

## Tax Avoidance, Tax Incentives and Tax Compliance During the Covid-19 Pandemic: Individual Knowledge Perspectives

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### Abstract

*The COVID-19 pandemic that occurred in early 2020 caused a decrease in the turnover or income of individual taxpayers. Tax avoidance and tax incentives are considered a strategy by taxpayers to reduce tax payments and manage their funds, especially during this pandemic. The condition of the Taxpayer certainly affects the fulfillment of his tax obligations. On the other hand, taxpayer compliance will have an impact on state revenues. Individual taxpayer perspectives on aspects of accounting and taxation knowledge are important to realize the level of taxpayer compliance. This study also relates the efforts of tax avoidance and government tax incentives as mediating variables. The sample data obtained were 131 individual entrepreneur taxpayers who took advantage of tax incentives in Surabaya and its surroundings. The regression test results showed that accounting and taxation knowledge affect tax avoidance efforts, tax incentives, and taxpayer compliance. The results of the Sobel test show that tax avoidance and tax incentives can mediate the impact of accounting and taxation knowledge on taxpayer compliance. The test results of control variables (gender, education, training, length of business, number of employees, business turnover) showed no effect on taxpayer compliance.*

**Keywords:** Accounting Knowledge, Taxation Knowledge, Tax Avoidance, Tax Incentives, Taxpayer Compliance.

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## INTRODUCTION

The Covid-19 pandemic since the beginning of 2020 has put tremendous pressure on world conditions, especially in the economic and health sectors. In Indonesia itself, all sectors of the economy are predicted to experience a decline. The Ministry of Finance projects GDP growth to fall by 2.3%. The rupiah exchange rate against the dollar increased to Rp. 17,500, inflation reached 3.9%, the export sector was at -14.00%, and imports -14.50%, as quoted from Sri Mulyani's press conference on April 1, 2020 (Kemenkeu RI, 2021). The government has issued

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Government Regulation in place of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the 2019 Corona Virus Disease Pandemic as well as in the context of dealing with threats that endanger the national economy and or financial system stability. This Perppu contains various state monetary policies, including the taxation and financial sectors, to prevent a crisis due to the coronavirus outbreak.

Taxpayer compliance is the character of a taxpayer who can meet the criteria to become a compliant taxpayer as stipulated in KMK Number 235/KMK.03/2003 dated June 3, 2003. Compliance is still seen from the formal aspects of payment, reporting, and compliance with tax regulations applicable. Taxpayer compliance in Indonesia is still a problem that needs to be studied again. It is no exception for individual taxpayers. Tax facilities in the form of exemptions or tax relief are still not optimally utilized by individual taxpayers. The low involvement of taxpayers in using tax facilities is suspected to be due to the lack of knowledge of taxpayers in both bookkeeping or accounting aspects and taxation. The knowledge aspect of individual taxpayers becomes important and motivates them to behave obediently. This study focuses on the knowledge perspective of individual taxpayers from the accounting and taxation perspective in an effort to increase taxpayer compliance.

From the Taxpayer's point of view, the problem of tax compliance is a classic problem faced in almost all countries that implement a tax system. There is still a reluctance of taxpayers to fulfill their tax obligations. There is a tendency to minimize the amount of tax the Taxpayer owes through the efforts of tax evasion (tax avoidance) and even attempts of tax evasion (Muhrtala & Ogundeji, 2013). The pattern of taxpayer behavior is very extreme and complex in individual decision making so that it fails to build voluntary tax compliance (Coolidge & Hickman, 2012). This universally applicable phenomenon exists in all levels of society, both in developed and developing countries. Tax compliance decisions are influenced by economic factors and social and individual psychological factors (Ameyaw & Dzaka, 2016; Razak & Adafula, 2013; Bobek et al., 2013; Ameyaw & Dzaka, 2016). People's roles and perceptions of the government also influence decisions to comply with taxes or not. For example, trust in financial management (Muhrtala & Ogundeji, 2013; Woro & Baridwan, 2015; Jimenez et al., 2016), government accountability (Razak & Adafula, 2013; Hastuti et al., 2014), government fiscal policy (Ameyaw & Dzaka, 2016), legal and regulatory policies set by the government (Brizi et al., 2015), perceptions of corruption by the government (Rahmawati & Ibrahim, 2015) and bureaucratic mechanisms established by the government (Jimenez & Iyer, 2016) have been studied. Tax avoidance efforts trigger the level of taxpayer compliance. In order to be able to carry out tax avoidance efforts, taxpayers must have the proper knowledge related to accounting and taxation.

The tax incentives provided by the government during the pandemic period from April to September 2020 showed that only around 12,000 taxpayers in East Java had just taken advantage of the pandemic tax stimulus out of a total of 1,900,000 taxpayers (Librianty, 2021). The low involvement of taxpayers in the tax incentive stimulus is suspected of not being evenly distributed among the taxpayers themselves about the types, criteria, and mechanisms for submitting incentives. For individual taxpayers who have relied heavily on the services of other parties, their knowledge is getting lower. Another factor that triggers taxpayers to be reluctant to

take advantage of tax incentives is because they face the company's financial condition in uncertainty during the pandemic. The perceived consequences are decreased productivity, decreased company profits, and the ability to pay taxes decreases. Ngadiman & Huslin (2015) stated that taxpayer compliance in paying taxes in Indonesia was only around 43% before the pandemic. In order to be able to utilize tax incentives properly, taxpayers need to have the proper knowledge related to accounting and taxation.

On the Taxpayer' side, they are trying to do tax planning to minimize tax payments. The current pandemic condition strengthens tax avoidance efforts. During the pandemic, the government's tax reform efforts are aimed at easing tax payments, maintaining national economic stability, and as a form of government concern for the community. The Theory of Planned Behavior (Ajzen, 1985) supports this research. Before performing a behavior, individual intentions will be formed from personal attitudes, existing subjective norms, and behavioral control (Saputra, 2019). Personal background and motivation affect motivation to comply with taxation (Nurhayati, 2015; Taing & Chang, 2020). This belief and intention, manifested by individual taxpayer knowledge about accounting and taxation, is essential for realizing taxpayer compliance.

Previous research has shown that *ethics* and individual motivation do not affect taxpayer compliance (Hasan, 2014). In addition to individual internal factors, other factors are thought to influence, including the tax audit strategy (Ho & Wong, 2008; Supriyati & Prananjaya, 2018). On the other hand, tax audit, penalty and probability detection, tax rates have not given good results (Loo & McKerchar, 2010) and impact the behavior of individuals who are not taxed compliant (Brizi *et al.*, 2015). Studying taxpayers' preferences is an exciting thing to study, especially when viewed from the aspect of individual knowledge about accounting and taxation that affects taxpayer compliance. Accounting knowledge is related to business and accounting knowledge, mastery of intellectual, interpersonal, and communication skills, and professional orientation required for professional accountants. Tax knowledge is a person's knowledge of general provisions of taxation and material aspects of taxation. Knowledge of accounting and taxation contains positive and negative factors that shape individual attitudes towards particular objects (Supriyati, 2017). Extensive knowledge encourages taxpayers to determine alternative tax decisions to be paid. Intention to fulfill tax obligations will motivate tax avoidance efforts or not (Ialomitanu, 2010; Mollerova *et al.*, 2010; Daud *et al.*, 2010; Loo *et al.*, 2010).

### **H1: Knowledge of accounting and taxation influence tax avoidance efforts**

Tax avoidance efforts are made to reduce the tax payable. Taxes are often perceived as costs, so taxpayers need to make savings. Tax avoidance can be done when the Taxpayer has adequate knowledge of accounting and taxation. Taxpayers who have extensive accounting knowledge influence the behavior of taxpayers to become obedient taxpayers or not (Febri & Sulistyani, 2018; Supriyati *et al.*, 2018; Solichah *et al.*, 2019). The existence of social norms and control as indicated by the applicable tax regulations strengthens the intentions and attitudes of taxpayers. Extensive knowledge of accounting and taxation leads to tax avoidance actions to save taxes and fulfill tax obligations voluntarily (Muhrtala & Ogundeji, 2013; Sikka & Willmott,

2013; Huang *et al.*, 2017; Halimi, 2019). High knowledge in taxpayers impacts taxpayer compliance (Rahmawati & Ibrahim, 2015; Febri & Sulistyani, 2017).

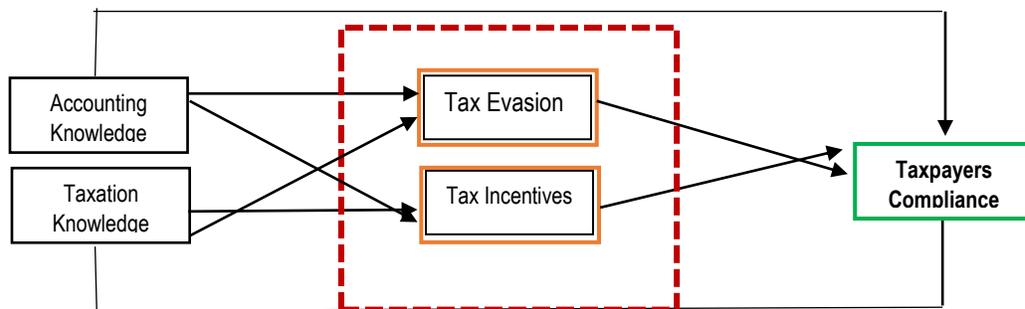
**H2: Knowledge of accounting and taxation affects taxpayer compliance by mediated by tax avoidance efforts**

Tax incentives are enforced during the pandemic through the advance application. Administrative requirements ranging from recording transactions or bookkeeping reports to tax reporting are essential for using incentives. Tax incentives provide relief in paying taxes so that it is expected to be able to maintain compliance. Taxpayers' intentions and behaviors to take advantage of tax incentives are influenced by attitudes, subjective norms, and social control in government regulations regarding these tax incentives. Suppose the Taxpayer has extensive knowledge of accounting and taxation, of course. In that case, he understands the purpose, benefits, and mechanisms of tax incentives, so taxpayers tend to take advantage of these tax facilities. The more facilities or tax incentives provided, the more accessible and easier for taxpayers to fulfill their tax obligations (Febri & Sulistyani, 2018; Khairiyah & Akhmadi, 2019).

**H3: Knowledge of accounting and taxation affects tax incentives**

The intention to fulfill tax obligations encourages taxpayers to use tax incentives to obtain tax relief so that taxpayers can fulfill their tax obligations. Broad accounting and taxation knowledge will increase taxpayer compliance (Rahmawati & Ibrahim, 2015; Supriyati *et al.*, 2018; Solichah *et al.*, 2019). The provision of tax incentives aims to reduce tax payments, and if the tax paid is smaller, it certainly encourages taxpayers to fulfill their tax obligations voluntarily (Huang *et al.*, 2017; Febri & Sulistyani, 2018; Halimi, 2019; Khairiyah & Akhmadi, 2019). When the Taxpayer has extensive tax knowledge and accounting knowledge, he will try to fulfill his tax obligations, and one of the efforts is to find tax facilities that reduce his taxes.

**H4: Knowledge of accounting and taxation has an influence on taxpayer compliance with tax incentives mediated**



**Figure 1. Research Framework**

## **RESEARCH METHOD**

This research is classified as quantitative research using primary data. Primary data was obtained from distributing questionnaires to prospective Taxpayers (students) and Taxpayers, both Individual Entrepreneurs and freelancers in Surabaya and its surroundings. The research hypothesis was tested using statistical regression testing starting from the F test, the coefficient of determination test, and the t-test. Still, it previously tested the validity and reliability of the statement items in the questionnaire and the classical assumption test.

### **Population and Sampling Techniques**

The population in this study is the individual entrepreneur taxpayer. The sample selected in this study is Individual Taxpayer Entrepreneurs in Surabaya and its surroundings which have submitted their SPT reports. This study uses students of the Accounting Department at STIE Perbanas Surabaya (Universitas Hayam Wuruk Perbanas) to compare students who already have good accounting and taxation knowledge are also prospective taxpayers later. A sampling of this research was carried out by distributing questionnaires using google form considering the pandemic conditions. The criteria for the sample selected using purposive sampling: already having an NPWP, having submitted an SPT report for the 2019 tax year, and having taken advantage of tax incentives in 2020. For the student sample, students who have taken tax planning courses are determined.

### **Operational Definition and Measurement**

The independent variables used are knowledge of accounting and knowledge of taxation with mediating variables of tax avoidance and tax incentives. The dependent variable is taxpayer compliance. The variable of accounting knowledge describes the Taxpayer's perception of the importance of accounting and the accounting profession, accounting records, presentation of financial statements, and applicable financial accounting standards. The tax knowledge variable describes the Taxpayer's perception of tax benefits, tax calculations, tax reporting, tax sanctions, bookkeeping in taxation. The tax incentive variable represents the Taxpayer's perception of the benefits of tax incentives, filing tax incentives, and the impact of tax incentives. The tax avoidance variable describes the Taxpayer's perception of the benefits of tax avoidance, tax avoidance procedures, and the relationship between taxes and cash flow. The taxpayer compliance variable represents the Taxpayer's perception of the fulfillment of tax obligations from the calculation, payment to tax reporting. This study uses a Likert scale of 1-4 with statements from disagreeing to strongly agreeing. Control variables (gender, education, training, length of business, type of business, number of employees, turnover) use a nominal scale. The following is a summary of the questionnaire in this study.

**Table 1. Summary of Research Instruments**

PART A: Respondent Description		
	Description	Item Number
I	Respondent Identity	6
II	Business Information	10
III	Tax Information	9

PART B: Research Variables		
1	Accounting Knowledge (X <sub>1</sub> )	7
2	Taxation Knowledge (X <sub>2</sub> )	6
3	Tax Evasion (Y <sub>1</sub> )	6
4	Tax Incentives (Y <sub>2</sub> )	7
5	Taxpayers Compliance (Y <sub>3</sub> )	7

**Analysis Technique**

Validity test using Pearson's product-moment correlation and reliability test using Cronbach's Alpha Coefficient with reference values above 0.6. The descriptive analysis includes descriptive respondents and descriptive variables. The descriptive of each variable is shown as average. Classical assumption test used includes normality test, autocorrelation test, multicollinearity, and heteroscedasticity test. Hypothesis testing was carried out using the F test, the coefficient of determination test, and the t-test. The research model developed is as follows:

$$Y_1 = b_0 + b_1X_1 + b_2X_2 + e \dots\dots\dots(1)$$
$$Y_3 = b_0 + b_1X_1 + b_2X_2 + b_3Y_1 + e \dots\dots\dots(2)$$
$$Y_2 = b_0 + b_1X_1 + b_2X_2 + e \dots\dots\dots(3)$$
$$Y_3 = b_0 + b_1X_1 + b_2X_2 + b_4Y_2 + e \dots\dots\dots(4)$$

Dimana

- Y<sub>1</sub> : Tax Evasion
- Y<sub>2</sub> : Tax Incentives
- Y<sub>3</sub> : Taxpayers Compliance
- X<sub>1</sub> : Accounting Knowledge
- X<sub>2</sub> : Taxation Knowledge
- b<sub>0</sub>-b<sub>4</sub> : Constant
- e : Error term

Control Variables:

- X<sub>3</sub> : Gender
- X<sub>4</sub> : Education
- X<sub>5</sub> : Training

- X<sub>6</sub> : Firm's Age
- X<sub>7</sub> : Type of Business
- X<sub>8</sub> : Number of Employees
- X<sub>9</sub> : Omzet

## RESULTS AND DISCUSSION

### Results

The condition of the COVID-19 pandemic is more challenging to get respondents directly. The results of distributing questionnaires to individual taxpayers in the Surabaya and surrounding areas were 200 questionnaires distributed online via google form . Table 2 shows the composition of the sample based on the distribution of the questionnaire.

**Table 2. Sample Composition and Respondent Description**

Confirmed respondents via email and WhatsApp					200
Respondents who filled out the google form					143
Completely filled Google form and according to sample criteria					131
<b>Respondent Description:</b>					
<b>Individual Taxpayers</b>	<b>Number</b>	<b>%</b>	<b>Students</b>	<b>Number</b>	<b>%</b>
<b>Gender:</b>			<b>Gender:</b>		
Male	65	50%	Male	17	12%
Female	66	50%	Female	127	88%
<b>Education:</b>			<b>Concentration:</b>		
High School	35	27%	Finance	51	35%
D3/S1	76	58%	Accounting	14	10%
S2/S3	20	15%	Management	13	9%
<b>Training Participation:</b>			Banking	62	43%
Once	69	53%	Audit and Taxation	4	3%
No	62	47%	AIS		
<b>Business duration:</b>					
Under 5 years old	39	30%			
5 – 10 years	32	24%			
Over 10 years old	60	46%			
<b>Type of Business:</b>					
Service	59	45%			
Trading	55	42%			

Manufacture	17	13%
<b>Number of Employees:</b>		
under 5 people		
5-19 people	76	58%
20-99 people	24	18%
Over 100 people	17	13%
	14	11%
<b>Omzet a year:</b>		
Under 4,8 billion		
Over 4,8 billion	113	86%
	18	14%

Respondents are individual taxpayers who have a business showing higher education (D3/S1) and have attended various training to develop their business. Their company is relatively old (above 10 years) even though they are still under 5 people. The turnover has not reached 4.8 billion. This condition can strengthen the existence of adequate knowledge and provide the correct perception of the variables studied.

**Table 3. Variables Description**

Variables	Obs	1	2	3	4	5	6	7	Mean
Accounting Knowledge (X <sub>1</sub> )	131	3,67	3,69	3,57	3,44	3,54	3,62	3,69	3,60
Taxation Knowledge (X <sub>2</sub> )	131	3,43	3,43	3,50	3,45	3,43	3,44	0	3,45
Tax evasion (Y <sub>1</sub> )	131	3,44	3,38	3,34	3,11	3,37	3,22	3,11	3,28
Tax incentives (Y <sub>2</sub> )	131	3,18	3,02	3,24	3,35	3,34	3,42	0	3,26
Taxpayers' compliance (Y <sub>3</sub> )	131	3,14	3,44	3,47	3,36	3,11	3,44	3,57	3,36

The results of testing the frequency and average of respondents' answers to the variables show that they are classified as good (above 3.00 for the average value). Accounting knowledge is very good, and they think that accounting is essential to record every transaction regularly. Financial statements can help develop businesses and measure company performance. Tax knowledge shows that respondents believe that tax knowledge is necessary in order to avoid tax sanctions, and taxpayers must be able to recognize tax rates and calculate taxes by themselves. Tax avoidance shows that respondents think that tax avoidance is to reduce tax payments as an alternative to tax deductions to manage company cash well. Tax incentives indicate that respondents believe that tax incentives encourage national economic growth and are tax exemptions for the community. Taxpayer compliance shows that compliance is demonstrated by timely reporting, calculating correctly.

## Results

The first validity test was carried out on the UMKM sample. One statement was found, namely that tax incentives reduce the effectiveness of tax officials' services having a significance above

0.05 so that the statement was issued in the data processing. In the next validity test, it is known that all statements in each variable have been declared to meet validity. In the reliability test, Cronbach's Alpha value of 0.957 above 0.6 met the reliability requirements. The classical Assumption Test is performed on each regression equation that is made. Based on the Kolmogorov Smirnov test results, it is known that the residuals of each regression equation model have an asymp. tailed value > 0.05.

**Table 4. Summary of F Test Results and Coefficient of Determination**

Description	Individual Taxpayers		Students	
	F-Sig	Adjusted R <sup>2</sup>	F-Sig	Adjusted R <sup>2</sup>
Model I	0,00	0,455	0,000	0,360
Model II	0,00	0,610	0,000	0,292
Model III	0,00	0,400	0,000	0,160
Model IV	0,00	0,743	0,000	0,304

**Table 5. Regression Test Results**

Variable	Model I		Model II		Model III		Model IV	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
<b>Respondent: Individual Taxpayers</b>								
Constant	6,815	,015	1,121	,643	4,678	,100	,739	,703
X <sub>1</sub>	,189	,066***	,262	,003*	,238	,023**	,187	,010*
X <sub>2</sub>	,630	,000*	,373	,001*	,451	,000*	,326	,000*
Y <sub>1</sub> /Y <sub>2</sub> (mediation)			,353	,000*			,597	,000*
Gender (X <sub>3</sub> )	-1,285	,007	-,542	,185	-,872	,067	-,476	,146
Education (X <sub>4</sub> )	,842	,026	-,432	,185	,182	,633	-,243	,348
Training (X <sub>5</sub> )	-,496	,302	,056	,891	-,667	,173	,279	,403
Business Age (X <sub>6</sub> )	-,428	,169	,296	,267	,586	,065	-,206	,344
Business Type (X <sub>7</sub> )	,152	,664	,172	,563	,502	,158	-,075	,758
Number of Employees (X <sub>8</sub> )	-,450	,102	-,289	,220	-,579	,039	-,103	,593
Turnover (X <sub>9</sub> )	-,329	,649	,488	,428	-,393	,593	,606	,226
<b>Respondent: Students</b>								
Constant	6,817	,000	11,184	,000	9,837	,000	9,975	,000
X <sub>1</sub>	,242	,005*	,249	,007*	,204	,009*	,229	,011**
X <sub>2</sub>	,374	,000*	,248	,013**	,135	,103	,245	,010**
Y <sub>1</sub> /Y <sub>2</sub> (mediation) <sup>1)</sup>			,049	,574			,157	,103
Gender (X <sub>3</sub> )	,849	,077	-1,144	,022	,001	,999	-1,102	,025
Concentration (X <sub>4</sub> )	-,085	,443	-,127	,264	-,027	,785	-,127	,259

Y<sub>1</sub> mediated Tax compliance; Y<sub>2</sub> mediated Tax incentives

\* Significant in 0.01

\*\* Significant in 0.05

\*\*\* Significant in 0.10

Multicollinearity test of each model shows that each variable has tolerance above 0.1 and VIF below 10. It can be concluded that the equation model has met the assumption of multicollinearity. It can be supposed that the equation has met the assumption of normality.

The results of the F test and the coefficient of determination in Table 4 show that all models have a significance value of 0.00 below alpha 0.05, meaning that all models are declared fit. Furthermore, they tested the effects of mediation, namely mediating tax avoidance and tax incentives, on the impact of accounting knowledge and tax knowledge on taxpayer compliance. The mediation effect requires the independent variable's influence on the dependent variable and the influence of the mediating variable on the dependent variable. The results of the Sobel test are summarized in the table below. The results of the Sobel test showed that there was a mediation relationship.

**Table 6. Sobel Test Results**

Description	Indirect effect	Sig.
Mediation of tax avoidance on the effect of accounting knowledge on taxpayer compliance	0,2681	0,0000
Mediation of tax avoidance on the effect of taxation knowledge on taxpayer compliance	0,3078	0,0000
Mediation of tax incentives on the effect of accounting knowledge on taxpayer compliance	0,3725	0,0000
Mediation of tax incentives on the effect of taxation knowledge on taxpayer compliance	0,4300	0,0000

## Discussion

### *The effect of accounting and taxation knowledge on tax avoidance*

Accounting knowledge has a significant effect on taxpayer compliance. Taxpayers, especially individual taxpayers who maintain bookkeeping voluntarily (turnover below 4.8 billion) or mandatory (turnover  $\pm$  4.8 billion), have competent accounting knowledge. This accounting data and information becomes the basis for bookkeeping that produces the company's financial statements. The financial report is an attachment to the supporting documents when reporting the SPT. Accounting knowledge is also related to preparing fiscal financial statements, which are important in determining the amount of tax payable. The arrangement must be made correctly. The basis for proper presentation supports the accuracy of the calculation and payment of taxes. The perspective of taxpayers' knowledge of adequate accounting and taxation supports their efforts in finding alternatives that allow paying lower taxes. Taxpayer knowledge formed by attitudes, underlying rules, and perceptions that control behavior drives taxpayers to make tax avoidance efforts. The current state of the COVID-19 pandemic is very supportive of tax avoidance efforts when cash flow declines and turnover declines. This study is consistent with research by Ialomitianu (2010), Mollerova *et al.* (2010), Daud *et al.* (2010), Loo *et al.* (2010).

Likewise, the testing results on student respondents show that knowledge of accounting and taxation affects tax avoidance efforts. The majority of students have taken the Tax Planning

course, so they fully understand the benefits and objectives of tax avoidance. In order to be able to carry out tax avoidance efforts, of course, knowledge of accounting and taxation must be adequately mastered. Tax avoidance efforts carried out by taxpayers and the perception of prospective taxpayers prove that tax avoidance efforts aim to minimize the tax burden owed or reduce cash outflows so that taxpayers can manage cash funds available for the company's operational needs. The current COVID-19 pandemic condition allows taxpayers to make tax avoidance efforts. Taxes are still perceived as a burden for company activities, so that taxpayers try to take advantage of loopholes in tax regulations to determine the taxes to be paid. Taxpayers can use efforts to find tax loopholes in the Taxation Law to save funds or cash allocations appropriately so that they are still able to encourage business continuity. Such tax avoidance efforts are legal as long as they do not violate the applicable tax provisions. Therefore, the adequate knowledge of accounting and taxation, the taxpayers tend to make tax avoidance efforts.

*The effect of accounting and taxation knowledge on taxpayer compliance by mediated tax avoidance efforts*

Adequate knowledge of accounting and taxation affects taxpayer compliance. Knowledge of accounting and taxation becomes the provision of Taxpayers in determining, paying, and reporting the tax payable. Efforts to avoid tax by reducing tax payments can certainly be made if the Taxpayer has adequate knowledge of accounting and taxation. The perspective of accounting and taxation knowledge is vital in an effort to improve taxpayer compliance. Taxpayers have felt the impact of the COVID-19 pandemic.

However, they should calculate, pay, and report taxes even though they are in poor financial condition. So that they can fulfill their tax obligations obediently, of course, they must make tax avoidance efforts to minimize tax payments. That will be successful if you have adequate knowledge of accounting and taxation. This study supports previous research (Muhrtala & Ogundeji, 2013; Sikka & Willmott, 2013; Huang *et al.*, 2017; Nahumury *et al.*, 2018; Halimi, 2019). The strategy is carried out by maximizing deductible expenses, maximizing non-taxable income, or utilizing tax facilities.

When the Taxpayer has adequate knowledge and knowledge regarding accounting and taxation, it will undoubtedly make it easier to convey tax obligations correctly and on time. Planned Behavior Theory shows taxpayers' attitude, support for subjective norms, and perceptions of controlling behavior, all of which lead to tax-compliant behavior. Experience will undoubtedly strengthen attitudes and subjective norms that are owned to behave in compliance with existing tax provisions (Ialomitianu, 2010). Mollerova *et al.* (2010), Supriyati *et al.* (2018), Solichah *et al.* (2019) shows how entrepreneurs' knowledge of accounting and taxes has a significant influence on taxpayer compliance. On the other hand, the examination of student respondents shows that tax avoidance efforts do not mediate the effect of accounting and taxation knowledge on taxpayer compliance. Students only have good conceptual skills, but practice skills are still not good. Students do not yet have a comprehensive understanding of tax

provisions related to the material obligations of taxpayers so that they do not know the appropriate alternatives to reduce the tax burden payable.

*The influence of accounting and taxation knowledge affects tax incentives*

The tax incentive policy set by the government during the pandemic through Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the 2019 Corona Virus Disease Pandemic aims to ease public tax payments. Tax relief has been implemented from April-September 2021 and has been extended until December 31, 2021, for various types of taxes. Incentives are given by the government, such as PPh 21 borne by the government, Final PPh for SMEs which are exempted (taken by the government), reduction of PPh 25 installments, to VAT exemption for certain taxpayers, including the final PPh of SMEs borne by the government. With this tax incentive policy, it is expected that taxpayers will continue to fulfill their tax obligations so that tax compliance can be maintained.

This tax incentive policy can be granted if the Taxpayer applies to take advantage of the applicable tax incentives. Taxpayers must routinely report their tax obligations appropriately through the Periodic/Annual SPT accompanied by financial statements. Taxpayer knowledge perspective on accounting and taxation is vital in perceiving tax incentives. The impact of the COVID-19 pandemic felt by taxpayers has caused a reluctance to pay taxes due to declining financial conditions. In order for taxpayers to fulfill their tax obligations, tax incentives help taxpayers pay less. Taxpayer behavior is supported by attitudes, subjective norms, and perceptions that control the behavior (Ajzen, 1985). Even though the government has carried out socialization intensively, the mechanism for applying to reporting is not easy for taxpayers to do. When taxpayers have adequate knowledge of accounting and taxation, taxpayers will undoubtedly take advantage of these tax incentives. The tax incentives aim to ease the tax burden, increase taxpayers' income in the midst of economic growth, and encourage business continuity, especially during this pandemic.

Tests on student respondents show that knowledge of accounting and taxation affects tax incentives. During the COVID-19 pandemic, the government, including universities, intensified the socialization of tax incentives. Law Number 1 of 2020 has been delivered through various webinars, guest lectures, and even in class so that students will know about tax facilities outside the applicable Taxation Law. The more comprehensive the knowledge of accounting and taxation they have, the students as prospective taxpayers perceive to take advantage of tax incentives (Febri & Sulistyani, 2018; Khairiyah & Akhmadi, 2019).

*The effect of accounting and taxation knowledge on taxpayer compliance with tax incentives mediated*

Taxpayer compliance can be fulfilled if the Taxpayer has extensive accounting knowledge and takes advantage of the applicable tax incentives. Obedient behavior begins with intentions, determined by attitudes, existing norms/rules, and perceptions of controlling these behaviors (Ajzen, 1985). In order to realize obedient behavior, taxpayers need to have knowledge of accounting and taxation. Taxpayer compliance is realized by fulfilling tax obligations starting

from calculating, paying, and reporting taxes on a timely basis. Extensive knowledge of accounting and taxation encourages taxpayers to take advantage of these tax incentives to fulfill their tax obligations promptly. Tax incentives are a fiscal stimulus as a form of government concern for taxpayers, especially amid this pandemic, providing tax relief and supporting the business continuity of taxpayers. This study supports previous research (Huang *et al.*, 2017; Febri & Sulistyani, 2018; Halimi, 2019; Khairiyah & Akhmadi, 2019). If the tax paid is lower, taxpayers are certainly willing to pay and report their taxes appropriately (Febri & Sulistyani, 2018).

That is different from the test results on student respondents. Tax incentives are not a mediating variable on the effect of accounting and taxation knowledge on taxpayer compliance. Students learn about tax incentives from various webinars, guest lectures, and in-class information. However, students are not actors who take advantage of tax incentives because the procedures, mechanisms, and even forms are different from what they know. Students also have not fulfilled their tax obligations, both formally and materially, so they do not know the consequences of tax incentives on their tax reporting.

### **Sensitivity Analysis**

Sensitivity analysis was conducted to test other variables that were suspected to affect taxpayer compliance. In this study, the control variable is used as a variable that affects taxpayer compliance. The control variables in this study, namely: gender, education, training, length of business, number of employees, and business turnover, were stated to have no significant effect on taxpayer compliance. It indicates that the knowledge perspective of individual taxpayers is more important than the demographic perspective in perceiving taxpayer compliance during the COVID-19 pandemic. That is not in line with Chan *et al.* (2000). The latter compiled four dimensions of tax compliance, namely the demographic dimensions (age and gender), the dimensions of the opportunity to disobey (education, income, sources of income, type of work), the dimensions of attitudes and perceptions (moral development and attitudes towards the tax system), to dimensions of the tax system or structure (authority, sanctions, rates, audits). These results also do not support tax compliance associated with various factors such as economics, psychology, sociology, and politics (Ho & Wong, 2008).

## **CONCLUSION**

This study examines the effect of accounting knowledge and taxation knowledge on taxpayer compliance by mediating tax avoidance and tax incentives. Separate testing between the sample of individual taxpayers and the student sample shows that knowledge of accounting and taxation is essential in encouraging the existence of compliant taxpayers. Socialization to accounting and taxation training must be intensively carried out. On the other hand, tax avoidance and tax incentives are other crucial factor for individual taxpayers. Individual Taxpayers are practically still trying to make tax savings, especially during this COVID-19 pandemic. Incentives given by

the government during the pandemic are seen as very meaningful for taxpayers. Taxpayers are still able to carry out tax payments and report on time. Through regression testing and Sobel test on the WPOP sample, it can be concluded that (1) accounting knowledge, tax knowledge, and tax avoidance efforts affect taxpayer compliance; (2) tax avoidance efforts mediate the effect of accounting knowledge on taxpayer compliance; (3) tax avoidance efforts mediate the effect of tax knowledge on taxpayer compliance; (4) tax incentives mediate the effect of accounting knowledge on taxpayer compliance; (5) tax incentives mediate the effect of tax knowledge on taxpayer compliance. On the other hand, students' knowledge of good tax management and the role of tax incentives is essential to convey. When they become real taxpayers in the future, students can become obedient taxpayers in any economic situation.

The limitation of this research is the limited distribution of questionnaires. This research was conducted during the COVID-19 pandemic, where physical distancing was applied until there was a PSBB period in it. The consequences of collecting data on respondents tend to be limited. The research implication is that taxpayer compliance is related to the behavior of taxpayers in fulfilling their tax obligations, which is an essential concern for both the government and academics. The introduction of accounting and taxes must be introduced in a sustainable and structured manner, starting from prospective taxpayers to becoming taxpayers. The government must always provide socialization, training, and even facilities to improve taxpayer compliance. Suggestions for further research include extending the period of data collection for research respondents or conducting an experimental study to measure taxpayers' actual behavior.

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## APPENDIX

### QUESTIONNAIRE

#### I. Respondent Identity

1. Respondent Name :.....
2. Gender : ( ) Male ( ) Female
3. Last education :  
( ) Junior High School ( ) High School ( ) D3/S1 ( ) S2/S3
4. Have you ever attended accounting and or taxation training?  
( ) Yes ( ) No
5. Training that ever followed:
  - A. ....
  - B. ....
  - C. ....

#### II. Business Information

1. Company/SME Name : .....
2. Long-standing company/SME: .....year
3. Position in the company : ( ) Owner ( ) Employee
4. The type of company :  
( ) service company  
( ) trading company  
( ) manufacturing company
5. The number of employees in the company:  
( ) Less than 5 people  
( ) 5-19 people  
( ) 20-99 people  
( ) over 100 people
6. The company's average turnover in 1 year is:  
( ) Under 4.8 billion  
( ) Above 4.8 billion
7. Does your company have accounting records (journals, ledgers, cash books)?  
( ) Yes ( ) No
8. If you have a record, the recording media used:  
( ) Manual /document only  
( ) Excel Program  
( ) Accounting application software
9. Who does the accounting or administrative records in the company?  
( ) Own Owner

- Company employees
  - Consultant
  - Student Intern
10. Does the company prepare financial reports (balance sheet and profit and loss) regularly?
- Yes       No

**III. Tax Information**

1. Does your company already have a TIN?
  - Yes       No
2. Has your company become a Taxable Entrepreneur (PKP) on VAT?
  - Yes       No
3. Has the company paid taxes on time?
  - Yes       No
4. Has the company submitted the Periodic or annual SPT on time?
  - Yes       No
5. What is the company's average monthly tax value in 2019?
  - Under Rp. 2,500,000
  - Between Rp. 2.500.000-Rp.30.000.000
  - above Rp. 30,000,000
6. What is the company's average monthly tax rate in 2020?
  - Under Rp. 2,500,000
  - Between Rp. 2.500.000-Rp.30.000.000
  - above Rp. 30,000,000
7. Has the company applied for tax incentives in 2020?
  - Yes       No
8. What type of tax incentive do you apply for in 2020?
  - PPh 21 is borne by the government
  - PPh 22 Import
  - PPh 23 carried by the government
  - Installment of PPh 25
  - Corporate Income Tax
  - VAT
9. Why did you apply for tax incentives in 2020?
  - It is a tax facility that must be utilized
  - Get a tax deduction
  - Company turnover decreased
  - Company goes bankrupt

**Put a mark (X) or (V) in the column strongly disagree/disagree/agree/strongly agree**

No	Question	Strongly Disagree	Disagree	Agree	Strongly agree
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No	Question	Strongly Disagree	Disagree	Agree	Strongly agree
<b>Accounting Knowledge</b>					
1	Knowledge of accounting or administration is important in managing the company				
2	Transactions are recorded in a sequence of events/dates				
3	The company's accounting records must be in accordance with the Accounting Standards applicable in Indonesia				
4	In my opinion, the grouping of transactions includes assets, liabilities, Owner's capital, income, and expenses				
5	Preparation of financial reports based on regular records				
6	Financial statements must be prepared accurately and according to company conditions				
7	Financial reports can help business development and measure company performance				
<b>Tax Knowledge</b>					
1	Taxpayers who have income must have NPWP				
2	Taxpayers must understand when tax is payable and when tax reporting				
3	The Taxation Law regulates the applicable tax sanctions				
4	Taxpayers must know the calculation of PTKP (non-taxable income), PKP (taxable income), and tax rates				
5	In my opinion, the applicable tax regulations must be known to the Taxpayer				
6	Tax incentives are important in my tax calculations				
<b>Tax Incentive</b>					
1	Tax incentives are the government's concern in the time of COVID-19				
2	Tax incentives help ease tax payments				
3	Application for tax incentives is easy for taxpayers to follow				
4	Tax incentives are tax exemptions				
5	Tax incentives boost national economic growth				
6	Tax incentives reduce the effectiveness of tax officials' services				
7	Tax incentives in Indonesia are not effective during this pandemic period				

No	Question	Strongly Disagree	Disagree	Agree	Strongly agree
<b>Tax evasion</b>					
1	Refrain from doing something (transaction) that is taxed				
2	Move location/domicile to a location with a low tax rate				
3	Every Taxpayer is always looking for an alternative tax deduction				
4	Tax Planning can allocate company cash efficiently				
5	Tax Planning is seen as a legal effort				
6	Tax planning is done by eliminating transaction evidence				
<b>Taxpayer Compliance</b>					
1	I didn't think of a violation in the field of taxation				
2	Taxpayers should not make mistakes in tax calculations				
3	Taxpayers must pay taxes according to tax calculations				
4	Taxpayers may manipulate the tax figures and amounts				
5	Tax arrears are not a priority for my company right now				
6	Documents and records need to be prepared, especially during tax audits				
7	In my opinion, reporting taxes on time is a must				