



AICIF

PROCEEDING 7TH ASEAN UNIVERSITIES

International Conference on Islamic Finance

Revival of Islamic Social Finance To Strengthen Economic
Development Towards A Global Industrial Revolution

Co Host:



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**PROCEEDING OF 7TH ASEAN UNIVERSITIES INTERNATIONAL
CONFERENCE ON ISLAMIC FINANCE (AICIF) 2019
“REVIVAL OF ISLAMIC SOCIAL FINANCE TO STRENGTHEN
ECONOMIC DEVELOPMENT TOWARDS A GLOBAL INDUSTRIAL
REVOLUTION”**

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ON ISLAMIC FINANCE (AICIF) 2019
“REVIVAL OF ISLAMIC SOCIAL FINANCE TO STRENGTHEN ECONOMIC
DEVELOPMENT TOWARDS A GLOBAL INDUSTRIAL REVOLUTION”

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PROF. DR. AMAL FATHULLAH ZARKASYI, M.A.
Rector of University of Darussalam Gontor

Assalamu'alaikum warahmatullahi wabarakaatuh

As the Rector of University of Darussalam Gontor, it is a great honour for us to welcome our distinguished guests from neighbourhood countries. Hence, I feel very grateful to Allah, I would like to thank you for your kind willingness to attend and participate in our 7th ASEAN Universities International Conference on Islamic Finance (AICIF) 2019.

The development of Islamic economics and finance not only concerns on commercial issues, but also social finance (such as zakah, infaq and waqf). Since the Prophet Muhammad Rasulullah period, Waqf has been developed and played a major role in the socioeconomic of Muslim. On his arrival at Madinah in the first year of Hijrah, he constructed a mosque known as Quba. Subsequently, the Prophet built a new mosque known as Masjid an-Nabawi due to the increasing number of people who converted to Islam. In addition, the example of waqf in practical level when the Prophet encouraged Utsman ibn 'Affan to buy Rumah well of water and finally he declared it as waqf to provide water for all citizens. Currently, this heritage has been extended to accommodate the need of society from across the world.

Based on the historical foundation, it would be extremely necessary supported by education and research related to Islamic social finance in an attempt to increase the welfare of the Ummah. Hopefully this conference will be one of the efforts in providing enlightenment and insight related to Islamic social finance and Islamic economics continues to grow worldwide, and provide benefits and prosperity for all mankind as well as the entire universe (rahmatan lil Alamein).

Therefore we all have a duty and responsibility to develop education and research related to Islamic economics. Let us pray to God for asking His assistance and guidance to carry out this duties and responsibilities together.

Finally, I congratulate all the faculty members in the Faculty of Syariah and Faculty of Economics & Management as well as all members of AICIF for organizing this conference. For the committees who have worked hard in preparing this conference, I suggested them to service all the guests very well. Make them feel like in their own homes. I would like to say good luck in joining the conference until completion. Thank you very much.

Wa'alaikumsalam warahmatullahi wabarakaatuh



INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

All praises due to Allah (swt), the Most Merciful, the Most Compassionate. May His peace and blessings be upon our beloved Prophet Muhammad (saw), his companions, descendants and all those who follow his steps.

On behalf of the IIUM Institute of Islamic Banking and Finance (IiBF), International Islamic University Malaysia, I would like to congratulate the University of Darussalam, UNIDA Gontor, for the successfully organizing and hosting the 7th ASEAN Universities International Conference on Islamic of Islamic Finance (AICIF 2019). IiBF, as the pioneering institution in organizing the AICIF, is indeed, very happy to note that the AICIF has already reached its 7th year of organization, with the consortium of universities joining the conference has increased to seven from only one when the IiBF first hosted it in Kuala Lumpur in 2013.

The theme of the conference “Revival of Islamic Social Finance to Strengthen Economic Development Towards A Global Industrial Revolution” highlights the remarkable contributions and guidance of our beloved Prophet Muhammad (saw) on his various efforts on social welfare and sustainable social development policies. These efforts have led to the remarkable economic development of Islamic societies, which needs to be emulated by our leaders today in the Islamic banking and finance industry. While there is a remarkable growth and expansion of the Islamic finance industry today, a pertinent issue to highlight is the role and contribution of Islamic finance in the achievement of socio-economic goals of the society. Islamic financial institutions need to continuously innovate and go beyond their traditional role in providing financing just to the bankable. Efforts should be intensified to expand their scope of services and aim to achieve better financial inclusion to all levels of the society.

The importance of technology in Islamic social finance could not be over-emphasized. Several important global cases borne out of the synergised approaches involving Islamic social finance with sustainable digital technology. The International Federation of Red Cross and Red Crescent Societies (IFRC) has recently developed an online blockchain technology application providing organizations and individuals with the ability to track and follow up their contributions in highly complex humanitarian settings. This has helped in providing transparency and laying a platform for increased trust between humanitarian organizations and those in Islamic social financing activities. This digital innovation has received universal acceptance and recognition and is the IFRC’s first foray into Islamic finance, advancing their cause to develop Islamic social finance strategies and fundraising tools in support of IFRC’s humanitarian aid programs.

Islamic social finance supported by mobilisation of digital technology has also brought about the effective distribution of zakat contributions from the Malaysian state of Perlis towards a relief project in Kenya. The project became successful and profitable as the cash value of the crop grown exceeded the value of the seeds purchased, which in turn allowed subsistence farmers to acquire a certain amount of disposable income that can be channelled towards other social impact areas focusing on food, healthcare, and education.

I would have to mention, however, that our goal of revitalizing and rejuvenating Islamic social finance and socially responsible finance may not be achieved without well-coordinated inter-countries synergy and cooperation. We are very much aware of the remarkable progress recorded in ASEAN, and especially Malaysia and Indonesia, in terms of Islamic banking and finance innovation and Islamic finance in general, which have proven to be veritable tools for social development of the Ummah. We hope that efforts are made for new inter-countries' cooperation within ASEAN and other destinations across the globe. It is high time that these vast experiences being shared to other parts of the world with more universities to join this consortium in efforts to remain abreast in the dynamic area of Islamic banking and finance.

Thank you. Wabillahi-tawfiq wal-hidayah, Wassalamu alaikum warahmatullahi wabarakatuh.

ASSOC. PROF. DR. SALINA KASSIM

Dean

IIUM Institute of Islamic Banking and Finance



STATE ISLAMIC UNIVERSITY SUNAN KALIJAGA YOGYAKARTA

Assalamualaikum Warahmatullah Wabarakatuh

Welcome to 7th AICIF 2019. We are very happy for the enthusiasm of all colleagues and participant to take part of the 7th ASEAN International Banking & Finance or 7th AICIF 2019. We are wholeheartedly grateful to University of Darusaalam Gontor Indonesia for organizing this event. AICIF has been held seven times in the Southeast Asia region. This event will took theme which highlighted the Revival of Islamic Social Finance to Strengthen Economic Development Toward a Global Industrial Revolution. We expect, this activity will increase the knowledge, abilities and role of stakeholders in facing the 4.0 industrial revolution. By strengthening the knowledge of Islamic social finance, hopefully it will be able to improve analytical skills to improve the welfare of Muslims. The challenges of Muslims today are very diverse, not only eradicating usury but also creating world welfare and hereafter. That's why, it is very important to understand Islamic social finance clearly.

Besides, we also looking for the academic result from this event such as increasing the transfer of knowledge of in Islamic economics, cooperation in the field of research, journal publications, guest lectures, student exchange and etc.

We also would like to thank all co-organizer who were invited to attend this conference and members of the procedural committee. We are deeply grateful for enthusiastic support from all units and individuals, and we appreciate all the participant who undertake preparation and reception services during the conference. We hope you granted benefit from the exchange of ideas and research at 7th AICIF 2019 through discussions with colleagues, participants and conference sessions and activities. We would like to take this opportunity to fulfill our success stepping stone as co-organizers. It is our sincere hope that this collaboration will continue in the future. May Allah SWT bless us and continue to guide us in all our efforts. Aamiin. Wassalamualaikum Warahmatullah Wabarakatuh

DR. H. SYAFIQ M. HANAFLI, S.Ag., M.Ag.
Dean of Faculty Islamic Economics and Business



SULTAN AGUNG ISLAMIC UNIVERSITY, SEMARANG INDONESIA

Assalamu'alaykum warahmatullahi wabarakatuh

A warmest word of welcome to the organizers and participants of the 7th Asian Conference on Islamic Finance (AICIF) 2019. Our honored to the main organizer of the 7th AICIF University of Darussalam (UNIDA) GONTOR, Indonesia.

Economic development in this digital age creates new challenges for Islamic finance especially Islamic social finance institutions in the ASEAN countries. The increase of market competition demanding the Islamic industry to innovate continuously so that it is able to serve customers and create maslahat. Financial technology (Fintech) is also part of the challenges that must be faced. In this case, the Islamic social finance industry must be able to answer the advancement of financial technology while maintaining applicable sharia principles. On this occasion, the 7th AICIF raised the theme of Revival of Islamic Social Finance to Strengthen Economic Development towards a Global Industrial Revolution. This theme is very urgent to be discussed today as in its system, Islamic finance is not only seen from a commercial point of view, but also a social point of view. Contemporary Muslim society in particular is an important subject that must be prepared to support this revival and make Islamic social finance as a milestone in the power of Islam in giving rahmat for everyone in today's era. 7th AICIF is part of an effort to push the Islamic social finance system achieving betterment. I am sure that with the collaboration of experts, researchers, academics and practitioners in this forum, various innovations will emerge. Issues from various national and cultural backgrounds relating to Islamic social finance will be discussed here. Thus, each other can exchange ideas and provide inspiration in order to form decisions and policies that are needed both for educational institutions and government as well as leaders of Islamic institutions. In addition, this forum is also an effort to strengthen good cooperation between various parties who have high concern in order to develop the Islamic social finance system.

Therefore, I do appreciate and thank you for significant contribution of many parties including the main organizer, co-organizers, support organizations and sponsors for the success of the 7th AICIF 2019. To all the speakers and participants, we wish you all the best for your perspective involvement. I hope that you will have pleasant and enjoyable learning experiences in the Forum. Finally, I wish that the participants will put to new journeys of learning, sharing, and growing for a common reason "to make our system, a better one".

We are really honored for your participation and we look forward to meet you again in 8th AICIF 2020. Terima Kasih

Wassalamu'alaykum warahmatullahi wabarakatuh

PROF. OLIVIA FACHRUNNISA, Ph.D
Dean of Faculty of Economics, UNISSULA
Indonesia



First of all, I would like to take this opportunity to welcome you all to the 7th ASEAN Universities International Conference on Islamic Finance (7th AICIF) and to extend out deepest gratitude to Universitas Darussalam Gontor, Indonesia for hosting this year's 7th AICIF held on 3rd and 4th December 2019.

Universiti Islam Sultan Sharif Ali (UNISSA), Brunei Darussalam, realized that this yearly conference served as an important platform with researchers, professionals coming in from all parts of the world in gaining further insights into the frontier of knowledge as well as understanding the broader scope of Islamic Finance.

I sincerely hoped that this conference will continue to play its role as an important platform for all stakeholders to meet and addressed issues related to Islamic Finance especially in this era of globalization where Islamic Finance industries have witnessed a significant growth over the past years. I also hope that this conference will be able to help in promoting and strengthening the networking and collaboration between researchers, academicians and professionals.

On behalf of UNISSA, I would like to extend my sincerest appreciation to the Main Organiser, Co-Organisers, sponsors and many thanks to everyone involved in organizing such a successful conference. To all participants and presenters attending this year's AICIF, I hope you will be able to benefit greatly from this conference and take part in strengthening the role of Islamic Finance so that it can contribute to a more sustainable and well-balanced economic growth in the society.

Sincerely,

DR ABDUL NASIR BIN HAJI ABDUL RANI

Dean

Faculty of Islamic Economics and Finance

Universiti Islam Sultan Sharif Ali, Brunei Darussalam



MINDANAO STATE UNIVERSITY PHILIPPINES

Assalamu Alaykom Warahmatullahi Wa Barakato.

My heartfelt congratulations to the organizers or people behind the 7th ASEAN International Conference on Islamic Finance (AICIF). People see only the finished product and are not likely to have an idea of the enormous behind-the-scene work that preparations for a grand activity like this entails.

The conference theme “Revival of Islamic Social Finance to Strengthen Economic Development Towards a Global Industry Revolution” cannot be more timely and auspicious. Hurting into a future of prodigious and rapid change, the Islamic world should take stock and determine how we are holding up, coping, and keeping apace with the challenges of a global industry revolution. Although Islamic Finance is anchored on principles and core values enshrined in the Holy Qur’an and the Sunnah, which are practically etched in stone, we recognize the fact that failure to adapt to present realities stands to leave us stranded and marooned on the shore, or lagging behind while the rest of the world eagerly sets sails or takes great strides in the march of progress.

On the other hand, the taking of stock seems crucial to ascertain how faithful we have been to the philosophical underpinnings of Islamic Finance, which means we go back to the primary sources. Much as we wish for seamless transitions or smooth passages from where we stand now to a global industry, for example, these do not come easy. In fact, there are issues and gray areas that I hope will be taken up in this Conference like the enforcement of zakah and how, and how it can help in alleviating poverty, the questions of profit, competition and control in business, and the line between halal and haram in investment (when does a halal investment become haram?).

It is my hope, too, that the Conference will be more productive of answers than of questions, and the discourses of the speakers bring greater enlightenment to the participants and all stakeholders.

Finally, the Mindanao State University looks forward to more collaborative efforts of this kind. Meaningful high-level discourse expected to ignite sparks can generate critical ideas for a more stable Islamic Finance and greater economic development.

My best wishes for the success of the Conference.

HABIB W. MACAAYONG
DPA President MSU System



Assalamu'alaikum Warahmatullah Wabarakatuh

It is a privilege for Tazkia University College of Islamic Economics to be co-hosted at the 7th ASEAN Universities International Conference on Islamic Finance that held on December 3rd & 4th 2019 at University of Darussalam Gontor. Tazkia University College of Islamic Economics is a pioneer of the development of Islamic economics and finance in Indonesia. Our joining in this event was a manifestation of our vision to become a world class university in 2025.

Tazkia University College of Islamic Economics has contributed to the development of Islamic Economics and Finance in Indonesia since 2 decades ago. We helped convert the 25 banks and conventional insurance to full fledged Islamic Banking. Besides that, Tazkia University College of Islamic Economics also empowers the grassroot by creating "Tazkia Islamic Village" located in Babakan Madang, Bogor Regency.

In the future, our joining in AICIF will contribute to strengthening Islamic Economic & Financial resilience in ASEAN through collaborative research, so that research is appropriate and supports the advancement of science in ASEAN moreover in the World.

We congratulate University of Darussalam Gontor as a Host from this conference and wish for the smooth running of this event so that the 7th AICIF theme is "Revival of Islamic Social Finance to Strengthen Economic Development Towards a Global Industry Revolution" can be achieved together.

Best Regards,

DR. MURNIATI MUKHLISIN M. ACC

RECTOR OF STEI TAZKIA

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AN EMPIRICAL STUDY OF TAX WILLINGNESS

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ABSTRACT

This research analyzes the influence of knowledge and tax understanding as well as tax transparency on the tax willingness. The population in this research was the individual taxpayer registered in Tax Service Office (KPP) Pratama Kudus. The research data was collected by distributing 150 questionnaire and the usable questionnaires are 137. Hypothesis testing was conducted with regression analysis using multiple regression analysis of SPSS program. The results of this research stated that tax knowledge positively affects the tax willingness, meanwhile tax transparency has no effect on the tax willingness.

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I. INTRODUCTION

1.1 Background

Tax is a major income derived from the public and must be paid to the government. From the tax payment, the community will get reciprocal, such as infrastructure development, education, healthcare, and others. Therefore, the public must be aware and obedient in paying tax. In Islam, tax is referred to *dharibah* (expense), an additional obligation for Muslims after zakat, so that it is called expense (Gusfahmi, 2015). According to Islam, tax (*dharibah*) is allowed, but the implementation must be in accordance with sharee'ah, where the tax rules must be based on the Qur'an, Hadith, Qiyas, and Ijma. Thus, in the tax collection, it should not be done unfairly (*dzalim*) because it contradicts with Islamic sharia, so that the tax collection must comply with the law. This is in accordance with the hadith of Rasulullah, which states "Will not go to heaven, the tax officer who is *dzalim*" (Narrated by Abu Dawood, Number 2937).

There are barriers in tax revenues such as the lack of public willingness to fulfill its obligations in paying tax. Tax willingness can be a factor that can increase tax revenue. If the taxpayer is willing to pay tax, the rate of tax revenue will increase. The tax willingness is a taxpayer who is willing to use his wealth for public expenditure financing without directly expect consideration (Hardiningsih and Yulianawati, 2011). According to Wurianti and Subardjo (2015), Pratomo (2014), Permadi, et al (2013), Hardiningsih and Yulianawati (2011), tax willingness will be influenced by knowledge of taxation and transparency of tax reporting.

Tax knowledge is an understanding of taxpayer regarding with taxation provisions. Indonesia implements self-assessment system, in which the taxpayer is obliged to calculate, report, and deposit his own tax. Thus, the taxpayer should have knowledge about taxation in order to report his tax correctly (Sumianto and Heni, 2015). In addition, taxpayer also has to understand about fines and taxation sanctions. If the taxpayer has an understanding of tax regulation, it will create a tax willingness of the taxpayer (Permadi, Azwir & Yuneita, 2013).

Tax transparency is also a determining factor of the tax willingness. Tax transparency is about tax revenue and tax expenditure reporting of local and central, also the use of it. Transparency is needed in tax reporting so that taxpayers know the taxes that have been paid are used for the benefit of the community. Some cases of tax corruption in Indonesia make the taxpayer lazy to pay taxes (Sumianto and Heni, 2015). Therefore, transparency in tax reporting can motivate taxpayers to pay taxes.

This research aims to know the factors that affect the taxpayer's willingness to pay taxes (tax willingness). The object of this research was individual taxpayer registered in Tax Service Office (KPP) Pratama Kudus. Kudus is chosen because Kudus is one of cities in Central Java that has many industries, up to 93 industries. Therefore, most of the people in Kudus work in the industries and they are included as taxpayers.

1.2 Problem Formulation

Tax is also a major source of revenue coming from society, which is then given back to the community in form of infrastructure development, public facilities, education, and others. Therefore, the community as taxpayers are expected to be willing and obedient in paying taxes. Based on the explanation above, the problem can be formulated as follows:

1. How does the influence of tax knowledge towards tax willingness?
2. How does the influence of tax transparency towards tax willingness?

II. LITERATURE REVIEW

2.1 Theory of Planned Behavior

Theory of planned behavior is a theory that emphasizes the rationality of human behavior under the control of individual consciousness. The theory explains about the taxpayer's behavior to comply with the tax provisions through the taxpayer's intention (Hidayat and Nugroho, 2010).

2.2 Tax

Tax is a mandatory contributions of the society based on the law, and it uses for the benefit of society itself. Tax has a leading role for the society development and expenditure. Tax has two main functions, first the budgeter function and second the regular function. For the sake of society welfare, tax revenues should be improved. Thus, the taxpayers must comply with taxation provisions.

2.3 Tax Willingness

Tax willingness can be defined as the taxpayer's willingness to pay tax payable to the government, with the aim to assist the government expenditure financing. Tax is considered to be an obligation according to Islam, because tax will help to fill the void of the state treasure (*baitul mal*), which is determined by the state (*Ulil Amri*). Therefore, the community must be more conscious and have a willingness to issue their property in accordance with the taxes payable.

2.4 Tax Knowledge

Tax knowledge is a taxpayer's understanding of all applicable taxation provisions. The understandings include the taxpayer understands in counting, paying, and reporting his tax. In addition, taxpayer must understand the taxation sanctions and fines. Furthermore, taxpayers should also know the provisions of taxation administration. A good tax understanding will make taxpayers have a tax compliance. The taxpayer can obtain tax knowledge through formal and informal education, because tax knowledge is fundamental that taxpayers must have in order to create tax willingness.

2.5 Tax Transparency

Tax transparency is tax revenue and tax expenditure reporting of local and central, also the use of it. If the taxpayer knows the tax expenditures they have deposited, and their use is transparent, the taxpayer will be satisfied and willing to pay the tax. The Directorate General of Taxation is the government-appointed body to raise the tax deposited by the public. However, all the use of the tax, with the budget transparency and accountability, is under the government control (Yogatama, 2014). If the government is able to convince the public about the use of the tax money, then the community will be have a good perception of taxes. As the result, it will bring up the tax willingness.

2.6 Hypothesis Development

2.6.1 The Influence of Tax Knowledge Towards Tax Willingness

Tax knowledge is an understanding of taxpayers. The understanding includes the understanding of all applicable taxation provisions. Good tax knowledge makes taxpayers have a tax willingness. This is because taxpayers do not find any difficulties and are able to complete all tax obligations. The research results of Handayani, et al (2011), Permadi, et al (2013), and Pratomo (2014), stated that the higher knowledge and understanding of the taxpayer, the higher tax willingness of the taxpayer.

Based on the above statement and the research result, the hypothesis 1 is as follows:

H1: Taxation Knowledge gives positive influence towards tax willingness.

2.6.2 The Influence of Tax Transparency Towards Tax Willingness

Tax transparency is a report about the tax revenue and the tax use truthfully and transparently to the public. If the government reports the results of the tax use transparently and convincingly, the public will have a good perception of taxes. Thus, will bring up the tax willingness. The research results of Yogatama (2014) suggested that the high transparency in the tax use, will make the community trust the Government performance of the, in order to raise the tax willingness behavior.

Based on the above statement and the research result, the hypothesis 1 is as follows:

H2: Tax transparency gives positive influence towards tax willingness.

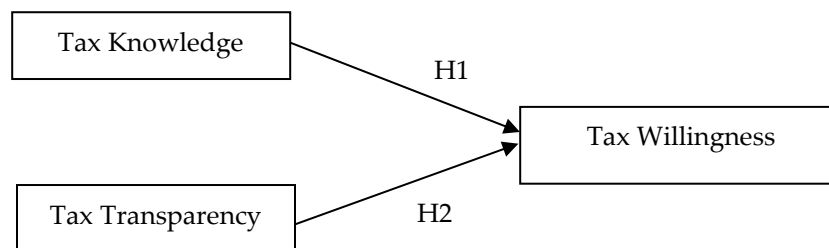


Figure 1. Research Model

III. METHODOLOGY

3.1 Population, Sample, and Sampling Technique

The population of this were taxpayers registered in Tax Service Office (KPP) Pratama Kudus. The samples were decided by using convenience sampling, because the unknown taxpayer number. It results an independency in choosing samples (Jogiyanto, 2004).

3.2 Research Variable

This research is an empirical research endeavors to explain the factors that influence tax willingness. Those factors include taxation knowledge and transparency.

3.3 Operational Definition

3.3.1 Tax Willingness

Tax willingness can be interpreted as a taxpayer's willingness to pay tax to the government, with the aim to assist government expenditure financing. The measurement of tax willingness uses eight question items adapted from Alfiah (2014). The question indicators are as follows: (a) Taxpayer prepares the required documents to pay tax; (b) Taxpayer tries to find the information about the place and methods of paying tax; (c) Taxpayer tries to find the information about payment deadline and tax deposits; (d) Taxpayer consults with the parties who understand about tax; (e) Taxpayer should make registration as taxpayer to get Taxpayer Identification Number (NPWP); (f) Taxpayer conveys his Tax Return (SPT) based on his own willingness; (g) Taxpayer allocates a budget to pay tax; (h) Taxpayer pays the tax based on the applicable taxation regulation. This research uses 5 point Likert scale, started from number 1 (strongly disagree) up to number 5 (strongly agree). If the tax willingness is on number 5, it describes the tax willingness of the taxpayers is very high.

3.3.2 Tax Knowledge

Tax knowledge can be interpreted as a taxpayer's understanding of all applicable taxation provisions. Tax knowledge is measured by using seven question items developed by Alfiah (2014) with 5 points Likert scale. If the job satisfaction shows the number 5, it describes that the knowledge and understanding level of the taxpayer is high. The indicators regarding tax knowledge are as follows: (a) The ease of information acquisition about taxation knowledge; (b) The society knows the function and the benefits of tax; (c) The society knows how to fill Tax Return (SPT) correctly, making financial report, and how to pay tax properly; (d) society knows how to calculate the payable tax; (e) The society knows about the administrative sanction (fine) and the criminal sanction (jail); (f) Tax is coercive so that any violation will result sanctions; (g) Taxpayer understands about considerate tax.

3.3.3 Tax Transparency

Tax transparency can be defined as tax revenue and tax expenditure reporting of local and central, also the use of it. The tax transparency variable in this research is measured by using 6 questions instruments developed by Yogatama (2014), through the 5 point Likert scale. If the transparency is on number 5, it describes that the government transparency level in tax use reporting is high. Meanwhile, the question indicators about tax transparency are as follows: (a) The good counseling implementation; (b) The implementation of tax census and socialization; (c) The amount of tax revenue; (d) Notification related with the amount of tax revenue; (e) Tax revenue allocation.

3.4 Data Collection Method

The data was collected by using survey method. The data for this research was primary data, by using questionnaire distributed to the individual taxpayer registered in Tax Service Office (KPP) Pratama Kudus.

3.5 Analysis Technique

3.5.1 Descriptive Statistic

Descriptive statistic is used to determine the description of the variables in the research. Descriptive statistic provides a data description of the average value, standard deviation, minimum and maximum value of the variables.

3.5.2 Hypothesis Testing

The hypothesis testing in this research used multiple linear regression analysis through the values of t-test and p-value. T test is used to determine the effect of dependent and the independent variable individually, by comparing the probability values. If P-value is > 0.05 , then H_0 is accepted, which means there is no significant effect between the dependent and independent variables. If the P-value is < 0.05 , then H_0 is rejected, which means there is a significant influence between the dependent and independent variables (Ghozali, 2016).

4. RESULT AND DISCUSSION

4.1 Respondents Overview

The research data was collected by distributing 150 questionnaires to the individual taxpayer in Tax Service Office (KPP) Pratama Kudus. The summary of questionnaire distribution to individual taxpayer in Tax Service Office (KPP) Pratama Kudus is shown on the following table:

Table 1.
Questionnaire Distribution and Return Details

Description	Total	Percentage
Distributed questionnaires	150	100
Returned questionnaires	142	94.6
Not returned questionnaires	8	0.05
Questionnaires with incomplete answers	5	0.03
Usable questionnaires	137	91.33

Source : Processed primary data, 2019

4.2 Variable Description

On the table below, it represents the variables based on respondents' answers for the construct indicators used in this hypothesis testing, which consist of 20 research indicators.

Table 2.
Descriptive Statistic

Variable	Theoretical		Actual			
	Range	Average	Range	Average	Question Average	SD
Tax willingness	8-40	24	24-37	29.50	3.68	2.676
Tax knowledge	7-35	21	17-33	25.34	3.62	2.487
Tax transparency	5-25	15	8-25	16.72	3.34	2.730

Source : Processed primary data by using SPSS, 2019

4.3 Hypothesis Testing

Table 3
Regression Analysis Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.098	.205		10.233	.000
	Lag_X2	.187	.083	.201	2.250	.026
	Lag_X3	.043	.067	.057	.639	.524

a. Dependent Variable: Lag_X1

4.3.1 The Influence of Tax Knowledge Towards Tax Willingness

The result of hypotheses 1 testing indicates that the t value is 2.250 and the p-value value is 0.026, it is below the significant value of 0.05. The positive Beta value indicates that tax knowledge has a positive impact toward tax willingness. This hypothesis is also supported by the empirical data of respondents' answer. Based on the descriptive statistic data of the respondents' answer, the average response to tax knowledge is 25.34, which is greater than the theoretical average of 21. Meanwhile for the Tax Willingness, the average response is 29.50 which is larger than the theoretical average of 24. This indicates that tax knowledge of the taxpayers has a positive influence towards the tax willingness.

The results of this research are aligned with research conducted by Handayani, et al (2011), Permadi, et al (2013), and Pratomo (2014). They stated that the higher knowledge and understanding of the taxpayer, the higher willingness in fulfilling its tax obligations.

4.3.2 The Influence of Tax Transparency Towards Tax Willingness

The testing results of hypothesis 2 show that t value for 0.639 and the p-value value for 0.524 is above the significant value of 0,05. These results indicate that tax transparency has no influence toward the tax willingness. This is because tax willingness is not only influenced by the tax transparency that uses for public interest. It also can be influenced by the coercive tax, so taxpayers are required to pay their taxes.

The results of this study are not in line with the research conducted by Yogatama (2014), stated that the high transparency in the use of tax, will make people trust to the government performance, so that it can bring up the tax willingness behavior.

V. CONCLUSION AND SUGGESTION

5.1 Conclusion

This research explains the influence of tax knowledge and tax transparency toward tax willingness. The research results were obtained by distributing questionnaires for 137 respondents of individual taxpayers in Tax Service Office (KPP) Pratama Kudus. This research is analyzed using multiple linear regression analysis techniques. Thus, this research results two empirical conclusions:

1. The higher tax knowledge, the higher tax willingness of the taxpayer. Through the taxation knowledge and understanding, taxpayers will know the functions, benefits, sanctions, and fines of the tax itself.
2. The transparency of taxes expenditure paid by the taxpayer has no influence toward tax willingness. This is because tax is coercive, so that without the taxpayer know the transparency of the tax, the taxpayer still have to pay the tax.

5.3 Suggestion

Based on the research results, the suggestions are as follows:

1. The future research is expected to add to the research object, not only in Tax Service Office (KPP) Pratama Kudus in order to describe better about the level of tax willingness on individual taxpayer.
2. The future research is expected to add the research variable which can influence the tax willingness.

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