

DETERMINANT OF PERSONAL TAX COMPLIANCE IN INDONESIA

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Purpose of the study: This article aims to analyze the effect of eight independent variables (happiness, level of welfare, electoral participation, sex, age, marital status, type of residence, and level education) on tax compliance in Indonesia.

Methodology: The cross-sectional study data came from the 5th wave of the Indonesian Family Life Survey (IFLS 5) produced by Rand Corporation, Ltd, United States, in 2014-2015. The total sample of IFLS 5 reached 16,204 households and 50,418 individuals as household members. IFLS 5 respondents are household heads, spouses of heads household, and household members aged 15 years old or older who can provide information about the characteristics of household members. This article applies logistic regression using STATA 15 to analyze the IFLS 5.

Main Findings: The result of logistic regression shows that of the eight independent variables identified as predictors of tax compliance (Y), only five independent variables ($p < 0.01$) significant affect tax compliance (Y) with a contribution as much as 128.1% (electoral participation/ X_8), 61.1% (welfare/ X_2), 54% (happiness/ X_1), -37% (age/ X_3), 17.9% (education level/ X_7). Among these five independent variables, only the age (X_3) has a negative relationship with tax compliance (Y), while the other independent variables have a positive relationship. This final model can explain tax compliance (Y) of 0.0275 or 3% significantly, $X^2(5) = 459.46$, $p < 0.01$.

Applications of this study: This article recommends that the government intervene in various sectors of social development, increase tax literacy, expand access to higher education, and improve the quality of the democratization process to increase tax compliance in Indonesia.

Novelty/originality of this study: This article brings new evidence on the relationship between happiness, welfare, electoral participation, age, and education level on personal tax compliance.

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