



Effect of Understanding of Tax Regulations and Quality of Tax Services on Taxpayer Compliance (Study on Ternate KPP)

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ABSTRACT

Income Tax Article 25 refers to the payment of income tax in installments, with the aim of easing the financial burden on taxpayers, considering that the tax payable must be settled within one fiscal year. This paper serves as a foundation for understanding tax regulations applicable to taxpayers, particularly in relation to compliance with Corporate Income Tax (PPh Article 25). The research was conducted at the Ternate KPP Pratama. This study uses primary data obtained from individual or corporate taxpayers engaged in business activities subject to PPh Article 25, which requires monthly installment payments of income tax during the current tax year. The test results show that understanding of tax regulations has a positive and significant effect on taxpayer compliance. The greater the taxpayer's understanding of applicable tax regulations, the higher their level of compliance in fulfilling tax obligations. The research findings indicate that a strong grasp of tax regulations can significantly enhance taxpayer compliance. Conversely, limited understanding may hinder the effective enforcement of compliance. Therefore, the higher the level of understanding taxpayers have of the applicable tax regulations, the less likely they are to violate them, thereby promoting greater compliance. Additionally, the quality of taxation services also has a positive and significant impact on taxpayer compliance. The better the quality of these services, the more likely taxpayers are to comply with their obligations. Improved tax service quality leads to increased trust and satisfaction among taxpayers, ultimately encouraging better compliance with tax regulations.

Keywords: Income Tax (Article 25 Income Tax), Understanding Tax Regulations, Taxpayer Compliance Level, Tax Service Quality

1. INTRODUCTION

The transition from an official assessment to a self-assessment tax system gives taxpayers the power and responsibility to handle their own tax affairs. This shift is expected to make the process of tax calculation and payment easier and more personalised to each individual's situation. Furthermore, the self-assessment system aims to simplify tax procedures and change the way the public views taxation, which was previously considered burdensome and complex. In addition, it is important for taxpayers to actively participate and meet their tax responsibilities. Tax officers now focus on providing services, guidance, and supervision rather than enforcement. This change highlights the significance of taxpayer compliance in achieving tax revenue targets. To reach ambitious tax collection goals, it is vital to continually encourage taxpayer adherence to regulations.

The Law on General Provisions and Tax Procedures is based on the Pancasila philosophy and the 1945 Constitution, which contained provisions that uphold the rights of citizens and place tax obligations as state obligations. This law contains general provisions and tax procedures which are in principle applied to the material tax law, except in the relevant tax law that has regulated its own general provisions and tax procedures.

The requirement to pay taxes to PPH Taxpayers Article 25 Agency is based on the compliance with annual SPT reporting. SPT is a method used to declare and settle the tax liability. Income Tax (PPh) Article 25 as stipulated in Law Number 36 of 2008 on Income Tax refers to "the monthly tax installments that taxpayers

are required to pay in the current tax year". The management of tax installment payments is overseen by the Directorate General of Tax (DGT) under the Ministry of Finance, while its implementation at the local level is carried out by the Tax Service Office (KPP). The tax authorities (DGT or KPP) are responsible for overseeing and supervising tax payments through a tax administration system that is expected to be systematic, controlled, simple, and easily understandable for taxpayers.

Table 1. Addition of WP Ternate Pratama KPP Agency

Year	Number of WP	Addition
2018	11.645	932
2017	10.731	905
2016	9.808	722
2015	9.086	684
2014	8.402	549

Source: SIDJP, MPN Info Ternate KPP

Table 2. Receipt Performance Table

Receipt of Ternate Pratama KPP	
Target	1,092,299,514,000
Achievement	971,111,593,271
Percentage	88.91%

Source: PDI Section of Ternate Tax Primary Tax Office (KPP)

There are various challenges in the process of maximising state income through taxes, with taxpayer compliance being a significant hurdle. One factor impacting tax collection in Indonesia is the level of compliance among taxpayers in meeting their tax duties. Taxpayer compliance refers to the behaviour and attitude of individuals when fulfilling their tax responsibilities and utilising their taxation rights as outlined in the State Revenue objectives through the tax sector. It is essential to encourage the community to consistently comply with their tax obligations to ensure revenue targets are met.

2. LITERATURE REVIEW

2.1. Tax definition

In accordance with Law No.16 of 2009 on General Rules and Processes for Taxation, it states that taxation is a compulsory payment to the government from individuals or organisations as required by law, without expecting immediate benefits in return, and is utilised for the benefit of the state to ensure the well-being of its citizens.

2.2. Regulation

Arrangement or instructions or rules or provisions made to regulate Examples: Employee/Presidential Salary Regulations, Government Regulations. Understanding, Knowledge Many or opinions/thoughts.

2.3. Compliance

According to Alviansyah (2011), taxpayer compliance is a state of taxpayers where he fulfills all things that are the obligations of his taxation and implement the tax rights he can.

2.4. Knowledge and understanding of taxpayers about tax regulations

According to Nurlaela (2013) suggest that things that include taxpayers know and understand tax regulations are as follows:

1. Understanding the rights and responsibilities of being a taxpayer is crucial. Taxpayers who are aware of their duties and rights are more likely to fulfill their obligations accordingly.

2. Owning an NPWP is necessary to simplify tax processes. Individuals with income must register to obtain a taxpayer identification number.
3. Familiarity with tax sanctions is essential for taxpayers. Knowing the consequences of failing to meet tax obligations can prompt individuals to comply with the rules more diligently.
4. Understanding concepts like PKP, PTKP, and tax rates is important. Taxpayers who grasp the relevant tax rates can accurately calculate their tax liabilities.
5. Awareness of taxation regulations can be gained through socialization events conducted by the tax office.
6. Participating in taxation training programs can help taxpayers gain knowledge of tax regulations and procedures.

2.5. Service quality

According to Kotler and Keller (2016) there are five dimensions that need to be considered when others conduct an assessment of services, namely:

1. Physical assets such as buildings, staff, and communication objectives are considered tangible elements of customer service.
2. Empathy can be seen as the ability to form strong connections, communicate effectively, offer personal attention, and comprehend the needs of customers.
3. The willingness of employees to assist customers and offer prompt services reflects responsiveness in customer service.
4. Reliability is demonstrated through the consistent delivery of promised services in a timely, accurate, and satisfying manner.
5. Assurance encompasses the competence, politeness, and trustworthiness of staff members, ensuring customers feel safe and secure in their interactions.

2.6. Knowledge of Understanding PPH Tax Regulations Article 25 Agency affects the level of taxpayer compliance

Awareness and educating taxpayers about tax laws can have an internal impact on how taxpayers view complying with tax regulations. Tax knowledge serves as the foundation for taxpayers to manage their tax strategies and make informed decisions about their rights and responsibilities as taxpayers in relation to tax laws (Carolina & Fortunata, 2013).

In Istanto (2010) the level of understanding has a crucial impact on the willingness of taxpayers to meet their tax responsibilities. Research conducted by Hidayati (2008) said that the taxpayer's level of understanding positively impacts their willingness to comply with tax regulations and fulfil their tax obligations.

H1: Knowledge of taxpayer understanding has a positive effect on taxpayer compliance.

2.7. Quality of Tax Services Value affects the level of taxpayer compliance

The perception of taxpayers in evaluating taxpayer compliance behaviour in fulfilling tax obligations is influenced by the importance of service quality. By consistently enhancing services and prioritising performance standards, both internally and externally, the best service value can be delivered to taxpayers. Therefore, it is anticipated that an improvement in tax payments by taxpayers will result from the provision of excellent service quality (Imani & Furqon, 2022).

Taxpayer adherence is influenced by the quality of service provided by tax officers to individuals looking to meet their tax responsibilities (Jatmiko, 2006). In Putri's research (2012) it was said that the quality of service had a noticeable and beneficial impact on taxpayers' willingness to comply with motor vehicle tax payments.

H2: Quality of Tax Apparatus Service Value has a positive effect on taxpayer compliance.

2.8. Conceptual Research Hypothesis

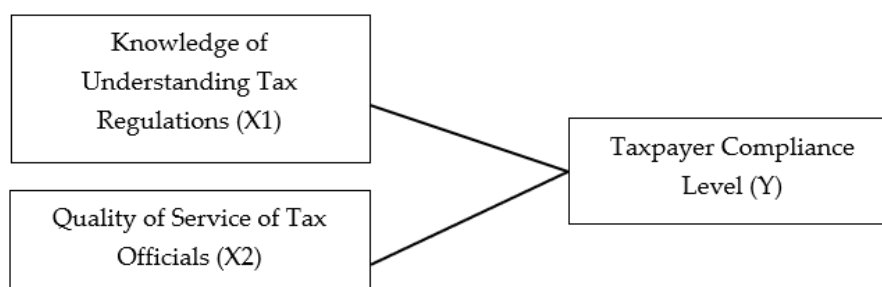


Figure 1. Research Hypothesis

3. RESEARCH METHODS

The research methodology employed in this study is explanatory in nature, utilising a quantitative approach. According to Singarimbun and Effendi (1995) explaining that what is meant by Explanatory research is a study that explains the causal relationship between variables through hypotheses. This research investigates the impact of taxpayers' knowledge and understanding of tax regulations and service quality on compliance levels in Ternate. The study involved 32 corporate taxpayers in the city.

4. RESULTS AND DISCUSSION

4.1. Descriptive statistical analysis

A detailed examination is conducted to understand the characteristics of each research variable. The descriptive analysis in this study involves determining the minimum, maximum, average, and standard deviation values for each variable.

Table 3. Descriptive Statistics

Variable	Theoretical range	The real range	Theoretical average	Average (means)	Standard deviation	Data variance
Understanding of tax regulations	12-60	33-60	36	46,03	5,839	34,096
Quality of Tax Apparatus Services	25-125	90-125	75	111,25	12,271	150,581
The level of taxpayer compliance	9-45	24-45	27	36,38	6,349	40,306

Source: Data Processed, 2020

Based on the table above which shows the results of the analysis using descriptive statistics on the research variable, the variable level of knowledge and understanding of the PPh Tax Regulation Article 25 Agency has an answer score with a range of 33 to 60 and the theoretical range of 12 to 60 with an average of 46.03. Because the average is actually higher than the theoretical average, it can be concluded that taxpayers have a high understanding. The standard deviation for the variable level of knowledge and understanding of the PPh Tax Regulation Article 25 Agency is 5,839. This means that the standard deviation for the level of knowledge and understanding of the PPh Tax Regulation Article 25 Agency is greater than the average variance of data for the level of knowledge and understanding of the PPh Tax Regulation Article 25 Agency, which is 3,835 (46.03 divided by 12). The quality variable of the tax apparatus has an answer score with a range of 90 to 125 and the theoretical range of 25 to 125 with an average of 111.25. Because the average is actually higher than the theoretical average, it can be concluded that the tax apparatus has high quality service quality. The standard deviation for the variable quality of the tax apparatus service is 12,271. This means that the

standard deviation for the quality variable of tax apparatus services is more large than the average variance of data for the quality variable of tax apparatus, which is 4,450 (111.25 divided by 25).

Variable Taxpayer Compliance Level has an answer score with a range of 32-45 and a theoretical range of 9 to 45 with an average of 36.38. Because the average is actually higher than the theoretical average, it can be concluded that the level of taxpayer compliance is also high. The standard deviation for the taxpayer compliance level variable is 6,349. This means that the standard deviation for the taxpayer compliance level variable is quite more than the average variance of data for the taxpayer compliance level variable, which is 4,042 (36.38 divided by 9).

4.2. Understanding the taxpayer's tax regulation affects the taxpayer compliance

The findings revealed that having a good grasp of tax laws positively influenced taxpayers' adherence to tax rules. The better taxpayers understand tax regulations, the more likely they are to comply with their tax duties. Research results indicate that a high level of comprehension of tax laws can promote taxpayer compliance. Conversely, lack of understanding of tax regulations can lead to non-compliance among taxpayers. Hence, a deeper understanding of tax laws reduces the risk of taxpayers breaching regulations and boosts compliance rates.

That the value of understanding is a process of intensive knowledge assessment carried out by an individual and to what extent can understand correctly of a problem that is to be known. For the Government the value of taxpayers' understanding of taxation is a potential fact in increasing taxpayer compliance. When someone has a good understanding value it will be able to carry out something well too. By carrying out taxpayer tax obligations must master the rules and obligations that are carried out in order to avoid applicable sanctions. Thus the understanding of taxation in the form of tax value information and tax regulations will link a person's compliance in fulfilling their tax obligations. Educational Knowledge Understanding Taxpayer Regarding PPh Tax Regulations Article 25 Agency for Taxpayer Compliance Affects the Significance of Compliance of Taxpayer PPh Article 25 Agency in Ternate City. This shows that the Article 25 PPH Taxpayer Agency registered at the Ternate KPP has gained and has educational knowledge of understanding regarding tax regulations well.

4.3. Quality of Tax Services on Taxpayer compliance

The results of the examination demonstrate that the standard of tax services has a favourable and notable impact on taxpayer adherence. When tax services are of higher quality, taxpayers are more likely to fully meet their tax responsibilities. Improved quality in tax services leads to an increase in taxpayer compliance when fulfilling their obligations.

In the meantime, service quality indicates how the public perceives the services being offered and whether they are content or discontent with them. Thus, it is essential for the government to guarantee that the services provided to the public are of high quality and accurate, which might involve training tax officials on taxation and quality services. Quality service should ensure safety, convenience, efficiency, and legal assurance, and it can be assessed by the ability to deliver satisfactory service, responsive and reliable service, and possessing the necessary skills, politeness, and trustworthiness.

Furthermore, the effectiveness of maintaining strong communication ties, grasping taxpayers' needs, having necessary physical resources such as reliable communication tools, and having competent staff members all contribute to evaluating the organisation's performance along with the growth in state tax income. Thus, the government still continues to strive to increase taxpayers in fulfilling their tax obligations both from tax returns, tax payment provisions and calculations or services that should be so that state revenue from the tax sector increases. Efforts made by the government to create tax awareness so that taxpayers are increasingly compliant with their tax obligations, including by increasing the value of the quality of tax office services, making it easier for taxpayers to meet administrative obligations, taxation such as e-SPT services, conducting tax socialisation, simplifying the tax system applied and conducting audits of taxpayers and issuing and sending warning letters, appeals and tax bills.

5. CONCLUSIONS

According to the research results outlined in the preceding chapter, there are various conclusions that can be made. Initially, a good grasp of tax laws has a beneficial impact on taxpayer adherence. The more understanding taxpayers have of tax regulations, the greater the likelihood they will adhere to their tax responsibilities. Conversely, a lack of knowledge of tax laws can impede the enforcement of compliance. Additionally, the standard of fiscal services also affects taxpayer compliance positively and significantly. Improved tax services result in increased compliance among taxpayers, as efficient, transparent, and helpful services assist taxpayers in fulfilling their duties more efficiently.

In line with these findings, several recommendations are proposed. For the government, particularly the Directorate General of Taxes, it is important to further simplify tax reporting procedures and increase the provision of counseling or training in accounting and taxation. Efforts should also be made to intensify public outreach regarding the latest tax regulations, including procedures for calculating and reporting tax payable, applicable tax rates, and the consequences of non-compliance. This would help ensure that taxpayers are well-informed and better understand the regulations. Additionally, the Directorate General of Taxes is encouraged to provide continuous training to improve the quality of taxation services. For taxpayers, it is important to recognize that taxes are a vital source of state revenue for supporting national development. Therefore, all taxpayers are encouraged to be diligent and responsible in fulfilling their tax obligations.

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