

Determinants of taxpayer compliance in Islamic micro small medium enterprises

Wiwik Tiswiyanti,¹ Nela Safelia,²

Wirmie Eka Putra³, Fredy Olimsar⁴

^{1,2,3,4}Universitas Jambi, Indonesia

email: wiek-muis@unja.ac.id

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Abstract

Purpose - This study aims to determine the effect of understanding the tax payment mechanism and tax sanctions on taxpayer compliance and the impact of understanding the tax payment mechanism on taxpayers with tax sanctions as a mediating variable in Islamic Micro Small and Medium Enterprises (MSMEs) in Batanghari Jambi Province.

Method - This research is a quantitative descriptive study using primary data and a Likert scale. The population in the survey was 1,236 Islamic MSMEs. Using purposive sampling, 56 samples met the criteria, and 46 samples could be processed and used with the SEM Wrap-PLS 0.7 analysis tool.

Result - The results of the study found, in a direct relationship, understanding the tax payments mechanism and tax sanctions can have a positive influence on taxpayer compliance. Mediation is partial (part mediation), meaning that the predictor, a variable understanding of the tax payment mechanism, can affect taxpayer compliance without going through the tax sanctions variable.

Implication - The implications of the results of the study found that the taxpayer's understanding of the tax payment mechanism and tax sanctions can have a positive influence on taxpayer compliance. The government as a tax apparatus can improve and carry out its functions properly, providing guidance, service, and supervision of taxpayers, so that taxpayer compliance can continue to be improved.

Originality - This study uses tax sanctions as a mediating variable. As far as researchers know, it has never existed in previous studies, and the study results found that the mediation that occurred was partial.

Keywords: tax payment mechanisms; tax sanctions; taxpayer compliance; MSMEs



Introduction

In Indonesia, the economy is based on a people's economy. The people's economy is based on the 1945 Constitution article 33, paragraphs one to three, stating that the Indonesian economy is structured based on kinship, control of essential production branches by the state, and the best use of natural resources for the welfare of the people. The community has the same opportunity to work or open a business for their interest. The characteristics of a populist economic system include, among others, economic activities and fulfillment that are carried out independently and focus on meeting the needs of themselves and others—a fair market mechanism with fair competition.

Productive business groups that are large and run by individuals and entities are Micro, Small, and Medium Enterprises (MSMEs). MSMEs that are pretty large contribute to development. Based on data from the Ministry of Cooperatives and MSMEs in March 2021, the number of MSMEs reached 64.2 million, with a contribution to the Gross Domestic Product (GDP) of 61.07%, or Rp. 8,753.89 trillion (Kemenkeu RI, 2022).

Indonesia has succeeded in entering into a country that is participating in developing the halal industry and turning the global market towards halal products. The role of sharia MSMEs is very large in contributing and encouraging sharia economic growth in Indonesia. Sharia-based MSMEs are MSMEs that carry out productive economic activities on a commercial small and medium scale and use sharia principles in their management (ISEF, 2022).

The strength of MSMEs to survive can be seen when facing the monetary crisis in 1988, the global financial crisis in 2008, and when Covid-19 was hitting, where MSMEs contributed quite a lot to support the Indonesian economy (Wahyudi et al., 2021). Furthermore, at the beginning of 2022, after the COVID-19 pandemic began, cooperatives and MSMEs also entered a recovery period, where MSMEs were prepared to face crises and environmental changes in the future. Until February 2022, the number of existing MSMEs has reached 17.25 million. The growth is fast, and the

Ministry of Cooperatives and MSMEs targets that in 2024 about 30 million MSMEs will be connected to the digital ecosystem (Catriana, 2022). The growth of MSMEs is accompanied by the development of MSMEs for halal products which have developed quite rapidly according to government programs to make Indonesia a halal producer in the world and a Halal Industrial Zone (ISEF, 2022).

MSME actors are given financing facilities with low-interest rates. Along with the development of MSMEs, the government hopes that the income value will continue to increase from the tax sector. Awareness of the importance of taxes for the state is the main point, so the government should implement a self-assessment system in the tax collection system.

Tax is a contribution that must be paid by the people to the state treasury based on the law (so that it can be enforced) by not receiving direct reciprocity, and its use is to finance general state expenditures (Mardiasmo, 2018). Taxation obligations are the obligations of every citizen, which is a reflection of national solidarity with the spirit of cooperation in building the national economy. The government demands the awareness of every community to comply with and fulfill these obligations (Tiswiyanti & Wendry, 2019). Taxpayer compliance is an ongoing problem in the taxation sector. Nguyen (2022) stated that in Vietnam, taxpayer compliance is a concern for the government and in many other countries. Therefore, taxpayer compliance, including for MSMEs, is interesting to study, including MSMEs in the Hung Yen Province of Vietnam. One of the results of his research revealed that tax penalties and tax knowledge affect taxpayer compliance. In their research, Malik & Younus (2019) stated that tax compliance is a significant problem and needs to be resolved by the government. Therefore, the government must develop positive attitudes and intentions from taxpayers.

Indonesia has a level of taxpayer compliance that is still not maximized. As of April 2022, it is known that the corporate taxpayer compliance ratio is still at 53.72%, and the individual taxpayer compliance ratio reaches 68.46% of the 12.76 million taxpayers who submit SPT (Khairizka, 2022). The ratio of the level of taxpayer compliance which is still low is not in line with the

increase in the number of MSMEs from year to year. Changes in tax decisions and legislation that often occur are obstacles for taxpayers to carry out their obligations (Tiswiyanti et al., 2021). With a self-assessment system, the government gives complete trust to taxpayers to fulfill their obligations.

For this reason, taxpayers must understand the mechanism for paying taxes and the procedures for calculating, depositing, and reporting the amount of tax payable. Thus, the level of taxpayer compliance is expected to increase. In addition, tax sanctions are considered to force taxpayers to carry out their tax obligations so that they can help encourage taxpayers to be more obedient in carrying out their rights and obligations.

The behavior of individuals or taxpayers in fulfilling applicable obligations shows compliance to do or not to act according to the rules that have been set. Compliance is a motivation, and motivation is influenced by internal and external factors of the taxpayer, and the intention becomes the impetus to carry out an attitude or behavior. Awareness in paying taxes is a condition where taxpayers voluntarily carry out tax obligations or without being forced to fulfill tax obligations, which also describes the form of community actualization with the spirit of cooperation for development (Susanto, 2012).

The results of Nguyen's (2022) research conducted in the Hung Yen Province of Vietnam showed that knowledge of taxes and sanctions affected MSMEs taxpayer compliance. Palil & Mustapha (2011) compared the compliance levels of Indonesian, Singaporean, Malaysian, and Thai taxpayers. Their research results show that the taxpayer compliance index in Indonesia is still at 2.53 compared to Singapore. It has reached an index of 5.05, lower than Malaysia, with an index of 4.34, and Thailand, with an index of 3.42. Research by Adhikara et al. (2022) and Shiferaw & Tesfaye (2020) found that taxpayer awareness will increase tax compliance. Taxpayers do not want to get tax sanctions, both administrative and criminal.

Research by Machfiroh et al. (2020) states that the mechanism in tax payments affects taxpayer compliance, while tax sanctions do not affect tax

compliance in MSMEs. Cahyani & Noviari (2019) show that understanding and tax sanctions positively influence tax compliance, simultaneously and partially, on MSMEs. Putra (2020) shows that partially and simultaneously knowledge, tax sanctions have a significant effect on taxpayer compliance. Burton (2009) states that there is still a lack of awareness of paying taxes due to the premise that taxes by the government suppress the soul of taxpayers. Awareness of paying taxes is also still lacking because tax regulations are challenging to understand.

This research leads to research conducted by Machfiroh et al. (2020) where the variables in this study were also examined. The results of his research state that the tax payment mechanism has a significant effect on taxpayer compliance, while tax sanctions do not affect taxpayer compliance in MSMEs in northern Banjar.

The development of MSMEs in Jambi Province was considered quite fast. In 2019, the number of MSMEs 1073 grew to 3513 in 2020. Batanghari is one of the regencies in Jambi Province that has also increased MSMEs from year to year. In three years, it shows pretty rapid development, where in 2018, it was 2,845; in 2019, it was 3,849; in 2021, it was 12,427 (BPS Jambi, 2022). At the same time, the taxpayer compliance ratio has not been maximized (Khairizka, 2022).

The findings of different research results are the basis for researchers to try to review the variable understanding of tax payment mechanisms, tax sanctions, and taxpayer compliance with research models that are different from previous studies. In this study, the researchers made the variable of tax sanctions other than exogenous variables as the mediating variable. The analysis tool uses SEM Warp-PLS which is different from previous research using SPSS and researchers make the Batanghari Jambi Syariah MSMEs as a research sample, where Islamic MSMEs are sharia-based MSMEs and use Islamic sharia principles in carrying out their activities. The principle used is Islamic values, where the element of defending the weak (*mustadh'afin*) is superior. In addition, there are Islamic ideals that sharia economic activists need to pay attention to, namely the principle of "*likay laa duulatan baina*

aghniyaa-i minkum" which means that wealth does not circulate among the rich among you (Q.S. Al Hasyr: 7). In the future, financing for underprivileged small businesses has the potential to be developed based on these Islamic values.

Literature Review

The grand theory in this research is the Theory of Planned Behavior (Ajzen, 1991) which states that human behavior is influenced by intentional intentions, one of which is attitude. The Theory of Planned Behavior has limited scope to individual rational behavior and does not provide a precise explanation of behavior related to one's emotions. Attribution theory is also the main theory in this research. This theory assumes that individuals determine to do what is done (Heider, 2013). It includes three stages that will form an impression and ultimately create factors that influence the behavior of others.

A person's behavior can be influenced by various factors (both internal and external factors). Behavior that is under the individual's control is called behavior caused by internal factors while that which is influenced by situational and environmental factors is called behavior caused by external factors (Robbins et al., 2013).

Understanding the tax payment mechanism by taxpayers is an internal factor. The more taxpayers understand the tax payment mechanism, it will influence taxpayer compliance. On the other hand, tax sanctions and tools to make taxpayers carry out tax norms are external factors. Individuals who are subject to tax norms are assessed as being able to influence taxpayer compliance.

Act No. 28 of 2007 defines tax as a mandatory contribution to the state that is owed to an individual or entity that is coercive under the law, with no direct compensation, and used for the state for the greatest prosperity of the people. A person's motivation to pay taxes is related to morals as a set of values or moral standards owned by the individual concerned regarding tax payments because taxes are a citizen's obligation which is essential for the

country concerned (Martinez-Vazquez & Torgler, 2009). Countries with high moral levels tend to behave positively in complying with tax payments (Lisi, 2015).

Tax sanctions are actions that are given to someone for violating tax regulations. Tax sanctions are regulated in Article 13 of the Law on General Provisions and Tax Procedures, where tax sanctions can be in the form of administrative and criminal sanctions. Taxpayer compliance shows that the taxpayer has carried out his tax obligations properly by the self-assessment system. The taxpayer's obligations include formal compliance, a situation where the taxpayer fulfills his obligations formally by the provisions of the tax law. Material compliance is a condition where the taxpayer fulfills all material provisions of taxation.

Hypothesis Development

The Effect of Understanding Tax Payment Mechanisms on Taxpayer Compliance

Tax provisions for Small and Medium Enterprises (MSMEs) have been regulated in Law No. 7 of 2021 on the harmonization of tax regulations and Government Regulations No. 23 of 2018 on the number of tax rates for MSMEs. This government regulation explains how MSMEs carry out tax payments. The tax harmonization law also explains how to calculate, deposit, and report income tax on income from businesses received or obtained by taxpayers with an inevitable gross turnover. Government efficiency and a transparent taxation system are considered the basis of non-tax compliance and as markers of tax administration which significantly influence the variance in tax compliance (Nkundabanyanga et al., 2017). Research by Adhikara et al. (2022), Cahyani & Noviari (2019), Fitriadi (2022), Machfiroh et al. (2020), Nurdhiana & Triani (2022), Oktaviani et al. (2022), and Prawagis et al. (2016) state that the mechanism of paying taxes affects taxpayer compliance.

H₁: Understanding the tax payment mechanism affects taxpayer compliance

The Effect of Tax Sanctions on Taxpayer Compliance

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Tax sanctions aim for taxpayers to comply and carry out tax obligations correctly. That means that with sanctions, tax regulations are not violated. Sanctions will provide understanding so that they must comply with their tax obligations and become better. The sanctions given must be clear so that taxpayers know how these rules and sanctions can have a deterrent effect for taxpayers if they commit tax violations (Purnamasari & Sudaryo, 2018). Research by Adhikara et al. (2022), Cahyani & Noviani (2019), Farida & Irawati (2023), Fitriadi (2022), Nurdhiana & Triani (2022), Prawagis et al. (2016) state that sanctions affect taxpayer compliance.

H₂: Tax sanctions affect taxpayer compliance

Tax Sanctions Mediate the Relationship between Understanding of Tax Payment Mechanisms and Taxpayer Compliance

Tax sanctions are applied so taxpayers are more obedient in carrying out their tax obligations. The sanctions are undoubtedly burdensome to taxpayers and are aimed at providing a deterrent effect. Bawazier (2018) states that the critical thing to note is the effort to increase the understanding and awareness of taxpayers in paying taxes, which is the core of regulations and the imposition of sanctions in the field of taxation. Sanctions are needed in the tax system so that taxpayers are obedient in paying taxes.

H₃: Tax sanctions mediate the relationship between understanding the tax payment mechanism and taxpayer compliance

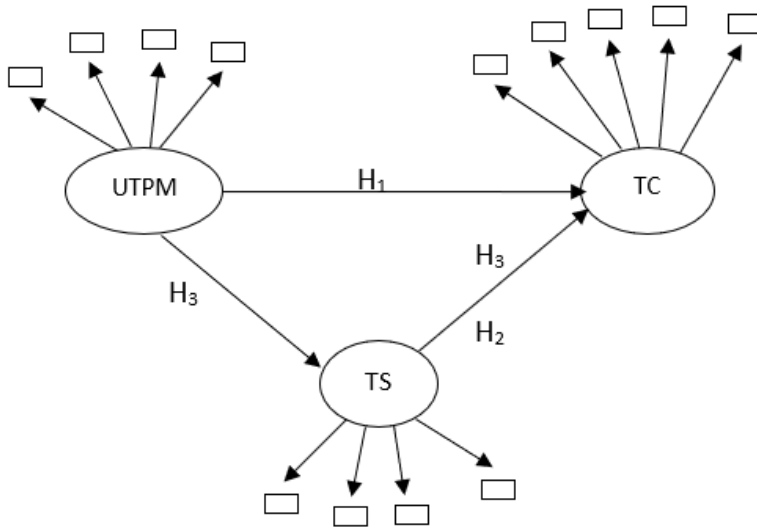


Figure 1. Research Conceptual Framework

Research Methods

The study used a quantitative descriptive approach using statistical models and primary data sources from the distribution of questionnaires obtained directly from the source. The research was conducted on Islamic MSMEs in Batanghari Jambi Province. The population is the group of people, events, or things the researcher wants to investigate (Sekaran & Bougie, 2016).

The total population in this study is Islamic MSMEs in Batanghari from 2019-2020 of 1,236 MSMEs. The sample is part of the number and characteristics possessed by the population (Sugiyono, 2011). It is part of the population with characteristics and properties representing the entire population. The sample selection in this study was the purposive sampling method, a technique to determine samples from the population with unique characteristics or criteria to the research objectives.

The selected sample is an active MSMEs, has a Tax Identification Number (NPWP) and annual sales of 300 million. Determination of annual sales of 300 million is used as a sample criterion because as stated in Law No. 20 of 2008 Article 6(b) that MSMEs with sales of 300 million are classified as micro MSMEs. So, a total sample of 56 MSMEs was obtained.

The dependent variable is a variable that is influenced or is the result of the independent variable. The independent variable is a variable that influences or causes changes in the appearance of the dependent variable (Sugiyono, 2011). The independent variables in this study are Understanding of the Tax Payment Mechanism (UTPM) which consists of 4 question indicators and Tax Sanctions (TS) consisting of 4 question indicators. In this study, the dependent variable is Taxpayer Compliance (TC) consisting of 5 question indicators.

The scale is a tool or mechanism to distinguish individuals in terms of the variables of interest under study, with the basis of a scale of measurement, namely the nominal scale, ordinal scale, interval scale, and ratio. This study uses a Likert scale designed with intervals of one to five to check how strong it is. The higher the value, the more agree with the given statement (Sekaran & Bougie, 2016).

Data analysis in this study used Structural Equation Modeling (SEM) with the help of PLS (Partial Least Square) software. SEM Warp-PLS is used to test the relationship between complex variables, both recursive and non-recursive, to obtain a comprehensive picture of the overall model and be more precise. SEM Warp-PLS is used because the latent variables and measurements use a small sample size. Other SEM techniques are also used due to the small number of samples and the potential for abnormal distribution of variables (Ghozali & Latan, 2019).

Hypothesis testing is used to explain the direction of the relationship between the independent variable and the dependent variable. Testing is done using path analysis on the model that has been made. If the p-value \geq

0.05, H_0 is accepted; if the p-value < 0.05, then H_0 is rejected, and H_a is accepted.

Table 1. Operational Variables

Variable	Variable Operational Definitions	Variable Indicator
Understanding of Tax Payment Mechanisms (UTPM)	Understanding of the tax payment mechanism can be classified into 4 (four) types, namely, paying the tax owed by yourself, paying income tax through deductions and collections by other parties, paying VAT to the seller or service provider or by a party appointed by the government, and payment of other taxes	<ul style="list-style-type: none"> - Understanding where tax payments are made. - Understanding of the taxpayer's payment mechanism that is owed monthly and annually. - Understanding of PPh payments. - Understanding of sanctions or fines for late tax payment
Tax Sanctions (TS)	Sanctions are actions in the form of punishment given to people who break the rules.	<ul style="list-style-type: none"> - Knowledge of taxpayers about the existence of tax sanctions - Attitude of taxpayers toward tax sanctions - Administrative sanctions must be applied by applicable regulations - Application of criminal sanctions by applicable regulations
Taxpayer Compliance (TC)	Taxpayer compliance is an act of obedience and awareness of orderly payment and reporting of periodical and annual tax obligations from taxpayers in the form of a group of people and/or capital which is a business by applicable tax provisions	<ul style="list-style-type: none"> - Do not have arrears for all types of taxes. - Taxpayers pay on time. - Taxpayers report SPT on time. - Taxpayers report taxes according to predetermined rates. - Taxpayers deposit taxes according to a predetermined rate.

Results and Discussion

Based on the questionnaires distributed to 56 Islamic MSMEs (respondents), 46 questionnaires were returned. The overall picture of respondents by gender shows that male taxpayers are 34 people (74%) and female taxpayers are 12 (26%). From the age of the respondents, it can be seen that the respondents aged between 41-50 years were 20 people (43%), respondents aged >50 years were 11 people (24%), aged 31-40 years were 9 people (20%) and aged 21-30 years were 6 people (13%). Based on the respondents' education, it can be seen that most respondents have 48% of their last education elementary school, 13% for a Diploma, 9% for a Bachelor's Degree, and 15% for SMP and SMA/K, respectively.

The measurement model (outer model) of the Convergent Validity, Discriminant Validity, and Composite Reliability test with a construct score (loading factor) of each indicator > 0.7 can be said to be valid or meet the criteria for convergent validity. However, the loading factor value > 0.05 is still categorized as valid, which is considered for acceptance.

Based on the data processing, the results of the factor loading value of each research variable have a loading factor value of > 0.7 so that it can be said to be valid or meet the convergent validity criteria. Based on the AVE value of the three latent variables, it has also met convergent validity with an AVE value greater than 0.5. So, it can be said that all of the latent variables in this study have met the convergent validity criteria.

Table 2. Average Variance Extracted (AVE)

Latent Variable	AVE	Criteria	Status
UTPM	0.780	> 0.5	Valid
TS	0.765	> 0.5	Valid
TC	0.748	> 0.5	Valid

Composite reliability is seen from the value of Cronbach's alpha coefficients. If the Cronbach alpha value > 0.7, it can be said to have met composite reliability. The results of the Cronbach alpha from the study

showed that the Cronbach alpha value was > 0.7 , so it can be said that the indicators of the research variables were reliable.

Table 3. Cronbach Alpha

Variable	Cronbach Alpha	Status
UTPM	0.859	Reliable
TS	0.846	Reliable
TC	0.887	Reliable

Based on data processing results, all indicators have met the criteria for discriminant validity that Fornel-Lareker can see from the latent construct. The results of the data plan show that the squared value of AVEs is greater than the correlation value, meaning that it has a good discriminant value.

Table 4. Fornel-Lareker

	UTPM	TS	TC
UTPM	0.883	0.612	0.535
TS	0.612	0.874	0.477
TC	0.535	0.477	0.865

This stage performs a structural evaluation (inner model) to see the model fit test (model fit) path coefficient and R2 and assesses that a model can be fit. The data processing results show that the Output Goodness of Fit Model has an index value that meets the fit and acceptable model requirements criteria.

The first hypothesis is that understanding the tax payment mechanism affects taxpayer compliance. Based on the test results, the beta coefficient value is 0.41 with a p-value of 0.01, which is smaller than 0.05. It means that understanding tax payments affects taxpayer compliance with a 95% confidence level, so H1 can be accepted. The second hypothesis states that tax sanctions affect taxpayer compliance. Based on the test results, the beta

coefficient value is 0.29 with a p-value of 0.02, which is smaller than 0.05. It indicates that tax sanctions affect taxpayer compliance with a 95% confidence level, so H2 can be accepted.

JIAFR | 274 **Table 5. The Goodness of Fit Model**

Model fit & quality indices	Index	p-value	Criteria	Remark
APC	0.41	p<0.01	<0.05	Accept
ARS	0.38	p<0.01	<0.05	Accept
CARS	0.358	p<0.02	<0.05	Accept
AVIV	1.353	<= 5 and ideally <= 3,3		Accept
AFVIF	1.661	<= 5 and ideally <= 3.3		Accept
GoF	0.539	S >= 0.1; M >= 0.25; L >= 0.36		Large

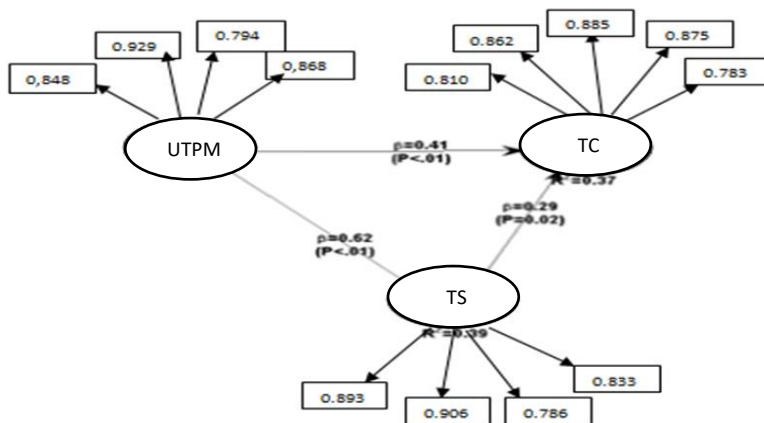


Figure 2. Model Test Results

Hypothesis three states that tax sanctions can mediate the relationship between understanding the tax payment mechanism and taxpayer compliance. Based on the test results, the following results are obtained:

Table 6. Direct Effect

Indirect Effect (T Statistics axb)				Direct Effect (Value c)				Mediation effect status
UTPM	-TS-	TC	(0.1827)	UTPM	-	TC	(0.41)	partial mediation
(Significant)				(Significant)				

The indirect effect is 0.1827 with a significance level of less than 0.05, and the direct effect is 0.41 with a significance level of less than 0.05, so mediation in this study is classified as partial mediation.

In attribution theory, Heider (2013) states that every knowledgeable individual will pay attention to each individual's behavior from various angles, both from external and internal factors of the individual concerned. Based on the results of the first research test supports the proposed hypothesis. It is found that the tax payment mechanism influences taxpayer compliance. The tax payment mechanism is related to the provisions and regulations of the tax law. Every knowledgeable taxpayer will pay attention to these rules and regulations. The understanding obtained is a form of awareness of the importance of the tax rules and functions for the state or government so that it will encourage the behavior of the individual or taxpayer to behave more obediently to his obligations as a good citizen.

Taxpayer compliance is a form of taxpayers' willingness to fulfill their tax obligations by predetermined rules without coercion, meaning that it is done with their awareness. Gunadi (2013) said that taxpayer compliance is a willingness to fulfill tax obligations according to the rules without examination, thorough investigation, warning, and applying legal and administrative sanctions.

Understanding the tax payment mechanism becomes essential in creating taxpayer compliance from the results of the questionnaire distribution for the variable understanding of the tax payment mechanism in table 1. The average

taxpayers answered with a value of four and a standard deviation of 0.74, or it can be said that most taxpayers understand the tax payment mechanism in Indonesia, especially in Batanghari Province. Furthermore, this result is supported by the test results with SEM Warp-PLS 7, which shows a direct relationship between understanding the tax payment mechanism and taxpayer compliance with a positive and significant effect with a 95% confidence level. The results of this study are supported by research conducted by Machfiroh et al. (2020) and Prawagis et al. (2016).

The results of the second research test support the proposed hypothesis where it is found that tax sanctions affect taxpayer compliance. Sanctions are actions or punishments if someone violates the rules set. Tax sanctions (Mardiasmo, 2018) guarantee that the provisions of tax laws will comply. In the attribution theory proposed by Robbins & Jugde (2017), tax sanctions are external factors that affect individual behavior.

Tax sanctions affect taxpayer compliance when they view tax sanctions as more detrimental. Tax sanctions are essential because they determine taxpayers' high or low compliance (Mardiasmo, 2018). Table 1 shows the questionnaire distribution for the tax sanctions variable results. The average respondents answered with a value of 3.85 or close to 4 and a standard deviation of 0.62. It can be said that most taxpayers know about tax sanctions, so they are more careful to avoid sanctions. These results are supported by testing with SEM Warp-PLS. That shows that the direct relationship of tax sanctions to taxpayer compliance has a positive and significant effect with a 95% confidence level. The results of this study are supported by research conducted by Prawagis et al. (2016) and Cahyani & Noviani (2019).

The results of the third research test support the proposed hypothesis where it is found that tax sanctions can mediate the relationship between understanding tax payment mechanisms and taxpayer decisions with mediation which can be classified as partial mediation. Variables that theoretically affect the relationship between the independent and dependent variables are said to be mediating variables (Sugiyono, 2011). Tax sanctions in this study are mediating variables that can influence the relationship

between understanding the tax payment mechanism and taxpayer compliance. The test illustrates that the mediation in this study is partial (part mediation), meaning that the predictor, namely the understanding of the tax payment mechanism variable, can significantly affect taxpayer compliance without the tax sanction variable with a 95% confidence level.

Tax sanctions are one of the government's efforts and control tools to provide a deterrent effect for offenders. Sanctions will be applied to taxpayers who violate and do not fulfill their tax obligations to provide a deterrent effect and to educate taxpayers. If the sanctions imposed are not on target, the level of taxpayer compliance will decrease. In addition to sanctions as a means of control, the individual's intention becomes an important thing to act.

The theory of planned behavior proposed by Ajzen (1991) states that intentions influence individual behavior. The taxpayer's attitude to behave obediently in carrying out tax obligations is influenced by the intention to avoid tax sanctions so that the understanding of the tax payment mechanism by the provisions and legislation is well understood. So, tax sanctions are used as a control for the government to control the behavior of disobedient taxpayers to become obedient to pay taxes.

Conclusion

The results of the study found that: (1) there is a positive influence between the understanding variable of the tax payment mechanism on the taxpayer compliance variable with a confidence level of 95%; (2) there is a positive influence between the variable of tax sanctions on the variable of taxpayer compliance with a confidence level of 95%; and (3) the tax sanction variable becomes a mediating variable. It is found that the mediation that occurs is partial (part mediation), meaning that the predictor which is the understanding variable of the tax payment mechanism can affect taxpayer compliance without going through the tax sanction variable significantly with a 95% confidence level. The research implication for MSMEs is that it is hoped that awareness will continue to be maintained and increase tax knowledge so that they can keep abreast of changing tax laws and regulations. The

government is expected to continue to foster and disseminate knowledge on fostering taxpayer awareness so that taxpayer compliance can continue to be improved and that state revenues from the taxation sector will continue to increase.

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