CHAPTER I

INTRODUCTION

1.1 Background of Study

The development of information technology has been occurred in developing country, including Indonesia (Mildawati, 2000). Although it is not as rapid as in developed country, significant changes can already be felt. In practice, almost all aspects of human life apply technology that provides new facilities that have never been experienced before. Technology has been applied by several entities in the fields of education, health, banking, business, and government (Parsaorantua, Pasoreh, & Rondonuwu, 2017). This application of technology is related to the fact that individuals cannot be separated from smartphones and computers as the devices that enable them to access all information needed. The phenomenon is used by the government to improve the information system applied in the country.

E-Government is the form of information and communication technology implementation in the field of government. Several countries put an effort at improving public services as well as economic development through e-Government to build effectiveness (Alcaide–Muñoz, Rodríguez–Bolívar, Cobo, & Herrera–Viedma, 2017). E-Government has enabled users to access information, offered transparency, and increase public participation in government affairs. In addition, the taxation institution of Indonesia also adopted e-Government as an attempt to increase awareness of the public obligation to pay taxes.

One of the systems that is part of e-Government and being used by taxation institution is known as e-filing. It is the reformation of taxation system, that

Directorate General of Taxation is adopting and integrating information technology in tax administration. The main purpose of this reform is to facilitate taxpayers in reporting their tax returns without having to come to the tax office and fill out the printed forms manually. Nevertheless, in Indonesia, the implementation of e-filing itself began to intensify in 2013 (Rinaningsih, 2013).

E-filing is defined as a way of reporting tax return electronically by online and real time via the internet on the website of the Directorate General of Taxation (www.pajak.go.id) or service provider of electronic tax return or Application Service Provider (ASP) (Pajak, n.d.). Hence, reporting tax return can be completed anytime and anywhere, not depending on office hours or holidays. In other words, taxpayers who use e-filing will take the advantage of effectiveness and efficiency in reporting tax returns (Hussein, Mohamed, Ahlan, & Mahmud, 2011). Furthermore, e-filing system will benefit the government by sending the data directly to the Directorate General of Taxation and it can save the costs as well as reduce the use of paper (Wahyuningsih, Winaya, & Yasintha, 2014). Additionally, according to verdict KEP-88/PJ/2004 on the submission of tax return electronically, taxpayers can submit his or her tax return to the Directorate General of Taxation through an application with 24/7 access which then taxpayers will receive electronic receipt if all the requirement of tax return submission is fulfilled.

Since the introduction of e-filing in Indonesia, conventional submission of tax return is considered to have weaknesses, especially for taxpayers who make large amount of transactions (Azmi & Kamarulzaman, 2010). The taxpayer should attach supplementary documents (hardcopy) to the Tax Office, while the process of

data recording takes a long time which makes delayed on tax return reporting and caused fines. In addition, human errors can occur in the process of manual data recording by the tax authorities. Eventually, conventional method to submit tax return cannot be as effective as the e-filing system.

The implementation of e-filing in Indonesia has been lasted approximately six years since 2013 and a large number of taxpayers are interested in utilizing this online service facility. Based on statistical data, the number of taxpayers who report through e-filing system continues to increase every year. The number of taxpayers who have reported tax return on March 31, 2017 through e-filing was in amount of 7,059,765 *SPT* or 76% of the total collected *SPT*. Meanwhile, as of March 31, 2018, the Directorate General of Taxation noted that out of 10,589,648 *SPT* entered, 80% of taxpayers used e-filing system (Kompas.com, 2018). The gradually increasing number of taxpayers using e-filing system requires tax authorities to ensure that the system facilitates users as expected, thus full benefits can be obtained by the government and taxpayers.

The claims that e-filing makes it easier for taxpayers to report tax return compared to conventional method leads to high expectations by taxpayers toward e-filing system. In other words, the features and advantages offered by e-filing system are very influential on taxpayer satisfaction. Conceptually, the level of user satisfaction depends on the system performance. If performance is lower than expectation, the user will not be satisfied. If the performance is as expected, the user will be satisfied. If the performance exceeds expectation, then the user will be very satisfied. In the context of e-filing, there are aspects that can be used to

measure taxpayer satisfaction, namely, information quality, system quality, and service quality. In general, the increased quality of information, system, and service, will result in the increasing satisfaction of taxpayer. Satisfied taxpayers will remain loyal and most likely provide information to others regarding the good experiences in using e-filing system.

Additionally, e-filing system is considered as one of the public services. Supriyadi (2014) mentioned that public services have a role in improving tax compliance. In other words, the quality of e-filing system might be one of the factors that determine tax compliance. This can be concluded that there is mutually beneficial relationship between the government as a provider of public services and citizens as taxpayer. When expenditures of the state rely on tax revenues, it becomes reasonable that citizens demand better public service. This automatically becomes a reminder for citizens itself to pay taxes obediently (Supriyadi, 2014).

However, taxpayers often realize the obligation to pay taxes and submit annual tax returns on the last days of the submission deadline. This might cause the slow or not optimal performance of e-filing system. The reason is because taxpayers submit their tax returns at the same time, thus the excessive data are entered and the website is widely accessed. As a result, some of taxpayers are not fully satisfied with the non-optimal e-filing system and prefer to report taxes conventionally. The previous statistical data proved that there are still 20% of taxpayers who have not utilized the facilities of e-filing. In addition, Wibisono & Toly (2014) explained that e-filing system is not an easy way to do and there are still many deficiencies that make taxpayers more likely to report taxes conventionally. These deficiencies can

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occur due to various factors, such as the weakness of internet network in Indonesia, lack of knowledge in using e-filing system by taxpayers, and the quality of e-filing system itself. Therefore, how person taxpayers evaluate the success of e-filing system and what factors influence the evaluation of person taxpayers on the success of e-filing information system are the problems involved in this research.

One of the theories that explains the model of information system success is the DeLone & McLean IS Success Model. It is a success model of information system developed by DeLone and McLean to measure the success or effectiveness of information system which then be updated by adding the measurement of service quality due to the increased use of information technology (DeLone & McLean, 2003). The DeLone & McLean IS Success Model consists of six dimensions, namely, information quality, system quality, service quality, intention to use/use, user satisfaction, and net benefits. DeLone & McLean (2003) explained that information quality, system quality, and service quality affect user satisfaction and intention to use/use. Also, intention to use/use and user satisfaction will affect net benefits.

Information quality has an influence on taxpayer satisfaction. The reason is because taxpayers definitely need information in using e-filing system. The information should be helpful considering that e-filing system is self-service. The level of quality is measured in terms of informativeness, accuracy, timeliness, and relevancy. The previous studies conducted by Widyadinata & Toly (2014), Chen, Jubilado, Capistrano, & Yen (2015), Ningrum & Andi (2016), and Hidayati, Harimurti, & SPA (2017) showed that information quality has positive significant

influence on taxpayer satisfaction. It means that the higher the quality of information, the higher the taxpayer satisfaction on e-filing system.

System quality also has an influence on taxpayer satisfaction. The reason is because the system supports taxpayer in the process of using e-filing. The system should be fast in completing transactions. The level of quality is measured in terms of accessibility, reliability, flexibility, response time, and integration. The previous studies conducted by Widyadinata & Toly (2014), Chen et al. (2015), Moradi Abadi, Moradi Abadi, & Jafari (2017), and Chumsombat (2015) showed that system quality has positive significant influence on taxpayer satisfaction. It means that the higher the quality of system, the higher the taxpayer satisfaction on e-filing.

Service quality is another important factor that has an influence on taxpayer satisfaction. The reason is because taxpayers need security and responses from the system. The level of quality is measured in terms of tangibles, assurance, reliability, responsiveness, and empathy. The previous studies conducted by Chen (2010), Chen et al. (2015) and Permatasari, Susilo, & Topowijono (2015) showed that service quality has positive significant influence on taxpayer satisfaction. It means that the higher the quality of service, the higher the user satisfaction on a system.

Several previous studies on the success of information system in online tax-filing have been conducted. In Indonesia, the studies were carried out by Widyadinata & Toly (2014); Ningrum & Andi (2016); Hidayati, Harimurti, & SPA (2017); Permatasari, Susilo, & Topowijono (2015); and Lastri & Indrawati (2018). In addition, there were also studies in another country conducted by Chen (2010), Chen, Jubilado, Capistrano, & Yen (2015); Moradi Abadi, Moradi Abadi, & Jafari

(2017); and Chumsombat (2015). In general, these studies showed that taxpayer satisfaction on the online tax-filing system is affected by more than one factor. However, the subject in those studies was only person taxpayers without involving body taxpayers. Reviewing the previous studies especially conducted in Indonesia, none of them analyzed the three variables of information quality, system quality, and service quality simultaneously and rarely take body taxpayers as the subject of study. Also, the result of study conducted by Chen et al. (2015) showed that information quality has the most significant influence on taxpayer satisfaction over system quality and service quality. Therefore, the present study will cover the absence of body taxpayers' involvement and reassure the influence of information quality on taxpayer satisfaction.

The present study is aimed at analyzing further about the factors that influence taxpayer satisfaction, such as information quality, system quality, and service quality. This study will replicate the research from Chen (2010) and Chen et al. (2015) conducted in Taiwan and Philippines respectively, which includes three variables of information quality, system quality, and service quality. This present study also supported by the DeLone & McLean IS Success Model, which explained that user satisfaction should be measured by using three dimensions of information quality, system quality, and service quality. Thus, the researcher is motivated to conduct a research entitled **"The Influences of Information Quality, System Quality, and Service Quality on Taxpayer Satisfaction with E-filing System".**

1.2 Problem Formulation

Based on the background of the study above, the problems that must be solved by the researcher are:

1. does information quality influence the taxpayer satisfaction with e-filing system?

2. does system quality influence the taxpayer satisfaction with e-filing system?

3. does service quality influence the taxpayer satisfaction with e-filing system?

1.3 Research Objectives

Related to the research problems of this research, the purposes of this research are to:

1. analyze the influences of information quality on taxpayer satisfaction with e-filing system,

2. analyze the influences of system quality on taxpayer satisfaction with e-filing system, and

3. analyze the influences of service quality on taxpayer satisfaction with e-filing system.

1.4 Research Contribution

This research is conducted with an expectation to provide benefits to the field of accounting in the form of understanding on e-filing system and its usage.

Hopefully, it would be useful as a reference for other researchers to conduct further studies related to e-filing system.

Practically, the government and taxpayers may take advantage of this research findings. This study can provide additional information for the Directorate General of Taxation in Indonesia to develop e-filing system. It also gives knowledge to taxpayers regarding facilities provided by e-filing system.

1.5 Systematics of Writing

This research consists of five chapters. Each chapter has its own focus and purpose that is described more as follows:

Chapter I: Introduction

This chapter describes the background of study, problem formulation, research objectives, research contributions, and systematics of writing.

Chapter II: Review of Related Literature

This chapter explains the theory that discusses the variables used by the researcher as well as the previous studies used as the research references. It also contains the previous research, hypothesis formulation, and model of the study.

Chapter III: Research Method

This chapter describes population and sample, sources and data collection method, research variables and measurement, and analytical techniques.

Chapter IV: Data Analysis and Discussion

This chapter presents the result of data analysis using statistical tools to prove whether the result fulfills the hypotheses or not and there will be a further discussion based on the findings. This chapter contains research description, research findings, and discussion.

Chapter V: Conclusions and Recommendations

This chapter presents conclusion drawn from the result of study, limitations and recommendations for related studies in the future.