
The Influence Of Tax Rates, Tax Understanding, And Tax Sanctions On Taxpayers Compliance With Small And Medium Enterprises (MSME)

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ABSTRACT

Taxation is one of the main focuses of the government to increase state revenue. Tax is a form of mandatory contribution to the state owed by individuals or entities that are compelling based on the law. The results of these revenues are used to realise development and state spending. Therefore, paying taxes is an obligation for every taxpayer to participate in national development. One of the tax sectors that contributes to state revenue is the Micro, Small and Medium Enterprises (MSME) sector. Therefore, MSME taxpayer compliance must continue to be improved. The purpose of this study was to examine the effect of tax rates, tax understanding, and tax sanctions on MSME taxpayer compliance. This research uses quantitative research. The data used is primary data with multiple linear regression analysis techniques and processed using SPSS software. The data was obtained by distributing questionnaires directly to each respondent. The sampling technique used purposive sampling. The sample criteria for this study are MSMEs that have an NPWP as many as 44 MSME. The results of this study indicate that tax understanding and tax sanctions have a positive and significant effect on MSME taxpayer compliance, while tax rates have a negative and insignificant effect on MSME taxpayer compliance.



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1. INTRODUCTION

Indonesia is a developing country whose economic conditions fit into one of the emerging market economies. Indonesia's economy will also be included in the Lower-Middle Income Countries (LMIC) group in 2020. Indonesia re-entered the group of Upper Middle-Income Countries (UMIC) as released by the World Bank on July 1, 2023. These economic conditions can occur due to the realization of

Indonesia's economic growth supported by state revenues. According to the State Budget (APBN) prepared annually, there are three sources of state revenue, namely revenue from the taxation sector, Non-Tax State Revenue (PNBP) and grants. The source of 80% of state revenue comes from tax revenue, which is the largest contributor to revenue. Realization of State Revenue in 2023 stated that tax revenue was IDR 2,016,923.7 billion (bps.go.id, 2023).

Taxes are part of the obligations of the state because taxes cannot be separated from the life of the nation. One of the tax sectors that contributes to state revenue is the Micro, Small and Medium Enterprises (MSME) sector. MSMEs are small businesses that are useful for improving the country's economy. MSMEs play a role in contributing to Indonesia's Gross Domestic Product (GDP) by more than 60% or around IDR 8,573 Trillion annually. In addition, MSMEs also account for 97% of Indonesia's total workforce or 116 million people. The growth of MSMEs has consistently increased from year to year. Until 2022, the number of MSMEs that have registered their businesses on the OSS platform has reached 8.71 million units with locations in various provinces (Anastasya, 2023).

Tax compliance is an obligation of all levels of society including micro, small and medium entrepreneurs. Taxpayer compliance is important to note considering the large number of MSME actors in Indonesia. Tax compliance is the activity of paying taxes that have been determined to fulfill their rights and obligations based on applicable tax laws and regulations. Therefore, this shows that legal responsibility for all citizens is a very helpful step to contribute to the development of the country. So far, most of the tax revenue is still dominated by large businesses. The government will continue to encourage tax revenue from the Micro, Small and Medium Enterprises (MSME) sector. Taxes are not a new burden for MSME actors. Taxes actually make MSMEs professionally trained. The existence of taxes is expected to be an entry point for MSMEs to be able to access capital, markets, and human resources. MSMEs play a significant role in economic growth and employment. MSMEs are considered to have the potential to increase state revenue through taxes.

The issue of the level of taxpayer compliance is one of the problems that continues to occur in the field of taxation. The level of taxpayer compliance in Indonesia is still relatively low. This is a serious problem because along with the increasing level of business growth in Indonesia. The growth in the number of Micro, Small and Medium Enterprises (MSMEs) has increased every year. The increase in the number of MSMEs is not matched by the compliance of MSME taxpayers to carry out their tax obligations.

Ditjen Pajak (DJP) views that the MSME sector plays an important role in the level of tax ratio in Indonesia. In 2021, the tax ratio to gross domestic revenue (GDP) was only 9.5%, which can be said to be low. This is due to the fact that there are still many MSME players who have not complied with paying taxes. MSMEs are one of the sectors that the government is focusing on to increase the tax ratio. Data from the Ministry of Cooperatives and SMEs (Kemenkop-UKM) states that the tax ratio of MSMEs to GDP is 60.5% with a value of around Rp 8,573 trillion (Saragih & Selatan, 2024).

The phenomenon of taxpayer compliance in East Java encouraged Dr. Timbul Hamonangan Simanjuntak, SE, MA, a researcher at the Maranatha Christian Faculty of Economics, to conduct research on MSME taxpayers. In the study, there were 283 handicraft MSME players in East Java who became the object of research. As many as 79% of MSME players do not have an NPWP, 42% are not on time in submitting tax returns, and 37% of respondents are never willing to pay taxes. From the phenomena above, it can be concluded that the level of compliance of MSME taxpayers in Indonesia is still low. Ditjen Pajak (DJP) views the MSME sector as playing an important role in the level of tax ratio in Indonesia. In 2021, the tax ratio to gross domestic revenue (GDP) was only 9.5%, which can be said to be low. This is due to the fact that there are still many MSME players who have not complied with paying taxes. MSMEs are one of the sectors that the government is focusing on to increase the

tax ratio. Data from the Ministry of Cooperatives and SMEs (Kemenkop-UKM) states that the tax ratio of MSMEs to GDP is 60.5% with a value of around Rp 8,573 trillion.

Taxpayer compliance can be influenced by two factors, namely internal factors and external factors. Internal factors are factors that come from within the taxpayer himself and are related to his personality or behavior. External factors are factors that come from outside the taxpayer, such as the situation and environment of the taxpayer (Erlita Widiya Putri, 2023). There are several external factors that certainly affect taxpayer compliance in fulfilling their obligations. One of the factors that influence taxpayer compliance is the tax rate. The tax rate is the determination of a percentage used to calculate taxes based on the law that must be paid by taxpayers. The amount of the tariff has decreased. The MSME final rate was originally 1% and decreased to 0.5%, indicating that the tax rate is one of the factors that influence MSME taxpayer compliance. The reduction in the MSME tax rate aims to make taxpayers more compliant in paying taxes. Tax rates that are fair and do not burden MSME taxpayers can encourage compliance with their tax obligations.

Another factor that influences taxpayer compliance is tax understanding. Understanding taxation is an important thing that must be possessed, especially by MSME actors. Basically, understanding taxation is the understanding of the community in carrying out their tax obligations which include calculating, paying, and reporting themselves to the Director General of Taxes by filling out a Tax Return (SPT). MSME taxpayers must have sufficient understanding of taxation regarding the 0.5% final rate in order to facilitate tax payments every month. Tax sanctions are also an important factor that can affect taxpayer compliance. Tax sanctions will provide a guarantee that tax regulations will be obeyed (Perdana & Dwirandra, 2020). Enforcement of sanctions can realize taxpayer compliance. Tax sanctions act as a deterrent so that taxpayers do not violate existing regulations. MSME taxpayers must comply with tax regulations related to the final tariff set by the government so as not to be subject to tax sanctions.

Literature Review

Theory of Planned Behavior

Theory of planned behavior is the intention that arises from individuals to behave, where the intensity of the behavior is caused by the influence of certain factors and appears planned. Theory of planned behavior has three factors that influence individual intentions, namely behavioral beliefs, normative beliefs, and control beliefs.

1. Behavior Beliefs

Individual beliefs about a behavior and evaluation of the results of that behavior. In the theory of planned behavior, this condition is called attitude about individual behavior.

2. Normative Beliefs

Beliefs about normative expectations that arise due to external influences (other people) and motivation to meet these expectations.

3. Control Beliefs

Behavioral control beliefs are beliefs about things that support or inhibit one's behavior and perceptions of how strong the things that support and inhibit their behavior are.

Tax

Undang-undang no. 28 tahun 2007 pasal 1 contains general provisions and tax procedures, taxes are mandatory contributions to the state owed by individuals or entities that are compelling based on law, with no direct reward and are used for state purposes for the greatest prosperity of the people.

MSME

Micro, small and medium enterprises or umkm are businesses owned by individuals, groups, or business entities that have met the criteria as businesses in accordance with the law. According to UU No. 20 Tahun 2008, MSME is classified into three types of businesses, namely micro businesses, small businesses, and medium-sized businesses.

Taxpayer Compliance

Taxpayer compliance is an act of taxpayers who comply with legislation by fulfilling all tax obligations and exercising their taxation rights (Waluyo, 2020).

Tax Rate

The tax rate is a basic guideline in determining the amount of personal and corporate tax debt, as well as a means of justice in determining tax debt (Fadilah et al., 2021).

Understanding Taxation

Understanding taxation is the basic knowledge for taxpayers in determining and making decisions related to the implementation of rights and obligations in the field of taxation (Rosana, 2021).

Tax Sanctions

Tax sanctions are a guarantee that the provisions of the applicable tax laws and regulations (tax norms) must be obeyed or obeyed by taxpayers.

Hypotheses Development

The tax rate is the basis of the tax imposition on the tax object that is the responsibility in the form of a percentage (%). The Tax Imposition Base (DPP) is the value of how much money is used to calculate the tax payable (Safarti, 2021). MSME taxpayers are expected to fulfill their obligations after the establishment of a reduction in the MSME rate, namely 1% to 0.5%, based on Peraturan Pemerintah Number 23 of 2018. The perception of a reduction in tax rates will affect the compliance of MSME taxpayers. The lower the tax rate imposed can increase its economic capacity because it will reduce the tax burden which will result in further expanding its business, and encourage tax compliance of MSME actors.

Theory Of Planned Behavior describes the amount of tax rates related to normative beliefs where expectations are perceived by one or more people to approve a behavior and motivate them to fulfill their obligations. Tax rates that are fair and not burdensome can encourage compliance with their tax obligations. Tax rates are a factor that affects the level of taxpayer compliance. Taxpayer compliance will increase if the rate is low (Fitria & Supriyono, 2019)

In research conducted by (Rahmawati & Halimatusadiah, 2022) and (Mansur et al., 2022) shows the result that tax rates have a positive effect on MSME taxpayer compliance. Research also conducted by (Iriyanto & Rohman, 2022) and (Erlita Widiya Putri, 2023) showed that tax rates have a positive effect on MSME taxpayer compliance.

H1: Tax rates affect the compliance of Micro, Small and Medium Enterprises (MSMEs) taxpayers

Understanding tax regulations is a process where taxpayers understand about taxation and apply this knowledge to pay taxes. Understanding tax regulations means understanding and understanding the general provisions and procedures for taxation which include how to submit a tax return (SPT), payment, place of payment, fines and deadline for payment or reporting SPT.

The Theory Of Planned Behavior describes the understanding of taxation related to behavioral beliefs which explains that individual attitudes will influence the individual's desire to act by knowing the results of the actions taken by the individual. This theory has an influence on taxpayers' understanding of their intention to comply with applicable tax regulations.

In research conducted by (Lazuardini et al., 2018) and (Soda et al., 2021) showed the results that tax understanding has a positive effect on MSME taxpayer compliance. Research also conducted by (Wijaya & Yanti, 2023) and (Catur Septirani & Krishna Yogantara, 2020) shows the results that understanding taxation has no effect on MSME taxpayer compliance.

H2: Understanding taxation affects the compliance of Micro, Small and Medium Enterprises (MSMEs) taxpayers.

The tax sanction variable is related to control beliefs which explain individual beliefs about the existence of things that hinder or support individual behavior. Based on this, the provision of severe sanctions is one of the alternatives that is expected to overcome taxpayer non-compliance in paying taxes owed. Tax sanctions are set to motivate taxpayers to comply with established tax regulations. Taxpayers will comply if they have the perception that there are severe sanctions if they violate.

In research conducted by (Saprudin et al., 2020) and (Hapsari & Ramayanti, 2022) showed the results that tax sanctions have a positive effect on MSME taxpayer compliance. Research conducted by (Yunia et al., 2021) and (Permata Sari et al., 2019) shows that tax sanctions have no effect on MSME taxpayer compliance.

H3: Tax sanctions affect the compliance of Micro, Small and Medium Enterprises (MSMEs) taxpayers.

2. METHOD

The type of research used in this study uses quantitative research. Quantitative research methods are research methods based on philosophies used to examine research on certain samples, data collection through research, quantitative data analysis or with the aim of testing predetermined hypotheses.

Research Design

The data analysis technique used in this research is Multiple Linear Regression analysis. Processed using a statistical data processing program, namely Statistical Product and Service Solution (SPSS). Research using the multiple linear regression method aims to test whether or not the influence of the independent variable on the dependent. In this case, how the influence of the independent variables, namely tax rates, understanding of taxation, and tax sanctions on the dependent variable is MSME taxpayer compliance. The method used for multiple linear regression analysis is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Participants/Sample Selection and Data Sources

The sample is part of the number and characteristics of the population (Sugiyono, 2019). Sampling is the process of selecting, determining, and calculating the type of sample that will later become a subject or object. The sampling technique in this study was Purposive Sampling. Purposive sampling is a sampling technique with certain considerations (criteria). The criteria for respondents

in this study are MSMEs that have NPWP, so that a total of 44 MSMEs are obtained that have the criteria and are used as research samples.

The type of data used in this research is primary data. Primary data is data obtained directly from the object of research by means of researchers conducting direct surveys to the location of MSME actors who have NPWP and providing research questionnaires. The data source used in this study is primary data in the form of questionnaires that have been filled out by MSME actors who have NPWP who are the selected respondents in this study.

Instrumentation/Data Collection

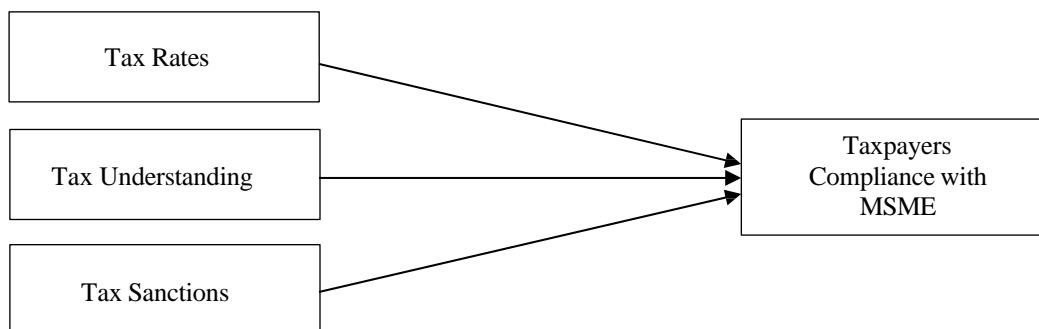
The data collection method in this study was carried out using a questionnaire media. Questionnaire is a data collection technique that is done by giving a set of questions or statements to respondents to answer (Sugiyono, 2019). The questionnaire used in this study is closed, meaning that the respondent only answers according to the answer choices provided by the researcher. This questionnaire will be given directly by the researcher to the respondent and the respondent is asked to fill in the existing questionnaire, then the completed questionnaire will be taken by the researcher as data to support the research.

Variable measurement

The measurement scale is an agreement that is used as a reference to determine the short length of the interval in the measuring instrument (Sugiyono, 2019), so that if the measuring instrument is used as a reference in measurement it can produce quantitative data. This study uses a measurement scale to measure the tax rate variable, understanding of taxation, and tax sanctions is a Likert scale that uses an interval scale. The Likert scale is used to measure a person's attitudes, opinions, and perceptions about phenomena.

The Likert scale is provided with five scale options, namely 1-5. The answer choices consist of strongly disagree (sts), disagree (ts), neutral (n), agree (s), and strongly agree (ss). Respondents are given the freedom to choose an answer that suits the situation.

Research model



Picture 1. Research Model

3. RESULTS AND DISCUSSION

Results

Validity Test

The validity test is used to test each statement item in the research questionnaire that can be said to be valid or invalid. The test in this study used the Pearson Correlation technique. If the significance value is < 0.05 , the statement in the questionnaire is declared valid. It is known that the significance results < 0.05 indicate that the indicators on the tax rate variable, understanding of taxation, tax sanctions, and MSME taxpayer compliance are declared valid so that the data can be used as instruments in this study.

Reability Test

Variabel	Cronbach's Alpha	Explanation
Tax Rates (X1)	0,714	Reliable
Tax Understanding (X2)	0,710	Reliable
Tax Sanction (X3)	0,765	Reliable
<hr/>		
MSME Taxpayer Compliance (Y)	0,794	Reliable

Table 1. Reability Test Results

The reliability test is used as a measuring tool for the research questionnaire that is accurate or not. The test in this study used the Cronbach's Alpha technique > 0.7 , so the indicator is said to be reliable or consistent in measuring variables. Based on the results, of the Cronbach's Alpha > 0.7 test, it shows that the variable indicators of tax rates, tax understanding, tax sanctions, and MSME taxpayer compliance are declared reliable or consistent in measuring variables so that the data can be used in this study.

Normality Test

One Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		44
Normal Parameters	Mean	.000000
	Std. Deviation	2.57845165
Most Extreme Differences	Absolute	.087
	Positive	.058
	Negative	-.087
Test Statistic		.087
Asymp. Sig. (2-Tailed)		.200

Table 2. Normality Test Results

The normality test is used as a measuring tool to test the data that has been obtained whether it is normally distributed or not abnormally distributed. The test in this study used the Kolmogorov-Smirnov technique. If the results of the Kolmogorov-Smirnov test > 0.05 then the data is declared normally distributed. Based on the table, the normality test results show the Kolmogorov-Smirnov test

statistic of $0.087 > 0.05$ with a probability of 0.200. This test shows that the variable indicators of tax rates, tax understanding, tax sanctions, and MSME taxpayer compliance are declared normally distributed so that the data can be used in this study.

Multicollinearity Test

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
			Beta			Tolerance	VIF	
1	(Constant)	-2,529	4,02		-0,629	0,533		
	Tax Rates	0,105	0,164	0,08	0,639	0,526	0,991	1,01
	Tax Understanding	0,363	0,152	0,297	2,383	0,022	0,99	1,01
	Tax Sanctions	0,616	0,143	0,534	4,301	0	0,999	1,001

a.
Dependent Variable:
MSME taxpayer compliance

Table 3. Multicollinearity Test Results

Multicollinearity test is done by looking at the Variance Inflation Factor (VIF) or tolerance value. If $VIF < 10$ or tolerance value > 0.1 , it is stated that there are no multicollinear symptoms. Based on the results of the multicollinearity test, it is known that the independent variables of tax rates, tax understanding, and tax sanctions produce a VIF value < 10 and produce a tolerance value > 0.1 . Therefore, the independent variables of this study are declared not to have multicollinear symptoms.

Heteroscedasticity Test

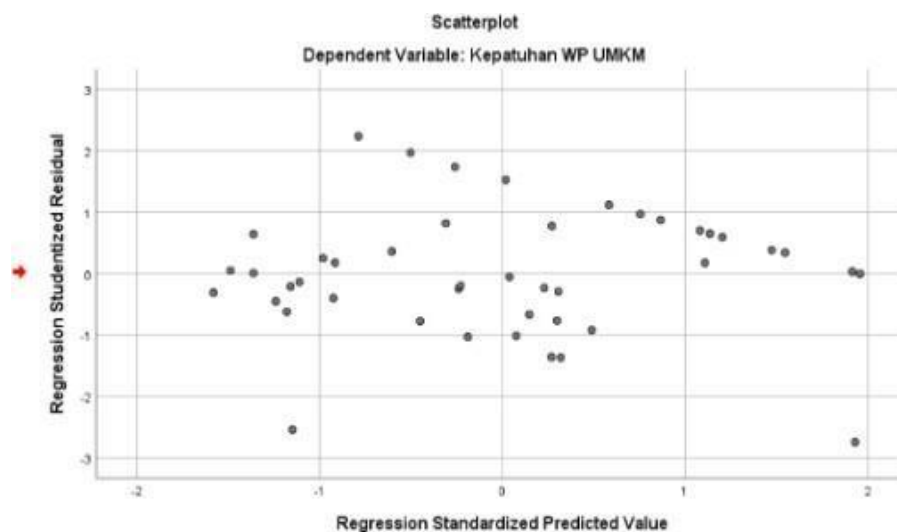


Table 4. Heteroscedasticity Test Results

The heteroscedasticity test is used to test whether there are symptoms of heteroscedasticity between the independent variable and the dependent variable. The test in this study used the Scatterplot test. The criteria in this test are that a regression is said not to experience heteroscedasticity if there is no clear pattern (the distribution does not form a pattern), and the points on the graph spread above and below the number "0". The test in this study used the Scatterplot test. Based on the results of the heteroscedasticity test, it shows that the points spread randomly and do not form a pattern. So, it can be concluded that the regression model used in this study does not experience heteroscedasticity

Multiple Linear Regression Method

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
			Beta				Tolerance	VIF
1	(Constant)	-2,529	4,02		-0,629	0,533		
	Tax Rates	0,105	0,164	0,08	0,639	0,526	0,991	1,01
	Tax Understanding	0,363	0,152	0,297	2,383	0,022	0,99	1,01
	Tax Sanctions	0,616	0,143	0,534	4,301	0	0,999	1,001

a. Dependent Variable: MSME taxpayer compliance

Table 5. Multiple Linear Regression Method Results

Multiple linear regression method is used to determine the direction and magnitude of the influence of the independent variables on the dependent variable partially and simultaneously. Based on the results of multiple linear regression method tests as follows:

$$Y = -2.529 + 0.105 X_1 + 0.363 X_2 + 0.616 X_3$$

Coefficient Of Determination Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	178,826	3	59,609	8,34	.000b
	Residual	285,882	40	7,147		
	Total	464,707	43			

a. Dependent Variable: Tax Compliance on MSME
 b. Predictors: (Constant), TaxSanctions, Tax Rates, Tax Understanding

Table 6. Coefficient Of Determination Test Results

The Influence of Tax Rates, Tax Understanding, and Tax Sanctions on Taxpayers Compliance with Small and Medium Enterprises (Avisa Kinantan Nahdah Islamey¹, Muslimin²)

The coefficient of determination test is used to measure the model's ability to explain the effect of the independent variables in influencing the dependent variable. The coefficient of determination can be determined through the R square value. The coefficient of determination can be determined through the R square value. The result of the coefficient of determination test (R square) is 0.385. This shows that the level of compliance of MSME taxpayers in Rungkut District, Surabaya City can be explained by the variables of tax rates, tax understanding, and tax sanctions by 38.5%, while the remaining 61.5% is the contribution of other factors not discussed in this study.

F Test (Model Suitability)

ANOVA ^a							
Model			Sum of Squares	df	Mean Square	F	Sig.
	1	Regression	178,826	3	59,609	8,34	.000 ^b
		Residual	285,882	40	7,147		
		Total	464,707	43			

a. Dependent Variable: MSME taxpayer compliance

b. Predictors: (Constant), Tax Sanctions, Tax Rates, Tax Understanding

Table 7. F Test (Model Suitability) Results

The model fit test or F test is used to determine the effect of the independent variables on the dependent variable simultaneously. The F test criterion is if the F test significance value < 0.05 then it shows that the independent variable has a significant effect on the dependent variable. Based on table, the results of the F test of $0.000 < 0.05$ show the results that the tax rate variable, understanding of taxation, and tax sanctions simultaneously affect the UMKM taxpayer compliance variable.

Test t (Partial Test)

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
				Beta			Tolerance	VIF
1	(Constant)	-2,529	4,02		-0,629	0,533		
	Tax Rates	0,105	0,164	0,08	0,639	0,526	0,991	1,01
	Tax Understanding	0,363	0,152	0,297	2,383	0,022	0,99	1,01
	Tax Sanctions	0,616	0,143	0,534	4,301	0	0,999	1,001

a. Dependent Variable: MSME taxpayer compliance

Table 8. Test t (Partial Test) Results

Partial test or t test is used to test each influence of the independent variable on the dependent variable. The t test criterion is if the significance value of the t test < 0.05 , it shows that the independent variable has a significant effect on the dependent variable. Based on table, the t test results show:

- a) Hypothesis testing of tax rates (X1) on MSME taxpayer compliance (Y) results in a tcount value of 0.639 with a probability of $0.526 > 0.05$, so H1 is rejected, it can be concluded that there is no partially significant effect between the tax rate variable (X1) on MSME taxpayer compliance (Y).
- b) Hypothesis testing of tax understanding (X2) on MSME taxpayer compliance (Y) results in a tcount value of 2.383 with a probability of $0.022 < 0.05$, so H2 is accepted, it can be concluded that there is a partially significant effect between the tax understanding variable(X2) on MSME taxpayer compliance (Y).
- c) Hypothesis testing of tax sanctions (X3) on MSME taxpayer compliance (Y) results in a tcount value of 4.301 with a probability of $0.000 < 0.05$, so H3 is accepted, it can be concluded that there is a partially significant influence between the tax sanction variable (X3) on taxpayer compliance (Y).

Discussion

The tax rate is the basis for imposing taxes on the tax object that must be paid by the taxpayer. In Theory Of Planned Behavior describes the amount of tax rates related to normative beliefs where expectations are perceived by one or more people to approve a behavior and motivate compliance with their obligations. Tax rates that are fair and not burdensome can encourage compliance with their tax obligations. Tax rates are a factor that affects the level of taxpayer compliance. Taxpayer compliance will increase if the rate is low.

Based on the t test results, it shows that the tax rate variable (X1) on MSME taxpayer compliance (Y) produces a tcount value of 0.639 with a probability of $0.526 > 0.05$, so the result of H1 is rejected.

Therefore, it can be concluded that there is no partially significant influence between the tax rate variable (X1) on MSME taxpayer compliance (Y). The results of this study are in line with research conducted by (Iriyanto & Rohman, 2022) and (Erlita Widiya Putri, 2023) which show the results that tax rates have a negative and insignificant effect. This shows that MSME still think that the application of high tax rates affects taxpayer compliance to pay taxes. The results of this study are not in line with research that has been conducted by (Rahmawati & Halimatusadiah, 2022) and (Mansur et al., 2022) which shows the results that tax rates have a positive and significant effect on MSME taxpayer compliance.

Understanding taxation is the process of taxpayers understanding and understanding the provisions and procedures of taxation. The Theory Of Planned Behavior describes the understanding of taxation related to behavioral beliefs which explains that individual attitudes will influence the individual's desire to act by knowing the results of the actions taken by the individual. This theory has an influence on taxpayers' understanding of their intention to comply with applicable tax regulations.

Based on the results of the t test, it shows that the tax understanding variable (X2) on MSME taxpayer compliance (Y) produces a tcount value of 2.383 with a probability of $0.022 < 0.05$, so the result of H2 is accepted. Therefore, it can be concluded that there is a partially significant influence between the tax understanding variable (X2) on MSME taxpayer compliance (Y). The results of this study are in line with research conducted by (Soda et al., 2021) and (Lazuardini et al., 2018) which show the results that understanding taxation has a positive and significant effect. This shows that MSME is a high taxpayer understanding of taxation affects individual intentions towards taxpayer

compliance. The results of this study are not in line with research conducted by (Wijaya & Yanti, 2023) and (Catur Septirani & Krishna Yogantara, 2020) which show the results that understanding taxation has a negative and insignificant effect on MSME taxpayer compliance.

Tax sanctions are a means of preventing taxpayers from violating tax norms. The tax sanction variable is related to control beliefs which explain individual beliefs about the existence of things that hinder or support individual behavior. Based on this, imposing severe sanctions is one of the alternatives that is expected to overcome taxpayer non-compliance in paying taxes owed. Tax sanctions are set to motivate taxpayers to comply with established tax regulations. Taxpayers will comply if they have the perception that there are severe sanctions if they commit a violation.

Based on the results of the t test, it shows that the tax sanction variable (X3) on MSME taxpayer compliance (Y) produces a tcount value of 4.301 with a probability of $0.000 < 0.05$, so the result of H3 is accepted. Therefore, it can be concluded that there is a partially significant influence between the tax sanction variable (X3) on taxpayer compliance (Y). The results of this study are in line with research conducted by (Saprudin et al., 2020) and (Hapsari & Ramayanti, 2022) which show the results that tax sanctions have a positive and significant effect. This shows that MSME players that heavy tax sanctions will affect taxpayers' perceptions of compliance with paying taxes. The results of this study are not in line with research conducted by (Yunia et al., 2021) and (Permata Sari et al., 2019) which show the results that tax sanctions have a negative and insignificant effect on MSME taxpayer compliance.

4. CONCLUSION

Based on the research results described in the previous chapter, the conclusions that can be drawn from this research are Tax rates have a negative and insignificant effect on taxpayer compliance of MSME taxpayers. Understanding taxation has a positive and significant effect on the compliance of taxpayers who are registered MSME taxpayers. Tax sanctions have a positive and significant effect on the compliance of MSME taxpayers.

Based on this research, the following suggestions can be given for further researchers, it is hoped that it can add other independent variables and dependent variables that can increase taxpayers of MSME.

For taxpayers, it is hoped that they can increase their compliance and awareness in fulfilling their tax obligations so that they are not subject to sanctions. For tax collection agencies, it is hoped that they will further improve the quality of service so as to encourage taxpayers to comply with paying taxes.

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