



The Determinants of SME's Tax Compliance in Indonesia

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Abstract

Tax compliance is the behaviour shown by taxpayers in fulfilling their tax responsibilities and exercising their rights in taxation. Tax compliance is a problem that still needs to be resolved to date. That can be seen from poor tax performance, namely low tax ratios, tax gaps and tax revenues that still need to meet targets. SMEs have a significant role in the Indonesian economy, are one of the potential taxpayers in the SMES sector, and are the most significant contributor to gross domestic product (GDP) compared to other sectors. Indicators of the success of a country's tax revenue can be seen through the tax ratio. The tax ratio is one of the essential factors for assessing the effectiveness of a country's tax revenues. Indonesia's tax efficiency is lower than many ASEAN countries. The relatively low tax ratio observed in this context indicates the low level of understanding and compliance with tax obligations, especially among small and medium enterprises (SMEs). This research applies a quantitative approach involving a survey of SME taxpayers. A structured questionnaire was given to 395 SMEs randomly and as eligible. Respondents were taken from the third largest city in Indonesia, namely Medan City. Structural Equation Modeling (SEM) was used in this research with Smart PLS data analysis and goodness of fit test requirements. The study found that Tax Knowledge, Tax Morals, Knowledge of Digital E-Filing on Tax System and Tax Rates positively and significantly influence tax compliance in the SME sector. Practical Implications This study contributes to the existing conceptual framework and provides essential insights into management implications in the field. The findings of this research provide valuable insights for practitioners and the government, indicating that the government has the potential to change existing policies and programs to increase tax compliance among small and medium enterprise (SME) taxpayers in Indonesia.

Keywords: *Tax Compliance; Tax Knowledge; Knowledge of Digital E-Filing on Tax System; Tax Morale; Tax Rate*

Introduction

Tax compliance is a problem that still needs to be resolved in Indonesia. This can be seen from poor tax performance, namely low tax ratios, tax gaps and tax revenues that still do not meet targets. According to the OECD (2019), The tax ratio is a reliable measure of a country's tax revenue success as it directly reflects the level of tax compliance within the country. However, Indonesia has yet to be able to collect taxes in an ideal amount, where Indonesia's tax ratio is only 11.2%, the lowest in Asia Pacific countries. In the 2021 OECD Economic Survey of Indonesia, the OECD noted that Indonesia's tax efficiency is lower than many G20 and Asian countries due to low compliance, the number of tax exemptions and the significant tax incentives provided. According to Minister of Finance Sri Mulyani and the World Bank, the typical minimum tax ratio for a country is 15% (Kartika, 2018). These numbers indicate that Indonesia's tax percentage remains below the benchmarks established by international financial institutions. The low tax ratio highlights the necessity of enhancing tax consciousness and adherence. Thus, the tax compliance ratio in Indonesia still needs to be improved.

This non-compliance is undoubtedly a problem for the government in maximizing state revenue because the dominant state revenue generally comes from the taxation sector. One of the potential taxpayers in Indonesia is the SMES sector, which is the most significant contributor to gross domestic product (GDP) compared to other sectors. According to data provided by the Ministry of Cooperatives and Small and Medium Enterprises, for the past five years (2019-2023), the contribution of SMEs to GDP has increased by 57.84% to 61%. However, in terms of contribution to state revenue, SMEs only contribute 0.5% of the total tax revenue. The main factor causing the low contribution of SMEs to tax revenues is the low level of tax compliance by SMEs. The government has made several efforts to increase tax compliance, especially for SMES taxpayers in Indonesia, by issuing several policies, such as reducing the tariff from 1% to 0.5% of the tax base. However, until now, low tax compliance is still a problem that a solution must be found so that potential sectors such as SMEs can make a more significant contribution to state revenues (Sari Sukma, 2023).

Tax knowledge refers to the comprehensive grasp of the fundamental principles and practices of tax policy that are enforced within a certain jurisdiction (Fauziati et al., 2016). The primary factor contributing to taxpayers' failure to disclose their income tax is a deficiency in tax literacy, which impacts low tax compliance. Chandarasorn (2012), As stated by Tommy (2021), tax knowledge means the ability to carry out bookkeeping and tax administration. Apart from that, many SMEs in Indonesia need to understand financial reports and taxation, which will increase total tax collection. Tax knowledge is also determined by understanding tax policies and the tax system. According to Adam (2012), taxpayer knowledge plays a crucial role in a voluntary tax compliance system, particularly in accurately assessing tax obligations (Palil, 2010; Saad et al., 2013). In addition, Bird (2014) argues that the presence of tax knowledge, encompassing general information, legal knowledge, and technical knowledge, does not exert a substantial impact on the tax compliance behavior of small and medium-sized enterprises (SMEs)." The findings show that the extent of taxpayer knowledge does not determine taxpayer compliance. Fauziati et al. (2016) found that taxpayer knowledge does not affect tax compliance in Indonesia. It was found that there was no significant influence between changes in tax attitudes and behaviour on increasing taxpayer knowledge among SMEs (Alm et al., 2012).

The main problem in the SME sector is high tax rates. Mas'ud et al. (2014) found that high tax rates can reduce tax compliance in the SME sector because it can disrupt the cash flow of small and medium enterprises. The SME sector should be given a lower rate so capital turnover and business development can run well. However, the low tariff given to taxpayers does not guarantee that tax compliance will increase. So strict sanctions are needed to take action against taxpayers who remain disobedient. Swistak (2016) examined the effect of tax sanctions on tax compliance in the SME sector, showing that tax sanctions can increase taxpayer compliance if enforced relatively and with legal

certainty. The tax challenges faced by other small and medium-sized enterprises (SMEs) include the intricate nature of tax legislation and regulations, insufficient access to tax-related information or clarifications, and the imposition of multiple tax rates (where SME businesses are subject to two or three different types of taxes). The high tax rate for SMEs causes taxpayers to be non-compliant. Lastly, most SMEs leave the formal sector and move to the informal sector in Nigeria (Atowadi & Ojeka, 2012).

The low contribution of only 0.5 per cent of SMES tax payments to income tax revenues is caused by a lack of knowledge of tax morals and fear when hearing about taxation. Of the total number of SMEs in existence, according to Ferio (2019), 90% of those in the SMES category never pay taxes and do not have or maintain ownership of a Taxpayer Identification Number. SMEs do not feel it makes sense to provide taxes to the government. Meanwhile, we know that the benefits of taxes are increasing economic growth and developing public facilities that benefit society. Tax morality, as defined by tax expert Ronald G. Cummings (2006), refers to the inherent urge to fulfill tax obligations based on moral duty. The implementation of tax spirit can be accomplished through a two-step process. Firstly, it underscores the taxpayers' faith in the appropriate use of tax funds towards infrastructure development. Furthermore, there is a need to enhance the transparency of decisions and update administrative procedures Ahmad and Gunarto (2018). Leonardo (2011) suggests that in "free" countries, Tax Morale is affected by the behavior of government entities on the output side, particularly in their interactions with taxpayers during the distribution of public goods and services. The presence of enthusiasm and adherence to regulations are key factors that lead to corporate tax compliance within Uganda's financial services sector. The lack of moral knowledge regarding low SMES taxes will ultimately impact tax compliance.

The next factor affecting taxpayer compliance is the knowledge of digital electronic filing in the tax system. According to Muturi: 2015, electronic tax filing or E-Filing is a process of taxpayers submitting tax documents or tax return files via an online network without the need to submit return files in paper form. Following the statement by the Director General of Taxes at the Ministry of Finance, Ken Dwijugiasadi explained that several factors make Indonesian people still not comply with paying taxes because filling out the Annual Income Tax Return (SPT) is considered complicated (Ariyanti: 2017). On the other hand, Keen (2013) believes that e-filing is more likely to be used by taxpayers with specific characteristics. They argue that large businesses are more likely to use e-filing than small businesses. Apart from that, they also believe that awareness of e-filing, ability to use computers, and knowledge of the process are fundamental in taxpayer decision-making. Muita (2011) conducted research to improve tax compliance in Kenya by adopting technology as a strategic tool. This case study is based on large businesses and SMEs. The analysis shows that acceptance and compliance of e-filing among SMEs is influenced by technological knowledge. Some people who need more computer knowledge are generally not interested in using e-filing. According to the prior analysis of published works, which shows that there are still various research findings regarding the factors determining the level of taxpayer compliance, this research aims to empirically test the influence of tax knowledge, tax morale, digital knowledge on tax E-Filing, and Tax Rates on Tax compliance among SMEs business actors in Indonesia. The contribution of this research is to provide a choice of factors determining the level of taxpayer compliance in Indonesia and provide benefits and in-depth theoretical studies in the field of Taxation, especially for SMEs.

Literature Review

Theoretical Background

Theory of Planned Behavior (TPB)

The Theory of Planned Action (TPB), proposed by Icek Ajzen, expands the Theory of Reasoned Action (TRA) by emphasizing the significance of intention as the primary driver of behavior. The Theory

of Planned Behaviour (TPB) posits that people's action is determined by their intention to engage in a certain way of behaving.

The expression of an individual's intention to partake in specific behaviors is contingent upon three fundamental factors, namely:

- a) Behavioral beliefs refer to the individual's beliefs regarding the outcomes of their activity and their evaluation of these outcomes, including the strength of these beliefs and the evaluation of the outcomes.
- b) Normative beliefs refer to individuals' beliefs regarding the prescriptive prospect held by others and their internal motivations to conform to these expectations. This construct is usually referred to as normative beliefs and incentives to obey.
- c) Control beliefs pertain to the personal beliefs held by individuals regarding the existence of elements that either assist or impede the expression of specific behaviors, also known as control beliefs, as well as their assessments of the extent to which these factors influence their perceived efficacy. Potential barriers may occur when individuals exhibit certain behaviors, which can originate from both internal and external sources.

Theory of Slippery Slope

Slippery Slope Theory states that confidence in the authority's power and authority will cause taxpayers to comply with the authority or government (Kirchler et al., 2008). The successful reduction of taxpayer non-compliance can be achieved by a combination of faith in the tax authority and the authority's capacity. Social-psychological variables, such as trust in the government, tend to influence voluntary tax compliance, while deterrence variables, such as tax fines, tend to influence enforced tax compliance. Taxpayer trust arises when there is transparency and accountability in the government's organization of the tax process (Wahl et al., 2010). Meanwhile, tax authorities will be considered to have power by taxpayers if there is a good and firm system in the tax process (Prinz et al., 2014).

Technology Acceptance Model (TAM)

This theory represents one of the prototypes employed for analyzing and predicting elements that may impact the user's adoption of an information system. According to Fred Davis, the Technology Acceptance Model (TAM) is a system utilization and information technology by individuals and is influenced by two factors, namely Perceived utility and perceived simplicity. Perceived efficacy refers to the extent to which an individual is confident in the ability of specific information systems to improve performance. In contrast, perceived ease of use denotes individual confidence in utilizing information systems without significant exertion (Davis, 1989). Both can directly influence the behavior of using technology. With the existence of e-registration, e-filing, and e-billing at the Directorate General of Taxes, information technology is expected to provide benefits and convenience for taxpayers to increase the efficiency and effectiveness of their tax activities. Thus, the level of taxpayer compliance is expected to increase. Furthermore, researchers use this theory to answer research questions about using systems and information technology in taxation.

Tax Compliance

Brown and Mazur (2003) describe three steps to tax compliance: filing, declare, and paying out. Filing compliance pertains to the portion of registered taxpayers who file their tax returns. As to the Minister of Finance's regulations - 192 / PMK.03 / 2007

Standards for taxpayers who are in comply are:

1. Consistently timely in submitting tax returns for various tax categories during the past two years.
2. The maximum limit for late submission of SPT in the last year is three tax periods (not consecutive) for each type of tax.
3. The time period for submitting a Late Notification Letter as intended in paragraph (2) is submitted after the deadline for submitting the next Notification Letter.
4. Ensure that there are no outstanding tax liabilities across all tax categories:
5. Over the past ten years, the Taxpayer has never been sanctioned or sentenced for performing illegal actions in the area of taxes.
6. If the financial statements are an audit conducted by the Financial and Development Supervisory Agency, the outcome should be an unqualified or fair opinion unless specific exceptions exist.
7. If the Public Accountant still needs to audit the financial statement, the Taxpayer can request to be listed as a Taxpayer of specific criteria.

As stated by Siti Kurnia Rahayu (2009: 138), the indicators of compliance are as follows:

1. Regulate tax
2. Understand all the provisions of taxation.
3. Pay tax on time
4. Calculate the amount of tax owed accurately
5. Fill up the tax form correctly, completely and clearly.

Small and Medium Enterprises

Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises in article 3 states that micro-enterprises aim to grow and develop their businesses to build the national economy. The empowerment and development of Micro, Small, and Medium Enterprises (SMEs) is an effort taken by the government to overcome the problems of unemployment and poverty. According to Yusro & Kiswanto (2014), micro businesses are owned and run by low-income or near-poor people. Micro-enterprises are also often referred to as household businesses. Usaha mikro juga sering disebut dengan usaha rumah tangga. The World Bank uses three quantitative criteria for defining SMEs: number of employees, total assets in U.S. dollars, and annual sales in U.S. dollars (IEG: 2008). A business must meet the quantitative criteria of the number of employees and at least one financial criteria to be categorized as a micro, small, or medium business.

Table 1. Definition of Small and Medium Enterprises by World Bank

| Enterprise indicators | Number of employees | Total Assets (USD) | Total annual sales (USD) |
|-----------------------|---------------------|--------------------|--------------------------|
| Medium sized | > 50 | > 3.000.000 | > 3.000.000 |
| | ≤ 300 | ≤ 15.000.000 | ≤ 15.000.000 |
| Small | > 10 | > 100.000 USD | > 100.000 USD |
| | ≤ 50 | ≤ 15.000.000 | ≤ 15.000.000 |
| Micro | < 10 | ≤ 100.000 | ≤ 100.000 |

Standards. Source: Independent Evaluation Group (2008)

Tax Rate

According to Simanjuntak and Muklis (2012), in theory, income taxes will decrease income. The tax amount imposed is determined by the tax rate and the taxable income. Therefore, any change in the

rate will directly affect the amount of tax assessed. The tax rate serves as the fundamental factor in taxation, utilized to calculate the precise amount of tax that is owing based on the tax object. Government Regulation (PP) No. 23 of 2018 stipulates that taxpayers having a specific gross distribution of less than 4.8 billion in one year would be subject to a final tax rate of 0.5% on their income from businesses. Sudirman and Amiruddin (2012) provide a clear definition of the tax rate as either a percentage (%) or a specific amount (in Rupiah) that taxpayers are required to pay based on their tax base or tax object. The tax structure in a country, such as tax audits, fines, and tax rates, is expected to discourage taxpayers from the SME sector. Typically, a lot of theoretical and empirical evidence supports the punishment perspective, such that a greater probability of audits and fines will encourage compliance. However, increasing tax rates will discourage compliance (Swistak, 2016). Sudirman and Amiruddin (2012) provide a concise description of the tax rate as either a percentage (%) or a specific sum (in Rupiah) that taxpayers are required to pay based on the tax base or tax object. Simanjuntak and Muklis (2012) propose that income taxes have a theoretical effect of reducing income by the amount of tax paid. The tax amount is determined by the tax rate and the taxable income. Therefore, any change in the rate will directly affect the amount of tax imposed. According to Pris (2010), the tax rate indicators are: A high income will cause high-income taxes and fair proportional tax rates, Every taxpayer must be subject to a fair tax rate, and The implementation of an income tax rate is natural.

Tax Knowledge

Taxation knowledge is mastering the understanding of the tax field and the general provisions of tax law, including regulations for submission to tax payments, where to pay causes, and timing of tax payments. Veronica (2015) explained that taxation knowledge is defined as the process of increasing knowledge seriously, which aims to find out the extent to which a person can know everything about taxation correctly and a problem that needs to be known about taxation (Rosyida, 2018) so that if someone does not have good knowledge, that person cannot determine his behavior appropriately in fulfilling his tax obligations. Tallaha, Zaleha Abdul Shukor, and Hassan (2014) contextually divided knowledge into (1) procedural knowledge and (2) legal knowledge. The procedural context makes it possible to consider the knowledge, skills, and resources required to interact with tax authorities and taxpayers to have reports for tax purposes. Legal context refers to the understanding of how taxpayers are taxed. Tallaha et al. (2014) caution that the mere capability of utilizing an electronic instrument to submit a tax return does not guarantee the accuracy or completeness of these filings. Consequently, taxpayers must possess precise legal tax expertise in order to guarantee their adherence to tax regulations. Legal tax knowledge encompasses two facets - comprehension of legal terminology and legislation ("awareness of taxable entities") as well as the capacity to use this legal knowledge to particular scenarios in order to determine the tax implications ("proficiency in application"). The reference is from the study conducted by Lai et al. in 2013.

Knowledge of Digital E-Filing on Tax System

Digital Electronic Filing (E-Filing) is a way of submitting a Tax Return (SPT) which is done through a real-time online system via the Internet on the Directorate General of Taxes website (djponline.pajak.go.id) or an application service provider (ASP). Taxpayers who will submit tax returns via e-filing must have an Electronic Filing Identification Number (e-FIN), which is an identity number provided by the tax service office at the request of taxpayers used to submit tax returns via e-filing. According to Lado and Budiantara (2018), implementing the e-filing system is expected to provide convenience and satisfaction for taxpayers in fulfilling their tax obligations, so implementing the e-filing system is expected to increase taxpayer compliance. To facilitate taxpayers in paying taxes, the Directorate General of Taxes issued an electronic payment system, Electronic Billing (E-Billing). E-Billing System is a method of paying taxes electronically using a Billing code. E-Billing can help taxpayers pay their taxes more efficiently, faster, and more accurately without coming to the tax office to

pay taxes through E-Banking, Automatic Teller Machines, and Bank Transfers. According to Husnurrosyidah and Suhadi (2017), e-billing significantly improves tax payments because taxes can be paid anywhere and anytime. According to Wasao (2014), an electronic tax system is an online tax platform service that taxpayers can access through the Internet. The online tax platform services include tax payments, filing of tax returns, application for compliance certificates, and registration for tax identification numbers. Proficiency in tax application E-Filing is the application of procedural knowledge that enables individuals to effectively engage with tax authorities and taxpayers by utilizing the necessary knowledge, skills, and resources for tax-related record-keeping. Tallaha, Zaleha Abdul Shukor and Hassan (2014).

Research Methodology

Research Design

This study examines the determinants that impact tax compliance among small and medium firms on Sumatra Island. The researcher has a plan to use cross-sectional and correlational methods. Correlational research design is a quantitative research method in which there are two or more quantitative variables from the same group of subjects, and a relationship can be determined to exist. The cross-sectional study design is the collection of data from a population or representative part at a particular time that is analyzed through an observational study. Sugiyono (2014, pp. 23-24) states that quantitative methods examine specific populations or samples and analyze quantitative/statistical data using research instruments. They are based on the philosophy of positivism in testing established hypotheses. The chosen research methodology for this study is the quantitative survey approach, which encompasses survey and experimental techniques. The survey method is a quantitative research method to test several hypotheses connected with psychological and sociological variables from samples taken from a particular population and used to obtain data that occurred in the past or present about opinions, behavior, beliefs, characteristics, and relationships between variables.

Population and Sampling

The concept of population, as described by Cavana et al. (2001) and Hair et al. (2007), refers to a collective of personal events or objects that are the focus of investigation for a researcher. This study included a target population of 7.945 small and medium-sized enterprises (SMEs), further categorized into two groups. The first group comprised 7.767 small firms, while the second group contained 178 medium-sized businesses in Medan City, Indonesia. (Source: Central Statistics Agency 2023). There were 600 questionnaires distributed. After 600 samples were distributed to respondents, 395 questionnaire samples were declared suitable to continue this research. The remaining 205 questionnaires were unsuitable for further research because the respondents needed to complete the questionnaires, and some needed to return the questionnaires to the researchers. The standard error in this study is 5%.

Validity Test

Validity is a test of measuring instruments that will be used in research. The optimal outcome of a measuring equipment evaluation is the ability to quantify the intended target while avoiding any unintended measurements accurately—the validity test measures whether a questionnaire is valid or not. A questionnaire is good if the questions can express something that the questionnaire will measure (Imam Ghozali, 2018). Factor analysis is used to see the correlation invalidity. Factor analysis is a multivariate method used to analyze variables suspected of being attracted to each other. The factor analysis used in this study is CFA (Confirmatory Factor Analysis). The criteria for assessing the validity test are :

- If $r_{\text{count}} > r_{\text{table}}$, the questionnaire item is correct.
- If $r_{\text{count}} < r_{\text{table}}$, the questionnaire item is incorrect.

Reability Test

Imam Ghozali (2018) mentions that reliability is a tool for measuring questionnaires (variable or construct indicators). A questionnaire is reliable if someone's answer to their statement is convenient over time. In this study, reliability measurement was proven by testing consistency and stability. Cronbach's alpha is a statistical measure of dependability that quantifies the extent to which the items within a given set exhibit positive correlations. Cronbach's alpha is calculated as the average intercorrelation among items by measuring the concept (Uma Sekaran, 2017). Cronbach's alpha is acceptable if > 0.6 . The closer the Cronbach's alpha value is to 1, the higher the internal consistency reliability. Utilizing path analysis techniques with the software SmartPLS (Partial et al.), this study tested its hypotheses, beginning with the measurement model (outer model) and model structure (inner model).

PLS (Partial Least Square)

Partial Least Squares (PLS) employs the primary component analysis technique in the measurement model, specifically the variance extraction component. This component assesses the association between the indicator and the latent construct by computing the overall variance. This variance comprises three components: common variance, specific variance, and error variance, So the total variance becomes elevated. The development design uses path analysis as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e_1$$

Description :

Y =Tax Compliance

X₁ =Tax Knowledge

X₂ =Tax Morale

X₃ =Knowledge of Digital

Electronic Filling on Tax System.

X₄ =Tax Rate

a =Constant

b₁...b₄=Variable regression X

coefficient

e₁ =Error

From the structural equations formed, the conceptual framework can be seen below :

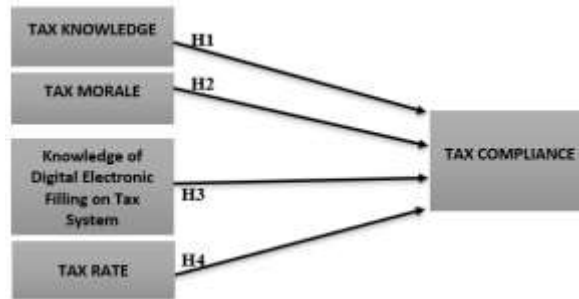


Figure 1. Research Conceptual Framework

H1 : Tax Knowledge has an effect on Tax Compliance

H2 : Tax Morale has an effect on Tax Compliance

H3 : Knowledge of Digital Electronic Filing on Tax System has an effect on Tax Compliance

H4 : Tax Rate has an effect on Tax Compliance

Result and Discussion

Test of Validity and Reliability

A validity test is used to measure whether a questionnaire is valid. A valid questionnaire is one in which the questions reveal something that these questions will measure. The validity of the questionnaire is assessed by correlating the score of each question with the total score. The question is valid if the score of each question correlates significantly with the total score. The validity Test is conducted by one-shot method, and It is enough to do it once with the following conditions:

If r_{count} positive and $r_{count} \geq r_{table}$, the question item is valid.

If r_{count} negative or $r_{count} < r_{table}$, the question item is not valid

The output of the validity test of the Tax Knowledge (X1), Tax Morale (X2), Knowledge Of Digital Electronic Filing in Tax System (X3), Tax Rate (X4), And Tax Compliance (Y) variables have an r-count range between 0.417 to 0.970. The validity test outcome has met the criteria because the r-count value is bigger than the r-table value of 0.361.

Reliability Test

According to Imam Ghozali (2018), reliability is a tool for measuring questionnaires (variable or construct indicators). A questionnaire is reliable if someone's answer to their statement is consistent or stable over time. In this study, reliability measurement was proven by testing consistency and stability. Cronbach's alpha is a reliability coefficient that shows how well the items in a collection are positively correlated with each other. Cronbach's alpha is calculated as the average intercorrelation between items by measuring the concept (Uma Sekaran, 2017). A variable is considered reliable if it yields a Cronbach Alpha value > 0.60 . SPSS (Statistical Packages for the Social Sciences) will be used to facilitate testing questions and variables. The reliability test results for the variables Tax Knowledge (X1), Tax Morale

(X2), Knowledge Of Digital Electronic Filing in Tax System (X3), Tax Rate (X4), And Tax Compliance (Y) are presented in the following table:

Table 1. Reliability Test

| No | Variable | Cronbach's Alpha | Reliable/ Unreliable |
|----|--|------------------|-------------------------|
| 1 | Tax Knowledge (X ₁) | 0.733 | Reliable |
| 2 | Tax Morale (X ₂) | 0.766 | Reliable |
| 3 | Knowledge Of Digital Electronic Filing On Tax System (X ₃) | 0.768 | Reliable |
| 4 | Tax Rate (X ₄) | 0.769 | Reliable |
| 5 | Tax Compliance (Y) | 0.770 | Reliable |

Source: Research Results, 2023

Descriptive Statistical Analysis

The following Descriptive Statistical Analysis results consisting of 395 data can be seen in Table 2.

Table 2. Descriptive Statistics

| | N | Min | Max | Mean | Std. Dev |
|--|-----|-----|-----|-------|----------|
| Tax Knowledge (X ₁) | 395 | 13 | 60 | 35.41 | 9.847 |
| Tax Morale (X ₂) | 395 | 12 | 56 | 29.87 | 8.438 |
| Knowledge Of Digital Electronic Filing On Tax System (X ₃) | 395 | 13 | 48 | 30.18 | 8.304 |
| Tax Rate (X ₄) | 395 | 17 | 57 | 31.60 | 8.302 |
| Tax Compliance (Y) | 395 | 24 | 106 | 59.94 | 22.135 |
| Valid N (Listwise) | 395 | | | | |

Source: Research Results, 2023 (data processed)

The amount of data on the Tax Knowledge variable (X1) is 395 respondents, with a minimum value of 13 and a maximum value of 60. The average value is 35.41, and the standard deviation is 9.84. That shows that Tax Knowledge (X1) fluctuates because the difference between the maximum and minimum values is quite significant; the standard deviation value of this variable is smaller than the average value. That indicates that the Tax Knowledge (X1) variables are normally distributed.

The number of Tax Morale variable data (X2) is 395 respondents, with a minimum value of 12 and a maximum of 56. The average value is 29.87, and the standard deviation is 8.43, showing that Tax Morale (X2) fluctuates because the difference between the maximum and minimum values is quite significant; the standard deviation value is smaller than the average value. It indicates that the Tax Morale (X2) variable is normally distributed.

The number of Knowledge Of Digital Electronic Filing On Tax System (X3) variable data is 395 respondents, with a minimum value of 13, while the maximum value is 48. The average value is 30.18, and the standard deviation value is 8.30. The knowledge Of Digital Electronic Filing On Tax System (X3) fluctuates because the difference between the maximum and minimum values is quite significant, and the standard deviation value is smaller than the average value. It indicates that the variable Knowledge Of Digital Electronic Filing On Tax System (X3) is usually distributed. The number of data for the variable Tax Rate (X4) is 395 respondents, with a minimum value of 17 and a maximum value of

57. The average value is 31.60, and the standard deviation is 8.30. It is indicated that the Tax Rate (X4) fluctuates because the difference between the maximum and minimum values is quite significant, and the standard deviation value is smaller than the average value. It is indicated that the variable Tax Rate (X4) is usually distributed.

The number of data for the variable Tax Compliance (Y) is 395 respondents, with a minimum value of 24 and a maximum value of 106. The average value is 59.94, and the standard deviation is 22.135. Indicated shows that the Tax Compliance (Y) fluctuates because the difference between the maximum and minimum values is quite significant, and the standard deviation value is smaller than the average value. It is indicated that the variable Tax Compliance (Y) is usually distributed.

Goodness of Fit

Table 3.R-Square Value

| Description | R Square | R Square Adjusted |
|----------------|----------|-------------------|
| Tax Compliance | 0,661 | 0,651 |

Source: Research Results, 2023 (data processed)

Table 3 shows that the Adjusted R-Square value on the Tax Compliance (Y) variable is 0.651. This value explains that the percentage of Tax Knowledge (X1), Tax Morale (X2), Knowledge of digital electronic filing on tax system (X3), Tax Rate (X4), and Tax Compliance is 65.10%. The results showed that the relationship between Tax Knowledge (X1), Tax Morale (X2), Knowledge of digital electronic filing on tax system (X3), Tax Rate (X4), and Tax Compliance(Y) has a strong influence because the Adjusted R-Square value obtained is above 50%.

Hypothesis Test

Hypothesis testing uses the Bootstrap resampling method developed by Geisser and Stone. The t-test (t count must be > 1.96) and the P value (probability) must be < 0.05 are used in this statistical test. Consult the table for an explanation of hypothesis testing:

Tabel 4. T-statistic dan P-Values Direct Effect

| Direct Effect Variables | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O-STDEV) | P Values |
|---|---------------------|-----------------|----------------------------|------------------------|----------|
| Tax Knowledge (X1) -> Tax Compliance (Y) | 0,257 | 0,239 | 0,049 | 4,825 | 0,000 |
| Tax Morale (X2) -> (Y) | 0,146 | 0,149 | 0,051 | 2,849 | 0,005 |
| Knowledge Of Digital Electronic Filling On Tax System (X3) -> (Y) | 0,162 | 0,160 | 0,048 | 3,413 | 0,001 |
| Tax Rates (X4) -> (Y) | 0,118 | 0,120 | 0,049 | 2,410 | 0,016 |

Source: Research Results, 2023 (data processed)

According to the data presented in Table 4, the partial test results are as follows:

1. The tcount value for Tax Knowledge (X1) is 4.678, more significant than the degrees of freedom (DF=n-k=395-6=389). Hence, the ttable value (1.66), or the sig t value for Tax Knowledge (X1) is 0.000 (P Values), is smaller than alpha (0.05); based on these results, it can be concluded that

- H0 is rejected and H1 is accepted. Thus partially, Tax Knowledge (X1) has a positive and significant effect on Tax Compliance (Y), meaning that Tax Knowledge (X1) has a real impact in increasing Tax Compliance (Y).
2. The tcount value for Tax Morale (X2) is 2,849 greater by comparing the degrees of freedom ($DF=n-k=395-6=389$), so the ttable value (1.66), or the sig t value for Tax Morale (X2) is 0.005 smaller from alpha (0.05). Based on these results, it can be concluded that H0 is rejected and H1 is accepted. Therefore, partially Tax Morale (X2) has a positive and significant effect on Tax Compliance (Y), meaning that Tax Morale (X2) has a real impact on increasing Tax Compliance (Y).
 3. The tcount value for Knowledge Of Digital Electronic Filling On Tax System (X3) is 3.413, which is greater by comparing the degrees of freedom ($DF=n-k=395-6=389$) so that the ttable value is (1.66), or the sig t value for Knowledge Of Digital Electronic Filling On Tax System (X3) of 0.001 less than alpha (0.05), Based on these results it can be concluded that H0 is rejected and H1 is accepted. Thus partially, Knowledge Of Digital Electronic Filling On Tax System (X3) has a positive and significant effect on Tax Compliance (Y), meaning that Knowledge Of Digital Electronic Filling On Tax System (X3) has a real impact on increasing Tax Compliance (Y).
 4. The tcount value for Tax Rates (X4) is 2.410 greater by comparing the degrees of freedom ($DF=n-k=395-6=389$), so the ttable value (1.66), or the sig t value for Tax Rates (X4) is 0.016 smaller of alpha (0.05). Based on these results, it can be concluded that H0 is rejected and H1 is accepted. Therefore, partially Tax Rates (X4) have a positive and significant effect on Tax Compliance (Y), meaning that Tax Rates (X4) have a real impact in increasing Tax Compliance (Y).

Discussion

The Effect of Tax Knowledge (X1) on Tax Compliance (Y)

The results of the study obtained that the tcount value of Tax Knowledge is greater than the ttable value (1.66) with a sig t value for Tax Knowledge of 0.000 (P Values) smaller than alpha (0.05). Based on the results of statistical calculations, H0 is rejected, and H1 is accepted. Thus, Tax Knowledge (X1) partially has a positive and significant effect on Tax Compliance (Y), meaning that Tax Knowledge (X1) has a real impact in increasing Tax Compliance (Y). Based on observations in the field, some respondents have a high level of knowledge of taxation, thereby increasing taxpayer compliance; conversely, if the taxpayer has low tax knowledge, then the taxpayer's compliance in fulfilling his tax obligations decreases. The study's hypothesis testing results reveal that small to medium-sized business taxpayers possess sufficient knowledge of taxation. Enhancing taxpayer compliance is highly dependent on their level of tax knowledge. The presence of tax knowledge facilitates taxpayer compliance with tax obligations. Understanding current tax regulations can hinder taxpayers' compliance with tax laws. This study utilized hypothesis testing to provide empirical support for this claim. The findings are consistent with previous research by Fitria & Muiz (2021) and Mulyati & Ismanto (2021), which demonstrated a significant relationship between tax knowledge and taxpayer compliance. According to research results from N. Rahayu (2017), it was concluded that there is a positive influence on tax knowledge. This shows that a person's high level of tax understanding can increase their desire to submit their SPT on time, thereby increasing compliance in paying taxes. This is supported by Rosyida (2018), who concluded in her research that tax knowledge positively influences people's compliance in paying their taxes. The findings of this study provide further support to prior research highlighting the positive correlation between tax knowledge and taxpayer compliance. This is evidenced by the results of studies conducted by Stark and Kirchler (2017). They say that tax knowledge has a positive and significant effect on tax compliance; the findings are that someone who understands taxes will be more compliant because they know the sanctions and laws governing taxes.

The Effect of Tax Morale (X2) on Tax Compliance (Y)

The study results showed that the tcount value for Tax Morale was 2.849, more significant than the ttable value (1.66) or the sig t value for Tax Morale. (X2) was 0.005, less than alpha (0.05). Based on the calculation results, Tax Morale (X2) positively and significantly affects Tax Compliance (Y). Luttmer & Singhal, Kemme, Parikh, Steigner, Cummings, Martinez-Vazquez, McKee, and Torgler said that Tax Morale has a positive and significant effect on Tax Compliance because the attitudes and behavior of taxpayers, which is part of tax morale, affect tax compliance. If Tax Morality increases, tax compliance will also increase significantly. An honest taxpayer will not try to evade it.

Meanwhile, taxpayers with low tax morale will tend to avoid paying taxes, following Y.M. Basri., et. Al (2019). Williams and Krasniqi (2017) conducted a study on individual moral levels and found that tax morale has a strong positive impact on taxpayer compliance. This means that when there is a higher level of community service and provision of public facilities, taxpayers feel the benefits of paying taxes and are more likely to comply.

The Effect of Knowledge of digital electronic filling on Tax system (X3) on Tax Compliance (Y)

Based on the findings, there is a significant correlation between the variables of knowledge of digital electronic filing on the tax system (X2) and tax compliance (Y). Therefore, the second hypothesis (H2) is accepted. The study's findings indicate that taxpayers have utilized e-filing to fulfill their obligations even though numerous taxpayers require assistance. E-filing is a crucial aspect of tax administration reform aimed at enhancing satisfaction and convenience for taxpayers, with the ultimate objective of bolstering voluntary taxpayer compliance. This is supported and proven in this research hypothesis test. This study's results follow the TAM theory (Davis et al., 1987 (Haris et al., 2022)), namely the perception of convenience and the perception of usefulness, which determines whether a system is acceptable or not. Taxpayers believe using e-filing will help make it easier to report tax returns, increasing taxpayer compliance. However, on the other hand, if taxpayers think that the e-filing system is not easy to use and useless, this will decrease taxpayer compliance (Noviani, 2018). Dewi and Supadmi (2019) argue that taxpayers have confidence that using the e-System will improve user performance and that the system can be easily used. According to Kesumasari and Suardana (2018), The more taxation knowledge known by taxpayers, the higher the awareness of taxpayers so that it can increase taxpayer compliance in fulfilling their tax obligations; on the other hand, if less taxation knowledge obtained by taxpayers, the higher the awareness of taxpayers. Tax knowledge obtained by taxpayers lowers taxpayer compliance in fulfilling their tax obligations. The results of this study produce findings similar to previous research conducted by (Lado & Budiantara, 2018) (Noviani, 2018 Oktaviani et al., 2018; Suprayogo & Hasymi, 2018 Tambun & Muhtiar, 2019) which explain that the application of the e-filing system has a significant and positive effect on taxpayer compliance, this is because the taxpayer's understanding of the application of the e-filing system is good enough so that it can increase taxpayer compliance. The existence of regulations that require taxpayers to report tax returns online through the e-filing application is also expected to encourage taxpayers to get used to reporting their taxes on time under established regulations, which will impact increasing taxpayer compliance.

The Effect of Tax Rate (X4) on Tax Compliance (Y)

The results of the study obtained that the tcount Tax Rate (X4) was 2.410 greater than the ttable value (1.66), or the sig t value for the Tax Rate (X4) was 0.016 less than alpha (0.05). Based on the calculation results, the Tax Rate (X4) positively and significantly affects Tax Compliance (Y).

Based on observations in the field, tax rates have a positive and significant effect on tax compliance, meaning that when tax rates increase, non-compliance in carrying out tax obligations will increase. The impact of increasing or decreasing this rate is not to reduce taxpayer compliance but to

increase taxpayer non-compliance due to external factors affecting tax rates, such as tax reform policies, other tax rates, business identification number allowances, and other government policy programs that support SMEs. This finding is supported by Ali (2018), who says that tax rates have a positive and significant effect on income tax compliance. Zulma (2020) states that tax rates are prepared based on considerations of taxpayer business continuity, especially in the SMES sector, where many SMEs are still in the developing stage with unstable financial conditions, so the rates set should not be burdensome and optimal achievement and based on fairness. According to Swistak (2016), there is a lot of theoretical and empirical evidence supporting the penalty perspective, such as the possibility that large-scale audits and law enforcement will encourage compliance, but increasing tax rates will inhibit compliance.

Conclusions

Based on the statistical test results and discussion, the research results can be concluded as follows:

1. Tax Knowledge has a positive and significant effect on Tax Compliance.
2. Tax Morale has a relationship positive and significant on Tax Compliance.
3. Knowledge of Digital Electronic Filing in Tax System has a positive and significant influence on Tax Compliance.
4. Tax Rate has a positive and significant relationship with Tax Compliance.

Suggestions for future research are:

1. Research on tax compliance is limited to small and medium-sized business taxpayers; it is necessary to research tax compliance in small businesses, which are the forerunners of large companies.
2. The Small and Medium Enterprises Taxpayers studied did not classify businesses based on official permits from the government, only based on the number of workers and business turnover; for further research, it is necessary to classify businesses based on official business licenses from the government.
3. This study analyzes how the relationship between tax knowledge, tax morale, digital tax knowledge on e-filing, and tax rates on tax compliance is influenced. For further research, intervening variables can be mediated by adding variables of tax law enforcement, trust in government, tax compliance costs, tax socialization, and tax evasion.
4. This research uses quantitative methods, but it is recommended that qualitative research methods be used in the future.

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