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DETERMINANTS OF CUSTOMS REGULATIONS COMPLIANCE IN DIRECTORATE GENERAL OF CUSTOMS AND EXCISE AUDIT RESULT

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ABSTRACT

This study aims to prove the effect of determinants through customs regulations compliance with bonded zone facility as moderator variable. The independent variables are firm size, profitability, liquidity, activity and audit frequency. While the dependent variable is customs regulations compliance. Samples were taken from companies listed on the Indonesia Stock Exchange and have been audited by Directorate General of Customs and Excise (DGCE). The number of samples was 183 companies. Data analytical techniques using multiple regression analysis, moderated regression analysis and independent sample test. The result of multiple regression analysis showed that firm size, profitability and audit frequency have a significant effect on customs regulations compliance. The result of moderated regression analysis showed that activity and audit frequency have an influence on compliance with bonded zone facility as moderator variable. The result of independent sample test showed that there was not significant difference in the level of customs regulations compliance in bonded zone company. There is no research that comprehensively examines the effect of independent variables on customs compliance with bonded zone facility as a moderating variable. This study contributes to the reference related to factors that affect the customs regulations compliance.

KEYWORDS: Bonded Zone; Compliance; Liquidity; Profitability; Firm Size.

INTRODUCTION

The role of Customs is to ensure compliance with the law (Widdowson, 2020). Customs regulations compliance guarantees the fulfillment of state financial revenue and avoids in or out of goods that can harm the society and national interests. Customs law enforcement has a wedge with the enforcement of tax law. Based on Law Number 17 of 2006, Directorate General of Customs and Excise (DGCE) is tasked with supervising, including ensuring the fulfillment of import obligations in the form of import duties and import taxes. According to Batavia & Nandakumar (2017) the government needs to provide support to local industries so that they can compete globally through the provision of incentives or fiscal facilities. Companies can carry out business activities in the customs sector through various facility schemes. One of them is a bonded zone that offers facilities for deferring import duties, exemption from excise, and free of import taxes. This facility is intended to encourage the development of domestic industries that use imported raw materials with the main purpose of exporting sales.

According to the Minister of Finance Regulation No. 131/PMK.04/2018, bonded zone has two important assets related to achieving compliance with customs regulations. First, this facility is given to companies that meet the requirements in the form of a good track record. Second, there are strict rules in the form of imposing administrative sanctions if the company abuses the facilities. The existence of the provision for fines can be a motivation for management to design internal controls to avoid opportunities for facility violations. In theory, these two things can be a differentiating factor with companies that do not receive business-related facilities to maintain the level of compliance with customs regulations. Thus, bonded zone facilities will be examined in this study as a moderating factor in the relationship of various factors to compliance with customs regulations.

DGCE assess the company's compliance with customs regulations through the implementation of customs audit in accordance with article 86 of Law Number 17 of 2006. Based on the analysis of trends in total and average customs audit findings for the last five years, bonded zone facility companies showed an increase while non-facility companies experienced a decline.

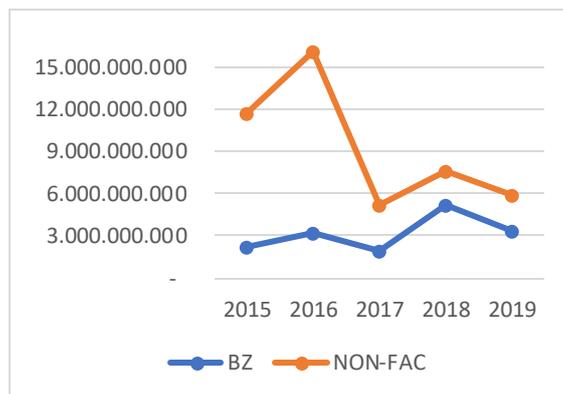


Figure 1.
Average
Customs Audit
Findings

Source: Modified from Directorate of Customs and Excise Audit's Data

The increase in audit findings shows that the company's compliance level on average cannot be said to be good. Further research is needed regarding the factors that influence compliance with customs regulations based on the company's internal financial condition.

Langton et al. (2015) explains attribution theory in organizational behavior which states that behavior can be influenced by factors originating from internal and external. This attribution theory is relevant to explain various factors that can affect compliance in this study. Lunenburg (2012) emphasizes that compliance theory is more influenced by internal aspects of the organization that cause a reaction to participation from the management. Marandu et

al. (2015) revealed various factors that affect the level of compliance with tax rules. These factors are a combination of internal and external factors.

Customs compliance can be influenced by various internal and external factors of the company. Internal factors are related to the company's conditions and resources as the basic capital in realizing compliance with the rules. Firm size is an important factor that determines the level of compliance (Alsheikh et al., 2016; Syaifullah & Ramdany, 2020; Abdixhiku et al., 2017; Dewinta & Setiawan, 2016; Dewi & Noviani, 2017; Bachas et al., 2019). Financial ratios that describe the company's internal conditions can also affect the level of compliance. Compliance is proven to be affected by profitability (Kasim & Saad, 2019; Mocanu et al., 2021; Akbar & Thamrin, 2020; Oboh & Nosa, 2021; Dewinta & Setiawan, 2016; Dewi & Noviani, 2017; Syaifullah & Ramdany, 2020). Liquidity is also a determinant that affects compliance (Abdullah, 2020; Budianti & Curry, 2018; Batista et al., 2012). The effect of activity on compliance is also statistically proven (Dwiyanti & Jati, 2019; Anindyka et al., 2018; Batista et al., 2012). External factors that affect the level of company compliance can be in the form of customs audit implementation. Audit frequency is proven to have an effect on compliance (Tin, 2017; Todorovic et al., 2018; Inasius, 2019; Brushwood et al., 2018; Modugu & Anyaduba, 2014; Prihastini & Fidiana, 2019; Setia, 2015).

There is no research that comprehensively examines the effect of firm size, profitability, liquidity, activity and audit frequency on customs regulations compliance with bonded zone facility as a moderating variable. Based on the Minister of Finance Regulation No. 131/PMK.04/2018, bonded zone can strengthen or weaken the relationship between variables on compliance because it has two characteristics as described previously. It has a good compliance track record, but faces complicated characteristics of goods to comply with strict rules. This research is also different because it was carried out comprehensively through causality testing equipped with moderated regression analysis and comparative testing. Comparative testing was conducted to compare the differences in the effect between variables on companies receiving bonded zone facility and companies without bonded zone facility. This study fills a gap in the previous research. The previous study tested the independent variables separately and not comprehensively on their effect on the dependent variable. In addition, various previous studies that became references for this study also have not tested bonded zone facilities as a moderating variable.

The purpose of this study is to analyze and obtain empirical evidence related to the effect of firm size, profitability, liquidity, activity and audit frequency on customs regulation compliance with the moderation of bonded zone facility. In addition, this study will prove the difference in the average value of compliance in bonded zone companies and companies without bonded zone facility.

Sarwono & Meinarno (2011) divides compliance into three types based on behavior and response, including:

- a. Conformity, which occurs when a person changes attitudes and behavior to suit social demands.
- b. Compliance, which occurs when someone does something or not based on a request from another party who has authority over him. Customs compliance is the example of this category.
- c. Obedience, which occurs when someone does something or not because of the power of the other party.

Customs law enforcement is closely related to the enforcement of tax rules. In the context of importing goods, for example, customs institution has an authority to supervise, including

ensuring the fulfillment of import obligations in the form of import duties and import taxes. Therefore, it can be said that customs and taxation are in the same field in the context of fiscal policy. This is reinforced by the position of tax and customs institutions in Indonesia which are under one ministry.

There are contemporary approaches that address compliance in customs matters. Widdowson (2020) put forward a customs compliance management framework theory that is described in an integrated model.

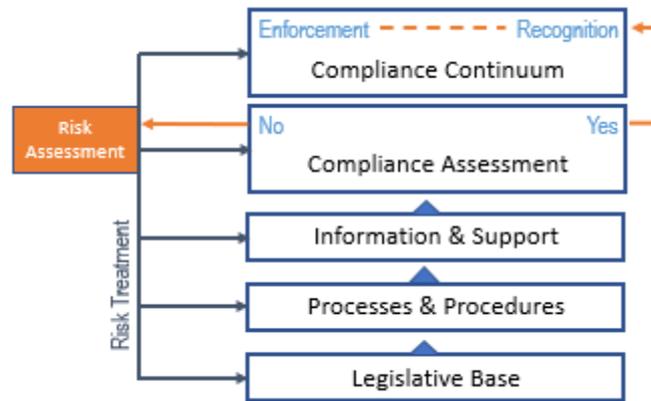


Figure 2.
Integrated
Compliance
Management
Framework

Source: Modified from Widdowson (2020)

To achieve compliance in the customs sector, there are several key aspects of strategic management based on risk management (Widdowson, 2020). The foundation of the compliance framework is the legal basis in the customs field. The next aspect is processes and procedures to ensure that customs regulations can be implemented properly. Support and information services are needed by customs service users in order to achieve compliance. If these things have been implemented, then an assessment of compliance is needed. Risk management plays an important role in following up on findings of non-compliance. At the highest level it is necessary to have a strategy to identify and enforce a sustainable level of compliance.

Various factors that affect the level of organizational compliance can be grouped into internal factors and external factors. Langton et al. (2015) explain attribution theory in organizational behavior which states that behavior can be influenced by factors originating from internal and external. This attribution theory is relevant to explain various factors that can affect compliance in this study. Marandu et al. (2015) revealed various factors that affect the level of compliance with tax rules. These factors are a combination of internal and external factors.

In terms of compliance, large companies involve a wider range of stakeholders so they are required to have a high level of compliance. Meanwhile, the stakeholders of small companies are also relatively small, making them more vulnerable to violating compliance rules in achieving their economic goals. Research conducted by Alsheikh et al. (2016), Bachas et al. (2019), Abdixhiku et al. (2017) and Dewi & Noviani (2017) conclude that firm size has a significant influence on company compliance. This study aims to prove the relationship between these variables within the scope of customs in Indonesia

H1a : Firm size has a significant effect on customs regulation compliance

Payment of customs obligations in the process of importing and exporting goods is an expense component that will be a deduction from company income to be income after tax.

The company will try to make efficiency through the use of various facilities to reduce the customs payment by paying attention to compliance with existing regulations. Kasim & Saad (2019), Mocanu et al. (2021) and Akbar & Thamrin (2020) have conducted research and concluded that the company's characteristics in the form of profitability have a significant effect on tax avoidance. In other words, the company's profitability has a significant positive effect on the level of company compliance.

H1b : *Profitability has a significant effect on customs regulation compliance*

Liquidity describes the company's ability to pay off its short-term obligations using its current assets. Tax payments can be reduced through the utilization of various fiscal facilities from the government. One form of fiscal facility in the customs sector is a bonded zone. The facilities obtained are deferred import duties, exemption of excise and free import taxes, so that the company's current liabilities are reduced and the liquidity level will increase. The government must ensure that the company has complied with the regulations related to customs in relation to the utilization of these facilities. Abdullah (2020), Budianti & Curry (2018), Batista et al. (2012) and Syaifullah & Ramdany (2020) found empirical evidence that company liquidity has a significant effect on the level of regulatory compliance.

H1c : *Liquidity has a significant effect on customs regulation compliance*

The company's activities can be described through the level of inventory turnover that occurs during the current period (Adisamartha & Noviani, 2015). Batista et al. (2012) and Anindyka et al. (2018) concluded that the company's activities in the form of inventory intensity were empirically proven to have a significant effect on tax avoidance, thus affecting the level of company compliance.

H1d : *Activity has a significant effect on customs regulation compliance*

Theoretically, the implementation of a customs audit will affect the level of company compliance. The audited company will gain an understanding of the mistakes made and be forced to correct them through the implementation of the recommendations from the audit report. Brushwood et al. (2018) stated that tax audits can have an effect on increasing conservatism in tax reporting which has an effect on increasing tax compliance. This finding is in accordance with the conclusions of Modugu & Anyaduba (2014) and Prihastini & Fidiana (2019) which conclude that compliance is influenced by the implementation of tax audits. Inasius (2019) revealed that audit probability has a significant effect on the level of tax compliance. Based on the audit objectives, the frequency of audits will also be directly proportional to the level of compliance. The more often the company is audited, the compliance is better. This theory is proven by Tin (2017) who concludes that audit frequency has an effect on increasing taxpayer compliance. Meanwhile, Todorovic et al. (2018) get a research conclusion that the number of tax audits has a positive effect on tax avoidance in Serbia.

H1e : *Audit Frequency has a significant effect on customs regulation compliance*

Bonded zones functioned to hoard imported and local goods for processing or merging before finally being exported or imported for use. In relation to company compliance, bonded zone facilities can be used as initial capital as well as a means of controlling the fulfillment of elements of compliance with applicable regulations. Various studies have been conducted regarding the effect of fiscal facilities on tax compliance. Kumaratih & Ispriyarso (2020), Sari & Nuswantara (2017) and Mas'ud et al. (2014) concluded that fiscal facility has a positive influence and are a contributing factor to increasing taxpayer compliance.

H1f : Bonded zone facility has a significant effect on customs regulation compliance

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Moderation of bonded zone facility on the determinants of customs regulations compliance

Based on the Minister of Finance Regulation No. 118/PMK.01/2021, taxation and customs are two closely related fields in Indonesia where the authority belongs to Ministry of Finance. The enforcement of customs law has a wedge with the enforcement of taxation rules in the scope of fiscal policy. The government provides fiscal facilities in various forms to support domestic industries, both in the fields of taxation and customs. There is no research that comprehensively examines the effect of bonded zone as a form of fiscal facility in customs sector on regulations compliance. Therefore, this research refers to previous research related to fiscal facilities in the taxation sector.

Pattinaja & Silooy (2018) conclude that sunset policy and tax amnesty have a significant effect on compliance. This is in line with the results of the study by Rorong et al. (2017) which proves that tax amnesty has a significant effect on compliance. Thus, the provision of fiscal facilities has a significant effect on the company's compliance with various financial characteristics.

H2a : Bonded zone facility moderates the effect of firm size on customs regulations compliance

H2b : Bonded zone facility moderates the effect of profitability on customs regulations compliance

H2c : Bonded zone facility moderates the effect of liquidity on customs regulations compliance

H2d : Bonded zone facility moderates the effect of activity on customs regulations compliance

H2e : Bonded zone facility moderates the effect of audit frequency on customs regulations compliance

Differences in customs regulations compliance for bonded zone companies and non-bonded zone companies

Bonded zone company has two inherent characteristics: it has a good track record of compliance and faces the complex nature of goods to comply with strict rules. Further research is needed to examine the effect of these characteristics in the context of determining customs policies by the government as well as focusing on strengthening the company's internal control.

No specific research has been conducted to examine the differences in compliance between companies receiving bonded zone facilities and non-bonded zone facilities.

H3 : Customs regulations compliance at bonded zone companies is higher than companies that do not receive bonded zone facility.

The model framework is illustrated in the figure below:

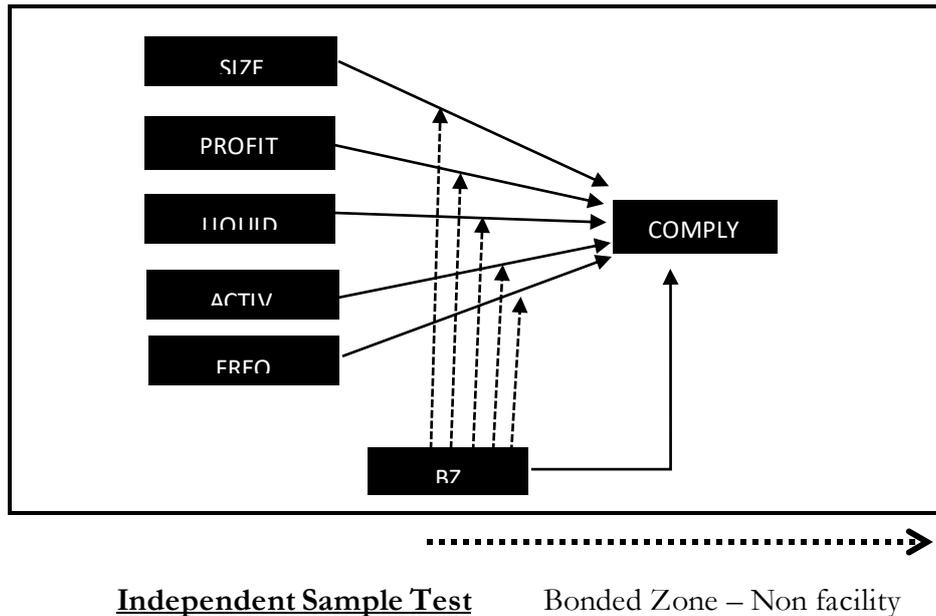


Figure 3.
Research Model

METHOD

This study uses a quantitative approach and causality to determine the effect between variables and a comparative approach to perform a different test of the dependent variable. The research data is sourced from the financial statements and the customs audit report on public companies for the period 2013 to 2020. The financial data will be converted to 2020 based on the Future Value Interest Factor so that all the data can be compared statistically. This study uses cross section data, which are not related to each other. The research does not use panel data because of the characteristics of customs audits that are not conducted on a company regularly every year.

Based on the purposive sampling technique, the research sample is limited to companies that carry out customs activities in the form of importing goods, so that a total of 183 companies are obtained. Companies that carry out business activities purely in the excise sector are excluded from the research sample due to differences characteristics.

Moderated Regression Analysis (MRA) was completed after fulfilling the classical assumption test. Independent sample test was processed after passing the group data normality test.

The multiple regression equation for MRA is as follows:

$$\text{COMPLY} = \alpha + \beta_1\text{SIZE} + \beta_2\text{PROFIT} + \beta_3\text{LIQUID} + \beta_4\text{ACTIV} + \beta_5\text{FREQ} + \beta_6\text{BZ} + \beta_7\text{SIZE}*\text{BZ} + \beta_8\text{PROFIT}*\text{BZ} + \beta_9\text{LIQUID}*\text{BZ} + \beta_{10}\text{ACTIV}*\text{BZ} + \beta_{11}\text{FREQ}*\text{BZ}$$

No	Variabel	Indicator	Formula	Scale	Source
1	Firm size	Total Sales	$\ln \text{ Total Sales}$	Natural Logarithm	
2	Profitability	<i>Return on Asset</i>	$\frac{\text{Income After Tax}}{\text{Total Aset}}$	Financial Ratio	Company Financial Report and Customs Audit Report
3	Liquidity	<i>Cash Ratio</i>	$\frac{\text{Total Cash}}{\text{Current Liability}}$	Financial Ratio	Customs Audit Report
4	Activity	<i>Inventory Turnover</i>	$\frac{\text{COGS}}{\text{Average Inventory}}$	Financial Ratio	Customs Audit Report
5	Audit Frequency	Audit Frequency	Total Audit	Ratio Scale	Customs Audit Report
6	Bonded Facility	Zone Facility	0 = Nonfacility 1 = Bonded Zone	Nominal Scale	Customs Audit Report
7	Customs Compliance	Audit Findings (<i>Invers</i>)	$\ln \text{ Audit Findings (Invers)}$	Natural Logarithm	Customs Audit Report

Table 1. Operationalization of Research Variables

RESULTS AND DISCUSSIONS

The research data has met the requirements of the classical assumption test which includes: normality, linearity, multicollinearity and heteroscedasticity. The descriptive statistics of each variable in this study can be seen in the following table:

	SIZE	PROFIT	LIQUID	ACTIV	FREQ	BONDED	FIRM
	Ln Sales	ROA	KR	ITO	FR	ZONE	- Ln Find
Mean	29,38	0,05	0,39	16,18	2,30	0,10	-21,25
Median	29,35	0,04	0,17	4,67	2,00	0,00	-21,09
Maximum	32,10	0,40	5,52	688,09	4,00	1,00	-16,16
Minimum	26,27	-1,17	0,00	0,84	1,00	0,00	-26,49
Std. Dev.	1,29	0,12	0,64	69,31	0,96	0,31	1,82
Sum	5376,00	8,52	70,73	2960,11	421,00	19,00	-3887,95
Observations	183	183	183	183	183	183	183

Table 2. Descriptive Statistical Analysis Results

The table above describes the data description of each proxy variable. The company size variable has an average value of 29.22 which is the natural logarithm of the average sales of Rp10,374,217,925,762. The smallest company has a sales value of Rp239,786,317,679 and the largest company has a sales value of Rp84,624,733,000,000. This range of values can represent a sample of small and large companies. The profitability variable based on the ROA ratio has an average of 0.05, meaning that the company has the ability to earn net income after tax of IDR 0.05 for every IDR 1 of the total assets owned. The range of -1.17 to 0.40 shows the representation of companies that experience losses and companies that record economic gains in this study.

The results of the regression model testing are as follows:

Variable	Compliance Model				
	Prediction	Coeff.	t-Stat	Prob.	Result
C		8,0335	2,5843	0,0106	
SIZE	3 +/-	0,4021	3,6367	0,0004	Accepted***
PROFIT	3 +/-	2,1857	2,2317	0,0269	Accepted **
LIQUID	3 +/-	0,1585	0,8423	0,4008	Rejected
ACTIV	3 +/-	0,0021	0,1887	0,2362	Rejected
FREQ	3 +/-	0,5860	1,2032	0,0000	Accepted ***
BZ	3 +/-	7,1308	0,6432	0,5210	Rejected
SIZE* BZ	3 +/-	0,3980	0,9495	0,3437	Rejected
PROFIT* BZ	3 +/-	1,6412	0,3301	0,7417	Rejected
LIQUID* BZ	3 +/-	0,2403	0,1605	0,8727	Rejected
ACTIV* BZ	3 +/-	0,1914	0,3070	0,0223	Accepted **
FREQ* BZ	3 +/-	2,1391	0,3318	0,0209	Accepted **
R-squared		0,3228			
Adjusted R-square		0,2793			
F-statistic		7,4110***			

Source: Data Processed (2021)

Note: ***Significance α 1%, **5%

Table 3.
Multiple
Regression Test
Output

The liquidity variable uses a cash ratio with an average of 0.39 in the value range of 0.00 to 5.52. This range of values shows the representation of companies with low and high liquidity in this study.

The activity variable measured by the ITO ratio has an average of 16.18 with a range of values from 0.84 to 688.09. The high value of activity indicated by fast inventory turnover is a characteristic of trading companies. While the low inventory turnover value represents a service company. Both trading and service companies can import goods to purchase company assets.

The audit frequency variable shows an average of 2.30 with minimum value 1 and maximum 4. Customs audits are not carried out regularly every year, but are based on risk management analysis. Companies with high risk in terms of entities or commodities can be audited more frequently.

The bonded zone facility as a moderating variable uses dummy data with a minimum value 0 representing companies without facilities and a maximum 1 representing companies with bonded zone facilities. The average value of the bonded zone variable is 0.10 because the number of companies without facility is greater than bonded zone companies. Customs compliance variable which is the dependent variable has an average value of -21.11. This value represents the average audit findings of Rp7,733,332,590.

Based on regression analysis, the regression equation in this study can be formulated as follows:

$$\text{COMPLY} = -8.0335 - 0.4021*\text{SIZE} - 2.1857*\text{PROFIT} + 0.1585*\text{LIQUID} - 0.0021*\text{ACTIV} - 0.5860*\text{FREQ} + 7.1308*\text{BZ} - 0.3980*\text{SIZE}* \text{BZ} + 1.6412*\text{PROFIT}* \text{BZ} - 0.2403*\text{LIQUID}* \text{BZ} + 0.1914*\text{ACTIV}* \text{BZ} + 2.1391*\text{FREQ}* \text{BZ}$$

Mann-Whitney U Test

Based on the results of the SPSS Kolmogorov-Smirnov test, the compliance data for the group of bonded zone and non-facility shows a significance value below 0.05 so that it doesn't meet the assumption of normality. Based on these conditions, the comparative test will be carried out using the Mann-Whitney U Test.

Descriptive statistics on the level of compliance of each group are as follows:

	N	Mean Rank	Median Rank	Sum of Ranks	
Compliance	Non-facility	164	91.46	89.50	14999.00
	Bonded Zone	19	96.68	115.00	1837.00

Table 4.
Group Statistics

Source: Data Processed (2021)

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12.1

The average compliance rank of companies that do not have bonded zone facilities is 91.46, lower than companies receiving bonded zone facilities of 96.68. The average company compliance rank is obtained based on the amount of audit findings compared to the company's sales amount. The amount of audit findings and sales from 2013 to 2019 are adjusted for inflation to get the future value in 2020. Thus, the compliance rank in the research period for companies receiving bonded zone facilities is higher than non-facility

companies. The difference will be tested further to determine whether the difference is statistically significant or not. The significance of the difference will be determined based on the Mann-Whitney U Test.

The results of the Mann-Whitney U Test for these differences are as follows:

Table 5.
Mann-Whitney
U Test

Test Statistics ^a	
	COMPLIANCE
Mann-Whitney U	1469.000
Wilcoxon W	14999.000
Z	-0.407
Asymp. Sig. (2-tailed)	0.684

a. Grouping Variable: BONDED-ZONE

Source: Data Processed (2021)

The significance value of Asymp Sig. (2-tailed) on the test is 0.684, which is higher than 0.05. It can be concluded that the difference of compliance of the two groups is not statistically significant so Hypothesis H3 is rejected. We can prove that there is no difference in the level of compliance between the two groups of companies. This result strengthens the rejection of Hypothesis H1f (Bonded zone facility has a significant effect on customs regulation compliance).

The Effect of Firm Size on Compliance (Hypothesis H1a)

The probability value of the test results shows that the hypothesis is accepted. This study corroborates previous research conducted by Abdixhiku et al. (2017), Alsheikh et al. (2016) and Syaifullah & Ramdany (2020) which state that firm size has a negative significant influence on compliance. Meanwhile, this result contradicts the research by Rusydi (2014) and Ettredge (2011) which found evidence that firm size has no effect on compliance.

The relationship between these two variables shows a negative coefficient value. This can be interpreted that there is a negative relationship. The increase in the scale of the company's size indicates that the financial transactions are getting bigger, including customs activities. The number of customs transactions will increase the risk of discrepancies in customs notifications which result in a greater risk of underpayment which is a form of non-compliance. Size company should be a concern for customs institution and companies regarding the level of customs regulation compliance.

The Effect of Profitability on Compliance (Hypothesis H1b)

The probability value based on multiple regression analysis shows that the hypothesis is accepted. This research is in line with research conducted by Oboh & Nosa (2021), Dewinta & Setiawan (2016), Dewi & Noviani (2017), Kasim & Saad (2019) and Syaifullah & Ramdany

(2020) which state that profitability has a negative significant effect on obedience. Meanwhile, the result of this study contradicts the research of Mulyati et al. (2019) which states that the profitability variable has no effect on compliance. The relationship between these two variables shows a negative coefficient value. This shows that there is an inverse relationship.

Profitability is the basis of corporate income tax. The greater the profit, the greater the tax must be paid by the company. In relation to customs, the value of imported goods is a burden that will reduce the company's profitability. In order to increase the profitability, management can reduce the value of the goods notified in the import document. The decline in the value of imported goods can lead to conditions of non-compliance with customs regulations. Thus, high profitability can affect the decrease in customs regulations compliance. Theoretically, companies seek to avoid taxes and duties to increase profits. Companies with high profits have a high risk of violating customs regulations.

The results of this study describe a phenomenon where the higher of profitability of the company, the level of compliance is relatively lower. This is evidenced by the existence of a large amount of customs audit findings. The audit finding consists of the total underpayment tax due to non-compliance with customs regulations.

The Effect of Liquidity on Compliance (Hypothesis H1c)

The probability value based on multiple regression analysis shows that the hypothesis is rejected. This means that the liquidity variable has no significant effect on compliance with customs regulations. This study strengthens previous research conducted by Mahrani (2019) which argues that liquidity does not have a significant effect on tax avoidance or compliance. Meanwhile, these results contradict the conclusions of Abdullah (2020), Budianti & Curry (2018) and Batista et al. (2012) which shows that the liquidity variable has a significant effect on compliance.

In the customs sector, this study proves that the company's liquidity has no significant effect on the level of compliance. Management in companies with high liquidity levels tend to have strong control over import activities. This is indicated by the existence of a special unit in the organizational structure that handles imports and exports activity. The special unit is tasked with ensuring the company's compliance with customs regulations.

The Effect of Activity on Compliance (Hypothesis H1d)

The probability value based on multiple regression analysis shows that the hypothesis is rejected. This means that the activity variable has no significant effect on customs regulations compliance. This study is in accordance with and strengthens the research conducted by Jingga & Lina (2017) and Siregar & Widyawati (2016) which stated that activity had no effect on compliance. Meanwhile, the results of this study contradict the research of Batista et al. (2012), Dwiyantri & Jati (2019) and Anindyka et al. (2018) which states that company activities have a significant influence on regulatory compliance.

In the customs sector, this study proves that the company's activity has no significant effect on the level of compliance. Management in companies with high activity levels tend to have strong control over import activities. This is indicated by the existence of a special unit in the organizational structure that handles imports and exports activity. The special unit is tasked with ensuring the company's compliance with customs regulations.

The Effect of Audit Frequency on Compliance (Hypothesis H1e)

The probability value based on multiple regression analysis shows that the hypothesis is accepted. These result strengthens the research conducted by Todorovic et al. (2018) who concluded that audit frequency has a positive significant effect on compliance. The conclusion of the study contradicts the research conducted by Telle (2013) which states that audit frequency has no effect on company compliance. The relationship between these two variables shows a negative coefficient value. This is statistical evidence that there is a negative relationship.

Customs audit aims to detect the company's non-compliance with customs regulations. An increase in audit frequency can have an impact on increasing the probability of disclosing non-conforming practices with customs regulations. In this condition, DGCE is faced with the challenge of implementing good risk management so that the selected audit object is right on target. In addition, the audit coverage ratio is not expected to reach 100% according to the consideration of benefits and costs as well as the availability of resources.

The Effect of Bonded Zone on Compliance (Hypothesis H1f)

The probability value based on multiple regression analysis shows that the hypothesis is rejected. This means that the bonded zone facility variable does not significantly affect the customs regulation compliance variable. The results of this study contradict those of Kumaratih & Ispriyarso (2020), Pattinaja & Silooy (2018), Rorong et al. (2017), and Sari & Nuswantara (2017) which state that fiscal facilities significantly affect company compliance with regulations.

This study proves that bonded zone facility has no significant effect on the level of compliance. Management in bonded zone companies tend to have strong control over import as the company's main activity. This is indicated by the existence of a special unit in the organizational structure that handles imports and exports activity. The special unit is tasked with ensuring the company's compliance with customs regulations.

The Effect of Firm Size on Compliance with Bonded Zone Facility Moderation (Hypothesis H2a)

The probability value based on moderated regression analysis shows that the hypothesis is rejected. This means that the bonded zone facility variable does not moderate the relationship between firm size and customs regulations compliance. The existence of bonded zone facilities is not able to strengthen or weaken the firm size in determining customs regulations compliance.

The Effect of Profitability on Compliance with Bonded Zone Facility Moderation (Hypothesis H2b)

The probability value based on moderated regression analysis shows that the hypothesis is rejected. This means that the bonded zone facility variable does not moderate the relationship between profitability and customs regulations compliance. The existence of bonded zone facilities cannot strengthen or weaken the profitability variable to determine compliance.

The Effect of Liquidity on Compliance with Bonded Zone Facility Moderation (Hypothesis H2c)

The probability value based on moderated regression analysis shows that the hypothesis is rejected. This means that the bonded zone facility variable does not moderate the relationship between liquidity and customs regulations compliance. The existence of bonded zone facilities is not able to strengthen or weaken the liability variable in determining

compliance. The level of compliance of the company receiving the bonded zone facility is not affected by the liquid or illiquid financial condition of the company.

101 The Effect of Activity on Compliance with Bonded Zone Facility Moderation (Hypothesis H2d)

The probability value based on moderated regression analysis shows that the hypothesis is accepted. This means that the bonded zone facility variable moderates the relationship between activities and customs regulations compliance, which is to strengthen the existing influence. These results strengthen the research of Batista et al. (2012) and Anindyka et al. (2018) who find evidence that company activities have a positive effect on compliance.

Bonded zones with high activity levels seek to maintain compliance with customs regulations. In practice, management will improve the quality and quantity of employees who oversee the import and export of goods to comply with applicable regulations. On the other hand, bonded areas with low activity levels tend to have a lower focus on units that handle customs activities. This has an impact on the high risk of errors in the application of customs regulations.

The Effect of Audit Frequency on Compliance with Bonded Zone Facility Moderation (Hypothesis H2e)

The probability value based on moderated regression analysis shows that the hypothesis can be accepted. This means that the bonded zone facility variable moderates the relationship between audit frequency and customs regulations compliance, which strengthens the existing influence. This conclusion strengthens the research of Tin (2017), Inasius (2019), and Brushwood et al. (2018) which states that audit frequency has a positive influence on the level of compliance.

The implementation of repeated customs audits on bonded zone companies is proven to be able to increase compliance. As a company with comprehensive customs facilities and has a high intensity of interaction with customs officers in the field, management will strive to carry out each audit recommendation properly. This is indicated by the increasing level of compliance in line with the increasing frequency of audits.

Compliance at bonded zone companies is higher than companies that do not receive bonded zone facility (Hypothesis H3)

The significance value of Asymp Sig. (2-tailed) on the Mann-Whitney U Test shows that the hypothesis is rejected. The difference in the level of compliance between the two groups was not statistically significant.

This hypothesis testing aims to strengthen the Hypothesis H1f related to the relationship between bonded zone facilities and compliance. The test results conclude that the Hypothesis H1f cannot be accepted because the bonded zone facilities have no significant effect on compliance. With the same statistic result, we can prove that the Hypothesis H3 strengthens the Hypothesis H1f.

The results of this test different from previous studies related to the significant and positive influence of fiscal facilities in general on compliance as concluded by Kumaratih & Ispriyarso (2020), Pattinaja & Silooy (2018), Rorong et al. (2017), and Sari & Nuswantara (2017). The average compliance rating as showed in the audit findings of bonded zone companies is not significantly different from that of non-facility companies. There are other factors that are more dominant in determining the level of compliance, such as: company size, profitability, and audit frequency.

There are factors that support the strengthening of the compliance level of bonded zone companies:

- The company has a good historical compliance profile before being designated as a bonded zone facility.
- The company is aware of the existence of strict rules that threaten to impose administrative sanctions in the event of a non-compliance with customs regulations.

But on the other hand, bonded zones company are faced with rigid and detailed treatment regarding the accountability of imported goods. Companies are required to be able to trace all imported raw materials to become finished goods with the main purpose of export. Administrative separation between imported and local goods should also be a major concern of the company.

Based on these things, the level of customs regulations compliance at bonded zone companies is not statistically different with non-facility companies.

CONCLUSION

Firm size, profitability and audit frequency have a significant negative effect on compliance with customs regulations. Meanwhile, liquidity, activity and bonded zone facilities have no significant effect. Bonded zone facilities as a moderating variable are only able to strengthen the effect of activity and audit frequency on compliance. The results of the comparative test concluded that there were not significant differences in the compliance of bonded zone companies and non-facility companies.

The customs audit planning unit is expected to consider firm size, profitability and audit frequency more as parameters for targeting audit objects. Company management should focus on firm size, profitability and audit frequency to improve compliance. Among other things, by establishing a special division to handle import-export activities at an adequate level of organizational structure and having employees certified as customs experts. Internal control must be designed to be able to follow up on audit recommendations and avoid errors in the next period.

With limited research resources, 183 samples were selected from a total population of 3,553 companies. Future researchers are expected to increase the number of research samples. In addition to increase the value of r-square, it is necessary to consider other independent variables that have not been tested in this study, such as: customs audit quality, customs audit completion period, import commodity variations, company age, risk profile of the country of origin of imported commodities.

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