

THE EFFECT OF UNDERSTANDING TAXATION REGULATIONS, TAXPAYER AWARENESS, FINANCIAL CONDITIONS AND CHANGES IN TAX PAYMENT METHODS ON COMPLIANCE OF MSME TAXPAYERS IN TEGAL CITY.

Febrianti Putri Anggraeni¹, Abdulloh Mubarak², Fahmi Firmansyah³

Faculty of Economics and Business, Pancasakti University Tegal.

Email:febriantiputrianggraeni2@gmail.com

ABSTRACT

The purpose of the study was to examine the influence of understanding tax regulations, taxpayer awareness, financial conditions and changes in tax payment methods on compliance of MSME taxpayers in Tegal City. The research method is quantitative with primary data acquired from distributing questionnaires. The sample in this study were 362 respondents and the sampling technique was carried out by purposive sampling. The data analysis method employed consists of validity test, reliability test, descriptive statistical analysis, normality test, multicollinearity test, heteroscedasticity test, f test, t test and determination coefficient test. The research results acquired are the variables of understanding tax regulations, taxpayer awareness and changes in tax payment methods affect taxpayer compliance. Meanwhile, the financial condition variable has no influence on taxpayer compliance.

Keywords: Understanding of Tax Regulations, Taxpayer Awareness, Financial Condition, Changes in Tax Payment Methods, Taxpayer Compliance

A. Introduction

The tax sector is the main source of state revenue, because more than 70% of the source of state revenue is from taxes, the rest from customs and excise, non-tax state revenue and grants. The government imposes taxes on individuals or entities that are compelling in nature, owed and must be paid without expecting direct rewards for the purpose of the state and the progress of the nation where the collection is based on the law. The MSME sector is one of the sectors that is a source of tax revenue. The Indonesian state will experience difficulties in developing and efforts to improve the welfare of the community without taxes. The MSME sector is one of the sectors that is a source of tax revenue (Wahyuni, 2019).

According to survey data from the Tegal City Cooperative, SME and Trade Office, the number of MSMEs in Tegal City reached 23,609. With the increasing number of

MSMEs, it is expected that there will be a contribution in increasing tax revenue. Micro, Small and Medium Enterprises can contribute significantly to economic growth despite having much lower turnover and income than large businesses. This is because MSMEs are present throughout Indonesia and have a considerable impact on the country's economy. In terms of avoiding deficits, the government makes efforts to maximize tax collection by encouraging taxpayer compliance in paying taxes (Andriyani, et. al, 2022).

Taxpayer compliance is a community effort in fulfilling their rights and obligations related to taxes. Taxpayer compliance in this case is important because it determines how obedient taxpayers are to tax regulations. This level of compliance affects the level of tax revenue although there are still many cases where tax revenue against the tax target cannot be achieved, due to several things such as taxpayers do not know how to fill out tax

returns and tax rules, can also not be aware of the importance of taxes for the country, or lack of financial conditions and the complexity of paying taxes directly and the appearance of complexity in paying taxes if done manually.

In fulfilling tax obligations, a taxpayer is influenced by two factors, namely internal and external factors. Internal factors of taxpayers in fulfilling their tax obligations include understanding tax regulations, taxpayer awareness and financial conditions. External factors of taxpayer compliance are changes in the method of tax payment.

The formulation of the problem and the purpose of this study is to determine whether there is an influence on the independent variables which include understanding of tax regulations, taxpayer awareness, financial conditions and changes in tax payment methods on the variable compliance of MSME taxpayers in Tegal City.

B. RESEARCH METHODS

This research uses quantitative research methods that focus on numerical data analysis and statistical processing. The population of this research was all tax subjects (MSME actors), namely 6,352 MSME actors registered at the Office of Cooperatives, Trade, and Small and Medium Enterprises of Tegal City. Sampling in this study employed purposive sampling. The sample in this study was 362 respondents acquired from the calculation of the Isaac and Michael formula and an inaccuracy rate of 5%. This study uses primary data acquired through distributing questionnaires to MSME taxpayers in Tegal City

Hypothesis

H1: Understanding tax

regulations has a positive influence on the compliance of MSME taxpayers in Tegal City.

H2: Taxpayer awareness has a positive influence on the compliance of MSMEs in Tegal City.

H3: Financial conditions have a positive influence on the compliance of MSME taxpayers in Tegal City.

H4: Changes in tax payment methods have a positive influence on taxpayer compliance MSMEs in Tegal City.

C. RESULTS AND DISCUSSION

RESULTS

Descriptive Statistics Test

Table 1
Descriptive Statistical Analysis Results

| | N | Minimum | Maximum | Mean | Std. Deviation |
|----------------------------------|-----|---------|---------|-------|----------------|
| Taxpayer Compliance | 362 | 13 | 50 | 39,70 | 6,479 |
| Understanding of Tax Regulations | 362 | 13 | 40 | 31,46 | 4,590 |
| Taxpayer Awareness | 362 | 16 | 50 | 38,53 | 5,905 |
| Financial Condition | 362 | 8 | 20 | 15,90 | 2,542 |
| Changes in Tax Payment Methods | 362 | 5 | 20 | 15,94 | 2,773 |
| Valid N (listwise) | 362 | | | | |

Source: Data processed by SPSS version 22

Based on table 1, the results of descriptive statistical analysis show that the taxpayer compliance variable has a minimum value of 13 and a maximum value of 50. The average value is 39.70 with a standard deviation of 6.479. The understanding of tax regulations variable has a minimum value of 13 and a maximum value of 40. The average value is 31.46 with a standard deviation of 4.59. The taxpayer awareness variable has a minimum value of 16 and a maximum value of 50. The average value is 38.53 with a standard deviation of 5.905.

The financial condition variable has a minimum value of 8 and a maximum value of 20. The average value is 15.9 with a standard deviation of 2.542. The variable change in tax

Results

payment method has a minimum value of 5 and a maximum value of 20. The average value is 15.94 with a standard deviation of 2.773. It can be determined that the data is considered evenly distributed because the standard deviation value is lower than the mean value.

Classical Assumption Test**Normality Test**

Table 2
Normality Test
Results

| | | Unstandardized Residual |
|---------------------------|----------------|-------------------------|
| N | | 362 |
| Normal | Mean | ,0000000 |
| Parameters ^{a,b} | Std. Deviation | 2,60486136 |
| Most | Absolute | ,052 |
| Extreme | Positive | ,052 |
| Differences | Negative | -,052 |
| Test Statistic | | ,052 |
| Asymp. Sig. (2-tailed) | | ,022 ^c |

After doing the normality test as in table 4.10, it can be seen that the significance value is 0.022 or less than the significance of 0.05. Therefore, testing is carried out again using Exact Monte Carlo and produces a normality test as follows.

Table 3
Monte Carlo Normality Test
One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|---------------------------|-------------------------|-------------------------|
| N | | 362 |
| Normal | Mean | ,0000000 |
| Parameters ^{a,b} | Std. Deviation | 2,60486136 |
| Most Extreme | Absolute | ,052 |
| Differences | Positive | ,052 |
| | Negative | -,052 |
| Test Statistic | | ,052 |
| Asymp. Sig. (2-tailed) | | ,022 ^c |
| Monte Carlo | Sig. | ,276 ^d |
| Sig. (2-tailed) | 99% Confidence Interval | |
| | Lower Bound | ,264 |
| | Upper Bound | ,287 |

Source: SPSS 22

Based on table 4.5 above, the significance value of 0.276 exceeds the significance value of 0, 05, it can be determined that the data is normally distributed.

Multicollinearity Test

Table 4
Multicollinearity Test

| Model | | Collinearity Statistics | |
|-------|----------------------------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | Understanding of Tax Regulations | ,540 | 1,851 |
| | Taxpayer Awareness | ,844 | 1,185 |
| | Financial Condition | ,812 | 1,232 |
| | Changes in Tax Payment Methods | ,539 | 1,855 |

Source: SPSS 22

Table 4 above indicates that the variables of understanding tax regulations, taxpayer awareness, financial conditions and changes in tax payment methods result in a tolerance value greater than 0.10 with a VIF value smaller than 10. It can be determined that there is no multicollinearity in this study.

Heteroscedasticity Test

In the Spearman Rho test results for heteokedastisitas, the results acquired a significant value of the variable understanding of tax regulations of 0.302, a significant value of the taxpayer awareness variable of 0.158, a significant value of financial conditions of 0.081 and a significant value of changes in tax payment methods of 0.082. All independent variables have a significant value > 0.05 which means the data escapes heteroscedasticity. Multiple Linear Regression Analysis

Table 6
Multiple Linear Regression

Table 5
Heteroscedasticity Test Results

| Variables | Sig. 2 tailed | Description |
|---------------------------------------|---------------|-----------------------------------|
| Understanding of Tax Regulations (X1) | 0,302 | No symptoms of heteroscedasticity |
| Taxpayer Awareness (X2) | 0,158 | No symptoms of heteroscedasticity |
| Financial Condition (X3) | 0,081 | No symptoms of heteroscedasticity |
| Changes in Tax Payment Methods (X4) | 0,082 | No symptoms of heteroscedasticity |

Source: Data processed by SPSS version 22

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|----------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1,118 | 1,224 | | -,912 | ,363 |
| | Understanding of Tax Regulations | ,369 | ,041 | ,261 | 9,022 | ,000 |
| | Taxpayer Awareness | ,090 | ,025 | ,082 | 3,536 | ,000 |
| | Financial Condition | ,011 | ,060 | ,004 | ,179 | ,858 |
| | Changes in Tax Payment Methods | 1,605 | ,068 | ,687 | 23,708 | ,000 |

Source: SPSS 22

Based on the results of the table above from the calculation of multiple regression analysis using the SPSS program, the regression equation is acquired as follows:

$$Y = -1.116 + 0.369X_1 + 0.090X_2 + 0.011X_3 + 1.605X_4 + e.$$

Based on the multiple regression equation, an analysis can be drawn that :

- The constant value (a) has a negative value of -1.116. This indicates that if all independent variables including understanding of tax regulations (X1), taxpayer awareness (X2), financial conditions (X3) and changes in tax payment methods (X4) are 0 percent (%) or have not changed, then taxpayer compliance is -1.116.
- The regression coefficient for the variable understanding of tax regulations is positive at 0.369, meaning that if the variable understanding of tax regulations increases by 1 percent, it will cause an increase in taxpayer compliance by 36.9% in Tegal City MSMEs.
- The regression coefficient for the taxpayer awareness variable is positive at 0.090, meaning that if the taxpayer awareness variable increases by 1 percent, it will cause an increase in taxpayer compliance by 9% in Tegal City MSMEs.
- The regression coefficient for the financial condition variable is positive at 0.011 meaning that if the financial condition variable increases by 1 percent, it will cause an increase in taxpayer

compliance by 1.1% in Tegal City MSMEs.

- The regression coefficient for the change in tax payment method variable is

positive at 1.605, meaning that if the change in tax payment method variable increases by 1 percent, it will cause an increase in taxpayer compliance by 160.5% in Tegal City MSMEs.

Hypothesis Test

F test

Table 7
F test

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1 | Regression | 12702,285 | 4 | 3175,571 | 462,822 | ,000 ^b |
| | Residuals | 2449,494 | 357 | 6,861 | | |
| | Total | 15151,779 | 361 | | | |

Source: SPSS 22

Based on the test results, the significant value of 0.000 is smaller than 0.05 and f count 462.822 is greater than f table 2.40, it can be determined that the regression model is feasible to use in this study.

T test

Table 8
T test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|----------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.116 | 1.224 | | -.912 | ,363 |
| | Understanding of Tax Regulations | ,369 | ,041 | ,261 | 9,022 | ,000 |
| | Taxpayer Awareness | ,090 | ,025 | ,082 | 3,536 | ,000 |
| | Financial Condition | ,011 | ,060 | ,004 | ,179 | ,858 |
| | Changes in Tax Payment Methods | 1,605 | ,068 | ,687 | 23,708 | ,000 |

Source: SPSS 22

Based on the test results, it can be interpreted that

- The variable understanding of tax regulations acquired a coefficient value of 0.369 positive sign and a significant value of 0.000 < 0.05 with it can be determined that the first hypothesis is accepted.
- The taxpayer awareness variable acquired a coefficient value of 0.090 with a positive sign and a significant

value of

0.000 < 0.05 , it can be determined that the second hypothesis is accepted.

3. The financial condition variable acquired a coefficient value of 0.011 with a positive sign and a significant value of

0.858 > 0.05, so it can be determined that the third hypothesis is rejected.

4. The variable change in tax payment method acquired a coefficient value of 1.605 with a positive sign and a significant value of 0.000 < 0.05, so it can be determined that the fourth hypothesis is accepted.

Coefficient of Determination

Table 9
Coefficient of Determination

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .916 ^a | .838 | .837 | 2,619 |

Source: SPSS 22

Based on the Adjusted R Square test results in the table above, the amount of R² is 0.837 or equal to 83.7%. This value indicates the ability of the variables of understanding tax regulations, taxpayer awareness, financial conditions and changes in tax payment methods in explaining variations in taxpayer compliance variables. The remaining 16.3% is explained by other variables outside this study.

DISCUSSION

The Effect of Understanding Tax Regulations on Compliance of MSME Taxpayers in Tegal City.

In the results of hypothesis testing using SPSS 22, a significant value of 0.000 < 0.05 was acquired and the coefficient value of 0.369 was positive so that H₁ was accepted. So it can be determined that understanding tax regulations (X₁) has a positive influence on MSME taxpayer compliance.

In this study, the understanding of tax regulations is good because taxpayers already have knowledge and understanding of tax regulations. In accordance with attribution theory which indicates that understanding tax regulations is an internal factor that can affect taxpayer compliance.

The results of research that are in line with this research are the research of Handriyani & Astawa (2022) which proves that understanding tax regulations has a positive and significant influence on MSME taxpayer compliance. Research conducted by Devi (2024) also supports this research, namely that understanding tax regulations has a positive influence on MSME taxpayer compliance.

The Effect of Taxpayer Awareness on Compliance of MSME Taxpayers in Tegal City.

In the results of hypothesis testing using SPSS 22, the significant value of the taxpayer awareness variable is 0.000 < 0.05 and the coefficient value of 0.090 is positive so that H₂ is accepted. So it can be determined that taxpayer awareness (X₂) has a positive influence on MSME taxpayer compliance.

In this study, MSME taxpayers in Tegal City have realized the importance of taxes for the state, rights and obligations as taxpayers, the deadline for submitting tax returns and sanctions if they do not pay. The results of this study are in accordance with attribution theory, namely taxpayer awareness is an internal factor that affects taxpayer compliance.

The results of this study are in line with research by Herdiatna & Lingga (2022) which indicates that taxpayer awareness has a significant and positive influence on taxpayer compliance. Research conducted by Iftakukhoiri & Bagana (2023) also proves that taxpayer awareness has a positive influence on taxpayer compliance.

The Effect of Financial Condition on Compliance of MSME Taxpayers in Tegal City.

In the results of hypothesis testing the financial condition variable has a significant value of 0.858 > 0.05 so that H₃ is rejected. So it can be determined that taxpayer awareness (X₃) has no influence on MSME taxpayer compliance.

In this study, some taxpayers are not satisfied

with the income earned and the
existence of taxes

is a burden for taxpayers when financial conditions are not healthy. Unhealthy cash flow makes taxpayers non-compliant with taxes due to circumstances that are beyond the control of taxpayers in the form of minimal income earned. In fact, without having to wait for a healthy financial condition, taxpayers still have to comply with their tax obligations such as annual tax returns (Antika, et. al 2021).

The results of this study are in line with the research of Mudiarti, Et. al (2020) which proves that financial conditions have no influence on MSME taxpayer compliance. Then supported by Riskillah's research, et. al (2022) which proves that the financial condition variable has no influence on the compliance of MSME taxpayers.

The Effect of Changes in Tax Payment Methods on Compliance of MSME Taxpayers in Tegal City.

Based on the results of hypothesis testing, it is acquired that the significant value of the variable change in tax payment method is $0.000 < 0.05$ and the coefficient value of 1.605 is positive so that H_4 is accepted. So it can be determined that changes in tax payment methods (X4) have a positive influence on MSME taxpayer compliance.

The easier it is for taxpayers to make tax payments, the more taxpayer compliance increases. This is in accordance with attribution theory where taxpayers choose to comply with taxes due to external factors, namely the existence of technology that makes it easier for taxpayers to pay taxes (Yanti & Wijaya, 2023).

The results of this study provide evidence from Fadilah's research, et. al (2021) which proves that changes in tax payment methods affect MSME taxpayer compliance. Another research that also supports is research by Putri, et. al (2024) which proves that changes in tax payment methods affect the compliance of MSME taxpayers in Tegal City.

CONCLUSION

From the analysis of hypothesis testing that has been done, it indicates that the financial condition variable does not have a significant influence on the compliance of MSME taxpayers in Tegal City, the variable understanding of tax regulations, taxpayer awareness and changes in tax payment methods have a positive influence on MSME taxpayer compliance in Tegal City.

UMKM taxpayers in Tegal City should further improve compliance with taxes because there are still those who have not complied with taxes related to the income earned is still small. For tax authorities, they can consider the level of understanding of tax regulations, taxpayer awareness and changes in tax payment methods to increase taxpayer compliance in paying taxes. For further researchers, they can add other variables that can affect taxpayer compliance, for example, such as tax sanction variables and tax rates.

LITERATURE

- Andriyani, L., Mustoffa, A. F., & Ardiana, T. E. (2022). Determinants of Compliance of MSME Taxpayers: Study of KPP Pratama Ponorogo. *MAXIMUM: Accounting Media of Muhammadiyah Semarang University*, 12(2), 121-133.
- Antika, F. N., S. M., & Budiman, N. A. (2021). Determinants of Umkm Taxpayer Compliance. *Journal of Accounting and Auditing Studies*, 15-28.
- Devi, S. (2024). The Effect of Understanding Tax Regulations, Tax Sanctions, and Self Assessment on Taxpayer Compliance for Business, Micro, Small, and Medium Enterprises (MSMEs) with Taxpayer Awareness as a Moderating Variable.

- Global Accounting: Journal of Accounting, 3(1), 1-11.
- Fadilah, L., Noermansyah, A. L., & Krisdiyawati. (2021). The Effect of Income Level, Tariff Reduction, and Changes in Payment Methods on the Compliance of MSME Taxpayers during the Covid-19 Pandemic. *Owner: Accounting Research & Journal*, 450-459.
- Habu, R. E., S. A., & D. K. (2021). The Effect of Taxpayer Awareness, Understanding Psak Emkm and Tax Relaxation on Taxpayer Compliance of Micro, Small and Medium Enterprises in Yogyakarta City. *Amnesty: Journal of Taxation Research*, 4(2), 357-375.
- Handriyani, P. E., & Astawa, I. B. (2022). The Influence of Income Level, Understanding of Tax Rules, and Tax Socialization on Compliance of MSME Taxpayers in Buleleng Regency. *Vocational: Journal of Accounting Research*, 11(1), 13-22.
- Herdiatna, M. R., & Lingga, I. S. (2022). The Effect of Tax Understanding and Taxpayer Awareness on Umkm Tax Compliance in Bandung City. *JAFTA*, 4(1), 13-28.
- Iftakukhoiri, I., & Bagana, B. D. (2023). The Effect of Taxpayer Understanding, Taxpayer Awareness and Tax Sanctions on Compliance of MSME Taxpayers in Semarang City. *Scientific Journal of Accounting Computerization*, 16(2), 471 - 488.
- Inayati, E. K., & Fitria, A. (2019). The Effect of Financial Conditions, Tax Sanctions, Taxpayer Awareness on Taxpayer Compliance. *Journal of Accounting Science and Research*, 1-15.
- Irawan, R. A., & A. P. (2022). The Effect of Tax Officer Service Quality, Tax Sanctions, Tax Rates and Financial Conditions on Taxpayer Compliance. *Jrak Journal of Accounting Research & Computerized Accounting*, 99-108.
- Kumala, R., & Junaidi, A (2020) 'The Effect of Understanding Tax Regulations, Tax Rates, Environment, and Taxpayer Awareness on Taxpayer Compliance in MSMEs'. *EMBISS: Journal of Economics, Management, Business, and Social*, 1(1), pp.48-55.
- Madjodjo, F., & Baharuddin, I. (2022). The Effect of Taxpayer Awareness and Fiscal Services on MSME Taxpayer Compliance. *Gorontalo Accounting Journal*, 50-67.
- Meidiyustiani, R., Qodariah, & Sari, S. (2022). The Effect of Taxpayer Understanding, Tax Officer Services, Taxpayer Awareness, and Education Level on MSME Taxpayer Compliance. *Journal of Bina Akuntansi*, 9(2), 184 - 197.
- Mudiarti, H., Lestari, A., & Setiawan, B. (2020). The Effect of Tax Awareness, Moral Obligation and Financial Condition on Tax Compliance. *Journal of Sharia Economics and Accounting*, 1(2), 17-20.
- Putra, P. P., Hardika, N. S., & Suarjana, A. M. (2024). Analysis of Factors Affecting Compliance of MSME Individual Taxpayers. *Actual Journal of Applied Business Accounting*, 7(1), 63-80.
- Putri, K. W., A. A., & R. Y. (2024). The Effect of Income Level and Changes in Payment Methods on Compliance of MSME Taxpayers. *NCAF: Proceeding of National Conference on Accounting & Finance* (pp. 52-61). Yogyakarta: Islamic University of Indonesia.
- Riskillah, A., Irawan, & Rachman, A. A. (2022). The Effect of Taxation Knowledge,

- Financial Condition and Environment on MSME Taxpayer Compliance (Case Study of MSMEs in Bandar Lampung City). *ESAI Scientific Journal*, 16(1), 1-14.
- Rizki, M., & Farina, K. (2022). The Effect of Taxpayer Awareness, Understanding of Taxation and Tax Sanctions on Umkm Taxpayer Compliance at Tohaga Cibirong Market. *Trilogi Accounting And Business Research*, 03(02), 273-282.
- Rositayani, K. D., & Purnamawati, I. A. (2022). The Effect of Religiosity, Taxpayer Awareness, Socialization, and Moral Obligation on MSME Taxpayer Compliance during the Covid-19 Pandemic. *JIMAT (Accounting Student Scientific Journal)*, 331-343.
- Wahyuni, S. (2019). The Effect of Understanding Tax Regulations and Dimensions of Fairness on Compliance of MSME Taxpayers. *JAD: Dewantara Journal of Accounting & Finance Research*, 2(2), 71-81.
- Widodo, H. S., & Sari, D. P. (2020). Understanding of Taxation, Tax Awareness and Income Level as Determinants of MSME Tax Compliance. *Imanensi Journal of Islamic Economics, Management, and Accounting*, 79-92.
- Yanti, L. D., & Wijaya, V. S. (2023). The Effect of Taxation Knowledge, Tax Rates, Tax Payment Mechanisms and Tax Sanctions on MSME Taxpayer Compliance. *eCo- Buss*, 6(1), 206-216.
- Yulianti, L. N. (2022). The Effect of Taxation Socialization, Taxpayer Awareness, and Understanding of Tax Incentives on MSME Taxpayer Compliance during the Covid-19 Pandemic. *Scientific Journal of Management and Entrepreneurship*, 46 - 53.
- Yunia, N. S., Kusuma, I. N., & Sudiartana, I. M. (2021). The Effect of Understanding Tax Regulations Quality of Fiscal Services, Tax Sanctions, Taxpayer Awareness and Reduction in MSME Tax Rates Pp No. 23 of 2018 on Mandatory Compliance with Risk Preference as a Moderating Variable. *Kharisma Journal*, 3(1), 106-116.

