ABSTRACT

Nowadays, tax collection system applied in Indonesia is a self assessment system. Based on that system, the government gives the authority and confidence to taxpayers in calculating and reporting their own tax payable. It makes the income received by the state really depends on taxpayer compliance. The government has implemented tax rate reductions that provide on Income Tax Law No. 36 of 2008 for increase tax compliance. On the other hand, the National Census of Taxation which held a time ago revealed that the compliance rate is still low.

This research uses two factors that affect compliance, tax policy and taxpayer comprehension. The purpose of this research is to examine and analyze the influence that two variables with the level of taxpayer’s formal compliance. The respondents are 57 owners of SME (shoes and slippers) in Mojokerto District. Then, the sample selection method used in this research is purposive sampling. To examine the effect of independent variable on dependent variable, this research uses multiple regression and t-test. This research found that taxpayer comprehension has significant effect toward formal compliance of taxpayers. While tax policy doesn’t affect toward the formal compliance of taxpayers.

Keywords: tax policy, tax rate reductions, taxpayer comprehension, and formal compliance of taxpayers.