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Tax Knowledge and Tax Sanctions on the Compliance of MSME Taxpayers in South Tangerang with Tax Awareness Mediation

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ABSTRACT: Tax compliance is a key factor in increasing state revenue, especially from the Micro, Small, and Medium Enterprises (MSME) sector. However, the level of tax compliance among MSME actors in South Tangerang remains relatively low. This study aims to analyze the influence of tax knowledge and tax sanctions on taxpayer compliance, with tax awareness as a moderating variable. By understanding the relationship between these factors, more effective strategies can be developed to enhance tax compliance in the MSME sector. This research employs a quantitative approach using the Structural Equation Modeling-Partial Least Square (SEM-PLS) method. Data was collected through questionnaires distributed to 200 MSME actors in South Tangerang, selected using the Convenience Sampling technique. The analyzed variables include tax knowledge, tax sanctions, tax awareness, and tax compliance, with data analysis conducted using SmartPLS 3.0 software. The results indicate that tax knowledge and tax sanctions have a positive effect on taxpayer compliance. Furthermore, tax awareness strengthens the relationship between tax knowledge and tax compliance but does not significantly moderate the relationship between tax sanctions and tax compliance. These findings suggest that enhancing tax education and enforcing more consistent and stringent tax sanctions are crucial for improving MSME tax compliance. The government is also advised to optimize the use of digital tax systems such as e-filing and e-billing to facilitate taxpayers in fulfilling their obligations.

KEYWORD: Tax Knowledge, Tax Sanctions, Tax Awareness, Tax Compliance, MSMEs,

INTRODUCTION

Tax compliance among MSMEs is still a problem in various regions, including in South Tangerang. This low level of compliance is influenced by several main factors, such as the lack of taxpayer knowledge of tax rules and weak enforcement of tax sanctions. In fact, high tax compliance is very important for the sustainability of state revenue and economic development.

The tax sanctions applied are often ineffective in providing a deterrent effect for rule violators. When sanctions are not strictly enforced, many taxpayers ignore their obligations because they feel they will not get serious consequences. In addition, low understanding of tax regulations causes MSMEs to experience difficulties in carrying out their obligations correctly and on time.

This study aims to examine the influence of tax knowledge and tax sanctions on the compliance of MSME taxpayers, with tax awareness as a moderation variable. By understanding how these three factors interact with each other, it is hoped that more effective strategies can be found in improving tax compliance. This research is expected to provide recommendations for the government in designing better tax policies for the MSME sector.

METHOD

This study uses a quantitative method with the Structural Equation Modeling-Partial Least Square (SEM-PLS) approach. This approach was chosen because it was able to test the relationship between several variables simultaneously. The research data was collected through the distribution of questionnaires to MSME actors in South Tangerang, with a Likert scale to measure their perception of the research variables.

The population of this study is all MSME actors registered with the relevant ministries, and the sample is determined by the Convenience Sampling technique. A total of 200 respondents were selected to meet the requirements of statistical analysis used in this study. The selection of respondents was carried out by considering affordability and ease of access in the data collection process.

The research instruments used in the questionnaire included several main variables, namely tax knowledge, tax sanctions, tax awareness, and tax compliance. Data analysis was carried out using SmartPLS 3.0 software, which allowed researchers to evaluate the relationship between latent variables as well as test the role of tax awareness moderation in improving MSME tax compliance.

In addition, this study applies validity and reliability tests to ensure that the instruments used can produce accurate and consistent data. The validity test aims to find out the extent to which the indicator used actually measures the variable in question, while the reliability test is carried out to ensure that the measurement results remain consistent if retested under the same conditions. Thus, the results of this study can be scientifically accounted for and have a high level of accuracy.

As part of the analysis process, this study also conducts descriptive analysis to provide an overview of the characteristics of respondents and response patterns to the questions asked. This descriptive analysis involves calculating the average, percentage, and frequency distribution of each research variable. The results of this analysis will provide further understanding of the extent to which tax awareness, tax knowledge, and tax sanctions have affected tax compliance among MSME actors.

RESULTS AND DISCUSSION

The results of the study show that tax knowledge has a positive effect on taxpayer compliance. Respondents who have a better understanding of tax rules tend to be more obedient in carrying out their obligations. In addition, the tax sanctions applied also contribute to increased compliance, especially when taxpayers feel that the existing sanctions are quite strict and have clear consequences.

However, other findings suggest that tax awareness plays an important role in strengthening the relationship between tax knowledge and compliance. Taxpayers who have a high level of tax awareness tend to be more compliant, even if their knowledge of tax rules is still limited. This emphasizes that tax education programs need to be strengthened by efforts to increase tax awareness to be more effective.

In addition, the results of the study revealed that most MSME actors in South Tangerang still have a limited understanding of tax reporting and payment procedures. Many of them consider taxes as a burden, not as an obligation that must be fulfilled to support the country's development. This shows that more intensive socialization is still needed from tax authorities so that MSMEs understand the benefits of taxes and their impact on the national economy.

This study also found that the effectiveness of tax sanctions is highly dependent on consistency in their application. If sanctions are not strictly enforced and transparently, then the expected deterrent effect will not be achieved. Therefore, it is necessary to strengthen tax policies that not only emphasize law enforcement, but also on the aspects of fairness and ease of access for MSMEs to fulfill their obligations. Thus, the policies implemented are not only repressive but also educational.

In addition to discussing the relationship between key variables, the study also identifies other factors that can affect tax compliance, such as the quality of tax services and the adoption of technology in tax administration. It was found that the use of e-filing and e-billing systems is able to increase tax compliance because it makes it easier for taxpayers in the tax reporting and payment process. Therefore, the government is advised to continue to develop digital tax infrastructure to support better compliance in the MSME sector.

CONCLUSION

This study concludes that increasing tax knowledge and implementing stricter sanctions can increase the compliance of MSME taxpayers. However, tax awareness plays a key role in strengthening those relationships. Taxpayers who have high awareness tend to be more compliant even though their level of understanding of tax regulations still varies. Therefore, a combination of education, socialization, and strict enforcement of rules is necessary to improve tax compliance.

Based on these findings, it is recommended that the government strengthen a more inclusive tax education program for MSME actors. This program can be in the form of training, seminars, or campaigns targeting taxpayers with a simpler and easier to understand approach. In addition, there is a need to simplify the tax administration process so that MSMEs can more easily fulfill their tax obligations.

In addition to education, the government also needs to increase consistency in enforcing tax sanctions. Strict and transparent sanctions will provide a deterrent effect for taxpayers who try to avoid their obligations. With clear policies and a fairer tax system, it is hoped that the level of tax compliance of MSMEs can increase, which will ultimately contribute to state tax revenue and better economic development.

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