



## Effectiveness of Material Compliance Supervision to Improve Tax Compliance at The Cirebon Satu Primary Tax Service Office

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### Abstract

Tax revenue plays a vital role in supporting national development, particularly in countries implementing a self-assessment tax system such as Indonesia. Under this system, effective tax oversight is crucial to ensure taxpayer compliance, particularly material compliance, which relates to the substantive accuracy of tax reporting. This study aims to analyze the effectiveness of Material Compliance Supervision (MCS) in improving taxpayer compliance at the Cirebon Satu Primary Tax Service Office (KPP Pratama Cirebon Satu) and to identify factors influencing its implementation. This study adopted a descriptive qualitative approach. Data were collected through in-depth interviews with Public Accountant Representatives, supervisory officials, and tax consultants, supported by direct observation and documentation analysis. Data were analyzed using qualitative analysis stages, including data reduction, data presentation, and conclusion drawing, with triangulation techniques applied to ensure data validity. The results indicate that Material Compliance Supervision has contributed to improving taxpayer compliance, although its effectiveness remains at a moderate level. Economic deterrence, particularly through administrative sanctions and perceived tax audit risk, was found to be the most influential factors in driving compliance. Conversely, normative motivation alone did not consistently lead to higher material compliance. Taxpayers' perceptions of the tax system, including administrative simplicity, service quality, and legal certainty, positively influence the acceptance of supervision results. Perceptions of fairness and equality strengthen the legitimacy of supervisory actions and encourage cooperative compliance behavior. Factors supporting the effectiveness of MCS include data- and risk-based supervision, increased digitalization of tax administration, and enhanced human resource competency. However, limited data quality, variations in communication skills among supervisors, taxpayer financial constraints, and frequent changes in performance indicators were identified as inhibiting factors. This study concludes that optimizing Material Compliance Supervision requires strengthening data quality, enhancing supervisory competency, and integrating law enforcement with educational and service-oriented approaches to support sustainable taxpayer compliance and state revenue performance.

*Keywords:* Material compliance supervision, tax compliance, account representative, tax administration, taxpayer behavior

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### 1. Introduction

Tax revenue plays a central role in financing national development and maintaining the country's fiscal stability. In the past three years, tax contributions to the State Budget (or also known as APBN in Indonesian) have shown a dominant proportion, reflecting the government's high dependence on the tax sector as a primary funding source. In 2022, Indonesia's tax revenues reached approximately IDR 1,717 trillion, or 115.6% of the set target, with a contribution to total state revenues in the APBN of IDR 2,080 trillion ranging from 80–85%, confirming the dominant role of taxes as the primary source of state financing (Simanjuntak, 2023). However, in 2023, the tax contribution ratio decreased to approximately 70% of total state revenues of IDR 2,774 trillion, consisting of IDR 1,869 trillion in tax revenues and IDR 544 trillion in Non-Tax State Revenues (or also known as PNBP in Indonesian). Although tax realization continued to show strong performance, achieving 108.8% of the target (Ikatan Konsultan Pajak Indonesia, 2025, 2025). Furthermore, in 2024, tax contributions will increase again, with a ratio ranging from 75% to 82% of total state revenue, ranging from IDR 2,366 trillion to IDR 2,492 trillion. This is in line with tax revenues of IDR 1,932 trillion, equivalent to 97% to 100.5% of the target. This reflects positive growth in state revenue performance, although it has not yet fully reached the State Budget target (Kementerian Keuangan Republik Indonesia, 2025). This proportion indicates that nearly three-quarters of state revenue is allocated from the tax sector, which is then used to finance infrastructure development, social empowerment programs, and improving the quality of public services. This situation places tax

revenue performance as a determining factor in the sustainability of national development and the government's fiscal capacity.

As an institution with a strategic mandate in managing state revenues, the Directorate General of Taxes (DGT) plays a central role in the national tax system. The DGT is under the auspices of the Ministry of Finance of the Republic of Indonesia and is responsible for collecting state revenues from various types of taxes, such as Income Tax and Value Added Tax. In carrying out its duties, the Directorate General of Taxes (DGT) focuses not only on tax collection but also on expanding the tax base, increasing taxpayer compliance, and strengthening the information technology-based tax administration system. Therefore, the effectiveness and efficiency of DGT's performance are crucial for the government's success in achieving state revenue targets and supporting sustainable national development.

Indonesia adopts a self-assessment tax system, a system that gives taxpayers full trust to independently calculate, account for, pay, and report their own tax payable in accordance with applicable laws and regulations. Within this system, the Directorate General of Taxes acts as the supervisory and law enforcement authority to ensure taxpayer compliance while guaranteeing state revenue from the tax sector. The success of the self-assessment system depends heavily on the effectiveness of oversight by the tax authorities (Rulandari et al., 2022; Wahyuni & Sumantri, 2023).

Taxpayer oversight is one of the primary strategies employed by the Directorate General of Taxes to increase tax revenue. The purpose of oversight is not only to ensure tax compliance but also to prevent tax avoidance practices and identify untapped revenue potential. In determining taxpayers requiring further oversight, the Directorate General of Taxes applies a risk-based approach utilizing data and information from various sources, including data from Agencies, Institutions, Associations, and Other Parties (ILAP) (Uys, 2023; Bostan, 2025). Therefore, robust, data-driven, and targeted oversight is key to the Directorate General of Taxes' success in maintaining consistent state revenue.

In carrying out its tax oversight function, the Directorate General of Taxes assigns specific employees to strategic roles, namely Account Representatives (ARs). Referring to Minister of Finance Regulation Number 45/PMK.01/2021 concerning Account Representatives at Tax Service Offices, Account Representatives (ARs) are tasked with supervising taxpayers' tax administration, from monitoring tax return (MTR) submission obligations, reviewing tax data and documents, to providing assistance to taxpayers to improve compliance (Kementerian Keuangan, 2021). The AR's position at the forefront of interactions between tax authorities and taxpayers means that their effective performance directly contributes to achieving state revenue targets and improving overall tax compliance.

In addition to carrying out administrative oversight functions, Account Representatives are also tasked with achieving tax revenue targets within a specific period. These targets serve as key performance indicators and encourage more optimal oversight. Tax revenue, which falls under the responsibility of ARs, is generally generated through two main activities: Periodic Payment Supervision (PPS) and Material Compliance Supervision (MCS). PPS focuses on monitoring taxpayers' tax payments and reporting of periodic SPTs, while MCS focuses on analyzing the accuracy of SPT content and the reasonableness of taxpayers' reported data and information. These two approaches are important instruments for AR in detecting potential tax underpayments and encouraging increased compliance through administrative and educational approaches (Febrianti & Andhaniwati, 2025).

At the beginning of the current year, each Tax Service Office (KPP) prepares a comprehensive Tax Revenue Plan (Renpen), which is then detailed into individual tasks and functions, including Supervision, Audit, Law Enforcement, Collection, and Education. The portion of revenue under the Supervision function is then distributed to each Account Representative. Each AR receives a revenue target derived from Periodic Payment Supervision (PPS) and Material Compliance Supervision (MCS) activities (Irawan, 2025).

One form of tax oversight activity that plays a strategic role is Material Compliance Supervision (MCS). In its implementation, Account representatives receive a list of taxpayers subject to MCS supervision, known as the Collaborative Supervision Priority List (SPL). Through the Collaborative SPL, ARs are required to conduct initial research to select and identify taxpayers with potential material non-compliance, so that they can be directed to support the achievement of revenue targets from MCS activities (Fidiana, 2025).

Based on data from the Directorate General of Taxes (DGT) Apportal, the aggregate tax revenue target at the Cirebon Satu Pratama Tax Office for the 2021–2024 period was relatively successfully achieved. However, revenue from Material Compliance Supervision (MCS) activities often fell short of expectations. Based on the Cirebon Satu Pratama Tax Office Performance Report and Revenue Management (RM) Dashboard data published on the website [www.pajak.go.id](http://www.pajak.go.id), revenue realization from MCS activities fluctuated between 2023–2025. In 2024, MCS realization was recorded at 76.98 percent, declining to 68.72 percent in 2025 (Direktorat Jenderal Pajak, 2025). This situation indicates that MCS's contribution to total tax revenue remains relatively lower than that of Periodic Payment Supervision (PPS).

In practice, Account Representatives face various obstacles in exploring revenue potential through MCS activities, including limited accurate data, the complexity of taxpayer businesses, and resistance arising during the clarification and enforcement of compliance. The gap between the achievement of aggregate revenue targets and the low contribution of the Material Compliance Supervision (MCS) indicates the need to evaluate the effectiveness of the implementation of Material Compliance Supervision as a tax oversight strategy. This evaluation is crucial to optimize the role of MCS in encouraging taxpayer material compliance and significantly impact state revenues.

Against this background, this study focuses on assessing the effectiveness of Material Compliance Supervision (MCS) activities conducted by the Directorate General of Taxes, specifically at the Cirebon Satu Pratama Tax Service Office, in improving taxpayer compliance. This study aims to analyze the extent to which the implemented supervision

is effective in encouraging taxpayer material compliance within the Cirebon Satu Pratama Tax Office (KPP Pratama) working area and to identify influencing factors. It is hoped that the results of this study will contribute to the formulation of more optimal tax oversight policies and support the sustainable achievement of state revenue targets.

## **2. Literature Review**

### **2.1. Effectiveness in Public Administration**

Effectiveness is a central concept in public administration studies because it is used to assess the extent to which an organization is able to achieve its stated goals (Tompkins, 2023). In the context of public organizations, effectiveness is measured not only by meeting quantitative targets but also by the quality of results, the benefits generated, and their impact on society. Aguilera et al. (2024) emphasize that effectiveness relates to an organization's ability to optimally utilize available resources to achieve planned goals, so the primary focus is on achieving final results, not on the magnitude of inputs used. This view positions effectiveness as a measure of an organization's success in fulfilling its mandate.

Darmawan (2024) expands the understanding of effectiveness by emphasizing the relationship between an organization and its environment. Organizational effectiveness is reflected in the organization's ability to adapt to the environment, capitalize on opportunities, and manage existing limitations to achieve its goals. Thus, effectiveness is not static, but rather dynamic and influenced by various internal and external factors. In public administration, this means that the effectiveness of apparatus performance cannot be separated from the social, economic, and institutional context in which the organization operates.

Rijal (2023) emphasized that effectiveness in public organizations is oriented toward achieving tangible outcomes and benefits for the community. A public organization is considered effective if its implemented policies and programs effectively address public needs. Therefore, effectiveness in public administration reflects not only managerial success but also accountability and the quality of public services. In the context of tax oversight, effectiveness serves as a benchmark for assessing the extent to which oversight activities can drive changes in taxpayer behavior and improve compliance sustainably.

### **2.2. Tax Supervision and Tax Compliance**

Tax supervision is a crucial instrument in the tax administration system, particularly in countries that adopt a self-assessment system (Madugba et al., 2024). The OECD views supervision as a series of systematic actions undertaken by tax authorities to identify, assess, and address the risks of non-compliance, with the aim of ensuring taxpayers fulfill their obligations correctly and voluntarily (Martini, 2022). Supervision is not solely oriented towards law enforcement but also encompasses education, the use of third-party data, and a risk-based approach to ensure effective use of supervisory resources.

Sidelnykova et al. (2022) explain that tax supervision serves as a mechanism to create economic incentives for taxpayers. The presence of supervision increases the probability of detection of violations and reinforces the expectation that non-compliance will result in sanctions. This encourages compliance, both voluntary and enforced. Thus, supervision aims not only to detect violations but also to shape compliance behavior through a combination of deterrence and coaching.

In tax compliance studies, the literature distinguishes between formal compliance and material compliance. Formal compliance refers to the fulfillment of administrative obligations, such as registration, filing tax returns, and timely payment. Meanwhile, material compliance relates to the substantive accuracy of tax reporting and payment, namely the correspondence between reported taxes and actual economic conditions. This distinction is important because a high level of formal compliance does not necessarily reflect good material compliance. Therefore, tax oversight, particularly oversight of material compliance, is a strategic instrument for ensuring the integrity of the tax system and optimizing state revenues.

### **2.3. Tax Compliance Theory**

James and Alley (2002) argue that tax compliance is the result of an interaction between economic, psychological, and institutional factors. Within their theoretical framework, the effectiveness of tax oversight is influenced by four main dimensions: economic deterrence, normative motivation, perception of the tax system, and fairness and equity. These four dimensions complement each other in shaping compliance, particularly sustainable material compliance.

The economic deterrence dimension emphasizes that taxpayers are more likely to comply if the costs of non-compliance, such as the risk of audit and sanctions, outweigh the benefits gained from tax evasion (Abba et al., 2023). In this context, oversight that increases the probability of detection and the consistent application of sanctions will strengthen compliance from an economic-rational perspective. Normative motivation relates to taxpayers' moral drives and internal values, such as a sense of social responsibility, ethics, and civic awareness. Compliance arises not merely from fear of sanctions, but from the belief that paying taxes is the right thing to do. James and Alley (2002) emphasize

that a communicative and educational approach to oversight can strengthen this dimension, although its impact is highly dependent on the taxpayer's social and cultural context.

Perception of the tax system refers to taxpayers' perceptions of the quality of the tax administration system, including ease of procedures, transparency of information, quality of tax authorities' services, and legal certainty (Idrus, 2024). Positive perceptions of the tax system tend to increase trust and encourage compliance. Conversely, a system perceived as complicated and opaque has the potential to reduce compliance levels. The fairness and equity dimension emphasizes the importance of fairness in the application of regulations and oversight measures. Taxpayers are more likely to comply if they feel they are treated fairly, without discrimination, and that sanctions are applied consistently. Procedural and distributive justice in the tax system are important factors in building the legitimacy of tax authorities and strengthening long-term compliance (Prastiwi & Diamastuti, 2023).

### 2.4. Conceptual Framework

Based on the theoretical and literature review, tax supervision is viewed as a key variable influencing tax compliance, particularly material compliance. The effectiveness of supervision is determined not only by the intensity of supervisory actions but also by how such supervision influences taxpayers' perceptions, motivations, and rational considerations. This research's conceptual framework positions the assurance of material compliance as an instrument that operates through four main dimensions, as proposed by James and Alley (2002) economic deterrence, normative motivation, perceptions of the tax system, and fairness and equality. Through these mechanisms, supervision is expected to encourage increased taxpayer compliance and ultimately contribute to optimizing state revenues. The conceptual framework for this research can be seen in Figure 1.

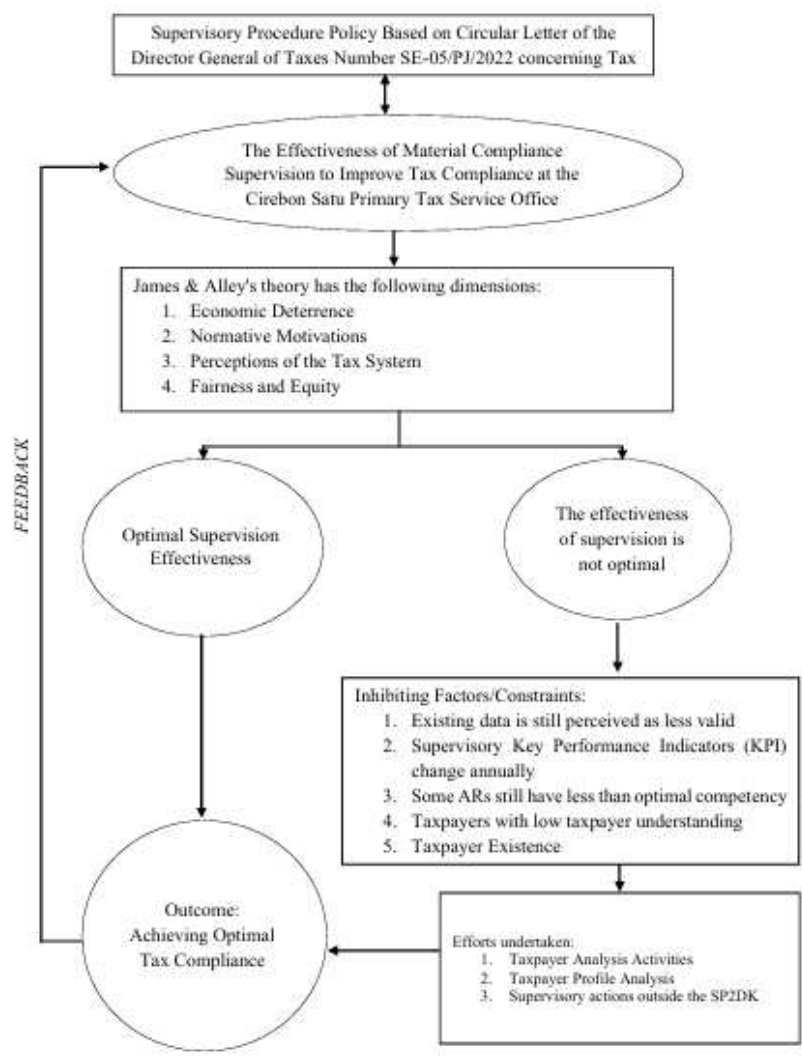


Figure 1: conceptual framework

### 3. Materials and Methods

#### 3.1. Materials

This research focuses on Material Compliance Supervision (MCS) as the primary object of study. MCS was chosen because it is a strategic instrument in the tax oversight system, aiming to assess the accuracy of taxpayers' tax reporting and the reasonableness of the reported data. The research location was the Cirebon Satu Pratama Tax Service Office (KPP Pratama), chosen because it has relatively good aggregate tax revenue achievements, but shows fluctuations in revenue contributions from MCS activities.

The data sources in this study consist of primary and secondary data. Primary data were obtained through in-depth interviews with key informants directly involved in tax oversight implementation, namely Account Representatives (ARs), related structural officials (Section Heads), and tax consultants with experience interacting with tax authorities. In addition, direct observations were conducted to contextually understand the MCS implementation process, interaction patterns between the tax authorities and taxpayers, and the work dynamics of Account Representatives in carrying out their oversight function.

Secondary data were obtained from internal documents of the Directorate General of Taxes, such as performance reports, revenue data, and other supporting documents relevant to the implementation of Material Compliance Supervision. The research instruments used include an interview guide to ensure consistency and depth of data collection, as well as an observation checklist to assist in systematically recording field findings.

#### 3.2. Methods

This study employed a descriptive qualitative approach, chosen to gain an in-depth understanding of the effectiveness of the implementation of Material Compliance Supervision and the factors influencing it (Handayani et al., 2025). This approach enabled researchers to comprehensively explore the processes, perceptions, and experiences of tax supervisors in a real-world context.

Data collection techniques included in-depth interviews, observations, and documentation studies. Interviews were used to explore informants' perspectives and experiences regarding the implementation of MCS, the obstacles encountered, and efforts made to improve taxpayer material compliance. Observations complemented interview data with direct observation of supervision practices in the field, while documentation studies strengthened findings through relevant written data and information.

Data analysis was conducted in stages, following a qualitative analysis model that includes data reduction, data presentation, and conclusion drawing. In the reduction stage, the data obtained was selected and focused on information relevant to the research objectives. The data was then presented in narrative form and thematically grouped to facilitate interpretation. The final stage involved drawing conclusions based on patterns and relationships found in the data. To ensure data validity, this study employed triangulation techniques, including both source and method triangulation. By comparing data obtained from various sources and data collection techniques, it is hoped that the research results will have a higher level of credibility and reliability.

### 4. Results and Discussion

#### 4.1. Overview of the Research Site

##### 4.1.1. Institutional position

The Primary Tax Office of Cirebon Satu (KPP Pratama Cirebon Satu) was established as an outcome of the organizational restructuring of the former Cirebon Tax Office. This restructuring resulted in the formation of two separate administrative units, namely KPP Pratama Cirebon Satu and KPP Pratama Cirebon Dua, both of which officially commenced operations on 2 July 2018. The institutional separation was formalized through the Decree of the Director General of Taxes Number KEP-167/PJ/2018, enacted as an implementation of the Minister of Finance Regulation Number 210/PMK.01/2017 concerning the organizational structure and governance of vertical institutions within the Directorate General of Taxes (Direktur Jenderal Pajak, 2018).

The organizational division was strategically implemented to strengthen administrative order, enhance the quality of tax services and supervision, and support the optimization of state revenue in the taxation sector. In line with the objectives outlined in PMK Number 210/PMK.01/2017, the establishment of KPP Pratama Cirebon Satu aimed to improve institutional effectiveness by enabling more focused oversight, service delivery, and compliance monitoring within a defined jurisdiction. This restructuring also formed part of broader institutional reforms intended to improve the overall performance of both the Regional Office of the Directorate General of Taxes and its subordinate tax offices.

Administratively, KPP Pratama Cirebon Satu operates under the authority and supervision of the Regional Office of the Directorate General of Taxes of West Java II. Within this hierarchical structure, the office is responsible for implementing national tax policies at the local level, while ensuring alignment with strategic objectives set by the central and regional tax authorities. Its institutional position enables KPP Pratama Cirebon Satu to function as a key operational

unit in enforcing tax compliance, particularly in the area of material compliance supervision, which constitutes the primary focus of this research.

**4.1.2. Duties and functions**

KPP Pratama Cirebon Satu is mandated to carry out tax administration functions encompassing service delivery, education, supervision, and law enforcement for taxpayers within its jurisdiction. The office is responsible for administering various national taxes, including Income Tax, Value Added Tax, Sales Tax on Luxury Goods, other indirect taxes, as well as Land and Building Tax, in accordance with prevailing tax laws and regulations.

In executing its mandate, KPP Pratama Cirebon Satu performs a comprehensive set of functions that support both compliance management and revenue optimization. These functions include the analysis and achievement of tax revenue targets, management and validation of taxpayer and tax object data, registration and deregistration of taxpayers and tax objects, as well as the confirmation and revocation of taxable entrepreneur status. In addition, the office is authorized to issue, amend, and administer tax-related legal products and services, including tax assessments, administrative decisions, and supporting documentation.

KPP Pratama Cirebon Satu also plays a critical role in tax compliance supervision through activities such as data collection and mapping of taxpayers, monitoring and evaluation of tax reporting and payment obligations, and conducting enforcement actions including tax audits, collection, and valuation. These supervisory functions are supported by continuous data quality assurance, database updating, and integration of internal and external tax information to ensure accuracy and reliability in compliance assessment.

Furthermore, the office undertakes public service and outreach functions, including taxpayer education, consultation, complaint handling, and the administration of tax amnesty follow-up programs. Internal governance functions are also emphasized, covering performance management, risk management, internal compliance monitoring, document management, and administrative support. Through this integrated set of duties and functions, KPP Pratama Cirebon Satu serves as a pivotal operational unit in strengthening material tax compliance and enhancing the effectiveness of tax administration at the local level.

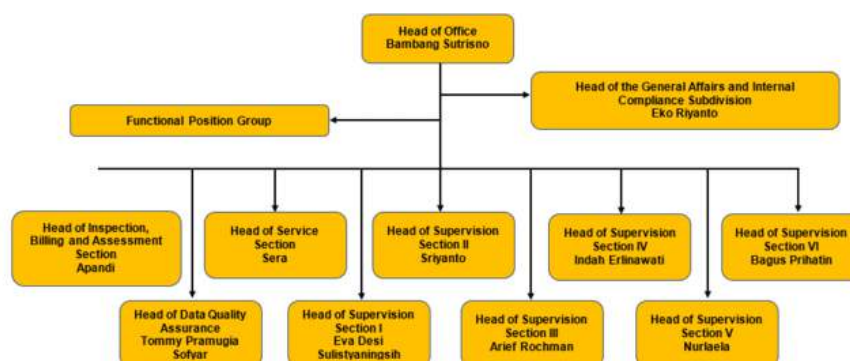
**4.1.3. Vision, mission, and organizational structure**

The operational direction of KPP Pratama Cirebon Satu is guided by a clearly articulated vision and mission that emphasize professionalism, modernization, and public trust. These guiding principles shape institutional behavior and provide a normative foundation for service delivery and supervisory activities within the tax administration system.

The vision of KPP Pratama Cirebon Satu focuses on becoming a modern, professional, and trustworthy tax office. This vision is operationalized through several mission objectives, including the optimization of tax revenue based on high voluntary compliance, the implementation of technology-based services to facilitate taxpayer obligations, the development of tax officials with integrity and competence, and the application of performance-based management systems. Collectively, these mission elements reflect an institutional commitment to strengthening material tax compliance while maintaining fairness and accountability in tax administration.

To support the achievement of its vision and mission, KPP Pratama Cirebon Satu operates under an organizational structure designed to integrate service functions, supervisory activities, and enforcement mechanisms. The structure consists of a General Affairs and Internal Compliance Subdivision, multiple functional sections responsible for taxpayer services, data quality assurance, audits and collections, and six supervision sections that manage both strategic and territorial taxpayers. This structural arrangement enables a clear division of roles while facilitating coordination across units involved in material compliance supervision.

The organizational configuration allows supervisory responsibilities to be distributed according to taxpayer characteristics and regional coverage, ensuring that monitoring activities are both targeted and systematic. Strategic taxpayers are supervised separately from territorially based taxpayers, enabling more focused risk-based supervision and efficient allocation of resources. The overall organizational structure that supports these functions is presented in Figure 2.



**Figure 2:** organizational structure of KPP Pratama Cirebon Satu

## 4.2. Procedure of Material Compliance Supervision

Material compliance supervision constitutes the core mechanism of tax oversight implemented at the level of the Tax Service Office. At KPP Pratama Cirebon Satu, this procedure is conducted in accordance with Directorate General of Taxes Circular Letter SE-05/PJ/2022, which emphasizes substantive compliance by assessing the accuracy of tax calculations, payments, and reporting in relation to the actual economic conditions of taxpayers (Direktur Jenderal Pajak, 2022). Unlike formal compliance supervision, which focuses on administrative fulfillment, material supervision prioritizes the substance and reasonableness of reported tax obligations.

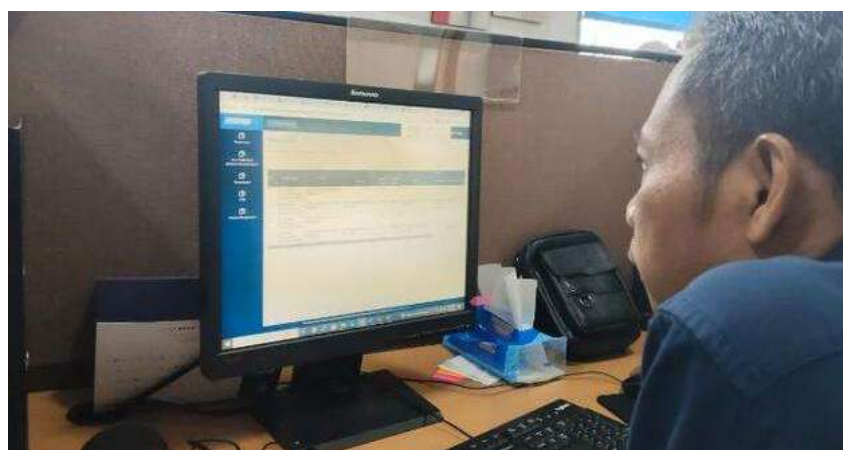
The supervision process begins with data validation and analytical review conducted by Account Representatives (AR). At this stage, ARs examine tax return data, payment records, third-party information, and other internal and external data sources available within the Directorate General of Taxes information system. Analytical techniques are applied to identify inconsistencies, abnormal reporting patterns, discrepancies between turnover and tax payments, and mismatches between business profiles and reported financial information. This initial analysis determines whether a taxpayer requires further material compliance examination.

When potential non-compliance is identified, the AR prepares a Supervision Working Paper (Kertas Kerja Pengawasan/KKPt) to document analytical findings and assess potential tax exposure. The results of this analysis are summarized in the Supervision Result Report (Laporan Hasil Pengawasan/LHPt), which serves as the basis for deciding whether clarification from the taxpayer is required. If discrepancies remain significant, a Letter of Request for Explanation of Data and/or Information (SP2DK) is issued to formally initiate the clarification process.

The issuance of SP2DK represents a critical stage in the supervision procedure, providing taxpayers with an opportunity to explain, clarify, or correct discrepancies identified during analysis. Clarification may be conducted through written responses, face-to-face meetings, or field visits, depending on the complexity of the case. During this stage, ARs evaluate the adequacy of explanations provided by taxpayers and assess whether the reported information aligns with available data and regulatory provisions.

For taxpayers categorized as strategic or high-risk, or when discrepancies indicate significant material exposure, material compliance supervision may be conducted comprehensively. Comprehensive supervision involves cross-tax evaluation, multi-year analysis, and a broader examination of tax facilities utilized by the taxpayer. This approach enables a more thorough assessment of compliance behavior and provides a stronger evidentiary basis for determining appropriate follow-up actions.

The final stage of the procedure involves determining supervisory follow-up actions based on the outcomes of the SP2DK or comprehensive supervision. Possible actions include monitoring of tax return corrections, recommendations for tax audits or preliminary investigations, adjustments to taxpayer data, or other enforcement measures as stipulated in SE-05/PJ/2022. The sequential flow of material compliance supervision implemented by Account Representatives at KPP Pratama Cirebon Satu is illustrated in Figure 3.



**Figure 3:** Observation of an account representative conducting material compliance supervision through the DJP information system

## 4.3. Effectiveness of Material Compliance Supervision

The effectiveness of Material Compliance Supervision (MCS) is evaluated by examining the achievement of revenue targets generated from MCS activities during the 2024–2025 period. Revenue realization is used as a preliminary indicator to assess the extent to which supervisory actions are able to translate identified tax potential into actual tax payments. The comparison between targets and realization provides an empirical basis for evaluating MCS performance before further analysis using behavioral and institutional dimensions. The results are shown in Table 1.

**Table 1:** Target and realized tax revenue from material compliance supervision (MCS), 2024–2025

Year	Target (IDR)	Realization (IDR)	Achievement (%)
2024	34,586,999,000	26,624,453,799	76.98
2025	38,524,008,000	26,473,210,116	68.72

As presented in Table 1, the effectiveness of MCS during the 2024–2025 period has not reached the expected level. In 2024, MCS reached IDR 26,624,453,799 out of the target of IDR 34,586,999,000, resulting in an achievement rate of 76.98%. While this figure demonstrates a substantial contribution to tax revenue, it also reflects a significant gap between planned and realized results. Table 1 shows a decline in MCS performance in 2025. Although the revenue target increased to Rp 38,524,008,000, realization decreased slightly to Rp 26,473,210,116, resulting in a lower achievement rate of 68.72%. This pattern indicates that the increase in supervisory targets was not accompanied by a material increase in compliance behavior. The data in Table 1 also indicate that the effectiveness of MCS can be classified as moderate rather than optimal. While MCS remains an important supervisory instrument, its performance is constrained by structural and behavioral factors, thus requiring further analysis using the James and Alley (2002) framework, discussed in the following subsection.

**4.3.1. Economic deterrence effect**

The findings indicate that the economic deterrence effect plays a significant role in increasing actual tax compliance. The application of administrative sanctions through the issuance of Tax Collection Letters (TCL) and Clarification Letters (SP2DK) has a significant impact on taxpayer compliance behavior. Interviews with the Head of the Supervision Section and several Public Accountant Representatives (as seen in Figure 4-10) revealed that TCLs function both as a form of punishment and as a reminder mechanism, encouraging taxpayers to fulfill their tax obligations on time.

Furthermore, the possibility of escalating to a formal tax audit when the SP2DK response is inadequate has a deterrent effect. Although supervision at the Public Accountant Representative level is largely persuasive, informants consistently emphasized that perceived audit risk serves as a primary motivating factor for taxpayers to resolve compliance issues during the supervision stage. These findings support the economic deterrence effect perspective, which states that the certainty of sanctions and the likelihood of detection significantly influence taxpayer compliance decisions.



**Figure 4:** interview with Mrs. Eva Desi Sulistyarningsih (head of supervision section I of KPP Pratama Cirebon Satu)



**Figure 5:** interview with Taufik Jatmiko (account representative)



**Figure 6:** interview with Mr. Iwan Setiawan (account representative)



**Figure 7:** interview with Ms. Nur Mujanah (account representative)



**Figure 8:** interview with ms. Partini (account representative)



**Figure 9:** interview with mr. Tarnoto (account representative)

#### 4.3.2. Normative motivation

In contrast to economic considerations, the findings indicate that normative motivation does not consistently increase material tax compliance. Personal levels of religiosity, education, and ethics do not automatically translate into higher compliance, as revealed through interviews with Account Representatives, as seen in Figure 10. These results indicate that normative drivers of compliance are highly contextual and depend heavily on an individual's interpretation of tax obligations.

In some cases, higher levels of religiosity and education are associated with resistance to tax oversight or are used to rationalize selective non-compliance. Rather than strengthening voluntary compliance, normative arguments are sometimes perceived as negotiable or secondary to economic considerations. These findings suggest that moral and ethical appeals alone are insufficient to ensure material compliance. Therefore, normative motivation needs to be complemented by adaptive and data-driven oversight strategies. Integrating normative approaches with consistent enforcement and clear administrative procedures can increase their effectiveness in influencing taxpayer behavior within the framework of material compliance oversight.

#### 4.3.3. Tax System Perceptions

Taxpayers' perceptions of the tax system play a crucial role in shaping the effectiveness of Material Compliance Supervision (MCS). This dimension was examined through interviews with tax consultants who regularly interact with taxpayers and tax authorities, as shown in Figures 10 and 11. The findings indicate that administrative simplicity, service quality, information transparency, and legal certainty are generally perceived positively and contribute to taxpayer acceptance of the supervision results.

Clear procedures and the availability of electronic tax administration systems facilitate compliance by reducing uncertainty and administrative burdens. Professional behavior, technical competence, and clear communication by Account Representatives further strengthen taxpayer trust in the tax authorities during the supervision process. These factors encourage cooperative behavior and increase the likelihood that taxpayers will resolve discrepancies identified through MCS. However, regulatory complexity remains a significant challenge, especially for taxpayers who do not consistently follow changes in tax regulations. Tax consultants emphasized that frequent regulatory updates and complex technical provisions often lead to misinterpretation and unintentional non-compliance. Therefore, regulatory simplification and more intensive communication between tax authorities and taxpayers are considered necessary to improve understanding and maintain basic compliance in the long term.



**Figure 10:** interview with mr. Petrus Hery Setyonuryantoro chairman of the IKPI Cirebon Branch



**Figure 11:** interview with mr. Andreas Hirjanto (tax consultant)

#### 4.3.4. Fairness and Equity

Fairness and equity are important dimensions in assessing the effectiveness of Material Compliance Supervision (MCS), as they shape taxpayer perceptions of the legitimacy and acceptability of supervisory actions. This dimension is reflected in the proportionality of supervisory actions, non-discriminatory treatment, consistency in sanction enforcement, and procedural fairness. Interviews with tax consultants, as seen in Figure 12, indicate that the issuance of SP2DK is primarily based on data and risk indicators rather than the personal preferences of tax officials. Consistent application of administrative sanctions through Tax Collection Letters (TCL) and adherence to established supervisory procedures strengthen perceptions of fairness and institutional credibility. When taxpayers perceive that sanctions are applied uniformly and in accordance with clear procedures, they are more likely to accept the results of supervision and comply with corrective actions.

Although discretionary authority remains inherent in the supervisory process, informants generally view such discretionary authority as acceptable if exercised within reasonable limits and directly related to supervisory findings. As long as discretionary authority is applied transparently and proportionally, it does not undermine perceptions of fairness. Instead, it can support flexible and context-sensitive oversight while maintaining procedural fairness, thereby strengthening trust in tax authorities and supporting voluntary compliance.



**Figure 13:** observation of account representative in discussion with taxpayer

#### 4.4. Supporting and Inhibiting Factors

The effectiveness of Material Compliance Supervision (MCS) is influenced by a combination of supporting and inhibiting factors identified through field observations and interviews. Supporting factors include the consistent enforcement of administrative sanctions, the increasing digitalization of tax administration systems, and the application of data- and risk-based supervision. These elements enhance the ability of Account Representatives to identify potential non-compliance and implement corrective actions more efficiently.

In addition, continuous improvement in human resource competencies contributes positively to MCS implementation. Training and experience enable Account Representatives to perform more accurate data analysis and engage in more effective communication with taxpayers. Together, these factors strengthen the operational capacity of tax authorities in carrying out material compliance supervision.

Conversely, several inhibiting factors constrain MCS effectiveness. Limitations in the quality and completeness of available data reduce the accuracy of compliance risk assessment. Variations in communication skills among Account Representatives also affect the quality of interactions with taxpayers, potentially leading to misunderstandings or resistance. Furthermore, low taxpayer payment capacity and frequent changes in Key Performance Indicators (IKU) create additional challenges by complicating supervisory planning and weakening consistency in performance measurement.

#### 4.5. Improvement Efforts

Efforts to improve the effectiveness of MCS focus on both institutional capacity building and taxpayer engagement. One key initiative involves taxpayer education programs aimed at increasing awareness and understanding of tax obligations, as illustrated in Figure 14. These programs are intended to reduce misinterpretation of regulations and encourage voluntary compliance.

Additional improvement efforts include enhancing the technical and communication competencies of Account Representatives through targeted training, as well as proposing more stable and consistent IKU frameworks to support long-term supervisory planning. Furthermore, the implementation of the Taxpayer Profile Review Program (Bedah Profil Wajib Pajak) serves as a collaborative mechanism for evidence-based decision-making. This program enables supervisors to evaluate taxpayer risks comprehensively and apply proportional, data-driven supervisory actions, thereby improving the overall effectiveness of material compliance supervision.



Figure 13: educational activities for taxpayers

## 5. Conclusion

This study examined the effectiveness of Material Compliance Supervision (MCS) in improving taxpayer compliance at the Cirebon Satu Primary Tax Service Office. The findings indicate that MCS has played a meaningful role in supporting tax compliance and revenue collection; however, its overall effectiveness remains moderate and has not yet reached an optimal level. This is reflected in the gap between MCS revenue targets and actual realization during the 2024–2025 period, as well as the declining achievement rate despite increasing supervisory targets.

From the perspective of economic deterrence, MCS has proven effective in influencing taxpayer behavior. The consistent issuance of administrative sanctions and the perceived risk of escalation to tax audits encourage taxpayers to resolve compliance issues identified during supervision. This confirms that enforcement certainty and detection probability remain strong drivers of material compliance. In contrast, normative motivation alone does not consistently lead to higher compliance. Moral, ethical, and religious considerations are highly contextual and, in some cases, insufficient to counterbalance economic incentives for non-compliance. These findings suggest that normative approaches must be integrated with firm and data-driven enforcement mechanisms to produce sustainable compliance outcomes.

Taxpayers' perceptions of the tax system also significantly affect MCS effectiveness. Clear procedures, digitalized administration, and professional conduct by Account Representatives contribute positively to taxpayer trust and cooperation during the supervision process. Nevertheless, regulatory complexity and frequent changes in tax provisions continue to pose challenges, potentially leading to unintentional non-compliance. Additionally, perceptions of fairness and equity were found to strengthen acceptance of supervisory outcomes. When MCS is implemented transparently, proportionally, and consistently, taxpayers are more likely to view the supervision as legitimate and comply with corrective actions.

The study further identified supporting factors such as improved data utilization, risk-based supervision, and enhanced human resource competencies, alongside inhibiting factors including data limitations, variations in communication skills, taxpayer financial capacity constraints, and frequent changes in performance indicators. These factors collectively shape the effectiveness of MCS implementation.

In conclusion, Material Compliance Supervision at KPP Pratama Cirebon Satu contributes positively to improving taxpayer material compliance but requires further optimization. Strengthening data quality, stabilizing performance indicators, enhancing communication skills of Account Representatives, and integrating deterrence-based supervision with educational and service-oriented approaches are essential to improve MCS effectiveness. By addressing these areas, MCS can function more strategically as a sustainable instrument for enhancing taxpayer compliance and supporting long-term state revenue objectives.

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