

THE EFFECT OF TAX SUPERVISION ON TAXPAYER COMPLIANCE IN SUBMITTING ANNUAL TAX RETURNS AT DGT BALI REGIONAL OFFICES

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Abstract. Despite high tax revenue realization at Indonesia's DGT Bali Regional Office, formal compliance in Annual Tax Return (SPT) submissions remains critically low (41.18%–44.93%), signaling a gap between enforcement and taxpayer adherence. This study investigates how tax supervision influences compliance, addressing regional disparities overlooked in prior literature. The research aims to analyze the effect of tax supervision on taxpayer compliance in SPT submissions, assessing perceptual and operational dimensions of supervision. A quantitative survey of 214 taxpayers (cluster random sampling) used Likert-scale questionnaires, analyzed via descriptive statistics and simple linear regression (SPSS v27). Tax supervision significantly improves compliance (46.8% contribution), with supervision perceived as effective overall (3.83/5) but weaker in measurement (3.34/5). Compliance scored highly (4.42/5), driven by formal compliance. The study underscores the need for enhanced measurement tools in supervision and explores uncharted factors (e.g., digitalization, socio-cultural influences) affecting compliance. It provides actionable insights for regional tax authorities to refine policies, bridging the gap between revenue targets and taxpayer engagement.

Keywords: Tax Supervision, Taxpayer Compliance, Formal Compliance, Submission of Annual Tax Returns

INTRODUCTION

The sources of state revenue come from various sectors, including tax revenue, Non-Tax State Revenue, or grants. Currently, state revenue from tax revenue is the most significant state revenue to finance state spending; the tax sector should be a concern for the government (Noviarita et al., 2022; Saputra, 2021a, 2021b; Yasni & Erlanda, 2020).

The realization of tax revenue or material compliance of taxpayers at the DGT Bali Regional Office from 2019 to 2023 has been relatively good. The realization of tax revenue at the Bali DGT Regional Office in 2022 reached 131.98% of the target given by the Directorate General of Taxes, while in 2023 it decreased slightly but was still above the target, which was 104.73%. In contrast to the amount of tax revenue that has almost always been achieved in the last five years, compliance with the submission of Annual Tax Returns or formal compliance of taxpayers at the DGT Bali Regional Office is still very low. Based on existing data as of November 19, 2024, for the 2022 tax year, compliance with the submission of Annual Tax Returns or formal compliance of Taxpayers is only 41.18%, while for the 2023 tax year, it has slightly increased to 44.93%. This condition is certainly a separate problem that must be further studied by the Regional Office of the DGT Bali, so that it can be known where the shortcomings or weaknesses of the existing policies so far. Even if you look further, the compliance in submitting the Annual Tax Return or formal compliance at the Regional Office of the DGT Bali is still far below the compliance in submitting the Annual Tax Return or formal compliance nationally.

The Account Representative will supervise the Supervision Section for Taxpayers known to have indications of non-compliance. The first step for an indication of a Taxpayer's non-compliance will be followed up by the *Account Representative* in the Supervision Section by issuing a Request for Explanation of Data and/or Information (Mekonen, 2015; Mukiyidin et al., 2021; Nkundabanyanga et al., 2017; Oladipo et al., 2022; Rahayu, 2015). The weak level of tax supervision will give rise to a feeling of security for taxpayers so that they ignore their obligations in taxation, for example, in submitting the Annual Return (SPT). However, with the high level of tax supervision, it is expected to positively correlate with taxpayers' compliance in carrying out their obligations in the field of taxation. One of the indicators of the high level of tax supervision carried out by *Account Representatives* can be measured by the number of submissions of Request Letters for Explanation of Data and/or Information to Taxpayers (Hayati et al., 2022; Jonas & Murtanto, 2023; Safitra & Djameluddin, 2020; Tri Sakti & Nabila Fauzia, 2018).

With many variables that affect tax *compliance*, so that the problem being studied is not too broad, the researcher will limit the problem to the formal compliance of the Taxpayer in submitting the Annual Tax Return and to shorten the time the researcher will only take variables that according to the researcher have a very significant influence on the Taxpayer's compliance in submitting the Annual Tax Return, namely, tax supervision. Therefore, in this study, the researcher will take the title, "The Effect of Tax Supervision on Taxpayer Compliance in Submitting Annual Tax Returns at the DGT Bali Regional Office". The researcher's purpose in conducting this study is to test how the influence of tax supervision affects taxpayers' compliance in submitting the Annual Tax Return at the DGT Bali Regional Office.

This study advances prior research by examining the impact of tax supervision on taxpayer compliance in Bali, Indonesia—a region with notably low formal compliance rates (41.18%–44.93%) despite high tax revenue—and uniquely identifies a moderate but

significant influence (46.8%) of supervision on compliance, leaving 53.2% to other unexplored factors, while revealing perceptual gaps in supervision effectiveness, particularly in the *measurement* dimension (3.34/5), a novel finding unaddressed in earlier works (Afe et al., 2022; Sari et al., 2022; Vinet & Zhedanov, 2010; Vivi Sulyastari & Alistraja Dison Silalahi, 2023), and contextualizes these insights within Bali's distinct tax landscape, emphasizing the need for regional policy refinement to bridge compliance gaps.

MATERIALS AND METHODS

Associative research aims to determine the influence or relationship between two or more variables. The variables used in this study are tax supervision and Taxpayers' compliance in submitting the Annual Tax Return (SPT). In this study, the Likert Scale measures how taxpayers' behavior, opinion, and perception towards independent variables influence the dependent variables. The population taken is Taxpayers registered at the Tax Service Office within the DGT Bali Regional Office, which is a total of 1,227,336 Taxpayers, both Individual Taxpayers and Corporate Taxpayers who must submit the Annual Tax Return.

The researcher's research method in conducting this study is a survey method with sample extraction using cluster random sampling. This method allows for discovering relationships between variables, which can prove the existing hypothesis.

The Tax Supervision variable in this study consists of 12 statements with 5 alternative answers. The results of the descriptive analysis of the variables of Tax Supervision are shown in Table 4.19.

Table 1. Description of Tax Supervision Research Results

Variable	Dimension	Symbol	1	2	3	4	5	Score Total	Average	Information
Tax Supervision	Standard	X1.1	0	0	8	96	110	958	4,48	Very good
		X1.2	0	0	22	85	107	941	4,40	Very good
		X1.3	0	0	28	89	97	925	4,32	Very good
	Measurements	X2.1	28	26	52	54	54	722	3,37	Good
		X2.2	27	25	67	46	49	707	3,30	Good
		X2.3	28	17	70	50	49	717	3,35	Good
	Comparison	X3.1	15	5	41	81	72	832	3,89	Good
		X3.2	10	9	37	85	73	844	3,94	Good
		X3.3	8	11	35	92	68	843	3,94	Good
	Action	X4.1	16	19	60	68	51	761	3,56	Good
		X4.2	18	14	46	65	71	799	3,73	Good
		X4.3	21	17	48	54	74	785	3,67	Good
		Total	171	143	514	865	875	9834	45,95	
		Average							3,83	Good

Source: Data Processed

Table 1. provides information that an average score of 3.83 was obtained with a good category in the Tax Supervision variable. The highest assessment related to Tax Supervision is on the X1.1 indicator, with an average score of 4.48. The lowest assessment related to Tax Supervision is on the X2.2 indicator, with an average score of 3.30.

The Taxpayer Compliance Variable in this study consists of 5 statements with 5

alternative answers.

Table 2. Description of Taxpayer Compliance Research Results

Variable	Dimension	Symbol	1	2	3	4	5	Total Score	Average Score	Information
Compliance Tax	Material Compliance	Y1.1	0	8	10	80	116	946	4,42	Excellent
		Y1.2	0	8	17	72	117	940	4,39	Excellent
		Y1.3	0	6	23	68	117	938	4,38	Excellent
	Formal Compliance	Y2.1	0	1	23	69	121	952	4,45	Excellent
		Y2.2	0	2	11	88	113	954	4,46	Excellent
		Sum	0	25	84	377	584	4730	22,10	
	Average							4,42	Excellent	

Source: Data Processed

Table 2. provides information that an average score of 4.42 was obtained in the Taxpayer Compliance variable, placing it in the category of very good. The lowest assessment related to Taxpayer Compliance is on the Y1.3 indicator, with an average score of 3.38. The highest assessment related to Taxpayer Compliance is on the Y2.2 indicator, with an average score of 4.46. In general, the description of the respondent's answer provides information that Taxpayer Compliance is very good.

Data Analysis Methods

In this study, descriptive statistical analysis, which is statistics used to analyze data by describing or describing the data that has been collected, is used.

Data quality test: This study used two instrument tests: the validity and reliability tests.

A classic assumption test is a requirement for research to continue. Its use aims to ensure that the research results are valid, the data used in theory are unbiased and consistent, and the regression assessment is efficient. The classical assumption test used in this study is only a normality test and a heteroscedasticity test.

The data analysis method used in this study is simple linear regression, inferential analysis. This inferential analysis was used to analyze the relationship between research variables, including tax supervision as an independent variable and taxpayer compliance as a dependent variable. This study analyzes the influence of an independent variable and a dependent variable, and a simple linear regression analysis was used using *SPSS Software Version 27*.

The results of the analysis of simple linear regression equations are shown in the following table.

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	10.350	.876
	Pengawasan Pajak	.256	.019

a. Dependent Variable: Kepatuhan Wajib Pajak

Source: Data Processed

Figure 1. Simple Linear Regression Coefficient

In Table 4.12 above, the magnitude of the simple unstandardized linear regression coefficient is constant (a) = 10.350 and regression coefficient (b) = 0.256. Based on the data of the constant coefficient (a) = 10.350 and the regression coefficient (b) = 0.256 above, a simple linear regression equation can be made of the relationship between variables free of tax

supervision and the variable bound by taxpayer compliance as follows.

$$Y = a + bX + e$$

$$Y = 10.350 + 0.256 X$$

A simple linear regression equation shows that there is a positive influence on Taxpayer Compliance (Y) and Tax Supervision (X). The value of $a = 10,350$ means that if the amount of Tax Supervision (X) = 0, then the Taxpayer Compliance (Y) is 10,350 units.

Determination analysis was used to explain the percentage of influence of the independent variable of Tax Supervision (X) on the bound variable (devenden) of Taxpayer Compliance (Y). The formula for calculating Determination (D) = Adjusted R² x 100%. For the Determination test, the following Summary Table is displayed.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.684 ^a	.468	.466	2.448	1.712

a. Predictors: (Constant), Pengawasan Pajak
b. Dependent Variable: Kepatuhan Wajib Pajak

Source: Data Processed

Figure 2. Coefficient Determination

In the table above, the value of the Adjusted R² coefficient = 0.468 can be calculated, so that the determination coefficient (D) = Adjusted R² x 100% = 0.468 x 100% = 46.8% can be calculated. This means that 46.8% of changes or variations are influenced by independent variables (Tax Supervision). The remaining 100%—46.8 % = 53.2% were influenced by factors other than the Tax Supervision variable, not discussed in this study.

RESULTS AND DISCUSSION

The hypothesis that will be tested in this study reads: "Tax supervision has a positive effect on Taxpayers' compliance in submitting Annual Tax Returns (SPT)". The hypothesis test in this study includes a directional and significance test of the influence using probability values. The hypothesis test is carried out through Significance (Probability) at *an alpha* level of 5% or 0.05. To test the significance of the influence of the independent variable of Tax Supervision on the dependent variable of Taxpayer Compliance, Table 4.14 contains the unstandardized regression coefficient (b), the T-statistical coefficient, and Sig.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.350	.876		11.815	.000
	Pengawasan Pajak	.256	.019	.684	13.669	.000

a. Dependent Variable: Kepatuhan Wajib Pajak

Source: Data Processed

Figure 3. Regression Coefficients of T-Statistics and Sig

In Table 4.18 above, the data of the unstandardized simple linear regression coefficient include the constant (a) = 10.350, the linear regression coefficient (b) = 0.256, the t-count = 13.669, and the Sig. 0.000. Thus, hypothesis testing can be carried out to measure the

significance of the influence of individual explanatory or independent variables on the variation of the dependent variables tested at a significance level of 5% or 0.05.

The value of the linear regression coefficient (b) = 0.256 has a positive sign, and the value of Sig. (probability) = 0.000 < 0.05, then H_0 is rejected or H_a is accepted. Or in other words, the hypothesis that reads "Tax supervision has a positive effect on Taxpayers' compliance in submitting the Annual Tax Return (SPT)" has been tested for its truthfulness. This means that the free variable has a positive and significant influence individually on the bound variable; the better the tax supervision, the higher the Taxpayer's compliance in submitting the Annual Tax Return (SPT).

Discussion

The study found that tax supervision positively and significantly affected Taxpayers' compliance in submitting the Annual Tax Return (SPT) by 46.8%. While the remaining 53.2% is still influenced by factors other than tax supervision variables, such as tax socialization, tax audits, or law enforcement in the field of taxation. These findings strengthen Syafie's (2013) statement that supervision is one of the functions in management to ensure that the work implementers run according to the standards set in the planning. It can also strengthen the Circular Letter of the Director General of Taxes Number: SE-05/PJ/2022 which states that supervision of tax compliance has a definition of a series of coaching and research activities on the fulfillment of tax obligations, both those that will, have not been, or have been implemented by Taxpayers, to realize sustainable compliance of Taxpayers with the provisions of tax laws and regulations.

Tax supervision positively and significantly affects Taxpayers' compliance in submitting the Annual Tax Return (SPT) by 46.8%. This means that the choice of supervision theory by Robbins and Coulter (2005) and the theory of compliance by Stanley Milgram (1963) is appropriate. Likewise, the Rahayu (2013) theory of taxpayer compliance includes formal and material compliance dimensions.

The findings of this study are in line with the findings of a research entitled The Influence of Tax Education, Supervision and Inspection on Increasing Taxpayer Compliance at KPP Pratama Surabaya Genteng, conducted by Sari et al. (2022) which stated that tax supervision positively and significantly influences increasing taxpayer compliance at KPP Pratama Surabaya Genteng.

In this study, a new finding has also been found that has not existed in previous studies, that tax supervision at the DGT Bali Regional Office is perceived by taxpayers to have gone well with a score of 3.83 on a scale of 1 to 5, but there are still dimensions that are perceived to be good that have not been achieved optimally, namely measurement which only obtained a score of 3.34 on a scale of 1 to 5. This must be a separate concern for the DGT Bali Regional Office to improve the score by creating a new method for measuring tax supervision.

CONCLUSIONS

The study concludes that tax supervision significantly improves taxpayer compliance in submitting Annual Tax Returns (SPT), accounting for 46.8% of compliance variation (moderate influence), while other factors drive 53.2%. Tax supervision at the DGT Bali Regional Office was perceived as effective (3.83/5), though measurement scored lower (3.34/5),

and taxpayer compliance was rated highly (4.42/5), especially in formal compliance. Respondents from KPP Pratama Gianyar were predominantly male, bachelor 's-educated, long-term individual taxpayers. Future research should explore additional compliance factors (e.g., taxpayer awareness, digitalization, socio-cultural influences), improve supervision measurement, conduct regional/corporate comparisons, analyze long-term compliance trends, and integrate behavioral economics to enhance tax strategies in Indonesia.

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