

The Effect Tax Audit Quality and Service Quality On Tax Reporting Compliance (The cases of tax audit of Indonesian)

Suhirman Madjid

1. Doctoral Candidate of Padjadjaran University – Bandung – Indonesia
2. Lecturer of Yarsi University – Jakarta - Indonesia

Abstract

This Research test about effect tax audit quality, service quality on tax reporting compliance. This research done in a work unit in South Bengkulu, Indonesia. Respondent in this research are, all the treasurer from the South Bengkulu Region Work Unit. Data Gathering done by using questionnaire method. About 48 questionnaire are distributed to the respondent. The results showed that the tax audit, quality of service doesn't affect the tax reporting compliance.

Keywords: Tax Audit Quality, Service Quality and Tax Reporting Compliance

1. Introduction

Taxes are source of the nation Income that used to pay National Expense and country development, so prosperity and peace can be reached. Those are include in National Income And Expense (APBN), where Taxes Income are where the Most of the National Income come from (Muliari, 2011). Since the Taxes Reformation in 1983, Tax Collecting system in Indonesia Changed from Official Assessment System to, Self Assessment System. How to determine amount of taxes charges changed from Government who decided amount of Taxes charged, into the Society decided how much the Taxes Charged into them. In the Self Assessment System, Government give a full trust to the community to count, plan, give, and report their Taxes Obligation. This method application success are depend to society willing and awarness to take part in the Tax System. So, that's why Community must be active to do their Tax Obligation as a form of Preservation of assessment that has been fully trusted and Community take part in the Tax Collection system determine the plan of the Tax Collection. Optimal Tax Collection can be seen from the balance of the rate of the Actual Tax Collection Rate with the Potential Tax Collection Rate or Tax Gap. How Big is a Tax Gap show the level of Tax Compliance in doing Tax Assesment. The Low Rate of Tax Assessment can happened because many thing, but the main problem are because there's no available Tax Assessment that can be use to know how Big the Tax Obediency level.(Alm, Bahl, Murray. 1990). The level of People Obediency level to do their Tax Obligation are still very low. In meantime, a private person who gave their Tax Report are only 8.5 milion from 110 milion Active Working Populatin." Which that mean, the Tax Report Ratio to the Goup of the Active Worker are only 7,7%. Which that mean, our Obediency to Taxes Obligation are still insufficient. Meanwhile, for the Bussiness Entity itself, only 466.000 Bussiness that give their Tax Report from more than 12 million Bussiness Entity that active and have Permanent Domicile. The Obediency level of the Bussiness Entity are Relatively low, because the rate of the Obediency are just 3,6% From total Bussiness Entity available.(Agus Martowardojo, 2011). In every Work Unit. in the Province, or in City Work Unit have a Obligation to report Tax Collection that Done by the Treasurer. Government Treasure play an strategist role in the Administration System in Indonesia and have a vital role to support and create a Obedience to report their Tax Obligation. In Reality, Government Treasurer doesn't report the Tax Report According to the tax provision that vaild in the meantime, late, even don't report Tax Report to the Tax Service Office, where the Treasurer Signed.(Fuad Rahmany, 2011).

The level of the Tax Obediency can be affected by Tax Checking and Tax Service Quality has been researched by (Sri Rizki Utami and friend, 2012) and the result show that theres a effect between Service Quality and Tax Obediency.. this research impact on the Tax Checking to the Tax Obediency that done by Badara, (2012) and the result show that Authorized Entity done the Tax Research to reach Income Target, and this Tax Research also reduce Tax Evasion problem. This Research Problem is there any effect from Tax Checking and Service Quality to the Obediency to Tax Reporting.

2. Review of Literature

2.1 Tax Checking

Tax Audit is a series of searching, gathering, Data Processing, and other information to test Tax Obediency Fulfillment and other goal to implement the rule and Law of Tax.(Mardiasmo, 2009). The definition of the Tax Audit according to the Ministry of the Treasurer regulation of Indonesia about Tax Checking Regulation, article 1 paragraph 2 : "Auditing are series of collectiong and data processing , information, evidence that done in

objective and professional way depend on a checking standart to test tax reporting compliance and/ or other goal to imply criteria of the Tax Regulation.

2.2 Service Quality

According to Gappmayer (Kadir, 2001:81) said that Service Quality defined as a way to found all want from the Consumer and continue the activities to increase the value of the product and service for fulfill Consumer want. Quality is a dynamic condition that affect a product, service, people, process, and environment that fulfill or exeeded want (Tjiptono, 2007). Service is a activity or Activity Order that happen in direct interaction between someone with someone else or machine phsycally, and provide satisfaction to the Consumer. Good service quality image don't come from the point of view/perception of the Service Provider, but from Consumer point of view. That because the Consumer is the one who consume and enjoy the Service, so consumer are the one who decide the Service Quality. Consumen Point of view to the Service Quality are overall scoring to a quality of Services.

2.3 Tax Reporting Compliance

Tax Compliance in International Tax Glossary (1992) are level that show how Obedient a person to the Tax Regulation in Their Country. As Example in report an income in the notification letter or deliver the notification letter in time. Hasseldine (1993) said that Tax Compliance are Obediency to report all treasure and property of a person in time and deliver a Tax Obligation accurately according to regulation.

Compliance in connection with Tax can be translate as a level of person in obeying the Tax Law (Hom, 1999). This compliance that show the power that affect individual implicitly. The compliance problem as a problem that stick to tax itself. That mean characterising and explaining pattern of incompliance and find way to decrease incompliance as thing that very important that can be seen from many point of view, like from treasury or law point of view (Andreoni etal 1998).

3. Theoretical Framework and Hypothesis Development

3.1 Tax Audit Effect on Tax Reporting Compliance

Since self assessment system implemented in Indonesia Tax system, a Person give a full trust to count, deliver, and report their Tax Obligation. This System need honesty from the person to count their tax liability and has to be paid using Yearly Notification Letter. In implementation tax regulation, observing, and teaching are the consequence of the full trust that given to the community. As a form of observation and the teaching, Audit Are constanly done overtime. Although, corelation between Tax Audit and tax compliance that can be seen from goal of the Tax Audit, which is doing a test to Tax Compliance rate. Tax Audit give a deterrent effect to the community to increase and compliance will that gice effect directly to Tax Coverage ratio and increase in National Income from Tax sector. (John Hutagaol, 2007) from essay above we can take result that goal of the Tax Audit are to test Tax compliance and give effect that increase Rate of Tax Compliance.

H1: Tax Audit affect to the Tax Reporting Compliance

3.2 How Service Quality affect to Tax Reporting Compliance

Treasurer as a assessment will interacting with the Tax Service Office. How Tax Service Office give a service to the Treasurer when the Treasurer give tax return or other assessment interest will be a self satisfaction for assessment in this case, Treasurer. Engel, et al(1995) said that costumer satisfaction are buyer evaluation when the choosen alternative at same, or more than Customer hope, also disastification appear when the result don't pass customer hope. As a Customer of the Treasurer will get a good or bad service quality from Tax Service Office. That will affect action that person will do in Compliance to report taxes.

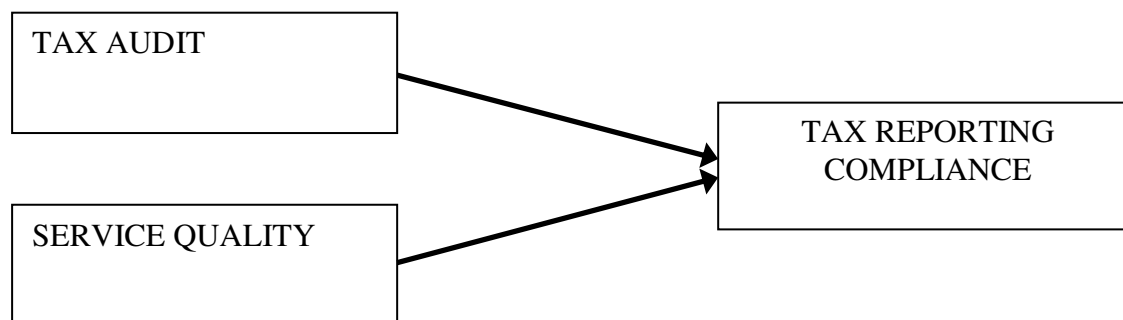


Figure 1. Research Model

4. Methodology, Finding and Discussion

The method used in this study is exploratory study because it is a study that only inspects or investigates the proposed variables (Cooper and Schindler, 2006). Explanatory study refers to a theory or hypothesis that will be tested as the cause of a phenomenon. Population in this research are, all the treasurer from the South Bengkulu Region Work Unit. Data Gathering done by using questionnaire method. About 48 questionnaire are distributed to the respondent. Variable in this Tax Check count with 4 dimension measurement that divide in several indicator using 1-5 scale. Quality variable count by using 5 dimension measurement that divide in several indicator in 1-5 scale, and Obedience to report tax measure using 4 dimension system with several indicator in 1-5 scale.

5. Result and conclusion

Result

Hypotesis 1. From the result of the hypotesis, we can take that Tax Audit didn't affect to Tax Reporting Comliance for the treasurer in Work Unit in South Bengkulu if the test done in the same times. This show that Tax Audit Quality that can be show with the independency of the Tax Auditor, professional ability, and implementation on tax audit that done by solid and complete team didn't affect the comliance of the Treasurer for the South Bengkulu Work Unit to deliver a Tax Report to the Tax Service Office in the region.

Hypotesis 2, From the hypotesis testing result, we can take that quality of the Service didn't affect with Tax Reporting comliance. The Service Quality that shown by deliver a accurate information, correct tax payment procedured, and good tools and facility also didn't affect the comliance level of tax report for the Treasurer in South Bengkulu Work Unit.

Tax Audit Quality and good Office Service Quality in Tax Service office also didn't affect the Obediency of Tax Reporting in South Bengkulu Work Unit. This open a possibiity that there are another more dominant variable that affect the Tax Reporting Comliance that didn't test out in this model. Such as, competition variable. From the result of the interview with several treasurer and person that related and have role in the process of delivering the Tax Report or an officer in the South Bengkulu Work Unit, conclude that reason there insignificant Quality of tax Audit caouse by Individual Characteristic as a Civil Worker. Their loyalty and their awareness as a Civil worker or Government Worker where there are much money paid for the tax or deliver the Tax Report or deliver the Tax return for the Civil Work benefit. Same as a forfeit that imposed for late payment and Tax Reporting, don't really consider for being Obedient or not because it will become a government weight, not individual treasurer weight.

Conclusion

Improving of Tax Audit Quality and improving Service Quality didn't make Tax Reporting Compliance level rising for South Bengkulu Work Unit Treasurer.

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