



## Literature Review Tax Compliance and Tax Revenue: Analysis of Understanding Tax Regulations and Quality of Service

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**Abstract:** Previous research or relevant research is very important in a research or scientific article. Previous research or relevant research serves to strengthen the theory and phenomena of the relationship or influence between variables. This article reviews Determination of Compliance Level and Tax Revenue: Analysis of Understanding Tax Regulations and Service Quality, A Study of Human Resource Management Literature. The purpose of writing this article is to build a hypothesis of the influence between variables to be used in further research. The result of this research library is that: 1) Understanding of Tax Regulations Affects Compliance Level; 2) Service Quality Affects Compliance Level; 3) Understanding of Tax Regulations Affects Tax Revenue; 4) Service Quality Affects Tax Revenue; and 5) Compliance Level affects Tax Revenue.

**Keyword:** Compliance Level, Tax Revenue, Understanding of Tax Regulations, Service Quality

## INTRODUCTION

### Research Background

Like lecturers and researchers, every student, whether for undergraduate or postgraduate, is required to conduct research and write scientific articles in the form of thesis, or dissertations to be published in scientific journals both nationally and internationally. For lecturers, students, and researchers, scientific work is an outcome that can provide benefits to the wider community.

Based on the empirical experience of many young students and lecturers as well as other researchers, it is difficult to find supporting articles in research as previous research or as relevant research. Articles as relevant researchers are needed to strengthen the theory being studied, to see the relationship between variables and build hypotheses, it is also very necessary in the discussion section of research results. This article discusses Literature

Review the effect of Understanding Tax Regulations and Service Quality on Compliance Levels and their impact on Tax Revenue.

### **Formulation of the problem**

Based on the background, it can be formulated the problems that will be discussed in order to build hypotheses for further research:

- 1) Does understanding of tax regulations affect the level of compliance?
- 2) Does the quality of service affect the level of compliance?
- 3) Does Understanding Tax Regulations affect Tax Revenue?.
- 4) Does Service Quality Affect Tax Revenue?
- 5) Does the Compliance Level affect Tax Revenue?

## **THEORITICAL REVIEW**

### **Compliance**

Is a condition in which a person obeys the orders or rules given. According to Siti Kurnia Rahayu (2013:138), tax compliance can be defined as a condition in which the taxpayer fulfills all tax obligations and exercises his tax rights. According to Gunadi and Masrurah (2013) explaining that tax compliance is that taxpayers have the willingness to fulfill their tax obligations in accordance with applicable regulations without the need for inspections, thorough investigations, warnings or threats, in the application of both legal and administrative sanctions.

The indicators of taxpayer compliance according to Law no. 16 of 2009 in Widi Widodo (2010) are:

- 1) Formal Compliance:
  - a) Registration and confirmation.
  - b) Obligation to submit SPT.
  - c) SPT submission deadline.
  - d) Tax payment and deposit.
- 2) Material Compliance:
  - a) The suitability of the amount of tax liability that must be paid with the actual calculation.
  - b) Appreciation for the independence of public accountants/tax consultants.
  - c) The size of the amount of tax arrears

Many researchers have conducted research related to Compliance Level, among others: Nurhakim & Pratomo (2015), Wahuningsih (2019), Prajogo & Widuri (2013), and Antarwaman (2020).

### **Tax Revenue**

The definition of tax revenue according to John Hutagaol (2007:325) is: "Tax revenue is a source of revenue that can be obtained continuously and can be developed optimally according to government needs and community conditions." Tax revenue is income obtained by the government which is sourced from people's taxes. It does not only come to the brief definition above that the funds received in the state treasury will be used for government expenditures for the greatest prosperity of the people, as the purpose of the state goals agreed upon by the early founders of this country is to prosper the people, create prosperity based on social justice (Suherman, 2011).

Tax is a source of state revenue that has a very important role for the survival of a nation, including Indonesia. Tax revenue is the main pillar of state revenue. Every year the portion of tax as state revenue in the State Revenue and Expenditure Budget (APBN) continues to increase. In the State Revenue and Expenditure Budget (APBN) for Fiscal Year

2021, the portion of tax revenue in 2021 is 1,444.5 trillion rupiah. The portion of tax revenue increased to 1,510.0 trillion rupiah in the APBN for Fiscal Year 2022 or an increase of 4.54% from 2021 (Details of APBN for Fiscal Year 2020, 2021).

This tax revenue has been studied by many previous researchers including Cahyono (2017), Caroko et al (2015), and Musadieg & Nurtjahjono (2015).

### Understanding of Tax Regulations

Understanding tax regulations is an attitude and character shown by taxpayers when fulfilling their tax obligations. The understanding of this regulation refers to the Law of the Republic of Indonesia Number 6 of 1983 concerning General Provisions and Tax Procedures as Amended several times, the latest by the Law of the Republic of Indonesia Number 16 of 2009 which explains that all taxpayers who have met the subjective and objective in accordance with the provisions of the taxation legislation must fulfill its tax obligations. Several other definitions regarding the understanding of taxation have also been disclosed (Nirawan, 2013), (H. Adiputra, 2014), that understanding tax regulations is the process of a taxpayer will understand tax regulations and apply them to carry out tax activities..

According to (As'ari, 2018) there are three indicators that can explain the understanding of tax regulations including: Understand the general provisions and procedures for taxation; Understand the tax function; Compliance in calculating and paying taxes correctly. Taxpayers will find it difficult to carry out their tax obligations if they do not have knowledge and understanding of tax regulations. Krause (2000) argues that the knowledge and understanding of taxpayers on tax regulations has an influence on taxpayer compliance. The understanding of Tax Regulations has been studied by many previous researchers including Andinata (2015), Raharjo et al (2020), Safitri & Silalahi (2019), and Wulandari et al (2015).

### Service Quality

Services in the field of taxation are defined as services from the Directorate General of Taxes (DGT) to the public who are taxpayers in terms of assisting taxpayers in carrying out their tax obligations (Jotopurnomo and Mangoting 2013). Musadieg & Nurtjahjono (2015) stated that the satisfaction obtained can be measured by the service felt. The level of customer satisfaction will be low if the services provided are not in accordance with what is expected, on the contrary if the services provided are in accordance with expectations, the customer is satisfied.

There are many ways to measure the service quality of a business. Regarding service quality issues Rush, et al. (1996), divided customer expectations into three types: a) Will expectations; the level of performance the consumer predicts or is expected to receive, based on all the information he knows. b) Should expectations; the level of performance that is considered appropriate for consumers to accept. c) Ideal expectations; optimum or best performance that is expected to be accepted by consumers. Referring to Rush's opinion, entrepreneurs or service providers will have a positive image if there are only small mistakes. Minor errors will generally be tolerated by most customers. As long as these small mistakes are not repeated.

Service quality has been studied by many previous researchers including Jotopurnomo & Mangoting (2018), Tulenan et al (2017), Tanilasari & Pujo Gunarso (2017), and Mahardika (2015).

**Table 1. Previous Research**

No	Author	Previous Research Results	Equation with this article	Difference with this article
1	Andinata (2015)	Understanding of Tax Regulations and Quality of Service	Understanding of Tax Regulations and Service Quality	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue

		have no influence on Compliance	Affect the Level of Compliance	
2	Cahyono (2017)	Understanding of Tax Regulations has no effect on Revenue  Service Quality has a positive influence on Acceptance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance
3	Caroko et al (2015)	Understanding of Tax Regulations and Service Quality have a positive influence on Revenue	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance
4	Musadieg & Nurtjahjono (2015)	Service Quality has a positive influence on Compliance and Acceptance	Service Quality Affects the Level of Compliance and Tax Revenue	Understanding of Tax Regulations affects the Level of Compliance and Tax Revenue
5	Raharjo et al (2020)	Understanding of Tax Regulations has no effect on Compliance  Service Quality has a positive influence on Compliance	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue
6	Safitri & Silalahi (2019)	Understanding of Tax Regulations and Service Quality have no influence on Compliance	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue
7	Wuandari et al (2015)	Understanding Tax Regulations has a positive influence on Compliance  Service Quality has no influence on Compliance	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue
8	Nurhakim & Pratomo (2015)	Understanding Tax Regulations has a positive influence on Compliance  Service Quality has a positive influence on Compliance	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue
9	Wahuningsih (2019)	Understanding Tax Regulations has a positive influence on Compliance  Service Quality has a positive influence on Compliance	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue
10	Prajogo & Widuri (2013)	Understanding Tax Regulations has a positive influence on Compliance  Service Quality has a	Understanding of Tax Regulations and Service Quality Affect the Level of Compliance	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue

		positive influence on Compliance		
11	Atarwaman (2020)	Service Quality has a positive influence on Compliance	Service Quality Affects Compliance Level	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue Understanding of Tax Regulations Affects Compliance Level
12	Jotopurnomo & Mangoting (2018)	Service Quality has a positive influence on Compliance	Service Quality Affects Compliance Level	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue Understanding of Tax Regulations Affects Compliance Level
13	Tulenan et al (2017)	Service Quality has no influence on Compliance	Service Quality Affects Compliance Level	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue Understanding of Tax Regulations Affects Compliance Level
14	Tanilasari & Pujo Gunarso (2017)	Kualitas Pelayanan memiliki pengaruh positif terhadap Kepatuhan	Service Quality Affects Compliance Level	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue Understanding of Tax Regulations Affects Compliance Level
15	Mahardika (2015)	Service Quality has a positive influence on Compliance	Service Quality Affects Compliance Level	Understanding of Tax Regulations and Quality of Service Affects Tax Revenue Understanding of Tax Regulations Affects Compliance Level

## RESEARCH METHOD

The method of writing scientific articles is by using qualitative methods and literature review (Library Research). Assessing theory and the relationship or influence between variables from books and journals both offline in the library and online sourced from Mendeley, Scholar Google and other online media.

In qualitative research, literature review must be used consistently with methodological assumptions. This means that it must be used inductively so that it does not direct the questions posed by the researcher. One of the main reasons for conducting qualitative research is that the research is exploratory, (Ali & Limakrisna, 2013).

## FINDINGS AND DISCUSSION

Based on relevant theoretical studies and previous research, the discussion of this literature review article in the concentration of Financial Management is:

### The Effect of Understanding Tax Regulations on Compliance Level.

Understanding Tax Regulations has a positive effect on Compliance Level. The variable understanding of tax regulations shows a t-count value of 2.171 with a significance value of 0.033 where the value is smaller than 0.05 so that the hypothesis is accepted. This means that understanding tax regulations has a positive influence on taxpayer compliance (Wahuningsih 2019). In the variable level of understanding of tax regulations, taxpayers have a considerable influence on the level of compliance, so it is suggested that taxpayers should

expand their knowledge of tax regulations so that they can be more obedient in fulfilling their tax obligations in the future (Prajogo & Widuri 2013). Understanding of Tax Regulations affects the level of compliance, this is in line with research conducted by: Prajogo & Widuri (2013), Wahuningsih (2019), Nurhakim & Pratomo (2015), Wuandari et al (2015), and Safitri & Silalahi (2019).

### **The Influence of Service Quality on Compliance Level.**

The test results of this study indicate that service quality has a significant effect on the level of compliance, where this study provides evidence of a positive influence from the good image displayed by the tax authorities. Starting from adequate technology and quickly following up on complaints submitted so that taxpayers will tend to be obedient in paying their tax obligations. This shows that the better the services provided to taxpayers, the higher the level of taxpayer compliance (Atarwaman, 2020). Service quality affects the level of compliance, this is in line with research conducted by: Atarwaman (2020), Jotopurnomo & Mangoting (2018), Tulenan et al (2017).

### **The Effect of Understanding Tax Regulations on Tax Revenue.**

Understanding of Tax Regulations does not affect the level of compliance, in this case it means that the level of understanding of taxpayers does not have the ability to influence tax revenues. Knowledge and understanding of tax regulations in question is understanding and understanding of general provisions and tax procedures including how to submit a notification letter (SPT), payment and deadline for payment or reporting of SPT (Cahyono 2017). Understanding of Tax Regulations affects Tax Revenue, this is in line with research conducted by: Cahyono (2017), Caroko et al (2015), and Musadieg & Nurtjahjono (2015).

### **The Influence of Service Quality on Tax Revenue.**

The results of the study indicate that the level of understanding of service quality perceptions has a positive effect on tax revenue, this means that service quality perceptions have the ability to influence tax revenues (Cahyono 2017).

Efforts to increase tax revenue can be done by improving the quality of good service to taxpayers. Improvement of service quality can be done by improving the quality and technical capabilities of employees in the field of taxation, infrastructure improvements such as the expansion of integrated service centers (TPT), the use of information systems and technology that can provide convenience to taxpayers in fulfilling their tax obligations. The better the perception of taxpayers on the quality of their services, the higher the level of tax revenue. Service quality is the level of excellence to fulfill the wishes of the Taxpayer. Service quality can be assessed based on the taxpayer's perception by comparing expectations when receiving services with actual experience of the services received (Cahyono 2017).

Service Quality has a positive effect on Tax Revenue, from the five service dimensions, the most dominant variable is physical evidence. This variable consists of several indicators, namely: tax officers who always think positively, appear energetic and full of enthusiasm, the physical appearance of tax officers who are neatly dressed, clean, polite and attractive, as well as the facilities provided to support taxpayers in fulfilling their tax obligations. The Tax Service Office should pay attention to this physical evidence variable, so that in the future the quality of services provided can be even better (Musadieg & Nurtjahjono 2015).

Service quality affects tax revenue, this is in line with research conducted by: Cahyono (2017), Caroko et al (2015), and Musadieg & Nurtjahjono (2015).

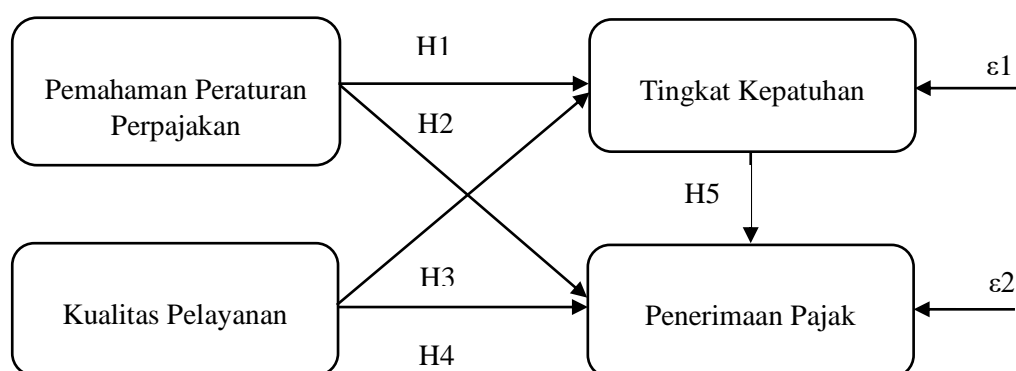


### Effect of Compliance Level on Tax Revenue.

Based on research, the level of compliance has no effect on tax revenue, this means that the level of compliance of taxpayers does not have the ability to influence tax revenue (Cahyono 2017). The implications of this research are based on the conclusion that the government must be better at supervising, accommodating, distributing, and processing existing tax funds, so as to create a harmonious and stable situation in realizing fair and equitable development (Cahyono 2017). The level of compliance affects tax revenue, this is in line with research conducted by: Cahyono (2017), Caroko et al (2015), and Musadieg & Nurtjahjono (2015).

### Conceptual Framework

Based on the formulation of the problem, theoretical studies, relevant previous research and discussion of the influence between variables, the framework for thinking in this article is as follows:



**Picture 1. Conceptual Framework**

Based on the conceptual framework picture above, then: Understanding of Taxation Regulations and Quality of Service affect the Level of Compliance and Tax Revenue both directly and indirectly.

Apart from the Understanding of Tax Regulations and Service Quality variables that affect the Level of Tax Compliance and Revenue, there are still many other variables that influence it, including the variable:

- 1) Tax Sanctions: Prajogo & Widuri (2013), Jotopurnomo & Mangoting (2018), Tulenan et al (2017), and Wahuningsih (2019).
- 2) Taxpayer Awareness: Jotopurnomo & Mangoting (2018), Tulenan et al (2017), and Andinata (2015).
- 3) Fiskus Socialization: Safitri & Silalahi (2019).

## CONCLUSIONS AND SUGGESTIONS

### Conclusion

Based on theory, relevant articles and discussions, hypotheses can be formulated for further research: Understanding of Tax Regulations Affects Compliance Level; Service Quality Affects Compliance Level; Understanding of Tax Regulations affects Tax Revenue.; Service Quality Affects Tax Revenue; Compliance Level affects Tax Revenue.

### Suggestion

Based on the conclusions above, the suggestion in this article is that there are many other factors that affect the level of compliance and tax revenue, apart from the level of compliance and tax revenue for all types and levels of organizations or companies, therefore

further studies are needed. to look for other factors that can affect the Level of Compliance and Tax Revenue other than those examined in this article such as: Tax Sanctions, Taxpayer Awareness, and Fiscal Socialization.

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