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Influence of service quality, moral obligations and tax sanctions on compliance

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ABSTRACT



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Purpose – This research aims to investigate the effect of service quality, tax sanctions, and moral obligation on hotel taxpayer compliance. In the backdrop of an evolving tax landscape, having knowledge of these determinants is essential for enhancing voluntary compliance and developing effective tax administration policies.

Design/methodology/approach – The paper follows a quantitative approach with multiple regression analysis. A structured survey was used to collect data from hotel taxpayers, and various statistical tests were performed to ensure the robustness of the model, including testing for normality, multicollinearity, and heteroskedasticity.

Findings – The findings suggest that service quality plays a significant role in taxpayer compliance and emphasises the need for effective tax administration as a means of promoting voluntary compliance. However, tax punishment and moral suasion fail to make a dent, which means sticks and carrots alone do not sway the taxpayer.

Originality/value – This paper adds to the literature by offering empirical evidence on the determinants of hotel taxpayer compliance and the role of service-oriented tax administration. The findings are at odds with enforcement-centered approaches and call for policy changes towards trust building and service improvement strategies.

Research Implications – The paper highlights the importance of taxpayer service and engagement; skills that should be weighted over punishment in the eyes of tax authorities. Future research should study digital tax administration and behavioral interventions to increase compliance even more.

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1. Introduction

As per OECD (2023), tax revenue is an essential part of a nation's economic system, being the most important source of state income to finance government expenditures and national development. In Indonesia, the hotel tax is an essential source of revenue for local government as this depends directly on the growing hotel industry. But then, the coronavirus pandemic hit and the world economy was devastated by lockdowns, crashing tourism, and hotel occupancy (Bergin and Barnes 2020; Mensah 2022). According to reports from various regions in Indonesia, hotel tax revenues declined by more than 60% in early 2020, as the month before the outbreak of Covid-19 (Ananta, Putranto, and Moeis 2020; Japutra and Situmorang 2021). The decline in tax collection caused concern over tax compliance in the hospitality sector, especially as it related to the effectiveness of tax policies in practice, the effectiveness of enforcement mechanisms and the moral obligations of taxpayers (Belnap, Welsch,

and Williams 2023; Edmore and Houdini 2024). With the emergence of economic recovery, compliance remains crucial and yet warrants further study on aspects that may affect hotel taxation compliance include service quality, moral obligations, and tax sanctions (Puram and Gurumurthy 2023; Wang and Yang 2019).

Economic, psychological and regulatory factors are playing a role in tax compliance (Alm & Kirchler, 2021). The self-assessment system, which is based on taxpayers voluntarily measuring and paying their dues, is one of the main concerns (Olsen et al. 2019; Sebele-Mpofu 2023). Again, research has shown that effective service quality in tax administration has a huge influence on taxpayers' willingness to comply since efficient, transparent, and user-friendly services can increase trust, and lower perceived compliance burdens (Belahouaoui and Attak 2024; Kabir 2021). Furthermore, moral obligations are a key factor in the type of tax behaviour, taxpayers moral perceptions and their sense of civic duty determine tax



compliance (Alexander and Balavac-Orlic 2022; Efendi et al. 2020). These provisions have become ineffective, not only due to weak enforcement mechanisms, but also due to sanctions that do little to deter noncompliance since taxpayers feel they are at little risk of detection and punishment (Hebous et al. 2023; Yost and Shu 2022). In light of these challenges, comprehending how service quality, moral obligations, and tax sanctions interact is crucial in formulating effective tax policies that improve compliance in the hotel industry (Sebele-Mpofu, Mashiri, and Korera 2021).

This research is mainly grounded on Theory of Planned Behavior (TPB) and Deterrence Theory. In the Theory of Planned Behavior (TPB), individual attitudes, subjective norms, and perceived behavioral control shape behavior (Ajzen 2020). We focus on service quality and moral obligations to influence taxpayers' attitudes and perceived fairness of the system in the context of tax compliance, ultimately impacting their compliance behavior (Belahouaoui and Attak 2023, 2024; Farrar et al. 2020). In addition, according to Deterrence Theory, the likelihood and severity of sanctions impact individuals' responses to compliant behavior, such as adherence to the tax statute (Alshira'h and Abdul-Jabbar 2020; Jaeger, Eckhardt, and Kroenung 2021). This suggests that past research has found strict tax penalties, which reinforce compliance (Batrancea et al. 2019; Garcia et al. 2020). Based on the integration of these theories, this research analyzes the direct and indirect effects of service quality, moral commitment, and tax sanctions on tax compliance in hotels (Alshira'h et al. 2021; Lutfi and Alshira'h 2023).

While existing studies of tax compliance have yielded mixed results, more research is needed in this area. Most of the studies in line demonstrated the relationship between the quality of service and tax compliance and found out tax administration that is efficient can lead to a higher level of voluntary compliance (Alshira'h et al. 2021; Lois et al. 2019). Therefore, tax compliance is positively impacted by moral obligations, as taxpayers are less likely to evade tax if they are morally committed (Owusu et al. 2022; Robbins and Kiser 2020). Tax sanctions as an effective tax compliance tool Tax sanctions have also been recognized as effective instruments of enforcement because they are capable of significantly deterring taxpayers from engaging in unlawful behaviors of passive non-compliance by imposing financial or tax penalties (Fletcher, Larkin, and Corbet 2021; Svetlozarova Nikolova 2023). On the other hand, other studies provided contrary results that service quality is not appropriate for

all taxpayers to necessitate higher compliance level since some tax payers could still be non-compliant even when reform in tax administration being undertaken (James et al., 2022). Also, the function of moral obligations reveals diverse behavior of taxpayer itself in various socio-economic and cultural settings, where personal financial interest sometimes lies above patriotic (Barak-Corren and Kariv-Teitelbaum 2021; McGregor 2023). Moreover, high tax penalties can produce adverse incentives by motivating illegal practical activities or generating animosity towards tax authorities (Cooper and Nguyen 2019, 2020).

This study fills these research gaps by investigating the interactive roles of service quality, moral obligations and sanctions in hotel tax compliance in the context of a developing country. This study goes beyond previous research that has mainly focused on single determinants by combining different determinants to evaluate the synergistic effect. The results add to the existing literature by providing empirical evidence that tax policies can be tailored to improve compliance within the hospitality segment.

2. Critical Review

2.1 The effect of service quality on hotel tax compliance

The quality of services provided in tax administration is vital to stimulate voluntary tax compliance, especially in the hospitality sector, whereby businesses interact frequently with the relevant tax authorities. At the same time, efficient, transparent, accessible, and responsive tax services significantly affect taxpayers' inclination to comply (Lago-Peñas & Martinez-Vazquez, 2021). According to the Technology Acceptance Model (TAM), better service delivery increases user trust and makes compliance easier, thus diminishing the burden placed on tax obligations (James et al., 2022). Digitalization and automatization of tax services (e.g. e-filing, on-line payment systems) increase compliance through the reduction of bureaucratic inefficiencies and errors, as shown by empirical studies (Alm & Kirchler, 2021). Furthermore, according to the Social Influence Theory, positive taxpayer experience during interactions with tax officers leads to favorable perceptions of fairness which, in turn, mitigate the risks of non-compliance behavior (Hofmann et al., 2022). Emerging economies studies show that tax compliance in the hospitality sector is adversely affected by service delivery problems (complex procedures and corruption) that motivate tax evasion (Putra & Nugroho, 2023). Widodo et al. has newly published a Scopus-indexed study (2023) show that responsible, proactive tax authorities that offer guidance

and real-time assistance greatly increase hotel tax compliance. Thus, by improving the reliability of services, minimizing bureaucratic burden, and implementing customer-friendly taxation policies, the compliance rate of hotel business players will significantly increase (Santoso & Wicaksono, 2023).

H1: Analyze whether service quality positively affects hotel tax compliance.

2.2 The effect of moral obligation on hotel compliance

Willingness to Pay tax is inherently linked to the virtues of Moral obligation which serve as the intrinsic motivation to comply and pay taxes regardless of external enforcement mechanisms. According to the Theory of Planned Behavior (TPB), moral norms influence attitudes and behavioral intentions toward compliance (Ajzen, 2021). Those who strongly feel a sense of civic duty when it comes to paying taxes tend to view the payment of taxes as a duty rather than a cost, resulting in compliance (Torgler, 2020). Evidence from obeying tax laws (Alm et al., 2021) Empirical evidence suggests that hotel businesses that prioritize ethical concerns, such as corporate social responsibility (CSR), exhibit higher levels of tax obedience. Hofmann et al. (2017) in regions characterized by ethical awareness and social trust, compliance is voluntary (Gupta et al. (2022). On the other hand, the lack of strong moral obligations due to low government credibility, tax corruption, or unfairness in fiscal policies, will have implications for the deliberate intention of detecting the intention of tax noncompliance (Putra & Nugroho, 2023). Research in the hospitality industry suggests that hotel managers or owners who believe that paying taxes is another way to play a role in the local growth process, including tourism infrastructure, are more likely to voluntarily comply (Widodo et al., 2023). In addition, in the face of pressure from industry peers and professional associations, companies have moral obligation not to behave unethically in relation to tax (James et al., 2022). Therefore, promoting a tax culture that underpins ethical responsibility, transparency, and public trust becomes vital in enhancing compliance of hotel taxpayers.

H2: Evaluate the impact of moral obligations on hotel tax compliance.

2.3 The impact of tax sanctions on hotel compliance

Tax sanctions are an important tool to help enforce compliance with tax obligations, especially in sectors that are prone to underreporting, such as the hospitality sector. According to Deterrence Theory, the intensity and certainty of punishment and its relevance to those

individuals' decisions on compliance (Becker, 2020). Perceived threat of punitive measures leads taxpayers to comply with the fiscal law at a higher rate, for the fear of getting penalised for tax evasion: so the more threatening the penalties, the less tax evasion (Feld & Frey, 2019). Indeed, empirical studies support this, indicating that effective sanction policies, such as penalties for late payments, interest imposed for unpaid tax, and revocation of business licenses, strongly discourage saturation (Alm & Kirchler, 2021). Lago-Peñas & Martínez- Vazquez (2021) found that highly enforced tax compliance rates among businesses were significantly higher in countries with strict enforcement measures (cited in 36 journals included in Scopus). Yet, in certain circumstances, hefty penalties may worsen the problem through an upsurge in tax avoidance tactics, which can be detrimental to its overall success (Santoso & Wicaksono, 2023). The equilibrium among rational sanctions and motivators is very significant to maintain adherence without building up resentment towards tax officials (Putra & Nugroho, 2023). Academic studies have shown, for example, that hotel firms operating under stronger audit probabilities and under significantly high fines are likely to comply to better than those operating under weakly regulated firm (Widodo et al., 2023).

H3: Assess the role of fiscal sanctions in ensuring hotel taxpayer compliance.

3. Methods innovation

3.1 Research design

The current study adopted a quantitative research paradigm employing primary data collected through a structured questionnaire to explore the effects of service quality, moral obligation, and tax sanctions on hotel tax compliance. This research employs a causal-explanatory study, which aims to determine the cause-and-effect relationship of the research variables (Creswell, 2018). The study approaches the relationship between taxpayer behavior and compliance factors within the context of the Theory of Planned Behavior (Ajzen, 1991) and Deterrence Theory (Becker, 1968). Using a cross-sectional survey approach, the research captures one-time data collection to assess the perceptions of respondents (Hair et al., 2020). Responses are quantified on a Likert scale (1 = Strongly Disagree to 5= Strongly Agree), creating a consistent level of measurement (Saunders et al., 2019).

3.2 Research object and sample

The research respondents are hotel taxpayers registered at the Regional Revenue Agency of Semarang,

Indonesia. This study intends to use purposive sampling, and it is a non-probability (non-random) sampling procedure, respondents are selected according to some pre-defined criteria, in this case specifically tax-compliant businesses. with the relevant operational experience (Sugiyono, 2017). To determine the sample size, the Krejcie & Morgan (1970) formula was used; this was done to ensure representativeness. This survey is targeted at registered hotel taxpayers with proven firm activities and the party willing to participate in this survey in order to meet specifically defined criteria. A structured self-administered questionnaire is used to gather the response of the respondents, which is crucial for the reliability of the data (Sekaran & Bougie, 2020).

3.3 Variable instruments

The study employs three independent variables of service quality, moral obligation, and tax sanctions with hotel tax compliance as the dependent variable. Service quality is measured by modifying SERVQUAL by Parasuraman et al., using five dimensions (Tangibility, Reliability, Responsiveness, Assurance, Empathy) (1988). Moral obligation is assessed with three indicators (Responsibility, Guilt, Anxiety) based on Hofmann et al. (2017). The tax sanctions are measured with four dimensions (Administrative Sanctions, Criminal Sanctions, Educational Sanctions, and Strict Penalty) sourced from Mardiasmo (2019). [1] All variables are measured using Likert scale responses (Alm & Kirchler, 2021)

3.4 Data analysis

Hypotheses are tested and relationships between variables are assessed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) for data analysis (Hair et al., 2021). The descriptive statistics summarize demographic characteristics, and reliability and validity tests (Cronbach's Alpha, Composite Reliability and Average Variance Extracted) guarantee stable measurement (Fornell & Larcker, 1981). Regression models are validated through classical assumption tests of normality, multicollinearity, and heteroscedasticity (Gujarati & Porter, 2020). Hypothesis tests are conducted using bootstrapping in SmartPLS, providing path coefficient estimates and significances. The study follows ethical research practices (APA, 2020), as participation was voluntary and all responses remain confidential.

4. Results and Discussion

4.1 Descriptive statistics

The Mean scores revealed that service quality was perceived at a relatively high level ($M = 53.89$, $SD = 2.70$), which indicates that tax administration services were generally been viewed in a positive light by respondents. Taxpayers generally reported strong tendencies ($M = 9.71$, $SD = 0.92$), indicating moral obligation. Moreover, individuals had moderate levels of tax sanctions ($M = 11.10$, $SD = 0.95$), suggesting that enforcement measures influence tax compliance attitudes. Finally, hotel taxpayer compliance ranged between 0 and 20, with a mean score of 15.39 ($SD = 0.85$), suggesting that most respondents are inclined to fulfill their tax engagement, albeit, in line with the extant legislation. The results on these aspects serve as a ground for further analysis, especially in determining the relationships between independent variables and hotel taxpayer compliance. In the next parts we will investigate into the inferential stats results to see the significance and strength of these relationships.

4.2 Validity Test

Validity test is to measure how accurately the research tool measures the desired constructs. If the correlation coefficient (r-value) exceeds r-table with a significance level of 5% ($\alpha = 0.05$) is 0,1654, then the construct is declared valid. Table 2 : Operation of Validity Test Results of All Research Variables (Service Quality (X1); Moral Obligation (X2); Tax Sanctions (X3); Compliance of Hotel Taxpayers (Y) The $\alpha = 0.1654$ seems to indicate that all questionnaire item are valid as the r-calculated value is greater than r-table (0.1654). This means that we can be confident to use it further as each question reliably measures the entire answers as to their pairwise questions. The independent variable with the highest validity scores is moral obligation (X2), especially for P3 ($r = 0.697$), which shows inner consistency. Also, in the dependent variable, hotel taxpayer compliance (Y), P5 ($r = 0.734$) still correlates the strongest with the overall construct. These results validate the construct validity of the research instrument, providing stronger evidence for the validity of the measures used in this study. Then reliability testing, and hypothesis testing will follow to test the relationships among the research variables.

4.3 Reability test

Reliability test was conducted to determine the consistency and stability of the research instrument over time. For reliability testing, this study uses Cronbach's Alpha, which assesses consistency among the items in each variable. A Cronbach's Alpha value above 0.60 shows that the research instrument is indeed reliable to be used for further analysis. As shown in table 3, the results reveal

that all research variables have Cronbach’s Alpha more than 0.60 which corroborate the reliability of all the variables. The moral obligation (X2) variable demonstrates the best reliability score (0.739) among the other variables indicating the high internal consistency of its items. On the other hand, Cronbach’s Alpha values for service quality (X1) and tax sanctions (X3) are 0.662 and 0.667 respectively, so it is above the threshold of acceptable. Results of the reliability tests show that the measurement instrument is consistent and reliable, ensuring the data collected is stable and suitable for further statistical analysis, including hypothesis testing and regression analysis.

4.4 Classic assumption test

Normality Tests The normality tests are the tests to check residuals in the regression model normal distribution. The One-Sample K-S Test was performed in this research, with the null (H₀) being that the residuals are normally distributed and the alternative (H₁) that they are not. From the test results as demonstrated in Table 4 with the sample N = 100; mean = 0.0000000 and sd = 0.75820294. The absolute difference and the positive and negative differences are 0.086, 0.086 and -0.070 respectively having a test statistic of 0.086. The Asymp. Sig. 2-tailed value 0.064 > 0.05 (0.064 > 0.05 indicating that the residuals are normally distributed which means that normality assumption is satisfied.

This is a test for multicollinearity which seeks to find whether the independent variables in regression model are highly correlated. VIF and Tolerance values were used for this study as indicators for multicollinearity, as the presence of multicollinear it is indicated in VIF values above 10 and Tolerance values down 0.10. That confirms the absence of multicollinearity among independent

variables service quality: VIF = 1.070, Tolerance = 0.935; moral obligation: VIF = 1.049, Tolerance = 0.953; tax sanctions: VIF = 1.032, Tolerance = 0.969. This indicates that all of the independent variables are correlated to no high degree, implying that the regression model achieves the assumption of multicollinearity.

4.5 Heteroskedasticity test

The heteroskedasticity test aims to determine whether there is a variance inequality in the residuals of the regression model. In this study, the Park test was used, where the significance values (Sig.) of the independent variables are examined. If the Sig. value is greater than 0.05, it indicates the absence of heteroskedasticity. Based on Table 6, the significance values for service quality, moral obligation, and tax sanctions are 0.210, 0.235, and 0.050, respectively. Since all values are greater than 0.05, it can be concluded that the regression model does not exhibit heteroskedasticity, meaning the assumption of homoskedasticity is met.

4.6 Multiple linear regression analysis

Therefore the table 7, multiple linear regression test outputs showed that service quality significantly and positively affected taxpayer compliance (p = 0,000 0.05), indicating these variables are not strong determinants of taxpayer compliance according to the context of this study.

4.7 Hypothesis testing results

The results in table 8 show positive influence service quality on taxpayer hotel compliance with T-value 4.600 and P-value 0.000 (0.05). This implies that, compared to other determinants, the relative influence of service quality on taxpayer compliance is much greater, while the effects of tax sanctions and moral obligation might only be observed under certain context or interventions.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Service Quality	100	48.00	60.00	53.89	270.015
Moral Obligation	100	7.00	12.00	9.71	0.92436
Tax Sanctions	100	9.00	14.00	11.10	0.94815
Hotel Taxpayer Compliance	100	13.00	18.00	15.39	0.85156

Source: Author 2025

Table 2. Validity test results

Variable	Item	r-Calculated	r-Table (0.1654)	Validity Status
Service Quality (X1)	P1	0.420	0.1654	Valid
	P2	0.429	0.1654	Valid



Variable	Item	r-Calculated	r-Table (0.1654)	Validity Status
Moral Obligation (X2)	P3	0.558	0.1654	Valid
	P4	0.198	0.1654	Valid
	P5	0.387	0.1654	Valid
	P6	0.220	0.1654	Valid
	P7	0.218	0.1654	Valid
	P8	0.372	0.1654	Valid
	P9	0.243	0.1654	Valid
	P10	0.282	0.1654	Valid
	P11	0.273	0.1654	Valid
	P12	0.268	0.1654	Valid
	P13	0.429	0.1654	Valid
	P14	0.436	0.1654	Valid
	P15	0.534	0.1654	Valid
	P16	0.257	0.1654	Valid
	P17	0.316	0.1654	Valid
	P1	0.628	0.1654	Valid
	P2	0.640	0.1654	Valid
Tax Sanctions (X3)	P3	0.697	0.1654	Valid
	P1	0.566	0.1654	Valid
	P2	0.613	0.1654	Valid
	P3	0.467	0.1654	Valid
Hotel Taxpayer Compliance (Y)	P4	0.487	0.1654	Valid
	P1	0.370	0.1654	Valid
	P2	0.419	0.1654	Valid
	P3	0.382	0.1654	Valid
	P4	0.614	0.1654	Valid
P5	0.734	0.1654	Valid	

Source; Author 2025

Table 3. Reliability test results

Variable	Cronbach's Alpha	Reliability Status
Service Quality	0.662	Reliable
Moral Obligation	0.739	Reliable
Tax Sanctions	0.667	Reliable
Hotel Taxpayer Compliance	0.677	Reliable

Source; Author 2025

Table 4. Normality test

Test	Value
Sample Size (N)	100
Mean	0.0000000
Standard Deviation	0.75820294
Absolute Difference	0.086
Positive Difference	0.086
Negative Difference	-0.070
Test Statistic	0.086



Test	Value
Asymp. Sig. (2-tailed)	0.064

Source; Author 2025

Table 5. Multicollinearity test

Variable	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
C	8.138	1.788	-	4.553	0.000	-	-
Service Quality	0.136	0.030	0.432	4.600	0.000	0.935	1.070
Moral Obligation	-0.117	0.086	-0.127	-1.361	0.177	0.953	1.049
Tax Sanctions	0.093	0.083	0.104	1.126	0.263	0.969	1.032

Table 6. Heteroskedasticity test results (*Park Test*)

Variable	B	Std. Error	Beta	t	Sig.
Constant	-6.209	20.540	-	-0.302	0.763
Service Quality	6.537	5.177	0.129	1.263	0.210
Moral Obligation	-3.274	2.740	-0.121	-1.195	0.235
Tax Sanctions	-6.013	2.960	-0.205	-2.032	0.050

Source; author 2025

Table 7. Multiple linear regression test results

Variable	B	Std. Error	Beta	t	Sig.
Constant	8.138	1.788	-	4.553	0.000
Tax Sanctions	0.093	0.083	0.104	1.126	0.263
Service Quality	0.136	0.030	0.432	4.600	0.000
Moral Obligation	-0.117	0.086	-0.127	-1.361	0.177

Source; author 2025

Table 8. t-Test Results

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	8.138	1.788	-	4.553	0.000
Tax Sanctions	0.093	0.083	0.104	1.126	0.263
Service Quality	0.136	0.030	0.432	4.600	0.000
Moral Obligation	-0.117	0.086	-0.127	-1.361	0.177

Source; author 2025

4.8 Discussion

Tax compliance continues to be a key problem in public finance because it can affect the amount of revenue collected and the stability of the economy. Specifically, this study investigates which of the factors: service quality, tax sanctions, and moral obligation, would induce hotel taxpayer compliance. These findings add to the existing literature on tax compliance by providing evidence of service quality as a significant factor. Previous evidence emphasizes that the quality of service in tax administration increases taxpayer satisfaction and compliance behavior (Alm & Torgler, 2011; Kirchler et al., 2016). This current study reinforces those findings, highlighting that a tax system that is efficient, transparent, and accessible encourages voluntary compliance among hospitality industry taxpayers. Service-oriented tax policy can better

reduce tax compliance costs and build the trust in tax authorities substantially (Gangl et al., 2019).

A well-functioning tax system depends not just on enforcement mechanisms but also on the perception of fairness and ease of compliance. Key findings from the study suggest that a taxpayer-friendly environment reduces resistance to taxation, thereby leading to increased taxpayer compliance. This agrees with the Slippery Slope Framework which assumes that both enforced compliance (by use of sanctions) and voluntary compliance (through trust in authorities) affect tax behavior (Kirchler, Hoelzl, & Wahl, 2008). When tax authorities pay attention to service quality, timely communication, ease of doing things, and digital innovations — taxpayers see the system as fair and accessible, which increases their willingness to comply



(Wenzel, 2004). In the hospitality case, the environment being as complex as it is, it is very relevant for the tax authorities to guide using clear and simple examples for specific areas of the legal body.

Although tax sanctions are theoretically based on the principle of deterrence, the study shows that deterrence has very little effect on compliance among hotel taxpayers. This is consistent with results from Alm et al. (2012), claim that their effect on compliance behavior is generally rather ambiguous. According to the deterrence model of economically rational citizens, higher penalty should lead to higher compliance (Becker, 1968), but in practice too much reliance on sanctions can lead to an adversarial relationship between taxpayers and the authorities (Frey & Torgler, 2007). The hospitality industry, with the high-operating margins and variable revenues, may not react positively to punitive measures alone. A more effective alternative may involve a combination of both just and qualitative means (Hofmann, Gangl, & Kirchler, 2017).

As for moral obligation, another intrinsic driver of tax behavior, this was not found to have a statistically significant effect in this study either. This is inconsistent with some previous work reporting that moral norms are significant predictors of tax compliance (Bobek & Hatfield, 2003). Yet, differences in the results can be ascribed to contextual factors or industry-specific features. Without fully investigating the hotel businesses operations, moral considerations only go so far, as hotel businesses are operating under a complex web of financial pressures and the perceived decency of a tax policy (Torgler, 2005). Psychological and behavioral tax research suggests that institutional trust moderates the effect of moral obligation, such that when taxpayers view officials as fair and competent, they are more likely to act in line with moral principles (Murphy, 2004). However, in the absence of trust moral issues might not lead to compliance behavior (Jimenez & Iyer, 2016).

Findings such as these have important implications for policy. After studying around the world, we concluded that tax authorities should focus on improving the quality of their services to increase voluntary compliance, rather than relying too heavily on punitive measures. These tax compliance programs include taxpayer assistance programs, an efficient digital tax service, and the open publication of tax regulations that would have a positive impact on compliance behavior (Luttmer & Singhal, 2014). Also, building trust by treating taxpayers consistently and fairly matters. Countries that have implemented cooperative compliance programmes the ongoing

interchange between authorities and businesses have reported greater compliance and enhanced management of tax evasion risk (OECD, 2013). Further research should focus on longitudinal studies to study the compliance behavior over time and change in the economic environment. Furthermore, using behavioral experiments to link service quality, trust and compliance can help in better understanding the motivators of taxpayers decisions. In addition, due to the dynamic nature of tax policies and digital taxation, more studies on the effectiveness of e-governance in the tax administration are required (McKerchar & Evans, 2009).

5. Conclusion

The study shows that quality of service is a factor that can increase hotel taxpayers compliance, and efficiency and transparency of tax administrators can improve taxpayers compliance voluntarily. Unlike conventional deterrent models, tax penalties did not significantly deter taxpayers' conduct, implying that becoming too reliant on deterrent strategies may not yield desired results. Moral obligation also did not have a strong significant influence toward level of compliance, suggesting that intrinsic motivation does not, by itself, drive tax compliance among hospitality sector firms. These results indicate a need for tax administrations to improve taxpayer services, and provide a less burdensome process, and to build trust to raise compliance rates. However, the cross-sectional design of this study limits the capturing of long-term behavioral changes over time and the focus on the hotel industry excludes the generalizability to other sectors. Longitudinal effects would need to be explored in future research, while the impact of digital tax administration on taxpayer behaviour would make it more relevant.

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Credit authorship contribution statement

Dela Oktaviani Putri: Conceptualization, Methodology, Data Collection, Writing – Original Draft.
Ardiani Ika Sulistyawati: Formal Analysis, Validation, Supervision, Writing – Review & Editing.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.



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