The Influence of Tax Authority's Service Quality and Tax Transparency toward Taxpayer Compliance

Souyen Remilan[1], Yunus Tete Konde[2], Abdurrahman Maulana Yusuf[3],

Email: yunus.tete.konde@feb.unmul.ac.id
[1,2,3]*Universitas Mulawarman*

ABSTRACT

The discrepancy between the predetermined target of tax return filings set by the Local Tax Office (KPP Pratama) and the actual number of taxpayers who have filed their tax returns indicates that the targets have not been met. This research aims to analyze and determine the influence of tax authority service quality and tax transparency on the compliance of individual taxpayers. It employs a quantitative method with primary data and utilizes SmartPLS 4.1 software for analysis. The sample size determination utilizes convenience sampling, with data collected through questionnaires distributed both online and offline, with a total sample of 120 respondents. The results of this study indicate that tax authority service quality and tax transparency have a significant and positive impact on taxpayer compliance.

Keywords: Service Quality, Tax Transparency, Tax Compliance.

INTRODUCTION

Tax is one of the sources of state revenue that has the largest contribution compared to other revenues in the economic sector. Tax has an enormous influence and role, especially in national development, which will increase state revenue (Ramadhani et al, 2023). In an ongoing effort to maximize state revenue from taxes, the Indonesian government has implemented a self-assessment system into the tax collection system as part of the reform initiative. As expressed by Diana and Setiawati (2014), the self-assessment system functions as a tax collection mechanism where taxpayers are given the responsibility to calculate, deposit, and report their own tax obligations. However, this system is associated with the possibility of inaccuracy in filling out the personal Annual Tax Return (SPT) and the possibility of errors in fiscal data made by taxpayers.

The Directorate General of Taxes certainly continues to strive to increase tax revenue targets by issuing or updating policies and regulations, but sometimes it takes quite a long time for information related to this to reach the public, so that this delay results in a lack of understanding of taxpayers regarding new regulations or policies and allows for delays in submitting or reporting SPTs so that this can cause the tax received not to reach the target that has been set. Therefore, taxpayer compliance needs to be improved to achieve the target. This is supported by data from the Pratama Tax Service Office in the table below.

Based on data obtained from the Pratama Tax Service Office, the minimum limit for taxpayer compliance in Samarinda City is the submission of an Annual Tax Return of 90%. However, when compared to the target for achieving the SPT reporting set by the Pratama Tax Service Office with the percentage of Taxpayers who have submitted SPT, it is still not in accordance, meaning it has not been met. Therefore, it can be concluded that the level of taxpayer compliance in Samarinda still needs to be improved.

According to Resmi (2019), tax compliance is a condition where taxpayers voluntarily and deliberately fulfill all their tax responsibilities and rights. One of the factors that

influences taxpayer compliance is transparency and the quality of service provided by the tax authorities. By improving the quality of service, the tax authorities can improve tax compliance because taxpayers will be more satisfied with the level of support provided. Increasing taxpayer motivation can be achieved through the provision of quality tax services and meeting taxpayer expectations, this can lead to increased tax compliance.

In a study conducted by Ramadhanty and Zulaikha (2020), it was found that taxpayer reporting compliance was significantly and positively influenced by taxpayer awareness, quality of tax services, tax understanding, and tax sanctions. However, the impact of the tax transparency system on individual taxpayer compliance is still small. Meanwhile, research conducted by Ester et al. (2017) shows that taxpayer compliance is indeed influenced by tax knowledge. However, the relationship between Tax Service Quality and Individual Taxpayer Compliance is not significant.

According to research conducted by Wardani et al. (2022), it shows that taxpayer trust and transparency have a positive effect on taxpayer compliance. This means that when the level of transparency provided by the tax authorities and tax transparency increases, it will increase taxpayer compliance. Conversely, in a study conducted by Pawama et al. (2021) with the results of tax transparency did not have a significant impact on increasing Individual Taxpayer compliance. Based on the background above, this study aims to analyze and determine the effect of Tax Authority Service Quality and Tax Transparency on Tax Compliance of Individual Taxpayers who work as Employees, with the title "The Effect of Tax Authority Service Quality and Tax Transparency on Tax Compliance of Individual Taxpayers who are Employees Registered at KPP Pratama Samarinda Ilir and KPP Pratama Samarinda Ulu".

LITERATURE REVIEW
Theory of Planned Behavior

Theory of Planned Behavior is a development of the Theory of Reasoned Action. According to Ajzen (2005), the Theory of Planned Behavior (TPB) was developed to overcome weaknesses in measurement that can reduce the relationship between attitudes and behavior. TPB explains that individual behavior is influenced by intentions and depends on beliefs to carry it out. There are three main factors that influence individual intentions, namely: behavioral belief, normative belief, control belief. Theory of Planned Behavior (TPB) according to Ajzen (2005) explains that non-compliant behavior with applicable tax provisions is due to the intention to behave disobediently which is caused by internal and external factors, in doing something individuals have beliefs related to the results that will be obtained from their behavior.

If related to this study, it can be concluded that taxpayer perceptions of tax compliance are influenced by taxpayer beliefs about whether tax compliance actions will benefit them, namely by fulfilling all their tax obligations. Theory of Planned Behavior (TPB) can be used to understand whether external factors such as the quality of service from the tax authorities and tax transparency can affect tax compliance actions of individual taxpayers who work as employees in Samarinda City.

Taxpayer Compliance

According to Pebrina and Hidayatulloh (2020), taxpayer compliance is when

awareness and compliance in fulfilling tax obligations are reflected in the situation when taxpayers understand and try to understand and implement tax regulations. According to Resmi (2019) there are two forms of compliance, namely formal compliance and material compliance, formal compliance is compliance related to taxpayers implementing applicable laws and regulations, for example reporting and paying taxes according to the specified time, while material compliance is evidence of taxpayer compliance by filling out tax returns with correct and complete data in accordance with the regulations.

Tax compliance plays a vital role in efforts to increase state revenue, taxes are used to finance routine expenses and are the main source to finance public investment (Resmi, 2019). Tax compliance is a voluntary and conscious action taken by taxpayers who fulfill their tax obligations and the implementation of monthly or annual SPT submission in accordance with applicable tax regulations.

Tax Authority's Service Quality

Tax service quality is a service provided by the tax authority in this case the tax officer at the Tax Service Office to taxpayers by being kind and attractive by serving taxpayers with a good appearance and respecting taxpayers. Improving the quality of tax services can spur taxpayer compliance in fulfilling their tax obligations, and officers must have good expertise in matters related to taxation; to increase taxpayer compliance or willingness to fulfill their tax obligations, tax officers must provide good service to taxpayers. According to Riani and Kurnia (2018), quality and professional tax services from officers or tax authorities can increase taxpayer satisfaction, this makes taxpayers feel comfortable and happy in conducting their tax obligations and can increase their consistency, so that the level of taxpayer compliance can also increase.

In the Theory of Planned Behavior (TPB) explains that individual attitudes or behavior are influenced by internal and external factors. In this study, the quality of tax authority service is an external factor. Theory of Planned Behavior (TPB) explains that external factors are influenced by the environment and other individuals, namely profit or loss relationships. Quality service is a service that is delivered and delivered wholeheartedly and in accordance with the needs of taxpayers. Based on the theory of planned behavior (TPB), tax transparency in this study is included in external factors, because it is implemented by the government, this can affect taxpayers' perceptions of the implementation of tax obligations through the perception of profit or loss that will be obtained by taxpayers. To increase taxpayer compliance, the first thing that must be done is to increase taxpayer trust through transparency.

Tax Transparency

Transparency and trust are closely related because by being open, honest, and accountable in providing information about taxes to the public, it can increase public trust. Taxpayers as part of society can improve tax compliance because the public believes that the tax obligations paid are managed well by the government and will be used for the needs of the state for the greatest prosperity of the people (Dahrani, 2021). According to Scholz and Lubell (1998) with a higher level of tax compliance, revenue from the tax sector will increase, which will contribute to smooth development, but the role of the government is very much needed through transparency of tax realization which can increase trust and tax compliance, because

financial information is more transparent so that tax evasion cannot be carried out.

Tax transparency can improve good relations between the government and taxpayers through openness, clarity of information related to taxes, the tax payment process, ease of access to information and the resulting tax revenues, so taxpayer compliance will also increase. Based on the Theory of Planned Behavior (TPB), tax transparency in this study is included in external factors, because it is implemented by the government, this can affect taxpayer perceptions of the implementation of tax obligations through the perception of profit or loss that will be obtained by taxpayers. To improve taxpayer compliance, the first thing that must be done is to increase taxpayer trust through transparency.

METHODS

The data collection method in this study was obtained through a questionnaire. The questionnaire was used to obtain information regarding the variables to be studied and distributed to respondents. The statements in the questionnaire will be measured using a Likert scale. Data analysis used in this study was by using PLS software, to conclude directly about the influence of each independent variable used partially or simultaneously by using the structural equation modelling (SEM) method. Descriptive statistical analysis was used for data analysis whose purpose was to provide an overview and explain the subjects in the study according to the data obtained from the group of research subjects. In PLS analysis there are two stages to evaluate the measurement model that can be done, the first is the measurement model (outer model) and the second is the structural model (inner model). The hypothesis was assessed using the Partial Least Square (PLS) analysis technique through SmartPLS software, by applying the bootstrapping method. This process involves statistical testing and path coefficients (Path Analysis). The purpose of hypothesis testing is to assess the impact of the quality of tax authority services and tax transparency on the level of tax compliance. The significance of the results was measured using a p-value of 0.05.

RESULTS AND DISCUSSION
Results

Hypothesis testing in this study was conducted using the Partial Least Square (PLS) method and using SmartPLS software version 4.1. To determine the influence between each variable, the approach used is bootstrapping. The results of the hypothesis test can be seen in the table below:

Table 1. Hypothesis Results

		Original Sample (O)	*T-statistics (|O/STDEV|)*	*P-Values*	**Results**
H₁	Tax Authority's Service Quality - Taxpayer Compliance	0,351	3,194	0,001	Acceptable
H₂	Tax Transparency - Taxpayer Compliance	0,465	4,761	0,000	Acceptable

Discussion

The results of the first hypothesis test indicate that the hypothesis (H1) is accepted, because the p-value produces a value of less than 0.05, which is 0.001 and the original sample

is 0.351 which is positive. These results indicate that the quality of service provided by the tax authority has a significant and positive influence on the level of compliance of individual taxpayers who are employees and registered at the Samarinda Ilir Pratama Tax Office and Samarinda Ulu Pratama Tax Office. In the Theory of Planned Behavior (TPB), the quality of tax authority service is one of the external factors that can influence a person's behavior, namely taxpayers, to comply with taxes. The results of this study indicate that an increase in the quality of service provided by tax officers at the Samarinda Ilir Pratama Tax Office and Samarinda Ulu Pratama Tax Office will proportionally result in an increase in the level of compliance of Individual Taxpayers who are employees in Samarinda City.

The second hypothesis (H2) is accepted, seen from the p-value of less than 0.05, which is 0.000, and the original sample value with a value of 0.465 which is positive. These results indicate that the quality of tax authority services has a significant and positive influence on the compliance of individual employee taxpayers registered at the Samarinda Ilir Pratama Tax Office and the Samarinda Ulu Pratama Tax Office. In the Theory of Planned Behavior (TPB), transparency in taxation is considered as one of the external factors that can influence a person's behavior, such as taxpayer compliance with taxes. When taxpayers feel that the government has provided open information about tax revenues and budget allocations, this will increase their trust. As a result, taxpayers will be more likely to comply with their tax obligations voluntarily. The results of this study explain that taxpayer compliance can be further improved if tax transparency is conducted, because with a transparent tax system, taxpayers can be more confident that the taxes they have paid will be used as much as possible for the public interest.

CONCLUSION

From the analysis and explanation above, the conclusion in this study is:

1. Improving the quality of service from tax agencies has a significant and positive influence, meaning it has an important and beneficial impact on the level of compliance of Individual Taxpayers who work as employees and are registered at the Samarinda City Pratama Tax Office.
2. Increasing the level of transparency in the tax system also provides a significant and positive contribution to the compliance of individual taxpayers who work as employees and are registered at the Samarinda City Pratama Tax Office.

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