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## Influence of tax officer service quality and knowledge of tax on individual taxpayer compliance in tax office (kpp) Bojonagara Bandung

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### Abstract

This research is conducted to determine how much influence the quality of tax officer service and knowledge about tax, have on the compliance of taxpayers. This research also seeks to understand the influence of knowledge of tax on individual taxpayer compliance KPP (Tax Office) Bojonagara Bandung, Indonesia. The usefulness of this research is expected to develop knowledge and to solve problems. The method used is *explanatory research*, by distributing questionnaires. The statistical data analysis used is multiple regression. The simultaneous test result indicates that the quality of tax officer's service and knowledge of tax give a significant influence on the compliance of tax payers in Tax Office (KPP) Bojonagara Bandung. Meanwhile, service quality of tax officer gives a significant influence on taxpayer compliance with the measurement of influence at about 61.7%. Meanwhile knowledge of tax does not give any significant influence on Taxpayer compliance with the score of influence is 14.2%.

**Keywords:** *Service Quality, Knowledge of tax, Taxpayer Compliance*

### 1. Introduction

Taxpayer compliance is an important aspect of enhancing state revenue from the tax sector. A high level of service quality from tax officers will encourage taxpayers to perform their obligation of paying taxes. If a good number of taxpayers are compliant in paying and reporting Annual Tax return, the ratio of tax compliance will increase.

According to Agus Martowardojo (2011) <sup>[1]</sup>, the number of individual taxpayers in filing annual income tax return (SPT) is still very low, only 8.5 million workers out of the total amount of 110 million workers. From the number of tax payers, the annual tax return ratio of active workers in Indonesia annual tax return is only 7.73 percent, it is still inadequate if it is compared to the ratio of annual tax return in Japan which is 50 percent of the population. This is caused by low tax payer compliance in paying taxes.

According to one employee of tax office (KPP) Bojonagara, to date there are still taxpayers who are not punctual in the delivery of the annual tax return, this applies to both Company Tax payers and individual taxpayers Agus Kusumah, (2012) <sup>[2]</sup> It can also be seen from the ratio of the level of taxpayer compliance who reported the annual tax return from 2008 to year 2011 in Bandung small Tax office (KPP Pratama) shown in the table below;

**Table 1:** Ratio of level of taxpayers compliance in annual tax return reporting year 2008 to 2011 in Tax Office (KPP Pratama Bandung)

Year	Level of Taxpayer compliance (%)			
	Bojonagara	Cibeuying	Cicadas	Karees
2008	35%	60%	56%	57%
2009	32%	51%	51%	37%
2010	35%	37%	58%	82%
2011	52%	33%	21%	57%

**Source:** compiled from Bandung Tax office (KPP PRATAMA)

Table 1 shows that the level of tax payer compliance in KPP Prathama Bandung from 2008 to 2011 is as follows: The average level of individual taxpayer compliance in KPP Bojonagara for 4 years from 2008 to 2011 is 38.5%, while in KPP Cibeunying is 45.25%, in KPP Cicadas is 46.5% and in KPP Karees is 58.25%. Considering the ratio of tax payer compliance is low compared to other tax service offices, the researchers would like to conduct a research in KPP Bojonagara. The other reason for choosing KPP Bojonagara is because it is the largest region in North Bandung which covers several districts ; Cicendo district (6 villages), Andir district (6 villages), Sukajadi (5 villages) and Sukasari (4 villages), this Tax office can represent the entire individual taxpayers.

To solve the low level of tax payer compliance in paying annual tax return in KPP Bojonagara, the Directorate General of Taxation has many ways to improve taxpayer compliance, one of which is by improving the quality of tax officer service.

Because one of the factors that can influence taxpayer compliance is the service quality of tax officers. The improvements in service quality and the quantity of tax officers is expected to increase the satisfaction of taxpayers as customers, which can lead to improved tax compliance.

Other than the quality of tax officers service provided to taxpayers, Knowledge of tax of the tax payers also has an influence on tax payer compliance, because today Indonesia uses a self-assessment system and it requires taxpayers to understand taxation in Indonesia in order to fulfill their obligation as good taxpayers.

The improved quality and quantity of tax officer service is expected to improve the tax payers satisfaction as customers, which can lead to improved tax compliance.

Based on the above information, we are interested in doing research using the title

“Influence of Service Quality and Knowledge of tax on Individual Taxpayer compliance in Tax Office (KPP) Bojonagara Bandung”.

### **Problem Formulation**

Based on the background research, the problem formulation of this research is: How the size of partial and simultaneous service quality and knowledge of tax, influence taxpayer compliance in the tax service office (KPP) Bojonagara in Bandung either partially or simultaneously.

### **Research Objectives**

The research objectives are to investigate and test the size of the influence of service quality and knowledge of tax on individual taxpayer compliance partially and simultaneously in tax office (KPP) Bojonagara in Bandung.

## **2. Literature Review**

### **2.1 Service Quality on taxpayer**

Service quality provided to tax payers in tax department becomes our concern because it is related to society as service users. According to Kotler (2012) <sup>[7]</sup>, service is any action or activity that can be offered by one party to another, which is essentially intangible and does not result in any ownership. Meanwhile, according to Tjiptono (2007) <sup>[12]</sup>, Service quality is an attempt to fulfill needs and desires of costumers and deliver accuracy in balancing customer expectations. According to Tjiptono (2007) <sup>[12]</sup>, the series of integrated service to improve the quality of service are as follows:

#### **a. Simple Public service**

Quality public service occurs if its implementation does not give any difficulties, its procedure is simple, the requirement is easy to fulfill, simple, and does not give any chance for self-benefit.

#### **b. Open Public Service**

Officers provide honest information, both rules and norms, do not threat customers badly, do not feel they are very important and needed which can lead them to expect returns from the customers, service standard must be announced e.g. show the announcement at the main door of the office.

#### **c. Seamless Public Service**

To be seamless, facilities that can support generating speedy output are necessary.

#### **d. Public service that can provide accurate service to customers**

The word accurate in this context means accurate direction, target, time, answer, and accurate in fulfilling a promise. For example; Tax service office in asking tax payers fulfill their obligation at the right time (when tax payers have money to pay)

#### **e. Complete public service**

Complete means all customers' needs are able to be fulfilled. To guarantee the service quality, human resource and utilities are needed.

#### **f. Reasonable public service**

Reasonable public service means that there is no luxurious service. The service is reasonable and natural so that it will not make customers uncomfortable.

#### **g. Affordable public service**

In providing services, the fees of the services provided must be affordable for customers.

### **2.2 Knowledge of tax**

Knowledge of tax is the process of changing the attitudes and code of conduct of taxpayers or group of taxpayers in an effort to inform human beings through the efforts of teaching and training. Increasing knowledge of tax regulation/ law among tax payers through formal and non-formal education will have a positive impact on taxpayer awareness to pay taxes. Knowledge of tax regulations in the new tax system is through a self-assessment system. In this system, taxpayers are trusted to calculate, estimate, and determine the payable amount of income tax and report it to the Tax service Office or extension service office and tax consultant office, or can also be delivered through the post office, tax corner, mobile tax office and certain places for annual notification letters (drop box) after the tax year ends.

### **2.3 Individual Taxpayer Compliance**

Taxpayer Compliance is that taxpayer has the willingness to fulfill their tax obligations according to the rules without the need to hold an examination, obtrusive investigation, a warning or, threat of and application of both law and administrative punishment, Gunadi (2005).<sup>[5]</sup> hereas Nurmantu According Safri (2008) <sup>[8]</sup> stated that, "There are two kinds of compliances ; material and formal compliance ". Material compliance is a condition where taxpayers

substantively / naturally meet all material provisions of the tax, which are in accordance with the content and spirit of tax regulations/laws. Meanwhile, according to Nasucha Chaizi, quoted by Siti Kurnia Rahayu (2010: 139) <sup>[9]</sup>: "taxpayer compliance can be identified by:

1. Taxpayer compliance in enrolling themselves
2. Compliance in returning notification letter
3. Compliance in the calculation and payable tax payment
4. Compliance in paying payable tax

From the four definitions above we can conclude that tax compliance is obedience, and submission to the tax provisions in accordance with government regulations and tax implementation regulations in one country.

### 2.4 Research Hypothesis

There is a partial and simultaneous influence of service quality and knowledge of tax on individual tax payer compliance in Tax office (KPP) Bojonagara in Bandung described as follows:

H1 = There is an influence of service quality on individual taxpayer compliance at Tax Office (KPP) Bojonagara

H2 = There is an influence of knowledge of tax on individual taxpayer compliance at Tax office (KPP) Bojonagara

H3 = There is an influence of service quality and knowledge of tax on the level of individual taxpayer compliance at Tax office (KPP) Bojonagara

## 3. Methodology

### 3.1 Research Methods

The research method is basically a scientific way to obtain data with certain purpose and usefulness. This research activity is based on scientific characteristics, which are rational, empirical, and systematic in character (Sugiono, 2011: 2) <sup>[10]</sup>, the method used for this research is the explanatory approach (*explanatory research*). *Explanatory research* is a research that explains the causal relationship between variables (Cooper & Schindler, 2006: 154) <sup>[4]</sup>. *Explanatory research* method refers to a theory or hypothesis that will be tested as the cause of a phenomenon. According to Singarimbun and Sofian Effendi (2011: 5) <sup>[11]</sup> explanatory research is research that describes causal relationship between variables through hypothesis testing.

### 3.2. Data Collection Types and Techniques

Data used in this research is primary and secondary data. The technique of data collection to obtain primary data is conducted through field research by compiling a questionnaire. The analysis unit is Tax office (KPP) Bojonagara in Bandung, and the observation unit is individual taxpayers in KPP Bojonagara in Bandung.

### 3.3 Population and Research Samples

According to Kerlinger (1992) <sup>[6]</sup> population is a set, while a set in this research can be objects, humans, symptoms, events, or other things that have certain characteristics to clarify the research problem. Meanwhile, according to Cooper and Schindler (2006: 717) <sup>[4]</sup> population is the entire collection of elements that can be used to make some conclusions.

The set of elements are basically the objects where the observation will be carried out by the researchers. The population target in the research is the Tax office (KPP) Bojonagara Bandung. The reason KPP Bojonagara becomes a population target because it is the largest area in north Bandung, which consists of several districts; Cicendo district

(6 villages), Andir District (6 villages), Sukajadi district (5 villages) and Sukasari District (4 villages), so that Bojonagara Tax office can represent the entirety of individual taxpayers. Based on Solvin formula, with bonds of error at 10%, the number of individual taxpayers is as many as 100 people.

### 3.4 Analysis Research Method

This research will analyze the pattern causal relationship between variables. Before the analysis, Research instrument test which covers (Validity and Reliability Test) is conducted. It is followed by descriptive analysis which gives a descriptive overview of primary data that is obtained from the respondent's answers, and descriptive analysis using statistical analysis which is regression analysis that is tested before. Descriptive analysis provides a descriptive overview of primary data collected from respondents, and verification analysis using a statistical analysis of regression analysis, which first performed the test: Classical assumption Test includes; normality test, multicollinearity test, heteroscedasticity test, autocorrelation classic assumptions test, Hypothesis Testing (hypotheses test used is t-test and test F). Data Processing utilized SPSS software.

## 4. Research Result and Discussion

### 4.1 Descriptive Analysis

Descriptive analysis is conducted to determine the extent of the influence of service quality and knowledge of tax on the level of tax payer compliance at KPP Bojonagara in Bandung.

Descriptive Analysis is based on responses to the questionnaire. After the score of each variable and dimension is obtained, the determination of categories based on score interval criteria is conducted as follows:

**Table 2:** Guidance of response score category

Description/Interval	Category
20,00% - 35.99%	Very bad
36,00% - 51.99%	Bad
52,00% - 67.99%	Mildly Bad
68,00% - 83.99%	Good
84.00% - 100.0%	Very Good

Source: Stuges

Score of respondents in Tax office (KPP) Bojonagara about the service quality of Tax officers to taxpayers is on average at 84.1% and in the interval range at 84%- 100%. It can be concluded that the service quality of tax officers to tax payers in KPP Bojonagara is under category good, meanwhile result of responses about tax payers knowledge of tax is 83.15 and in the interval at 68%-83.99%. Therefore it can be concluded that tax payers have good knowledge about tax which means on average tax payers in KPP Bojonagara understand about tax including how to count, and report annual tax return. Meanwhile, Tax payers compliance in paying annual tax return to KPP Bojonagara is 77% and in the interval at 68%-83.99%. Therefore, tax payer compliance in KPP Bojonagara is under good category. We can make a conclusion that based on descriptive analysis, both service quality, knowledge of tax and taxpayer compliance in KPP Bojonagara Bandung is under good category.

### 4.2 Instrument Research Test

#### Validity and Reliability Test

Before the data of questionnaire result is processed, first we conduct a validity and reliability test on measurement instrument to prove whether the measurement instrument has validity and reliability. Based on the results of the processing using Spearman rank correlation and Cronback Alpha, the results of validity and reliability test are as follows:

**Table 3:** Results of validity and reliability test

Variable	Validity	Reliability (Cronbach Alpha)
Service quality	0.632	0.812
Knowledge on Tax	0.584	0.824
Individual Taxpayer Compliance	0.618	0.789

Source: Result of Data processing

Based on the table above, the average correlation coefficient of validity test for service quality is 0.632. Knowledge of tax is 0.584 and level of tax payer compliance is 0.618 and this correlation is larger than the critical score of 0.30. The test result indicates that on average the questions of each variable used is valid and can be used as research measurement instrument and can be used for further analysis. (Barker, 2002) [3].

Meanwhile, based on reliability test based on the table above, service quality is 0.812, knowledge of tax 0.824 and compliance is 0.789. Barker (2002) [3] ted that to find out whether a measurement instrument is reliable, statistical approach is used, where reliability coefficient is larger than 0.70. Overall, this statement is reliable.

Based on the above results, Questionnaire that is used to measure each variable is reliable, where the score of Cronbach’s Alpha for each question is above reliability standard which is equal to 0.70. The test result shows that all statement points used are reliable so it can be concluded that the questionnaire used provides consistent results.

### 4.3 Verification analysis

Quantitative analysis is conducted to determine the influence of service quality of tax officers and knowledge of tax on tax payer compliance in tax office (KPP) Bojonagara. The analysis used is a double linear regression. Before using double regression analysis, classical assumption test of the data which includes (data normality, multicollinerity and heteroscedasticity test) are performed as the requirement in using multiple regression test.

#### 4.3.1 Classical Assumption Test

##### a. Normality testing

The result of Kolmogorov-Smirnov is 0.200, it can be concluded that the data has distributed normally because the p-value (sig.) > 0.05.

##### b. Multicollinearity Test

The Multicollinearity Test shows that all tolerance values are larger than the specified default value (0.10). As for the VIF value, VIF is under 10. It can be concluded that all variables have met the threshold requirement of tolerance and VIF value, it means there is no Multicollinearity problem.

##### c. Heterokedasticity test

The result of Heterokedasticity test using Glejser is that coefficient value of each independent variable is insignificant (p > 0.05) on residual, so it can be concluded that heteroscedasticity problem does not occur in the data of this model.

#### 4.3.2 Double Linier Regression Analysis.

Regression model is used to predict and examine the changes that occur in individual taxpayer compliance which may be described or explained by the changes in two independent variables (service quality and knowledge of tax). Based on the results of data processing, the regression result is as follows:

**Table 4:** Result of Multiple Regression Equation Estimation

Model	Ustandardized Coefficients		Standardized Coefficients	T	sig	Correlations			Colinearity Statistics	
	B	Std.Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	5.119	3.161		1.619	.109					
Service quality	.247	.032	.617	7.822	.000	.660	.622	.587	.906	1.104
Knowledge of Tax	.072	.040	.142	1.799	.075	.331	.180	.135	.906	1.104

Dependent variable: Taxpayer compliance

Based on the data processing result in Table 4, we can make a prediction model of variables of service quality, knowledge of tax and taxpayer compliance as follows:

$$Y = 5.119 + 0.247 (X1) + 0.072 (X2) + e_i$$

The interpretation of this regression model is as follows

1. Constant of 5.119 shows that if independent variable of
2. quality service and knowledge of tax is equal to zero, the level of individual tax payer compliance will be increased by 5.119
3. Regression coefficient at 0.247 means that if the variable of service quality (X1) increases for one unit, the level of individual tax payer compliance (Y) will be increase by 0.247 with a condition that other independent variables remain unchanged

#### 4.3.3 Hypothesis Testing

##### a. F test (Simultaneous Testing)

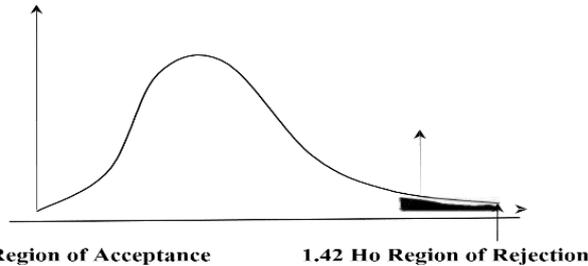
To determine the influence of service quality and knowledge of tax on individual taxpayer compliance in tax office (KPP) Bojonagara, F test is applied. With the formulation of statistical hypothesis as follows:

- **Variable Hypothesis Formula**

$H_0: \beta_1, \beta_2 = 0$ , service quality and knowledge of tax do not have influence on individual taxpayer compliance in tax office (KPP) Bojonagara Bandung.

$H_1: \beta_1, \beta_2 > 0$ , service quality and knowledge of tax do not have influence on individual tax payer compliance in Tax office (KPP) Bojonagara Bandung

• **Determining the significant level and the testing, F table (1.42) is obtained at a significant level of 5%**



- Determine the score of the results F count that is obtained from test result using SPSS program, see table below.
- The value of F count is equal to (40, 253) (see Table 5)

**Table 5:**

Anova <sup>b</sup>						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	948.066	2	474.033	40.347	.000 <sup>a</sup>
	Residual	1139.644	97	11.749		
	Total	2087.710	99			

a. Predictors: (Constant), taxpayer Knowledge of tax, Service quality

b. Dependent Variable: Taxpayer compliance

Testing Criteria:

Accept  $H_0$ : if  $F_{count} \leq F_{table}$

Reject  $H_0$ : if  $F_{count} > F_{table}$

- Based on Table 5, the value of F is (40.347), while  $F_{table}$  with  $\alpha = 0.05$  and Degree of freedom is (2 and 100) resulted in the value of  $F_{table}$  is 1.42. This means F count (40.347) is bigger than  $F_{table}$  (1.42) or based on the value of Sig  $0,000 < 0,05$ ,  $H_0$  is rejected and  $H_a$  is accepted.
- Conclusion: Based on the significance level which is at 5%, the test result stated that simultaneously, there is significant influence of tax officer service quality and knowledge of tax on individual tax payer compliance due to the significant difference.

To determine how much service quality and knowledge of tax influence individual tax payer compliance in KPP Bojonagara Bandung, we can see the value of determination coefficient based on SPSS processing result with adjusted R-square is 0.759 or 75.9%. This means service quality and knowledge of tax influence individual taxpayer compliance at 75.9%, meanwhile 24.1% is influenced by other factors.

**b. T test (Partial Testing)**

To determine the influence tax of service quality and knowledge of tax on individual tax payers compliance partially using t test.

Based on Table 4, it turns out that service quality provided by tax officers to tax payers significantly influence individual tax payer compliance. It can be seen that the value of sig is  $0.00 < 0.05$ , while knowledge of tax does not significantly influence individual tax payers compliance with the value of sig  $0.075 > 0.05$ ,

Meanwhile, the influence of service quality on individual taxpayer compliance is at 61.7%, and the influence of knowledge of tax on individual tax payer compliance is at 14.2%.

**5. Conclusion**

Based on the result of problem formulation and discussion of the research result in previous chapters, it can be concluded as follows:

1. There is a significant influence of tax officer service quality on taxpayer compliance. This indicates that the service quality provided by tax officers to tax payers is an important matter in providing satisfaction and it will cause tax payers to fulfill their obligation on time. The influence of quality service on individual tax payer compliance is at 61.7%.
2. Knowledge of tax does not influence individual tax payer compliance. This means that knowledge of tax of tax payers does not reflect their awareness and willingness to do their obligation. The influence of knowledge of tax on individual tax payer compliance is at 14.2%.
3. Quality service of tax officers and knowledge of tax influence individual tax payer compliance because there is a significant difference. The influence of those variables is at 75.9%.

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