

RESEARCH THESIS

**THE EFFECT OF WHISTLEBLOWING SYSTEM, FISCAL SERVICE AND TAX MORALITY ON SMALL AND MEDIUM ENTERPRISES (SMEs) TAXPAYERS COMPLIANCE
(Case Study at Pratama Tax Office of Watampone)**

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**DEPARTMENT OF ACCOUNTING
FACULTY OF ECONOMICS AND BUSINESS
HASANUDDIN UNIVERSITY
MAKASSAR
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As one of the requirements to obtain
Bachelor of Economics degree

Complied and submitted by

NURUL FIKRIAH ASHARI ASSAD



To

**DEPARTEMENT OF ACCOUNTING
FACULTY OF ECONOMICS AND BUSINESS
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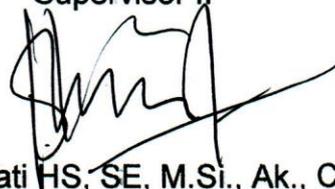
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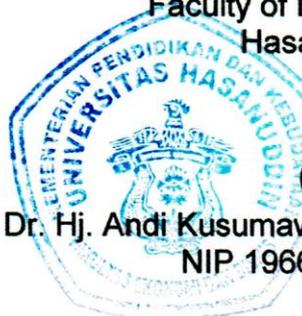
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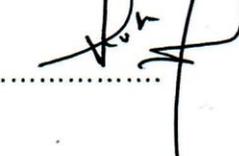
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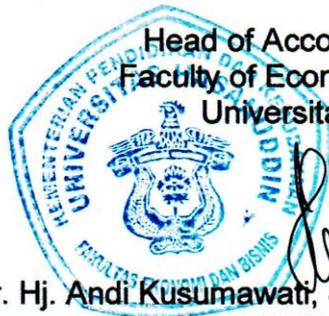
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(Case Study at Pratama Tax Office Of Watampone)

Is the result of my own scientific work and to the best of my knowledge in this thesis there is no scientific work that has ever been submitted by another person to obtain an academic degree at a tertiary institution, and no work or opinion has ever been written or published by someone else, except written in this text and mentioned in citation sources and references.

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PREFACE

Assalamualaikum Warahmatullahi Wabarakatuh.

Alhamdulillahirabbilalamin, all the praises and gratitude of the author pray to Allah SWT who has bestowed His grace and guidance so that the author can complete the thesis entitled "THE EFFECT OF WHISTLEBLOWING SYSTEM, FISCAL SERVICE AND TAX MORAILITY ON SMES TAXPAYER COMPLIANCE (Case Study at Pratama Tax Office of Watampone)". Salawat and greetings the author sends to our Lord the great prophet Muhammad SAW along with family, friends, and followers who have provided guidelines and role models until the end.

This research thesis aims to complete one of the requirements in obtaining a Bachelor of Economics degree at the Accounting Department, Faculty of Economics and Business, Hasanuddin University, Makassar. In the preparation of this thesis, the author experienced many obstacles that has caused difficulties, but thanks for the help, guidance, and support from various parties, this research thesis can finally be completed. Thus, on this occasion the author would like to express sincere and infinite gratitude to:

1. Allah SWT who is the source of all knowledge and has given the author the opportunity to feel a little of His knowledge and give His grace and permission so that the author can complete this thesis.
2. The author's parents are an extraordinary man, Muh. Assad HM, SH and the tough woman Sri Maryani HM, and the author's grandmother, the amazing woman Hj. Norma Mustaring and Hj. Naidah, who always provides prayer, motivation and trust to the author to continue their education and to the younger writers of Nurul Aulia, Farid, Wira, Ajul, Ibrah, Indra, Leyna, Nouya,

Billfaqih, Aleah and to my favorite aunts and uncles Adriani, Heriani, Elistriani, Musdalifah, Rahmah, who gave prayers, encouragement and reminded the author to continue working on this research.

3. Prof. Dr. Abdul Rahman Kadir, M.Sc. as Dean of the Faculty of Economics and Business, Hasanuddin University.
4. Dr. Hj. Andi Kusumawati, SE, M.Sc., Ak., CA as the Head of the Accounting Department, and Dr. H. Syarifuddin Rasyid, SE, M.Si. as Secretary of the Department of Economics and Business, Hasanuddin University.
5. Mrs. Dr. Aini Indrijawati, SE, M.Sc., Ak., CA and Mrs. Hj. Rahmawati HS, SE, M.Sc., Ak., CA as supervisor I and Supervisor II, thank you for all the direction, motivation and guidance that has been given to the author in completing this thesis.
6. The examiners Dr. Ratna Ayu Damayanti, SE, M.Soc, Sc, CA and Dr. Hj. Sri Sundari, SE, Ak., M.Sc., CA who have provided suggestions and input for the improvement of this thesis.
7. All lecturers at the Hasanuddin University Faculty of Economics and Business who have shared their knowledge with the author during college, thank you.
8. All staff of the Faculty of Economics and Business, Hasanuddin University
9. All employees of the Watampone Pratama Tax Office of Watampone, especially Mr. Rai and Alfi's, thank you for all the assistance given, hopefully it will be of worship value by his side.
10. One person who helps the author quite a lot in this research is my best partner, Fikry Enggar Lukita, thank you for your moral and non-moral assistance.
11. My friends Gusti, Fadilah Ramdhani, Ayu, Mikayla, A. Nurfadillah, Pradita, Irdha, Devia, Olya, Dyah, Dilla khaikal, Dita Adnan, Leang, Ica, Ira, Asty, Isfar,

Mail, Fitra, Arfan who always help the author and provide enthusiasm for the author in completing this research.

12. My friends in the cabinet of the FEB-UH Student Senate that author cannot mention one by one.
13. Friends of Fam16lia Accounting 2016 friends in arms that the author cannot mention one by one.
14. All international students of the Faculty of Economics and Business, Hasanuddin University in 2016, especially my beloved classmates (Accounthink and FEB Inter) especially Ayu, Putu, Ainun, Wisnu, Ami, Izak, Hasra, Alvin, Fia, Nita, Umil, Indi, Inu fellow thesis fighters who had accompanied the author at the beginning of an unforgettable journey, who always accompanied the author through joy and sorrow.
15. Dear brothers and sisters, for their willingness to answer the author's questions, namely Sari, Numuth, Dzakwan, Rida, Angga, Takbir, Ashraf, Theo, Feni, Uci, Dita, Inul, Kak Male, Kak Unggul and other brothers that the author did not have time to mention one by one.

Makassar, January 6, 2021

Nurul Fikriah Ashari Assad

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CHAPTER I INTRODUCTION

1.1 Background

One of the main goals of the Indonesian state is the nation development in order to realize the noble ideals of the Indonesian nation to improve the welfare of the people in an effort to improve all aspects of society, nation states and the overall development process of state administration system to achieve national goals. Therefore, national development is a reflection of life to continuously improve the welfare and prosperity of the people of Indonesia as a true, fair and equitable. This can be achieved if the Indonesian economy planned is according to the program and policies in Indonesia with the development of various sectors. In this globalization era, the activities carried out by different sectors can provide revenue for the state. The revenue sources can be allocated for national development. The achievement would require the participation of various parties, both government and citizens of Indonesia.

The source of state revenue is received from state funds to finance national development. According to Law No. 17 of 2003 on state finance, state revenues are all revenues derived from tax revenues, non-tax revenue and the receipt of grants from within and outside the country.

Their revenue from this tax really provide support for the implementation of development in various sectors as real proof form of public services. Based on the description contained in the Law No. 28 of 2007 on General Provisions and Tax Procedures Article 1, the tax is defined as the contribution of taxpayers to the state owed by individuals or entities that are enforceable under the Act, by not getting the rewards directly and used for the purposes of the state for the welfare

of the people. Therefore, success in the implementation of taxation require higher taxpayer compliance. As we know, Indonesia is adopting a self-assessment where the taxpayer has the obligation to calculate, pay for itself and report the tax payable in accordance with the laws and regulations applicable tax. Therefore, public and corporate compliance in meeting tax obligations become a more significant aspect.

Table 1.1 Taxpayer Compliance data at Pratama Tax Office of Watampone

Year	Number of active taxpayers	Number of taxpayers reporting the annual notification	Achievement
2017	108,987	50,242	46%
2018	122,364	56,125	45%
2019	139,845	63,756	45%

Source: Pratama tax office of Watampone services section 2020

Table 1.1 shows that the number of active taxpayers at pratama tax office of watampone is not the same as the number of taxpayers reporting the tax return. This means that there are several taxpayers who are not compliant because they do not make and submit the annual reporting. Taxpayers who do not report tax returns will have an impact on state revenue do not match what is targeted. Besides that, the percentage if achievement in 2017 decreased by 1% and from 2018 to 2019 it remained at the same percentage. To achieve the tax target, it is necessary to increase awareness and compliance of the taxpayer community to meet tax obligations with applicable regulations where the intended taxpayers are low level, middle level and high level taxpayers namely SMEs Taxpayers.

low level, middle level and hig level taxpayers, which are often called SMEs are a form of business that is managed by a person or group of people with a certain amount of capital and sets up a business with the aim of making a profit with the ability to develop flexible business processes (Warsono et al., 2010:5). SMEs have never been separated from the government's attention, so their growth has increased because these SMEs can survive the global crisis. In

addition, SMEs also play a significant role in the economy because they contribute to employment, increase the formation of Gross Domestic Product (GDP), increase the value of national exports and national investment. SMEs taxpayers occupy the largest share of all people's economic activities, from farmers, fishermen, ranchers, miners, craftsmen, traders and service providers.

SMEs taxpayers have several factors in increasing tax revenue, where these factors are referred to as awareness factors, rational attitude factors and tax law factors which are very important factors to increase tax revenue. In accordance with the theory of compliance according to Milgram (1963). Meanwhile, externally induced behavior is that is influenced from outside, which means that the individual will be forced to behave because of the situation, such as the social influence of others Heider (1958).

Compliance and behavior of taxpayers of SMEs actors are urgently needed to become whistleblowers in order to prevent and perform early detection of violations that may occur within the Directorate General of Taxes (DGT) through increasing the active participation of employees and the public to become (whistleblowers).

The Whistleblowing System plays a role in improving tax compliance. Whistleblowing System is an application provided by the Ministry of Finance for anyone who has information about the existence of a violation or fraud and corruption by HR, especially SMEs actors within the Ministry of Finance of the Republic of Indonesia. The use of the Whistleblowing System is expected to reduce the fraud committed by the DGT apparatus and increase public confidence which in the end is expected to increase taxpayer compliance. Therefore, the Directorate General of Taxes (DGT) as a government institution that manages tax administration and supervision will have an increasingly important role.

DGT has issued the Director General of Taxes Regulation Number PER-22/PJ/ 2011 dated 19 August 2011 concerning the Obligation to Report Violations and Handling Whistleblowing within the Directorate General of Taxes (Perdirjen Number PER22/PJ/ 2011). Understanding of the Directorate General of Tax's Whistleblowing System is expected to prevent and reduce violations that occur, form a new, corrective DGT culture, and increase the compliance of DGT employees. An optimal tax achievement requires cooperation between the government and the community. Therefore, the state must provide good services so that the community can actively participate in implementing and complying with its taxation activities. In the end, it is hoped that this will support the achievement of optimal tax revenue targets. A taxpayer's decision to comply or not comply with their tax obligations.

Compliance taxpayers can seek approval from the taxpayer in the application. Agree to report back the notification (SPT), approve in calculating and paying tax payable. Legitimacy is obtained if what is desired by the community. If agreed with the taxpayer, then the taxpayer theory must be approved about the taxpayers approved by the taxpayer issued by the government for a larger social system. Technological advances have encouraged the Directorate General of Taxation to implement various programs, one of which is the whistle blowing system.

The Directorate General of Tax always tries to optimize services so that they are expected to be able to increase awareness and desire of the public to be orderly as a taxpayer, one of them is by by doing tax reforms. Tax reform covers two areas, namely tax policy reform in the form of tax regulations such as tax laws and tax administration reforms.

In a prior study, Syariah (2017) examined the "Effect of applying the Whistleblowing System, Taxation Socialization, Taxpayer Awareness and Environmental Taxpayers on Personal Taxpayers' compliance". While Doloksaribu et al (2014) conducted research on "Analysis of the Implementation of the WhistleBlowing System" there are still a number of things that are not in accordance with the provisions stipulated in the decision of the Secretary General Number 507 / K / X-XIII.2 / 11 namely the task force and helpdesk.

Widodo (2011) conducted a study on "Analysis of the Effect of Attitudes on Improving the Quality of Taxation Services on the Intentions of Behavior of Obedient Individual Taxpayers" as a result of observing the variable tax service has a positive effect on the compliance of individual Taxpayers. While Rahayu (2015) conducted research on "The Effect of Moral Responsibility, Taxpayer Awareness, Tax Sanctions, and Service Quality on Compliance of Personal Taxpayer Reporting", the results of the study on service quality variables did not affect the compliance of individual taxpayer reporting as indicated by the arithmetic t table ($0.440 < 1,989$) and has a significant value of $0.336 > 0.05$.

Research conducted by Togler et al. (2007) on "Causes and Qonsequences of Moral Tax". the results of this study indicate that trust in public officials and others has a positive effect on tax morale. Whereas Ramadhan (2017) conducted research on "The Effect of Tax Awareness, Morality and Culture on Personal Taxpayer Compliance", the results of this research on morality variables and tax culture partially did not affect tax compliance.

Research in the field of other taxation that uses basic attribution theory, one of which is Santi (2012). Santi (2012) conducted a study on the analysis of the influence of tax awareness, rational attitude, environment, fines sanctions and fiscal attitude towards taxpayer compliance in the Semarang KPP area. In

addition, Istanto (2010) conducted research on the factors that affect individual taxpayers in fulfilling their tax obligations. Both use the basic theory of attribution because it is relevant to explain the factors that can affect taxpayer compliance in meeting tax obligations.

The effect of whistleblowing system, fiscal service, and tax morality to tax compliance is inconsistent. Thus, further research is needed on some of these variables. Therefore, the author is interested in conducting research as outlined in the form of a thesis with the title “Analysis of effect of WhistleBlowing System, Fiscal Service and Tax morality on middle Level and high level or Small and Medium Enterprises (SMEs) Compliance Taxpayers (Case study at Pratama Tax Office of Watampone)”

1.2 Research Question

Based on the description of the background above and referring to prior studies, the formulation of the problem in this research is listed as follows:

1. Is the whistleblowing system effect the Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone?
2. Is the fiscal service effect the Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone?
3. Is the tax morality effect the Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone?
4. Is the whistleblowing system, fiscal service, and tax morality simultaneously effect the Small and Medium Enterprises (SMEs) tapayers compliance at Pratama Tax Office of Watampone?

1.3 Research Objective

Based on the formulation of the problem above, the purpose of this study is listed as follows.

1. To analysis the effect of whistleblowing system to Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone.
2. To analysis the effect of fiscal service to Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone.
3. To analaysis the effect of the tax morality to Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone.
4. To analysis the simultaneous effect of the whistleblowing system, fiscal service and tax morality to Small and Medium Enterprises (SMEs) taxpayers compliance at Pratama Tax Office of Watampone

1.4 Benefits of the Research

1.4.1 Theoretical use

The usefulness of this research is to develop theoretical knowledge in the field of tax accounting in particular, on the effect of whistleblowing system, the fiscal service and tax morality of the low level, middle level and high level taxpayers (SMEs) compliance taxpayers.

1.4.2 Practical Use

Practical usefulness in this study are as follows.

1. Pratama Tax Office of Watampone

This study is expected to provide insight into the effectiveness of Whistleblowing system, the service tax authorities and tax morality as a basis to help improve taxpayer compliance in Pratama Tax Office of Watampone.

2. Academic

This research can contribute to the development of science, especially in taxation accounting. The results of this study are expected to be used as reading material to increase knowledge for those in need and is expected to add a reference library.

3. Researcher

This study is expected to improve scientific thinking and increase knowledge in the disciplines cultivated by researchers.

1.5 Systematics Writing

Systematic writing guidelines refer to the Faculty of Economics and Business, University of Hasanuddin, 2012. This research proposal consists of three chapters as follows.

Chapter I Introduction

This chapter contains some things including the background, the formulation of the problem, the purpose of research, the benefits of research, and systematic writing.

Chapter II Literature Review

This chapter contains the two main things; theoretical description of the variables examined, prior research, conceptual framework and research hypothesis.

Chapter III Research Method

This chapter describes the study design, place and time, population and samples, types and sources of data, data collection techniques, the study variables and operational definitions, research instruments, data analysis and data analysis models to be used.

CHAPTER II

LITERATURE REVIEW

2.1 Grand theory

2.1.1 Attribution Theory

Attribution is a cognitive process where people draw conclusions about factors that influence or make sense in the behavior of others. There are two general types of attributions that exist in people, namely dispositional attribution, which assume a person's behavior comes from internal factors such as personality trait, motivations or abilities, and situational attribution that a link the person's behavior with external factors such as equipment or social influence from other people. This theory refers to how someone explain the cause of the behavior of others or himself to be determined whether internal such as the nature, character, attitude, etc. or external pressure, for example certain situations or circumstances that have an impact on individual behavior. (Luthans, 2005).

According to Heider (1958) as the originator of the theory of attribution, attribution theory is the theory that describes the behavior of a person. Attribution theory explains the process of how we determine the cause and motive of personal behavior. Attribution theory explains the understanding of the person's reaction to events around them, knowing they are reasons on the events experienced. Attribution theory explains that there are behaviors that are associated with the attitudes and characteristics of the individual, it can be said

that just looking at the behavior will be known attitude or characteristic the person and can also predict a person's behavior in a given situation.

Heider (1958) also said that the internal forces (personal attributes such as ability, effort, fatigue) and external forces (such as rules and environmental attributes of the weather) that together determine human behavior. He stressed that the indirect sense is the most important determinant of behavior. Internal and external attribution has been declared may affect the evaluation of individual performance, for example in determining how the boss treats his subordinates, and influence the attitudes and satisfaction of individual performance.

In this study, the author used attribution theory because the author will conduct an empirical study to know the impact of service quality tax authorities against the individual or taxpayer compliance.

2.1.2 Theory of Moral Reasoning

The theory of moral reasoning of Kohlberg (1995) is one important alternative theory to explain the tax compliance. Levels of moral development: the level of pre-conventional, motivation for moral decisions derived from fear of punishment (stage 1), or out of self-interest, such as meeting the needs of the self (phase 2), at the level of conventional, influence moral decisions come from group socially so that individuals act to please/help others (stage 3), or obey social norms, laws, religion-based moral reasoning rules (stage 4).

Recently, at the level of conventional post, people make decisions based on the concept of justice as individual rights and socially accepted standards or (stage 5) universal ethical principles such as individual consciousness (step 6). Based on Kohlberg's theory (1969) stated that individuals make moral judgment

(moral judgment) uses the concept of justice which evolve as a human becomes an adult.

2.1.3 Tax Definition

Definition of tax under Act No. 16 of 2009 on the change of all four of Act No. 6 of 1983 on General Provisions and Tax Procedures in article 1, paragraph (1):

"Tax is a mandatory contribution to the state owed by individuals or entities that are enforceable under the Act, by not getting the rewards directly and used for the purposes of state for the greatest prosperity of the people" (Mardiasmo, 2016: 3).

Another definition of taxes is an obligation to give up some of the wealth to the state treasury due to a state, events and actions that provide a certain position, but not as punishment, according to the regulations set by the government and can be enforced, but there is no merit reciprocal of state immediately, to maintain the general welfare. Djajaningrat in the Official (2014: 1)

Meanwhile, according to the Andriani (2013: 2) tax is a levy to the state (which can be imposed) payable by the compulsory payment to them under the regulations, to not get back achievement, which directly can be appointed, and the point is to finance your general expenses associated with the task of organizing the state government.

From some of the taxes that have been described, it can be concluded that there is a commonality of view or the principle of the tax. Differences regarding some of these definitions only in the use of language style. Some of these definitions have the following elements:

1. Taxes levied under the Act

2. No reciprocal services (cons achievement)
3. Enforceable
4. The result is to maintain prosperity and general welfare

Thus, it can be concluded that the tax is a mandatory fee to the state people are coercive and do not get a direct reward merit but for the purposes of the state for the welfare of the people.

2.1.4 Taxpayer Compliance

2.1.4.1 Compliance Theory

Compliance with the rules was first published by Milgram in 1963, one of several famous psychological experiments in the 20th century. From the results of his research, it was found that compliance arises not because of the desire of the executor of orders to conform, but rather because it is based on the need to be what the environment expect or reaction that arises to respond to the demands of the existing social environment.

Compliance describes a condition in which a person complies with the commands or rules given. Human behavior comes from impulses in humans, while encouragement is an effort to meet the needs that exist in humans (Heri, 1998). Meanwhile, according to Tahar and Rachman (2014) regarding tax compliance is a responsibility to God, for the government and the people as taxpayers to fulfill all tax obligations and carry out taxation rights activities. As according to Sidik in Rahayu (2010: 19) pointed out: "compliance fulfilling voluntary tax obligations (voluntary compliance) is the backbone of the self-assessment system, where taxpayers are responsible for setting their own tax obligations and then paying accurate and timely tax returns.

Based on the Minister of Finance Regulation No. 192/PMK.03.2007 of Taxpayers with certain criteria, hereinafter referred to as the obedient taxpayer is a taxpayer who meets the following requirements:

- a. Timely submit the Notice.
- b. Do not have tax arrears for all types of taxes, except tax arrears that has obtained a license in installments or defer payment of taxes.
- c. The financial statements are audited by a public accounting or financial supervisory agencies of government with an unqualified opinion for 3 years in a row.
- d. Never have been convicted of criminal offenses in the field of taxation based on court decisions that already have permanent legal force within the last 5 years.

The types of tax compliance consist of formal compliance and adherence of material: 1. Formal compliance is a condition where the taxpayer formally fulfill obligations under the provisions of the tax laws. For example, deliver the mail Notification (SPT) is correct or not. What matters Tax has been submitted before March 31. 2. Compliance material is a state where a substantive taxpayer/ essence of taxation that meet all the material according to the contents and spirit of tax law compliance materials can also include formal compliance.

Here the taxpayer is concerned, in addition to the real truth of the contents and nature of the Notice (Siringoringo, 2015: 212).

Meanwhile, according to (Yogatama, 2014; 22), formal compliance is if the taxpayer has to report the Taxpayer SPT has met the formal conditions, but the contents do not necessarily comply with the material. Taxpayers who meet taxpayer compliance is a material that fills with honest, complete, and correct the SPT's rules and submit it to the tax office before the final deadline. The deadline

for tax returns reporting period is 20 months. As for reporting their annual tax return no later than March next year for individuals and April of the following year for the taxpayer.

2.1.5 WhistleBlowing System

2.1.5.1 WhistleBlowing System Definition

According to the regulations of the Directorate General of Taxation Number PER / 22 PJ / 2011 dated 19 August 2011 on Liability and handling Reporting Abuse Reporting Violations (whistleblowing) in the Directorate General of Taxation.

Type of complaints included: inadequate services, limited means of office, code of conduct and discipline of civil servants, as well as tax crime. Whistleblowing system DGT intended to rebuild public trust towards the DGT and invites all employees of the DGT to change the permissive culture into a culture of corrective means never tolerate any violation by reporting to channel complaints have been provided (Siringoringo, 2015: 211).

Whistleblowing implementation of this system is expected to remain tax every employee to uphold the values of the finance ministry, work best in high spirits, as well as the reported case of irregularities by a fellow employee of the Directorate General of Taxation (Khulsum, 2014:11).

Directorate general of taxation, in particular also has implemented a whistleblowing system which means that each employee activity can be monitored to avoid things that are in violation of the code of conduct. DJP sulsebartra also has launched the Integrity Zone and Region Free of Corruption in order to achieve the revenue target (www.pajak.go.id accessed January 31, 2020).

In order to perform internal control of the company, this initiative makes a whistleblowing system. The system is structured as an effort to prevent violations and internal company events. This system is provided so that the employees or people outside the company can report crimes committed in internal company. Making the whistleblowing system is to prevent the loss suffered by the company, as well as to save their businesses. This system is then adjusted to the rules of their respective companies, so expect this system provides benefits to increase the implementation of corporate governance (Semendawai et al, 2011: 69)

According to Kurt et al. (2009: 8-24) states as follows:

"Whistleblower hotlines-as noted earlier in this chapter, the tips are the most common method of fraud detection. Hotlines allow individuals to report reviews their concerns about suspicious activities and Werner anonymous. Whistleblower hotlines are frequently operated by third parties to make it easier for people to report matters without fear of reprisal. Broad awareness of a hotline can serve as a deterrent since potential fraud perpetrators realize it is easy for individuals to report reviews their suspicions.

From the quote above, it can be concluded that the whistleblower is a tool that allows individuals to report their concerns about suspicious activities that occur within the company and remain anonymous. Whistleblower often operated by a third party to make it easier for people to report issues without fear of retaliation. Public awareness of the hotline can serve as a deterrent for perpetrators of fraud can be easily reported to the individual who knows to report their suspicions.

Witness and Victim Protection Agency (2011) described the elements that must be present in a whistleblowing system is:

1. Whistleblower which is spearheading the implementation of whistleblowing system, because this is where the disclosure of environment law violations DGT starts.
2. Complaint channels, namely as a means of asserting or complaint or legal violations.
3. Complaint channels should be provided in an integrated manner with the ease of access to adequate and effective and should have a high level of security so that information about the reporting can be maintained. In this case the Directorate General of Taxation has provided a whistleblowing system and tax Kring 500 200
4. The handling of complaints, complaints received will be processed by KITSDA cooperate with the Corruption Eradication Commission (KPK), Police of the Republic of Indonesia, the Center for Financial Transaction Reports and Analysis Center (INTRAC), to prove and reveal the truth of the complaint.
5. Guaranteed protection, while ensuring adequate protection not it will be difficult for those who have the information to be disclosed, because it will certainly threaten the comfort and even their lives because of some cases, whistleblower instead should experience a tragic fate.

2.1.5.2 Benefits of *whistleblowing* System

According to the National Committee Governance (2008: 2 accessible February 1st 2020) benefits from running a good whistleblowing system is:

1. The availability of means of information delivery is important and critical for companies to those that must be handled in general.

2. The emergence of a reluctance to commit the offense, with the increasing willingness to report violations, as confidence in the effective reporting system.
3. The availability of early detection mechanism (early warning system) over possible trouble due to a violation.
4. The availability of the opportunity to deal with violations of internally first, before expanding into the violation of the public.
5. Reducing the risks facing the organization as a result of the breach, both in terms of finance, operations, legal, safety, and reputation.
6. Reducing costs in handling as a result of the infringement.
7. Improving the company's reputation in the eyes of pamangku (stakeholders), regulators, and the general public.
8. Advise the organization to look beyond the critical area and work process that has weaknesses of internal court, as well as to devise the necessary corrective action.

2.1.5.3 WhistleBlower

Whistleblowers are the reporting of violations of the employee of the organization itself (internal side), but do not preclude the complainants from customers, suppliers, and the public (external). Terms of a whistleblower in this concept is to have the information, evidence, or an accurate indication of the occurrence of the reported violation in good faith and not a private complaint or a policy to a specific company or constituted by ill will or bad faith so that the information disclosed, can be traced or acted upon. Whistleblower help the company and its stakeholders in combating fraud occurring (Samendawai et al, 2011: 70).

Whistleblower reports are not only tolerated, but followed up with research and investigation. In fact, under certain conditions the company is committed to protect whistleblowers if it threatens life, property and jobs. Whistleblowers are people who reveal the truth to his colleagues, leadership, or the public about the scandal, danger, malpractice, maladministration and corruption. While the action workers who decide to report to the media, internal or external power on things that are unethical and illegal is happening in their work environment called whistleblowing (Semendawai et al, 2011: 73).

2.1.5.4 Witness and Victim Protection in the Context of the Whistleblower

Law

Whistleblower regulated in Law No. 13 of 2006 on the protection of witnesses and victims are:

1. The Agency received a mandate from the legislation to ensure the protection of whistleblowers to not be prosecuted civil and criminal law with respect to statements and testimony. Referred to in this Act the complaint is a person who provides information to a criminal offense. (Article 10 paragraph (1) of Act 13 of 2006)
2. Limited in Report on Crime
3. To Law Enforcement
4. The Law also provides tasks for the Agency to ensure leniency for the suspect who was also used as a witness by the Agency (Article 10 paragraph (2) of Law No. 13 of 2006)
5. Rapporteur protection apply to the Agency as well as the procedures for protection of witnesses and victims.
6. Decided by the plenary to refer to provisions of Article 28 and Article 5 (2).

Note:

- Regulates Justice Collaborator, but is not made detailed and operational.
- Its do not allow for prosecution

According Hertanto (2009: 36) explains the whistleblower protection as follows: "Arrangements regarding whistleblower protection (disclosure of facts rapporteur) explicitly stipulated in Law No. 13 of 2006 on the protection of witnesses, victims and complaints cannot be prosecuted either criminal or civil on the testimony that will be, is being, or has been given."

2.1.6 Fiscal Service

2.1.6.1 Definition of Fiscal Service

Law No. 25 of 2009 on Public Service states that public service is an activity or series of activities in order to meet the needs of the service in accordance with the legislation of every citizen resident in the goods, services and administrative services.

According to (Jatmiko, 2006: 20), the services are a way to serve (help administer or prepare all the necessary requirements of a person). Meanwhile, the tax authorities of tax officers. Thus, the service tax authorities can be interpreted as a way to help tax officials, administer, or prepare all the essentials of a person who in this case is the taxpayer.

Another definition of the service tax authorities is the provision of services (airport) needs of the people or the community who have an interest in the organization in accordance with the basic rules and procedures have been established. Fiscal services which include the ability of competencies that have the skills, knowledge, experience in terms of tax policy, administration and taxation legislation and motivation as a public servant. (Anita et al, 2012)

The tax authorities must always make improvements of service quality in order to increase customer satisfaction and tax compliance. Efforts to improve the quality of service can be done by improving the quality and technical capability of employees in the fields of taxation, infrastructure improvements such as extensions of the integrated services, use of information systems and technology in order to provide convenience to taxpayers in meeting tax obligations (Supadmi, 2009).

Based on the description above, it can be concluded that to slight positive influence between service tax authorities on tax compliance in paying tax.

2.1.6.2 Indicator of the Fiscal Service

Quality of service tax authorities can be assessed using indicators of the five dimensions namely reliability, assurance, responsiveness, empathy and tangible. According to Zeithaml, et al. (2006) in Albari (2009), five dimensions of service quality that the tax authorities are: 1. Reliability; the ability to perform the promised service accurately and reliably, 2. Assurance; the knowledge and courtesy of employee benefits and capabilities the organization and its employees to generate trust and confidence, 3. Responsive; the willingness to help and provide fast service to customers, 4. Empathy that concern or personal attention given to the customer organization, and 5. Tangible; namely physical appearance, equipment, personnel and communication media.

2.1.7 Tax Morality

2.1.7.1 Tax Morality Definition

According Togler (2007), tax morality is intrinsic motivation to comply and pay taxes so that volunteered to contribute to the provision of public goods.

Meanwhile, according to (Cahyonowati 2011) tax morale is a key determinant to explain why people are honest in tax matters. The theory is considered closely related to the taxpayer is a moral theory of moral reasoning. Theory of moral reasoning in the context of tax compliance is a moral decision is mainly influenced by the treatment of the sanctions at a moderate level, and the issue of justice at the highest level. Taxpayers who use more moral decision-making tax payments will be more obedient than the other tax payers. A taxpayer with the same moral level but have different perceptions will have different reactions to tax compliance. (Jayanto, 2011)

Another definition of morals tax under Wibowo and Yenni (2013) is a compliance and public awareness in exercising its rights and obligation. These factors affect taxpayers to meet their tax obligations, which are not grown up without the government realized the importance of it and held a comprehensive and sustainable program to affect the change and development must be adapted to the conditions and circumstances of each country. The factors that affect the morale of the taxpayer are: confidence in the government that the government be fair in taxation, respect for the taxpayer to the government, and the government must be able to convince taxpayers that taxpayers also benefit from tax payments.

Frey (1997) in Noviyanti (2013) introduced the tax morale also called intrinsic motivation of individuals to act, which is based on the values that are influenced by cultural norms. Moral taxes can be understood as an explanation of moral principles or values that are believed to someone why pay taxes.

Some of the factors that affect tax morale namely:

- a. Perception of honesty
- b. Attitudes help or serve on the apparat

- c. Confidence in government agencies
- d. Appreciation or respect of tax apparatus.

Greetz and Wiede (1985) in Noviyanti (2013) concluded that the tax is moral ethics that measures how far the level of commitment of the taxpayer or liability obligations of citizens comply with tax rules. Therefore, if this commitment factor is missing, then the level of ethic is tarnished. Therefore, taxpayers have a moral obligation in accordance with the values and rules that apply in the community, by performing actions such as paying taxes.

Based on these descriptions, the aspect of moral obligation in the field of taxation is essential in improving tax compliance and with the moral obligation of factors is expected to increase the influence of the taxpayer to meet its obligations in paying taxes.

2.1.7.2 Indicator of Moral Obligation

According to Rahayu (2015: 4-5), indicator is a moral duty tax:

1. Violated Ethics

In fulfillment of tax obligations, taxpayers find it unethical that already exist. If it do not meet their tax obligations in accordance with the existing tax laws, so that taxpayers feel that the tax obligation is something that must be done.

2. Guilt

In fulfillment of tax obligations by the taxpayer is required to be honest in calculating tax payable correctly and report timely tax returns and fulfill all tax obligations, so that if the taxpayer do not fulfill its obligations then the taxpayer will have the feeling of guilt on himself.

3. Principles of life

Each taxpayer has a principle of life that is different, there are taxpayers who have a life principle that taxes are important to them, others have a life principle that taxes are things that are not important to them.

2.1.8 Definition of SMEs

In Indonesia, the definition of SMEs is regulated in the Law of the Republic of Indonesia No. 20 of 2008 concerning SMEs. Article 1 of the law stated that a micro business is a productive business owned by an individual and/or an individual business entity that has the criteria for a micro business as regulated in the law. middle Level and high level or small business is a productive economic business that stands alone, which is carried out by an individual or a business entity that is open as a subsidiary or not a subsidiary owned, controlled or part of, either directly or indirectly, of a medium or large business that meets the criteria, middle level and high level or small business as referred to in the Law.

Meanwhile, a micro business is an independent productive economic business carried out by an individual or a business entity that is not a subsidiary or branch of a company that is owned, controlled, or is part of, either directly or indirectly, of a micro business, middle level and high level small business or large business which fulfills criteria for micro business as referred to in the Law.

In this law, the criteria used to define SMEs as stated in Article 6 are net assets or asset values excluding land and buildings where they are business, or annual sales proceeds with the following criteria:

a) Micro enterprises are business units that have assets of not more than Rp. 50 million, excluding land and buildings for business premises, with annual sales of at most Rp. 300 million.

b) Small businesses with asset values of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and buildings where the business has annual sales of more than Rp. 300 million up to a maximum of Rp. 2,500,000, and.

c) Medium-sized enterprises are companies with a net worth of more than Rp. 500 million to a maximum of Rp. 100 billion from annual sales of over Rp. 2.5 billion to a maximum of Rp. 50 billion.

Micro, small and medium enterprises are the main players in economic activity in Indonesia. The future of development lies in the ability of micro, small and medium enterprises to develop independently. The contribution of micro, small and medium enterprises to GDP in Indonesia in 1999 was around 60%, with details of 42% being the contribution of small and micro enterprises, and 18% being medium enterprises.

Empowerment of Small and Medium Enterprises (SMEs) is very important and strategic in anticipating the future economy, especially in strengthening the structure of the national economy. The existence of a national economic crisis like the current one has greatly affected national, economic and political stability which impacted on the deterioration of large business activities, while middle level and high level or Small and Medium Enterprises (SMEs) and cooperatives were relatively able to maintain their business activities.

In general, the goal or target to be achieved is the realization of strong and independent Small and Medium Enterprises (SMEs) that have high

competitiveness and play a major role in the production and distribution of basic needs, raw materials, and capital to face free competition.

SMEs are productive business units that are independent, carried out by individuals or business entities in all sectors of the economy. In principle, the differentiation between Micro Enterprises, Small Enterprises, Medium Enterprises, and Large Enterprises is generally based on the initial asset value (excluding land and buildings), average turnover per year, or the number of permanent workers. However, the definition of SMEs based on these three measurement tools differs by country. Therefore, it is indeed difficult to compare the importance or role of SMEs between countries.

Small and Medium Enterprises, abbreviated as UKM, is a term that refers to a type of small business that has a net worth of at most Rp. 200 million, excluding land and buildings where businesses and businesses are independent. According to Presidential Decree no. 99 of 1998 the definition of Small Business is: "Small scale economic activities of the people with business fields that are predominantly small business activities and need to be protected to prevent unfair business competition.

Some of the advantages of SMEs against large businesses are as follows.

- a. Innovations in technology that have easily taken place in product development.
- b. Close humanitarian relationships in a small company.
- c. The ability to create quite a lot of job opportunities or absorption of labor.
- d. Flexibility and ability to adapt to rapidly changing market conditions compared to large companies, which are generally bureaucratic.

e. The presence of managerial dynamism and the role of entrepreneurship.

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d. Flexibility and ability to adapt to rapidly changing market conditions compared to large companies, which are generally bureaucratic.

e. The presence of managerial dynamism and the role of entrepreneurship.

2.1.8.1 SMEs Criteria

According to Law Number 20 of 2008, SMEs have the following criteria:

a. Micro enterprises, namely productive businesses owned by individuals or individually owned business entities that meet the following criteria:

- 1) Have a net worth of not more than Rp.50,000,000 (fifty million rupiah) excluding land and buildings for business premises, 2) Have annual sales proceeds of not more than Rp.300,000,000 (three hundred million rupiah)

b. Small Business, namely independent productive economic enterprises carried out by individuals or business entities that are not a subsidiary or branch of a company that is owned, controlled or is part of either directly or indirectly from a medium or large business that meets the following criteria:

1) Owning net assets of more than Rp.50,000,000.00 (fifty million rupiah) up to a maximum of Rp. 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises;

or

2) Have annual sales revenue of more than Rp. 300,000,000.00 (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000.00 (two billion and five hundred million rupiah).

c. Medium Enterprises, namely independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of, either directly or indirectly, with small or large businesses that meet the following criteria:

1) Have a net worth of more than Rp. 500,000,000.00 (five hundred million rupiahs) up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah) excluding land and buildings for business premises; or

2) Have annual sales proceeds of more than Rp. 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of Rp.50,000,000,000.00 (fifty billion rupiah)

According to the Central Statistics Agency (CSA), a definition of SMEs is based on the quantity of labor. A small business is a business that has a workforce of 5 to 19 people, while a medium business is a business that has a workforce of 20 to 99 people. According to the Ministry of Finance, based on the Decree of the Minister of Finance No. 316/KMK 016/1994 dated June 27, 1994 that Small Businesses as individuals/business entities that have carried out activities/businesses that have annual sales/turnover of Rp. 600,000,000 or

assets up to Rp. 600,000,000 (excluding land and buildings that are occupied). For example Firma, CV, PT, and Koperasi, namely in the form of a business entity. While examples in the form of individuals include home industry craftsmen, breeders, fishermen, merchants of goods and services and others.

2.1.8.2 SMEs Classification

In the perspective of its development, Small and Medium Enterprises (SMEs) is the business group that has the largest number. In addition, this group has proven to be resistant to various kinds of economic crisis shocks. Thus, it is imperative to strengthen the Small and Medium Enterprises group that involves many groups. The following is the classification of Small and Medium Enterprises (SMEs):

- 1) Livelihood Activities, are Small and Medium Enterprises (SMEs) which are used as work opportunities to earn a living, which are more generally called the informal sector. For example, street vendors.
- 2) Micro Enterprise, is a Small and Medium Enterprise which is a craftsman but is not yet an entrepreneurial.
- 3) Small Dynamic Enterprise, is a Small and Medium Enterprise that has an entrepreneurial spirit and is able to accept subcontract and export work.
- 4) Fast Moving Enterprise, is a Small and Medium Enterprise that has an entrepreneurial spirit and will transform into a big business.

2.1.8.3 Role of SMEs

It is recognized that Small and Medium Enterprises (SMEs) play an important role in economic development and growth, not only in developing countries, but also in developed countries. In developed countries, SMEs are very important, not only do these business groups absorb the most workers compared to large enterprises, as in developing countries, but also their contribution to the formation or growth of gross domestic product is the largest compared to the contribution of big business.

2.1.8.4 Characteristics of SMEs Enterprises

Small businesses in Indonesia have great potential to be developed because of the wide market, readily available raw materials and large human resources which are the supporting variables for the development of these small businesses, but several things need to be considered along with the development of small-home businesses such as: followed by good management, good planning will minimize failure, master of science will support the sustainability of the business, manage an efficient and effective production system, and make breakthroughs and innovations that make differentiation from competitors a step towards success in managing the business.

2.1.8.5 Strengths and Weaknesses of SMEs

SMEs have several potential strengths which are the mainstays on which to become the basis for future development, namely:

- a. Provision of employment the role of middle level and high level or small industries in the absorption of labor should be taken into account, estimated and absorbed up to 50% of the available workforce

- b. A source of new entrepreneurship, the existence of small and medium enterprises has been proven to support the growth and development of new entrepreneurs
- c. Has a unique market business segment, carries out simple management and is flexible to market changes
- d. Utilizing surrounding natural resources, most of the small industries make use of waste or products from large industries or other industries
- e. Has the potential to grow. Various coaching efforts carried out show results that illustrate that small industries are capable of being developed further and are able to develop other related sectors.

Weaknesses, which are also often an inhibiting factor and problems for SMEs Enterprises consist of 2 factors:

1) Internal Factors

Internal factors, which are classic problems of SMEs, include:

- a. The human resources are still limited.
- b. The constraints on product marketing, most of the Small Industry entrepreneurs, prioritize the production aspect, while the marketing functions are less able to access it, especially in market information and market networks, so most of them only function as craftsmen.
- c. The tendency of consumers who do not trust the quality of Small Industry products.
- d. Business capital constraints, most of the Small Industries use their own capital in a relatively small amount.

2) External factors

External factors are problems that arise from the developer of the UMKM dam builder. For example, the solutions given are not right on target, there is no monitoring and overlapping programs.

2.2 Prior Research

Prior research conducted that is associated with this research can be seen in the following summary which describes the researcher, the research variables, the data used, the methods of analysis and the results of research. These studies will be used by the author in developing the study design.

Table 2.1 Prior Research

No	Researcher (years)	Research variable	Analysis method	Research result
1	Ulfatul (2017)	Independent: a. <i>Whistleblowing system</i> b. socialization taxation c. Awareness of the taxpayer d. Environmental tax payers Dependent: Taxpayer Compliance	regression	The whistleblowing system, socialization taxation, awareness of the tax payer, and environmental tax payers positive and significant effect on the tax payer compliance
2	Khatimah (2018)	Independent: a. <i>Whistleblowing system</i> b. <i>Good governance</i> Dependent:	regression	<ul style="list-style-type: none"> • The whistleblowing system positive effect on increased tax revenues • Law enforcement moderates the relationship of the

		<p>a. Increased tax revenues</p> <p>b. Law enforcement</p>		<p>whistleblowing systems to Increased tax revenues</p> <ul style="list-style-type: none"> • Good governance positive effect on the Increase tax revenue • Law enforcement does not moderate the relationship of good governance to Increase tax revenue
3	Ristiana (2013)	<p>Independent:</p> <p>a. sunset policy</p> <p>b. tax amnesty</p> <p>c. tax Penalties</p> <p>d. Whistleblowing system</p> <p>Dependent: tax compliance</p>	Multiple Linear Regression Analysis	<ul style="list-style-type: none"> • Variable sunset policy no positive effect on the dependent variable. • Variable tax amnesty did not have a significant effect on the dependent variable • Tax penalties variables effect the dependent variable • Variable whistleblowing system has a positive affect on the dependent variable
4	Sulistyowati and Pahlavi (2018)	<p>Independent:</p> <p>a. Good governance</p> <p>b. Whistleblowing system</p> <p>dependent:</p> <p>a. Tax compliance</p> <p>b. The risk of tax sanki</p>	Multiple linear regression analysis	<ul style="list-style-type: none"> • Good governance variables effect the dependent variable tax compliance • Whistleblowing system variables effect the dependent variable tax compliance • Variables good governance has no

				<p>effect on the dependent variable risk of tax penalties</p> <ul style="list-style-type: none"> • Whistleblowing system variables effect the dependent variable risk of tax penalties
5	Cindy (2014)	<p>Independent:</p> <ol style="list-style-type: none"> Fiscal service Knowledge of taxation Socialization taxation <p>Dependent: Taxpayer compliance</p>	Multiple linear regression analysis	<ul style="list-style-type: none"> • Fiscal service simultaneously effect on compliance taxpayers • Knowledge of taxation simultaneously effect on compliance • Socialization taxation simultaneously effect on compliance
6	Muflih (2017)	<p>Independent:</p> <ol style="list-style-type: none"> Awareness of the taxpayer Quality of service tax authorities Extension taxpayer Sanski taxes <p>Dependent: Taxpayer compliance</p>	Multiple linear regression	All independent variables affect simultaneously the dependent variable
7	Rahayu (2015)	<p>Independent:</p> <ol style="list-style-type: none"> Moral responsibility Awareness of the taxpayer Tax penalties Service quality 	Multiple linear regression analysis	<ul style="list-style-type: none"> • The independent variable of moral responsibility has a positive effect on the dependent variable • The independent variable was not having an awareness

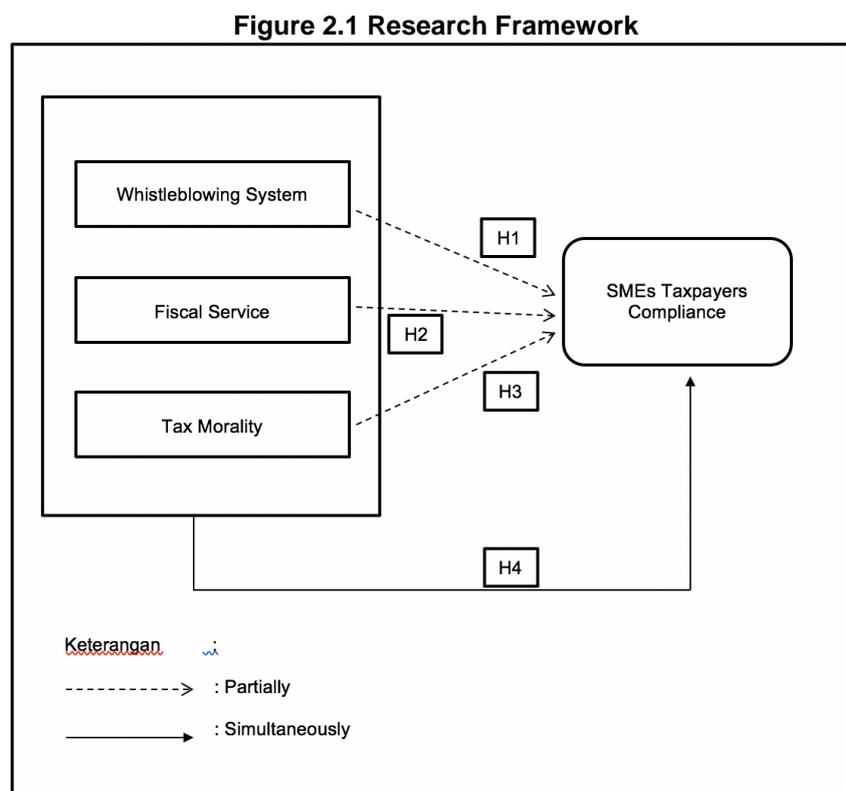
		Dependent: Taxpayer compliance		of the taxpayer on the dependent variable <ul style="list-style-type: none"> • Independent variable taxation sanctions have no effect on the dependent variable • Variable quality of service has no effect on the dependent variable.
9	Durah (2018)	Independent: a. Moral obligation b. Social environment Dependent: Taxpayer compliance	<ul style="list-style-type: none"> • Multiple regression analysis • Simple regression analysis 	The second independent variable has a positive effect on the dependent variable
10	Ramadan (2017)	Independent: a. Tax awareness b. Tax morality c. Tax culture Dependent: Taxpayer compliance	Multiple regression analysis	<ul style="list-style-type: none"> • Variable independent awareness partial tax positive effect on the dependent variable. • Variable morality and culture partial tax has no effect on the dependent variable.
11	Azisah (2019)	Independent: a. Moral taxes b. Role account representative c. The cost of compliance Dependent: Taxpayer compliance	Multiple linear regression analysis	<ul style="list-style-type: none"> • The independent variable tax morality and the role of the account representative positive effect on the dependent variable • Variable compliance costs do not affect the independent variable

Source: Data are compiled from previous research

The results of the studies above show a little difference in the results in several independent variables are the same so I am interested to re-examine the effect of several independent variables to the compliance of middle level and high level or Small and Medium Enterprises (SMEs) taxpayers which included a focus whistleblowing system, the service tax authorities, and the morality of tax influence on mandatory compliance tax.

2.3 Research Framework

Based on the description that has been mentioned earlier and from the literature review, the related variables in this study can be formulated and illustrated through the following framework.



2.4 Research Hypothesis

The following is an explanation of the hypothesis in this study, which will be described and reinforced by prior studies.

2.4.1 Effect of the Whistleblowing System effect the Small and Medium Enterprises (SMEs) of Taxpayers Compliance

Brief and Motowidlo (1986) defined prosocial organizational behavior as behavior or actions taken by members of an organization against individuals, groups, or organizations aimed at improving the welfare of individuals, groups, or organizations. Prosocial behavior is also defined as any positive social behavior that aims to benefit or benefit others (Penner et al., 2005). Prosocial actors can also have the intention to get benefits for themselves as well (Bagusianto and Nurkholis, 2015).

Prosocial behavior is a theory that supports whistleblowing intentions. Prosocial behavior can be used to explain individual ethical decision making related to whistleblowing intentions. Ulfatul (2017) conducted a study on the variable whistleblowing system on tax compliance. The result of his research variable whistleblowing system has a positive effect on tax compliance in paying taxes.

Based on the theory that has been explained, it can be concluded that prosocial organizational behavior theory is a theory that is the basis and supports whistleblowing actions. In principle, a whistleblower is a prosocial behavior that seeks to help others to uphold and save an organization or company from deviations or fraud. Thus, the hypothesis that can be concluded in this study is

H1: Whistleblowing system positively affect the Small and Medium Enterprises (SMEs) of Taxpayers Compliance

2.4.2 The effect of Fiscal Services on the Small and Medium Enterprises (SMEs) of Taxpayers Compliance.

The attribution theory stated that service quality is an external cause because it comes from outside the taxpayer. These observations and direct experience form the basis for taxpayers to assess service quality and choose to behave obediently or not. The perception of taxpayers regarding the quality of service both from the tax authorities and from the KPP office facilities will affect the assessment of each taxpayer to behave obediently in carrying out their tax obligations. Attribution theory discusses understanding the causes of one's behavior or ourselves, which will form an impression. Services that occur through interaction between the taxpayer and the taxpayer/employee when the taxpayer pays the tax will form an impression.

The research conducted by Dewi & Supadmi (2014) showed that the quality of tax authorities has a positive effect on tax compliance. Another study conducted by Arifah et al. (2017) and Brata et al. (2017) supported the same result, namely that the tax authorities have a positive effect on the taxpayer's management.

The impact of services provided by the tax authorities on taxpayers will affect taxpayers' perceptions of the effectiveness of paying taxes. Every individual taxpayer will certainly expect the best service that is fast, precise, and consistent from time to time. When the service provided by the tax authorities is good, it will lead to a positive perception for taxpayers to pay taxes, and if the

service is bad then of course taxpayers will be reluctant to fulfill their tax obligations.

Based on the explanation above, the hypothesis that can be concluded in this study is:

H2: Fiscal services positively affect the Small and Medium Enterprises (SMEs) of Taxpayers Compliance.

2.4.3 The effect of tax morality on the Small and Medium Enterprises (SMEs) of Taxpayers Compliance

According to Kohlberg (1995: 22), moral theory of reasoning and moral action in essence act rationally. Moral decisions about issues of judgment or "values", are attached to cognitive interpretations of the moral dilemmas and constructive cognitive that are active in the perspectives of each participant and the group involved, while considering all kinds of sources, rights, needs, and influences of each individual or group towards the good and the fair.

Birger Nerre (2001) stated that: "In the moral tax generated is not the individual, but rather the attitude and position of the individual. The attitude and approval of the individual is more agreed on the awareness side of an individual in his commitment to maintain it. This can be seen as a moral payment for tax payments, approval for donations to the community with tax payments".

This is relevant and proven in research conducted by Pranata and Setiawan (2015). From the results of this study, it indicate that the variable taxpayer morality has a positive effect on tax obligations in tax payments.

Based on the description above, it can be concluded that positive tax morality and direction towards Small and Medium Enterprises (SMEs) taxpayers obligations. This becomes the foundation that represents the allegations of

researchers and proves the morale of taxpayers to comply with their tax obligations.

Based on the above research paradigm description, the hypothesis that can be concluded in this study is:

**H3: Tax morality positively affect the Small and Medium Enterprises (SMEs)
of Taxpayers Compliance**