The Influence of Taxpayer Awareness, Tax Service Quality and Tax Sanctions on Taxpayer Compliance Level With Taxpayer Financial Condition as a Moderating Variable

David Chandra[1], Nurul Hidayah[2]

[1,2]Faculty of Economics and Business, Mercu Buana University Jakarta

Abstract

This study aims to analyze the factors influencing individual taxpayer compliance in the Pratama Tax Office of Gianyar. The analyzed factors encompass taxpayer awareness, tax service quality, tax sanctions, financial condition, and the moderating influence of financial condition on the relationship between these factors and taxpayer compliance. The analysis is conducted using the Partial Least Square (PLS) method. Data were collected from 340 respondents who are individual taxpayers in the Pratama Tax Office of Gianyar. The analysis results indicate that the factors of taxpayer awareness and tax service quality have a positive and significant impact on taxpayer compliance. However, the tax sanctions factor does not have a significant influence on taxpayer compliance. Furthermore, financial condition moderates the influence of taxpayer awareness and tax service quality on taxpayer compliance. This research holds significant implications for the Pratama Tax Office of Gianyar in enhancing taxpayer compliance. The research findings demonstrate that the variables of taxpayer awareness and tax service quality exert a positive and significant influence on taxpayer compliance. This suggests that taxpayers with a higher awareness of tax obligations and who experience good tax services tend to be more compliant in fulfilling their tax obligations. These findings align with prior research indicating a positive relationship between taxpayer awareness, tax service quality, and tax compliance.

**Keywords:** taxpayer compliance, taxpayer awareness, tax service quality

1. Introduction

Modern tax administration aims to efficiently collect taxes and reduce administrative costs as well as taxpayer compliance. The IMF regards the self-assessment system as the primary method for collecting tax revenue. In this system, taxpayers determine the amount of tax owed. The IMF emphasizes the importance of services to taxpayers, consistent imposition of sanctions, and transparency in tax administration to enhance tax compliance (Ebrill et al., 2001, Okello, 2014 dan Chong & Arunachalam, 2019).

Experiences from various countries indicate that factors such as service quality, patriotism, and trust in tax authorities influence taxpayer compliance. However, in Indonesia, the self-assessment system presents a paradox. While aiming to increase public awareness of tax payments, this system also opens

opportunities for deviations. Indonesia's low tax ratio (11.6% in 2019) reflects a high level of tax evasion, below the average of the Asia-Pacific region (21%) and the OECD (33.8%).

Figure 1: Tax Ratio in 2019
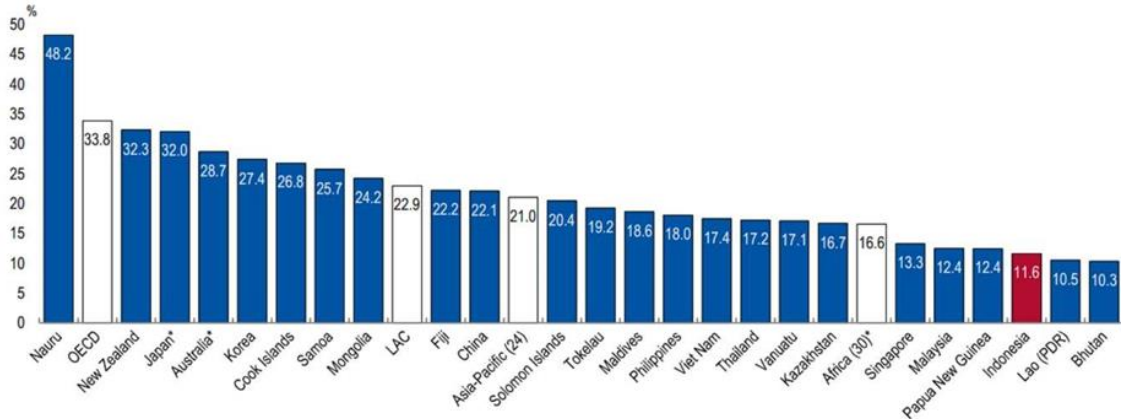
(Source: OECD. 2021)

Taxes serve as a crucial revenue source for nations, especially in the post-COVID-19 pandemic economic recovery. The pandemic led to an economic contraction in 2020, but the recovery began in 2021. The costs of handling and economic revival are substantial, evident from the funds allocated to recovery programs amounting to trillions of rupiah. Taxes constitute the primary budgetary source for these programs; however, a common issue remains the low level of taxpayer compliance. Tax compliance in Indonesia remains low, as reflected in the tax ratio below

Table 1: Comparison of Tax Realization and Tax Ratio

Year	2018	2019	2020	2021
Tax Target (Trillions of IDR)	1.424,00	1.577,56	1.198,82	1.229,58
Tax Realization (Trillions of IDR)	1.315,51	1.332,06	1.069,98	1.278,56
Tax Achievement (%)	92,23%	84,44%	89,25%	103,98%
Tax Ratio (%)	10,24%	9,76%	8,33%	9,11%

(Source: pajak.go.id)

From the table above, it can be observed that despite the fact that the national tax revenue target was exceeded in 2021 with an achievement of 103.9%, the tax ratio in 2021 was only 9.11%. The tax ratio in 2021 is lower than that of 2018 and 2019, even though the tax revenue realization exceeded the target in 2021.

The achievement of the tax revenue target in 2021, yet the low tax ratio, highlights the importance of taxpayer compliance. Increasing the tax ratio requires the involvement of both tax authorities and taxpayers. The self-assessment system places the responsibility on taxpayers to calculate, pay, and report taxes accurately. Tax authorities, such as the Directorate General of Taxation (DGT), play a role in enhancing compliance through education, services, audits, and collections. Despite efforts being made, challenges like taxpayer awareness continue to influence compliance. In the Pratama Tax Office of Gianyar, the number of compliant taxpayers is fewer than those who are non-compliant, especially in the submission of tax returns (SPT). The number of taxpayers who do not submit SPT can be observed in the following table:

Table 2: Data of Taxpayers Not Submitting Annual Tax Returns in Pratama Tax Office of Gianyar

Type of Taxpayers	Number of Registered Taxpayers	Number of Taxpayers Required to Submit Tax Returns	Taxpayers Not Filing for the Year 2018	Taxpayers Not Filing for the Year 2019	Taxpayers Not Filing for the Year 2020	Taxpayers Not Filing for the Year 2021
Corporations	13.799	13.067	6.032	5.874	5.597	6.056
Individual Employees	157.816	157.627	86.252	86.852	73.430	95.659
Individual Non-Employees	152.932	152.455	130.876	130.991	130.853	133.252

(Source: Pratama Tax Office of Gianyar. June 2022)

From the table above, it can be observed that corporate taxpayer compliance in the Pratama Tax Office of Gianyar is better compared to the compliance of individual employees and non-employees. In comparison to the number of registered taxpayers, the percentage of corporate taxpayers not filing tax returns from 2018 to 2021 falls within the range of 42% to 46%. However, for individual non-employee taxpayers, the non-compliance rate is in the range of 85% to 87%. This signifies that compliance among individual non-employee taxpayers in filing tax returns in the Pratama Tax Office of Gianyar is remarkably low.

Taxpayer adherence rates are impacted by variables like taxpayer consciousness, the quality of services provided, the imposition of tax penalties, and contemporary systems for tax administration. Research by Zulma (2020) shows that tax knowledge, tax administration, and taxation penalties have a positive impact on taxpayer compliance in Indonesia. Ermawati (2018) states that religiosity and taxpayer awareness affect compliance, while Sriniyati (2020) emphasizes the significance of tax morality and tax amnesty policies. The role of tax authorities, such as the Directorate General of Taxation (DGT), also contributes to improving compliance through education, services, audits, and collections.

Taxpayer awareness is a key factor in enhancing compliance. This awareness is reflected in the intention and actions of taxpayers in calculating, paying, and reporting their taxes. Taxpayer financial condition also moderates the influence of awareness, service quality, and taxation penalties on compliance. Enhanced tax services, efficient imposition of taxation penalties, coupled with taxpayer awareness and financial status, lead to elevated levels of compliance. However, research findings on the influence of these factors on taxpayer compliance often lack consistency. Therefore, further research is needed to gain a deeper understanding of the interaction between taxpayer awareness, services, penalties, and financial condition on tax compliance.

2. Research Objectives

Derived from the context and the issue under investigation, the study's objective is to assess how taxpayer compliance at the Pratama Tax Office of Gianyar is affected by factors like taxpayer awareness, quality of tax services, and tax penalties. Furthermore, the research endeavors to explore how the

individual financial situation of taxpayers moderates the connections between taxpayer awareness, tax service quality, tax penalties, and compliance within the Pratama Tax Office of Gianyar.

3. Methodology

3.1. Research Type

This research is a quantitative descriptive study. Quantitative research not only involves the collection of quantitative data but can also involve the collection of qualitative information (Sekaran & Bougie, 2016). This study collects qualitative information through surveys on taxpayer awareness, tax office service quality, tax penalty surveys, and surveys on taxpayer financial conditions. The type of data in this study is primary data. Primary data in this research is obtained directly from individual taxpayers registered at the Pratama Tax Office of Gianyar through questionnaires.

3.2. Population and Sample

The population in this study comprises individual taxpayers registered at the Pratama Tax Office of Gianyar, who have an obligation to file Annual Tax Returns, totaling 310,000 taxpayers. The sample for this research was obtained using an incidental sampling method. Incidental sampling is a technique of sample determination based on chance encounters; anyone who coincidentally/incidentally meets the researcher can be used as a sample, if deemed suitable as a data source (Sugiyono, 2022). The determination of a representative sample size in this study is based on the number of indicators, which is 10. The total number of indicators in this research is 24, resulting in a sample size of 240 respondents.

3.3. Data Collection Techniques

Based on the determined population, the data collection technique in this study is conducted through a survey. According to Sekaran & Bougie (2016), a survey is a system for collecting information from or about individuals to depict, compare, or explain their knowledge, attitudes, and behaviors. The survey is presented in the form of a questionnaire. This data collection method was chosen to obtain accurate and relevant data from taxpayers who have made tax payments and filed their tax returns at the Pratama Tax Office of Gianyar, allowing them to directly experience and assess the quality of tax services at the Pratama Tax Office of Gianyar.

3.4. Data Analysis Method

3.4.1. Descriptive Statistical Technique

In this study, the descriptive statistical analysis method is employed, encompassing measures of central tendency and variability. The central tendency used is the mean, while variability includes minimum, maximum, and standard deviation. Descriptive statistical analysis is conducted using Smart PLS software

3.4.2. Inferential Statistics (Variance Based SEM - Partial Least Square)

This research employs a comprehensive testing tool to explore relationships among the research variables. The tool used is Variance-Based Structural Equation Model (SEM) or Partial Least Square (PLS), tested using Smart PLS software. SEM (Structural Equation Modeling) is a statistical method that can analyze the relationship patterns between latent constructs and their indicators, as well as the relationships among latent constructs and direct measurement errors. SEM enables a direct analysis of multiple dependent and independent variables.

3.4.3. Partial Least Square Model Evaluation

The Partial Least Square, as a predictive model, does not assume a specific distribution in estimating parameters and predicting causality relationships (Abdillah & Hartono, 2015). Partial Least

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Square does not require a normal distribution or satisfy classical assumption tests as in parametric testing. Therefore, the evaluation of the prediction model is non-parametric.

3.4.4. Second Order Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) is utilized to validate the underlying structure of a concept. CFA is a type of factor analysis that verifies multiple observed constructs presumed to be indicative of latent constructs. The primary aim of this factor analysis is to provide understanding and insight by decreasing the number of parameters. To further condense variables, CFA includes a Second Order Factor Analysis. The evaluation of Second Order Factor Analysis takes place in two steps: initially, the assessment progresses from latent construct dimensions to their respective indicators, followed by an examination from latent constructs to the dimensions of the constructs themselves (Widarjono, 2015).

3.4.5. Measurement Model (Outer Model)

The validity and dependability of research instruments are assessed through the employment of the measurement model. Thorough evaluation of this measurement model is of utmost importance. According to Abdillah & Hartono (2015), a research idea and its model cannot be subjected to testing within a predictive framework involving relational and causal associations unless they have successfully undergone the refinement phase within the measurement model.

3.4.6. Uji Validitas

In the study, the validity test is conducted to measure the extent to which research instruments can measure the intended constructs. The validity test is divided into convergent validity and discriminant validity.

Convergent Validity: Convergent validity refers to high correlations between measures of a single construct. This is assessed through factor loadings, indicating the extent to which research items contribute to the construct. High factor loading values indicate the significance of item contribution to factor interpretation. Other methods involve communality values and Average Variance Extracted (AVE).

Discriminant Validity: Discriminant validity refers to the significant lack of correlation between different constructs. This is assessed through cross-loadings, measuring the level of item association with other constructs. Other methods involve comparing the square root of AVE and latent variable correlations. The study uses the Fornell-Larcker Criterion from Smart PLS 3.2.9 output to measure discriminant validity.

Table 3 presents the parameters for the validity test in PLS analysis. These parameters encompass criteria used to assess convergent validity (through factor loadings, AVE, and communality) and discriminant validity (through the square root of AVE, latent variable correlations, and cross-loadings):

Table 3: Parameters for Validity Test in PLS

Validity Test	Parameter	*Rule of Thumbs*
Convergent	Factor Loading	More than 0.7
	Avarage Variance Extracted (AVE)	More than 0,5
	Communality	More than 0,5

Discriminant	Square Root of AVE and Latent Variable	Square Root of AVE > Latent Variable Correlation
	Cross loading	Square Root of AVE > Latent Variable Correlation

(Source: Abdillah. 2015)

3.4.7. Reliability testing

Reliability testing can be conducted using two methods: Cronbach's alpha and Composite reliability. Abdillah & Hartono (2015) state that a rule of thumb for Cronbach's alpha or composite reliability values is that they should be greater than 0.7, although a value of 0.6 can still be considered acceptable.

3.4.8. Structural Model (Inner Model)

The evaluation of the PLS model can be observed through the values of R-squared and T-statistics. The R-squared value is used to assess latent dependent constructs, while T-statistics are used to evaluate the significance test between constructs in the structural model. According to Abdillah & Hartono (2015), R-squared is not an absolute parameter for measuring the accuracy of the prediction model, as the theoretical basis of the causal relationship is the primary parameter for explaining that causality relationship. Abdillah & Hartono (2015) state that the T-statistics value should be above 1.96 for two-tailed hypotheses and above 1.64 for one-tailed hypotheses, with a significance level (alpha) of 5%.

3.4.9. Hypothesis Testing

According to Abdillah & Hartono (2015), the path coefficient scores indicated by the T-statistics value at a 5% alpha level should be above 1.64 for 1-tailed hypothesis testing and above 1.96 for 2-tailed hypothesis testing. In other words, hypothesis testing is conducted by comparing the T-statistics value to the T-table value. A hypothesis is considered to be supported if the T-statistics value exceeds the corresponding value in the T-table.

4. Result and Finding

4.1. Characteristics of Respondents

Based on Gender

Table 4: Gender of Respondents

No	Gender	Number	Percentage
1	Male	205	60,3%
2	Female	135	39,7%
Total		340	100%

(Source: Processed Primary Data, 2023)

Based on the Table 4 above, it can be concluded that the respondents in this study are predominantly male, with 205 respondents (60.3%), and female, with 135 respondents (39.7%). This indicates that the gender distribution of registered individual taxpayers at KPP Pratama Gianyar is predominantly male, who actively participated in this research.

Based on Age

Tabel 5: Usia Responden

No	Age (year)	Number	Percentage
1	18-28	81	23,8%
2	29-39	174	51,2%
3	40-50	70	20,6%
4	51-61	9	2,6%
5	> 62	6	1,8%
	Total	340	100%

(Source: Processed Primary Data, 2023)

Based on Table 5 above, it can be concluded that the age distribution of respondents in this study is predominantly within the range of 29-39 years, with 174 respondents (51.2%), and the least represented age group is above 62 years, with 6 respondents (1.8%). This indicates that the majority of registered individual taxpayers at KPP Pratama Gianyar who participated in this study are primarily in the middle adulthood age range.

Based on Educational Level

Table 6: Level of Education of Respondents

No	Education	Number	Persentase
1	High School / Vocational School / Diploma 1	118	34,7%
2	Bachelor's Degree (D3/S1)	205	60,3%
3	Master's Degree (S2/S3)	17	5,0%
	Total	340	100%

(Source: Processed Primary Data, 2023)

Based on Table 6, it can be concluded that the respondents in this study are mostly educated at the D3/S1 level with a total of 205 (60.3%) respondents. This indicates that in terms of education, the individual taxpayers registered at the Pratama Gianyar Tax Office generally have a higher level of education.

Based on Occupation

Table 7: Respondents' Occupations

No	Occupation	Number	Persentase
1	Civil Servant	9	2,6%
2	Employee	245	72,1%
3	Others	20	5,9%
4	Entrepreneur	66	19,4%
	Total	340	100%

(Source: Processed Primary Data, 2023)

Based on Table 7, it can be concluded that the respondents in this study are predominantly

employed as employees, totaling 245 (72.1%) respondents, while a small portion work as civil servants (ASN), totaling 9 (2.6%) respondents. This indicates that in terms of occupation, the majority of individual taxpayers registered at KPP Pratama Gianyar are employees.

Based on the Annual Income per Respondent

Table 8: Annual Income per Respondent

No	Income per Year	Number	Persentase
1	< Rp.60.000.000	69	20,3%
2	Rp.60.000.000-Rp250.000.000	266	78,2%
3	Rp.250.000.000 - Rp500.000.000	5	1,5%
	Total	340	100%

(Source: Processed Primary Data, 2023)

Based on Table 8, it can be concluded that the respondents in this study mostly have an annual income of Rp. 60,000,000 to Rp. 250,000,000, with a total of 266 (78.2%) respondents. This indicates that in terms of annual income, the majority of individual taxpayers registered at KPP Pratama Gianyar have an income above the minimum wage in Bali.

4.2. Descriptive Analysis of the Study

Variable: Taxpayer Awareness

Table 9: Respondents' Assessment of Taxpayer Awareness

Variable Items	Mean	Category
Taxpayers are aware that taxes are a form of participation in supporting national development	4,45	Very High
Taxpayers are aware that the benefits of taxes are actually also felt by themselves but not directly enjoyed.	4,13	High
Taxpayers are aware that delaying tax payments and reducing tax burdens greatly harm the country.	4,20	Very High
Taxpayers are aware that paying taxes that do not correspond to what should be paid will harm the country.	4,19	High
Taxpayers are aware that taxes are established by law and can be enforced.	4,30	Very High
Taxpayer Awareness	4,25	Very High

(Source: Processed Primary Data, 2023)

Based on Table 9, out of the 340 respondents taken as samples, it is known that the majority of respondents assessed Taxpayer Awareness as "Very High" (Mean 4.25). This indicates that taxpayers are highly aware that taxes represent a form of participation in supporting national development, that the true benefits of taxes are also felt by themselves although not directly enjoyed, that delaying tax payments and reducing tax burdens significantly harm the country, that paying taxes not in accordance with what should be paid will harm the country, and that taxpayers are very aware that taxes are established by law and can be enforced.

Variable: Tax Service Quality

Table 10: Respondents' Assessment of Tax Service Quality

Item Variabel	Mean	Category
The facilities in the tax office are suitable for use	4,36	Very High
Adequate service facilities are available.	4,29	Very High
Services are provided in a timely manner.	4,05	High
Services are capable of solving problems.	4,17	High
Services are provided responsively.	4,21	Very High
Services are provided with a sense of responsibility.	4,23	Very High
Services are provided for free.	4,31	Very High
Services are provided without discrimination.	4,25	Very High
Services are provided with empathy towards taxpayers' issues.	4,07	High
Services are communicated clearly in a language easily understood by taxpayers.	4,19	High
Tax Service Quality	4,22	Very High

(Source: Processed Primary Data, 2023)

Based on Table 10 of the 340 respondents selected as samples, it is evident that the majority of respondents assessed Taxpayer Awareness as "Very High" (with a mean of 4.22). This shows that the facilities at the tax office are very suitable for use, that sufficient service provisions are available, that services are promptly provided, that services are very capable of resolving issues, that services are dispensed with a very responsible attitude, that services are offered without charge, that services are provided without discrimination, and that services are delivered with an empathy approach towards taxpayer concerns.

Tax Penalty Variables

Table 11: Respondents' Assessment of Tax Penalties

Variabel Item	Mean	Category
Tax administration sanctions serve as a means to educate and prevent deviations.	4,05	High
Fair and reasonable tax penalties for late tax returns.	3,60	High
Reasonable tax interest for delays and payment errors.	3,41	High
Alignment of sanctions with the severity of the violation.	3,43	High
Tax Penalties	3,62	High

(Source: Processed Primary Data, 2023)

Based on Table 11, from the 340 respondents selected as samples, it is evident that a majority of respondents assessed Tax Penalties as "High" (Mean 3.62). This suggests that penalties imposed by tax administration are successful in educating and deterring non-compliance, tax penalties for delayed tax returns are perceived as just and rational, tax interest rates for delays and payment mistakes are deemed reasonable, and there exists a congruence between the severity of the violation

and the corresponding sanctions.

Financial Condition Variable

Table 12: Respondents' Assessment of Financial Condition

Item Variabel	Mean	Category
The taxpayers agree that the current income is sufficient to cover living expenses and pay taxes.	3,84	High
Taxpayers agree that the amount of income owned motivates them to pay taxes.	3,74	High
Financial Condition	3,79	High

(Source: Processed Primary Data, 2023)

Based on Table 4.9, from the 340 respondents selected as samples, it is evident that a majority of respondents assessed the Financial Condition as 'High' (Mean 3.79). This indicates that taxpayers agree that the current income is sufficient to cover living expenses and pay taxes, and they also agree that the amount of income they possess motivates them to pay taxes.

Taxpayer Compliance Variable

Table 13: Respondents' Assessment of Taxpayer Compliance

Item Variabel	Mean	Category
Taxpayers timely filed their annual tax returns for the past three years.	4,33	Very High
Taxpayers have no outstanding tax liabilities for all types of taxes	4,56	Very High
Taxpayers have never been convicted for any tax-related offenses	4,66	Very High
Taxpayer Compliance	4,52	Very High

(Source: Processed Primary Data, 2023)

Based on Table 13, from the 340 respondents selected as samples, it is evident that a majority of respondents assessed Taxpayer Compliance as "Very High" (Mean 4.52). This indicates that taxpayers consistently filed their tax returns on time for the past three years, have no outstanding tax liabilities for any type of taxes, and have not been convicted of any tax-related offenses.

4.3. Analisis Partial Least Square (PLS)

Validity Test

Variabel Table 14: Results of Variable Item-Validity Test

Variable	(AVE)	Critical Value	Description
Taxpayer Awareness	0,771	0,5	Valid
Tax Service Quality	0,787	0,5	Valid
Tax Penalties	0,795	0,5	Valid
Financial Condition	0,848	0,5	Valid
Taxpayer Compliance	0,736	0,5	Valid

(Source: Processed Primary Data, 2023)

Based on Table 13, from the 340 respondents selected as samples, it is evident that a majority of respondents assessed Taxpayer Compliance as 'Very High' (Mean 4.52). This indicates that taxpayers consistently filed their annual tax returns on time for the past three years, have no outstanding tax liabilities for any type of taxes, and have never been convicted for any tax-related offenses

Construct Reliability Test in Smart PLS

Table 15: Reliability Test Results

Variabel	Cronbach Alpha	Composite Reliability	Critical Value	Description
Taxpayer Awareness	0,925	0,944	0,7	Reliabel
Tax Service Quality	0,970	0,974	0,7	Reliabel
Tax Penalties	0,913	0,939	0,7	Reliabel
Financial Condition	0,821	0,918	0,7	Reliabel
Taxpayer Compliance	0,817	0,892	0,7	Reliabel

(Source: Processed Primary Data, 2023)

From Table 15, it is evident that the Cronbach's Alpha coefficient is > 0.7, indicating that all items of questions under the variables Taxpayer Awareness, Tax Service Quality, Tax Penalties, Financial Condition, and Taxpayer Compliance are reliable

4.4. Inner Model Testing or Structural Model Testing

The stages performed in the analysis of the inner model involve testing the coefficients of determination and effect size.

Coefficient of Determination (R-Square)

R-Square for dependent constructs, the Stone-Geisser Q-Square test for predictive relevance, the t-test, and the significance of the coefficients of the structural path parameters are all used to evaluate the structural model (Ghozali, 2016). Along with analyzing the R-Square value, the PLS model is also assessed using the Q-Square Predictive Relevance metric, which gauges how effectively the model and its parameter estimations produce the observed values. When the model's Q-Square Predictive Relevance value is more than 0, it is considered to have predictive relevance; when it is lower than 0, it is considered to have no predictive significance.

$$Q^2 = 1 - (1 - (Rsquare)^2)$$
$$Q^2 = 1 - (1 - (0,189^2)) = 0,035$$

Based on the calculation results, the Q-Square value is observed to be 0.035. This indicates that the Taxpayer Awareness, Tax Service Quality, Tax Penalties, and Financial Condition variables have a low level of predictive ability for Taxpayer Compliance.

Effect Size

The F-square test determines whether an endogenous latent variable has a significant impact on an exogenous latent variable. The F-square itself serves as an indicator of the strength of this influence. Influence is considered small when the result is > 0.02, moderate when the value is > 0.15, and significant

when the value is > 0.35.

Tabel 16: Data F-Square

	Taxpayer Compliance (Y)	Taxpayer Awareness (X1)	Financial Condition (Z)	Tax Service Quality (X2)	Tax Penalties (X3)
Taxpayer Compliance (Y)					
Taxpayer Awareness (X1)	0,014				
Taxpayer Awareness (Z)	0,046				
Tax Service Quality (X2)	0,038				
Tax Penalties (X3)	0,002				

(Source: Partial Least Squares Data Analysis Results. 2023)

Based on the F-square table, the F-square values for Taxpayer Awareness, Tax Service Quality, Tax Penalties, and Financial Condition with respect to taxpayer compliance are considered small as they are 0.046, 0.038, 0.014, and 0.002, respectively, all falling within the range of values from 0.02 to 0.15.

Outer Model

Since it is assumed that the indicators are not correlated with each other, the internal consistency reliability measure is not necessary to test the reliability of a formative construct (Ghozali, 2016). Ghozali (2016) also states that a formative construct is essentially a regression relationship from indicators to the construct, and the way to assess it is by examining the coefficient values of this regression. Therefore, when looking at the values of the weights for each indicator and their significance, the recommended weight value is 0.70 (Hair et al., 2019). Below are the results of the Outer Loadings:

Tabel 17: Outer Loadings

Item	Outer Loadings	P Values	Critical Value	Descrip-tion
X1.1.1 <- X1	0,806	0,000	0,7	Valid
X1.1.2 <- X1	0,882	0,000	0,7	Valid
X1.2.1 <- X1	0,905	0,000	0,7	Valid
X1.2.2 <- X1	0,915	0,000	0,7	Valid
X1.2.3 <- X1	0,877	0,000	0,7	Valid
X2.1.1 <- X2	0,940	0,000	0,7	Valid
X2.1.2 <- X2	0,943	0,000	0,7	Valid
X2.2.1 <- X2	0,930	0,000	0,7	Valid
X2.2.2 <- X2	0,947	0,000	0,7	Valid

|				
X2.3.1 <- X2	0,977	0,000	0,7	Valid
X2.3.2 <- X2	0,976	0,000	0,7	Valid
X2.4.1 <- X2	0,958	0,000	0,7	Valid
X2.4.2 <- X2	0,962	0,000	0,7	Valid
X2.5.1 <- X2	0,962	0,000	0,7	Valid
X2.5.2 <- X2	0,965	0,000	0,7	Valid
X3.1.1 <- X3	0,827	0,000	0,7	Valid
X3.1.2 <- X3	0,912	0,000	0,7	Valid
X3.1.3 <- X3	0,927	0,000	0,7	Valid
X3.1.4 <- X3	0,897	0,000	0,7	Valid
Y.1 <- Y	0,775	0,000	0,7	Valid
Y.2 <- Y	0,926	0,000	0,7	Valid
Y.3 <- Y	0,865	0,000	0,7	Valid
Z.1.1 <- Z	0,921	0,000	0,7	Valid
Z.1.2 <- Z	0,921	0,000	0,7	Valid

(Source: Partial Least Squares Data Analysis Results. 2023)

The analysis results indicate that all variables, namely Taxpayer Awareness, Tax Service Quality, Tax Penalties, Financial Condition, and Taxpayer Compliance, have Outer Loadings values > 0.7. Therefore, there is no need for model modification.

Partial Least Square (PLS) Estimation Results

Based on the data processing conducted by the researcher, the estimations were used to test hypotheses by examining the t statistic and P value. A hypothesis is considered accepted if the t statistic > t table (critical value), which is 1.649, and the P value < 0.5 (Ghozali, 2016). The following presents the results of hypothesis testing obtained by the researcher using the inner model. The analysis employed in this study is Partial Least Square (PLS) analysis, aimed at understanding the influence among Taxpayer Awareness, Tax Service Quality, and Tax Penalties, moderated by Financial Condition, on Taxpayer Compliance. The PLS analysis results are presented in the following table:

Figure 2: PLS Analysis Values
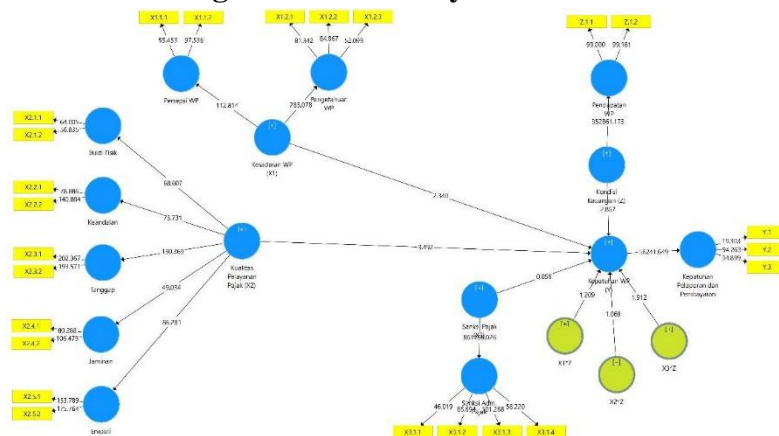
Here is the table of PLS results:

Table 18: Partial Least Square (PLS) Results

Variabel	Coefficients	t-statistic	P-Values	Critical t-value (t-table)
Taxpayer Awareness (X1) - Taxpayer Compliance (Y)	0,133	2,340	0,010	1,645
Tax Service Quality (X2) - Taxpayer Compliance (Y)	0,199	3,492	0,000	1,645
Tax Penalties (X3) - Taxpayer Compliance (Y)	-0,049	0,858	0,195	1,645
Financial Condition (Z) - Taxpayer Compliance (Y)	0,237	2,867	0,002	1,645
Moderation of Taxpayer Awareness (X1) by Financial Condition (Z) - Taxpayer Compliance (Y)	-0,062	1,209	0,113	1,645
Moderation of Tax Service Quality (X2) by Financial Condition (Z) - Taxpayer Compliance (Y)	-0,086	1,069	0,142	1,645
Moderation of Tax Penalties (X3) by Financial Condition (Z) - Taxpayer Compliance (Y)	0,083	1,912	0,028	1,645

(Source: Partial Least Squares Data Analysis Results. 2023)

In the equation above, we can observe the influence of Taxpayer Awareness, Tax Service Quality, and Tax Penalties, moderated by Financial Condition, on Taxpayer Compliance.

4.5. Hypothesis Testing

Influence of Taxpayer Awareness (X1) on Taxpayer Compliance (Y)

With a significance level (probability) of 0.05 (5%) and from the SEM Regression results, a t-statistic of 2.340 was obtained, with P-values < 0.05, and a positive coefficient. Based on the data analysis results, P-values < 0.05 and t-statistic (2.340) > critical t-value (1.645), it can be concluded that the Taxpayer Awareness variable (X1) has a positive and significant influence on Taxpayer Compliance (Y).

The research analysis results indicate that Taxpayer Awareness has a significant positive impact on Taxpayer Compliance among individual taxpayers registered at the Pratama Gianyar Tax Office. This study confirms that an increase in the level of Taxpayer Awareness has the potential to significantly enhance Taxpayer Compliance within this taxpayer group.

This finding is in line with the outcomes of several previous studies, including As'ari (2018), Dewi & Merkusiwati (2018), Ermawati (2018), Perdana & Dwirandra (2020), and Wahyuni (2018), which also demonstrated a significant influence of Taxpayer Awareness on Taxpayer Compliance. Perdana & Dwirandra (2020) explained that a high level of taxpayer awareness tends to increase tax compliance, as individuals with a high awareness of tax obligations are more inclined to be obedient and compliant in fulfilling their responsibilities.

This concept aligns with the Theory of Planned Behavior, where Taxpayer Awareness is related to behavioral beliefs stating that individual attitudes will influence their intentions to act, based on an understanding of the outcomes of such actions. Tax awareness forms the foundation of attitude, which impacts taxpayers' intentions to comply or not. A high level of awareness regarding the role of taxes for the nation, a positive attitude towards taxation, and the consciousness that paying taxes is a moral obligation to the country and society are important factors influencing Taxpayer Compliance.

This study confirms that Taxpayer Awareness plays a positive role in enhancing Taxpayer Compliance. Therefore, efforts to increase taxpayer awareness can contribute to improved tax compliance. This finding holds implications for the Pratama Gianyar Tax Office to continuously maintain and enhance taxpayer awareness regarding their pivotal role in tax payment and its positive impact on the nation. One of the steps that can be taken is by enhancing tax education and communication, so that the public, especially registered taxpayers, remain conscious of their role as taxpayers and their contribution through tax payment to the country..

Testing the Influence of Tax Service Quality (X2) on Taxpayer Compliance (Y)

With a significance level (probability) of 0.05 (5%) and from the SEM Regression results, a t-statistic of 3.492 was obtained, with P-values < 0.05, and a positive coefficient. Based on the data analysis results, P-values < 0.05 and t-statistic (3.492) > critical t-value (1.645), it can be concluded that the Tax Service Quality variable (X2) has a positive and significant influence on Taxpayer Compliance (Y).

Tax Service Quality has a significant positive impact on Taxpayer Compliance among individual taxpayers at the Pratama Gianyar Tax Office. The research findings align with other studies, such as Antari & Supadmi (2019), Murti et al. (2014), and Rizky & Amir (2020), which confirm the influence of Tax Service Quality on Taxpayer Compliance. Pratama & Mulyani (2019) stated that the quality of tax officer services significantly impacts taxpayers' perceptions because received information and comfort depend on service quality. Better quality tax officer services are associated with higher levels of tax compliance.

Research by Nasution & Ferrian (2017) and Stefanus & Utami (2019) also demonstrated that service quality influences individual taxpayer and SME compliance. Service quality is measured through the alignment of expectations and services provided. In the Theory of Planned Behavior, tax service quality is related to normative beliefs, influencing taxpayer motivation to fulfill these expectations. This study demonstrates that Tax Service Quality has a positive impact on Taxpayer Compliance, encouraging taxpayer participation in reporting and paying taxes. Therefore, the Pratama Gianyar Tax Office needs to enhance service quality to motivate taxpayers to fulfill their tax obligations.

Testing the Influence of Tax Penalties (X3) on Taxpayer Compliance (Y)

With a significance level (probability) of 0.05 (5%) and from the SEM Regression results, a t-statistic of 0.858 was obtained, with P-values > 0.05, and a negative coefficient. Based on the data analysis results, P-values > 0.05 and t-statistic (0.858) < critical t-value (1.645), it can be concluded that the Tax Penalties variable (X3) has a negative and insignificant influence on Taxpayer Compliance (Y).

The analysis indicates that in the context of individual taxpayers registered at the Pratama Gianyar Tax Office, Tax Penalties have a negative but insignificant impact on Taxpayer Compliance. This implies that an increase in Tax Penalties does not significantly result in improved tax compliance among individual taxpayers in that area.

However, this finding is not in line with some previous studies, such as Zulma's research (2020) showing that Tax Penalties have an impact on tax compliance in Indonesia. Additionally, Cahyani & Noviari (2019) and Alvin & Apollo (2020) indicated that tax penalties positively affect SME taxpayer compliance.

The importance of Tax Penalties as a factor influencing tax compliance is acknowledged in the literature. Penalties have the potential to provide education, legal certainty, and fairness to taxpayers, thus enhancing their confidence in tax payment compliance. However, in this case, individual taxpayers at the Pratama Gianyar Tax Office did not exhibit improved tax compliance despite the presence of penalties.

In optimizing the effectiveness of Tax Penalties, a holistic and comprehensive approach is needed. Beyond penalties, other factors such as education, communication, and the role of law enforcement need consideration. Therefore, to achieve more significant improvements in tax compliance, strategic steps and broader approaches may be required.

Data related to the issuance of penalties in Tax Assessment Letters (Surat Tagihan Pajak, STP) from the Pratama Gianyar Tax Office from 2019 to 2021 also provide valuable insights regarding the implementation of penalties in this context:

Table 19: Comparison of the Number of Tax Penalties Issued at the Pratama Gianyar Tax Office

Year	All Types of Tax Penalties	Tax Type of Penalty Tax Penalty for Individual Taxpayers	Percentage
2019	Rp445.377.330	Rp12.443.688	2,79%
2020	Rp239.318.273	Rp1.249.985	0,52%
2021	Rp183.965.917	Rp1.033.884	0,56%

(Source: Pratama Gianyar Tax Office. August 2023.)

The table above shows that the number of penalties issued for individual taxpayers is very small compared to the total penalties issued for all types of taxes by the Pratama Gianyar Tax Office. This contradicts the data on individual taxpayers who have not yet reported their Annual Income Tax Return (SPT Tahunan) to the Pratama Gianyar Tax Office. The implication is that the enforcement of Tax Penalties against individual taxpayers in this area has not been optimal, thus Tax Penalties do not lead to an increase in tax compliance. Therefore, there is a need for an evaluation of the enforcement of Tax Penalties at the Pratama Gianyar Tax Office, as Tax Penalties should ideally support or enhance tax compliance.

In the Theory of Planned Behavior, tax penalties are related to control beliefs, which are an individual's beliefs about factors that can inhibit or support their behavior. Although Tax Penalties should theoretically deter non-compliant behavior, the research results indicate that Tax Penalties do not have an influence on tax compliance among individual taxpayers registered at the Pratama Gianyar Tax Office. This suggests that Tax Penalties do not deter non-compliant behavior among individual taxpayers in that area. Tax penalties should serve as a guarantee that tax regulations are complied with. However, if tax penalties are not effective in preventing repeat violations, it might be because Tax Penalties are perceived as mere formalities and enforcement actions by tax officers are not sufficiently stringent.

Testing the Effect of Financial Condition (Z) on Taxpayer Compliance (Y)

With a significance level (probability) = 0.05 (5%) and from the SEM Regression results, the t-value is 2.867, P-values < 0.05, and the coefficient is positive. Based on the data analysis, the t-value

(2.867) > t-table (1.645), thus it is concluded that the Financial Condition variable (Z) can be used as a direct variable because it has a positive and significant effect on Taxpayer Compliance (Y).

The analysis results indicate that moderating Taxpayer Awareness with Financial Condition does not significantly affect Tax Compliance among individual taxpayers registered at the Pratama Gianyar Tax Office. This means that if an increase in the moderation of Taxpayer Awareness with Financial Condition occurs, it will not lead to an increase in Tax Compliance among individual taxpayers in that area. This also suggests that Financial Condition does not strengthen the impact of the moderation of Taxpayer Awareness on Tax Compliance for individual taxpayers.

These findings are in line with the research by Ayunda (2015), which found that the financial condition of taxpayers significantly affects tax compliance. However, when the financial condition is used as a moderating factor in the relationship between Taxpayer Awareness and Tax Compliance, the financial condition does not amplify the influence of Taxpayer Awareness. This research does not align with the study by Razak & Adafula (2013), which demonstrated that financial condition can enhance the influence of taxpayer awareness. The research findings also do not align with the study by Yuslina et al. (2018), which indicated that financial condition strengthens the relationship between taxpayer awareness and tax compliance.

For individual taxpayers at the Pratama Gianyar Tax Office, financial condition does not have an impact or change in the level of tax awareness regarding tax compliance. Tax awareness among individual taxpayers in this region is not influenced by their financial condition. Economic status does not appear to be a determining factor for tax awareness, and the willingness to pay taxes is not dependent on the financial condition of individual taxpayers at the Pratama Gianyar Tax Office.

Testing the Effect of Moderating Taxpayer Awareness (X1) with Financial Condition (Z) on Taxpayer Compliance (Y)

With a significance level (probability) = 0.05 (5%) and from the SEM Regression results, the t-value is 1.209, P-values > 0.05, and the coefficient is negative. Based on the data analysis, the P-values > 0.05 and t-value (1.209) < t-table (1.645), thus it is concluded that the Moderating Taxpayer Awareness (X1) with Financial Condition (Z) variable does not have a significant effect on Taxpayer Compliance (Y).

The analysis results indicate that Moderating Taxpayer Awareness with Financial Condition does not significantly affect Tax Compliance among individual taxpayers registered at the Pratama Gianyar Tax Office. This implies that if Moderating Taxpayer Awareness with Financial Condition increases, Tax Compliance among individual taxpayers in the Pratama Gianyar area will not increase. Financial Condition also does not enhance the influence of moderating Taxpayer Awareness on Tax Compliance for individual taxpayers.

These results are in line with the findings of Ayunda (2015) that the financial condition of taxpayers influences tax compliance. However, in the context of moderation between financial condition and taxpayer awareness regarding tax compliance, financial condition does not amplify taxpayer awareness. These findings do not align with the study by Razak & Adafula (2013), which showed that financial condition can strengthen taxpayer awareness. This research also does not align with the study by Yuslina et al. (2018), which demonstrated that financial condition strengthens the relationship between taxpayer awareness and compliance in paying taxes.

The importance of tax awareness for individual taxpayers at the Pratama Gianyar Tax Office does not seem to be influenced by financial condition. A better economic condition for individual taxpayers does not automatically result in higher tax awareness, regardless of their economic status. Therefore, the motivation for tax payment among individual taxpayers at the Pratama Gianyar Tax Office does not appear to depend on their financial condition.

Testing the Effect of Moderating Service Quality (X2) with Financial Condition (Z) on Taxpayer Compliance (Y)

With a significance level (probability) = 0.05 (5%) and from the SEM Regression results, the t-value is 1.069, P-values > 0.05, and the coefficient is negative. Based on the data analysis, the t-value (1.069) < t-table (1.645), thus it is concluded that the Moderating Service Quality (X2) with Financial Condition (Z) variable does not have a significant effect on Taxpayer Compliance (Y).

The analysis results indicate that Moderating Service Quality with Financial Condition does not significantly affect Tax Compliance among individual taxpayers registered at the Pratama Gianyar Tax Office. This implies that if Moderating Service Quality with Financial Condition increases, Tax Compliance among individual taxpayers in the Pratama Gianyar area will not increase. Financial Condition also does not enhance the influence of moderating Service Quality on Tax Compliance for individual taxpayers.

This research does not align with the study by Yuslina et al. (2018), which showed that Financial Condition strengthens the impact of service quality on tax compliance. However, the results of this study are in line with the findings of Alabede et al. (2011), which indicated that

5. Conclusion

Based on the analysis, discussion, and testing conducted using the SPLS software in this research, the following conclusions can be drawn:

Taxpayer Awareness has a positive and significant influence on Tax Compliance among individual taxpayers in KPP Pratama Gianyar. Increasing Taxpayer Awareness can have a positive impact on enhancing Tax Compliance.

Tax Service Quality has a positive and significant influence on Tax Compliance among individual taxpayers in KPP Pratama Gianyar. Improving Tax Service Quality also has the potential to elevate the level of Tax Compliance.

Tax Penalties do not exhibit a significant influence on Tax Compliance among individual taxpayers in KPP Pratama Gianyar. An increase in Tax Penalties is not followed by a corresponding increase in Tax Compliance.

The moderation of Taxpayer Awareness with Financial Condition does not exert a significant influence on Tax Compliance. Financial Condition does not strengthen the moderation effect of Taxpayer Awareness on Tax Compliance.

The moderation of Tax Service Quality with Financial Condition also does not exert a significant influence on Tax Compliance. Financial Condition does not enhance the moderation effect of Tax Service Quality on Tax Compliance.

The moderation of Tax Penalties with Financial Condition has a positive and significant influence on Tax Compliance. Financial Condition strengthens the moderation effect of Tax Penalties on Tax Compliance among individual taxpayers in KPP Pratama Gianyar.

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