

THE EFFECT OF REWARD PROVISION ON TAXPAYERS (Individual Taxpayers in the Notary Profession in Indonesia)

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Abstract

Tax compliance plays a crucial role in maximizing state income; nonetheless, the level of compliance among individual taxpayers in Indonesia is still quite low. Offering incentives is viewed as one of the techniques that can boost taxpayers' enthusiasm and understanding in meeting their tax responsibilities. This research intends to investigate how the provision of incentives impacts the tax compliance of individual taxpayers, particularly notaries in Indonesia. The study utilizes a quantitative method with a survey approach, collecting notary responses through Google Forms. Information was gathered via a questionnaire that had been validated for accuracy and consistency. The analysis of the data was performed using simple linear regression to evaluate how the reward variable affects the tax compliance level. The findings suggest that the provision of incentives positively and significantly influences the tax compliance of notary taxpayers.

Keywords: *Reward, Compliance, Individual Taxpayers, Notary*

INTRODUCTION

In Indonesia, tax contributions account for more than 80% of the total state revenue, making taxpayer compliance a key determinant of the success of the national development agenda. The latest data from the Directorate General of Taxes (DGT) as of April 1, 2025, shows that 12.34 million Annual Income Tax Returns (SPT) for the 2024 tax year have been received, consisting of 12 million individual taxpayer annual returns. This figure represents approximately 60% of the total individual taxpayers required to file SPT, considering the DGT's compliance target for 2025 is 16.21 million SPTs, or about 81.92% of the 19.78 million taxpayers obligated to report. Additionally, the DGT has extended the deadline for Annual SPT filing until April 11, 2025, without administrative sanctions, so the reporting numbers are expected to continue increasing after the official deadline of March 31, 2025. This phenomenon indicates significant challenges in building awareness and motivation among taxpayers to consciously fulfill their tax obligations. Tax compliance in Indonesia, especially among individuals, remains a major challenge. Low compliance adversely affects the optimization of national tax revenue potential, which in turn limits national development funding. Therefore, improving taxpayer compliance has become a primary focus of the government through various policies and strategies.

According to the Directorate General of Taxes, a notary is a public official authorized to create authentic deeds and plays a crucial role in the legality of documents and legal transactions in Indonesia. In the context of taxation, notaries are obligated to report transactions involving taxpayers (Wajib Pajak) to the Directorate General of Taxes (DGT) in accordance with the Harmonization of Tax Regulations Law No. 7 of 2021 concerning Income Tax and related regulations. This requirement for reporting is designed to increase adherence to tax regulations, boost the precision of tax information, and aid in the efficient monitoring and enforcement of laws within the tax domain (Apriantour, 2024). Nonetheless, the degree to which notaries comply with their reporting duties for individual taxpayer transactions (WPOP) is affected by several elements. These include their grasp of tax laws, their level of awareness and dedication, the simplicity of the reporting process, the strength of law enforcement, and the existing culture of tax compliance (Praminingrat and Yusa, 2025). Tax compliance is often perceived as a burdensome obligation, especially for individual taxpayers who face the complexity of the tax system or uncertainty about the direct benefits of their contributions (Afsari, 2018). Factors such as low understanding of tax regulations, distrust of the government, or fear of administrative sanctions also influence compliance behavior (Tarmidi & Waluyo, 2014). To date, the dominant strategy employed by tax authorities has been an enforcement approach through tax audits and penalties. However, this approach is considered less effective in fostering taxpayers' intrinsic awareness.

LITERATURE REVIEW

Tax Compliance Theory

The Tax Compliance Theory introduced by Allingham and Sandmo in 1972 posits that a taxpayer is a rational decision-maker who weighs the benefits and costs when deciding whether to comply with tax regulations. In this context, rewards function as positive incentives that can increase taxpayers' motivation to fulfill their tax obligations. Incentives not only enhance formal compliance but also increase the amount of tax reported. With the presence of incentives, taxpayers who might have previously evaded taxes become more compliant.

Responsive Regulation Theory

According to the research by Nugrahanto and Asikin (2022), the responsive regulation theory emphasizes the importance of balancing positive incentives (rewards) and law enforcement (penalties and audits). Rewards should be given as a form of appreciation for compliant taxpayers but must be balanced with supervision and sanctions to ensure that compliance is maintained sustainably and does not lead to dependency on incentives alone (Winardi et al., 2023). This approach ensures that rewards serve as additional motivation without eliminating the deterrent effect of penalties.

Reward Provision

In the area of taxes, offering rewards pertains to the incentives or accolades bestowed upon taxpayers by tax agencies as acknowledgment for their adherence to tax responsibilities (Pradnyani et al., 2022). As stated by Putra (2016), the aspects of reward distribution can be evaluated through:

- a. the frequency and types of rewards received by taxpayers.
- b. Taxpayers' perception of the benefits and fairness of reward provision.
- c. The impact of rewards on changes in taxpayers' compliance behavior.

Individual Taxpayer Compliance

Individual taxpayer compliance refers to the extent to which a person fulfills tax obligations in accordance with applicable laws and regulations (Lim & Indrawati, 2017). According to Dawolo and Saragih (2015) and Aulia et al. (2019), taxpayer compliance can be operationalized through the following indicators:

- a. Submitting accurate and timely income tax reports.
- b. Accurately calculating the amount of tax owed.
- c. Submitting the yearly tax return to the tax authority based on the established timeline.
- d. Making tax payments in accordance with the amount owed and on time.

Notary

As stated by the Directorate General of Taxes, a notary is a government-appointed public officer who has the power to draft official documents that possess significant legal validity, in both formal and material aspects.

Relationship Between Variables

According to Iskandar and Andriani (2017), in the context of taxation, rewards are a form of incentive or appreciation given by authorities to taxpayers who fulfill their tax obligations accurately and on time, such as reductions in administrative penalties, ease of service, or formal recognition. Meanwhile, individual taxpayer compliance refers to appropriate behavior in fulfilling tax obligations, including accurate and timely filing of tax returns (SPT) and tax payments in accordance with applicable regulations (Jelanti et al., 2024). Based on previous studies and research, the provision of rewards functions as an external motivator that can increase taxpayers' motivation and awareness to fulfill their tax obligations. These rewards can stimulate changes in taxpayers' attitudes and actions, shifting them from tendencies to evade taxes to becoming more compliant.

Hypothesis

H1: The provision of rewards has an effect on the compliance of individual taxpayers (notaries)

METHOD

Research Design

This research utilizes a quantitative technique with an explanatory approach focused on examining how offering rewards affects the compliance of individual taxpayers. The method used in this study is descriptive research, which seeks to showcase the precision of responses that remain tentative.

Population, Sampling Technique, and Sample Size

This research utilizes a numerical method to investigate how offering rewards affects the adherence of individual taxpayers who serve as notaries. To establish a suitable sample size, the investigator employs a random sampling method derived from Slovin's formula. The selection of the sample is performed randomly from the roster of individual taxpayer notaries in Indonesia, guaranteeing that each taxpayer (notary) in the overall population has an equal opportunity to be chosen as a participant, leading to a total sample size of 555. Data collection is carried out online via Google Forms, facilitating efficient distribution of the questionnaire and data gathering while reaching a wide range of respondents. The collected data will be analyzed using descriptive statistical techniques to evaluate the impact of reward provision on the compliance of individual taxpayers (notaries).

Operationalization of Variable Instruments

Variable	measurement	Scale
Reward Provision (X)	Taxpayers' perception of the existence of rewards Types of rewards received Frequency and consistency of reward receipt The influence of rewards on taxpayers' motivation to report and pay taxes on time	Likert
Taxpayer Compliance (Y)	Compliance with tax regulations (e.g., registration for a Taxpayer Identification Number - NPWP). Compliance in completing and reporting tax returns (SPT), including timeliness and data accuracy. Compliance in accurately calculating the tax owed. Compliance in making tax payments on time according to the amount of tax due.	Likert

RESULTS AND DISCUSSION

Data Quality Testing

Validity Test

Variable	Indicator	r _{value}	r _{table}	Description
Reward Provision (X)	X.1	0,497	0,080	Valid
	X.2	0,501	0,080	Valid
	X.3	0,531	0,080	Valid
	X.4	0,447	0,080	Valid
	X.5	0,535	0,080	Valid
	X.6	0,485	0,080	Valid
	X.7	0,512	0,080	Valid

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	X.8	0,435	0,080	Valid
	X.9	0,448	0,080	Valid
Taxpayer Compliance (Y)	Y.1	0,450	0,080	Valid
	Y.2	0,484	0,080	Valid
	Y.3	0,540	0,080	Valid
	Y.4	0,471	0,080	Valid
	Y.5	0,537	0,080	Valid
	Y.6	0,497	0,080	Valid
	Y.7	0,529	0,080	Valid
	Y.8	0,454	0,080	Valid
	Y.9	0,530	0,080	Valid

According to Tabl, the results from the validity test reveal that for both study variables reward provision (X) and taxpayer compliance (Y)—the computed r value (r calculated) exceeds the critical r value (r table) by 0. 080. This suggests that, in general, the questionnaire tools employed in this research are deemed valid.

Reliability Test

Variable	Cronbach's Alpha	Cronbach Alpha yang disyaratkan	Description
Reward Provision (X)	0.611	0,60	Reliabel
Taxpayer Compliance (Y)	0.618	0,60	Reliabel

According to the table, the outcomes of the reliability assessments for the variables in the study, which are reward provision (X) and taxpayer compliance (Y), are 0. 611 and 0. 618, respectively. The Cronbach's Alpha values for both variables meet the necessary standard, suggesting that the tools used in the study are dependable.

Multiple Regression Analysis

Variable	Coefficient	Standard Error	t-Value	Sig.
Constant	33,943	1,054	32,202	0,000
Reward .P (X)	0,213	0,028	7,517	0,000

According to the findings of the straightforward linear regression analysis shown in the table, the subsequent equation is formulated and presumed:

$$PR = 33,943 + 0,213KWP + e.$$

Classical Assumption Test

Normality Test

Unstandardized Residual		
N		555
Normal Parameters ^{a,b}	Mean	0,0000000
	Std. Deviation	2,13426602
Most Extreme Difference	Absolute	0,038
	Positive	0,033
	Negative	-0,038
Test Statistic		0,038
Asymp. Sig. (2-tailed)		0,056 ^c

According to the table, the significance value is 0. 056. This suggests that the data in this research follow a normal distribution, since the Asymp. Sig. (2-tailed) value of 0. 056 exceeds 0. 05. Consequently, the data from this research is suitable for further statistical analyses.

Heteroscedasticity Test

Variable	Coefficient	Standard Error	t-Value	Sig.
Constant	33,943	1,054	32,202	0,000
Reward .P (X)	0,213	0,028	7,517	0,000

According to the findings from the Glejser test displayed in the table, the p-value exceeds 0. 05. This implies that there is no presence of heteroscedasticity in the regression model, making it appropriate for additional analysis.

Hypothesis Testing

Partial Test (t-test)

Variable	Coefficient	Standard Error	t-Value	Sig.
Constant	33,943	1,054	32,202	0,000
Reward .P (X)	0,213	0,028	7,517	0,000

The variable related to reward offerings has an encouraging coefficient of 0. 213, suggesting that offering incentives to taxpayers enhances compliance among individual notaries. The t-test reveals that the reward offering variable significantly impacts taxpayer compliance, with a significance value of 0. 000, which is below the 0. 05 threshold.

Coefficient of Determination Test (R²)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,304 ^a	0,093	0,091	2,13619	1,404

a. Predictors: (Constant), Reward Provision

b. Dependent Variable: Taxpayer Compliance

According to the findings from the coefficient of determination test shown in Table 11, the adjusted R-squared figure is 0. 091. This indicates that the independent factor accounts for 9. 1% of the variation in the dependent factor, and the rest of the variation is attributed to additional factors not covered in this research.

Discussion

The distribution of rewards greatly enhances the likelihood of individual taxpayers adhering to tax regulations, as shown by various research studies carried out in Indonesia. An experimental investigation by Iskandar and Andriani in 2017 revealed that combining rewards with tax audits and penalties is more effective in boosting individual taxpayer compliance than relying only on audits and penalties. Incentives like reduced administrative penalties, improved services, and formal acknowledgment encourage taxpayers to accurately report and pay their taxes on time. This leads to an increase in compliance among those who previously considered evading taxes, resulting in a rise in reported tax contributions. Additionally, research conducted by Harfiani et al. (2023) indicated that the expectation of rewards positively affects compliance for motor vehicle taxpayers. This supports the idea that rewards serve not just as a token of appreciation but also as a powerful mechanism to raise taxpayers' awareness and motivate them to meet their tax responsibilities. Rewards create positive incentives that enhance taxpayers' intrinsic motivation, encouraging them to fulfill their tax obligations more diligently without feeling pressured or compelled.

CONCLUSION

Based on the findings from the analysis and discussions, it can be inferred that offering rewards positively and significantly influences the compliance of individual taxpayers, especially notaries in Indonesia. Incentives offered by tax authorities, such as easing administrative penalties, enhancing service processes, and providing formal acknowledgment, serve to boost notaries' eagerness to accurately report and timely settle their tax obligations. This conclusion aligns with earlier studies indicating that rewards can turn potential tax evaders into compliant taxpayers, thereby raising the total amount of taxes reported. Therefore, rewards not only serve as a means of recognition but also act as an effective tool for promoting awareness and compliance among individual taxpayer notaries.

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