

The Correlation Between Gender, Educational Level & Income Rate Level to Taxpayers' Compliance

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ABSTRACT: This study aims at figuring out the correlation of gender, educational background, and income rate with the compliance of taxpayers. The respondents were taxpayers randomly questioned at 10 different locations in Jabodetabek. The data was collected using questionnaire. The findings revealed that gender, educational background, and income rate did not correlate with taxpayers' compliance.

1 INTRODUCTION

Tax serves as one of the government revenue sources used for paying off the national expenditures. Based on the data from the ministry of finance in 2012, it revealed that the compliance level of taxpayers in Indonesia was still low as could be seen from the tax gap and the tax ratio. The value of tax ratio in Indonesia was relatively lower than other Asian countries. In 2011, the tax ratio of Indonesia was 11.7 percent, while Malaysia and China had reached 16.3 percent and 15.1 percent. Srilangka with a lower per capita income than Indonesia could have tax ratio of 15.7 percent. However, taxpaying discompliance happened in not only Indonesia as Gravelle (2009), Fagbemi, Uadiale, and Noah (2010), Alm and Sennoga (2010) stated that this phenomenon always recurred and seemed unavoidable.

Taxpaying discompliance should be a serious concern as it inflicts taxpaying neglect causing reduction in tax revenue to the national treasury. Taxpaying discompliance is influenced by economic and non-economic factors (Fisher et al., 1992).

One of the factors encouraging compliance in fulfilling tax duties is tax knowledge understood by the taxpayers (Fallan, 1999). Taxpayers' education correlated to their knowledge on tax regulations. Taxpayers with higher educational background have more understanding about the relation between tax regulations and the government expenditures (Eriksen and Fallan, 1996). A number of findings stated that individuals with higher educational background could likely be more obedient to taxpaying, as they could understand better about fraud acts

(Orviska, Marta dan Hudson, 2002; Witte dan Woodbury, 1985). In line with this, Chang-Gyun and Jin (2003) found that education contributed positive influence to taxpaying obedient behavior. On the other hand, it could also lead to negative influence upon taxpaying compliance (Geeroms dan Wilmots, 1985; Eriksen and Fallan, 1996).

Tax compliance is also influenced by gender. Vogel study (1974), Aitken and Bonneville (1980), Orviska, Marta and Hudson (2002) indicated that women had higher compliance in tax paying than men. In contrast, Mason and Lowry (1981), Grasmick et al. (1984) and Torgler (2004) stated that shift in recent woman role which is more independent, yet consumptive had caused decline in their taxpaying compliance.

Empirical findings on correlation between income rate and tax compliance showed inconsistent results. Clotfelter (1983) found that the higher the income rate after being taxed, the lower the compliance it caused. Meanwhile, Feinstein (1991), Grasmick and Scott (1982), Spicer and Becker (1980), Jackson and Jones (1985), Chang Gyun and Jin (2003) did not find any significance between income and tax fraud. In contrast, Mason and Calvin (1984) and Song and Yarbrough (1978) found correlation between income rate and tax compliance. Witte and Woodbury (1985) found that taxpayers with medium income rate had higher tax compliance than the taxpayers with high and low income rate. Andreoni et al. (1998) stated that if the income rate increased, tax fraud tended to raise. The statement was in line with the findings of Orviska, Marta, and Hudson study (2002).

This study aimed at figuring out correlation of gender, educational background, and income rate with taxpayers' compliance. The study obtained fund by DIKTI through SKIM competitive gift 2014.

2 METHOD

The object of this study was individual taxpayers. The samples were divided into two categories: employees having business and pure entrepreneur. Sample division was considered valuable to figure out if multi income sources would show different findings of the correlation between income rate and tax compliance. It was in line with Fisher et. al. (1992) that stated multi income sources would result in possibilities of tax discompliance.

The samples were 195 respondents randomly surveyed at 10 different locations in Jabodetabek. The data was collected using questionnaires. Gender variable was stated as score 0 and 1 (dichotomy variable), while educational background, income rate and compliance were stated in ordinal scale. Score 1 indicated the most negative response and score 7 indicated the most positive response.

In accordance with the aim of the study, the hypothesis tested would be 'there is no correlation of gender, educational background, income rate with tax compliance'. The correlation between gender and tax compliance in tax paying would be stated in biserial correlation rank, while correlation between educational background and income rate and tax compliance would be stated in Spearman's rank order correlation (Harlan, 2012).

3 RESULTS

3.1 Overview of Respondent

Respondents who were employees and having business were 68 persons. Meanwhile, respondents who were pure entrepreneurs were 127 persons. Based on table 1, the majority of taxpayers were male both in the categories. Despite the fact that the percentage of female was less than male, this still indicated that women started to explore entrepreneurship.

Chart 1 (a) showed the distribution of educational background of employees having business. The majority of respondents were undergraduate degrees, so were in the pure entrepreneur category (chart 1(b)). Based on chart 1, it inferred that tax payers surveyed as respondents had adequate educational background.

Table 1. Gender distribution in both sample categories

Income Source	Male	Female
Employee having business	76,12	23,88
Pure entrepreneur	77,95	22,05

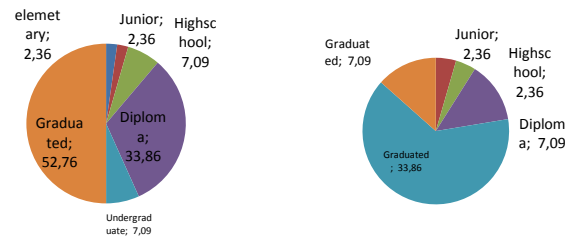


Chart 1. Distribution of educational background in both sample categories

Chart 2 showed that almost 33% respondents who were employees having business earned over Rp. 250 million. The percentage of respondents with medium income rate ranged from Rp. 10 million – Rp. 50 million and Rp. 50 million – Rp. 250 million, was not significantly different in both sample categories. More than 60% respondents in both sample categories had income rate of the range.

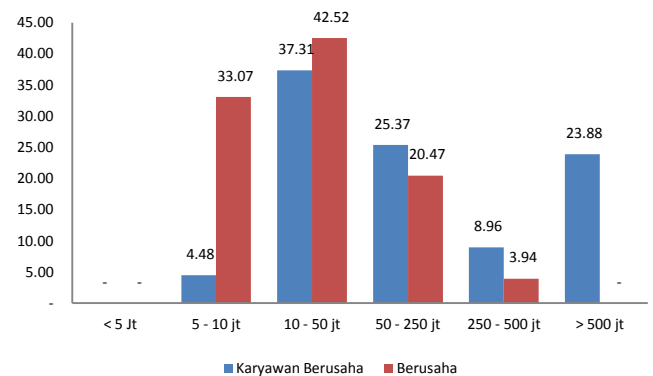


Chart 2. Distribution of income rate in both sample groups

3.2 Variable Correlation

Table 2 showed that there was no correlation between genders and tax paying compliance in both sample groups: employees having business and pure entrepreneur. The findings was contrary to Vogel (1974), Aitken and Bonneville (1980), Orviska, Marta and Hudson (2002) that stated female tended to be more obedient to tax paying.

Variables		Gender		Educational Background		Income Rate	
		a	b	a	b	a	b
Tax Discompliance	Correlation Coefficient	0.0015	0.015	-.053	.041	-.085	-.151
	Sig. (2-tailed)			.668	.644	.494	.090

a: Category f employees having business

b: Category of pure entrepreneur

The same result was also showed by correlation value between educational background and tax compliance (Table 2). The correlation values in

both sample groups were not significant. The findings differed from findings of Geeroms and Wilmots (1985), Witte and Woodbury (1985), Eriksen and Fallan (1996), Orviska, Marta and Hudson (2002), and Chang-Gyun dan Jin (2003).

The income rate did not correlate with tax compliance (Table 2). This findings was in line with Feinstein (1991), Grasmick and Scott (1982), Spicer and Becker (1980), Jackson and Jones (1985), Chang Gyun and Jin (2003). Yet, it is in contrast with Mason and Calvin (1984), Song and Yarbrough (1978), Witte and Woodburry (1985), Andreoni *et al.* (1998), Orviska, Marta, and Hudson (2002). Multi income sources did not correlate to tax compliance either.

Adequate educational background might cause no correlation between the three variables and tax compliance. Adequate educational background made them realize their tax duties, yet it became necessary to further study whether the amount of tax they pay had been sufficient as the tax regulated.

4 CONCLUTION

The study found no correlation between gender, educational background, and income rate with tax-paying compliance. Based on this finding, the study suggested figuring out other factors influencing tax-paying compliance.

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