the first Supervisor who has guided the author patiently, who has shared his advices and taught a lot of experiences to the author.

6. Dr. Siti Ragil Handayani, M.Si as the Co-Supervisor who has encouraged the author, who has guided the author patiently and lovely in accomplishing this undergraduate thesis. And also thank you for being the author's 'mother'.

7. Regional Office of Directorate General of Taxes East Java III who has granted permission to the author to conduct research at Tax Office Madya Malang.

Moreover, the author realizes that this undergraduate thesis is still far away from being perfect. Therefore, the author expects the following research to complement this undergraduate thesis for the sake of knowledge perfection. Hopefully, this undergraduate thesis can be helpful and give useful benefit for people. Thank you.

Malang, April 2014

The Author

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CHAPTER I

INTRODUCTION

A. Background

Development always occurs as the time runs. In this modern era, people cannot deny that the development which occurs gives betterment. Moreover, development requires participation from every single party in this country. Here, the role of government is needed. Government as the highest authority takes a role to keep the development goes sustainable. One of the ways is by collecting tax. Tax is being the most important thing as the source of funding to support development. According to the Regent of Bantaeng, Abdullah, there are fourteen benefits that can be obtained from taxes to support regional development (Anonymous, 2013). Some of them bring contribution toward education and health sector as well as development of infrastructure. Not to mention, the contribution of tax can be utilized for national development also. The Director General of Taxes, Fuad Rachmany, said in the year of 2012 the national revenue from tax sector was targeted by IDR 1.013,24 billion or 74,82% from total national revenue. The allocation of this tax revenue would be transferred to the local government by IDR 500 billion, personnel expenditure by IDR 200 billion, energy subsidy in the amount of IDR 210 billion, for public facilities development such as road, bridge, school, and other development (REP, 2012).

Based on the explanation above, we can see that tax contributes to the national development either regional. Moreover, nearly three-quarters the amount of national revenue came from tax. It means that tax is the biggest contributor upon the national revenue. Thus, the role of tax is necessary and it must be collected by government.

There are many kinds of tax that imposed in Indonesia. The collection of taxes will bring in tax revenue to the state, and it will be used to fund development as above. During this time, government tries to seek the way to optimize tax revenue. It has been started since the year of 1983 by managing tax reform and turning taxation system, from official assessment into self assessment system. Tax reform was based on the intention to improve the underlying law for collecting tax, which was a colonial inheritance, to become tax collection that leads to people participation, in order to encourage good distribution of income and the independence of state budget funding. In order to encourage people pay taxes properly, tax compliance is a basic requirement. The importance to increase tax compliance was the ground of tax reform (The Indonesian Tax in Brief, 2006:8). Not only that, government also keep update the law and regulation as well as increase the quality of services to facilitate taxpayers in fulfilling their tax obligation. By doing tax reform, government expects to increase tax compliance and achieve tax revenue as expected. The result proven that the accomplishment of tax revenue increases year by year as the following table.

Table 1 Tax Revenue Period of 2009-2012

(billion rupiah)

URAIAN	2009	2010	2011	2012
PPh MIGAS	50.043,70	58.872,70	65.230,70	58.665,80
PPh NON MIGAS	267.571,30	298.172,80	366.746,30	454.168,70
PPN DAN PPNBM	193.067,50	230.604,90	298.441,40	350.342,20
PBB	24.270,20	28.580,60	29.057,80	35.646,90
BPHTB	6.464,50	8.026,40		
CUKAI	56.718,50	66.165,90	68.075,30	72.443,10
PAJAK LAINNYA	3.116,00	3.968,80	4.193,80	5.632,00
JUMLAH	601.251,70	694.392,10	831.745,30	976.898,70

Source: www.pajak.go.id

Self assessment system that is used in Indonesia which requires participation of taxpayers actively, suppose to be done correctly. According to Diana and Setiawati (2009:1), self assessment system is a tax collection system that gives authority, trust, and responsibilities to taxpayers to count, pay, and report the amount of the payable tax. In addition, General Provision and Taxation Regulation (*Ketentuan Umun dan Tata Cara Perpajakan (KUP)*) which is currently stipulated by Law Number 16 2009 obliged all taxpayers to register first in order to get Taxpayer Identification Number (*Nomor Pokok Wajib Pajak (NPWP)*). Therefore, all the obligation of taxation is done by taxpayers. All the obligation has been regulated in General Provision and Taxation Procedures including registration, tax calculation method, tax payment method, and reporting tax return.

Registration, calculation, payment, and reporting tax are important things to be understood by taxpayers in order run tax obligation well. Moreover, reporting tax by using tax return supposes to be more considered by taxpayers

because it is the last part of tax obligation fulfillment. By reporting tax return, it can be proof that taxpayer have already pay taxes and perform his or her other tax obligation well. It also reflected tax compliance which is expected by government. Tax return that reported also can be a media for government to control taxpayers. The obligation to fulfill and submit tax return is regulated on General Provision and Taxation Procedures Article 3 which is stated "Every taxpayer shall be obliged to fulfill its Tax Return correctly, completely, and clearly in Indonesia Language, Latin alphabet, Arabic numerals, and Rupiah currency, and to sign and file it to the district tax office where the Taxpayer registers or confirms." (Law Number 16 2009)

Meanwhile, the meaning of correctly, completely, and clearly in fulfilling tax return have been explained in elucidation of Article 3 General Provision and Taxation Procedures, which are:

1. Correctly is correct in calculation, including correct in applying regulations, writing, and based on the actual situation.

2. Completely means contains all the elements which are related to the tax object and other elements that must be reported in tax return.

3. Clearly means reporting the sources of tax object and other elements that must be reported in tax return. (Law Number 16 2009)

In fact, sometimes taxpayers make mistakes in reporting tax return. Not to mention, the mistakes that done by tax payers can be little or big mistake which even cause state losses on tax revenue. There are two types of mistakes that commonly done by taxpayers, which are clerical errors and misapplication of

regulations. Clerical errors that occur for example can be error in writing personal identity or error in addition, reduction, multiply, or division of number. Meanwhile, misapplication of regulation can be error in calculation of payable tax, tariffs application, tax credit calculation, and so on. In some bigger cases, taxpayers might not report their tax return or report tax return but suspiciously indicates certain conditions to be audited. This condition may be caused by negligence, deliberate, or ignorance of regulation by the taxpayers. Therefore, it needs an action from government to detect if taxpayer has provided correct information that written in tax return.

Government through Directorate General of Taxes (*Direktorat Jenderal Pajak (DJP)*) not only has duty to collect taxes, but also give technical guidance, control, and evaluation in taxation sector. It is done to reduce errors and in order to run taxation administration well. According to Law Number 16 2009 Article 12, if taxpayers are proven that they report tax return incorrectly, Directorate General of Taxes may establish the correct amount of payable tax. The way to establish payable tax can be through tax verification and tax audit as corrective action as well as law enforcement toward the mistakes or disrespect that have been done by taxpayers.

Tax verification is done towards tax return that has been submitted by taxpayers. Directorate General of Taxes verifies whether tax return has written well, which means no mistype, and whether the amount of payable tax is correctly counted based on laws and regulations. If there is mistype in tax return, which has no effect on the amount of payable tax, Directorate General of Taxes only issues

appeal letter for taxpayers to correct and resubmit the right tax return in a predetermined time. However, if based on tax verification is found miscalculation which affects the lack amount of payable tax, Directorate General of Taxes may issue Notice of Tax Collection to show the correct amount of payable tax or fines and have the taxpayers to pay the correct amount of payable tax in a predetermined time as well.

Tax compliance that expected by government would not be emerge directly and easily among the tax payers. Somehow, government still undertake tax audit to examine tax compliance. Tax audit also gives positive influence towards tax payer compliance in performing his tax obligations, which is able to prevent tax evasion (Harmawan, 2011:4). In relation with self assessment system that runs in Indonesia, tax audit has clear purpose, which is to examine the correctness of payable taxes that reported by taxpayer based on data, information, and other supporting evidence. If it is found a fraud or other incorrectness, Directorate General of Taxes issues Notice of Tax Underpayment Assessment which establishes the correct amount of payable tax. This is conducted by Directorate General of Taxes in the form of law enforcement. Hence, it will not cause state loss, otherwise saves tax revenue.

Tax revenue which comes from the income tax is being the most contributing sector towards the entire tax revenue as it is shown at the Table 1 earlier. One of these kinds is income tax revenue from Income Tax Article 25. Income Tax Article 25 is paid by taxpayers every month as an installment of payable tax. The revenue of income tax is very important as it will be used for

government funding to fulfill society needs. Even if self assessment system is applied, but it doesn't grant that all the potential tax revenue will come to the government and reported well. Therefore, it still need corrective action and law enforcement through tax verification and tax audit to secure this potential tax revenue.

Tax Office (*Kantor Pelayanan Pajak (KPP)*) Madya Malang is the only medium taxpayers' office in the Regional Office of Directorate General of Taxes East Java III. Tax Office Madya Malang is administering entity taxpayers, thus, only entity taxpayers who are registered in Tax Office Madya Malang. Those entity taxpayers have obligation to pay and report Income Tax of Article 25 regularly. Entity tax payers obviously have potential high amount of payable tax regarding their business that run. The potential high amount of payable tax has to be secured and controlled in order not to be lost. During this time, Tax Office Madya Malang has already conduct tax verification and tax audit toward taxpayers who committed error in reporting their tax return and also toward taxpayers who disrespect to their taxation obligation. The result is Tax Office Madya Malang issued Notice of Tax Collection and Notice of Tax Underpayment Assessment which is securing the tax revenue that has not paid yet by those taxpayers.

Based on the explanation above, regarding the undertaking of tax verification that produces Notice of Tax Collection and the undertaking of tax audit that produces Notice of Tax Underpayment Assessment which both of them have potential security upon tax revenue, the researcher intents to conduct a

research entitled **"The Influence of Notice of Tax Collection And Notice of Tax Underpayment Assessment on Revenue of Income Tax Article 25 (Study At Tax Office Madya Malang Period of 2009-2013)"**.

B. Research Problems

Based on the explanation above, the problems related to the influence of Notice of Tax Collection and Notice of Tax Underpayment Assessment on Revenue of Income Tax Article 25 can be formulated as follows:

1. Do variable of Notice of Tax Collection (X1) and Notice of Tax Underpayment Assessment (X_2) have significant effect on the revenue of Income Tax Article 25 (Y) simultaneously in Tax Office Madya Malang?

2. Do variable Notice of Tax Collection (X_1) and Notice of Tax Underpayment Assessment (X_2) have significant effect on the revenue of Income Tax Article 25 (Y) partially in Tax Office Madya Malang?

C. Research Objectives

The purposes of this research are:

1. Knowing and explaining variable of Notice of Tax Collection (X_1) and Notice of Tax Underpayment Assessment (X_2) have significant effect on the revenue of Income Tax Article 25 (Y) simultaneously in Tax Office Madya Malang.

2. Knowing and explaining variable of Notice of Tax Collection (X_1) and Notice of Tax Underpayment Assessment (X_2) have significant effect on the revenue of Income Tax Article 25 (Y) partially in Tax Office Madya Malang.

D. Research Contribution

This research is aimed to bring some following contributions:

1. Academically

   a. As an expression of knowledge regarding the subject of taxation especially in tax verification, tax audit, and tax revenue.

   b. As an analysis for the next researcher related to the influence of tax verification and tax audit toward tax revenue.

2. Practically

   a. As an input information for related institution regarding the influence of undertaking tax verification and tax audit toward tax revenue.

   b. As a material of discussion for academician, tax expertise, and government to take a role at the subject of tax verification, tax audit, and tax revenue.

E. Part of Discussion

CHAPTER I   INTRODUCTION

This chapter explains about background, research formulation, research objectives, contributions, and part of discussion.

CHAPTER II   THEORETICAL FRAMEWORK

This chapter serves theoretical framework which consists theory that relevant to discuss the problems, and also explanation to support this research. It gives brief explanation of tax, tax return, tax verification, tax audit, Notice of Tax

Collection, Notice of Tax Assessment.

CHAPTER III   RESEARCH METHOD

The third chapter explains about the research method including the type of research, research location, data source, data collection method, and data analysis.

CHAPTER IV   RESULT AND ANALYSIS

This chapter describes the profile of research object which is Tax Office Madya Malang. It also provides data and analysis result regarding the research.

CHAPTER V   CONCLUSION AND SUGGESTION

The last chapter will be concluding remarks which consists of research conclusion and offers suggestion regarding the analysis result.
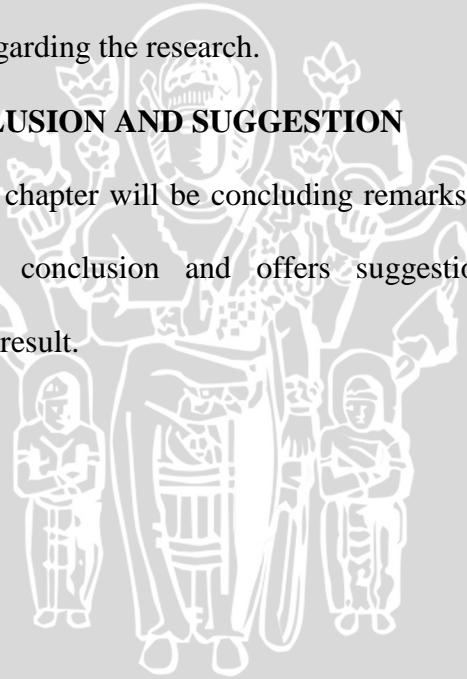
CHAPTER II

THEORETICAL FRAMEWORK

A. Previous Research

1. Salip and Wato (2006)

One of financial journal written by Salip and Wato (2006) entitled "*Pengaruh Pemeriksaan Pajak Terhadap Penerimaan Pajak, Studi Kasus di KPP Jakarta Kebon Jeruk*" used tax audit as an independent variable (X) and tax revenue in KPP Jakarta Kebon Jeruk as dependent variable (Y). Data analysis that used is *Kolmogorov-Smirnov (KS)* Test. The result of this research shows that independent variable of tax audit is influential towards dependent variable tax revenue in KPP Jakarta Kebon Jeruk.

2. Vegirawati (2011)

Another study related to the issuing of Notice of Tax Collection was conducted by Vegirawati (2011) entitled "*Hubungan antara Penerbitan Surat Tagihan Pajak dengan Penerimaan Pajak pada KPP Pratama Ilir Timur Palembang*". This study finds out that the relation between the issuing of Notice of Tax Collection with tax revenue has strong negative relationship.

3. Harmawan (2011)

Harmawan (2011) explains the influence of tax compliance and tax audit toward tax revenue on his research entitled "*Pengaruh Kepatuhan Wajib Pajak dan Pelaksanaan Pemeriksaan tehadap Pemeriksaan Pajak (Studi pada KPP Pratama Demak)*". Data analysis that used in this research is descriptive

analysis as well as inferential analysis. This research results tax compliance which is defined as tax return of income tax article 25 that reported punctually, and the undertaking of tax audit which is defined as the notice of tax underpayment assessment and notice of additional tax underpayment assessment that issued by KPP Pratama Demak are influential both simultaneously and partially toward the revenue of income tax article 25 in KPP Pratama Demak.

4. Mapping of Previous Research

The previous researches that have been described above can be the reference upon the current research. The previous research becomes the ground foundation and map for the current research. The brief summary of the previous research will be shown at the following table.
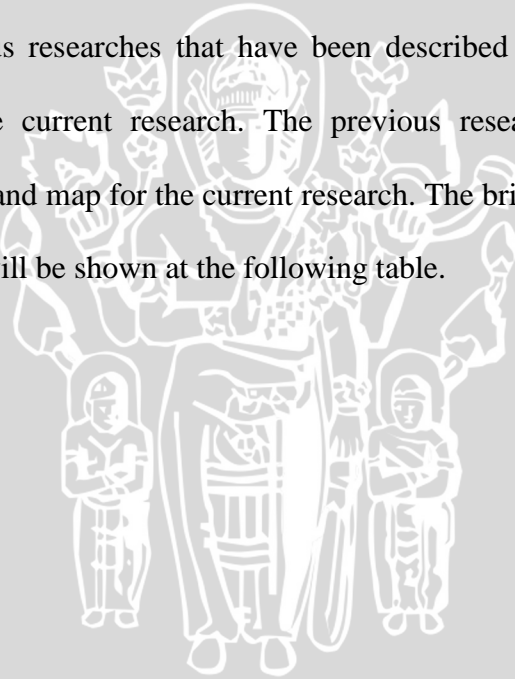
Table 2 Mapping of Previous Research

Number	Researcher	Research Title	Analysis
1	Salip and Wato (2006)	*Pengaruh Pemeriksaan Pajak Terhadap Penerimaan Pajak, Studi Kasus di KPP Jakarta Kebon Jeruk*	1. Explanatory research with quantitative approach. 2. Using *Kolmogorov-Smirnov (KS)* test
2	Vegirawati (2011)	*Hubungan antara Penerbitan Surat Tagihan Pajak dengan Penerimaan Pajak pada KPP Pratama Ilir Timur Palembang*	1. Explanatory research 2. Using analysis *Bivariate Correlation*
3	Harmawan (2011)	*Pengaruh Kepatuhan Wajib Pajak dan Pelaksanaan Pemeriksaan tehadap Pemeriksaan Pajak (Studi pada KPP Pratama Demak)*	1. Explanatory research with case study approach. 2. Using statistic descriptive analysis and inferential analysis.

Source: Analyzed by author, 2013

B. Tax

1. Definition of Tax

Since the era of kingdom, people have already known tax as '*upeti*'. *Upeti* was paid to the king in the form of agricultural product, plantation, fishery, etc. It was done by folk people as a respect and loyalty towards the king. In the modern era, Adam Smith in his book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, defines tax as "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the

revenue which they respectively enjoy under the protection of the state" (Bowman, 2011).

Another expertise, Seligman, in his *Essay in Taxation* (1925) asserted tax is compulsory contribution from the person, to the government to defray the expenses incurred in the common interest of all, without reference to special benefit conferred (Purwono, 2010:6). Legally speaking, Adriani defines "Tax is payment to the state based on laws payable to/from those obliged, the collection of which may be enforced, and there is no direct rewards to the payer, used for general spending to manage and to implement the sustainable national development" (Indonesian Tax in Brief, 2006:1).

According to Article 1 General Provision and Taxation Procedures, "Tax is mandatory contribution to the state that owed by individuals or entity which may be enforced based on laws, by not receiving direct reciprocity and it is used for state purposes for the greatest welfare of people" (Law Number 16 2009). Meanwhile, payable tax is tax which must be paid in a certain time, fiscal period, fiscal year, or in a part of fiscal year based on laws and regulations (Diana and Setiawati, 2009:121). Based on those definitions, we can conclude that tax is obligation of every single person or entity that is imposed by laws to pay to the government in order to fund the national finance, which not receive direct rewards.

2. Type of Tax

According to Resmi (2005:6), there are many kinds of taxes which can be categorized into three types, namely tax based on group, tax based on characteristic, and tax based on authority.

a. Tax Based on Group

There are two groups of taxes, which are direct taxes and indirect taxes.

1) Direct Taxes

Direct tax is imposed directly to the taxpayers and it cannot be transferable into other people. The burden of payable tax has to be borne by the taxpayers themselves. The example of direct tax is income tax.

2) Indirect taxes

The imposition of indirect tax can be diverted into another people. So, the burden of tax can be borne by someone else, e.g. value added tax.

b. Tax Based on Characteristic

Tax can be diverse into two based on its characteristic.

1) Subjective Tax

The imposition of subjective tax is considering the personal condition of taxpayers or the subject, e.g. income tax.

2) Objective Tax

Objective tax imposes tax by considering the object itself. The object can be thing, condition, or event which causes the obligation to pay

taxes without seeing the real personal condition of taxpayers. Value added tax is an example of objective tax.

c. Tax Based on Authority

Based on authority, tax can be divided into two which are central taxes and local taxes.

1) Central Tax

Central taxes are administered by central government. Types of taxes administered by central government are:

a) Income Tax

b) Value Added Tax

c) Sales Tax on Luxury Goods

d) Stamp Duty

2) Local Tax

Local Taxes are administered by local government. Based on Law Number 28 2009, local taxes consist of:

a) Province Taxes

(1) Motor Vehicle Tax

(2) Fees on Motor Vehicle Ownership

(3) Fuel Tax

(4) Surface Water Tax

(5) Cigarette Tax

b) City/Regency Taxes

a) Hotel Tax

b) Restaurant Tax

c) Entertainment Tax

d) Advertisement Tax

e) Street Lighting Tax

f) Tax of Mineral non Metal and Hard Core

g) Parking Tax

h) Water Land Tax

i) Swallow Nest Tax

j) Land and Building Tax

k) Fees on Acquisition of Land and Building

3. **Tax Function**

Resmi (2005:2) explains tax function in two points, namely budgetary function and regulatory function. The functions will be more explained as follows:

a. Budgetary function

Tax is a source of funding for government to fund his expenses. During this time, tax is becoming the biggest source of funding. According to official website www.pajak.go.id, tax takes around 70% (seventy percent) to fund government expenditure in the year of 2012.

b. Regulatory function

Tax is a tool or instrument to organize or implement government policy in economic and social sides. This function is used by government to implement policy in order to achieve particular purposes.

4. Tax Justification

There are some theories that explain justification of government to impose taxes toward the citizen. The theories according to Mardiasmo (2009:3) are:

a. Theory of Insurance

Government protects the safe of life, properties, and citizen's rights. That is why people ought to pay taxes as it likened an insurance premium.

b. Theory of Interest

The imposition of tax toward the citizen is based on each personal interest (e.g. protection). The more someone has personal interest on the country, the more he has to pay taxes.

c. Theory of Ability

Burden of taxes must be the same for all people. It means that people must pay tax based on each person's ability. To measure ability, it can use two approach ways as bellow:

1) Objective substance

This way is concerning how much the income or wealth owned by someone.

2) Subjective substance

This approach way is caring about how much material needs that have to be fulfilled by someone.

d. Theory of Loyalty

The fundamental justice of tax imposition is the relation between nation and its citizen. In order to be a good citizen, people must give their loyalty to the country by fulfilling their obligation in paying tax.

e. Theory of Purchasing Power

Imposing tax on citizen means that government collects purchasing power from citizen to be used in state. The next, state will redistribute to citizen in form social prosperity cultivation.

5. Tax Imposition System

There are several systems to conduct tax imposition towards taxpayers, namely official assessment, self assessment, and withholding system (Resmi, 2005:10). The following theory explains tax imposition system in brief.

a. Official Assessment System

Official assessment system is a tax imposition system which gives authority to the tax officers to determine the amount of payable tax in every fiscal year based on laws and regulations. The activity and initiatives to count and collect taxes are on the hand of tax officers. Therefore, the success of tax imposition depends on the tax officers because they take dominant role.

b. Self Assessment System

Self assessment system gives authority, trust, and responsibilities to taxpayers to count, pay, and report the amount of payable tax by themselves (Diana and Setiawati, 2009:1). According to Purwono

(2010:13), by applying this system is expected can be run neater, controllable, simple, and understandable by citizen. Hence, the role of taxpayers is necessary in order to achieve tax revenue for country.

c. Withholding System

This system is giving the authority for the third party to collect and cut taxes from taxpayers. The third party takes role as withholding agent who collect and cut taxes from other taxpayers.

If we look carefully, these three systems are integrated used in Indonesia. Self assessment as the foundation applies when taxpayers do their taxation obligation such as calculating, paying, and reporting income tax Article 17 or Article 25. At the same time, withholding system probably happen if he or she is a third party who has obligation to collect and cut income tax Article 21. While official assessment occurs when Directorate General of Taxes, as the controller, audits and verifies tax return which will cause the issuing of Notice of Tax Assessment and Notice of Tax Collection if it is found a fraud.

C. Income Tax

1. Scope of Income Tax

According to Law Number 36 2008, income tax is imposed on individuals or corporate that receives or earns income in a taxable year. Those whose receive or earn income are called as taxpayers.

2. Subject of Income Tax

Subject of Income Tax has been clearly stated in Article 2 Income Tax Law Number 36 2008. It consists of:

a. 1) Individual

   2) Undivided inheritance as a unit in lieu of the beneficiaries

b. Entity

c. Permanent establishment

Based on taxpayer's domicile, there are two types of income tax subject as following (Mardiasmo, 2009:130):

a. Resident Taxpayer

1) Individual who resides in Indonesia, an individual who has present in Indonesia for more than 183 (one hundred and eighty three) days within any 12 (twelve) months period, or an individual who has been residing in Indonesia within a particular taxable year and intends to reside in Indonesia.

2) Entity established or domiciled in Indonesia, except part of government bodies which fulfills these criteria as follows:

   a) Its establishment is pursuant to the laws

   b) Financed by State Budget or Local Government Budget

   c) Its revenues are included in State Budget or Local Government Budget.

   d) Its book keeping is audited by the government auditor.

3) Any undivided inheritance as a unit in lieu of beneficiaries.

b. Nonresident Taxpayer

1) An individual who does not reside in Indonesia, has been present in Indonesia for not more than 183 (one hundred and eighty three) days within any 12 (twelve) months period, and an entity which is not established and is not domiciled in Indonesia conducting business or carrying out activities through a permanent establishment in Indonesia.

2) Any individual who does not resides in Indonesia, has been present in Indonesia for not more than 183 (one hundred and eighty three) days within any 12 (twelve) months period, and any entity which is established outside Indonesia and is not domiciled in Indonesia, which may receive or accrue income from Indonesia other than from conducting business or carrying out activities through permanent establishment.

3. Exception of Income Tax Subject

Individual or entity is not always being a subject of income tax. The following list is not included as income tax subject:

a. Representative office of foreign countries.

b. Official of diplomatic and consular missions, or any other foreign official and any individual who work for and stay with them provided that they are not Indonesian citizens, and in Indonesia they do not receive nor accrue income other than from their position and their official duty in Indonesia, provided that the aforementioned country grants reciprocal treatment.

c. Any international organization provided that:

1) Indonesia is a member of the aforementioned organization

2) They do not conduct business or engage in other activities to derive income from Indonesia, except providing the government with loan which the fund comes from the member's contribution

d. The official of the representative of international organizations provided that they are not Indonesian citizens and do not conduct any business, engage in activities or other employment to derive income from Indonesia (Law Number 36 2008).

4. **Object of Income Tax**

The object of income tax is income itself. According to Indonesian Institute of Accountants (IIA) income is defined as the increasing of economic benefits in one accounting period in the form of revenue or assets addition or the decreasing of liabilities which is causing the increasing of equities that did not come from contribution of capital investment (Statement of Financial Accounting Standard (SFAS) 23, 1994). Moreover, based on Income Tax Law Article 4, "Income tax object is any income, which is defined as any additional economics capacity that received or earned by taxpayers both from Indonesia as well as abroad, that may be used for consumption or to increase taxpayer's wealth, in whatever name and form." (Law Number 36 2008)

Income tax object can be this kind as follows:

a. Compensation or remuneration received or accrued in respect of employment or service rendered, including salary, wage, allowance,

honorarium, commission, bonus, gratuity, pension, or other forms of remuneration, unless otherwise stipulated by the law.

b. Lottery prizes, or gifts, in respect of employment or activities, and reward

c. Business profit

d. Gains from the property sale or transfer, including:

1) Gains from property transfer to a company, a partnership, and other entity in exchange for shares or capital contribution

2) Gains earned by company, partnership, or other entities from the transfer of property to its shareholders, partners, or members

3) Gains from a liquidation, merger, consolidation, expansion, split-up, acquisition, or reorganization in whatever name and form

4) Gains from transfer of property in form of grant, aid or donation, unless they are given to relatives within one degree of direct lineage, and to religious body, educational or other social entity, including foundation, cooperative, or to any individual who conducting micro and small business which stipulated by Minister of Finance, provided that aforementioned parties have no business, employment, ownership, nor control relationship

5) Gains from the sale or transfer of part or all of mining rights, participation in financing, or capitalization in mining company

e. Refund of tax payments which already deducted as an expense and any additional payment of tax refund

f. Interest including premium, discounts, and compensation for loan repayment guarantees

g. Dividends, in whatever name and form, including dividends from an insurance company to its policyholders, and distribution of net income by cooperative

h. Royalty or compensation from the use of right

i. Rents and other income from the use of property

j. Annuities

k. Gains from the discharge of indebtedness up to a certain amount stipulated by Government Regulation

l. Gains from foreign exchange

m. Gains from revaluation of assets

n. Insurance premium

o. Contribution received or accrued by an association from its members who are taxpayers engaged in business or independent services

p. An increase in net wealth from income which has not been taxed

q. Income from sharia business

r. Compensation as stipulated by Laws concerning General Law and Tax Provision

s. Surplus of Bank of Indonesia (Law Number 36 2008)

5. Exception of Income Tax Object

Some of income gained by individual or entity can be exempted from income tax object. It means, government cannot impose tax upon it. Thus, it

shall be excluded from taxable object or called as non taxable object as listed in Article 4 (3) Income Tax Law below:

a. 1) Aids or donations, including alms received by alms charity board or other alms charity institution established or approved by the government and received by eligible alms recipient or compulsory religious donation for the followers of religions acknowledge by government, received by religious institution established and approved by government and received by eligible donations recipients, which are stipulated by government regulation.

2) Gifts received by relatives within one degree of direct lineage, and to religious body, educational or other social entity including foundation, cooperative, or to any individual who conducting micro and small enterprise which stipulated by Minister of Finance regulation, provided that aforementioned parties have no business, employment, ownership, nor control relationship

b. Inheritance

c. Assets including cash received by an entity in exchange for shares or capital contribution

d. Consideration or remuneration in the form of benefits in kinds in respect of employment or services received or accrued from taxpayer or government, except given by non taxpayer, taxpayer which imposed by final tax or taxpayer using deemed profit.

e. Payments by an insurance company to an individual in connection with health, accident, life or education insurance.

f. Dividends or distribution of profit or accrued by a resident limited corporation, cooperative, state-owned enterprise, or local government-owned enterprise through ownership in enterprise established and domiciled in Indonesia, provided that:

   1) Dividends are paid out from retained earnings.

   2) Limited corporations, state-owned enterprises and local government-owned enterprises receiving the dividends must own at least 25% (twenty five percent) of the total paid-in capital.

g. Contributions received or accrued by pension fund which its establishment is approved by Minister of Finance, either paid by an employer or an employee.

h. Income from capital investment of the pension fund as referred above in certain sectors as determined by the Minister of Finance Decree.

i. Distribution of profit received or accrued by a member of a limited partnership, whose capital does not consist of shares, partnership, association, firm, and kongsi, including a unit holder of collective investment contract.

j. Income received or accrued by a venture-capital company in form of profit distribution of a joint-venture company established and conducting business or engage in activities in Indonesia, provided that:

1) The investee is a micro, small, medium-sized enterprise, or engaged in activities in business sectors stipulated based on Minister of Finance Regulation.

2) The investee's shares are not traded in Indonesia stock exchange.

k. Scholarship that fulfills certain requirements which are stipulated based on Minister of Finance Regulation.

l. A surplus received or accrued by an institution or nonprofit organization engaged in education and/or research development, which has been listed in corresponding institutions, which is reinvested in form of education and/or research development infrastructures, within no more than 4 (four) years period since it is received or accrued.

m. Aid or donation paid by the Social Security Agency to a certain taxpayer (Law Number 36 2008)

6. Final Income Tax

Final income tax occurs when individual or entity earns or accrues final income tax object. Final income tax is directly calculated and paid by the receiver when the object is received. The report of final income tax shall be separated from the calculation of income tax in tax revenue. Yet, it shall be reported in annual tax return.

There are also incomes as subject to final income tax as follows:

a. Income in the form of interest from deposit and other savings, interest bonds and state bonds, interest paid by cooperative to its individual members.

b. Income in the form of lottery prizes.

c. Income from a transaction of shares and other securities, derivatives transaction traded in exchange, and sales of share or transfer of capital contribution from its company partner received by a venture-capital company.

d. Income from transfer of property such as land and/or building, construction services business, real estate business, and renting land and/or building.

e. Other certain income which are stipulated by government regulation (Law Number 36 2008)

7. Income Tax Rate and Calculation

a. Individual Taxpayer

Income tax is calculated by multiplying taxable income with income tax rate. Meanwhile, the income tax rate between individual taxpayer and entity is different. The income tax of individual taxpayer is calculated by progressive tariff. It means the presentation of the rate increases as well as the increasing of taxable income. The following table shows us presentation of individual income tax rate.

Table 3 Income Tax Rate

Taxable Income	Income Tax Rate
Until Rp 50.000.000	5%
More than Rp 50.000.000 until Rp 250.000.000	15%
More than Rp 250.000.000 until Rp 500.000.000	25%
More than Rp 500.000.000	30%

Source: Mardiasmo (2009:144)

Moreover, for individual taxpayers, taxable income can be calculated by two ways. First, it can be calculated by common way and second, it can be using calculation of final income tax based on Government Regulation Number 46 2013. The common way is calculating taxable income by subtracting gross income with expenses that is used to earn, collect, and secure income, and personal exemption which will generate net income. Furthermore, net income must be deducted by accumulated loss of previous year (if any) and personal exemption.

Personal exemption (*Penghasilan Tidak Kenak Pajak (PTKP)*) is a deduction to count taxable income which is given to individual taxpayers. The amount of personal exemption depends on individual taxpayers' marital status in the beginning of fiscal year (The Indonesia Tax in Brief, 2006:21). The current amount of personal exemption that is applied starting from the year 2013 is regulated on Minister of Finance Regulation Number 162/PMK.011/2012 as follows:

1) IDR 24.300.000 for the individual taxpayer himself or herself

2) IDR 2.025.000 is an additional for married taxpayer

3) IDR 24.300.000 is an additional for the wife, whose income is combined with the husband

4) IDR 2.025.000 is an additional for each family member up to at most 3 (three) person per family.

The determination of personal exemption by marital status of individual taxpayer can be as follow:

Table 4 Personal Exemption List

Marital Status	Amount
TK/0	IDR 24.300.000
K/0	IDR 26.325.000
K/1	IDR 28.350.000
K/2	IDR 30.375.000
K/3	IDR 32.400.000

Source: www.pajak.go.id

Hence, the simulation of calculation income tax of individual taxpayer

can be as follows:

Table 5 Individual Income Tax Calculation

Gross income	xxx
Expenses that is used to earn, collect, and secure	xxx -
Net income	xxx
Personal exemption	xxx -
Taxable income	xxx
Income tax = taxable income x progressive rate (%)	xxx

Source: Diana and Setiawati (2009:187)

b. Corporate and Permanent Establishment Taxpayer

Referring to Income Tax Law Article 17, the income tax rate for corporate and permanent establishment is 28% (twenty eight percent). It becomes 25% (twenty five percent) which applies starting from fiscal year of 2010. There is also tax rate for entity or public company whose at least 40% (forty percent) or their paid in capital are traded in Indonesia stock exchange and meet other certain requirements can obtain a rate of 5% (five percent) lower than the tax rate as referred above. Not to mention, based on Income Tax Law Article 31E, facilities of taxation is given to the entity taxpayer with gross income of IDR 50.000.000.000 in the form of reduction by 50% (fifty

percent) of income tax rate, which is imposed on taxable income from the part of gross revenue of IDR 4.800.000.000. In a simple way, the rate of those qualified taxpayer is 12,5% (twelve point five percent). The difference of calculation between individual and entity taxpayer is individual tax payers use progressive rate, while entity or corporate taxpayers use proportional rate. Another different between those kinds of taxpayers is the involvement of personal exemption to calculate income tax, in which case it is used by individual taxpayers but not by entity or corporate taxpayers.

The following table shows formulation of corporate tax

Table 6 Corporate Income Tax Calculation

Gross income	xxx
Expenses that is used to earn, collect, and secure income	xxx -
Net income	xxx
Taxable income	xxx
Income tax = taxable income x tariff (%)	xxx

Source: Diana and Setiawati (2009:189)

8. Income Tax Article 25

a. Definition of Income Tax Article 25

Basically, tax payment in the current year can be done in the following ways by tax payers (Resmi, 2005:297):

1) Through monthly installments that paid by taxpayers themselves, or it is called as income tax article 25 which is referring to the Article 25 Law Number 36 2008.

2) Through withholding by the third party or taxing inbound income which is referring to Article 21, 22, 23, and 24 Law Number 36 2008.

Income tax article 25 is an installment of income tax which supposes to be paid by tax payers themselves every month in the current fiscal year. The purpose of this monthly installment is to ease the tax payer's burden in paying taxes as well as bring in cash flow for state revenue (Harmawan, 2011:27). Moreover, the income tax installments can be a tax credit against all the amount of payable taxes from all kind of income which are earned by tax payer in the current fiscal year. This installment must be reported by taxpayer in annual tax return. Tax credit of income tax article 25 applied either for individual or entity tax payer.

Furthermore, the payment of installment income tax article 25 can be done every month through the appointed bank or post office by using Tax Payment Slip (*Surat Setoran Pajak (SSP)*). Tax payers are obliged to submit periodic tax return in the form of the third sheet of tax payment slip to tax office after fulfilling the tax payment. The payment of tax installment may not exceed 15 days from a tax period, while the submission of periodic tax return of income tax article 25 must be no longer than 20 days after the end of periodic tax. If the tax payment is concerned too late after the due date, taxpayers may be charged administrative penalty by 2% (two percent) interest monthly.

b. Calculation of Income Tax Article 25

The calculation of the installment income tax article 25 that must be paid by tax payer every month in the current year is the amount of payable tax based on last year's tax return minus by withheld income taxes which are

income tax article 21, 22, 23, and 24. The result is next divided by twelve or the number of months in the current fiscal year. The formula to calculate installment of income tax article 25 is as follows:

Table 7 Installment of Income Tax Article 25 Calculation

Payable Taxes		xxx
Tax Credit of		
• Income Tax Article 21	xxx	
• Income Tax Article 22	xxx	
• Income Tax Article 23	xxx	
• Income Tax Article 24	xxx	
• Amount of Credit Tax		(xxx)
Income tax paid themselves		yyy
Installment of income tax Article 25 = yyy : 12		zzz

Source: Purwono (2010:225)

D. Tax Return

1. Definition of Tax Return

Tax payer shall report to tax office that he or she has fulfilled his or her obligation in taxation, including registration, tax calculation, and tax payment. A media is needed in order to ease taxpayers to report their taxation obligation. Taxpayers use tax return as a media to report their obligations. Tax payers shall give appropriate information regarding the fulfillment of tax return.

Tax return is a letter which is used by taxpayers to report the calculation and/or tax payment, taxable object and/or nontaxable object and/or properties and liabilities based on laws and regulations (Resmi, 2005:28). Tax return shall be fulfilled correctly, completely, and clearly by taxpayer. The submission of tax return can be at the Directorate General of Taxes office

where the taxpayer is registered or the other place that established by Director General of Taxes. By fulfilling tax return well and submitting at the specified time limit, tax payer has done complete taxation obligation in that period.

2. Tax Return Function

The main function of tax return is as a media for people to report their taxation. Tax return has function not only for taxpayers themselves, but also for taxable person and the third parties as the withholder. The following will be explained tax return functions for those three parties according to Diana and Setiawati (2009:121).

a. Tax Return Function for Tax Payer

Tax Return function for taxpayers is a media to report and justify the calculation of the real amount of payable tax and to specify:

1) The payment of tax that has been done by tax payers themselves or through withholding by third party in one fiscal year or a part of fiscal year,

2) The incomes which are object of taxable income and/or nontaxable object,

3) Properties and liabilities, and/or

4) The payment from withholding agent on the collection or cutting other individual or entity tax in one fiscal period based on laws and regulations.

b. Tax Return Function for Taxable Person

The function of tax return for taxable person is a media to report and justify the calculation of Value Added Tax and Sales Tax on Luxury Goods actual payable and to specify:

1) Credit of Input Tax against Output Tax

2) Tax payment that has been done by taxable person himself and/or through withholding agent in a fiscal period based on laws and regulations.

c. Tax Return Function for Withholding Agent

For withholding agent, tax return is functioning as media to report and justify the other people's taxes which has been withheld and remitted. The submission of tax return must be done by withholding agent every tax period.

3. Type of Tax Return

Basically, there are two types of tax return that must be fulfilled and reported by taxpayers to Directorate General of Taxes i.e. annual tax return and periodic tax return (Diana and Setiawati, 2009:124). This division is to equate and simplify the fulfillment and administration of tax return itself. Currently, Directorate General of Taxes gives more convenience for taxpayer in reporting his taxes by providing manual tax return in the form of hardcopy and in the form electronic tax return. Hence, taxpayers can choose one of those two forms in reporting their taxes.

a. Annual Tax Return

Annual tax Return is tax return for particular fiscal year or a part of fiscal year (Law Number 16 2009). Fiscal year is a calendar year unless taxpayer adopts an accounting year which is different from calendar year.

The kinds of annual tax return for administrating income tax are as follows (Diana and Setiawati, 2009:125-126):

1) Form 1770, which is used to report payable income tax by individual taxpayer who earned income from independent personal service in a fiscal year.

2) Form 1770S, which is used to report payable income tax by individual taxpayer who earned income from only one employer in one fiscal year.

3) Form 1770SS is a tax return which is used to report payable income tax by individual taxpayer who earned income from one employer with maximum income by IDR 60.000.000.

4) Form 1771 is tax return that used to report payable income tax by entity tax payer in a particular fiscal year.

5) Form 1721 is used to report income tax Article 21 and/or Article 26 which has been withheld by withholding agent in a certain tax period.

b. Periodic Tax Return

Periodic tax return is a tax return for particular tax period (Law Number 16 2009). Tax period is equal to one calendar month or any other period that does not exceed three calendar months which is stipulated by

Minister of Finance Decree, which is the basic period of taxpayer to calculate, pay, and report payable tax.

Periodic tax return is covering such following types of tax return (Diana and Setiawati, 2009:129):

1) Periodic tax return of income tax

2) Periodic tax return of value added tax

3) Periodic tax return of value added tax for withholding agent

4. Time Limit of Submission and Sanction

Tax payer is considered reporting his tax returns if he fills out correctly and submit it punctually. Tax payer shall submit tax return at the latest date that determined by Directorate General of Taxes. The time limit of tax return submission is regulated on General Provision and Taxation Procedures. Due date for submission tax return shall be:

a. For periodic tax return is twenty days after the end of tax period.

b. For annual tax return of individual income tax payer is three months after the end of fiscal year.

c. For annual tax return of entity tax payer is four months after the end of fiscal year. (Law Number 16 2009)

Tax payer shall obey the regulation of taxation in submitting tax return. It suppose to be done in order to keep the administration of taxation can be run well to achieve tax compliance and tax revenue for the state. According to Resmi (2005:62), taxation penalties can be occurred because there is violation of taxation laws and regulations. There are two kinds of penalty that can be

imposed on taxpayer i.e. administrative penalty and criminal penalty. Administrative penalty can be in the form of interest, fine, and surcharge. In order to increase good taxation administration and tax compliance, Directorate General of Taxes set up certain administrative penalty that is imposed toward tax payer who submits tax return lately (Purwono, 2010:38). Moreover, the imposition of penalty is preceded by issuing Letter of Reprimand to give warning to tax payer for submitting tax return immediately.

The following list shows the amount of administrative penalty that is given to the taxpayer who submits tax return late based on the type of tax return.

Table 8 Administrative Penalty for the Late of Tax Return Submission

Type of Tax Return	Administrative Penalty
Periodic tax return	IDR 100.000
Periodic tax return of Value Added Tax	IDR 500.000
Annual tax return for individual tax payer	IDR 100.000
Annual tax return for entity tax payer	IDR 1.000.000

Source: Diana and Setiawati (2009:137)

E. Tax Verification

1. Definition of Tax Verification

In accordance to Article 1 Law Number 16 2009, "Verification is a series of actions undertaken to evaluate completeness of information and attachment of tax return, as well as the writing accuracy". Verification is needed to check if taxpayers write and calculate taxes well. Verification may result the lack of tax payment because of writing error or miscalculation. In addition as mentioned earlier, definition of verification includes series of

actions performed by Directorate General of Taxes for settlement of request excess tax refund which is requested by tax payers (Purwono, 2010:62).

2. **Scope of Tax Verification**

Tax verification is conducted by Directorate General of Taxes through Account Representative. The object verification is tax return that submitted by tax payers. Tax verification is done towards (Anonymous, 2011:12):

a. Completeness and correctness of the calculation that stated in either annual tax return or periodic tax return.

b. Punctuality and correctness of the amount payable tax that stated in either annual tax return or periodic tax return.

3. **Product of Tax Verification**

Verification that finds out writing error or miscalculation which causing the lack of tax amount that suppose to be paid by tax payers results Notice of Tax Collection. Besides, by doing tax verification also can be resulting the settlement of request excess tax refund such as (Purwono. 2010:62):

a. Payment of taxes which are should not be payable

b. Tax payer with particular criteria

c. Tax payer whose fulfill particular requirements

F. Tax Audit

1. Definition of Tax Audit

Commonly, people assume that audit is closely related with accounting. That is true. But somehow, audit is also needed in taxation in the form of law enforcement referring to the current condition which there still tax payers who do their tax obligation incorrectly. In accounting, audit is defined as the collection and evaluation of evidence regarding the information to determine and report degree of conformity between the information that received and criteria which has been set up, it must be conducted by competent and independent person (Elder, et.al., 2011:4).

Referring to Law Number 16 2009, the definition of audit is "A series of activities to find, collect, and process data and/or other information objectively and professionally based on audit standard in order to assess tax compliance and other objectives may necessary for complying with the provisions of tax laws." (Law Number 16 2009)

The following scheme shows on how tax audit works in Indonesia.
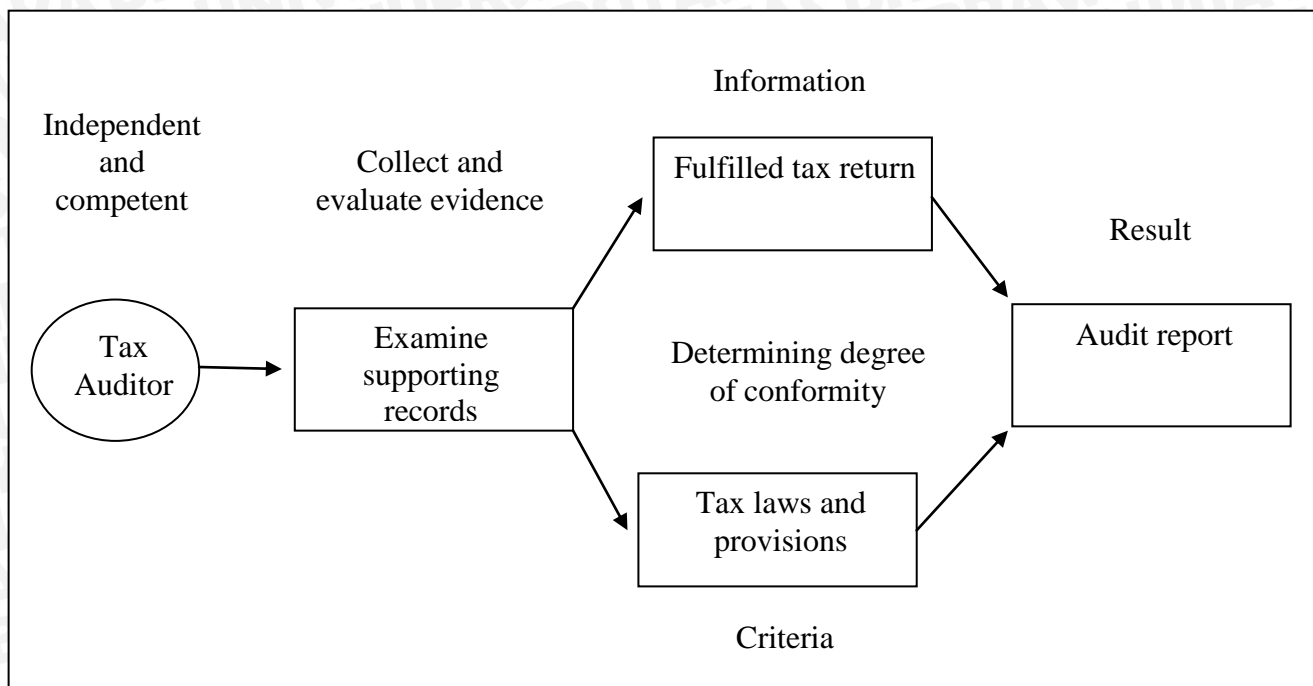
Figure 1 Tax Audit

Source: Elder, et.al., (2011:6)

2. Purpose of Tax Audit

Basically, the purposes of tax audit are to assess tax compliance and other purposes in order to uphold tax laws. The purpose of tax audit which is to assess tax compliance is conducted upon the following criteria of tax payers (Minister of Finance Regulation Number 17/PMK.03/2013):

a. Submitting tax return that expresses overpayment, including the one which has been given tax refund

b. Submitting tax return that expresses loss

c. Do not submit or submit tax return over the time given in Letter of Reprimand

d. Doing merger, consolidation, expanding, liquidation, dismissal, or willing to leave Indonesia permanently

e. Changing of year book or bookkeeping method or because of conducting fixed assets revaluations.

f. Do not submit tax return or overtime submit tax return which is fulfilling risk based selection criteria

g. Submitting tax return which fulfilling risk based selection that indicates tax payer does not complete tax obligation in respect to the tax laws.

Other purposes of tax audit that explained by Purwono (2010:62) are:

a. To give Taxpayer Identity Number officially

b. Removing Taxpayer Identity Number

c. Establishment or disestablishment taxable person

d. Tax payer files objections

e. To collect matter which will be used for arranging Net Income Calculation Norm

f. Data matching and/or other information

g. Determination of tax payer whose located in remote area

h. Determination of one or more taxable place of value added tax

i. Audit in the form of tax collection

j. Determination of the beginning production related to taxation facilities

k. Fulfillment requested information from the contracting states of Convention of Double Taxation Avoidance

3. Tax Audit Procedure

Audit is carried out to determine if tax return which is fulfilled by taxpayers complies with the requirements of tax provisions. Auditor examines

the supporting records provided by taxpayer or other sources. After finishing the audit, an auditor shall establish report to taxpayer regarding the audit result.

There are two kinds of tax audit namely office audit and field audit. Both of those kinds are conducted by professional tax auditor under the authorization of Directorate General of Taxes with procedures that stipulated by Minister of Finance Regulation. Currently, procedure of tax audit is stipulated in Minister of Finance Regulation Number 17/PMK.03/2013. In order tax audit run well and bring in an objective result, it needs cooperative actions from both auditor and auditee. Moreover, they must follow the regulations and procedures as well.

The obligations of tax auditor are as follow:

a. For audit purposes, tax auditor must possess an auditor identity card and an Audit Warrant, and must show them to the audited taxpayer.

b. Tax auditor must explain the purpose of tax audit that is done towards taxpayer.

c. Tax auditor must have sufficient technical education and skills in tax audit.

d. In carrying out the duties, tax auditor must work truthfully, responsibly, understanding, respectfully, and objectively.

e. The opinion and result of tax audit must be based on strong evidence and based on tax laws and provisions.

f. Tax auditor must provide guidance to taxpayer in performing his taxation obligation based on tax laws and provisions.

(Diana and Setiawati, 2009:82)

The following obligations must be fulfilled by tax payers under the audit.

a. Show and/or lend books, records, or documents upon which the tax is based, and other documents related to income received, business activities, independent personal services of tax payer, or taxable object.

b. Grant access to places or offices as deemed necessary and assist tax auditors in carrying out the audit.

c. Provide information requested. (Law Number 16 2009)

4. Product of Tax Audit

Regarding the purpose of tax audit, which is to assess taxpayers compliance and other purposes, there are several results of tax audit. When tax audit is carried out to assess tax compliance, it will be resulting Notice of Tax Assessment. The other results arise based on the purpose on why a tax audit is undertaken, such as the giving or removing Taxpayer Identity Number, establishment or disestablishment of taxable person, and other determinations.

G. Notice of Tax Collection and Notice of Tax Assessment

1. Definition of Notice of Tax Collection

According to Law Number 16 2009, Notice of Tax Collection is a notice for the imposition and collection of tax and/or administrative penalties in the form of interest and/or fines. Notice of Tax Collection has an equal legal stand as Notice of Tax Assessment. The legal standing of Notice of Tax

Collection and Notice of Tax Assessment will be the basis of tax collection if it increases the amount of payable tax.

2. **Notice of Tax Collection Function**

   Notice of Tax Collection has some function as follows (Resmi, 2005:46):

   a. As a correction of payable tax amount based on tax return

   b. As a media to impose penalty in the form of interests or fines

   c. As a media to collect tax

3. **Definition of Notice of Tax Assessment**

   Referring to Law Number 16 2009, Notice of Tax Assessment is a notice of assessment which can be notice o Tax Underpayment Assessment, Notice of Additional Tax Underpayment Assessment, Notice of Tax Overpayment Assessment, or Notice of Nil Tax Assessment.

4. **Type of Notice of Tax Assessment**

   Based on definition of Notice of Tax Assessment above, there are four types of Notice of Tax Assessment, which is explained as follows (Law Number 16 2009):

   a. Notice of Tax Underpayment Assessment is a notice o tax assessment that specifies a principle amount of payable tax, amount of tax credit, a principle amount of underpayment payable tax, amount of administrative penalties, and total of tax indebtedness.

b. Notice of Additional Tax Underpayment Assessment is a notice of tax assessment that specifies an additional amount of payable tax over previously issued tax assessment.

c. Notice of Tax Overpayment Assessment is a notice of tax assessment that specifies an amount of overpayment tax as a result of higher credit tax than payable tax or which should not have been payable.

d. Notice of Nil Tax Assessment is a notice of tax assessment that specifies the principle amount of payable tax as much as the amount of tax credit or there is no payable tax and no tax credit.

5. Notice of Tax Assessment Function

Based on the official website of Directorate General of Taxes http://www.pajak.go.id, Notice of Tax Assessment has some following functions:

a. A media to undertake fiscal correction towards particular taxpayer who's obviously or based on audit is not fulfilling his formal obligation and/or material obligation in running tax provision.

b. A media to impose administrative penalty

c. An administration media to conduct tax collection

d. A media to refund overpayment tax

e. A media to inform the amount of payable tax.

H. Conceptual Model and Hypothesis

1. Conceptual Model

Based on theoretical framework that has been explained above, the conceptual model to determine the hypothesis foundation can be seen through the following figure.
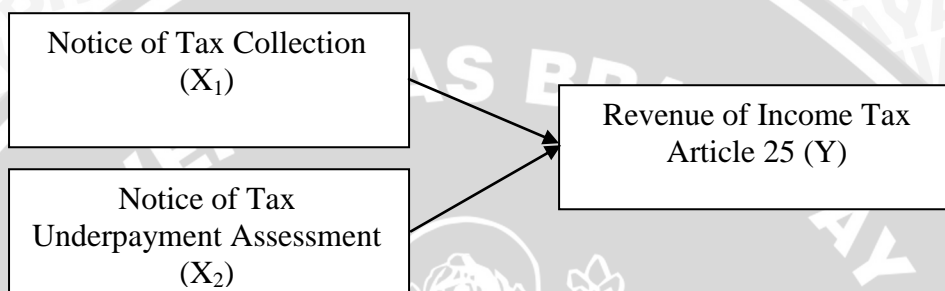
Figure 2 Conceptual Model
Source: Analyzed by author, 2013

2. Hypothesis

Hypothesis can be defined as a logically conjectured relationship between two or more variables expressed in the form of a testable statement (Sekaran, 2009:135). Moreover, *Webster's Third New International Dictionary* in Kumar (2011:82) defines hypothesis as a proposition, condition, or principle which is assumed, perhaps without belief, in order to draw out its logical consequences and by this method to test its accord with facts which are known or may be determined. Hypothesis model in this research that is generated from conceptual model previously is set as follows.
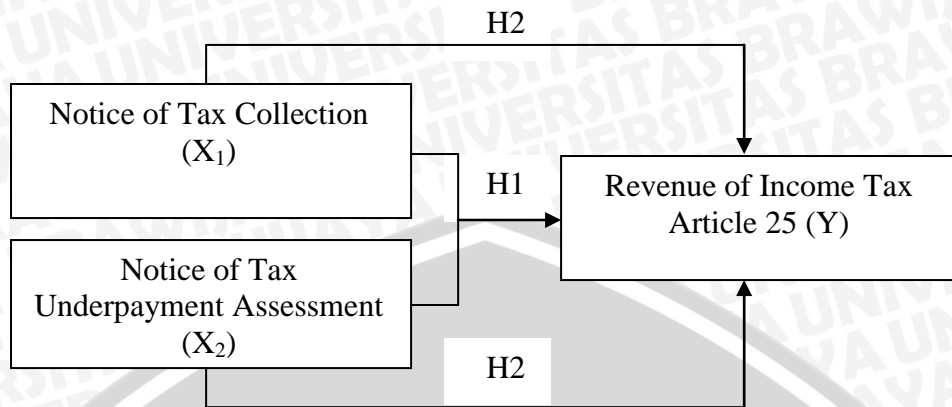
Figure 3 Hypothesis Model
Souce: Analyzed by author, 2013

Based on hypothesis model shown above and to answer problem of research tentatively, the formulation of hypothesis can be determined as follows:

H1. Variable of Notice of Tax Collection and Notice of Tax Underpayment Assessment have significant effect on the revenue of Income Tax Article 25 simultaneously.

H2. Variable of Notice of Tax Collection and Notice of Tax Underpayment Assessment have significant effect on the revenue of Income Tax Article 25 partially.

CHAPTER III

RESEARCH METHOD

A. Type of Research

Research is always develop and continue in this modern era accord with the necessity. People conduct research not only in the subject of science, but also economics, business, and other subjects. Research is a systematical work to take an answer or certain purpose. Kuncoro (2003:3) stated that scientific research is an aplication formally and systematically from scientific method to learn and answer the question. The purpose of research is identical with the purpose of knowledge science in general, which is to make expalanation, arrange prediction, and control the phenomenon that occurs in the determined limitation. Moreover, Sekaran (2009:6) defines that business research is a systematic and organized activities to investigate specific problems that appears in working environment, which actually needs solution.

Research supposes to be conducted in a certain method in order to be systematic and generates appropriate result. Research method is closely related to research design, because the clasification of research method is influenced by the design of the research itself (Nazir, 2005:47). The type of the current research is explanatory research. Zulganef (2008:11) stated explanatory research is a research which is purposed to analyze causality among variables that explain certain phenomenon. Furthermore, explanatory research attempts to clarify why and how there is relationship between two aspects of a situation or phenomenon (Kumar,

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2005:10). Based on explanation above, explanatory research is appropriate with this research because this research attempts to analyze the relation between variables of Notice of Tax Collection (X_1) and Notice of Tax Underpayment Assessment (X_2) toward the revenue of Income Tax Article 25 (Y).

B. Research Location

Research location as research object is a place where the research is conducted as well. This research is conducted in Tax Office (*Kantor Pelayanan Pajak (KPP)*) Madya Malang which is located at Jalan Panji Suroso, Malang, East Java, Indonesia.

Tax Office Madya Malang is decided to be the object of this research because it administers entity tax payers who have obligation to report tax return of Income Tax Article 25. Moreover, Tax Office Madya Malang is the only one medium taxpayers' office surroundings Regional Office of Directorate General of Taxes East Java III. Hence, research location determination is precise and relevant with this research.

C. Variable Identification and Operational Definition

A concept that can be measured on any one of the four types of measurement scale, which have varying degree of precision in measurement is called variable (Kumar, 2005:56) . In addition, Sekaran (2009:115) stated that variable is anything which is able to differentiate or bring variation into a value.

There are two kinds of variable that is used in this research, namely independent variable and dependent variable.

1. **Independent Variable (X)**

Kuncoro (2003:42) stated that independent variable is a variable which able to influence the changing into dependent variable and has a positive or negative connection with dependent variable in the further. Independent variables in this research are the value of Notice of Tax Collection (X_1) and Notice of Tax Underpayment Assessment (X_2) which is expressed in the form of currency IDR. Notice of Tax Collection is a notice for the imposition and collection of tax and/or administrative penalties in the form of interest and/or fines. It comes up from the undertaking of tax verification. Meanwhile, Notice of Tax Assessment is a notice of assessment which can be Notice of Tax Underpayment Assessment, Notice of Additional Tax Underpayment Assessment, Notice of Tax Overpayment Assessment, or Notice of Nil Tax Assessment. The current research uses Notice of Tax Underpayment Assessment as independent variable regarding the undertaking of tax audit which shows the lack amount of payable tax.

2. **Dependent Variable (Y)**

Dependent variable is a primary concern variable of research (Sekaran, 2009:116). It is influenced by the other variables. Dependent variable of this research is revenue of Income Tax Article 25 (Y) which is also expressed in the form of currency IDR. Income tax article 25 is an installment of income tax which supposes to be paid by tax payers themselves every month in the

current fiscal year. The payment of Income Tax Article 25 can be regular revenue for government.

D. Population and Sample

Population refers to the entire group of people, event, or interesting thing which is investigated by researcher (Sekaran, 2006:121). Meanwhile, Sugiyono (2011:80) defined population is generalization area which consists of: object/subject that has certain quality and characteristic which determined by researcher to be learned and then concluded. Population of this research is report of Notice of Tax Collection, Notice of Tax Underpayment Assessment, and Income Tax Article 25 that have been issued by Tax Office Madya Malang during 2009 until 2013 or 60 months.

Based on the population above, it is taken a sample. Sample is a part of the amount and characteristics belonged to population (Sugiyono, 2011:81). The sample in the current research is taken by using saturated sampling method. According to Sugiyono (2011:85), saturated sampling is one of technique to determine sample if the whole member of population is used as sample. This sampling method is used because it obviously represents the population as well as serves the data that needed to be analyzed. Furthermore, the amount of sample is 60 reports of Notice of Tax Collection, 60 reports of Notice of Tax Underpayment Assessment as well as 60 reports of Income Tax Article 25 in Tax Office Madya Malang. Therefore, the total amount of sample is 180 reports.

E. Source of Data

Source of data means where the data is collected from. Source of data can be divided into primary or field sources and secondary or documentary sources (Daniel and Sam, 2011:103). Information gathered using the first approach is said to be collected from primary sources, whereas the sources used in the second approach are called secondary sources (Kumar, 2011:139).

This research is using secondary resources, which is the data that already available as it has been collected and analyzed by other. Secondary data commonly is in form of evidence, note, or historical report that has been arranged in archive (documentary data), both published and/or unpublished. This research is using quantitative data that expressed in numerical measure and collected from period of 2009-2013. The quantitative data that is used in this research consists of:

1. Report of Income Tax Article 25 revenue

2. Report of Notice of Tax Collection

3. Report of Notice of Underpayment Tax Assessment

F. Data Collection Method

There are 3 (three) kinds of data that are used in regression analysis, namely time series data, cross sectional data, and pooled data (Ghozali, 2009:10). This research is using time series data, which is data based on observation that is done in a different time (Ghozali, 2009:10). This kind of data is collected regularly daily, weekly, periodically, or annually. The current research use periodic data, therefore it categorized as time series data.

Regarding the using of time series data, the data collection method is documentation. Documentation is a data collection technique by learning a document or file. A document is anything in writing that contains the matter of sociological or any other importance (Daniel and Sam, 2011:108). The documents that are collected including institution profile, report of Income Tax Article 25 revenue, and report of Notice of Tax Collection as well as Notice of Underpayment Tax Assessment that has been issued by Tax Office Madya Malang.

G. Data Analysis

1. Descriptive Analysis

Analysis is grouping, arranging, manipulating, and cut-shorting data in order easy to read (Nazir, 2005:358). Descriptive analysis is an activity to summarize raw data in the large amount so that the result can be interpreted (Kuncoro, 2003:172). This analysis is done by using statistical method. The purpose of descriptive analysis is to simplify the data that has been collected, so that it will be easier to be understood. This part also provides the value of natural logarithm for each variable. Therefore, variable X_1 will be LnX_1, X_2 will be LnX_2, and Y will be LnY. This computation is to transform data in order to create new variable with the basis variable for certain purpose (Trihendradi, 2010:32). The purpose of computation in this research is to create linear equation for further analysis.

2. Inferential Analysis

The quantitative data analysis proceeds from descriptive analysis to inferential analysis and multiple steps in the inferential analysis build a greater refined analysis (Creswell and Clark, 2011:207). Inferential analysis helps researcher to find out if the result that generated from particular sample can be generalized for population, thus the step will be more complex rather than descriptive analysis. Inferential analysis can be done by using software program SPSS. Software program of SPSS that is used in this research is SPSS version 17.00. The steps of analysis will be explained as follows:

a. Classical Linear Regression Model

Classical Linear Regression Model (CLRM) is a test of statistical assumption which is supposed to be done to know whether the statistic model that used is appropriate for conditions in the data. There are several tests to be conducted to precede classical linear regression model, namely normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

1) Normality test

Normality test is aimed to test if the residual variable is normally distributed in the regression model (Ghozali, 2009:107). Normality test can be done by using *Kolmogorov-Smirnov (KS)* Test. The data will be distributed normally if the significant value > 0,05.

2) Multicollinearity Test

Multicollinearity test has purpose to test if in the regression model is found high or perfect correlation among independent variables (Ghozali, 2009:25). Correlation among the independent variables should not be occurred in a good regression model. Multicollinearity can be seen through the value of *tolerance* and the opposite *variance inflation factor* (VIF) with the following criteria:

a) If the value of tolerance < 0,10 or VIF > 10, multicollinearity occurred.

b) If the value of tolerance > 0,10 or VIF <10, multicollinearity does not occurred.

3) Autocorrelation Test

Autocorrelation test is done to find out if in the regression model contains of correlation among the intruder errors (residual) at t period with the error at previous t-1 period. If correlation is occurred, then it is called that there is autocorrelation problem (Ghozali, 2009:79). To detect autocorrelation problems, can be using *Durbin-Watson (DW)* test with the following conditions:

H0 : there is no autocorrelation ($\rho = 0$)

HA: there is autocorrelation ($\rho \neq 0$)

Table 9 Durbin-Watson Test: Decision Making of Autocorrelation

Zero Hypothesis	Decision	If
There is no positive autocorrelation	Reject	$0 < d < dL$
There is no positive autocorrelation	No decision	$dL \leq d \leq dU$
There is no negative autocorrelation	Reject	$4-dL < d < 4$
There is no negative autocorrelation	No decision	$4-dU \leq d \leq 4-dL$
There is no positive or negative autocorrelation	Not reject	$dU < d < 4-dU$

Source: Ghozali (2009:80)

4) Heteroscedasticity Test

The next method is to test if the residual value or error μi in the regression model has the same variance or it is called homoscedasticity. Homoscedasticity means the same (*homo*) and spread (*scedasticity*) has the same variance (*equal variance*) (Ghozali, 2009:35). Meanwhile, heteroscedaticity can be occurred because the existence of data which is outlier. Heteroscedasticity does not ruin the property from *ordinary least square (OLS)* estimation which is still unbiased and consistent estimator, but this estimator is no longer has minimum variance and efficient so that it is not *Best Linear Unbiased Estimator (BLUE)* anymore. Heteroscedasticity can be detected by using Glejser test with the equation as follows:

$$|Ui| = \alpha + \beta 1 \, Ln \, X1 + \beta 2 \, Ln \, X2 + \mu$$

$|Ui|$ = absolute residual

α = constant

$\beta 1, \beta 2$ = coefficient of regression

Ln X1 = natural logarithm notice of tax collection

Ln X2 = natural logarithm notice of tax underpayment assessment

μ = prediction error

b. Multiple Linear Regression

Multiple linear regression is willing to test the influence of two or more independent variables (explanatory) toward one dependent variable (Ghozali, 2009:13). The formula of multiple linear regression of this research is stated as follows:

Ln Y = α + β1 Ln X1 + β2 Ln X2 + μ

Information:

Ln Y = natural logarithm revenue of income tax article 25

Ln X1 = natural logarithm notice of tax collection

Ln X2 = natural logarithm notice of tax underpayment assessment

α = constant

$\beta1, \beta2$ = coefficients of regression

μ = prediction error

c. F-Test

F-Test is to show if all independent variables that input into the regression model have influence simultaneously toward dependent variable. F-test can be stated mathematically in the following formula:

$$F = \frac{R^2/(k-1)}{(1-R^2)/(n-k)}$$

Information:

R^2 = determination coefficient

k = the number of independent variables

n   = the number of observation

The F-test is done by using referenced hypothesis as follows:

H0 = 0, means that there is no significant influence from independent variables on dependent variable.

Ha ≠ 0, means that there is significant influence from independent variables on dependent variable.

The criteria of decision making regarding the calculation result are:

1) If the probability value (p) F < α = 5%, then hypothesis (H0) is rejected

2) If the probability value (p) F > α = 5%, then hypothesis (H0) is accepted

d. t-Test

Basically, t-test is to show how far the influence of one independent variable towards dependent variable with assuming that the other independent variable are constant. The following formula is to count the value of t.

$$t = \frac{\beta 1}{se(\beta 1)}$$

Information:

$\beta 1$ = coefficient of regression

$se(\beta 1)$= standard error or standard deviation

Hypothesis to conduct t-test are:

H0 = 0, means that there is no significant influence from independent variables on dependent variable.

Ha ≠ 0, means that there is significant influence from independent variables on dependent variable.

The criteria of decision making regarding the result of calculation are:

1) If the probability value (p) t < α = 5%, then hypothesis (H0) is refused.

2) If the probability value (p) t > α = 5%, then hypothesis (H0) is accepted.

e. Coefficient of Determination (R^2)

Coefficient of determination (R^2) is to measure on how far the ability of model to explain the variation of dependent variable (Ghozali, 2009:15). If the value of R^2 is small, it means that the ability of independent variables to explain dependent variable is limited. Moreover, when in the process is obtained high value of R^2 is good, but when the value of R^2 is lower does not mean regression model is bad.

CHAPTER IV

RESULT AND ANALYSIS

A. Profile of Tax Office Madya Malang

1. Location of Tax Office Madya Malang

Tax Office (*Kantor Pelayanan Pajak (KPP)*) Madya Malang is located at Jalan Panji Suroso, Malang City, East Java, Indonesia. It is placed at suburb of Malang for exact, near to the north gateway of Malang City. As the second largest city in East Java Province, Malang distances 90 km southern of Surabaya City, the capital of East Java, or it can be reached by 2 hours ground trip from Surabaya. The geographical location of Malang is on 429.667 m Mean Sea Level with position of 112,06 – 112,07 East Longitude and 7,06 – 8,02 South Latitude.

2. History of Tax Office Madya Malang

Modernization that occurs in the body of Directorate General of Taxes brought in some changes. Along with vision and mission to conduct tax reform, government created modernization of tax administration. The creation was done by establishing modern tax office (*Kantor Pelayanan Pajak (KPP)*) nationwide. One of it was Tax Office Madya Malang. The establishment was based on Minister of Finance Regulation Number 132/PMK.01/2006 and the beginning of operational was set up to start at 9 April 2007. At first, the revenue target for Tax Office Madya Malang is IDR 1.818.010,17 million or

approximately 33,37% from total revenue surroundings Regional Office of Directorate General of Taxes East Java III.

Based on Director General of Taxes Decree Number KEP-29/PJ/2007 on 26 January 2007 as lastly amended by Director General of Taxes Decree Number KEP-31/PJ/2008 on 25 March 2008 concerning Registration Place for Particular Taxpayers and/or Working Report Place for Particular Taxable Person in case Adjustment Registered Taxpayers in Tax Office Madya Malang was established that 990 entity taxpayers were registered and reported their work at Tax Office Madya Malang. In 2012, the registered taxpayers increased become 1592 entity taxpayers. Recently, it was recorded in 2013 that 1002 entity taxpayers was registered.

3. Organization Structure and Job Description

Tax Office Madya Malang is one of 28 (twenty eight) tax offices madya in Indonesia. Tax Office Madya was established to carry out the duty of counseling, service, and control toward tax payers in the sector of income tax, value added tax, sales tax on luxury goods, and other indirect tax in the authorized area based on the laws (Minister of Finance Regulation No.62//PMK.01/2009). Regarding the duty of tax office that stipulated by laws, Tax Office Madya Malang runs the following function:

a. Collecting, data searching and processing, tax potential monitoring, and serving taxation information.

b. Establishment and publication of taxation laws

c. Administrating taxation files and documents, tax return acceptance and processing, and other letter acceptance and processing.

d. Taxation counseling.

e. Tax payers' registration service.

f. Administrating receivable tax and carrying out tax collection.

g. Carrying out tax audit.

h. Controlling tax compliance.

i. Carrying out tax consultation.

j. Carrying out tax intensification.

k. Correction of tax assessment.

l. Office administration.

Tax office Madya Malang is headed by the Head of Office. There are one subsection, 8 (eight) section, and one functional position in Tax Office Madya Malang. The organization structure and main duty of each section is regulated by Minister of Finance Regulation Number 62/PMK.01/2009 which will be explained as follows:

```
                                    ┌─────────────────────────┐
                                    │   General Subsection    │
                                    ├─────────────────────────┤
                                    │   Data and Information  │
                                    │    Processing Section   │
                                    ├─────────────────────────┤
                                    │     Service Section     │
                                    ├─────────────────────────┤
                                    │    Collecting Section   │
                                    ├─────────────────────────┤
                                    │     Controlling and     │
                                    │  Counseling Section I   │
                                    ├─────────────────────────┤
  ┌──────────────────┐              │     Controlling and     │
  │  Head of Office   │─────────────┤  Counseling Section II  │
  └──────────────────┘              ├─────────────────────────┤
                                    │     Controlling and     │
                                    │  Counseling Section III │
                                    ├─────────────────────────┤
                                    │     Controlling and     │
                                    │  Counseling Section IV  │
                                    ├─────────────────────────┤
                                    │    Audit and Internal   │
                                    │   Compliance Section    │
                                    ├─────────────────────────┤
                                    │   Functional Position   │
                                    └─────────────────────────┘
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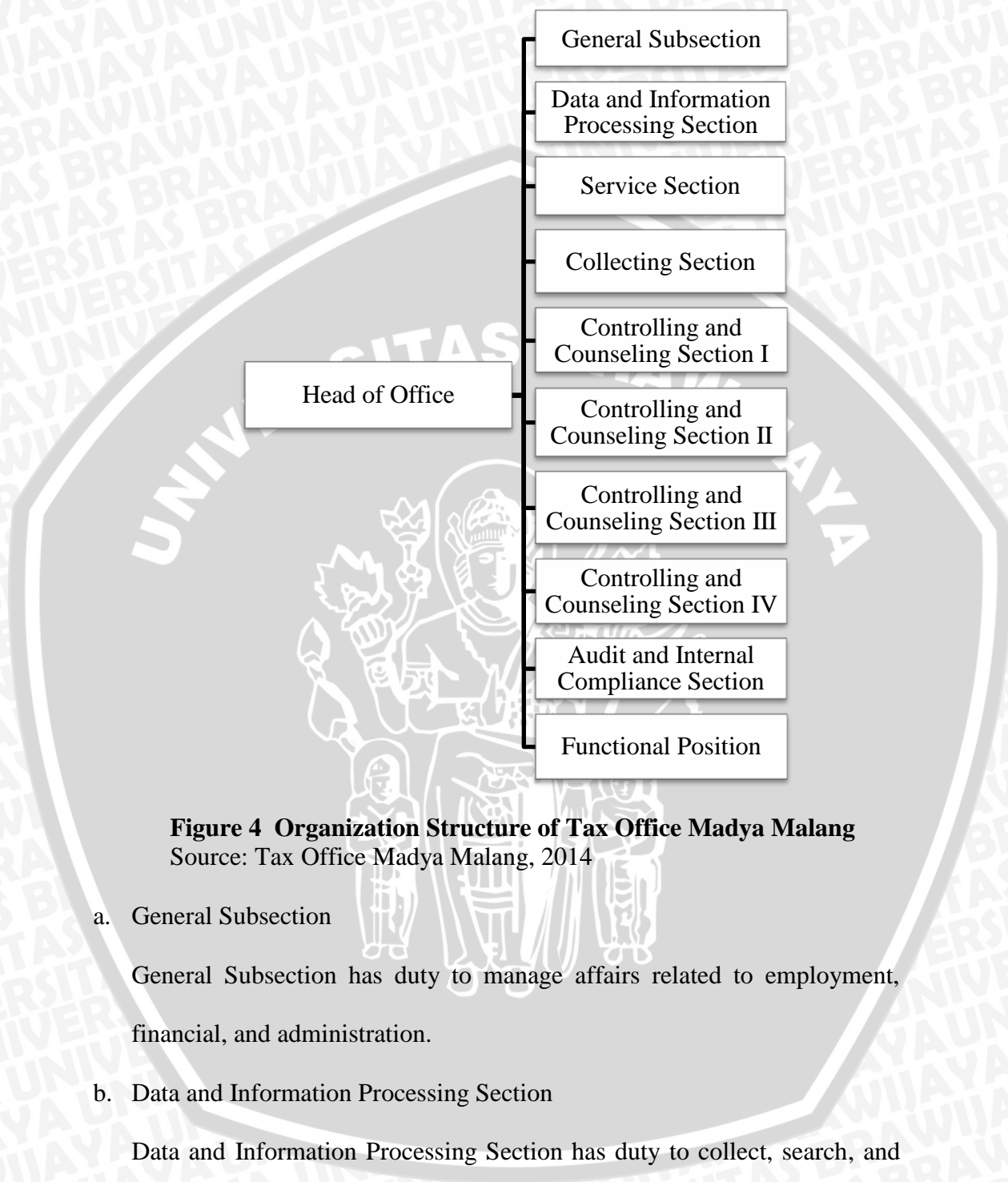
Figure 4 Organization Structure of Tax Office Madya Malang
Source: Tax Office Madya Malang, 2014

a. General Subsection

General Subsection has duty to manage affairs related to employment, financial, and administration.

b. Data and Information Processing Section

Data and Information Processing Section has duty to collect, search, and process data, tax potential monitoring, serving taxation information, recording taxation documents, serving computerized technical support, monitoring e-SPT and e-filling application, and preparing working report.

c. Service Section

Service Section has duty to establish and publish taxation laws, administrating taxation documents and files, tax return acceptance and processing, and other letter acceptance and processing, taxation counseling, taxpayers' registration service, and carry out cooperation in taxation sector.

d. Collecting Section

Collecting Section has duty to manage receivable tax administration, payable tax postponement and installment, carry out active tax collection, offering receivable tax abolishment suggestion, and keep tax collection documents.

e. Audit and Internal Compliance Section

Audit and Internal Compliance Section has duty to arrange audit plan, control of tax audit regulation implementation, issue and convey Tax Audit Warrant and other tax audit administration.

f. Controlling and Counseling Section I, II, III and IV

Controlling and Counseling Section I, II, III and IV have duty to monitor tax payers' compliance, provide counseling/appeal for tax payers and taxation technical consultation, arrange tax payers' profile, analyze tax payers' work, tax payers' data reconciliation in term of intensification, offer tax assessment correction and decision on appeal evaluation.

g. Functional Position

Functional Position has duty to conduct activities based on the position according to laws and regulations.

4. Vision and Mission

Tax Office Madya Malang works under the authority of Directorate General of Taxes, and both Directorate General of Taxes and Tax Office Malang have a harmonic vision and mission. The visions and mission are stated as following.

a. Vision

1) Vision of Directorate General of Taxes

"Be the best government institution as a tax collector in regional Southeast Asia"

2) Vision of Tax Office Madya Malang

"Be the best tax office, which use modern and effective taxation administration system, efficient, trusted, and proud by society"

b. Mission

1) Mission of Directorate General of Taxes

"To run the function of taxation administration by implementing taxation laws and regulations fairly in order to state funding for the sake of society welfare"

2) Mission of Tax Office Madya Malang

"Be able to service people in taxation sector with the excellent and fair service, and also be able to have a share in creating independency of state funding based on the aught potency"

5. Working Area

Tax Office Madya Malang covers 19 cities around regional East Java III. The north side area directly borders with the working are of Regional Office of Directorate General of Taxes East Java II. Nganjuk Regency becomes the top northwest border, while Pasuruan Regency takes the northeast border. Henceforth, the working area of Tax Office Madya Malang outstretches the whole south part of East Java. The southwest border is Tulungagung Regency and Banyuwangi Regency is the southeast border side of Tax Office Madya Malang. The working area of Tax Office Madya Malang can be seen through Figure 4 below.
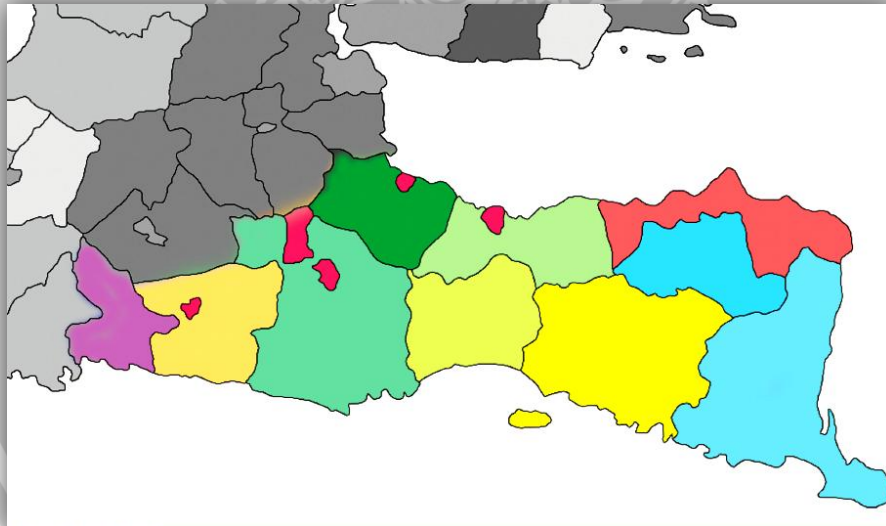
Figure 5 Working Area Map of Tax Office Madya Malang
Source: Tax Office Madya Malang, 2014

The coverage areas of Tax Office Madya Malang that shown with the colored areas at Figure 4 are:

a. Tulungagung Regency

b. Trenggalek Regency

c. Blitar Regency

d. Kediri Regency

e. Malang Regency

f. Lumajang Regency

g. Jember Regency

h. Banyuwangi Regency

i. Bondowoso Regency

j. Situbondo Regency

k. Probolinggo Regency

l. Pasuruan Regency

m. Nganjuk Regency

n. City of Kediri

o. City of Blitar

p. City of Malang

q. City of Probolinggo

r. City of Pasuruan

s. City of Batu

6. Human Resources

Tax Office Madya Malang concerns about the development and quality of its employee because they believe that the characteristic of employee represents the organization. As one of government institution, Tax Office Madya Malang keep growing and developing in order to achieve its vision and mission. The growth and development supported by competent,

creative, innovative, and high integrated employees who are coming from a variety age, education level, functional position, and gender. There are 99 employees work in Tax Office Madya Malang. The following graphic are the statistic of employee in Tax Office Madya Malang.

Figure 6 Employee Chart
Source: Tax Office Madya Malang, 2014

The figure above shows that most of employees in Tax Office Madya Malang are male which percentage 88% from the total 99 employees. Meanwhile, the female employees are only 12%. Nevertheless, they are working equally and professionally. Another statistic data related to human resource in Tax Office Madya Malang are the employee education level. Education level is a necessary consideration to appreciate people, and also it can be measurement for personal quality. The higher education of people means the higher their personal quality anyway. The education level of Tax Office Madya Malang will be shown by the following table.

Figure 7 Employee Education Level
Source: Tax Office Madya Malang, 2014

Figure 6 above shows the education level of the employee. Most of Tax Office Madya Malang employees are graduated from bachelor degree (S1) or D4. The amount is 49% of the total employees. The lowest education level of the employee is vocational D1 which is recorded 21% of the total employee. There are 15% from total people who are graduated from each vocational D3 and master degree (S2). The highest education of employee is master degree. By seeing the chart, it can be concluded that most of Tax Office Madya Malang employees reach high education. Therefore, the employees' personal quality is way good.

7. Characteristic of Tax Payers

The demography of tax payers who are registered in Tax Office Madya Malang spread out from the eastern until western of working area. Based on the workplace, tax payers are concentrated around Malang Raya (Batu City, Malang City, and Malang Regency) and Pasuruan City and Regency with the population 1.082 tax payers or approximately 67,901% from the total registered tax payers. The rest populations of tax payers are spread

around other cities and regencies. The registered tax payers in Tax Office
Madya Malang always change every year as shown at the following table.

Table 10 Registered Tax Payers in Tax Office Madya Malang

Year / Tax payer	2009	2010	2011	2012	2013
Total	1049	1052	1044	1019	1002

Source: Tax Office Madya Malang, 2014

Based on business field category (*Klasifikasi Lapangan Usaha (KLU)*),
composition of registered tax payers is concentrated in trading and service
sector, i.e. 28,77% and 21,41%. The next more contributing sector in Tax
Office Madya Malang is industry who take 12,69% part of contribution in the
total tax revenue. However, from the revenue proportion,Tax Office Madya
Malang is rely on industry sector, especially cigarette industry. It is proven by
47,50% from the total tax revenue was coming from cigarette industry in 2011
and 40,95% in 2012.

B. Data Presentation

Data presentation shows and explains on data research which has been
collected by the researcher. As the data is expressed in numerical measure, this
part is solely aimed to explain the data in order to be understandably by other
people. The explanation will be consisting of the calculation of mean, maximum,
minimum, the amount of data, and the value of Ln (natural logarithm) of each
variable.

1. Notice of Tax Collection (X_1)

Notice of Tax Collection is a notice for the imposition and collection of tax and/or administrative penalties in the form of interest and/or fines which issued by government and it may increase tax revenue. Notice of Tax Collection is issued after government conduct tax verification through Account Representative. The following table shows on how many Notice of Tax Collection that had been issued by Tax Office Madya Malang as a sample.

Table 11 The Amount of Notice of Tax Collection

Year	Month	Sheet(s)	Amount		LnX_1
2009	January	7	Rp	99.033.885	18.41
	February	2	Rp	9.954.687	16.11
	March	2	Rp	18.445.014	16.73
	April	3	Rp	1.093.668	13.91
	May	0	Rp	-	
	June	4	Rp	9.911.448	16.11
	July	0	Rp	-	
	August	3	Rp	52.726.489	17.78
	September	0	Rp	-	
	October	19	Rp	660.590.937	20.31
	November	7	Rp	700.000	13.46
	December	0	Rp	-	
2010	January	27	Rp	184.576.605	19.03
	February	13	Rp	178.762.244	19.00
	March	15	Rp	67.402.308	18.03
	April	33	Rp	258.821.606	19.37
	May	15	Rp	639.121.809	20.28
	June	68	Rp	201.600.766	19.12
	July	15	Rp	197.284.828	19.10
	August	32	Rp	90.000.161	18.32
	September	2	Rp	980.325	13.80
	October	2	Rp	1.100.000	13.91
	November	10	Rp	9.559.801	16.07
	December	7	Rp	24.421.423	17.01
2011	January	67	Rp	3.739.104.498	22.04
	February	15	Rp	638.389.435	20.27

Continued

Continues from Table 11

	Month				
	March	5	Rp	54.194.277	17.81
	April	8	Rp	1.844.037	14.43
	May	5	Rp	197.264.214	19.10
	June	43	Rp	81.543.817	18.22
	July	31	Rp	154.376.356	18.85
	August	29	Rp	232.733.509	19.27
	September	71	Rp	173.802.482	18.97
	October	32	Rp	169.752.702	18.95
	November	17	Rp	307.886.819	19.55
	December	43	Rp	390.148.062	19.78
2012	January	24	Rp	181.621.456	19.02
	February	29	Rp	79.753.274	18.19
	March	27	Rp	73.045.888	18.11
	April	18	Rp	15.106.575	16.53
	May	20	Rp	30.433.656	17.23
	June	10	Rp	195.703.982	19.09
	July	8	Rp	56.695.665	17.85
	August	41	Rp	128.226.073	18.67
	September	18	Rp	425.305.698	19.87
	October	15	Rp	60.647.978	17.92
	November	30	Rp	216.533.099	19.19
	December	42	Rp	264.393.860	19.39
2013	January	31	Rp	800.974.963	20.50
	February	54	Rp	519.382.736	20.07
	March	8	Rp	72.687.251	18.10
	April	9	Rp	81.644.375	18.22
	May	9	Rp	80.610.428	18.21
	June	4	Rp	30.912.375	17.25
	July	17	Rp	139.520.635	18.75
	August	15	Rp	57.873.666	17.87
	September	17	Rp	210.129.072	19.16
	October	45	Rp	315.882.505	19.57
	November	12	Rp	74.886.266	18.13
	December	22	Rp	628.943.269	20.26
Total		1177	Rp	13.588.042.957	
Mean		19,616667	Rp	226.467.383	
Maximum		71	Rp	3.739.104.498	
Minimum		0	Rp	-	

Source: Data processed, 2014

The table above shows us on the average amount of Notice of Tax Collection that issued by Tax Office Madya Malang from the year of 2009 – 2013 was IDR 226.467.383. Meanwhile, the highest amount of Notice of Tax Collection was IDR 3.739.104.498 reached on January 2011. There were a few months during 2009 – 2013 when Tax Office Madya Malang did not issue Notice of Tax Collection, therefore the report of Notice of Tax Collection were nominally 0 (zero), and it became the lowest amount of this part.

2. Notice of Tax Underpayment Assessment (X_2)

Notice of Tax Underpayment Assessment is a notice o tax assessment that specifies a principle amount of payable tax, amount of tax credit, a principle amount of underpayment payable tax, amount of administrative penalties, and total of tax indebtedness. It is issued regarding of the undertaking of tax audit that is conducted by government. Tax payers shall settle out the amount that stated in Notice of Tax Underpayment Assessment in case it is issued under their name. Hence, the tax payment of Notice of Tax Underpayment Assessmnet may be additional revenue for government. The following table shows the amount of Notice of Tax Underpayment Assessment that has been issued by Tax Office Madya Malang from the year of 2009 – 2013 as sample of this research.

Table 12 The Amount of Tax Underpayment Assessment

Year	Month	Sheet(s)	Amount	LnX$_2$
2009	January	0	Rp -	
	February	2	Rp 71.553.179	18.09
	March	5	Rp 2.156.721.840	21.49
	April	0	Rp -	
	May	0	Rp -	

Continued

Continues from Table 12

	June	1	Rp 6.364.786	15.67
	July	0	Rp -	
	August	5	Rp 6.176.801.753	22.54
	September	1	Rp 378.147.252	19.75
	October	3	Rp 227.284.745	19.24
	November	1	Rp 990.686.886	20.71
	December	0	Rp -	
2010	January	0	Rp -	
	February	1	Rp 170.141.939	18.95
	March	5	Rp 185.921.729	19.04
	April	8	Rp 115.658.493.735	25.47
	May	1	Rp 23.555.147	16.97
	June	2	Rp 306.191.522	19.54
	July	2	Rp 609.921.096	20.23
	August	3	Rp 2.273.473.748	21.54
	September	2	Rp 55.933.101	17.84
	October	1	Rp 1.525.085.598	21.15
	November	3	Rp 1.094.394.655	20.81
	December	3	Rp 3.261.717.838	21.91
2011	January	3	Rp 368.360.607	19.72
	February	1	Rp 60.633.528	17.92
	March	4	Rp 84.222.490	18.25
	April	4	Rp 597.973.601	20.21
	May	2	Rp 18.389.655	16.73
	June	6	Rp 896.775.024	20.61
	July	1	Rp -	
	August	3	Rp 2.424.324.354	21.61
	September	0	Rp -	
	October	2	Rp 11.478.378.851	23.16
	November	1	Rp 180.309.732	19.01
	December	3	Rp 27.796.176	17.14
2012	January	0	Rp -	
	February	1	Rp 2.219.539	14.61
	March	5	Rp 3.317.519.195	21.92
	April	7	Rp 1.349.983.356	21.02
	May	2	Rp 1.524.992.731	21.15
	June	3	Rp 981.845.603	20.70
	July	0	Rp -	
	August	0	Rp -	
	September	3	Rp 823.040.667	20.53

Continued

Continues from Table 12

	October	0	Rp	-
	November	0	Rp	-
	December	5	Rp	390.041.993	19.78
2013	January	4	Rp	6.694.610.054	22.62
	February	1	Rp	25.120.425	17.04
	March	4	Rp	516.709.176	20.06
	April	10	Rp	5.808.196.679	22.48
	May	0	Rp	-
	June	7	Rp	62.701.397.150	24.86
	July	0	Rp	-
	August	2	Rp	911.468.878	20.63
	September	4	Rp	11.638.656.845	23.18
	October	3	Rp	79.870.176	18.20
	November	6	Rp	585.572.430	20.19
	December	7	Rp	651.926.662	20.30
Total		155	Rp	249.312.726.126	
Mean		2,55	Rp	4.155.212.102	
Maximum		10	Rp	115.658.493.735	
Minimum		0	Rp	-	

Source: Data processed, 2014

Based on Table 12, the average amount of Notice of Tax Underpayment Assessment that issued by Tax Office Madya Malang was IDR 4.155.212.102. The highest amount was IDR 115.658.493.735 which issued on April 2010, while the lowest amount was 0 (zero). It was happen because government did not issue Notice of Tax Underpayment Assessment in some months during 2009 – 2013.

3. Revenue of Income Tax Article 25 (Y)

Income Tax Article 25 is an installment of income tax which supposes to be paid by tax payers themselves every month in the current fiscal year. The Income Tax Article 25 installments can be a tax credit against all the amount of payable taxes from all kind of income which are earned by tax

payer in the current fiscal year. The revenue of Income Tax Article 25 in Tax

Office Madya Malang as many as 60 months from January 2009 – December

2013 will be shown in Table 13.

Table 13 The Amount of Income Tax Article 25 Revenue

Year	Month		Amount	LnY
2009	January	Rp	23.808.925.960	23.89
	February	Rp	29.995.722.180	24.12
	March	Rp	58.469.682.674	24.79
	April	Rp	128.562.514.396	25.58
	May	Rp	29.628.413.554	24.11
	June	Rp	30.331.942.844	24.14
	July	Rp	28.035.820.364	24.06
	August	Rp	32.347.971.882	24.20
	September	Rp	30.535.040.036	24.14
	October	Rp	28.443.244.828	24.07
	November	Rp	35.905.531.122	24.30
	December	Rp	67.640.951.704	24.94
2010	January	Rp	8.161.714.912	22.82
	February	Rp	15.313.799.410	23.45
	March	Rp	17.879.654.414	23.61
	April	Rp	132.428.962.821	25.61
	May	Rp	21.963.648.289	23.81
	June	Rp	23.224.747.607	23.87
	July	Rp	19.923.278.552	23.72
	August	Rp	19.281.885.835	23.68
	September	Rp	18.566.374.869	23.64
	October	Rp	19.678.551.989	23.70
	November	Rp	17.913.939.096	23.61
	December	Rp	38.885.936.039	24.38
2011	January	Rp	13.624.096.384	23.34
	February	Rp	18.718.364.095	23.65
	March	Rp	22.188.928.613	23.82
	April	Rp	139.766.696.131	25.66
	May	Rp	25.208.572.141	23.95
	June	Rp	26.191.539.496	23.99
	July	Rp	27.089.249.641	24.02
	August	Rp	28.089.435.250	24.06
	September	Rp	31.637.906.207	24.18

 Continued

Continues from Table 13

	October	Rp 26.017.811.290	23.98
	November	Rp 27.267.529.158	24.03
	December	Rp 35.383.788.188	24.29
2012	January	Rp 21.123.993.430	23.77
	February	Rp 26.086.743.105	23.98
	March	Rp 29.151.884.892	24.10
	April	Rp 96.553.444.164	25.29
	May	Rp 27.026.344.937	24.02
	June	Rp 28.974.305.255	24.09
	July	Rp 27.611.114.991	24.04
	August	Rp 26.777.157.596	24.01
	September	Rp 27.483.609.310	24.04
	October	Rp 27.544.562.681	24.04
	November	Rp 27.484.383.520	24.04
	December	Rp 36.176.658.884	24.31
2013	January	Rp 23.497.082.859	23.88
	February	Rp 21.979.028.504	23.81
	March	Rp 23.232.933.488	23.87
	April	Rp 90.244.235.474	25.23
	May	Rp 38.936.593.342	24.39
	June	Rp 26.987.646.003	24.02
	July	Rp 92.682.326.255	25.25
	August	Rp 29.870.233.617	24.12
	September	Rp 28.830.529.238	24.08
	October	Rp 33.132.075.415	24.22
	November	Rp 27.699.875.068	24.04
	December	Rp 29.108.259.779	24.09
Total		Rp 2.166.307.193.778	
Mean		Rp 36.105.119.896	
Maximum		Rp 139.766.696.131	
Minimum		Rp 8.161.714.912	

Source: Data processed, 2014

Table 13 shows the amount of Income Tax Article 25 revenue from 2009 – 2013 fiscal years. The average revenue of Income Tax Article 25 in Tax Office Madya Malang was IDR 36.105.119.896. The highest amount of Income Tax Article 25 revenue reached on April 2011 which was IDR

139.766.696.131. In the other hand, Tax Office Malang also recorded the lowest revenue on January 2010 which was IDR 8.161.714.912.

C. Data Analysis

1. Classical Linear Regression Model (CLRM)

Classical Linear Regression Model (CLRM) is the basic test using Ordinary Least Square (OLS) method which will result unbiased linear estimator, and fulfill the application of multiple linear regression test. The current research uses CLRM to test variable of Notice of Tax Collection (LnX_1) and variable of Notice of Tax Underpayment Assessment (LnX_2) on revenue of Income Tax Article 25 (LnY). There are some tests that supposed to be carried out in order to fulfill CLRM. The tests are done by using software SPSS version 17.00.

a. Normality Test

Normality test is aimed to test if the residual variable is distributed normally in the regression model. Normality test can be done by using *Kolmogorov-Smirnov* (KS) Test. The indicator of normal distribution can be seen if the value of Asymp.Sig.(2-tailed) is upper than 0,05 or non significant to 0,05. The table below shows the result of KS test.

Table 14 Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		44
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.46078858
Most Extreme Differences	Absolute	.146
	Positive	.146
	Negative	-.071
Kolmogorov-Smirnov Z		.968
Asymp. Sig. (2-tailed)		.305

a. Test distribution is Normal.

b. Calculated from data.

Source: Data processed by SPSS, 2014

Based on KS test, the calculation generates Asymp.Sig.(2-tailed) 0.305. This result is clearly more than 0,05 which means insignificant at all. Therefore, the residual data is distributed normally and it passes out normality test. The other proof of data normal distribution can be seen through the graphic plot with the following criteria:

1) If data spread out around the diagonal axis and follow the axis direction, means that it is distributed normally and it passes out normality test.

2) If data spread out away from the diagonal axis and do not follow the axis direction, means that it is not distributed normally and unqualified for normality test.
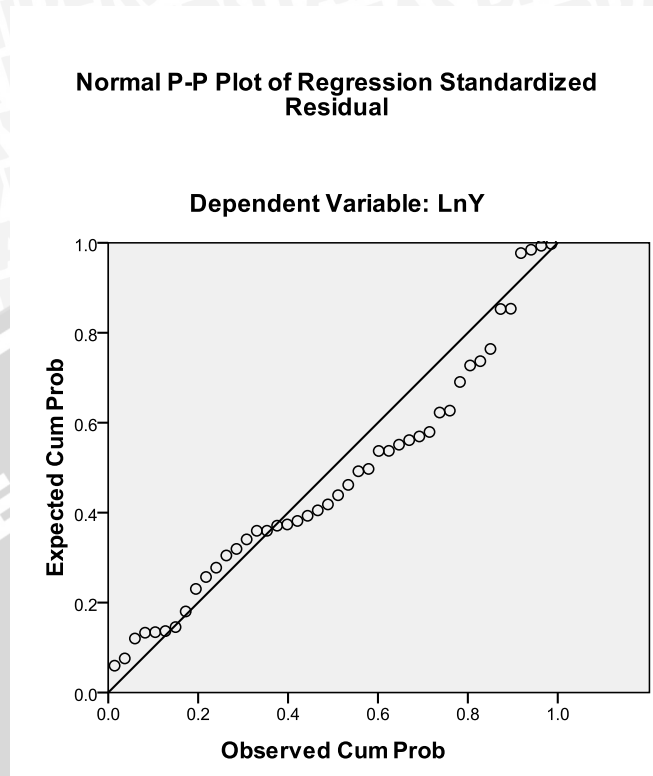
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LnY

Figure 8 Normal Distribution
Source: Data processed by SPSS, 2014

The figure above shows that data spread out around the diagonal axis and follow the axis direction, it fulfills the criteria of normal distribution. This result also support the KS test at previous. So, based on KS test and the graphic plot, it can be conclude that the data of this research is distributed normally and passes out normality test of CLRM.

b. Multicolinearity Test

Multicollinearity test has purpose to test if in the regression model is found high or perfect correlation among independent variables. It also to avoid bias in the process of decision making regarding the partial test of each independent variable on dependent variable. Correlation among the independent variables should not be occurred in a good regression model.

Multicollinearity can be seen through the value of *Tolerance* and the opposite *Variance Inflation Factor* (VIF) with the following criteria:

c) If the value of tolerance < 0,10 or VIF > 10, multicollinearity occurs.

d) If the value of tolerance > 0,10 or VIF <10, multicollinearity does not occur.

The following table shows the multicollinearity test result between the two independent variables in the current research.

Table 15 Multicollinearity Test Result

Variable	Collinearity Statistic		Statement
	Tolerance	VIF	
LnX1	0.997	1.003	Multicollinearity does not occurred
LnX2	0.997	1.003	Multicollinearity does not occurred

Source: Data processed by SPSS, 2014

Table 14 shows the multicollinearity value of both variable LnX_1 and LnX_2 are as follows:

1) Variable of LnX_1 generates the value of tolerance at 0.997 and VIF 1.003

2) Variable of LnX_2 generates the value of tolerance at 0.997 and VIF 1.003

Based on the test above, it can be seen that both independent variable LnX_1 and LnX_2 generate the same value of tolerance and VIF. Even more, the results are still fulfilling the criteria of multicollinearity test which are more than 0,10 for tolerance value and less than 10 for VIF. Hence, it can be concluded that multicollinearity does not occur between the two independent variables.

c. Autocorrelation Test

The test of autocorrelation has purpose to find out if in the regression model contains of correlation among the intruder errors (residual) at t period with the error at previous t-1 period. Autocorrelation problem can be detected by using *Durbin-Watson* (DW) test. The result of DW test by using SPSS software is shown at Table 13 as follows.

Table 16 Autocorrelation Test Result

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.411[a]	.169	.128	.47189	1.947

a. Predictors: (Constant), LnX2, LnX1

b. Dependent Variable: LnY

Source: Data processed by SPSS, 2014

Autocorrelation problem can be detected by using the criteria of Durbin-Watson decision making which shall be fulfilling dU < d < 4-dU. If the value suitable with the criteria, it means there is no autocorrelation problem. The calculation results the DW value 1.947, meanwhile, the value of dU on DW table is 1.6120. If the value entered to the criteria, it will be 1.6120 < 1.947 < 2.3880. In conclusion, the DW test result is fit with the criteria of decision making and autocorrelation problem does not occur.

d. Heteroscedasticity Test

Another test of CLRM is to test if the residual value or error μi in the regression model has the same variance or it is called homoscedasticity. The indication of homoscedasticity can be known by Glejser test and

Scatterplot. If the result of Glejser test is significant, it brings the model into heteroscedasticity. Meanwhile, if the dots in the Scatterplot create a certain pattern in the axis X and Y, it means heteroscedasticity occurs, but if the dots spread irregularly, it means heteroscedasticity does not occur. The following table is the result of Glejser test.

Table 17 Glejser Test Result

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.521	.599		.869	.390
LnX1	-.052	.023	-.314	-2.222	.032
LnX2	.038	.020	.272	1.923	.061

a. Dependent Variable: AbsUi

Source: Data processed by SPSS, 2014

The result of Glejser test shows that independent variable LnX_1 values 0.032 or significant to 0,05. It means that heteroscedasticity does occurred on independent variable LnX_1. Otherwise, heteroscedasticity does not occurred on independent variable LnX_2. It is proven by the value of Glejser test that reach 0.061 or higher than 0,05. Another heteroscedaticity detection is by seeing the following picture of Scatterplot.
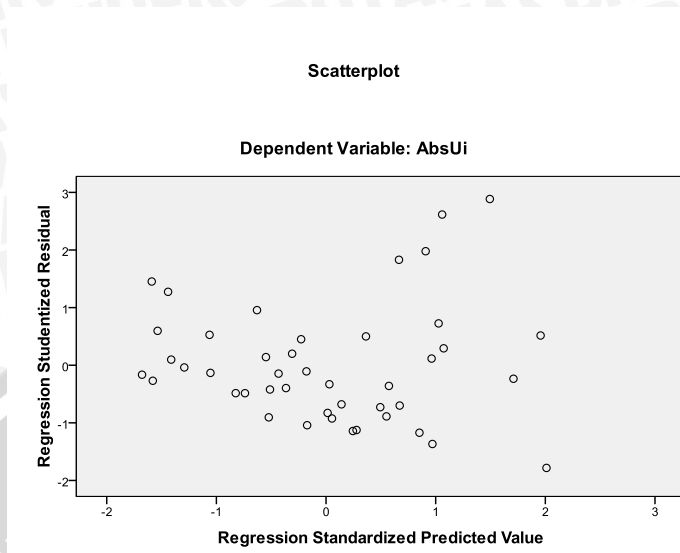
Figure 9 Heteroscedasticity Test
Source: Data processed by SPSS, 2014

Figure 5 shows that the dots (data) spread irregularly in the axis X and Y and they do not create certain pattern as well. The picture proofs that heteroscedasticity does not occur toward the data anyway. This is also support the previous calculation of Glejser test result for variable LnX_2.

2. Multiple Linear Regression

Multiple Linear Regression is aimed to analyze the influence of two independent variable toward one dependent variable. Multiple Linear Regression in this research is done by using software SPSS version 17.00 and significant level 5% ($\alpha = 0,05$). The following table is the result of calculation.

Table 18 Multiple Linear Regression Result

Variable	Unstandardized Coefficient (B)	t_{count}	Sig. t	Statement
(*Constant*)	23.687	24.456	0.000	
Notice of Tax Collection (LnX1)	-0.059	-1.558	0.127	Non Significant
Notice of Tax Underpayment Assessment (LnX2)	0.074	2.339	0.024	Significant
R	0.411[a]			
R Square	0.169			
Adjusted R Square	0.128			
F_{count}	4.163			
Sig. F	0.023			
α	0.05			

Source: Data processed by SPSS, 2014

Based on the calculation from software SPSS above, the equation for multiple linear regression can be formulated as follows:

$LnY = 23.687 – 0.059\ LnX_1 + 0.074\ LnX_2 + \mu$

The multiple linear regression equation above can be interpreted as follows:

a. The influence of independent variable LnX_1 (Notice of Tax Collection) on dependent variable LnY (revenue of Income Tax Article 25).

The value of coefficient regression $\beta 1$ is calculated -0.059. The minus mark shows the opposite change. This value means that LnY (revenue of Income Tax Article 25) will be decreasing 0,059 unit for each increasing of one unit LnX_1 (Notice of Tax Collection) with assuming the other variable of LnX_2 (Notice of Tax Underpayment Assessment) as constant or 0 (zero). Otherwise, the value of LnY (revenue of Income Tax Aricle 25) will be increasing by 0,059 unit for each decreasing of one unit

LnX$_1$ (Notice of Tax Collection) with considering the other variable of LnX$_2$ (Notice of Tax Underpayment Assessment) as constant or 0 (zero).

b. The influence of independent variable LnX$_2$ (Notice of Tax Underpayment Assessment) on dependent variable LnY (revenue of Income Tax Article 25).

The calculation of coefficient regression *β2* is generated 0,074. It means that if independent variable of LnX$_2$ (Notice of Tax Underpayment Assessment) turned one unit, the dependent variable of LnY (revenue of Income Tax Article 25) will be turned into 0,074 unit with assuming the other variable of LnX$_1$ (Notice of Tax Collection) as constant or 0 (zero). The positive value of coefficient regression means inline changing. So, if independent variable LnX$_2$ increases one unit, it will be followed by the increasing of LnY as many as 0,074 unit, and if LnX$_2$ decreases one unit, the value of LnY will follow to decrease 0,074 unit.

3. F-Test

F-test is conducted by using SPSS software in order to know whether all independent variables that input into the regression model have influence simultaneously toward dependent variable. The independent variables include LnX$_1$ and LnX$_2$ are tested together by using SPSS software. The hypothesis and criteria of decision making regarding the calculation are as follows:

H0 = 0, means that there is insignificant influence from independent variables on dependent variable.

Ha ≠ 0, means that there is significant influence from independent variables on dependent variable.

3) If the probability value (p) F < α = 5%, then hypothesis (H0) is rejected

4) If the probability value (p) F > α = 5%, then hypothesis (H0) is accepted

The test result of F-test is shown at Table 18 below.

Table 19 F-Test Result

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.854	2	.927	4.163	.023^a
	Residual	9.130	41	.223		
	Total	10.984	43			

a. Predictors: (Constant), LnX2, LnX1

b. Dependent Variable: LnY

Soure: Data processed by SPSS, 2014

The output display from SPSS ANOVA shows that the value of F_{count} is 4.163. This result is greater that F_{table} which is 3.23 for df N1 = 2 and N2 = 41. Based on that comparison, it can be stated that there is significant influence from independent variable LnX_1 and LnX_2 on dependent variable LnY and H0 is rejected. It is also supported by the result of Sig. value which generates 0.023 or less than 5%. Therefore, it can be concluded that independent variables LnX_1 (Notice of Tax Collection) and LnX_2 (Notice of Tax Underpayment Assessment) have significant influence simultaneously on the dependent variable LnY (revenue of Income Tax Article 25) and H0 is rejected.

4. t-Test

t-test is conducted to show how far the influence of certain independent variable towards dependent variable with assuming that the other independent variable are constant. The basic hypothesis of t-test is:

H0 = 0, means that there is insignificant influence from independent variables on dependent variable.

Ha ≠ 0, means that there is significant influence from independent variables on dependent variable.

The criteria of decision making regarding the result of calculation are:

3) If the probability value (p) t < α = 5%, then hypothesis (H0) is refused

4) If the probability value (p) t > α = 5%, then hypothesis (H0) is accepted

The results of t-test can be seen in Table 18. The value of t_{count} for LnX_1 (Notice of Tax Collection) towards LnY (revenue of Income Tax Article 25) is -1.558. This number is lower than t_{table} which is 2.01954 for α = 0,05 and df = 41. It means that, $t_{count} < t_{table}$ or -1.558 < 2.01954. Therefore, LnX_1 generates negative insignificant effect on LnY. The value of significant also recorded 0.127 or higher than 0,05. It means that the independent variable LnX_1 has no significant effect partially on dependent variable LnY. Therefore, it supports the calculation of t_{count}. Based on the calculation above, it can be stated that the independent variable LnX_1 (Notice of Tax Collection) has negative insignificant influence partially on dependent variable LnY (revenue of Income Tax Article 25) and H0 is accepted.

In the other hand, the calculation for independent variable LnX_2 (Notice of Tax Underpayment Assessment) towards dependent variable LnY (revenue of Income Tax Article 25) shows the value of t_{count} 2.339. This number is higher than the value of t_{table} which is 2.01954 for $\alpha = 0,05$ and df = 41. In addition, the value of significant is 0.024 or lower than 0,05. Both the value of t_{count} and level of significant proof that independent variable LnX_2 (Notice of Tax Underpayment Assessment) has positive significant influence partially, on the dependent variable LnY (revenue of Income Tax Article 25) and H0 is refused.

5. Analysis of Coefficient Determination (R^2)

Coefficient of determination (R^2) is used to measure on how far the ability of model to explain the variation of dependent variable. The current research, use adjusted coefficient of determination (*Adjusted R Square*) to measure on how far the independent variables LnX_1 (Notice of Tax collection) and LnX_2 (Notice of Tax Underpayment Assessment) able to explain the dependent variable LnY (revenue of Income Tax Article 25). The result of calculation is shown at Table 20 below.

Table 20 Coefficient of Determination (R^2) Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.411[a]	.169	.128	.47189	1.947

a. Predictors: (Constant), LnX2, LnX1

b. Dependent Variable: LnY

Source: Data processed by SPSS, 2014

Table 20 shows the value of coefficient determination *Adjusted R Square* 0.128 or 12,8%. It can be interpreted that the independent variables LnX_1 (Notice of Tax Collection) and LnX_2 (Notice of Tax Underpayment Assessment) able to explain on dependent variable LnY (revenue of Income Tax Aricle 25) as many as 12,8%. Whereas, the rest 87,2% of the result can be explained by other variables out of the model that do not discussed in this study. Even though the value of *Adjusted R Square* that is generated in this research is not quite high, but it does not mean the regression model is bad, however, it is still undeniably relevant to the collection of revenue of Income Tax Article 25 in Tax Office Madya Malang.

D. Data Interpretation

The previous regression calculation shows that independent variable Notice of Tax Collection (LnX_1) and Notice of Tax Underpayment (LnX_2) effect on dependent variable Revenue of Income Tax Article 25 (LnY) simultaneously significant. It is proven by the result of F_{count} which is greater than F_{table}. The value of calculation indicates significant effect simultaneously that generated by LnX_1 and LnX_2 on LnY in Tax Office Madya Malang.

t-test result shows that the independent variable Notice of Tax Collection (LnX1) has negative insignificant effect partially on dependent variable revenue of Income Tax Article 25 (LnY). It is proven by the value of t_{count} that is minus and lower than t_{table}. The value of independent variable Notice of Tax Collection (LnX1) goes opposite way with dependent variable revenue of Income Tax

Article 25 (LnY). It means that the more government issues Notice of Tax Collection, it will be followed by the decreasing of Income Tax Article 25 revenue. But if government issues less amount of Notice of Tax Collection, the revenue of Income Tax Article 25 may be increase. This case is occurred because the amount of Notice of Tax Collection that issued in Tax Office Madya Malang is relatively small and it merely fewer than Notice of Tax Underpayment Assessment. Therefore, it generates insignificancy in tax revenue. The result of the current research also generates close interpretation with the previous one, which was conducted by Vegirawati (2011). Yet, the previous research results negative significant relation between Notice of Tax Collection and income tax revenue.

In the other hand, the result of t-test generates positive significant effect partially for independent variable LnX_2 (Notice of Tax Underpayment Assessment) on dependent variable LnY (revenue of Income Tax Article 25). The result shows that Notice of Tax Underpayment Assessment goes in line with Income Tax Article 25 revenue. It means that the increasing of Notice of Tax Underpayment Assessment will be followed by the increasing of Income Tax Article 25 revenue. In contrary, if the amount of Notice of Tax Underpayment Assessment decreases, the Income Tax Article 25 revenue will be decreasing either. This result supports the previous research that was conducted by Harmawan (2011) and Salip and Wato (2006). Both the previous research generates significant result for independent variable Notice of Tax Underpayment Assessment on dependent variable of Income Tax Revenue.

Self Assessment System that runs in Indonesia doesn't grant all taxpayers pay and report taxes properly. Even though tax payers pay their taxes, but there is still possibility for government to conduct tax verification or tax audit toward certain tax payers, and in the end government may issues Notice of Tax Collection or Notice of Tax Underpayment Assessment as the result due to the lack of tax payment. Therefore, it gives additional revenue of income tax for government beside tax revenue that already paid by tax payers themselves.
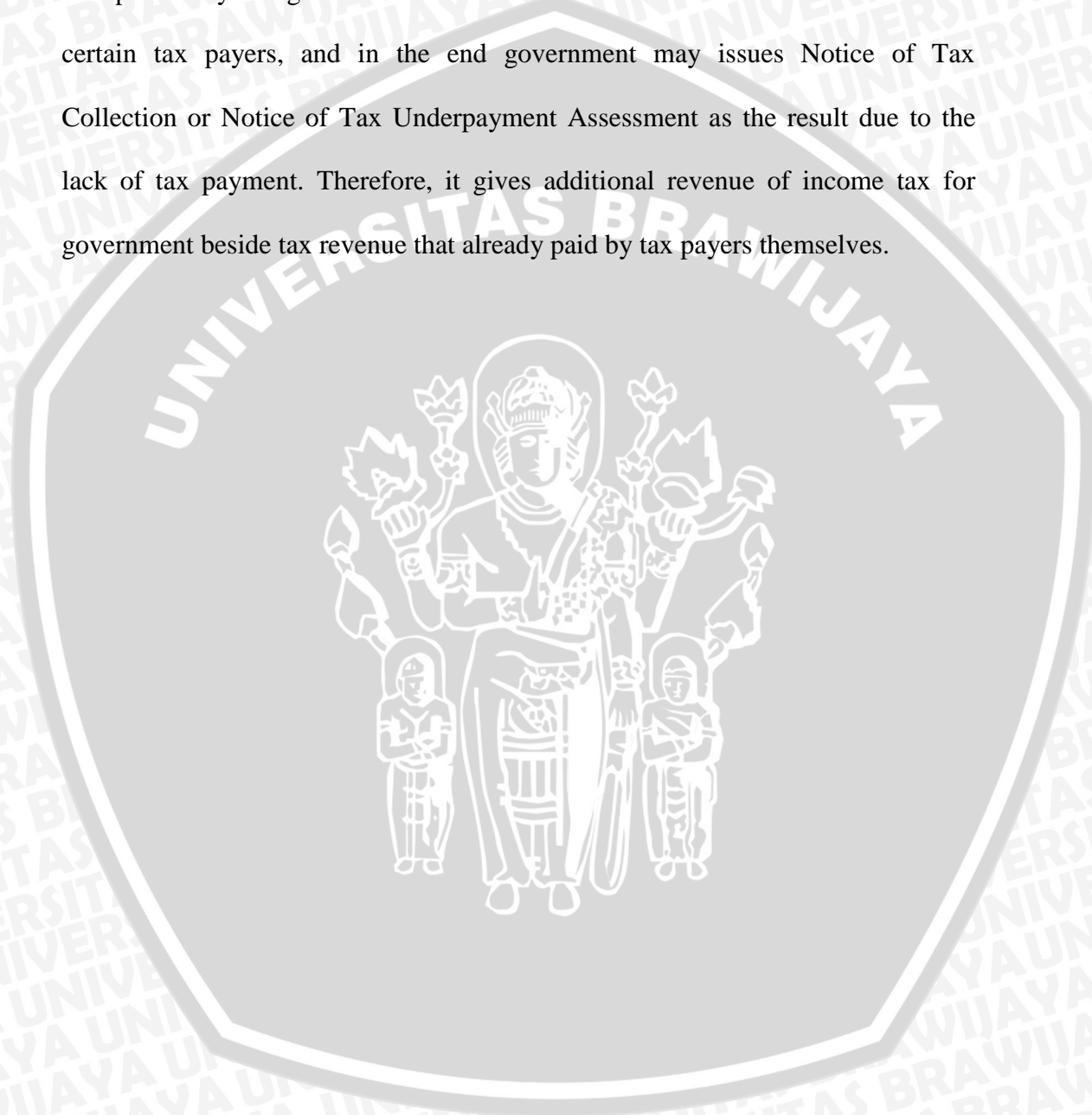
CHAPTER V

CONCLUSION AND SUGGESTION

A. Conclusion

The current research is aimed to know and explain whether the issuing of Notice of Tax Collection and Notice of Tax Underpayment Assessment affect the revenue of Income Tax Article 25. Notice of Tax Collection and Notice of Tax Underpayment Assessment are defined as independent variable LnX_1 and LnX_2. Meanwhile, the revenue of Income Tax Article 25 is defined as dependent variable LnY. The result can be concluded as follows:

1. Independent variables Notice of Tax Collection (LnX_1) and Notice of Tax Underpayment Assessment (LnX_2) affect the dependent variable Income Tax Article 25 revenue (LnY) simultaneously significant. It is proven by the result of F-test which shows that F_{count} is greater than F_{table}. Thus, the hypothesis H1 is accepted.

2. Independent variable Notice of Tax Collection (LnX_1) affects the dependent variable Income Tax Article 25 revenue (LnY) partially insignificant. Otherwise, independent variable Notice of Tax Underpayment Assessment (LnX_2) affects dependent variable Income Tax Article 25 revenue (LnY) partially significant. It is proven by the result of t-test. Therefore, the hypothesis H2 is rejected.

B. Suggestion

There are some suggestions that can be offered regarding the result of this research as follows:

1. Government may increase the quality of tax auditor or increase the number of personnel in order to achieve the purpose of tax audit related to the issuing of Notice of Tax Underpayment Assessment as well as increase the revenue of Income Tax Article 25 in Tax Office Madya Malang. Not to mention, Notice of Tax Underpayment Assessment is more influential rather than Notice of Tax Collection.

2. The next researches are expected to analyze more about the revenue of Income Tax Article 25 and input other variable besides Notice of Tax Collection and Notice of Tax Underpayment Assessment such as tax collection with Coerce Warrant.

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KEMENTERIAN KEUANGAN REPUBLIK INDONESIA
DIREKTORAT JENDERAL PAJAK
KANTOR WILAYAH JAWA TIMUR III
KANTOR PELAYANAN PAJAK MADYA MALANG
KOMPLEK ARAYA BUSINESS CENTER KAV. 1JALAN PANJI SUROSO, MALANG
TELEPON (0341) 402021 - 402022 ; FAKSIMILI : (0341) 402027
WEBSITE : WWW.PAJAK.GO.ID

SURAT KETERANGAN
Nomor KET- 38 /WPJ.12/KP.09/2014

Yang bertanda tangan di bawah ini:

Nama	:	Iis Mazhuri
Jabatan	:	Kepala Kantor Pelayanan Pajak Madya Malang

dengan ini menerangkan bahwa :

Nama	:	**Ni'matul Faizah**
NPM	:	105030400111054
Universitas	:	Universitas Brawijaya Malang
Fakultas / Jurusan	:	Ilmu Administrasi / Perpajakan

telah melaksanakan Riset/Survey di Kantor Pelayanan Pajak Madya Malang pada bulan April 2014.

Surat keterangan ini diberikan untuk keperluan penulisan Skripsi dengan harapan agar yang berwenang dapat memberikan bantuan apabila diperlukan.

Dikeluarkan di Malang
pada tanggal 25 April 2014
Kepala Kantor

Iis Mazhuri
NIP 196804211989031002

Kp. : KP.09/KP.0901

CURRICULUM VITAE

Ni'matul Faizah

Banyuurip RT 10 RW 05 Kedamean Gresik 61175
+6285655679599 nf.faizah@yahoo.com

PERSONAL INFORMATION

Place, date of birth	: Sidoarjo, January 18 1992
Religion	: Islam
Gender	: Female
Nationality	: Indonesian
Marital status	: Single

EDUCATION BACKGOUND

Academic:
1. RA Ihyaul Ulum, graduated 1998
2. SD Negeri Krian 4, graduated 2004
3. SMP Negeri 1 Krian, graduated 2007
4. SMA Negeri 1 Ponorogo, graduated 2010
5. University of Brawijaya, Faculty of Administrative Science, Program Study of Taxation, batch 2010 – now, GPA 3,59

Non-academic:
1. TOEIC Score 705, 2014
2. Internet and Computing Core Certification (IC3) Score 1533, 2014
3. Training of Annual Tax Return Filling by Regional Office of Directorate General of Taxes East Java III, 2013
4. Seminar of Taxation by Regional Office of Directorate General of Taxes East Java III, 2010

ORGANIZATION EXPERIENCES

1. Tax Center Faculty of Administrative Science University of Brawijaya, Member, 2013
2. Administration English Club (AEC), Head of General Treasure, 2012
3. Payuban Cak Yuk Gresik, Member, 2011 – now
4. Administration English Club (AEC), Staff Human Resource of Reasoning and Education Department, 2011
5. Board of Student Executive (BEM) Faculty of Administrative Science University of Brawijaya, Staff of Human Resource Department, 2010
6. Ganesha Youth English Study Club (YESC), General Secretary, 2008

WORKING EXPERIENCES

1. Traineeship Staff at Kantor Pelayanan Pajak (KPP) Pratama Gresik Selatan, 2013
2. Freelance MC, 2012 – now
3. Private tutor for elementary school, 2011-2012

ACHIEVEMENTS

1. 1st Winner Brawijaya Debate Competition East Java Level, 2011
2. 1st Runner Up Brawijaya Debate Competition University Level, 2011
3. Finalist of Tourism Ambassador Cak Yuk Gresik, 2011
4. 3rd Winner National Ponorogo Ultimate Debate, 2011
5. 3rd Winner English Debate Championship East Java Level STKIP PGRI Ponorogo, 2009
6. Finalist News Reading Competition University of Airlangga, 2009
7. Top Ten News Reading Contestant, Student Debate Competition V University of Brawijaya, 2008