
EXPLORING TAX AUDITS INSTRUMENT VALIDATION: PERCEPTIONS OF TAX INSPECTORS AT A TAX OFFICE IN BANDUNG CITY

Ai Hasanah¹, Iwan Sidharta², Siti Mialasmaya³, Siti Nurpadhilah⁴, Risna Amel Putriyani⁵
*aihasanah269@gmail.com*¹, *i_sidh@stiepas.ac.id*², *mia@stiepas.ac.id*³, *dilapadilahhh@gmail.com*⁴,
*risnaamelputriyani@gmail.com*⁵

Sekolah Tinggi Ilmu Ekonomi Pasundan, Bandung

ABSTRACT

The state's critical role in tax revenue is essential for national development's sustainability and smooth running. One way to increase tax revenue is to conduct tax audits on potentially problematic taxpayers. This study aims to explore the tax audit instrument. Researchers tested the statement instrument to measure tax audits from employee perceptions directly related to tax audits, with as many as 40 people at one tax office in Bandung. The researcher used an exploratory factor analysis approach with the principal axis factor and oblimin extraction methods. The calculation results show the KMO value of 64.2%; the tax audit variable form into four factors. Furthermore, a simple calculation using the Partial Least Square (PLS) approach shows adequate validity and reliability values. The calculation results indicate that the statement items developed from the aspects of the audit, implementation, and reporting of the tax audit results meet the initial criteria to become an indicator of measuring the tax audit instrument. The study results provide an adequate tax audit instrument; however, further testing needs to validate this instrument to use in general.

Keywords: *Instrument; Tax Audit; Exploratory Factor Analysis Partial Least Square*

1. INTRODUCTION

In Indonesia, the government makes public expenditures on behalf of the people for state development, provision of facilities, social services, and other expenditures. Thus, to fulfill this responsibility, the government requires many funds. One of the state's revenues comes from its people through tax collection. Therefore, tax revenue is one of the sources of state revenue with the most considerable contribution in supporting the financing of the State Revenue and Expenditure Budget.

However, during the COVID-19 pandemic, tax revenues have decreased drastically due to declining economic conditions. This situation can be seen from the tax receipts at one KPP in Bandung City in 2020, which reached Rp. 134,470,370,982 from the target of Rp. 95,926,371,000 or 140%, which means 40% exceeded the target. Meanwhile, in 2021, tax revenue at one KPP in Bandung City will reach Rp. 310,006,561,595 of the target of Rp. 374,907,950,000 or 83%, meaning a shortfall of 17% of the expected target. This condition shows that there will be a decline in 2021 by 57%.

In order to increase tax revenue, it is necessary to increase taxpayer compliance in fulfilling their tax obligations. However, taxpayer compliance is still a significant problem in the world of taxation, where many taxpayers have low levels of compliance in calculating, depositing, and reporting taxes to be paid. This condition can see from the percentage of the compliance ratio for submitting Taxpayer SPT at one KPP in Bandung City in 2021, which is 85%, meaning that the level of taxpayer compliance at one KPP in Bandung City is not optimal. The cause of the low compliance of taxpayers is the knowledge and awareness of taxpayers who are still weak, so it is necessary to conduct socialization by the DJP to taxpayers regarding taxation and its benefits for the nation and state as well as for itself. This situation expects to increase taxpayers' knowledge of taxation and make taxpayers more aware of their tax rights and obligations.

One of the factors that influence taxpayer compliance is a tax audit. A tax audit is essential to find out the taxpayer's truth in fulfilling his tax obligations and rights. The tax audit carries out if the taxpayer submits the Annual SPT/Period SPT stating Overpayment, the taxpayer does not submit the Annual/Term SPT within the specified period, and if the taxpayer performs merger, expansion, business

takeover, or liquidation. By conducting a tax audit, the DJP can determine if the taxpayer commits fraud or embezzlement, which can harm the state. If the tax audit carries out properly, it will significantly impact increasing tax revenues. Ezer & Ghazali (2017) show that tax audits can improve taxpayer compliance; the study used 440 taxpayers registered with the director general of taxes in 2012-2014. Gunarso's research (2016) also indicates that tax audits can improve compliance.

Furthermore, Handayani & Darma (2021) emphasize the quality of tax audits determined by audit policies and information transparency. Bergolo et al. (2019) explain this condition, which proves that the provision of transparent information can increase taxpayer compliance. To research by Ervana (2019) and, Elgin & Erturk (2019), and Li, Pittman & Wang (2019), the existence of a tax audit will be able to reduce tax evasion by taxpayers. Advani, Elming & Shaw (2021) show that the behavior of taxpayers in the United Kingdom increases their compliance during tax audits.

Based on the description of the research background regarding the critical role of tax audits on taxpayer compliance and tax revenue, this research aims to validate the tax audit instrument.

2. METHOD

The purpose of this study is to examine the research instrument that measures tax audits, which consists of three aspects: inspection, implementation, and reporting of audit results. This aspect refers to the provisions of the applicable tax regulations in Indonesia. Referring to this aspect, the researcher developed 15 statements and then tested these statements with an exploratory factor analysis approach (EFA) using oblimin rotation. The researcher uses multi-dimensional assumptions to test the factorial variance; therefore, the researcher chooses the extraction of the Principal Axis Factor (PAF). After calculating the factor analysis, the researcher uses a simple approach to test confirmatory factor analysis by testing non-parametric Structural Equation Modeling (PLS) with consideration of a small sample.

Respondents in this study are employees who work at one of the KPP in the city of Bandung. Researchers conducted research for 4 (four) months in 2022. The number of respondents was 40 employees, who were employees who were directly related to tax audit activities. The characteristic respondents comprised 23 male respondents percentage of 57.5%, and female respondents, as many as 17 people percentage of 42.5%. This condition shows that there are more male respondents than female respondents. Respondents were aged 21-30 years, as many as two people with a percentage of 5%; respondents aged 31-40 years, as many as 23 people percentage of 57.5%; respondents aged 41-50, 13 people with a percentage of 32.5%, and respondents with age > 50 two people with a percentage of 5%. This condition shows that the age of respondents with an interval of 31-40 years is more than that of other age intervals. Respondents with a high school / vocational education level of as many as 0 people with a percentage of 0%, Diploma of as many as eight people with a percentage of 20%, bachelor as many as 27 people with a percentage of 67.5%, and Postgraduate five people percentage of 12.5% This shows that respondents bachelor's level of education more than other levels of education.

3. RESULTS AND DISCUSSION

The researcher tested the research instrument, which consisted of 15 statements in which the researcher derived the statement from 3 (three) aspects, namely examination, implementation, and report on the examination results. From the calculation of exploratory factor analysis, the value of the KMO and Bartlett test is 0.642 with a significance level of 0.000. these results indicate that 64.2% of the statements represent the test of research variables. In comparison, the results of the extraction Communalities calculation show a value greater than 0.3, so it can say that the statement meets well in the exploratory factor analysis test with a variety of factors that can explain as many as four factors with percentages of 31.29%, 13.17%, 8.05%, and 6.05%. The results of the calculation of exploratory factor analysis can see in table 1.

Tabel 1.
The Calculation Of Exploratory Factor Analysis

Total Variance Explained			
Factor	Total	% of Variance	Cumulative %

1	4.695	31.299	31.299
2	1.976	13.170	44.470
3	1.208	8.055	52.525
4	.909	6.057	58.582
Communalities			
Item		Initial	Extraction
x1		.479	.390
x2		.664	.662
x3		.430	.334
x4		.781	.662
x5		.716	.625
x6		.867	.644
x7		.885	.861
x8		.638	.618
x9		.373	.330
x10		.554	.542
x11		.808	.763
x12		.673	.659
x13		.786	.828
x14		.517	.372
x15		.486	.497
KMO and Bartlett's Test			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.642	
Sig.		.000	

Sumber: Data diolah, 2022

Table 1 explains the extent of the KMO test value, the extraction value of communalities, and the number of factors that explain the research variables. The results of the statement structure that make up the tax audit variable can see in table 2.

Table 2.
Matrix Instrument Structure

Item	Factor			
	1	2	3	4
x1	.539			
x2	.688			
x3	.502			
x4				.798
x5				.787
x6		-.778		
x7		-.898		
x8			-.760	
x9			-.489	
x10		-.560		

x11		-.867		
x12	.802			
x13	.903			
x14				.408
x15		-.569		
Factor Score Covariance Matrix				
Factor	1	2	3	4
1	1.301			
2	-.991	1.254		
3	2.210	-1.362	2.697	
4	-.085	.394	.779	.859

Table 2 describes the statement items that make up the tax audit variable factor, where the first factor consists of statement items 1, 2, 3, 12, and 13. In contrast, the second factor consists of statement items 6, 7, 10, 11, and 15. Finally, the third factor consists of 2 statement items, namely statement items 8 and 9, and the fourth factor consists of statement items 4, 5, and 14. The covariance matrix explains the value of the variation of the four factors.

Furthermore, the researchers tested the results of the four factors using Partial Least Square, where the calculation first calculated the value of outer loading, validity, and reliability as well as discriminant validity to test the factors to be taken into account. The calculation results can see in table 3.

Table 3.
The results of the outer loading calculation, validity, reliability, and discriminant validity of the research instrument.

Outer Loading				
Item	Factor 1	Factor 2	Factor 3	Factor 4
x1	0.713			
x10		0.673		
x11		0.868		
x12	0.807			
x13	0.837			
x14				0.821
x15		0.703		
x2	0.796			
x3	0.658			
x4				0.679
x5				0.815
x6		0.814		
x7		0.859		
x8			0.869	
x9			0.841	
Construct Reliability and Validity				
Factor	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)

F1	0.820	0.823	0.875	0.585
F2	0.843	0.847	0.890	0.620
F3	0.732	0.735	0.844	0.731
F4	0.795	0.750	0.817	0.599
Tax Audits	0.850	0.852	0.880	0.501
Discriminant Validity (Fornell-Larcker Criterion)				
	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	0.765			
Factor 2	0.380	0.788		
Factor 3	0.395	0.295	0.855	
Factor 4	0.481	0.338	0.386	0.774

From the results of the calculations shown in table 3, the value of outer loading shows a value above 0.5, as well as discriminant validity, which shows that the correlation value between variables is not greater than the tested factor and the reliability value which shows an alpha value greater than 0.7 and the average value of the variety factor is more significant than 0.5. (Kock, 2015) Based on the calculation results, as shown in table 3, it can be seen that the formed factors show valid and reliable criteria. The results of the quality of these factors can be seen in table 4 and figure 1.

Table 4.
Quality of Factor Testing Calculation

Factor	R Square	F Square	Sig. value	Criteria
Factor 1	0.694	2.264	0.000	Significant
Factor 2	0.657	1.918	0.000	Significant
Factor 3	0.211	0.267	0.001	Significant
Factor 4	0.343	0.522	0.000	Significant

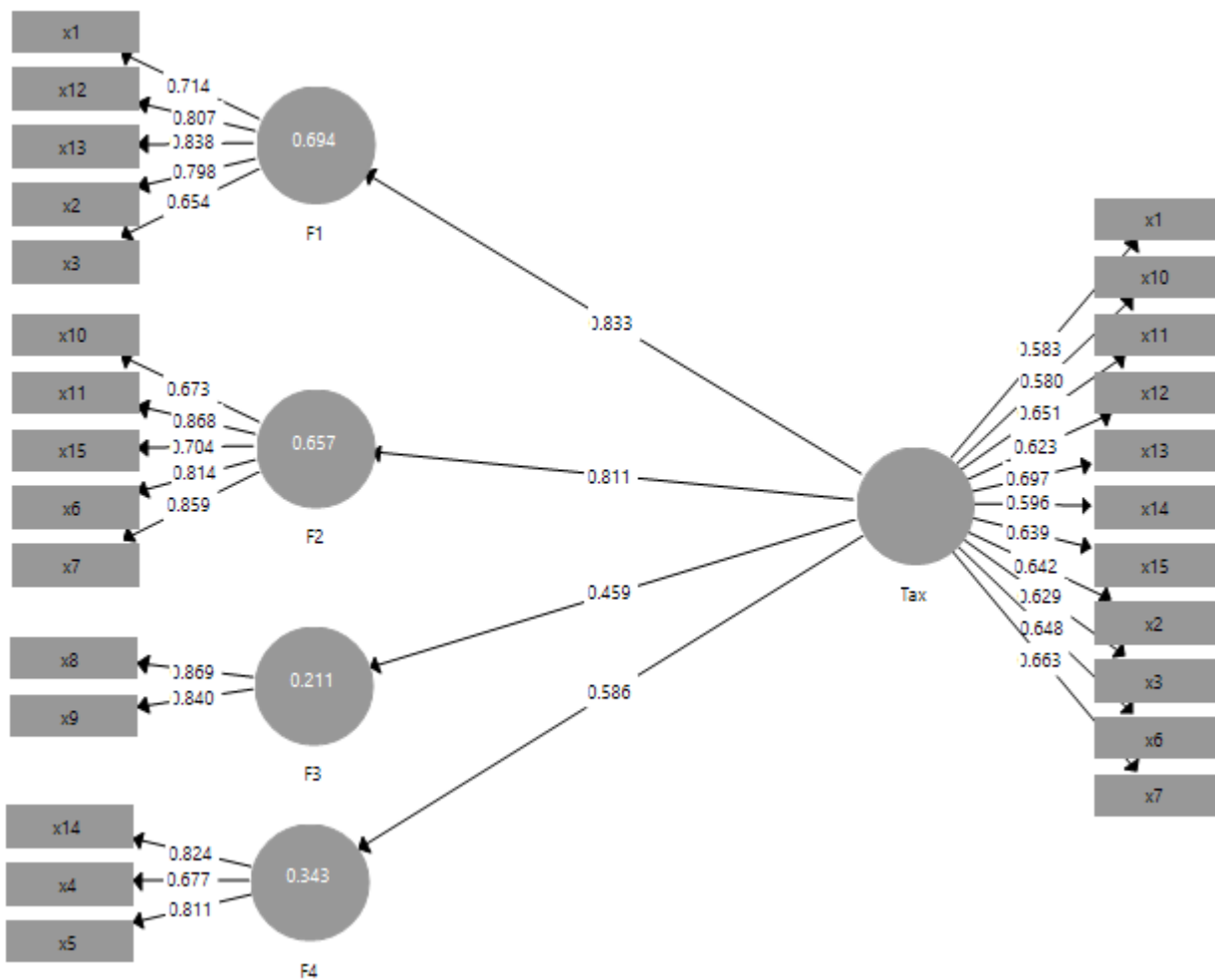


Figure 1.
Calculation Results Figure Of Factorial

The calculation results, as shown in table 4 and figure 1, show that the value of r square with a sig value is less than 0.05, so it can be concluded that the four factors indicated form a tax audit variable.

Based on the test results, factor 1 refers to aspects of general audit standards, audit implementation standards, and audit results reporting standards. In addition, factor 1 indicates the measurement of the tax audit regarding the knowledge, understanding, skills, and behavior possessed by the tax auditor at the time of the audit.

Factor 2 refers to the formal aspects of Audit implementation and Audit Result Reporting standards. Factor 2 indicates the measurement of tax audits regarding audit methods and techniques, teamwork, place and time of audit, audit results, conclusions, proposals, and recommendations that have the proper legal basis after the audit.

The third factor consists of aspects of the standard implementation of the examination. Factor 3 shows the measurement of the tax audit regarding the appointment of experts by the Director General of Taxes and the implementation of the audit together with the audit team from other agencies in carrying out the audit (if necessary).

Meanwhile, factor 4 measures aspects of general audit standards, audit implementation standards, and audit results reporting standards. Therefore, factor 4 indicates the measurement of the tax audit regarding the preparation of the audit implementation as well as the tax auditor's compliance with the provisions of tax laws and regulations in carrying out and reporting the audit results after the audit.

Referring to the examination aspects, the results' implementation and report are closely related to competence, implementation systems, and reports of examination results. The results of this study strengthen the research of Ratnawati (2020), which shows that the tax examiner's competence is one of

the tax examiner's performances factors. Likewise, Lis (2019) shows that the competence of tax examiners plays an essential role in reducing tax avoidance. Finally, Juwono, Sardjono, Nagoro, Rini & Siswanto (2022) suggest improving the inspection system to run effectively.

4. CONCLUSIONS

Based on the calculation results, it knows that the research instrument testing on tax audits is quite good. In contrast, the results of exploratory factor analysis indicate that four factors make up the tax audit variable. Likewise, the results of the confirmatory evaluation using the non-parametric partial least square (PLS) approach indicate that the tax audit variable forms four factors. The four factors appear to have good validity and reliability values. Based on the factor analysis, it knows that four factors make up the tax audit. However, this study only uses a small number of respondents. It only uses the perceptions of the tax audit executor so that further research can confirm the factors that make up the tax audit by using a more comprehensive sample to complement the research results. The drawback of this study is that the sample is small, so further research is needed to use a larger sample.

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APPENDIX

Instrument

Item	Instrumen penelitian
x1	Pemeriksa Pajak telah mendapat pendidikan dan pelatihan teknis yang cukup serta telah memiliki keterampilan dalam melaksanakan pemeriksaan.
x2	Pemeriksa Pajak telah jujur dan bersih dari tindakan-tindakan tercela serta senantiasa mengutamakan kepentingan negara dalam melaksanakan pemeriksaan.
x3	Pemeriksa Pajak telah menggunakan keterampilannya secara cermat dan seksama dalam melaksanakan pemeriksaan.
x4	Pemeriksa Pajak telah mentaati ketentuan peraturan perundang-undangan perpajakan dalam melaksanakan pemeriksaan.
x5	Pemeriksa Pajak telah mempersiapkan pelaksanaan pemeriksaan dengan baik sesuai dengan tujuan pemeriksaan sebelum pemeriksaan dilakukan.
x6	Pemeriksa Pajak telah melakukan pengujian berdasarkan metode pemeriksaan dan teknik pemeriksaan sesuai dengan program pemeriksaan yang telah disusun dalam melaksanakan pemeriksaan.
x7	Pemeriksa Pajak telah dibentuk menjadi suatu tim Pemeriksa Pajak.
x8	Pemeriksa Pajak telah dibantu oleh seorang atau lebih yang memiliki keahlian tertentu, yang telah ditunjuk oleh Dirjen Pajak sebagai tenaga ahli dalam melaksanakan pemeriksaan.
x9	Pemeriksa Pajak telah melakukan Pemeriksaan bersama-sama dengan tim pemeriksa dari instansi lain dalam melaksanakan pemeriksaan.
x10	Pemeriksa Pajak telah melakukan pemeriksaan di kantor Direktorat Jenderal Pajak, tempat tinggal atau tempat kedudukan Wajib Pajak, tempat kegiatan usaha atau pekerjaan bebas Wajib Pajak, dan/atau tempat lain yang dianggap perlu.
x11	Pemeriksa Pajak telah melakukan pemeriksaan pada jam kerja dan apabila diperlukan dapat dilanjutkan di luar jam kerja.
x12	Pemeriksa Pajak telah mendokumentasikan pelaksanaan pemeriksaan dalam bentuk KKP.
x13	Pemeriksa Pajak telah menyusun LHP secara ringkas dan jelas setelah pemeriksaan dilaksanakan.
x14	Pemeriksa Pajak telah menyusun dan menandatangani LHP setelah pemeriksaan dilaksanakan.
x15	Kepala UP2 telah menandatangani LHP setelah pemeriksaan dilaksanakan.