

ABSTRACT

Since tax reform was implemented in Indonesia several years ago, the determinants of tax compliance was unknown exactly especially for individual taxpayers. This paper attempts to reveal the determinants of tax compliance in Kota Semarang in a self assessment system.

The objective of this study is to identify the determinants of tax compliance for individual taxpayers. Seven tax compliance determinants were examined namely tax knowledge, financial condition, refferal group, social norms, probability of being audited, perception of government spending, and perception of penalty.

Based on primary data from 100 respondents, the results suggested that perception of penalty has a significant impact on tax compliance for individual taxpayers. The results also indicate that tax compliance is influenced specifically by perception of penalty, probability of being audited, social norms, and perceptions of government spending.

The results of this study can inform policymakers in what ways the determinants can affect compliance for individual taxpayers. It also provides an indicator for tax administrators of the relative importance of penalty rate, tax audit program and tax education in assisting with the design of law enforcement programs, simplifying tax systems and developing a wider understanding of taxpayers' behaviour.

Keyword : tax compliance, perception of penalty, Kota Semarang