



The Effect of Income, Tax Literacy, Utilization of Tax Applications on MSME Taxpayer Compliance

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Abstract

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This study aims to determine and analyze the Effect of Income, Tax Literacy, Tax Application Utilization on MSME Taxpayer Compliance. This research may contribute to explaining the Theory of Planned Behavior and Technology Acceptance Model. This research contribution is intended for taxpayers, especially MSME actors in fulfilling their tax obligations. As well as being an evaluation material for the government, especially at the Directorate General of Taxes in providing regulations or providing convenience for taxpayers, with the aim of improving in order to achieve the desired tax revenue target. The object used in this study is MSME Taxpayers in the Pondok Aren Pratama Tax Service Office Area. This study used quantitative research methods and used causal research design. Data collection in this study used primary data sourced from the distribution of questionnaires distributed directly and also through google form to respondents consisting of MSME owners. The determination of the number of samples was carried out using the Slovin formula and obtained the results of 100 samples and the sampling method in this study used random sampling. The data analysis used in this study used SmartPLS Version 3.0 software. The results of this study show that the effect of income, tax literacy and the use of tax applications has a positive and significant impact on the compliance of MSME taxpayers KPP Pratama Pondok Aren.

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INTRODUCTION

Taxes are the largest source of revenue intended to finance state expenditure and development. In line with the function of the tax itself, one of which is as a *budgeter*, it is a source of funds intended for financing state expenditures, with taxes included in the state budget as revenue from within the country (Mulyani, 2020). As the main sector in

state revenue, of course, the government will continue to strive to increase tax revenue as the main sector in state revenue. This can be seen from the realization of state revenue in 2021 as reported by the kemenkeu.go.id page, where taxes contributed Rp. 1,547.84 trillion to the total state revenue of Rp. 2,011.34 trillion.

Tax revenue in Indonesia comes from various tax sectors, one of which is the presence of Micro, Small and Medium Enterprises. Micro, Small and Medium Enterprises (MSMEs) are one of the sectors that are considered because they have an important role for the economy. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUMKM) that in 2021 the number of MSMEs reached 64.2 million with a contribution to Gross Domestic Product of 61.07% or worth IDR 8,573.89 trillion. From the data on the number of MSMEs, it turns out that 99.99% of them are micro businesses. The contribution of MSMEs to the Indonesian economy includes the ability to absorb a large number of workers, which is around 97% of the absorption of the business world, and can collect up to 60.42% of the total investment (Fadilah et al., 2021). However, according to the Directorate General of Taxes, the amount of growth and spread of MSMEs has not been comparable to the contribution of tax revenue provided by MSME actors, which means that the level of compliance of MSMEs in fulfilling tax obligations is still low.

Low tax revenue is related to taxpayer compliance. Compliance-related issues are critical because non-compliance can simultaneously trigger tax avoidance efforts leading to reduced tax revenue. The more correct the level of tax calculation, deposit, and submission, the higher the level of compliance with tax rules in the implementation of fulfilling tax obligations (Rahayu, 2017:20)

The following is the level of compliance of Micro, Small and Medium Enterprises (MSMEs) Taxpayers at the Tax Service Office (KPP) Pratama Pondok Aren South Tangerang from 2018 to 2022:

Table 1. Number of MSME Taxpayers at KPP Pratama Pondok Aren South Tangerang in 2018 – 2022

Year	Number of Taxpayers Using PP 23 Rate (MSMEs)	Number of WP Tariff PP 23 Receipts (MSMEs)	Number of MSME Taxpayers Who Timely Report Tax Returns
2018	5,521	34,191,635,903.00	3,349
2019	6,253	29,302,626,335.00	3,725
2020	4,511	17,430,020,900.00	3,114
2021	3,276	15,255,425,349.64	4,062
2022	3,305	16,681,041,021.00	4,271

Source: KPP Pratama Pondok Aren South Tangerang (2023)

From Table 1 above, it shows that the number of registered taxpayers and the number of receipts from 2018 to 2022 have decreased every year, and the number of MSME taxpayers who timely file tax returns is not proportional to the number of registered taxpayers. So that the level of compliance from taxpayers has decreased significantly. From this phenomenon, it can be concluded that there is still a lack of compliance in reporting tax returns for MSME taxpayers at KPP Pratama Pondok Aren.

Efforts made by the government to be able to increase the amount of tax revenue must of course be supported by the participation of taxpayers in carrying out their tax obligations. However, in practice, efforts to increase taxpayer contributions in tax

payments still do not get results as expected. The government, in this case, the Directorate General of Taxes (DGT) has made various efforts to improve taxpayer compliance and optimize tax revenue, through socialization or counseling, supervision, ease of tax reporting or payment systems, issuance of new policies on taxation to expand the tax base, including optimizing tax revenue from sectors that have great potential as tax contributors but until now It has not been explored too much potential. According to the Directorate General of Taxes (DGT), the sector that has not been maximally explored for its potential is the MSME sector (micro, small and medium enterprises).

Taxpayer compliance plays a central role in the *self-assessment* tax system in Indonesia. A *self-assessment* system is a system that gives taxpayers the authority, trust, and responsibility to calculate, estimate, pay, and report their taxes (Listiyowati et al., 2021). This research illustrates how the ability and role of MSME taxpayers in fulfilling their tax obligations are closely related to their income level. One factor that needs to be considered in tax collection is taxpayer income. MSME taxpayers with adequate income do not find it difficult to meet their needs, thus increasing their likelihood to carry out their tax obligations (Megantara et al., 2017). However, MSMEs that have low incomes tend to be less compliant in paying taxes for reasons of financial limitations. The income of MSME actors is a tax object in income tax interrelated with the amount of tax owed to be paid. This shows that a person's income level can affect the level of compliance of MSME actors in fulfilling their obligations. Research conducted by (Fadilah et al., 2021), (Handriyani & Astawa, 2022) and (Tutik Dwi Karyanti & Zumrotun Nafiah, 2022) stated that the level of income has a positive and significant effect on taxpayer compliance. However, the results of research conducted by (Dumadi, 2022) and (Susliyanti & Agustiyani, 2022) stated that the level of income does not affect the compliance of MSME taxpayers.

Although the Indonesian tax system uses a *self-assessment* system, efforts to improve taxpayer compliance are not easy. One of the low levels of taxpayer compliance is caused by the low literacy of the community in the field of taxation. According to (M. A. Saputro, 2018), literacy relates to a person's ability to read information, understand it, and act on information through a decision that is useful for life. That is, tax literacy involves all taxation knowledge and understanding that taxpayers have, and how taxpayers follow up on the knowledge they have. Therefore, literacy is one alternative to realizing a tax-conscious society. In the context of MSMEs, tax literacy can help them understand the types of taxes to be paid, tax requirements, and ways to calculate and report their taxes. By understanding these things, MSME taxpayers can fulfill their tax obligations properly, avoid tax sanctions, and increase trust from the authorities. Research conducted by (Nurlis & Ariani, 2020), (Arifin & Sriyono, 2022) and (Intansari, 2022) states that tax literacy has a positive and significant effect on taxpayer compliance. However, it is different from the results of research conducted by (Yuliati & Fauzi, 2020) and (Kusumadewi & Dyarini, 2022) which states that tax literacy does not affect the compliance of MSME taxpayers.

Taxpayer compliance can also be created if there is ease in submitting tax reports by taxpayers so that the government seeks to maximize all tax revenues by creating a tax application that aims to make it easier for taxpayers to report and pay their taxes. The online media tax application program issued by the Directorate General of Taxes (DGT) is called e-filing or *Electronic Filing System* which is used by taxpayers in submitting electronic tax returns (e-SPT) to DGT through the official DGT website, through the procedure of using an *online* program that can be used by all taxpayers practically, efficiently, anytime and anywhere according to the time of reporting and paying

taxes. Research conducted by (Kesaulya et al., 2022), (R. Saputro, 2022), (Safitri & Silalahi, 2020), and (Nurlis & Ariani, 2020) who stated that the use of tax applications has a positive and significant effect on taxpayer compliance. However, the results of research conducted by (Hidayati et al., 2022) and (Arta & Khoirawati, 2022) stated that the use of e-filing has no effect on the compliance of MSME taxpayers.

Based on the description above, this study aims to determine the Effect of Income, Tax Literacy, Tax Application Utilization and Taxpayer Awareness, especially MSME Taxpayer Compliance at the Pondok Aren Pratama Tax Service Office. This research is expected to be a useful input for the government to improve competence in terms of services, socialization, and administrative systems to achieve state revenue targets and increase public knowledge in the field of taxation to be more compliant in paying taxes.

LITERATURE REVIEW

Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB) is a further development of the Theory of Reasoned Action (TRA) proposed by (Ajzen, 1985). The Theory of Planned Behavior (TPB) explains that the relevance of individual attitudes depends on beliefs about the consequences of actions (Behavioral Beliefs). Beliefs are closely related to the subjective judgment of individuals by associating certain actions with various benefits or disadvantages that may be experienced if the individual in question does or does not perform an action. Planned behavior theory postulates three conceptually independent determinants of intention: First, behavioral beliefs refer to the extent to which a person has a pleasant or unpleasant evaluation or judgment of the behavior in question. Second, Normative Beliefs refer to perceived social pressure to do or not perform a behavior. Perceived Behavioral Control refers to the perceived ease or difficulty in performing a behavior and is assumed to reflect past experiences as well as anticipated obstacles and obstacles.

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) was first introduced by Davis in 1986, created specifically for modeling in user adoption of information systems. The main purpose of TAM is to explain and predict user acceptance of a technology. The TAM model was adopted from the Theory of Reasoned Action (TRA) model, developed by (Ajzen, 1985), to investigate the factors that lead to individual acceptance behavior in information systems. The technology acceptance model, which is an adaptation of the TRA theory, is specifically adapted to explain the acceptance of information technology. TAM argues that the use of technology is determined by one's behavioral intentions which in turn, are influenced by attitudes through perceived usability and perceived ease of use. These two factors are the main things in a person's adoption in using information technology. The following are two factors that influence the use of information systems using TAM analysis, namely: first Perceived Ease of Use based on TAM theory, perception of ease of use (Perceived Ease of Use) is defined as a measure or belief of a person that the system can be used easily and can be learned by itself (Davis, 1989). This includes the ease of use of information systems in accordance with the wishes of its users. Perceived usefulness is defined as the level of user confidence that using the system will be able to improve the performance of that use (Davis, 1989). This illustrates the benefits of the system from its users relating to various aspects.

Income

According to Article 4 paragraph (1) of the Income Tax Law, what is meant by income is any additional economic ability received or obtained by Taxpayers, both from Indonesia and from outside Indonesia, which can be used for consumption or to increase the wealth of the Taxpayer concerned, in any name and in any form (Jumaiyah & Wahidullah, 2021:32). The definition of income above shows that there are five important elements that need to be understood regarding income, namely: 1) Income is any additional economic ability, namely income in terms of economic aspects, not accounting. 2) Received or earned, indicating the recognition of income either recognized at the time of receipt (cash basis) or recognized at the time of acquisition (accrual basis). 3) Those originating from Indonesia or from outside Indonesia show the geographical scope of income origin that includes a global basis (worldwide income) regardless of the location of the source of income (for domestic taxpayers). 4) What can be used for consumption or to increase the wealth of the taxpayer indicates the utilization of income. 5) By name and in any form confirms that income tax adheres to a material, not formal, concept.

Tax Literacy

Tax literacy can be defined as the knowledge and ability of individuals to read information about taxes, understand the information and follow up through decision making. Knowledge can be in the form of general concepts and provisions of taxation, types of taxes, to the ability to calculate, record and report taxes (Sari, 2019). The implementation of tax literacy is basically in line with tax awareness education activities that have been initiated by the Directorate General of Taxes. With tax literacy, individuals will have knowledge and understanding of tax rules that can cause tax awareness (Ibda, 2019). According to (Sari, 2019), if literacy is associated with the definition of tax knowledge, then tax literacy can be interpreted as a person's knowledge or ability to read information about taxes, understand the information and follow up on the information they have through a decision. Both knowledge of the concept of general provisions in the field of taxation, types of applicable taxes, tax rates to the ability to calculate, record and report taxes. In other words, tax literacy here relates to all tax knowledge possessed by taxpayers and how taxpayers follow up on the tax knowledge they have.

Tax Application Utilization

According to (Rahayu, 2017: 149), in the era of globalization, the tax services provided also support modernization, namely in the form of developing and implementing information systems. Information systems are integrations between hardware components, software, brainware, communication technology, databases, and sub-subsystems harmoniously to achieve certain goals. Information system applications applied to the Directorate General of Taxes include: 1) The Internet Site of the Directorate General of Taxes (<http://www.pajak.go.id>) which contains tax regulations and tax information. 2) Development of knowledge bases in several regional offices containing practical instructions on several problems in the field of taxation that can be used as guidelines by the fiscus in answering questions from taxpayers. 3) The Directorate General of Taxes Internet Site which is a means of internal communication of the Directorate General of Taxes and at the same time the entrance to the PK-PM and MP3 application programs. 4) PK-PM application that serves to pair the Buyer's PKP Input Tax Invoice with the Seller's PKP Output Tax Invoice. 5) Application of selection criteria as a means of selecting tax audits based on the level of risk. 6) Tax Reporting and Payment Monitoring Application (MP3) which functions to monitor and supervise tax

revenue online. 7) Application of e-registration (e-reg), taxpayer registration system (obtaining NPWP) online. 8) E-filing application, the system submits Tax Returns (SPT) online. 9) The e-SPT application which is a means for taxpayers to be able to submit tax returns through electronic media. and 10) Application of the Directorate General of Taxes Information System (SIDJP) to replace the Tax Information System (SIP).

Taxpayer Compliance

According to Rahayu (2017: 193), tax compliance is the compliance of taxpayers in implementing applicable tax provisions. Compliant Taxpayers are Taxpayers who are obedient to fulfilling tax obligations in accordance with the provisions of the Laws and Regulations. So a compliant Taxpayer is a Taxpayer who is obedient and fulfills and carries out tax obligations in accordance with the provisions of tax laws and regulations. Tax compliance is divided into: Formal tax compliance and Material tax compliance. Formal tax compliance is the compliance of taxpayers in fulfilling formal tax requirements. Meanwhile, material taxation compliance is the compliance of taxpayers in fulfilling material tax provisions. In principle, tax compliance is the action of taxpayers in fulfilling their tax obligations in accordance with the provisions of laws and regulations on the implementation of taxes in force in a country.

The Effect of Income on Taxpayer Compliance

The level of income is a level of taxpayer income so that it can affect public compliance in paying taxes. The higher the income earned by the taxpayer, the taxpayer's compliance will increase because the taxpayer will not find it difficult to fulfill his tax obligations. One consideration that has implications for someone to obediently pay taxes is the level of income. Based on the Theory of Planned Behavior, the amount of income is related to normative belief which is the perceived expectation of one or more people to approve a behavior and motivate someone to comply with their obligations. The large income obtained has the effect of a higher level of compliance. For MSME actors who have high incomes in their business activities, it can be a driver to have compliance with carrying out their obligations in paying taxes (Yuliyannah & Fanani, 2018). This is different when conditions that show the turnover achieved have decreased because MSME players prioritize the allocation of income obtained to meet the needs of life or cover operational costs. Compliance as a taxpayer by paying taxes is not a priority for MSMEs with declining turnover.

Research conducted by (Handriyani & Astawa, 2022) and (Tutik Dwi Karyanti & Zumrotun Nafiah, 2022) explains that income levels have a positive and significant effect on taxpayer compliance. This research shows that the higher the income of taxpayers, the higher the intention to comply with tax obligations.

H1: Income has a positive effect on taxpayer compliance.

The Effect of Tax Literacy on Taxpayer Compliance

According to (M. A. Saputro, 2018), it is stated that tax literacy is basically the digestibility of the public towards taxes which gives birth to awareness to become wise people who obey taxes. Through this tax literacy, taxpayers will have knowledge and understanding of tax regulations. Based on the Theory of Planned Behavior, where it is explained that before individuals decide to do something, they will have beliefs about the results that will be obtained from their behavior (behavioral beliefs). In this case,

taxpayers who have good tax literacy certainly know and have confidence that the taxes they pay are very important for the financing and development of the country.

Research conducted by (Arifin & Sriyono, 2022) and (Intansari, 2022) and also (Nurlis & Ariani, 2020) shows that tax literacy has a positive and significant effect on taxpayer compliance. The results of this study explain that the higher tax literacy faced will have an impact on increasing taxpayer compliance. The high level of tax literacy of taxpayers will make taxpayers better understand what exactly the functions and benefits of taxes are for their lives, not think that taxes are a burdensome burden.

H2: Tax Literacy has a positive effect on taxpayer compliance.

The Effect of Tax Application Utilization on Taxpayer Compliance

The online tax application is a new breakthrough from the Director General of Taxes with the aim of facilitating the tax reporting system so as to improve taxpayer compliance. One of the innovations made by the Directorate General of Taxes is to make a simpler system in delivering tax obligations, namely E-Filing, the purpose of the E-Filing system itself is expected to make taxpayers easier and faster in submitting their tax obligations because it can be accessed flexibly. If it is associated with the theory of the Technology Acceptance Model (TAM) that users tend to see the benefits provided by a system, the benefit itself is a degree to which one realizes that using a system can improve performance. If the Taxpayer views that this E-Filing system provides benefits for him, this will create a positive attitude from the Taxpayer which will affect the Compliance of Individual Taxpayers in reporting their tax returns. But on the contrary, if the Taxpayer views that this E-Filing system does not provide benefits for him, this will create a negative attitude from the Taxpayer which will not have an influence on Taxpayer Compliance in reporting tax returns.

In research conducted by (Kesaulya et al., 2022) and (R. Saputro, 2022) stated that the application of e-Filing has a positive and significant effect on taxpayer compliance. The results of his research explain that the easier it is to implement or operate the e-filling system, the better taxpayer compliance will be. Conversely, if taxpayers find it difficult to implement the e-filling system, it has an impact on decreasing taxpayer compliance.

H3: Utilization of Tax Application has a positive effect on taxpayer compliance.

RESEARCH METHODS

The object used in this study is MSME Taxpayers in the Pratama Pondok Aren Tax Service Office Area who are registered with 3,305 taxpayers in 2022. This study used quantitative research methods and used causal research design. Data collection in this study used primary data sourced from the distribution of questionnaires distributed directly and also through *google form* to respondents consisting of MSME owners. The determination of the number of samples was carried out using the Slovin formula and obtained the results of 100 samples and the sampling method in this study used *random sampling*. The data analysis used in this study used SmartPLS Version 3.0 *software*. PLS model evaluation is carried out by assessing the outer model and inner model. The variables in this study were measured by the following indicators:

Table 2. Operationalization of Variables

No	Variable	Dimension	Indicators	Scale
1	Taxpayer Compliance (Y) Source: (Yuliati & Fauzi, 2020) Modification Researchers from (Febriani & Kusmuriyanto, 2015)	The circumstances in which the taxpayer fulfills all his tax obligations	<ol style="list-style-type: none"> 1. Register voluntarily with KPP pratama to obtain an NPWP (Taxpayer Identification Number). 2. Always report SPT (notification letter) that has been filled in accordance with statutory provisions in a timely manner. 3. Always pay the income tax owed on time. 4. Always pay the existing income tax before the inspection. 	Likert
2	Income (X1) Source: (Tutik Dwi Karyanti & Zumrotun Nafiah, 2022) Modification of Researchers (Krisnadeva & Merkusiwati, 2020)	All income that people receive in the form of money or goods in exchange for services from factors of production.	<ol style="list-style-type: none"> 1. Be obedient in paying taxes despite low income. 2. The size of the tax does not hinder the payment of taxes. 3. Able to pay the amount of tax imposed. 4. The income earned can meet the main needs and meet obligations. 	Likert
3	Tax Literacy (X2) Source: (Yuliati & Fauzi, 2020) Modification of Researchers (Fauziah & Kusmuriyanto, 2016)	The extent to which taxpayers have knowledge and understanding of tax regulations so as to make taxpayers aware and obedient.	<ol style="list-style-type: none"> 1. Knowledge and understanding of taxpayer identification number (NPWP). 2. Knowledge and understanding of the latest tax regulations. 3. Knowledge and understanding of tax sanctions. 4. Knowledge and understanding of tax systems and procedures. 5. Knowledge of the deadline for payment and reporting of tax returns. 	Likert
4	Tax Application Utilization (X3) Source: (Nurlis & Ariani, 2020)	The implementation of the e-filing system is expected to be able to provide satisfaction and comfort to taxpayers so as to increase	<ol style="list-style-type: none"> 1. Speed of tax return reporting 2. More economical and more environmentally friendly. 3. Faster counting. 4. Ease of filling out tax returns. 	Likert

Modifications of researchers (Husnurrosyidah, 2017)	taxpayer compliance.	5. Completeness of tax return filling data. 6. No hassle
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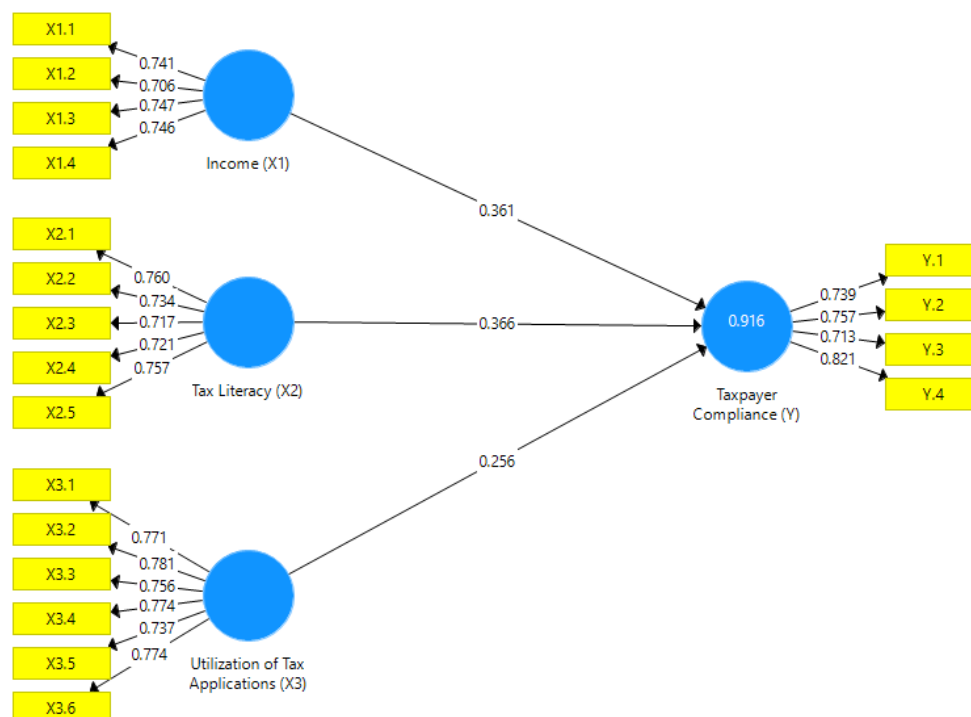
RESULT

Measurement Model Analysis (Outer Model)

1) Convergent Validity Test

The convergent validity test is carried out by looking at the value of each indicator. An indicator is considered reliable if it has a correlation value above 0.70. Meanwhile, if the value is 0.50 to 0.60, it is still acceptable. Based on these criteria, if there is a loading factor below 0.50 it will be dropped from the model (Ghozali & Latan, 2015).

Figure 1. Full Structural Models



Source: SmartPLS Output (2023)

The test results of the convergent validity test can be seen in figure 1 above shows that all indicators used in this study have been found to have outer loading values above 0.70. This value indicates that all indicators are significantly related to the measured construct. So that the results of the indicators used in this study show that they have met the convergent validity test.

2) Discriminant Validity Test

Another method used to test discriminant validity is to compare the Average Variance Extracted (AVE) value for each construct with the correlation value between constructs in the model. A good discriminant validity test is shown from the Average

Variance Extracted (AVE) value if each construct value is greater than 0.50 (Ghozali & Latan, 2015: 36).

Table 3. Results of Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Income (X1)	0.540
Tax Literacy (X2)	0.545
Utilization of Tax Applications (X3)	0.586
Taxpayer Compliance (Y)	0.576

Source: SmartPLS Output (2023)

Based on table 3 above shows that all variables have an Average Variance Extracted (AVE) value greater than 0.50. Thus, it can be stated if the Average Variance Extracted (AVE) value has met the requirements and has good validity.

Reliability Test

Reliability tests are measured by two criteria: Cronbach's Alpha and Composite Reliability from the indicator block that measures the construct. The construct is declared reliable if the value of Cronbach's Alpha and Composite Reliability is above 0.70 (Ghozali & Latan, 2015: 37).

Table 4. Reliability Test

	Cronbach's Alpha	Composite Reliability
Income (X1)	0.717	0.824
Tax Literacy (X2)	0.791	0.857
Utilization of Tax Applications (X3)	0.859	0.895
Taxpayer Compliance (Y)	0.753	0.844

Source: SmartPLS Output (2023)

Table 4 above shows that the value of *Cronbach's Alpha* and *Composite Reliability* of each variable has a value above 0.70 so that it can be said that all variables are reliable and have a good level of reliability.

Goodness of Fit Evaluation of Structural Model (Inner Model)

1) R-Square (R²)

The R-Square (R²) value has several criteria namely 0.75, 0.50 and 0.25 it can be concluded that the model is strong, moderate and weak. Here is the result of the R-Square (R²) value:

Table 5. R-Square (R²)

	R Square
Taxpayer Compliance (Y)	0.916

Source: SmartPLS Output (2023)

Based on table 5 shows that the R-Square (R^2) value in Taxpayer compliance is 0.916 or 91.6% and is included in the strong category. This indicates that the variables of the influence of income, tax literacy, tax application utilization and taxpayer awareness affect taxpayer compliance variables, which are 0.916 or 91.6% and the remaining 0.084 or 8.4% are influenced by other variables that are not studied in this study.

2) Q-Square predictive relevance (Q^2)

The test requirement for a Q-square predictive relevance (Q^2) value greater than 0 (zero) shows that the model has a predictive relevance value, while if the Q-square value (Q^2) is less than 0 (zero) it shows that the model lacks predictive relevance. The Q-square value (Q^2) has several criteria namely 0.02, 0.15, and 0.35 indicating that the model is weak, moderate and strong. Here is the result of the Q-square (Q^2) value:

Table 6. Q-square (Q^2)

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Taxpayer Compliance (Y)	400.000	201.959	0.495

Source: SmartPLS Output (2023)

From table 6 it can be seen that the Q-square predictive relevance (Q^2) value is 0.495 which means that the result is greater than 0 (zero) and has predictive relevance with a strong category.

Hypothesis Testing

Hypothesis testing is done by looking at t-statistic and p-value. The hypothesis is accepted when the t-statistic value is greater than 1.96 and the p-value is less than 0.05. As well as looking at the value of path coefficients (path coefficients) to find out the direction of the relationship between the variables studied. Here are the results of the hypothesis testing that has been done:

Table 7. Path Coefficient Results

Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Income (X1) -> Taxpayer Compliance (Y)	0.361	0.371	0.093	3.899	0.000
Tax Literacy (X2) -> Taxpayer Compliance (Y)	0.366	0.353	0.091	4.026	0.000
Utilization of Tax Applications (X3) -> Taxpayer Compliance (Y)	0.256	0.256	0.087	2.945	0.003

Source: SmartPLS Output (2023)

From the table explained several things as follows:

1. The results of the first hypothesis test show that the relationship between the Income variable and Taxpayer Compliance shows a path coefficient value of 0.361 with a t value of 3.899 with a p value of 0.000. From these results it is stated that t-statistics are significant because >1.96 with p value <0.05 so the first hypothesis is

accepted. This proves that Income has a positive and significant relationship with Taxpayer Compliance.

2. The results of the second hypothesis test show that the relationship between the Tax Literacy variable and Taxpayer Compliance shows a path coefficient value of 0.366 with a t value of 4.026 with a p value of 0.000. From these results it is stated that t-statistics are significant because it >1.96 with p value <0.05 so that the second hypothesis is accepted. This proves that Tax Literacy has a positive and significant relationship on Taxpayer Compliance.
3. The results of the third hypothesis test show that the relationship between the variable Tax Application Utilization and Taxpayer Compliance shows a path coefficient value of 0.256 with a t value of 2.945 with a p value of 0.003. From these results it is stated that t-statistics are significant because >1.96 with p value <0.05 so that the third hypothesis is accepted. This proves that the Utilization of Tax Applications has a positive and significant relationship on Taxpayer Compliance.

DISCUSSION

1. The Effect of Income on Taxpayer Compliance

Based on the results of hypothesis testing that has been carried out proves that the first hypothesis is declared **accepted**. Income affects Tax Compliance. If it is associated with the Theory of Planned Behavior (TPB), which is related to income. Income can be associated with (normative belief), which refers to the perception of individuals will have beliefs about expectations from others and motivation to meet these expectations when they will do something (Dumadi, 2022). Referring to this statement, the results of this study prove that MSME taxpayers who have large incomes can increase the level of compliance that is getting higher to carry out obligations in paying taxes. MSME actors have a central role in the effect of income on MSME taxpayer compliance. They are parties directly involved in the process of earning and paying taxes.

In this case, it is important for the Directorate General of Taxes (DGT) and KPP Pratama Pondok Aren to provide education and support to MSME taxpayers in understanding and fulfilling their tax obligations. DGT has an important role in providing clarity on tax rules and policies to MSME taxpayers. Similarly, DGT can increase normative belief among MSMEs by explaining the importance of tax compliance and the consequences of tax violations. Meanwhile, KPP Pratama Pondok Aren as an institution that is directly responsible for tax revenue and supervision can also provide guidance and services that facilitate MSMEs in fulfilling their tax obligations.

The results of this study are supported by previous studies, namely (Fadilah et al., 2021), (Handriyani & Astawa, 2022) and (Tutik Dwi Karyanti & Zumrotun Nafiah, 2022) which stated that the level of income has a positive and significant effect on taxpayer compliance. It can be concluded that income can affect the level of compliance of MSME taxpayers.

2. The Effect of Tax Literacy on Taxpayer Compliance

Based on the results of hypothesis testing that has been carried out proves that the second hypothesis is declared **accepted**. Tax Literacy affects Tax Compliance. If it is associated with the Theory of Planned Behavior (TPB), which is related to tax literacy. Tax literacy can be associated with (behavioral beliefs) where it is explained

that before individuals decide to do something, they will have confidence about the results that will be obtained from their behavior (Yuliati & Fauzi, 2020). Referring to this statement, the results of this study prove that MSME taxpayers who have good tax literacy certainly know and have confidence that the taxes they pay are very important for state financing and development.

In this case, it is important for the Directorate General of Taxes (DGT) and KPP Pratama Pondok Aren to provide education and support to MSME taxpayers. DGT has an important role in improving tax literacy and compliance of MSME taxpayers. DGT can provide education and easy-to-understand information about tax obligations and benefits to MSME actors. Thus, MSME players will have a better understanding of the importance of tax compliance. Meanwhile, KPP Pratama Pondok Aren can provide guidance and assistance to MSME taxpayers in managing their tax obligations.

The results of this study are supported by previous studies, namely (Nurlis & Ariani, 2020), (Arifin & Sriyono, 2022) and (Intansari, 2022) which stated that tax literacy has a positive and significant effect on taxpayer compliance. It can be concluded that tax literacy can affect the level of compliance of MSME taxpayers.

3. The Effect of Tax Application Utilization on Taxpayer Compliance

Based on the results of hypothesis testing that has been carried out proves that the third hypothesis is declared **accepted**. The use of Tax Applications affects Tax Compliance. If it is associated with the theory of the Technology Acceptance Model (TAM) that users tend to see the benefits provided by a system, the benefit itself is a degree to which one realizes that using a system can improve performance. MSME taxpayers have an important role in the utilization of tax applications. Their perception of the usability and ease of use of tax apps will influence their intention to use them. If MSME actors feel that tax applications can help them fulfill tax obligations more easily and efficiently, they will tend to use the application.

In this case, it is important for the Directorate General of Taxes (DGT) to ensure that the tax applications they provide meet the needs and expectations of users, including MSMEs. In addition, the DGT also needs to socialize and educate MSMEs about the benefits and how to use tax applications. Meanwhile, KPP Pratama Pondok Aren must provide support and guidance to MSMEs in utilizing tax applications. They can provide training and mentoring so that MSMEs can use tax applications properly. In addition, the KPP also needs to ensure the availability of adequate technological infrastructure to support the use of tax applications.

The results of this study are supported by previous studies, namely (Kesaulya et al., 2022), (R. Saputro, 2022), (Safitri & Silalahi, 2020) and (Nurlis & Ariani, 2020) which stated that the use of tax applications has a positive and significant effect on taxpayer compliance. It can be concluded that the use of tax applications can affect the level of compliance of MSME taxpayers.

CONCLUSION

Based on the results of data analysis in this study, the results that constitute the conclusions of this study are as follows:

1. Income has a positive and significant effect on MSME Taxpayer Compliance at KPP Pratama Pondok Aren.
2. Tax literacy has a positive and significant effect on MSME Taxpayer Compliance at KPP Pratama Pondok Aren.

3. The use of tax applications has a positive and significant effect on MSME Taxpayer Compliance at KPP Pratama Pondok Aren.

The research conducted by researchers still has many limitations: This study was only conducted on registered taxpayers who carry out MSME business activities in the Pondok Aren Tangarea and cell atan, so this study only reflects one local tax and micro scale, this study only uses , 3 independent variables are Income, Tax Literacy and Tax Application Utilization. So that it is possible for research results that are less able to describe the effect on overall Taxpayer Compliance.

To improve tax compliance, the government must be more aggressive in socializing the latest tax regulations and applications made to facilitate taxation in carrying out its tax obligations. For KPP Pratama Pondok Aren, it is expected to improve the effectiveness of the tax administration system by providing the availability of complete and easily accessible information and helping to optimize the use of technology in the service process, such as the use of tax application systems for tax reporting in order to make it easier for taxpayers to access information and conduct tax transactions. Meanwhile, for further research, it is recommended to add other variables that can affect the compliance of MSME taxpayers. As well as expanding the range of research surveys outside the KPP Pratama Pondok Aren area and conducting more research observations so that the data produced will be more accurate.

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