

## **Effect of Educational Level, Environment and Quality of Service on Compulsory 'Personal Tax Objectives in Makassar City**

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### **ABSTRACT**

Taxes are the largest source of domestic revenue which are used to finance government and development expenditures. This study aims to determine the effect of education level, taxpayer environment and service quality to personal tax payment compliance in Makassar - Indonesia. This research is a correlational characteristic of education level, taxpayer environment and quality of service of the tax office and their influence on tax- payers' compliance at the Tax Office in Makassar. The population in this study comprises of individual taxpayers registered at the Makassar Tax Office, in the fiscal year of 2019 amounting to 100 people. The sampling is done by accidental sampling. Data collection was through observations, interviews, and documentation study. The data collected is analyzed by multiple linear regression analysis. The result of the analysis shows that education level, taxpayer environment and tax service quality have a significant effect on taxpayer compliance. However, the dominant effect is the level of education of the taxpayers. This research is expected to be useful for researchers and policy makers.

Keywords: Education level, taxpayer environment, service quality, taxpayer compliance

### **INTRODUCTION**

Indonesia as a large country is characterized by vast territory with the fourth most populous population in the world after China, India and the United States (Alam, Murad, Noman, & Ozturk, 2016; Bazzi, Gaduh, Rothenberg, & Wong, 2016; Syaekhu, Pertiwi, & Muzaki, 2019). Therefore, to educate, nourish and prosper all the people of course requires a huge amount of funds.

Taxes are the largest source of domestic revenue which are used to finance government and development expenditures (Fama & French, 1998; Miller & Scholes, 1978; Nasrullah, Siraj, & Arhas, 2020). This is stated in the State Revenue and Expenditure Budget (APBN) where the main revenue comes from taxes. The increasing amount of government spending in the framework of state financing demands an increase in state revenue. The Directorate General (Ditjen) of Taxes as a government agency under the Ministry of Finance as the manager of the tax system in Indonesia seeks to increase tax revenue by reforming the implementation of a more modern tax system

Tax as a contribution of citizens to the state coffers is based on the law that is expected to maximize and support the acceptance of the tax as expected; this is achieved if it is supported by compliance by all Taxpayers in fulfilling their tax obligations (Faccio & Xu, 2015; Risø National Laboratory Denmark et al., 2001; Thow, Downs, & Jan, 2014). Various things that are expected to improve taxpayer compliance include the level of taxpayer education, Taxpayer environment and quality service to Taxpayers.

With education, people better understand their rights and obligations; they can take wiser steps to act and make decisions and make education an important and productive investment for progress in all life (Bertoldi, Labanca, Rezessy, Steuwer, & Oikonomou, 2013; Khidmat & Rehman, 2014; Leavitt, Reynolds, Barnes, Schilpzand, & Hannah, 2012). With education of both formal and non- formal character can be formed slowly, thereby cultivating commendable traits such as: discipline, honesty, and responsibility. It is expected that through the process of education every member of the community can realize their rights and obligations as citizens and as a society based on a sense of responsibility, honest, and discipline. The higher level of education increasingly matures every individual, both in thinking and in acting. Thus, the higher the level of education of people, the higher their level of awareness of their rights and obligations as citizens and as a community.

One of the obligations of a citizen is compliance in taxation, both formally and materially (Atawodi & Ojeka, 2012; Bodea & LeBas, 2014; Prena, Kustina, Dewi, Putra, & Krisnanda, 2019). The state always has a target revenue to be achieved that should be derived from taxes. One of the efforts of the Directorate General of Taxes in fulfilling State revenue from the tax sector is by covering the whole of Indonesia. In order to succeed to such an extent, it is deemed necessary to provide knowledge about tax rights and obligations, especially to private.

The taxpayer environment experienced a change in line with the socio-economic changes, information systems and the tax application system (self- assessment system) so that its implications have changes in attitude to meet tax obligations. The environment is something that exists in the natural surrounding that has meaning and / or a particular effect to the individual. From this definition the community environment can be associated with the social learning theory according to (Bandura, 1977), the process in social learning includes: the attention process i.e. a person learns, retains the process and considers action, the process of motor reproduction is the process of turning observations into action reinforcement, a process in which individuals provided positive stimuli. Based on the theory it can be said that it is relevant to the Taxpayer's environmental theory is because someone will obey to pay taxes on time, if through direct observation and experience, the tax revenue has contributed significantly to development in the region.

Every individual is essentially inseparable from his environment. An individual's environment consists of the internal environment and the external environment. An Individual's external environment according to (Wilkie, 1996) is a process of strengthening the attitude of each individual in articulating sources of information obtained in the analysis of objects observed.

Basically every individual in making contact with his environment creates a social interaction that can influence attitude and behavior in making decisions on objects that become needs and desires. According to Schiffman and Kanuk (2004: 135), the basic concept of social interaction and group dynamics is picture of the occurrence of individual contracts that can affect the attitude of individuals in taking action to meet needs and desires, even there is a tendency in a number of studies that indicate that the environment has a factor dominance in influencing individual decisions.

(Schiffman, Kanuk, & Hansen, 2012) explain that the environment that affects behavior on electoral decisions are: 1) the Sociocultural environment consisting of; family, informal sources, other non commercial resources, social class 2) Psychological fields consisting of; motivation, perception, learning personality and attitude. Its internal aspect is; experience,

personality, education, attitudes and beliefs, and self-concept to each individual. 3) Culture is a basic determinant of the needs and desires and behavior of a person, so in general a child experiences a development period to adopt a set of values, perceptions, preferences and behaviors through a socialization process involving family and other social institutions, birth behavior based on habits that are used as a guide in every decision he makes.

(Kotler, 2013) argues that families composed of all members of the group form the most dominant preference in influencing one's attitude in considering an object of interest to be evaluated in memory, along with basic arguments on observation information of the object, or in other words decisions made by each individual is an accumulation of the preferences of the people around him in this family or friends, as well as the acquisition of information (information searching) derived from his experience, to further serve as a guide in an argument to consider the decisions he made.

(Parasuraman, Zeithaml, & Berry, 1988), suggest that there are five main dimensions of service quality that include: 1) Tangible, the physical facilities, equipment, personnel and means of communication. 2) Reliability, the ability to deliver promised, accurate, and satisfactory service. 3) Responsiveness, the desire of staff to help customers and provide services with responsiveness. 4) Assurance, includes knowledge, skills, courtesies and credentials of staff, free from risks or hesitations. 5) Empathy, the ease of making good communication links, personal attention, and understanding the needs of customers. Hidayat (2013: 5) notes that the most important role of taxes is as one of the sources of revenue for a State. So it is appropriate for the tax office to make efforts to levy taxes. Efforts that can be done to increase collection of tax arrears, especially in the field of income tax, among others are: 1) settlement of tax disputes and withholdings, 2) Increase taxpayer identification efforts and tax collection intensification, 3) Increase tax extension activities, 4) Improve the quality of tax services to Taxpayers.

The number of taxpayers from year to year increase, but there are obstacles that hamper the increase of tax revenue, the obstacle is the level of taxpayer compliance which is still low. A low level of compliance greatly affects the state revenue from the tax sector. Tax officers should always make improvements to the quality of services with the aim to increase taxpayer compliance which can among others be done by improving the technical skills of employees in the field of taxation, infrastructure improvements such as expansion of Integrated Service Centres (TPT), the use of information technology systems to provide convenience to Taxpayers in fulfilling their tax obligations.

Maximum service quality standards to a taxpayer are fulfilled if human resources perform their duties professionally, responsibly, with discipline, and transparently. If the provisions of taxation are simplified and easily understood by the taxpayer, the tax service on the rights and obligations to the Taxpayer can be implemented effectively and efficiently. A taxpayer who is satisfied with the services provided performs his tax obligations in accordance with the rules and regulations applicable.

(Cindy & Yenni, 2013) suggest a taxpayer Compliance can be influenced by two factors: internal factors and external factors. Internal factors are derived from the individual, the taxpayer and individuals running taxation duties in the taxation system. Internal factors that influence taxpayer compliance are education, diversity in awareness, tax awareness, understanding to the law and regulations on taxation, and the rational factor. On the other hand,

external factors are factors that come from outside the individual taxpayer, such as the situation and environment around the taxpayer.

(Mangoting & Sadjiarto, 2013) argue that there are two kinds of tax compliancies: (1) formal tax compliance which is regulated in accordance with the provisions in the tax law, for example having tax registration (NPWP) for those who already have income, Period of payment before the deadline; (2) material tax compliance is where the Taxpayer substantively meets all the taxation provisions in accordance with the Tax Law. Material compliance may include formal compliance.

Efforts to increase state revenues in the tax sector have many obstacles, among others, the low level of tax compliance is still low, so taxpayers trying honour their tax obligations is smaller than it should and also many taxpayers do not report and pay taxes.

## METHOD

Based on the above description, research problem is formulated as: How does the level of education, the environment and quality service affect the compliance of Individual Taxpayers in Makassar, Indonesia".

This research is a correlational characteristic of the education level, the taxpayer environment and the quality of service and how it influences Taxpayer compliance at the tax office in Makassar. The population in this research comprise of individual taxpayers in Makassar City who is registered in fiscal year 2019. The sampling technique used is the accidental sampling technique. Data collected on the taxpayer is up to date. The sample taken from the population of this study comprised of 100 people. Data was collected by documentation, interviews, and questionnaires . Data analysis used in this research is multiple linear regression: anova test and partial test

## RESULT AND DISCUSSION

Respondents of male sex of 68 people (68 percent) and female sex (32 percent) of 100 respondents. Characteristics of respondents by age shows that respondents aged between 17-26 years are 45 people (45 percent), respondents aged 27-36 years are 35 people (35 percent), respondents aged 37-46 years as many as 15 people (15 percent) , respondents aged 47-56 years as many as 0 people (0 percent), and respondents aged over 56 years as many as 5 people (5 percent) of 100 respondents.

Respondents' work in this study is grouped into 5 sections, namely Civil Servants (PNS), private employees, doctors, lawyers, and entrepreneurs. The respondents are: Private Taxpayer (PNS) as many as 10 people (10 percent), Private Employer Taxpayer as much as 20 people (20 percent), Personal Taxpayer of 0 (0 percent), Mandatory Personal Tax of lawyers as many as 0 people (0 percent), and individual entrepreneur taxpayers as much as 70 people (70 percent) of 100 respondents. This means that Individual Taxpayer in KPP Makassar - Indonesia who was selected as the majority sample of his job as an entrepreneur.

The level of education indicates that an individual taxpayer with a high school education is equal 25 persons (25 percent), an individual taxpayer with a S1 degree of 65 (65 percent), and an individual 10 percent (10 percent) from 100 respondents. This means that

Individual Taxpayer in KPP Makassar - Indonesia who was selected as the majority sample of education S1.

### Descriptive Analysis

The general overview of education level can be seen from the indicator items, namely: the first indicator of secondary education covering the equivalent of 25 (25 percent), and the third indicator of higher education covering S1 and S2 are 75 people (75 percent). This means that the level of education of the Taxpayer of the majority of higher education.

The general overview of the taxpayer environment can be seen from the indicator items, namely: the first indicator on the community of the business family that is as many as 32 people (32 percent), and the second indicator about the family of the employee family is 48 (48 percent) and the third indicator is the general public 20 people (20 percent). This means that the taxpayer environment of the majority of employees and employers.

Satisfaction of service tax on Integrated Service Place (TPT), Account Representative, Help Desk, Complaint Center, Call Center, and Media Tax Information at Tax Office Makassar - Indonesia generally have satisfied satisfaction level. Viewed from the percentage of the average satisfaction level is very satisfied 23.3 percent, 60 percent satisfied, and not satisfied 16.7 percent. but in particular the average percentage of Taxpayer dissatisfaction of 16.7 percent obtained from the percentage of Taxpayers who states dissatisfied at the Call Center that is 40 percent, Complaint Center is 25 percent, help desk 10 percent, and Media Tax Information 25 percent.

Taxpayer Compliance regarding monthly tax returns and reporting periods, tax arrears for all types of taxes, acquisition of sanctions or tax penalties for negligence, auditing of financial statements by public accountants, submission of applications to be stipulated as Taxpayers dutiful if reports finance unaudited by public accountants to KPP Makassar - Indonesia generally has a compliant level of compliance. Viewed from the percentage of the average compliance rate that was very adherent 14 percent, obedient 68 percent, and not obedient 18 percent.

**Table 1.**  
**Anova Test**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	53.060	3	26.530	11.543	.000
Residual Total	222.940	97	2.298		b
	276.000	99			

Based on the simultaneous test results above, the probability value or sig value is smaller than  $\alpha = 0,05$  ie  $0,000 < 0,05$  so  $H_0$  is rejected, it means education level, taxpayer environment, and service quality together influence to compliance of Mandatory Individual Tax

**Table 2.**  
**Coefficient Test**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	13.135	.967		13.584	.000
X1(Level of Education WP)	.396	.084	.433	4.729	.000
X2(Environment WP)	.096	.074	.182	2.568	.046
X3(Quality of Service WP)	.074	.062	.109	1.191	.037

From the regression test results above hypothesis variable X1 to variable Y states the level of taxpayer education has a positive effect on taxpayer compliance. Based on the result of the research, it is known that sig. <0,05 is 0.000 with coefficient value 0,396 hence hypothesis analysis is accepted. This means that the level of taxpayer education affect the compliance of Individual Taxpayers in paying taxes.

Hypothesis variable X2 to variable Y states the environment Taxpayer positively affect taxpayer compliance. Based on the results of the test research known sig. <0,05 that is 0,046 with coefficient value 0,096 hence hypothesis analysis is accepted. This means that the taxpayer environment affect the compliance of Individual Taxpayer. The results of this study are in line with the results of Dewi (2019).

Hypothesis variable X3 to variable Y states the quality of service has a positive effect on taxpayer compliance. Based on the results of the test research known sig. <0,05 that is 0,037 with coefficient value 0,074 hence hypothesis analysis is accepted. This means that the quality of tax services affect the compliance of Individual Taxpayers.

## CONCLUSION

Based on the results of research that has been done on the Tax Office of Makassar, it can be concluded that the level of taxpayer education positively affects the compliance of Individual Taxpayers in Makassar. More to that, taxpayer's environment positively affects their compliance to pay taxes. It was also found that the quality of service positively affects compliance of individual taxpayers in Makassar. Basing on results of this study, the tax office in Makassar is expected to always improve the quality of their services so as to increase the tax service satisfaction because adversely affects taxpayer compliance. For further on this topic, other variables can be considered in addition to other variables that may affect taxpayer compliance, e.g. Taxpayer awareness, the taxation laws and justice system, tax sanctions, and taxpayers perception of tax.

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