

The Impact of Tax Awareness, Literacy, and Sanctions on Taxpayer Compliance as an Effort to Improve the Regional Government Financial Management System

Yustina Alfira Nay [✉], **Ignatia Thomasita Bau Mau**

Accounting Study Program, Widya Mandira Catholic University

Management Study Program, Widya Mandira Catholic University

Abstract

Researchers examined the impact of awareness, literacy, and tax sanctions on PKB compliance, a case study at the Lembata Samsat Office. Furthermore, this research does not only focus on tax compliance but is also directed as a strategic effort to improve the local government's financial management system. Optimizing revenue through increased taxpayer compliance is expected to strengthen regional fiscal capacity and support financial independence in accordance with the spirit of regional autonomy. The population in the study included all taxpayers registered at the Lembata Regency Samsat Office, reaching nearly 22,000 taxpayers. The results of the statistical analysis revealed that the awareness variable has a positive and significant effect on the level of taxpayer compliance. Meanwhile, unpaid literacy does not have a significant effect on the level of compliance. However, tax sanctions have a significant and positive effect on taxpayer compliance. Simultaneously, the three variables of awareness, literacy, and tax sanctions have a significant effect on motor vehicle taxpayer compliance. Therefore, local governments need to integrate these three aspects into regional fiscal policies through outreach programs, increasing the capacity of apparatus, and the use of transparent and easily accessible information technology. If implemented consistently, this approach can strengthen regional fiscal independence and support the achievement of transparent and sustainable financial governance throughout NTT.

Keywords: *Awareness, Knowledge, Tax Sanctions, Taxpayer Compliance, Financial Management System, Local Government*

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✉ Corresponding author:

Email Address: yustinaalfiranay@unwira.ac.id

INTRODUCTION

The progress of a region is inextricably linked to the local government's ability to identify, manage, and effectively utilize its potential. Local governments play a crucial role in formulating and implementing policies that optimize all available resources, including infrastructure. These efforts are intended as part of the local government's financial management system, aimed at achieving community well-being. Successful management of regional potential will accelerate regional development, increase investor appeal, and create a conducive climate for innovation, both nationally and globally (Mardiasmo, 2022).

In the context of regional governance, Law Number 23 of 2014 affirms that regions have the authority to manage and administer their own household interests.

The implementation of regional autonomy is expected to foster fiscal independence and reduce dependence on the central government. To achieve this goal, regional governments need to optimize sources of Regional Original Revenue (PAD), particularly in the tax sector. Motor Vehicle Tax (PKB), regulated in Law Number 28 of 2009 concerning Regional Taxes and Regional Levies, is one reliable source of PAD and is collected on property rights, which will then contribute significantly to provincial revenue (Susilawati & Prasetyo, 2024).

The high contribution of the PKB (Vehicle Tax) is a major source of funding for regional development, particularly for the provision of public infrastructure and improving the quality of public services. Therefore, increasing compliance is crucial to optimally achieving tax revenue targets. The PKB collection system in Indonesia uses the Official Assessment System, where the amount of tax payable is determined by the tax authorities. With this system, taxpayer compliance levels are highly dependent on public awareness and voluntary compliance (Bhagaskara et al., 2023). The institution responsible for this process is the Samsat Office, which also serves as a collaborative relationship between the police, the revenue agency, and PT Jasa Raharja (Persero).

In Lembata Regency, the PKB is managed by the Lembata Regency Samsat Technical Implementation Unit (UPTD Samsat). Based on data from the past three years, PKB revenue has fluctuated. In 2021, revenue only reached 43.66%, with arrears of Rp3.78 billion. In 2022, this figure decreased to 41.09%, with arrears of Rp3.66 billion. In 2023, this figure increased to 82.85%, with arrears decreasing to Rp962 million. Despite the increase in revenue, the data indicates that taxpayer compliance has not fully kept pace with the growth in the number of motorized vehicles. This situation indicates that challenges remain in improving tax compliance.

Tax compliance is key to improving the effectiveness of the regional tax system because it directly impacts tax revenue and sustainable development. The variables influencing compliance are awareness, literacy, and tax sanctions. Taxpayer awareness reflects an individual's willingness to voluntarily fulfill their obligations (Rahma et al., 2023), while tax knowledge helps taxpayers understand their rights and obligations (Ulfah & Damayanti, 2023). Furthermore, tax sanctions serve as a behavioral control tool to create a deterrent effect for violators. However, previous research has shown inconsistent findings regarding these three factors. Therefore, this study examines the impact of awareness, literacy, and tax sanctions on motor vehicle taxpayer compliance as an effort to improve the financial management system of the Lembata Regency regional government.

Furthermore, this study focuses not only on tax compliance but also serves as a strategic effort to improve local government financial management systems. Optimizing PKB revenue through increased individual compliance can strengthen regional fiscal capacity and support financial independence, in line with the spirit of regional autonomy. This case study of the Lembata Regency Samsat Office is relevant because this institution plays a direct role in the tax collection process, which contributes significantly to local revenue (PAD). The results of this study are expected to provide input in designing effective, transparent, and sustainable fiscal policies for local governments to strengthen accountable regional financial governance.

LITERATURE REVIEW

Regional Financial Management

Government Regulation Number 58 of 2005 explains that the government has the right to regulate and is obliged to report activities related to finance for government operations, so that financial management is efficient, effective, and accountable for improving public welfare. Law Number 33 of 2004 explains the state financial system which includes the processes of planning, implementation, administration, reporting, accountability, and supervision. In its implementation, regional governments have the authority to establish financial policies in accordance with regional regulations, but remain obliged to account for such management transparently to the Regional People's Representative Council (DPRD) and the public as a form of good governance and integrity.

The regional financial management system aims to ensure that all regional revenue and expenditure are managed properly in accordance with laws and regulations. One of the main sources of regional revenue is regional taxes, so the success of the regional financial management system depends heavily on the level of taxpayer compliance. Taxpayer compliance is a condition in which individuals or businesses fulfill their tax obligations correctly, completely, and on time. A high level of compliance will increase regional original revenue (PAD), which in turn strengthens the fiscal capacity of local governments in carrying out public service functions, developing infrastructure, and improving public welfare. Conversely, low compliance will hinder the optimization of regional revenue, cause budget imbalances, and reduce the effectiveness of the regional financial management system.

Regional Original Income (PAD)

The achievement of Regional Original Revenue (PAD) is a measure of the success of regional independence in financing the implementation of government and development. Law Number 23 of 2014 states that PAD is sourced from taxes, levies, the results of the management of separated regional assets, and other legitimate income. According to Halim and Kusufi (Padang, 2023), PAD reflects all income originating from the region itself. PAD components consist of: regional taxes in the form of mandatory community contributions without direct compensation (for example, taxes on hotels, restaurants, entertainment, advertising, and motor vehicles); regional levies which are levies in return for certain services or permits; the results of the management of separated regional assets such as profits from Regionally-Owned Enterprises (BUMD); and other legitimate regional income. Among these components, regional taxes and levies are the main source of PAD because they have large, sustainable potential, and play a crucial role in supporting the financing of independent regional development.

Motor Vehicle Tax (PKB)

Law Number 28 of 2009 further regulates Taxes, Levies, and PKB, which are taxes on ownership or control of motorized vehicles and are included in the type of provincial taxes. According to Siahaan (Hanifah et al., 2023), the object of PKB is vehicle ownership or control by individuals or entities, while the tax subject is the party that owns or controls the vehicle. The amount of tax payable is determined based on the Motor Vehicle Sales Value (NJKB) multiplied by a weight that reflects

the level of road damage and environmental pollution. The PKB rate for private vehicles is set at 1–2% for the first vehicle and increases progressively between 2–10% for the second vehicle and so on, in accordance with applicable regulations.

METHODOLOGY

The researchers used a quantitative technique, where the population comprised all taxpayers registered at the Lembata Regency Samsat Office, amounting to nearly 22,000 taxpayers. Purposive sampling, with the sample criteria being active individual or corporate taxpayers listed in the Lembata Samsat Office (Yafie et al., 2023). The sample size was determined using the Slovin formula. This study used a 10% error rate, as follows:

$$n = N / (1 + N \cdot (e)^2)$$

$$n = 21,715 / (1 + 21,715 \cdot (0,1)^2)$$

$$n = 21,715 / (1 + 21,715 \cdot (0,01))$$

$$n = 21,715 / (1 + 217,15)$$

$$n = 21,715 / 218,15$$

$$n = 99,54 \text{ rounded up to } 100 \text{ motor vehicle taxpayers}$$

Information:

n = Some research objects

N = Total research objects

e = Error value

(The calculation results are rounded up to 100 taxpayer respondents)

Data collection used a questionnaire structured on a five-point Likert scale. The questionnaire was distributed to 100 taxpayers to measure their level of agreement with the research questions, ranging from 1 (strongly disagree) to 5 (strongly agree). The researchers then used multiple linear regression analysis and hypothesis testing.

Partial Test (t-Test)

- The t-test is used to determine the effect of each independent variable on the dependent variable partially.
- If $\text{sig} < 0,05$ and $t \text{ count} > t \text{ table}$, then the independent variable has a significant effect on Y.
- If $\text{sig} > 0,05$ and $t \text{ count} < t \text{ table}$, then the independent variable does not have a significant effect.

Simultaneous Test (F Test)

The F test is used to determine the effect of independent variables together on the dependent variable.

- If $F \text{ count} > F \text{ table}$, the hypothesis is accepted.
- If $F \text{ count} < F \text{ table}$, the hypothesis is rejected.

RESULTS

Respondent Data Description

The analysis of respondent characteristics revealed that 75% of taxpayers were male, while only 25% were female, indicating a male predominance as vehicle users. In terms of age, the largest group was in the 31–40 year range (32%), which is the productive age group who generally have the awareness and economic capacity to

fulfill their tax obligations. In terms of education, the majority of respondents had a bachelor's degree (62%), followed by high school (23%), diploma (12%), and postgraduate (3%), indicating a relatively good level of tax literacy. Based on type of employment, the majority of respondents were civil servants (57%), followed by private sector employees (22%), and workers in other sectors (21%). Meanwhile, in terms of income, the majority earned an average of Rp3,000,000. Overall, this profile indicates that respondents have a sufficient level of education, employment, and income to carry out their tax obligations routinely and consciously.

Multiple Linear Regression Analysis

The results of the multiple linear regression test obtained the following equation: $Y=7.936+0.172X_1+0.163X_2+0.194X_3$.

The regression equation above shows that the variables of awareness (X_1), literacy (X_2), and tax sanctions (X_3) have a positive influence on the compliance variable (Y). The highest regression coefficient is found in the tax sanctions variable (0.194), which means that sanctions have the most dominant influence on increasing compliance in fulfilling tax obligations.

Classical Assumption Test

A normality test is needed to prove that the data is normally distributed in a bell curve, making it suitable for use. This is evident from the Asymp. Sig (2-tailed) value = 0.146 > 0.05. This is then followed by a multicollinearity test, which indicates that there is no relationship between the independent variables in this study. This is evident from the Tolerance value > 0.1 and VIF < 10. A heteroscedasticity test is also needed to see if a specific pattern is formed. However, the results show that there is no specific pattern in the data distribution, so the regression model is declared free of heteroscedasticity. Thus, the regression model meets the classical assumptions and can be used for further analysis.

Hypothesis Testing Partial Test (t-Test)

The results of the t-test show that the awareness variable (X_1) has a significant effect on taxpayer compliance (Y) with a calculated t value = 2.833 > t_{table} = 1.66088 and sig. = 0.006 < 0.05. The taxpayer literacy variable (X_2) does not have a significant effect with t_{count} = 1.560 < t_{table} = 1.66088 and sig. = 0.122 > 0.05. Meanwhile, the tax sanction variable (X_3) has a significant effect on taxpayer compliance (Y) with t_{count} = 2.407 > t_{table} = 1.66088 and sig. = 0.018 < 0.05.

Simultaneous Test (F-Test)

The results of the F test show that the $F_{calculated}$ value = 14.423 > F_{table} = 2.70 with Sig. = 0.000 < 0.05, which means that awareness (X_1), literacy (X_2), and tax sanctions (X_3) simultaneously have a significant effect on taxpayer compliance (Y) of motorized vehicles in Lembata Regency.

DISCUSSION

The results of the respondent data description show that the majority of taxpayers are men aged 31-40, providing an opportunity for local governments to foster tax awareness through a rational and participatory approach. High levels of

education and stable employment provide greater financial capacity and moral responsibility to comply with tax obligations. This finding can serve as a basis for local governments in identifying community groups that require more intensive assistance or outreach. In terms of income, it reflects the significant fiscal potential of the region if tax compliance can be managed properly. Analysis of variables such as awareness, literacy, and tax sanctions is crucial for understanding the causes of taxpayer behavior in this middle-income group. By understanding the main determinants of compliance, local governments can design more effective tax revenue management strategies, whether through incentive policies, improving Samsat services, or strengthening regional tax information systems.

Research findings indicate that taxpayer awareness has a positive and significant impact on compliance with motor vehicle tax payments. This means that the greater a person's awareness of their tax obligations, the greater the likelihood of fulfilling them on time. This finding supports Heider's attribution theory (Utama & Rohman, 2023) and the theory of planned behavior (Maulina et al., 2023). These theories emphasize that a person's actions are influenced by internal factors, such as awareness and personal intentions. In the context of regional financial management, tax awareness is a key factor because it increases the realization of Regional Original Income (PAD), which in turn enhances the capacity of local governments to fund development activities and provide public services.

In contrast, testing on variable X2 revealed that taxpayer literacy did not significantly influence the level of compliance. Although the majority of respondents had higher education, formal knowledge did not necessarily change tax-paying behavior. This suggests that technical information or education alone is insufficient without fostering moral values and a growing social responsibility for regional development. Tax education policies should be designed to address collective values and awareness, rather than simply emphasizing informational aspects. For local governments in East Nusa Tenggara (NTT), this approach is crucial for building a more sustainable tax compliance culture.

The findings on variable X3 indicate that tax sanctions have a positive and significant effect on taxpayer compliance. The firmness and consistency of sanctions are considered capable of encouraging the public not to delay payments or commit violations. Clear and transparent law enforcement creates a deterrent effect and fosters a sense of discipline among taxpayers. In the context of regional financial management, the application of sanctions is not merely a form of punishment, but rather a control instrument that helps maintain the stability of regional revenue flows. For Lembata Regency and other regions in NTT, this emphasizes the importance of synergy between education and law enforcement in strengthening the regional financial system.

Collectively, awareness, literacy, and tax sanctions significantly influence the level of motor vehicle taxpayer compliance. These findings suggest that efforts to improve compliance cannot be achieved in isolation, but rather through a combination of strategies that include raising awareness, understanding the tax system, and enforcing regulations. Regional governments need to integrate these three aspects into their fiscal policies through outreach programs, increasing the capacity of civil servants, and utilizing transparent and accessible information technology.

Therefore, the findings of this study not only provide practical contributions to the Lembata Regency Government but can also be replicated throughout NTT as a

model for strengthening regional financial management based on tax compliance. Analysis of these variables shows that the success of increasing local revenue (PAD) depends heavily on the local government's ability to raise public awareness, enforce regulations fairly, and create an efficient administrative system. If implemented consistently, this approach can strengthen regional fiscal independence and support the achievement of transparent and sustainable financial governance throughout NTT.

CONCLUSION

Taxpayer awareness, tax literacy, and tax sanctions play a significant role in shaping PKB compliance in Lembata Regency. Partially, taxpayer awareness has a positive and significant effect on compliance. Meanwhile, the literacy variable does not significantly influence compliance. This indicates that education level or tax insight does not necessarily encourage compliant behavior if not accompanied by strong awareness and motivation. Furthermore, tax sanctions have been shown to have a positive and significant effect on taxpayer compliance. The firmness of sanctions implementation serves as an instrument of social control and law enforcement that can foster public discipline in fulfilling tax obligations.

Collectively, the variables of awareness, literacy, and tax sanctions significantly influence the level of motor vehicle taxpayer compliance. The synergy between increased public awareness, a better understanding of the tax system, and strict law enforcement can foster a more effective regional financial management system. Increased tax compliance will directly impact the optimization of local revenue (PAD), strengthen fiscal capacity, and support sustainable development.

Conceptually, the results of this study have implications for strengthening the Regional Government Financial Management System in Lembata Regency, which can be replicated throughout East Nusa Tenggara (NTT). By understanding the variables that influence taxpayer compliance, local governments can design more adaptive, transparent, and participatory fiscal policies to strengthen regional financial independence and accelerate community welfare.

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