

The Effect of Taxation Knowledge and Tax Sanctions on Compliance of MSME Taxpayers in Bandung City

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Received 02 December 2024, Revised 03 February 2025, Accepted 04 March 2025

Abstract — *The tax industry generates the majority of Indonesia's state revenue. In the evolution of the Indonesian state, taxes are a crucial tool. For this reason, it is crucial that taxpayers fulfill their tax responsibilities. Strong state revenue will also come from strong compliance. But the fast rise of micro, small, and medium-sized businesses also needs attention because they have a huge opportunity to bring in money for the state. In order for these micro, small, and medium-sized businesses (MSMEs) to pay their taxes, the government should help and guide them. The point of this study is to look into how tax fines and tax compliance affect people in the Bandung City area following the law. Through surveys, businesses that were classified as micro, small, or medium were called. The businesses were picked at chance. The author got information from 153 different people. After that, the results were put through a number of tests, such as validity and reliability studies. After that, regression and normal assumption tests were done with SPSS version 27. What the study found shows is how important tax fines and tax rule knowledge are for people to follow the rules. Also, the sum of tax fines and tax information changes how well people follow the rules. The writer says the government will help and give more advice to small, small, and medium-sized businesses in and around Bandung City. Their plan is to share the tax money to make this happen. This will make people more likely to pay their taxes, which will help the state get more money. The study's results show that tax understanding and tax penalties affect how well people in the Bandung City area pay their taxes. 54.9% of the people have power.*

Keywords: Tax Knowledge, Tax Sanctions, Tax Compliance

Abstrak — Sistem perpajakan menghasilkan uang paling banyak bagi pemerintah Indonesia. Pajak merupakan alat yang sangat penting bagi pertumbuhan pemerintah Indonesia. Akibatnya, pembayaran pajak menjadi kewajiban wajib pajak. Negara juga akan memperoleh keuntungan finansial dari tingkat kepatuhan yang tinggi. Usaha mikro, kecil, dan menengah (UMKM) dapat mendatangkan banyak uang bagi pemerintah, sehingga mereka harus diberi prioritas dalam hal pertumbuhan bisnis. Pemerintah perlu membantu UMKM dan memastikan mereka membayar pajak dengan benar. Studi ini melihat bagaimana kepatuhan dan denda pajak memengaruhi kemampuan orang-orang di Kota Bandung untuk membayar pajak mereka. Studi ini mensurvei usaha mikro, kecil, dan menengah (UMKM) yang memenuhi persyaratan menggunakan metode pengambilan sampel acak. Total 153 orang membantu penelitian ini. Informasi ini digunakan untuk menguji hal-hal seperti kebenaran dan keandalannya. Selain itu, regresi SPSS dan uji asumsi normal dijalankan. Studi ini mengatakan bahwa mengetahui tentang pajak dan ketakutan akan denda memiliki pengaruh besar pada seberapa baik orang membayar pajak mereka. Jika wajib pajak mengetahui sanksi atas tidak membayar pajak, maka mereka akan lebih cenderung untuk membayar pajak. Penulis mengatakan bahwa sosialisasi pajak merupakan cara terbaik bagi pemerintah Kota Bandung untuk mengelola dan membina usaha kecil, menengah, dan menengah. Negara pada akhirnya akan menerima lebih banyak pendapatan sebagai hasil dari rasa tanggung jawab masyarakat untuk membayar pajak. Temuan penelitian menunjukkan bahwa tingkat kepatuhan pajak warga Kota Bandung dipengaruhi oleh kesadaran mereka terhadap pajak dan sanksi yang terkait dengannya. Kewenangan tersebut dipegang oleh hingga 54,9% masyarakat.

Kata Kunci: Pengetahuan Perpajakan, Sanksi Pajak, Kepatuhan Wajib pajak

INTRODUCTION

Along with the times and technological developments, people are increasingly encouraged to

continue to innovate, especially in the business sector. The wider business opportunities and easy interaction with consumers make people encouraged to do

business (Rianti & Hidayat, 2021). Micro or MSME businesses have experienced very rapid progress, even in 2023 the number of MSME business actors has increased from the previous year to 66 million (Mansur et al., 2023). With this increase, MSME actors fill various business sectors and even new business sectors have emerged. Of course, this is very positive, meaning that the Indonesian people have high creativity and are good capital to have good competitiveness to move in the international market.

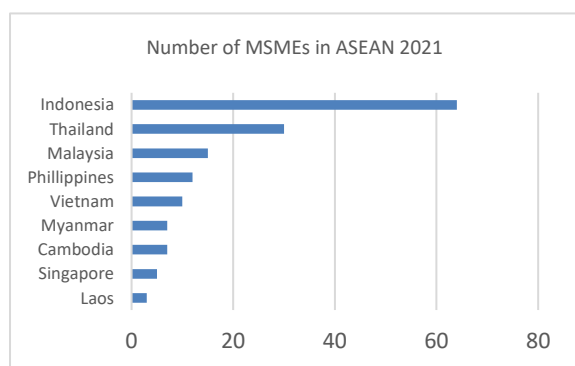


Figure 1. Number of MSMEs in ASEAN 2021

Based on the data that the author can get from databoks.katadata.co.id, Indonesia is a country with the largest number of MSMEs in ASEAN, even the number is very far compared to other countries, of course this is a very good thing with the large number of MSMEs expected to be able to support the country's economy, the government must take serious steps in order to maximize state revenue from this sector. The government is expected to control and supervise the movement of these MSMEs because this is a huge potential for the country. The highest number of MSMEs in Indonesia based on ukmindonesia.id is the West Java region, followed by the Central Java region. MSMEs in Indonesia are able to outperform MSMEs in other ASEAN countries, meaning that MSME players in Indonesia have good enough competitiveness to compete in the international market.

The accelerated expansion of micro, small, and medium-sized enterprises (MSMEs) exerts a beneficial influence on a multitude of other sectors. The expansion of the MSME business sector has also resulted in a notable increase in labor growth, with a considerable number of individuals being absorbed by MSMEs. It stands to reason that the greater the number of MSMEs that contribute to Indonesia's efforts to reduce unemployment, the greater the revenue that the government will receive in the form of taxes. The foundation of national development is taxation, as the state is unable to carry out national development without this revenue source. Given that taxes contribute to societal development, including improvements in the quality of life for citizens, it is an obligation that cannot be avoided in the life of the

nation. Infrastructure development, health subsidies, school subsidies, and even oil subsidies are inextricably linked to the role of taxes that we have been paying. With high tax revenue, there will undoubtedly be a more positive impact on the welfare of the community. Therefore, MSMEs play a significant role in growing the national economy, especially in terms of state tax collection. However, it is crucial to emphasize that The question thus arises as to how MSMEs can comply with their tax obligations. The accelerated expansion of micro, small, and medium-sized enterprises (MSMEs) exerts a beneficial influence on a multitude of other sectors. The expansion of the MSME business sector has also resulted in a notable increase in labor growth, with a considerable number of individuals being absorbed by MSMEs. It stands to reason that the greater the number of MSMEs that contribute to Indonesia's efforts to reduce unemployment, the greater the revenue that the government will receive in the form of taxes.

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It would appear that not all business actors are fully aware of or conversant with their tax obligations (Abdul Hadi & Amanda, 2024). A lack of knowledge or understanding of tax regulations and a lack of awareness of the necessity to fulfill tax obligations are two of the many factors that can cause this (Citra Dewi et al., 2021). In light of the fact that not all MSME business actors are equipped with financial personnel who possess a comprehensive understanding of taxation, it is imperative that the government assumes a pivotal role in this regard, providing guidance and socialization regarding tax regulations. It is widely acknowledged that the body of tax regulations is extensive and subject to frequent amendment. In order to enhance state tax revenue, the Directorate General of Taxes has introduced a series of tax policies (Sukarno, 2024). In order to afford individuals complete control over the manner in which their taxes are reported, the government has transitioned from an Official Collection System to an Independent Collection System. The aforementioned policy changes present a challenge to MSMEs, as many are still unfamiliar with the calculation process and the

submission procedure. One of the reliefs that has commenced implementation is the government's proposal to reduce the tax rate for micro, small, and medium enterprises (MSMEs) to 0.5%. It is indubitable that MSMEs will derive considerable benefit from this approach. This low rate may serve as an effective incentive for MSMEs to comply with tax obligations. As indicated by the Directorate General of Taxes (DGT), a relatively limited proportion of MSME taxpayers are currently in compliance with the relevant provisions. Of the 64.2 million MSME employees in Indonesia, only 1.34 million were registered as taxpayers in 2021. The government has implemented several strategies to encourage corporate compliance with tax obligations. These include providing tax incentives, which can be costly to the state, and imposing sanctions on those who fail to pay taxes. The latter is designed to deter non-compliance by imposing significant penalties for prolonged periods of non-payment.

Based on the above, the researcher examined how well the public understands the tax regulations and how companies that do not comply with the regulations can be penalized or threatened with taxes to make them comply. What companies, especially small and medium enterprises (MSMEs), need to do to ensure they comply with the regulations is also part of this research. Seeing the potential expansion of companies in this sector, there are many prospects for companies to be utilized as a target for increasing state revenue to finance expenditures that can improve the welfare of society in general.

Based on the above description, this research has deep significance in the context of MSME taxation. The importance of tax compliance has been the focus of attention of various previous studies. Rusdiana et al. (2020) suggested that social factors and behavioral motivation are key determinants of voluntary tax compliance in MSMEs, with tax knowledge, perceived fairness, and trust in government as significant predictors.

Research Paleka & Vitezić (2023) shows how three key criteria audit probability, corporate reputation, and business ownership all have a direct impact on tax compliance. They emphasized that the two factors that have the most impact on tax compliance are audit probability and sanction severity.

Bani-Khalid et al. (2022) According to his research on MSMEs in Jordan, attitude towards behavior, subjective standards, perceived behavioral control, and sense of nationality are important factors that influence people's intention to comply with tax laws. These results support the idea that psychological and social elements, in addition to economic elements, play a role in tax compliance.

Tohari et al. (2024) developed a comprehensive model that includes social, psychological, and economic factors to understand MSME tax compliance. They emphasized the importance of

multidimensional models in explaining tax compliance behavior. Mansur et al. (2023) highlights that the quality of governance and tax morale play a crucial role in tax compliance, particularly in developing countries. This research underscores the need for tax reforms that improve transparency and accountability in the use of tax revenues.

Night & Bananuka (2020) discovered that the correlation between attitudes toward electronic tax systems and tax compliance is partially influenced by the introduction of electronic tax systems. This illustrates the significant role technology plays in enhancing compliance.

Rahmawati et al (2020) The research indicates that MSME tax compliance is significantly influenced by the level of tax expertise. Voluntary compliance may be constrained by a lack of familiarity with tax regulations.

Kasper & Alm (2022) demonstrate in laboratory experiments that the impact of audit effectiveness on post-audit tax compliance is contingent upon the effectiveness of the audit itself. Effective audits can increase compliance, while ineffective audits can have the opposite effect.

A study conducted in Slovenia by Hauptman & Žmuk (2024) revealed a discrepancy in tax knowledge between male and female taxpayers, despite no significant differences in perceptions of tax fairness.

Kinantan Nahdah Islamey (2022) underscored the significance of tax education that can identify and address the diverse needs of taxpayers, particularly in light of the intricate nature of the extant tax system.

In a study conducted in Peru, Karo & Herawati (2024) investigated the influence of e-invoicing on tax compliance. Their findings suggest that digitalization can enhance tax compliance, particularly among small businesses and sectors with elevated non-compliance rates.

Purnamasari et al. (2024) demonstrated in a field experiment conducted in Indonesia that strategic interventions from tax authorities, such as simplifying the payment process, can result in an increase in tax payment compliance by up to 32%.

Mansur et al. (2021) highlight that tax compliance is not solely an economic matter; it is also influenced by intricate psychological processes, particularly among affluent taxpayers. Simorangkir (2024) used framing theory to evaluate tax policy, showing that a positive frame in the application of tax sanctions can be more effective in encouraging compliance.

Therefore, the objective of this study is to investigate the complexity of variables affecting MSME tax compliance, with an emphasis on the role of tax expertise and tax sanctions in Bandung City. The researcher proposes the following problems based on the description above:

1. This study aims to investigate the relationship between taxation knowledge and the compliance of MSME taxpayers.

2. To what extent do tax sanctions influence the compliance of MSME taxpayers?
3. Do tax knowledge and tax sanctions have a joint effect on tax compliance ?

LITERATURE REVIEW

Tax

In accordance with the stipulations set forth in Law Number 16 of 2009, individuals or entities are obliged to discharge their tax liabilities to the state in a manner that is consistent with the prevailing statutory regulations. Taxes are paid to the state without any expectation of direct benefit and are used to finance state needs for the greatest prosperity of the people. Sari & Johan (2024) corroborates the assertion that taxes serve the function of financing public expenditures related to the duties of the state in administering the government, as articulated by Imaroh (2024) Taxes are mandatory contributions to the state that must be paid by individuals in accordance with established regulations, without any expectation of direct compensation. From the aforementioned understanding, it can be posited that taxes are of paramount importance in a country. This tax payment is not merely a form of contribution or remuneration for benefits; rather, it has an indirect impact on us all and contributes to the greater common good. In Indonesia, taxes can be classified into several categories, as outlined by (Susanto et al., 2020): First is

By Classification, The user pays the tax directly; the tax cannot be billed to another entity. For example, income tax (PPh). One type of tax that can be charged to others is indirect tax. Value Added Tax (VAT) demonstrates this. The next classification is by Nature, look for objective circumstances, such as taking into account the taxpayer's circumstances (subjective tax). For example, income tax (PPh). The special circumstances of each taxpayer are not taken into account by the objective tax. Instead, objective tax emphasizes the purpose of the tax. Value Added Tax (VAT) and Luxury Goods Sales Tax (PPNBM) are the first taxes to appear in this situation. Three different ways are used to collect taxes. As Nurlis & Ariani (2020), namely: a. Official Assessment Method: This method allows the government (tax authority) to know how much tax a person owes. Some of its characteristics are that the customer does not do anything, the new tax debt occurs after the tax authority sends a tax assessment letter, and the tax authority decides how much tax is owed. b. Self Assessment System: This tax collection technique allows people to find out for themselves how much tax they owe.

The taxpayer is in charge of knowing how much tax he or she owes and is involved in the whole process, from depositing the money to reporting it. The tax authority only supervises and does not interfere. c. Withholding system is a way to collect taxes owed to taxpayers but can be collected by parties

other than tax authorities or customers, who have the authority to collect or withhold taxes owed from third parties, namely parties other than taxpayers and tax authorities.

Based on PP 55/2022, the withholding scheme for MSME taxpayers is to use Pph Final on the income of MSME taxpayers at a fairly low rate of 0.5%. This low Pph rate is expected to attract MSME actors to pay their taxes. Because if they get the same tariff treatment as companies, of course MSME actors are reluctant to pay their taxes. If the gross turnover of entrepreneurs in a year is less than 4.8 billion, then the applicable rate is 0.5%, if more than that, entrepreneurs will be subject to the same rate as corporations. Therefore, MSME businesses must make the most of this low tax rate.

Tax Compliance

Taxpayer compliance is of course necessary to drive the taxation element. There will be no good tax revenue if compliance is poor. Mafaza (2022) "When taxpayers exercise their tax rights and fulfill all their tax obligations, this is known as taxpayer compliance," is the definition of taxpayer compliance. According to this definition, taxpayer compliance is a state in which taxpayers are able to fulfill their tax reporting and tax payment requirements (Susanto et al., 2020). According to Kotta et al. (2024), taxpayer compliance is a situation in which taxpayers exercise their tax rights and fulfill all their tax obligations. This is in accordance with research Aura Hany et al. (2024) which reveals that nationalism, perceived behavioral control, subjective norms, and attitudes towards behavior are important determinants that influence tax compliance intentions. A key factor in driving compliance is tax awareness. Understanding general tax laws, types of taxes, tax subjects, tax objects, tax rates, and how to calculate and record taxes are all included in the definition of tax knowledge in this study (Yudha et al., 2023). According to a study conducted in Ghana by Appiah et al. (2024), voluntary tax compliance is significantly predicted by one's understanding of the tax system.

Tax knowledge

In this study, the author employs tax information as the variable X. The term "tax knowledge" is defined as the ability to comprehend the intricacies of taxation, including the intricacies of filing taxes, the identification of those subject to taxation, the types of taxes levied, the amount of taxes owed, and the means of obtaining pertinent information. Tax knowledge encompasses an understanding of the general tax regulations that apply in Indonesia, the various types of taxes that are levied within the country, including the specific entities and items that are subject to taxation, the applicable tax rates, and the methods for calculating and recording the taxes that are owed. Additionally, the author employs tax penalties as an additional variable in the study. Tax fines are costs

that are incurred when an individual or entity fails to fulfill their tax obligations.

Tax sanctions

In order to guarantee taxpayer compliance with the relevant regulations, Purnawan et al. (2019) posits that tax sanctions are designed to "ensure that the provisions of tax laws and regulations (also known as tax norms) will be followed." In other words, tax sanctions serve as a deterrent to prevent taxpayers from violating tax norms. The general public tends to believe that tax penalties can act as a deterrent to individuals filing their taxes on time. However, these penalties are also employed with the intention of discouraging people from paying taxes altogether. Tax evasion can be defined as the deliberate concealment of income, which is a criminal offence. States that tax sanctions serve as a guarantee that tax laws and regulations will be obeyed (Mulyati et al., 2020). A study conducted at the Bandung City SAMSAT Office Purnamasari et al. (2024) found a strong correlation between motor vehicle taxpayer compliance and tax sanctions.

MSME Context

Government Regulation No. 55/2022 establishes a special tax reduction scheme for MSMEs with a low rate of 0.5% for gross turnover below 4.8 billion rupiah per year. This aims to encourage tax compliance among MSME players (Setiadi, Literature Review).

Supporting Factors for Compliance

Some studies identify additional factors that influence tax compliance. First is trust in Government, found that voluntary tax compliance is strongly influenced by trust in government (Appiah et al., 2024). Next is pperceived tax fairness, research (Armin, 2016) shows that perceived fairness contributes to tax compliance behavior. And the last one is tax system complexity, studies (Andari Rusanti et al., 2021) indicate that a complex tax system can increase compliance costs.

Compliance Improvement Strategy

Several strategies can be considered to improve MSME tax compliance:

1. Tax Education: Suherdi & Tarmidi (2024) emphasize the importance of tax education that targets different groups of taxpayers.
2. Digitalization: Research Sebele-Mpofu (2020) in Ethiopia shows that technological innovation can improve tax compliance.
3. Strategic Communication: Hauptman & Žmuk (2024) proved that strategic messages from tax authorities can be an effective tool to increase compliance.

MSME tax compliance is a complex phenomenon that is influenced by various factors, including tax knowledge and tax sanctions. A comprehensive

approach that considers education, technology, and strategic communication can significantly improve tax compliance.

Research model

The relationship between independent and dependent variables can be seen from the scheme.

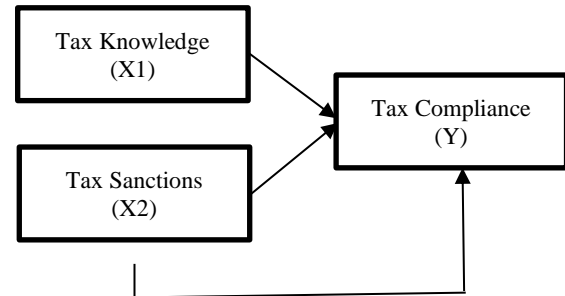


Figure 2. Research Model

H1 : Tax Knowledge has a significant influence on Compliance of MSME Taxpayers.

H2 : Tax Sanctions has a significant influence on Compliance of MSME Taxpayers.

H3 : Tax Knowledge and Tax Sanctions have a significant influence on Compliance of MSME Taxpayers.

RESEARCH METHODS

Study Location

After a comprehensive analysis of several key factors, the author has determined that the primary focus of this research is on micro, small, and medium enterprises (MSMEs) taxpayers in the Bandung City area. The author selected the Bandung City area as the study location due to the fact that MSMEs in the West Java region represent the largest sector in Indonesia. Furthermore, Bandung City is renowned for its culinary and shopping attractions, which provide a conducive environment for MSMEs. Additionally, the author observed a significant presence of MSMEs in the city of Bandung.

Operational table

Table 1. Tax Knowledge

Variable	Theory	Indicator
Tax Knowledge (X1)	Tax Knowledge is the basic understanding that individuals have to carry out their tax obligations. Tax subjects who have knowledge mean they are aware of their obligations and can improve the quality of life of the community (N.K.D.A. Putri et al., 2022)	1. Knowledge of general provisions and tax procedures. 2. Knowledge of the tax system in Indonesia 3. Knowledge of the function of taxation

Table 1 shows the operational table of the tax knowledge variable which contains the theory of the variable and its indicators.

Table 2. Tax Sanctions

Variable	Theory	Indicator
Tax Sanctions (X2)	Tax sanctions are designed to "ensure that the provisions of tax laws and regulations (also known as tax norms) will be followed." In other words, tax sanctions serve as a deterrent to prevent taxpayers from violating tax norms.	<ol style="list-style-type: none"> 1. Taxpayers know the purpose of motor vehicle tax sanctions. 2. The imposition of quite heavy sanctions is one way to educate taxpayers. 3. Tax sanctions must be imposed on taxpayers who violate zero tolerance.

Table 2 shows the operational table of the tax sanctions variable which contains the theory of the variable and its indicators.

Table 3. Tax Compliance

Variable	Theory	Indicator
Tax Compliance (Y)	Taxpayer compliance is a situation in which taxpayers exercise their tax rights and fulfill all their tax obligations	<ol style="list-style-type: none"> 1. Taxpayers understand or try to understand all provisions of tax laws and regulations; 2. Fill out the tax form completely and clearly 3. Calculate the amount of tax owed correctly. 4. Pay taxes owed on time.

Table 3 shows the operational table of the tax compliance variable which contains the theory of the variable and its indicators.

Analyze data

The author employs the causal method to ascertain the influence of one or multiple factors on other factors. In this study, the dependent variable is the group of individuals who pay taxes (Y). It should be noted that there is a distinction between tax knowledge (X1) and tax sanctions (X2). As stated by Sugiyono (2017, p. 68), a variable is considered independent if it has the potential to influence, cause, or increase the dependent variable. Nevertheless, the introduction of an independent variable results in fluctuations in the dependent variable. This research

employs a combination of fieldwork and literature review to collect data. This research employs a quantitative methodology. A data collection form was provided to MSMEs in West Java for completion. Sari & Johan (2024) defines this research as a survey research project that employs a treatment to obtain information from natural settings. In this survey, questionnaires are utilized to gather data from taxpayers engaged in micro, small, or medium-sized enterprise operations. Consequently, the primary source of data for this research is the manner in which information is gathered from individuals who complete the questionnaire.

The research questionnaire employs an interval scale, which is a method of measuring rank and the distance between the observed value and the value being measured. The research group comprises taxpayers who operate businesses in the Bandung City area, including both individuals and business entities. The research sample was drawn from the population of individuals residing in or around Bandung City who own and operate micro, small, or medium-sized businesses. The survey took a sample of 153 taxpayers because according to Hair et al (2018) the minimum sample size for this research is 100. This research uses "purposive sampling". Hauptman & Žmuk (2024) defines intentional sampling as sample selection based on criteria. Regression analysis is a technique used in data analysis to ascertain whether the independent variable has an impact on the dependent variable. SPSS was used to conduct the investigation. Standard assumption testing should be done before repeating regression testing to improve the accuracy of the model. We assume that the data in this investigation is heteroscedastic, multicollinear, normally distributed, and autocorrelation-free. The validity and reliability of the survey data were checked. The researchers used t-test, f-test, and coefficient of determination test to test the hypotheses after completing the standard assumption tests. These determine the type and intensity of influence as well as any relationship between variables.

RESEARCH RESULTS AND ANALYSIS

This study will examine the components of micro, small, and medium enterprises (MSMEs) in the Bandung City area that facilitate their compliance with tax laws. Tax knowledge is one of the many factors that influence tax compliance. This study will investigate the relationship between tax knowledge and tax sanctions. This is a crucial undertaking given the rapid growth of micro, small, and medium enterprises (MSMEs) and the significance of taxation as a national issue. The initial phase of this research was conducted in August 2024, during which the necessary resources and agendas were prepared. Subsequently, the author distributed questionnaires to respondents, beginning with several key informants from MSMEs in the researcher's network.

The analysis of the data obtained from the questionnaires yielded the following conclusions:

Table 4. Gender

Gender	Total	Percentage
Male	71	46.41%
Female	82	53.59%
Number of respondents	153	100%

Table 4 shows the comparison of the number of genders who filled out the questionnaire that the author made. The gender distribution of respondents to the survey is 53.59% women and 46.41% men. This discrepancy is likely attributable to the fact that the majority of women enter the business world with the objective of assisting their husbands in generating additional income, a goal that can be effectively achieved through sales. Conversely, the relatively low proportion of male respondents may be attributed to the preference of many men for office-based work. This gender-based occupational distribution is, however, a positive phenomenon. This is undoubtedly a beneficial phenomenon that has the potential to enhance the financial standing of the family unit.

Table 5. Age

Age	Total	Percentage
41-55 years old	45	29.41%
26-40 years old	85	55.56%
< 25 years old	23	15.03%
Number of respondents	153	100%

Table 5 shows a comparison of the age of respondents as MSME entrepreneurs. The results of the questionnaire indicate that the respondents, or micro, small, and medium enterprises, are predominantly comprised of individuals within the age range of 26-40 years, representing a total percentage of 55.56%. This is followed by the age range of 41-55 years, which accounts for a percentage of 29.41%. The youngest age group, under 25 years, constitutes the smallest percentage at 15.03%. The age range of 26-40 years represents the largest proportion of respondents, reflecting the fact that this is a productive age group. Individuals in this age range tend to possess both physical strength and a mature understanding of strategies, which are valuable assets in business.

Table 6. Level of Education

Level Of Education	Total	Percentage
S3	4	2.61%
S2	27	17.65%
S1	81	52.94%
Senior High School	41	26.80%
Number of respondents	153	100%

Table 6 shows the number of comparisons of educational backgrounds of respondents as MSME business actors. Based on the results of the questionnaire that the respondents or micro, small and medium enterprises, many are dominated by Bachelor graduates with a percentage of 52.94% followed by high school graduates with a percentage of 26.80%, then in third place are S2 graduates with a value of 17.65% and the last is S3 graduates with a percentage of 2.61%.

After the respondents were grouped, the author looked at the background of MSME actors before analyzing the results of the questionnaires distributed using a number of tests, including validity, reliability, and normality tests. Each variable has a number greater than the norm, and the results of the validity, reliability, and normality tests are all positive. The author also uses the t test.

Table 7. t-test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
1 (Constant)	3.637	2.524		4.213	.000
X1	.259	.085	.394	5.539	.000
X2	.252	.064	.363	3.647	.000

a. Dependent Variable: Y

Table 7 shows the results of the t-test in this paper. The public will be better able to comply with tax regulations if they have a good understanding of the regulations. This is evidenced by the results of the t-value of this variable of 5.539, which is higher than the important t-table figure of 1.960. This study supports the statement Saprudin et al. (2020) which states that the level of voter knowledge affects their willingness to comply with regulations. Of course, these results are in accordance with the hypothesis in this study that H1 = Tax knowledge will affect tax compliance. and the results can be a reference for the government to continue to provide tax education to the public so that MSME taxpayers understand the procedures for reporting and withholding taxes. Because with a good understanding, of course, they will be able to apply tax payments Waluyo (2020) When the level of compliance is high, of course state revenue will increase and of course the welfare of the community will also be affected. Third, tax sanctions that have an impact on compliance, among others, make people afraid or anxious not to report their taxes. Tax sanctions have a significant impact on people's willingness to pay taxes, as evidenced by the calculated t value of 3.647 > t table 1.960 in accordance with the hypothesis in this study H2 = Tax sanctions have an effect on compliance. The results of this study contradict the results of the study

(Ramadhanty et al., 2024) which states that people are not motivated to pay taxes because of tax sanctions. However, this analysis also confirms the findings of the study Ya'u et al. (2024) which shows that tax sanctions can increase compliance with regulations. There is much concern among the government about whether the current tax sanctions are strong enough to discourage people from paying taxes. The results of this study will add to these concerns. Of course, these findings can indicate that one of the reasons people pay taxes is tax sanctions.

Table 8. f-test

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	403.451	2	201.7255	7.282	.000 ^b
Residual	2743.731	127	21.599		
Total	3153.932	129			

a. Dependent Variable: Y

b. Predictors: (Constant), X1, X2

Table 8 shows the results of the f-test in this paper. The sig value based on the f test results is 0.000 because the F value of 7.282 is greater than the F table value of 2.686. The following is the result of the coefficient of determination test.

Table 9. Coefficients of determination test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.635 ^a	.549	.548	2.35322

a. Predictors: (Constant), X1, X2

Table 9 shows the results of the Coefficients of determination test in this paper. In addition to the findings of this study, other factors accounted for 45.1% of the variance in taxpayer compliance (R Square = 0.549). However, the variables of tax understanding and sanctions have been identified as having a significant influence, accounting for 54.9% of the variance in taxpayer compliance. The government is well positioned to utilize this considerable authority to improve tax compliance among MSMEs and thereby increase revenue for the state. It can be reasonably concluded that the two main factors that influence the likelihood of small and medium enterprises complying with tax regulations are knowledge and sanctions. It is widely recognized that the ever-changing nature of tax regulations presents significant challenges for individuals and businesses, making it difficult to fully understand the intricacies of these rules. Individuals with a greater understanding of taxation are more likely to have the knowledge necessary to pay taxes and file tax returns

accurately. Tax knowledge can be seen from the ability of the community to understand taxation in accordance with established regulations obtained through training, socialization, or even through formal education, (Putra, 2020). Likewise, the application of sanctions is very important, because the existence of sanctions alone is enough to cause fear and worry for those who do not fulfill their tax obligations or who try to evade taxes, this makes tax sanctions able to be a preventive measure for tax norms (Mardiasmo, 2019). Therefore, the wider community and government actors are obliged to provide regular education to the community, especially micro, small, and medium enterprises (MSMEs), about taxation. This education must include an explanation of the objectives, deductions, and tax reporting processes related to business activities. It is important to convey to the public that taxation is a vital mechanism for improving general welfare, and this must be the main message. Taxation is based on the idea that people must work together..

CONCLUSION

Based on the content of the talk and additional data testing and analysis, the following conclusions can be drawn.

1. The level of taxation knowledge of micro, small and medium enterprises in Bandung City determines how compliant they are with tax regulations. This study is in line with research conducted in Ghana by Appiah et al. (2024), voluntary tax compliance is significantly predicted by a person's understanding of the tax system. Understanding general tax regulations, tax subjects, types of taxes, tax objects, tax rates, to recording taxes and how to calculate them are all included in the category of tax knowledge in this study (Ambrus & Borbély, 2024). This is in line with the hypothesis in this study. Indonesia's large tax potential certainly needs to be maximized and a simple step that can have a positive impact is to provide an understanding of taxes.
2. Micro, small and medium enterprises in Bandung City will be subject to tax sanctions if they are required to comply with taxation and experience negligence. This study is in line with research conducted at the Bandung City SAMSAT Office Purnamasari et al. (2024) which found a strong correlation between motor vehicle taxpayer compliance and tax sanctions. Tutcu et al. (2023) used framing theory to evaluate tax policy, showing that a positive frame in the application of tax sanctions can be more effective in encouraging compliance. This is in line with the hypothesis in this study. The application of tax sanctions certainly has a positive impact on the current conditions, which shows a tax potential that was explained at the beginning of the research, which is capable of

providing very large income for the country, but has not yet been maximized.

3. In Bandung City, micro, small, and medium enterprises generally pay taxes because they realize that if they do not pay, they will be penalized.

Micro, small and medium enterprises in Bandung City can benefit from the findings of this study in terms of tax compliance guidance and support. State revenues will increase and community welfare will naturally improve as a result of effective taxpayer compliance. Of course, with this research, there also needs to be more efforts from the government to provide direction and guidance in taxation, especially for MSME players in Bandung City to improve their tax compliance. High tax compliance will certainly be a benefit for us together. As the function of taxes in general is to provide indirect benefits to the payer, but the benefits will certainly be felt by all elements of society.

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