

DETERMINANTS OF MOTOR VEHICLE TAXPAYER COMPLIANCE: TRUST, TAX SANCTIONS, AND SERVICE QUALITY

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ABSTRACT

Research Objectives - This study aims to examine the effects of service quality, trust, and tax sanctions on motor vehicle taxpayer compliance.

Method - This study employs a quantitative approach using a survey method through the distribution of questionnaires to motor vehicle taxpayers. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) to examine the relationships among the research variables.

Research Findings - The results indicate that service quality does not have a significant effect on motor vehicle taxpayer compliance. In contrast, trust in tax authorities has a positive and significant effect on taxpayer compliance. Furthermore, the implementation of strict tax sanctions has been proven to enhance motor vehicle taxpayers' compliance in fulfilling their tax obligations.

Theory and Practical Implications - Hasil penelitian ini memperkuat perspektif teori kepatuhan pajak yang menekankan pentingnya kepercayaan dan mekanisme sanksi dalam meningkatkan kepatuhan wajib pajak. Pemerintah daerah diharapkan dapat meningkatkan transparansi dan konsistensi penegakan sanksi untuk memperkuat kepatuhan wajib pajak kendaraan bermotor.

Novelty - Penelitian ini menunjukkan bahwa dalam konteks pajak kendaraan bermotor, faktor kepercayaan dan sanksi pajak lebih menentukan kepatuhan wajib pajak dibandingkan kualitas pelayanan administrasi.

INTRODUCTION

Tax revenue constitutes the primary source of development financing in many countries, including Indonesia. However, taxpayer compliance remains a major challenge in enhancing the effectiveness of regional tax revenue collection. One type of local tax that makes a significant contribution is the motor vehicle tax, which is administered through the SAMSAT administrative system. The increasing number of motor vehicles is not always accompanied by a corresponding increase in taxpayer compliance in fulfilling tax obligations. This phenomenon indicates the existence of compliance-related behavioral issues influenced by various factors, including service quality, the level of trust in government institutions, and the implementation of tax sanctions. Previous studies have shown that taxpayer compliance is influenced by both institutional and psychological factors, including trust in tax authorities and the effectiveness of sanction enforcement (Kirchler et al., 2008; Torgler, 2007). Furthermore, high-quality services provided by tax officials are believed to enhance taxpayer satisfaction and encourage compliance with tax obligations (Alm et al., 2012).

Nevertheless, prior studies have reported inconsistent findings regarding the factors influencing taxpayer compliance. Several studies have found that service quality positively affects taxpayer compliance because high-quality services can increase public satisfaction and trust in tax institutions (Gangl et al., 2015). In contrast, other studies suggest that service quality does not always have a significant impact on taxpayer compliance, as compliance is often more strongly influenced by

tax sanctions and taxpayers' perceptions of the risks associated with tax violations (Alm & Torgler, 2011). These inconsistent findings indicate the existence of a research gap that warrants further investigation, particularly in the context of motor vehicle taxation at the local government level.

In addition, one of the most widely used theories for explaining taxpayer compliance is the Slippery Slope Framework, which posits that taxpayer compliance is determined by two main factors: the power of authority and trust in authority (Kirchler et al., 2008). The power of authority is generally reflected through the implementation of tax sanctions, whereas trust is manifested in the public's perception of governmental integrity and transparency. However, empirical applications of this framework have produced mixed results across countries and tax sectors. Some studies indicate that tax sanctions can improve compliance through deterrence effects (Allingham & Sandmo, 1972), while others emphasize that trust-based approaches and high-quality public services are more effective in promoting long-term compliance (Gangl et al., 2015). Therefore, further research is needed to integrate these factors within the context of motor vehicle taxation.

The novelty of this study lies in its simultaneous examination of the effects of service quality, trust, and tax sanctions on motor vehicle taxpayer compliance using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach. Furthermore, this study provides empirical contributions within the context of local taxation, particularly regarding the SAMSAT administrative system, which serves as the primary institution responsible for managing motor vehicle taxes. By integrating tax compliance theory with an empirical approach based on primary data, this study is expected to provide a more comprehensive understanding of the determinants of taxpayer compliance at the regional level.

This study aims to analyze the effects of service quality, trust, and tax sanctions on motor vehicle taxpayer compliance. The findings are expected to contribute to the development of local tax policies aimed at improving taxpayer compliance and optimizing regional tax revenue. However, this study has certain limitations, as the data were collected solely from taxpayers registered at a single SAMSAT office; therefore, the findings may not be generalizable to other regions or types of taxes. Moreover, the study focuses only on three primary determinants of compliance. Future research is encouraged to develop a more comprehensive model by incorporating additional variables such as tax awareness, tax literacy, and perceptions of tax fairness.

METHOD

This study employs a quantitative approach with an associative research design aimed at analyzing the relationships and effects of service quality, trust, and tax sanctions on motor vehicle taxpayer compliance. A quantitative approach was selected because the study focuses on examining relationships among variables measured numerically through a questionnaire instrument and analyzed using inferential statistical techniques. Quantitative methods are widely used in tax compliance research because they facilitate the empirical examination of causal relationships through measurable statistical models. Previous studies employing quantitative approaches in taxpayer compliance research include the work of Kirchler et al. (2008), which examined the relationship between trust and the power of authority in influencing tax compliance through an empirical model, and Gangl et al. (2015), who analyzed the interaction between tax authorities and taxpayers in promoting compliance. Furthermore, Alm and Torgler (2011) demonstrated that quantitative approaches are effective in explaining tax compliance behavior through statistical analyses of psychological and institutional variables. Therefore, the quantitative approach is considered appropriate for examining the effects of service quality, trust, and tax sanctions on motor vehicle taxpayer compliance.

The data collection process utilized primary data obtained through the distribution of questionnaires to motor vehicle taxpayers registered at the SAMSAT Office. The questionnaire was developed based on indicators for each research variable derived from previous studies and measured using a Likert scale. The use of questionnaires is a common data collection technique in quantitative research because it enables the systematic and structured measurement of respondents' perceptions, attitudes, and behaviors (Creswell, 2014). Moreover, survey-based questionnaires allow researchers to collect relatively large amounts of data within a shorter period of time. According to Sekaran and Bougie (2016), surveys are effective instruments for gathering empirical data regarding

individuals' perceptions of social and organizational phenomena. In this study, respondents were selected using incidental sampling, a sampling technique in which participants are chosen based on their availability and their fulfillment of the criteria as motor vehicle taxpayers. This technique is frequently employed in social research involving members of the general public because it is practical and facilitates rapid data collection.

Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS software. The PLS approach was selected because it allows for the simultaneous analysis of relationships among latent variables and can be applied to studies with relatively small sample sizes without requiring strict assumptions of normal data distribution (Hair et al., 2019). The analysis was performed in two main stages: measurement model (outer model) evaluation and structural model (inner model) evaluation. The outer model assessment aimed to evaluate the validity and reliability of the indicators through tests of convergent validity, discriminant validity, composite reliability, and Cronbach's alpha. Meanwhile, the inner model assessment was conducted to examine the strength of relationships among latent variables through the coefficient of determination (R-square), path coefficients, and hypothesis testing using t-statistics and p-values generated through the bootstrapping procedure.

The conceptual framework of this study illustrates the relationships between the independent variables—service quality (X1), trust (X2), and tax sanctions (X3)—and the dependent variable, namely motor vehicle taxpayer compliance (Y). The framework assumes that improvements in service quality, greater trust in tax authorities, and the effective implementation of tax sanctions will contribute to higher levels of taxpayer compliance in fulfilling tax obligations.

RESULTS AND DISCUSSION

Measurement Model Analysis (Outer Model). Data analysis in this study employed the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach to examine the relationships between service quality, trust, tax sanctions, and motor vehicle taxpayer compliance. The initial stage of the analysis involved evaluating the measurement model (outer model) to assess the validity and reliability of the indicators used in the study. Validity was examined through convergent validity and discriminant validity tests. The results indicated that the loading factor values of all indicators exceeded the recommended minimum threshold, confirming that all indicators were valid measures of their respective constructs. Furthermore, the discriminant validity assessment showed that the square root of the Average Variance Extracted (AVE) for each construct was greater than its correlations with other constructs, indicating that the model satisfied the criterion for discriminant validity. Reliability testing was subsequently conducted using Cronbach's alpha and composite reliability measures, both of which exceeded the threshold value of 0.70, demonstrating that all research variables were reliable. These findings indicate that the research instrument possessed a high level of internal consistency and was capable of accurately measuring service quality, trust, tax sanctions, and taxpayer compliance. This result is consistent with methodological recommendations in PLS research, which suggest that constructs are considered reliable when their composite reliability and Cronbach's alpha values exceed 0.70 (Hair et al., 2019).

Structural Model Analysis (Inner Model). After the measurement model was confirmed to be valid and reliable, the next stage involved evaluating the structural model (inner model) to determine the relationships among the latent variables. The structural model was assessed by examining the coefficient of determination (R-square) and the path coefficients of each independent variable on the dependent variable. The results revealed that service quality had a positive but statistically insignificant effect on motor vehicle taxpayer compliance. This finding was indicated by a significance value exceeding the predetermined significance level; therefore, the hypothesis proposing a significant relationship between service quality and taxpayer compliance was not supported. These findings suggest that the quality of services provided by tax officials at the SAMSAT office has not become a primary factor in encouraging taxpayers to comply with motor vehicle tax obligations. This condition may arise because tax payment obligations are mandatory under statutory regulations; therefore, the quality of services provided does not necessarily influence taxpayers' compliance

behavior. This finding is consistent with the study of Karlinah (2022), which reported that service quality does not significantly affect taxpayer compliance, but it differs from the findings of Gangl et al. (2015), who argued that high-quality services provided by tax authorities can enhance taxpayer compliance by increasing public trust in tax institutions.

The Effect of Trust on Taxpayer Compliance. The analysis results demonstrated that trust has a positive and significant effect on motor vehicle taxpayer compliance. This finding indicates that the higher the level of public trust in tax institutions and government authorities, the greater the likelihood that taxpayers will comply with their tax obligations. Public trust in government is a critical factor in promoting voluntary compliance, as taxpayers are more willing to fulfill their obligations when they believe that tax revenues are managed transparently and responsibly for the public good. This finding is consistent with the Slippery Slope Framework, which posits that taxpayer compliance is influenced by two key factors: the power of authority and trust in authority (Kirchler et al., 2008). In this context, trust in government can enhance voluntary tax compliance without relying solely on strict law enforcement measures. Previous studies have also demonstrated that trust in government significantly influences taxpayer compliance across different countries and tax systems (Torgler, 2007; Alm & Torgler, 2011).

The Effect of Tax Sanctions on Taxpayer Compliance. The findings also indicate that tax sanctions have a positive and significant effect on motor vehicle taxpayer compliance. This result suggests that the implementation of strict tax sanctions can increase taxpayers' awareness and willingness to fulfill their tax obligations due to the legal and financial consequences associated with non-compliance. Tax sanctions function as a deterrence mechanism that discourages taxpayers from violating tax regulations. This finding supports the economic theory of tax compliance proposed by Allingham and Sandmo (1972), which argues that taxpayers evaluate the risks and consequences of tax violations before deciding whether to comply. In other words, the stronger the enforcement of tax sanctions, the higher the level of taxpayer compliance. Previous studies have similarly demonstrated that effective tax sanctions can enhance taxpayer compliance through deterrence effects (Alm et al., 2012).

CONCLUSION

This study aimed to analyze the effects of service quality, trust, and tax sanctions on motor vehicle taxpayer compliance. Based on the results of the Partial Least Squares–Structural Equation Modeling (PLS-SEM) analysis, the findings reveal that service quality does not have a significant effect on motor vehicle taxpayer compliance. This indicates that improvements in the quality of services provided by tax authorities do not necessarily lead to higher levels of taxpayer compliance in fulfilling tax obligations. In contrast, the variables of trust and tax sanctions were found to have positive and significant effects on motor vehicle taxpayer compliance. These findings suggest that public trust in government institutions and the implementation of strict tax sanctions are important factors in encouraging taxpayer compliance. Therefore, taxpayer compliance is influenced not only by administrative service aspects but also by psychological and institutional factors that shape public perceptions of the taxation system.

The findings of this study contribute to the literature on taxpayer compliance by demonstrating that trust and tax sanctions play a more dominant role than service quality in enhancing motor vehicle taxpayer compliance. These results are consistent with the studies of Kirchler et al. (2008) and Torgler (2007), which emphasize the importance of trust in authorities in fostering voluntary tax compliance, and they also support deterrence theory, which argues that tax sanctions can improve compliance through preventive effects (Allingham & Sandmo, 1972). However, the findings differ from several previous studies that reported a significant effect of service quality on taxpayer compliance (Gangl et al., 2015). This discrepancy highlights the existence of different empirical contexts in local taxation research, particularly in the area of motor vehicle taxation. Accordingly, the novelty of this study lies in providing empirical evidence that, within the context of local tax administration, trust and tax sanctions play a more substantial role in enhancing taxpayer compliance than the quality of administrative services provided by tax authorities.

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