

UDC 336

## THE EFFECTS OF SERVICE APPLICATIONS ON TAXPAYER COMPLIANCE AND BEHAVIORAL INTENTION TO USE

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### ABSTRACT

The Indonesian tax authority institutes a tax reform by developing various electronic-based services. Several online applications and services are designed to facilitate taxpayers in carrying out their tax obligations. An easy administration is expected to solve various problems encountered by taxpayers. The *Direktorat Jenderal Pajak* (Directorate General of Taxes) innovates through providing online services, one of which is an integrated electronic service application. This study seeks to find out and explain the ease-of-use and usefulness of taxation applications and their effects on the level of compliance and Behavioral intention of taxpayers. The study was conducted to taxpayers registered at one of the tax service offices that made service innovations through developing a queuing application at an integrated electronic service location. This is a reflection that users of taxation services can be persuaded to switch to using information technology-based services. Additionally, the ease-of-use will lead to taxpayers' interest in using applications designed by relevant institutions.

### KEY WORDS

Ease-of-use, usefulness, electronic taxation, compliance, behavioral intention.

The development of this study involved the theory of system user behavior and the model of information system success in evaluating E-TPT. The theoretical models used were the Theory Acceptance Model (TAM) proposed by Davis (1989), the Theory Reaction Action (TRA) by Fishbein and Ajzen (1973), and the Information System Success Model by DeLone and McLean (2003). The development of models conducted in this study was Perceived Usefulness, Perceived Ease-of-Use, Taxpayer Compliance, and Behavioral Intention to Use.

E-TPT is one of the innovations in providing electronic services that have been implemented since 2017. Based on the data obtained, there are a good few taxpayers who remain using the manual system to acquire taxation services. Furthermore, when a user runs the application on his smartphone, a system error was found. Based on these problems, this research focuses on evaluating the effects of using taxation applications in the aspects of usefulness and ease-of-use on taxpayer compliance as well as their impact on taxpayers' behavioral intention to use the application. There have not been studies related to the application of E-TPT; thus, it is expected that this study can be a reference for future research.

The Ministry of Finance of the Republic of Indonesia intends to be the main driver of inclusive economic growth in Indonesia in the 21st century by having a structural design, and producing a coordinating system of activities; it also aims at bringing an impact on the external environment, which in this case is an economic welfare for Indonesia (Daft, 2013; Ministry of Finance, 2014). To achieve this goal, the government has committed the *Inisiatif Strategis Baru Reformasi Birokrasi dan Transformasi Kelembagaan* (IS Baru RTBK) - New Strategic Initiative Bureaucratic Reform and Institutional Transformation, aiming to maintain fiscal sustainability through optimal State revenues, as well as efficient and effective State expenditure and accountable State financial management to encourage quality and sustainable inclusive economic growth (Ministry of Finance, 2014). One of IS Baru RTBK's goals to achieve high levels of tax as well as customs and excise compliance with excellent services and fast law

enforcement, including the taxation services. In addition, another mission related to making the institutional transformation is to optimize State revenues by living through forming integrity, professionalism, dignity, and credibility. The efforts are making efficient bureaucratic policies, setting new cultural programs, creating academic integrity, and managing cultural quality. This technical breakthrough starting with the Ministry of Finance initiative generates the idea of making a breakthrough in information technology in taxation services.

Some important aspects of studying information technology in Indonesia are to study the developments and potentials emerging in Indonesia in the future. Moreover, information technology is inseparable from data management needs. The main activity in information systems is to produce useful information as a basis for decision making, controlling operations, analyzing problems, and creating new products using good data processing. Concerning this goal, the Directorate General of Tax, as a tax authority in Indonesia, innovates technology-based services. One of them is carried out by the Tax Service Office, which is an android-based application named E-TPT (Electronic-Integrated Service Place). This application provides services to view and retrieve queue numbers, facilitate communication of taxpayers with officers online, as well as provide information, also real-time terms and submit requests.

## **THEORETICAL REVIEW**

### **Perceived Usefulness**

The perceived of usefulness is defined as the construct of one's belief that the use of a particular technology will be able to improve their performance (Adamson and Shine, 2003). The perceived of usefulness is also defined as the extent to which a person believes that using technology will improve his work. The perceived of usefulness is a belief about the decision-making process (Jogiyanto, 2007: 113). Perceived usefulness is a measure in which the use of technology is believed to bring usefulness to those who use it (Wibowo, 2008: 28). According to Laihad (2013: 46), the perceived of usefulness is the level of user's belief demonstrating that the use of a system can improve the user's performance.

In the context of this study, it can be interpreted that the application's perceived of usefulness is a subjective view of taxpayers. The usefulness that can be obtained by taxpayers is improving their performance in using the application. When taxpayers use this system repeatedly, they are expected to have benefited from the use of this electronic service. The use of the application will improve performance, productivity, and effectiveness of performance and can benefit taxpayers. This is in line with the concept suggested by Davis (1989) stating that "the degree to which a person believes that using a particular system would enhance his or her job performance". This illustrates the usefulness of the system from the users' perspective related to various aspects. So, the perceived of usefulness forms a belief for decision making by using or not using the application. If the user believes that the application has usefulness, the taxpayer will surely use it. Conversely, if the user does not believe in the usability of the taxation application, then the taxpayer will not use it.

### **Perceived Ease-of-Use**

Perceived ease-of-use of the application shows how much technology is relatively easy to understand and use. Individual perceived related to perceived ease-of-use is the level in which individuals believe that a particular system is free from mistakes. This perceived will affect behavior, i.e. the higher one's perceived of the ease of using the system, the higher the level of information technology utilization (Igbaria, et al, 2000: 36). The perceived of the ease-of-use of technology is defined as a measure by which someone believes that technology can be easily understood and used (Wibowo, 2006: 4). Jogiyanto (2007: 115) suggests that perceived ease-of-use is defined as the extent to which a person believes that using technology will be

effortless. According to Laihad (2013: 46), perceived ease-of-use is defined as the level of user belief that the system can be used easily and can be self-learned.

The context of perceived ease-of-use of the taxation system application shows the taxpayers' belief that carrying out tax obligations by using the system is easy to understand and can reduce effort both in terms of time and energy. Davis (1989) stated that "perceived ease-of-use" is defined as "the degree to which a person believes that using a particular system would be free of efforts". If applied in the taxation application system, the user believes that it is easy to use so that it does not require any efforts and will be free from difficulties as expected by the users. The results of research conducted by Davis (1989) reveals that perceived ease-of-use can explain the reasons for users to use the system and whether the new system can be accepted by users. Gefen and Straub in Ahmad (2014: 3) stated that the role of perceived ease-of-use of applications is more complex because it measures perceived ease-of-use and perceived the usefulness of information technology users. The results of his study indicate that the perceived of ease-of-use affects the perceived of usefulness (Gefen and Straub in Ahmad, 2014: 3).

### **Tax Compliance**

Tax compliance is an act of taxpayers in carrying out their tax obligations according to statutory provisions and tax implementation regulations that apply in a country (Rahayu, 2010: 112). Taxpayer compliance can be measured by understanding all the provisions of the tax laws and regulations set out in the *Modul Penerimaan Negara Generasi 2 (MPN G2) - Generation 2 State Revenue Module* through the Circular Letter Number SE-11 / PJ / 2016 regarding Technical Guidelines for Implementing Electronic Tax Payment Systems; Taxpayers correctly calculate the amount of tax liability, pay and report the tax liability on time, as well as use e-billing to carry out their tax obligations.

### **Behavioral Intention to Use the Application**

Behavioral intention and behavior are two different things. Behavioral intention is still an intention. The intention is the desire to conduct behavior and is not behavior yet (Jogiyanto, 2008 p. 25). Theory of Reasoned Action (TRA) explains that behavior occurs because individuals have an interest or desire to do it. The behavioral intention will determine its behavior. According to the TRA, interests functions at two basic determinants: (1) personal factors, and (2) social influence. The first determinant is the attitude towards individual behavior. This attitude is an evaluation of beliefs or positive or negative feelings from individuals if they have to do certain desired behaviors. The second determinant is subjective norms relating to perceptual normative prescriptions, viz one's perceived or views on social pressures (beliefs of others) that will affect the interest in doing or not doing the behavior under consideration (Ajzen and Fisbein, 1980).

The results of Venkatesh and Davis's (2000) research show that behavioral intentions are good predictors of behavior in using technology by system users. Decisions made by individuals to accept an information system technology are conscious actions that can be explained and predicted by their behavioral intentions. Individual acceptance of information systems is determined by two constructs, including perceived usefulness and perceived ease-of-use in which both influence behavioral intentions. The use of technology will encourage users to have an interest in using technology if they find it useful and easy to use.

## **METHODS OF RESEARCH**

This study uses a quantitative approach. The data were collected through survey techniques by distributing questionnaires to taxpayers carrying out tax obligations at the *Kantor Pelayanan Pajak (KPP) - Tax Service Office* - in North Malang. North Malang KPP is one of the

agencies innovating the development of information technology-based service systems through the E-TPT application or also known as the Apple application. The questionnaire was designed using a Likert scale with 5 (five) alternative responses: strongly agree, agree, neutral, disagree, and strongly disagree. The data were analyzed using the PLS software; it is used to determine the relationship among variables, as well as among indicators and variables.

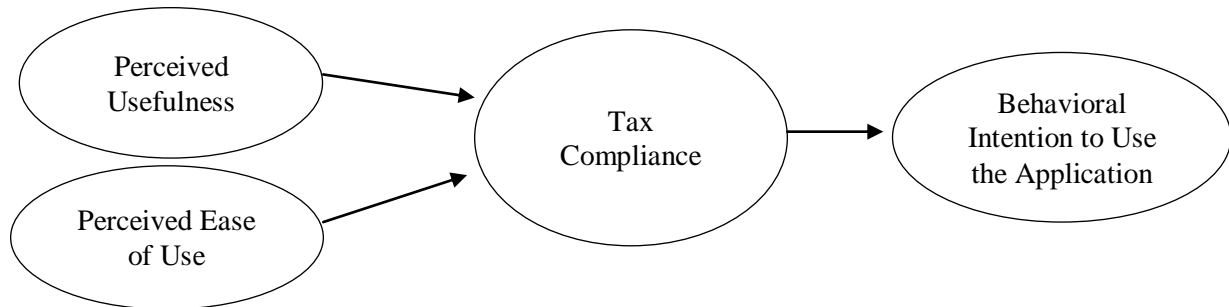


Figure 1 – Research Model

## RESULTS AND DISCUSSION

In this section, statistical hypothesis testing is conducted using the SmartPLS program application; afterward, the estimation results of the structural model t-value were obtained. The results of the calculation of the coefficients are presented in Table 1:

Table 1 – The Results of Estimation and Testing of Hypotheses (Direct Effects)

The influence between Latent Variables			Path coefficient	t-value	p-value
Cause Variables	-->	Effect Variable			
Perceived Usefulness (X1)	-->	Tax Compliance (Y1)	0.160	1.118	0.264
Perceived Ease-of-use (X2)	-->	Tax Compliance (Y1)	0.002	0.015	0.988
Perceived Usefulness (X1)	-->	Behavioral Intention in Using Application (Y2)	0.349	2.973	0.003
Perceived Ease-of-use (X2)	-->	Behavioral Intention in Using Application (Y2)	0.125	1.104	0.270
Tax Compliance (Y1)	-->	Behavioral Intention in Using Application (Y2)	0.082	0.887	0.376

Based on the test results, it is known that the Usefulness Perceived variable (X1) has a positive effect on Taxpayer Compliance (Y1); it means that higher Perceived of Usefulness (X1) will consequently increase the Taxpayer Compliance variable (Y1), in which the path coefficient obtained is 0.16 with a t-value of 1.118. Since the t-value is smaller than the critical value (1.118 < 1.96), the statistical hypothesis H0 is accepted; it means that the variable Perceived of Usefulness (X1) has a significant influence on the Taxpayer Compliance variable (Y1).

The Perceived of Ease-of-use Variable (X2) has a positive effect on Taxpayer Compliance (Y1); it means that higher Perceived Ease-of-use (X2) will consequently elevate the Taxpayer Compliance variable (Y1), in which the path coefficient obtained is 0.002 with a t-value value of 0.015. Because the t-value is smaller than the critical value (0.015 < 1.96), the statistical hypothesis H0 is accepted; it means that the Perceived Use Usage variable (X2) has a significant effect on the Taxpayer Compliance variable (Y1).

The Usefulness Perceived Variable (X1) has a positive effect on Taxpayer Compliance (Y1); it means that higher Usefulness Perceived (X1) will consequently increase the Taxpayer Compliance variable (Y1), in which the Path coefficient obtained is 0.349 with a t-value of 2.973.

Since the t-value is greater than the critical value ( $2.973 > 1.96$ ), the statistical hypothesis  $H_0$  is rejected; it means that the Perceived of Usefulness variable (X1) has a significant effect on the Taxpayer Compliance variable (Y1).

The Perceived of Ease-of-use Variable (X2) has a positive effect on Behavioral Intention to Use (Y2); it means that higher Ease-of-use Perceived (X2) will consequently elevate the Behavioral Intention to Use variable (Y2), in which the Path coefficient obtained is 0.125 with a value of t-value of 1.104. Because the t-value is smaller than the critical value ( $1.104 < 1.96$ ), the statistical hypothesis  $H_0$  is accepted; it means that the Perceived Use Usage variable (X2) has a significant effect on the Behavioral Intention to Use variable (Y2).

The Taxpayer Compliance variable (Y1) has a positive effect on Behavioral Intention to Use (Y2); it means that higher Taxpayer Compliance (Y1) will consequently increase the Behavioral Intention to Use variable (Y2), in which the path coefficient obtained is 0.082 with a value of t-value of 0.887. Because the t-value is smaller than the critical value ( $0.887 < 1.96$ ), the statistical hypothesis  $H_0$  is accepted; it means that the Taxpayer Compliance variable (Y1) has a significant effect on the Behavioral Intention to Use variable (Y2).

The path coefficients in the structural model and the value of variable factor weights in the measurement model can be illustrated in Figure 2:

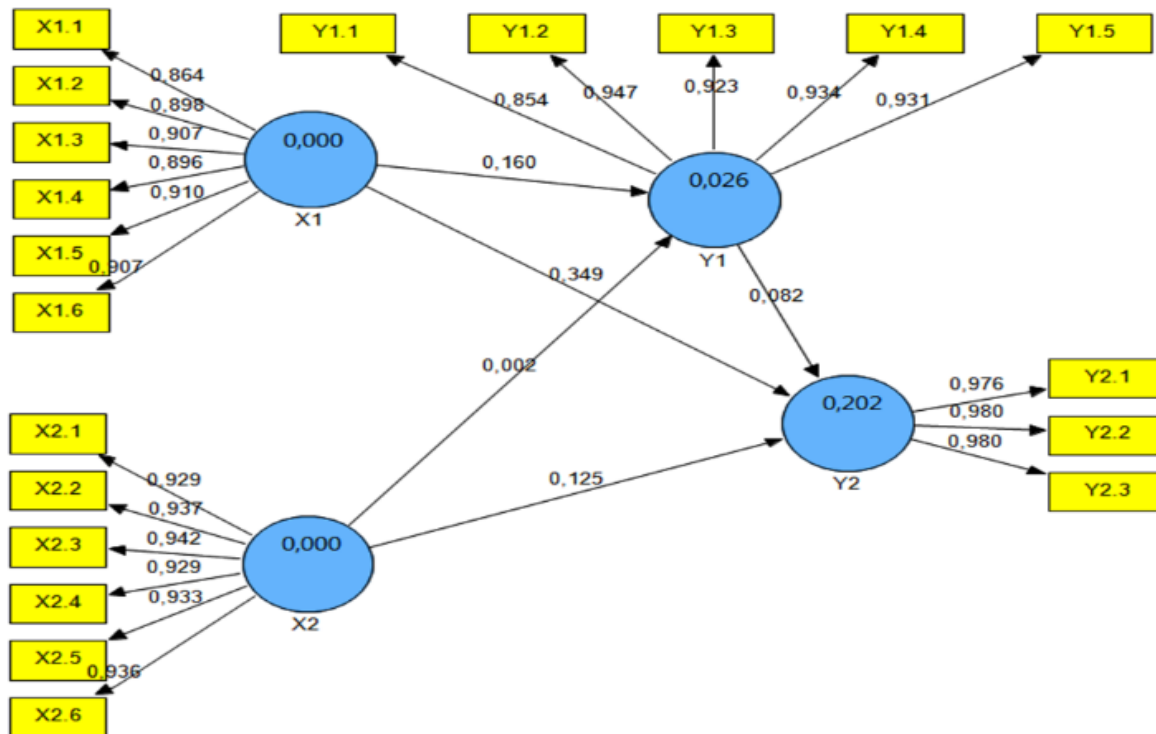


Figure 2 – PLS (Outer and Inner Model) Path Diagram

Based on the path diagram, it appears that the most dominant variable affecting Behavioral Intention to Use (Y2) is the Perceived of Usefulness (X1) with the highest path coefficient of 0.349. Among the most dominant indicators in measuring the construct of Perceived of Usefulness (X1) is X1.5 (Facilitating work) by loading the highest factor of 0.910, so if the decision-maker wants to increase the value of Perceived of Usefulness (X1), the statistical recommendation is to prioritize the increase in value on indicator X1.5 (Facilitate work).

After finding out the factors having significant and insignificant effects on endogenous variables in each sub-structure, it is essential to know whether the insignificant variable can have a direct significant effect through intermediary variables (mediation). Therefore, the result of the indirect effect calculation between variables is presented.

## **CONCLUSION**

The perceived of the E-TPT usefulness and ease-of-use does not determine the level of taxpayer compliance in carrying out their tax obligations. However, perceived usefulness affects the taxpayer's behavior in using application in the next taxation activity. Moreover, the taxpayer's perceived of taxation application ease-of-use does not affect tax compliance and behavioral intention to use the application in carrying out tax obligations or acquiring the next taxation service. This indicates that the application's ease-of-use does not determine taxpayers' compliance in carrying out tax obligations and their relation to the decision to use the taxation application in the next tax period.

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