Assessing Individual Taxpayer Compliance: Does Service Quality Moderate Tax Knowledge and Tax Penalties?
(Study at KPP Pratama Surabaya Mulyorejo)

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ABSTRACT: *The objective of this study is to assess the impact of tax knowledge and tax penalties on the compliance of individual taxpayers, with service quality acting as a moderating variable, at the Mulyorejo Pratama Tax Service Office. The study population consisted of all individual taxpayers who were registered at the Surabaya Mulyorejo Pratama Tax Office. The study utilized a sample of 100 respondents from a population of 47,115 personal taxpayers. The sample was drawn from the Surabaya Mulyorejo Pratama Tax Service Office in 2018. The questionnaires are distributed using the incidental sampling technique. The data collection in this study was carried out utilizing a questionnaire. The study employed the Partial Least Square (PLS) analytic technique, utilizing the warpPLS 6.0 program. The findings indicated that having knowledge about taxation had a positive impact on personal taxpayer compliance. However, the imposition of taxation penalties did not have any effect on personal taxpayer compliance. Additionally, the moderation of service quality was unable to influence the relationship between tax knowledge and personal taxpayer compliance. However, it was found that service quality moderation had a significant effect. It diminished the impact of tax penalties on the compliance of individual taxpayers.*

Keywords: *Service Quality, Taxpayer Compliance, Tax Knowledge, Tax Penalties.*

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INTRODUCTION

Taxes are one of the main pillars of state finances, enabling the government to provide various public services and finance national development. However, the level of taxpayer compliance, especially among individuals, is often a major concern in the Indonesian tax system. Various factors influence the level of compliance, including tax knowledge (Timothy & Abbas, 2021; Widajantie et al., 2019), tax penalties (Widajantie et al., 2019; Yan & Wangdra, 2024), and the quality of service (Jeandry, 2023; Yan & Wangdra, 2024) from the Tax Service Office (KPP).

State revenue sources are divided into two sectors: external and internal. Revenue from the external sector comes from abroad, such as foreign loan funds or foreign debt, while revenue from the internal sector comes from within the country, such as taxes. However, taxes are the biggest contributor to the Revenue and Expenditure Budget State (APBN) every year (see Table 1).

Table 1. Government Revenue (in Billion Rupiah)

Revenue	2017	2018
Tax	1.472,2	1.618,1
PNBP	260,2	275,4
Grant	3,1	1,2
Total	1.736,1	1.894,7

Source: www.kemenkeu.go.id (processed)

Based on Table 1, the increase in tax revenue receipts from 2017 to 2018 was not accompanied by a decrease in collections on Personal Income Tax (OP), and the tax revenue realization target was not achieved. According to CNN Indonesia, the realization of tax revenues in the 2018 State Revenue and Expenditure Budget (APBN) missed the target. It was recorded that the tax bag was only filled with IDR 1,315.9 trillion as of January 2, 2019, or the equivalent of 92.4 percent of the target of IDR 1,424 trillion. Minister of Finance Sri Mulyani Indrawati stated that tax revenues did not reach the target because non-oil and gas tax revenues only reached IDR 1,251.2 trillion or 90.3 percent of the target of IDR 1,385.9 trillion. Several types of tax levies are also lower than the previous year. For example, Personal Income Tax (OP) only grew by 20.53 percent. In fact, in 2017, it reached 41.67 percent. Likewise, revenues from the Domestic VAT type only grew 6.57 percent from the previous 15.14 percent (CNN Indonesia, 2019).

A decrease in taxpayer compliance caused a decrease in collections on Personal Income Tax (OP). Several factors can influence taxpayer compliance. According to Jayate (2017), tax knowledge can influence taxpayer compliance. Mardiasmo (2016: p. 62) states that tax penalties guarantee that the provisions of tax laws and regulations (tax norms) will be complied with/adhered to/complied with. According to Firmansyah & Layli (2022), tax officials must improve tax service quality to increase taxpayer compliance in fulfilling their tax obligations (see Table 2).

Table 2. Individual Taxpayer Compliance Statistics at KPP Pratama Mulyorejo

Fiscal Year	Registered Tax-payers	Tax-payers Report (SPT)	Report realization	Percentage of compliance
2013	65.627	56.838	N/A	
2014	70.647	52.473	N/A	
2015	77.004	48.216	35.916	74%
2016	81.555	51.658	41.946	81%
2017	89.429	43.195	39.021	90%
2018	94.936	47.115	41.971	89%

Source: KPP Pratama Mulyorejo (Processed)

KPP Pratama Mulyorejo in the taxpayer compliance ratio level data is shown in Table 2. This data explains the number of SPT submissions in the last 4 years. Table 2 shows that the taxpayer compliance ratio at KPP Pratama Mulyorejo fluctuates quite frequently, not always increasing or decreasing. The compliance ratio in 2018 was 89%, smaller than the previous year, namely 2017, up to 90%, while in 2015, the compliance ratio was 74%; this shows that in 2015, the level of taxpayer compliance was far from expectations.

Increasing taxpayer compliance is one of the main goals of effective tax administration (Pramubinawan, 2023). This compliance is important because taxes are the state's main source of income,

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which is used to finance development and public services. However, taxpayer compliance is still challenging in many developing countries, including Indonesia. Lack of tax knowledge and low awareness of the importance of tax penalties are often the main causes of low levels of compliance. Therefore, this research is important to identify factors influencing taxpayer compliance, especially at KPP Pratama Surabaya Mulyorejo, to provide more effective policy recommendations.

Various studies have examined the influence of tax knowledge and penalties on tax compliance (Nugroho & Apriladiestya, 2023; Siregar et al., 2023; Utari et al., 2020). However, this research offers uniqueness by including service quality as a moderating variable that can strengthen or weaken the relationship between tax knowledge, tax penalties, and taxpayer compliance. This is important, considering that quality service from tax officers can increase taxpayers' positive perceptions of the tax system, which can increase compliance. This research also fills gaps in the existing literature (research gap). Most previous studies tend to separate the analysis of tax knowledge and tax penalties without considering the important role of moderating factors such as service quality. Thus, this research provides a more comprehensive understanding of the influence of knowledge and penalties on tax compliance and reveals how service quality can influence these dynamics.

The main contribution of this research is to provide new, more holistic insight into the factors that influence taxpayer compliance, especially in the scope of KPP Pratama Surabaya Mulyorejo. It is hoped that the results of this research can become a basis for policymakers to formulate strategies for increasing tax compliance that are more effective and sustainable, taking into account increasing taxpayer knowledge, enforcing fair penalties, and improving service quality. Apart from that, this research can also be a reference for further studies that wish to explore the role of service quality in the context of tax compliance.

LITERATURE REVIEW

Attribution Theory
Attribution theory is a psychological framework that explains how individuals understand the causes of behavior and events. This theory was introduced by Fritz Heider in 1958 and later developed by other researchers such as Harold Kelley and Bernard Weiner. According to this theory, people tend to seek explanations or causes for their own and others' behavior to provide meaning and control over the situations they face (Romadhon & Diamastuti, 2020).

Attribution can be divided into two main types: internal and external. Internal attribution links behavior to factors that originate from within the individual, such as personality, ability, or effort. For example, if someone passes a test with a high score, they may attribute that success to their hard work or intelligence. On the other hand, external attributions attribute behavior to factors outside the individual, such as the situation, fate, or the actions of others. For example, if someone does not pass an exam, they may blame the exam questions as being too difficult or unfavorable. Attribution theory helps in understanding how these explanations influence an individual's attitudes and behavior, as well as how they interact with others (Romadhon & Diamastuti, 2020). By understanding attribution, we can better manage our perceptions and reactions to everyday events and improve social interactions and communication (Ghassani, 2019).

Theory of Planned Behavior (TPB)
The theory of planned behavior (TPB) is a psychological framework used to understand and predict human behavior in decision-making. This theory was developed by Icek Ajzen in 1985 as a development of a previous theory known as the Theory of Reasoned Action (Ajzen, 1991). The TPB posits that a person's behavior can be predicted based on three main factors: the individual's attitude toward the behavior, perceived subjective norms (i.e., the individual's view of how people important to them expect them to act), and perceived behavioral control (i.e., the level of trust individuals that they have control over the behavior).

Attitudes toward behavior reflect an individual's evaluation of the advantages and disadvantages of that behavior. For example, someone with a positive attitude towards exercise will be more likely to engage in regular physical activity. Subjective norms refer to social pressure or expectations from significant people in a person's life. If people believe their friends support their exercise habits, they are more likely to adopt that behavior. Perceived behavioral control assesses the extent to which a person feels they have control over executing the behavior (Hermawan et al., 2021). For example, someone who feels they have the skills and resources necessary to exercise regularly will be more inclined to do so.

The TPB has been widely applied in various contexts, including health, the environment, and consumer behavior. Its use helps researchers and practitioners to design interventions that are more effective in changing human behavior by influencing attitudes, subjective norms, and individuals' perceived control over desired behavior. By understanding these factors in depth, the TPB provides valuable insight into how we can motivate and influence the behavior of individuals in society (Hastuti et al., 2014; Lesmana et al., 2018).

The Influence of Tax Knowledge on Taxpayer Compliance
The importance of knowledge greatly influences taxpayers' attitudes towards a fair tax system. A higher quality of knowledge will provide an attitude of fulfilling obligations correctly through a country's taxation system that is considered fair. How will taxpayers comply with tax regulations if they do not understand the applicable tax regulations? According to Wibiyani & Ardiyanto (2019), the higher the knowledge and understanding of taxation, the more taxpayer compliance will increase.

Based on attribution theory, tax knowledge is an internal factor influencing individuals in carrying out their tax obligations. The tax knowledge referred to is that the taxpayer understands Indonesia's general provisions and tax procedures and can apply this knowledge when carrying out tax obligations. According to Dewi (2018), indicators used to measure tax knowledge include taxpayer understanding of ownership and use of NPWP and understanding the rights, obligations, and administrative penalties for tax fines. Therefore, tax knowledge has a positive effect on increasing taxpayer compliance.
H1: Tax knowledge has a positive effect on compliance

The Influence of Tax Penalties on Taxpayer Compliance
Tax knowledge plays an important role in encouraging taxpayer compliance. When individuals have a good understanding of tax rules and regulations, they are more likely to fulfill their tax obligations on time and correctly (As'ari, 2018). This knowledge includes an understanding of the types of taxes that apply, tax rates, reporting procedures, as well as sanctions that may be imposed for non-compliance. Taxpayers who have adequate tax knowledge tend to be more aware of the importance of paying taxes as part of their responsibility to the state and society. This knowledge also helps them in calculating the correct taxes and avoiding mistakes that can result in penalties or fines. In addition, a good understanding of tax regulations can reduce uncertainty and worry which often become a barrier to complying with tax obligations (Yan & Wangdra, 2024).

Furthermore, based on attribution theory, tax knowledge can also increase perceptions of the fairness of the tax system, so that taxpayers feel that they are not treated unfairly or burdened excessively. Finally, with increased tax knowledge, taxpayers' awareness and motivation to comply with their tax obligations is likely to increase, contributing to an increase in overall tax compliance. According to Dewi (2018), indicators used to measure tax knowledge include taxpayer understanding of ownership and use of NPWP and understanding the rights, obligations, and administrative penalties for tax fines. Therefore, tax knowledge has a positive effect on increasing taxpayer compliance.
H2: Tax penalties have a positive effect on taxpayer compliance.

Moderating Effect of Service Quality on the Relationship of Tax Knowledge on Taxpayer Compliance
Service is a process of helping others in certain ways that requires sensitivity and interpersonal relationships to create satisfaction and success (As'ari, 2018). Tax service quality is a service that can provide satisfaction to taxpayers, remains within the limits of meeting accountable service standards, and is carried out with high motivation on an ongoing basis (Augustine et al., 2020).

Fiscus services can be linked to normative beliefs, one of the factors of the Theory of Planned Behavior (Lesmana et al., 2018). The existence of good service will influence and motivate taxpayers to fulfill their obligations to pay taxes because taxpayers have adequate tax knowledge and will feel happy. This will facilitate and help them complete their tax obligations, which will impact increasing taxpayer compliance. Indicators used to measure tax penalties, according to Dewi (2018), such as tax officers providing professional services, tax officers providing information needed by individual taxpayers, tax employees conveying information in language that is easy to understand, and tax office facilities and infrastructure are adequate. It can be concluded that the research shows that tax authorities' services will further improve the relationship between tax regulations and individual taxpayer compliance.
H3: Moderation of Service Quality can strengthen the influence of tax knowledge on Taxpayer Compliance.

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Moderating Effect of Service Quality on the Relationship of Tax Penalties on Taxpayer Compliance
Fiscus services can be interpreted as a way for tax officers to help manage or prepare all the necessities needed by taxpayers (As'ari, 2018; Simatupang & Kurniawan, 2022). A tax authority is expected to be competent in the sense of having expertise (skills), knowledge (knowledge), and experience (experience) in terms of tax policy, tax administration, and tax legislation. In attribution theory, service quality is an external cause from outside the taxpayer or forced situations. The taxpayer's perception regarding the quality of service from the tax apparatus will influence the taxpayer's assessment of behaving obediently in carrying out tax obligations due to coercion from high tax penalties if they violate it. This previous research concludes that tax authority services will further improve the relationship between tax penalties and individual taxpayer compliance.
H4: Moderation of Service Quality can strengthen the influence of tax penalties on Taxpayer Compliance.

RESEARCH METHODS

Type of Research and Data Collection
This type of research uses a quantitative approach. Quantitative research methods are research methods that are based on quantitative/statistical data with the aim of testing predetermined hypotheses. This research uses a data collection method in the form of a field survey, namely by distributing questionnaires containing questions related to the independent variable (knowledge of taxation and tax penalties), the dependent variable (taxpayer compliance), and the moderating variable (service quality). Questionnaires were distributed directly to the Surabaya Mulyorejo Pratama Tax Service Office. The questionnaire has been equipped with instructions for filling out each question asked.

The population in this research is all individual taxpayers at KPP Pratama Surabaya Mulyorejo who have an NPWP and have reported an annual SPT, namely 41,971 taxpayers. The sample obtained was 100 from number of variables times 25 (Ferdinand, 2014). The sampling technique used in this research is nonprobability sampling, namely incidental sampling.

Operational and Measurement of Variables
Tax Knowledge (X1)
This research defines tax knowledge as the taxpayer's ability to know and understand tax regulations. The questions in this research were taken from Dewi (2018) research. Each question is measured using a 5-point Likert scale, starting from point 1 (strongly disagree) to point 5 (strongly agree).

Tax Penalties (X2)
In this research, tax penalties are defined as actions and punishments to force taxpayers to comply with the provisions of the applicable tax law. Tax penalties that can be imposed on violators are in the form of administrative penalties and criminal penalties. The questions in this research were taken from research by Nahumury et al. (2018). Each question is measured using a 5-point Likert scale, starting from point 1 (Strongly disagree) to point 5 (Strongly agree).

Taxpayer Compliance (Y)
In this research, taxpayer compliance is defined as the attitude of taxpayers who fulfill their tax obligations following tax regulations. The questions in this research were taken from Nahumury et al. (2018) research. Each question is measured using a 5-point Likert scale, starting from point 1 (strongly disagree) to point 5 (strongly agree).

Service Quality (Z)
In this research, service quality is defined as helping others in certain ways that require sensitivity and interpersonal relationships to create satisfaction and success (Firmansyah & Layli, 2022). The questions in this research were taken from Dewi (2018) research. Each question is measured using a 5-point Likert scale, starting from point 1 (Strongly disagree) to point 5 (Strongly agree).

Analysis Techniques and Hypotheses Test
The analysis and hypothesis testing technique in this research uses Partial Least Square (PLS) with the help of Smart-PLS 6.0 software (Ringle et al., 2019). Using the PLS method as an analytical technique and hypothesis testing has advantages. The sample size does not have to be large, and the data is not required to use a normal multivariate distribution. Another advantage of using Warp PLS 6.0 software in analyzing mediation models is that it directly provides coefficient results and probability values (p-value).

Before testing the hypothesis, the first stage is to test convergent validity. This test is important to ensure that the instrument used measures what it is supposed to and that the results are relevant and reliable. The second stage carried out a discriminant validity test. Discriminant validity testing is an important step in ensuring that the measuring instruments used in research measure the desired construct and can differentiate well between different constructs. The third stage was a reliability test using Cronbach's alpha coefficients (Muhamad et al., 2019; Ningrum & Hastuti, 2020).

RESULTS AND DISCUSSION

Results
Convergent Validity Test
Convergent validity is a form of construct validity that shows the extent to which the results of a measurement instrument are positively correlated with the results of other instruments considered to measure the same or similar constructs. Since some indicators are not valid on the first attempt, the validity test is conducted on the second time (see Table 3).

Table 3. Second Level Outer Loading Results

	Tax Knowledge	Tax Sanction	Taxpayers Compliance	Service Quality
	X1	X2	Y	Z
X1.2	0.795			
X1.4	0.788			
X1.5	0.837			
X1.6	0.715			
X2.1		0.776		
X2.2		0.845		
X2.3		0.829		
X2.4		0.568		
X2.5		0.8		
Y.1			0.938	
Y.2			0.928	
Y.3			0.904	
Z.1				0.878
Z.2				0.883
Z.3				0.868
Z.4				0.848
Z.5				0.826

Source: Data processed – SmartPLS

Based on the results of the second stage of outer loading in Table 3, all indicators are valid after 2 rounds of estimation. The indicators are valid because all loading factor values are above 0.70, so no constructs for all variables have been eliminated from the model. The exception is the X2.4 indicator because it does not affect the Average Variance Extracted (AVE) value.

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Discriminant Validity

Discriminant validity aims to evaluate the extent to which the measuring instrument can differentiate between concepts or constructs. In other words, this test ensures that the measuring instrument is not only accurate in measuring the construct in question but also does not measure other constructs that should not be related (see Table 4).

Correlation between constructs (latent variables) shows a construct's reliability if the correlation value of a construct to the construct itself is greater than the correlation value between that construct and other constructs. The research results in Table 4 show that all constructs have high reliability where the diagonal values are greater than the correlation of other constructs, so all constructs have good discriminant validity. This means that all instrument measurement tools measure the desired construct without mixing measurements with other constructs the instrument should not measure. Thus, discriminant validity helps minimize overlap or bias in measurement between constructs.

Table 4. Discriminant Validity Test Results

	Tax Knowledge	Tax Sanction	Taxpayers Compliance	Service Quality
	X1	X2	Y	Z
X1	0.785	0.631	0.367	0.251
X2	0.631	0.77	0.473	0.383
Y	0.367	0.473	0.923	0.627
Z	0.251	0.383	0.627	0.861

Source: Data processed – SmartPLS

Reliability Test

Table 5 shows that the composite reliability and Cronbach's alpha values are above 0.7, so it can be concluded that all construct indicators are reliable and meet the reliability test.

Table 5. Reliability Test Results

Variables	Cronbach's alpha coefficients	Composite reliability coefficients
Tax knowledge (X1)	0,791	0,865
Tax sanction (X2)	0,823	0,878
Taxpayer compliance (Y)	0,914	0,946
Service quality (Z)	0,913	0,935

Source: Data processed – SmartPLS

Hypotheses Test

Research Model

The research model in Smart PLS (see Figure 1) is a graphical representation of the relationship between research variables, which is used to test and model the relationship between constructs (latent variables) and indicators (manifest variables).

Figure 1 shows the relationship between independent, dependent, and moderating latent variables. Table 6 shows the results of hypothesis testing based on Figure 1.

Table 6. Hypotheses Test Results

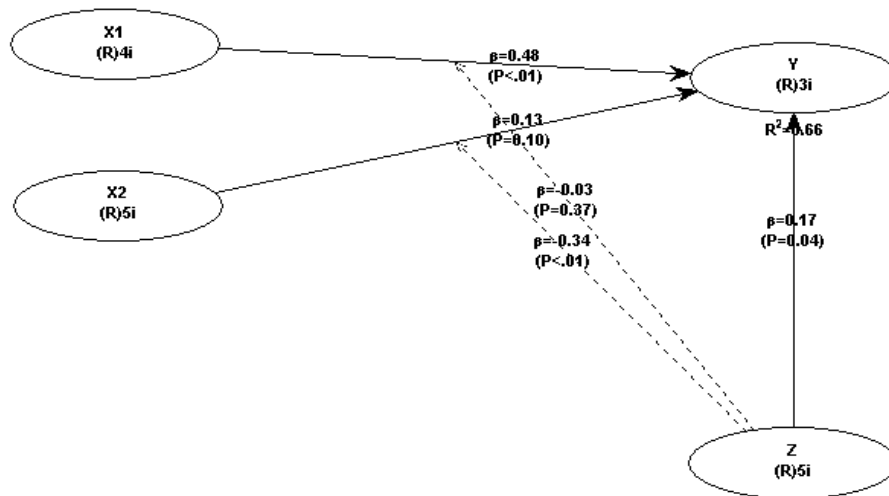| Interaction	Path Coefficient	P-Values
X1 -> Y	0,478	<0,001
X2 -> Y	0,126	0,098
Z -> Y	0,172	0,037
Z*X1 -> Y	-0,033	0,369
Z*X2 -> Y	-0,341	<0,001

Source: Data processed – SmartPLS

Figure 1. Research Model
Source: Data processed – SmartPLS

The influence of tax knowledge on taxpayer compliance
The results of testing the first hypothesis show that the influence of the tax knowledge variable on taxpayer compliance has p-values of 0.001 < 0.05. This means that tax knowledge has a significant effect on taxpayer compliance. Based on the path coefficient value of 0.478, if the tax knowledge value changes by one unit and the other variables have constant values, then the dependent variable taxpayer compliance will change by 0.478. The positive sign on the coefficient indicates a one-way relationship between the tax knowledge variable and taxpayer compliance. This means that if the value of tax knowledge increases, the value of taxpayer compliance will increase by 0.478. Thus, the first hypothesis is accepted.

The research results of Wibiyani & Ardiyanto (2019) show that tax knowledge positively and significantly influences taxpayer compliance. This result means that the higher the level of knowledge and understanding of taxation, the more taxpayer compliance will increase, as well as on the contrary. Research conducted by Nugroho & Apriladiestya (2023) also showed the same results, namely that tax knowledge positively and significantly influences taxpayer compliance.

The influence of tax penalties on taxpayer compliance
The results of testing the second hypothesis show that the influence of the tax penalties variable on taxpayer compliance has p-values of 0.098 > 0.05. This means there is no significant influence between tax penalties and taxpayer compliance. Based on the path coefficient value of 0.126, if the value of tax penalties changes by one unit and the other variables have constant values, then the dependent variable of taxpayer compliance will change by 0.126. The positive sign on the coefficient indicates a one-way relationship between the tax penalties variable and taxpayer compliance. This means that if the value of tax penalties increases, the value of taxpayer compliance will increase by 0.126. Thus, the second hypothesis is rejected.

The absence of any effect of tax penalties on tax compliance indicates that an approach that relies solely on penalties may not be enough to increase compliance. A more holistic approach involving increasing tax awareness, improving the quality of tax services, and ensuring consistent application of the law may be more effective in encouraging taxpayer compliance. This result is different from the research conducted by Sandra & Anwar (2021). They studied corporate taxpayers' compliance and found that tax penalties significantly affect corporate taxpayer compliance. Muslimin (2021) suggested that tax penalties must be rigorously enforced to foster greater compliance among taxpayers. Therefore, tax penalties positively influence taxpayer compliance (Widajantie et al., 2019).

The influence of service quality in strengthening the relationship between tax knowledge and taxpayer compliance

The results of testing the third hypothesis can be seen from the influence between the moderating variable service quality and the dependent variable taxpayer compliance, which has p-values of 0.037 <0.05, and the interaction between tax service quality and tax knowledge on taxpayer compliance, which has p-values of 0.369 > 0.05. Based on these results, the type of moderation is Predictor moderating. Based on testing the hypothesis, it can be concluded that the tax service quality does not moderate the relationship between tax knowledge and taxpayer compliance. Thus, the third hypothesis is rejected.

Service quality as a moderating variable cannot moderate the relationship between understanding or knowledge of taxes and individual taxpayer compliance. This shows that, even though tax administration services are good, this factor does not strengthen or weaken the influence of understanding taxes on individual taxpayer compliance. In other words, a good understanding or knowledge of tax is enough to encourage compliance without needing to be moderated by service quality. This result does not support the attribution theory (Romadhon & Diamastuti, 2020). Attribution theory helps in understanding how these explanations influence an individual's attitudes and behavior, as well as how they interact with others.

The influence of service quality in strengthening the relationship between tax penalties and taxpayer compliance

The results of testing the fourth hypothesis can be seen from the influence between the moderating variable service quality and the dependent variable taxpayer compliance, which has p-values of 0.037 < 0.05, and the interaction between service quality and tax penalties on taxpayer compliance, which has p-values of 0.001 < 0.05. Based on these results, the type of moderation is Quasi moderating because both are significant. Based on the path coefficient value of the interaction between service quality and tax penalties on taxpayer compliance, it is -0.341, which shows that the result is negative and the moderating variable has a weakening contribution. Based on testing the hypothesis, it can be concluded that service quality weakens the relationship between tax penalties and taxpayer compliance. Thus, the fourth hypothesis is rejected.

The quality of service has a notable albeit diminishing impact on enforcing tax penalties for individual taxpayer adherence. When the quality of service improves, the impact of penalties on compliance diminishes. This suggests that when taxpayers receive good service, they feel more assisted and supported in meeting their tax responsibilities. As a result, the impact of penalties becomes less significant in shaping their compliance behavior. This is aligned with the results of Yan & Wangdra (2024). However, it does not support attribution theory (Romadhon & Diamastuti, 2020). Attribution theory explains how individuals understand the causes of behavior and events.

CONCLUSION

This research examines the influence of tax knowledge and tax penalties on individual taxpayer compliance by considering service quality as a moderating variable. Based on the results of the analysis, several important findings can be concluded: First, tax knowledge is proven to influence individual taxpayer compliance positively. This finding is consistent with the theory that a good understanding of tax regulations can increase taxpayers' awareness and responsibility in fulfilling their tax obligations. The greater a taxpayer's knowledge of tax regulations and obligations, the greater the possibility of complying with applicable tax provisions. Second, tax penalties do not significantly affect individual taxpayer compliance. These results indicate that the penalties applied may not effectively encourage tax compliance. It could be that existing penalties do not have a sufficient deterrent effect or are poorly understood by taxpayers, so they do not significantly impact their compliance. Third, service quality as a moderating variable cannot moderate the relationship between tax knowledge and individual taxpayer compliance. This shows that even though the tax administration's service quality is good, this factor does not strengthen or weaken the influence of tax knowledge on taxpayer compliance. In other words, good tax knowledge is strong enough to encourage compliance without needing to be moderated by service quality. Fourth, service quality has a significant but weakening effect of tax penalties on individual taxpayer compliance. This means that when service quality increases, the effect of penalties on compliance decreases. This can mean that with good

service, taxpayers feel more helped and supported in fulfilling their tax obligations. Hence, the effect of penalties becomes less dominant in influencing their compliance behavior.

Overall, the findings of this research provide valuable insights for policymakers in the field of taxation. Increasing tax knowledge must be a top priority to increase taxpayer compliance. In addition, service quality needs to be improved to build better relationships between taxpayers and tax authorities. However, there needs to be further evaluation of tax penalties policies so that they can have a more effective effect in increasing taxpayer compliance. The results of this research also guide future research to explore other factors that might influence tax compliance more deeply, as well as how service quality can play a role in a broader context.

Abbreviation
Tax Service Office (KPP), State Revenue and Expenditure Budget (APBN), Theory of Planned Behavior (TPB), Partial Least Square (PLS).

Authors Contribution
SA and NWIK created the concept and researched according to it. NWIK drafted the article, and SA completed and revised it.

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Conflict of Interest
The authors declare no conflict of interest.

Data availability
Data can be obtained by emailing the author and explaining the need for the data request in the email.

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