Original Article

Influence Quality of Service, Taxpayer Knowledge and Taxpayer Awareness Towards Taxpayer Compliance

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Abstract

This study examines the factors influencing tax compliance among small and medium-sized enterprises (MSMEs) in West Jakarta. The research analyzes three key factors: quality of tax services, taxpayer knowledge, and taxpayer awareness. Using a quantitative approach, primary data was collected through online questionnaires distributed via Google Forms to 135 MSME taxpayers in West Jakarta. The data was analyzed using the Partial Least Square (PLS) method. The findings reveal that both taxpayer knowledge and awareness have significant positive effects on tax compliance. Specifically, taxpayers with better understanding of tax payment procedures and those with higher awareness of their tax responsibilities demonstrate increased compliance levels. These results align with previous research that established positive relationships between taxpayer knowledge, awareness, and compliance. Notably, the study found that service quality has no significant impact on taxpayer compliance, suggesting that the level of tax services does not influence taxpayers' willingness to fulfill their obligations. These findings contribute to the understanding of tax compliance behavior among MSMEs and have implications for tax policy and administration.

1. Introduction

Taxes serve as the fundamental pillar and underpinning of a nation's economy, playing a crucial role in providing stability, protection, and assurance for both the nation and its populace. The projected state revenue for the 2023 fiscal year is anticipated to amount to IDR2,443.6 trillion, reflecting a rise from the previous year's figure of IDR2,436.9 trillion. This growth is fueled by tax income totaling IDR2,016.9 trillion and non-tax state earnings (PNBP) of IDR426.3 trillion.

The government is making various efforts to increase tax revenues which the government uses to finance national development. To boost income from regional taxes, the Indonesian government implements new laws and regulations specific to regional taxes and levies. This action by the government is aimed at supporting and improving the regional tax sector. The Law Number 16 of 2009, which amends the Government Regulations from 2008 and the Law from 1983 regarding tax procedures, officially declares this stance *"Tax is a mandatory contribution to the state owed by individuals or bodies that is mandatory based on the Law, without receiving direct compensation and used for state needs for the greatest prosperity of the people"*.

Tax payments are an obligation and a manifestation society in collecting funds for financing sources for national development in order to improve the welfare of the entire

community through development and improvement of public services. State revenues in Indonesia are dominated by the tax sector according to Table 1 as follows:

Table 1. Realization of State Revenue in 2019 – 2022 (Billion Rupiah)

Description	Years			
	2019	**2020**	**2021**	**2022**
Income Pen Country	1,955,136.20	1,628,950.53	2,006,334.00	2,346,867.10
Tax Revenue	1,546,141.90	1,285,136.32	1,547,841.10	1,924,937.50
Percentage	**79.08 %**	**78,89 %**	**77,15 %**	**82,02 %**

From the table 1, it can be seen that the data on the realization of state revenue in Indonesia in 2019 to 2020 decreased, in 2019 it was IDR 1,955,136.20 billion to IDR 1,628,950.53 billion in 2020. While in 2021 and 2022, revenue increased to IDR 2,006,334.00 billion and IDR 2,346,867.10 billion. However, the percentage of tax revenue in Indonesia is very large in state revenue and dominates state revenue every year according to the table in 2019 tax revenue reached 79.08% of state revenue, in 2020 reached 78.89%, in 2021 it reached 77.15% and in 2022 it reached 82.02%.

One of the most prominent factors and greatly affects the level of tax revenue is public compliance with taxes. With tax compliance, so many benefits can be received by the public from taxes. One of them, taxes can improve economic growth in Indonesia. The objective of this research is to identify the elements that can impact the extent to which taxpayers adhere to regulations.

A significant portion of tax income is generated by micro, small, and medium-sized businesses. Micro, small, and medium-sized enterprises (MSMEs) are crucial contributors to the economies of many nations. MSMEs are the most dynamic companies in transitional and developing economies, in other words, successful MSMEs play a unique function in the economy and social development in developing and developed countries, they have a big role in reducing unemployment and poverty (Tekola & Gidey, 2019).

The Ministry of Finance's Directorate General of Taxes has reported that income tax (PPh) from the MSME sector totalled IDR 7.5 trillion, which is equivalent to 1.1 percent of total PPh revenues. The low level of tax knowledge and comprehension has resulted in a minimal contribution from MSMEs to tax revenues. Neilmaldrin Noor, Director of Counseling, Services, and Public Relations at the Directorate General of Taxes (DJP), stated that they are implementing several strategies to enhance tax literacy among MSMEs. Efforts are being made, including collaborating with tax centres in Indonesian universities. Finance Minister Sri Mulyani Indrawati has urged all departments in the Ministry of Finance to enhance the management of funds for Micro, Small, and Medium Enterprises (MSMEs), emphasizing the need for continual improvement in the role of MSMEs in the tax sector. The enhancement of MSMEs is crucial as this sector significantly contributes to Indonesia's Gross Domestic Product (GDP), accounting for 60 percent. The insufficient tax revenue from MSMEs is evident from the ratio between registered taxpayers and those who submit their tax returns.

The following is data regarding the reporting of Annual Tax Returns for Individuals of MSMEs in West Jakarta for 5 years:

Table 2. Taxpayer Tax Return Reporting Ratio for MSMEs in West Jakarta

Years	Number of Registered Taxpayers	Number of Taxpayers Reporting Tax Return	Ratio
2017	82,566	64,717	78.38%
2018	89,444	67,981	76.00%
2019	96,391	69.204	71.80%
2020	99,543	71,356	71.69%
2021	101,712	68,929	67.77%

According to the information provided in Table 2, the goals for Taxpayer Compliance have not been achieved, suggesting that there is room for improvement. The main hurdle in taxation remains the reluctance of taxpayers to fulfill their obligations due to the fear of income deductions. Additionally, the inconsistent reporting of SPT by taxpayers also contributes to the low compliance rate (Fadillah & Ika, 2021). The lack of education provided by the tax authorities to taxpayers is also the reason why they are only registered as taxpayers but do not report their SPT. The statement above has proven that many Taxpayers do not comply with their obligations.

In increasing the role of MSME taxpayers in the West Jakarta area, the government must make taxpayers compliant and public concern regarding MSME tax contributions. The reasons for taxpayers not complying with tax regulations are linked to the standard of service provided, their knowledge of tax laws, and their understanding of their tax responsibilities (Riadita & Saryadi, 2019).

Taxpayer compliance can be influenced by the quality service. According to Junaedi (2020) in essence compliance Taxpayers are influenced by service conditions and monitoring systems. Service quality in MSME taxes is an activity to fulfill the needs of individuals or bodies in terms of administration and MSME tax payments, which can provide satisfaction, according to with existing regulations. The tax service process starts from the stage Distribution of Tax Notification Letters (SPT) up to the implementation of payments through the place system payment (Sistep). Good service quality will improve taxpayer compliance of MSMEs.

Tax expertise involves a taxpayer's comprehension of tax laws, including both applicable tax rates mandated by legislation and tax advantages that can enhance the quality of life for individuals (Erawati & Parera, 2017). In order to raise public awareness, it is essential to have a good understanding of tax laws, the significance of taxes in the country's progress, and to clarify the government's allocation of tax revenue (Wicaksono & Lestari, 2017).

Taxpayer awareness is also a key factor in determining tax compliance. In Indonesia, the General Provisions and Tax Procedures Law (UU KUP) Number 6 of 1983, revised by Law Number 28 of 2007, outlines a self-assessment tax system. This system places the onus on taxpayers to register for a Taxpayer Identification Number (NPWP) and take responsibility for calculating, accounting for, paying, and reporting their own taxes.

The objective of this research is to investigate what influences small and medium-sized enterprises (MSMEs) in West Jakarta to comply with tax regulations. The study looks at three main factors: the quality of tax services, the level of taxpayer knowledge, and taxpayer awareness. The importance of this study is in its ability to shed light on the behavior of MSMEs in West Jakarta when it comes to tax compliance, which can guide focused actions by tax authorities and assist in determining how resources should be divided between enhancing services and educating taxpayers.

2. Literature Review

2.1. Compliance Theory

According to Sandmo (2002), the idea behind the compliance theory is that the reluctance to pay taxes stems from economic factors. According to this theory, people are not inclined to voluntarily pay taxes, leading to a tendency to avoid tax payments. Compliance theory delves into the concept of adhering to rules or commands, turning into non-compliance when breaking the law. By focusing on enhancing tax laws, tax rates, and the quality of tax services, one can work towards boosting taxpayer compliance.

2.2. Behavioral Theory

The Theory of Reasoned Action proposed by Ajzen and Fishbein (2000), and updated with the Theory of Planned Behavior by Ajzen (1991), has been used in recent decades to study desire and behavior. The theory of reasoned action posits that an individual's intentions dictate their behaviour, whether it involves carrying out a specific action or not. On the other hand, the theory of Planned Behavior states that human actions are influenced by three different types of beliefs: attitudes, subjective norms, and behavioural control.

2.3. Previous Research

2.3.1. The Influence of Service Quality on Tax Compliance of MSMEs

The tax services quality offered by tax officers are crucial for ensuring taxpayer compliance. Effective services from tax officers can result in increased adherence to tax payment obligations from taxpayers. Improved quality of service from tax officers can positively impact taxpayer compliance with their tax responsibilities (Imani & Furqon, 2022). According to the Theory of Planned Behavior, the level of tax services provided plays a significant role in encouraging taxpayers to comply. Normative beliefs are opinions about the approval or disapproval of a person or group that can impact an individual's actions. Research findings by Ferry and Waluyo (2019) which states that service quality has a positive effect on taxpayer compliance support the idea that the quality of tax services affects compliance rates among taxpayers. The greater the quality of service offered, the greater the taxpayer's willingness to comply.

2.3.2. The Influence of Tax Knowledge on Tax Compliance of MSMEs

In the theory of planned behavior, tax knowledge, both knowledge about the results of tax payments and tax sanctions, will give rise to trust in the tax authorities, which will then give rise to an intention from taxpayers and ultimately give rise to taxpayer compliance behavior. They will know the benefits they will get, where the tax will be used, and tax sanctions. This will have an impact on compliance, which initially began with fear of sanctions, into voluntary compliance. Tax knowledge will also help taxpayers themselves in enjoying the facilities provided by the Directorate General of Taxes. So that they will realize that tax justice is also one of the government's goals. This will give rise to trust in the Directorate General of Taxes, and they will voluntarily implement existing regulations. Previous studies (Soda et al., 2021; Wicaksono & Lestari, 2017) discovered that the more familiar a taxpayer is with tax laws, the more likely they are to follow them. This means that a taxpayer's understanding of their tax responsibilities and rights can impact their choice to follow tax laws.

2.3.3. The Influence of Taxpayer Awareness on Tax Compliance of MSMEs

Safitri and Tambun (2017) defines awareness as the state of knowing and understanding, implying that tax awareness is when an individual is aware of their tax rights and

responsibilities. Tax compliance improves when taxpayers have the willingness and awareness to meet their tax obligations. In line with the Theory of Planned Behavior, taxpayer awareness is connected to behavioral beliefs, suggesting that an individual's attitude can impact their motivation to act based on the anticipated outcomes. In his research (Perdana & Dwirandra, 2020) stated that high taxpayer awareness will affect the level of compliance, where when someone has a high awareness of their obligations as a taxpayer, that person will be obedient and compliant in carrying out their tax obligations.

3. Methods

The investigation took place in 2023 in West Jakarta, with a focus on MSME participants. West Jakarta is a part of the Special Capital Region of Jakarta, Indonesia. The research methodology adopted was quantitative, with a causal approach aimed at exploring the relationship between service quality, tax knowledge, and taxpayer awareness on taxpayer compliance. According to Sugiyono (2016) quantitative research is research that obtains data in the form of numbers. According to Arikunto (2002) that quantitative research is research with using numbers, qualifying a sample against a population and calculate the characteristics of the research variables.

3.1. Population & Sample

According to Chin (1998) the research in this study utilises purposive sampling as its sampling technique. This method involves selecting participants based on specific criteria that align with the study's requirements, focusing on particular audiences or communities that can offer the necessary information. Having a sample size that is too large could complicate the development of a suitable model, hence the ideal sample size recommended falls between 100-200 respondents to allow for accurate interpretation estimates using the Structural Equation Model (SEM). Therefore, the number of samples will be determined based on the outcome of the minimum sample calculation. According to Hair et al. (2011), determining the minimum sample size for SEM involves multiplying the number of indicators by a factor between 5 to 10. As per this guidance, the maximum sample size for this study equates to: Minimum sample = 27 x 5 = 135 respondents. Consequently, following these calculations, the total number of participants stands at 135.

3.2. Data Collection

The author conducted the research by distributing questionnaires and collecting the necessary data using an ordinal scale with data collection using a questionnaire media in the form of a Google form, with a list of questions or statements submitted to respondents which were distributed through several social media owned by the researcher.

3.3. Data Analysis

The study utilised Structural Equation Modelling (SEM) with a second order concept approach, facilitated by Partial Least Squares (PLS), for data analysis. The evaluation process involved steps such as performing Convergent Validity analysis, with criteria such as outer loading analysis (> 60), Cronbach's Alpha analysis, and Composite Reliability, with a threshold set at > 0.70. In addition, in convergent validity, the Average Variance Extracted test is also carried out with a cut off> 0.50 (Hair et al., 2011).

Once the procedure is completed, a discriminant validity analysis is conducted using the Fornell Larcker Criterion method, along with a cross loading analysis. The following step in analysing the data involves performing an inner model analysis to determine the R-squared

value, while hypothesis testing is done using the t-statistic test. If the p-value is less than 0.05 or the T-statistic is greater than 1.96, it signifies that the tested effect is significant; otherwise, the result is insignificant.

4. Results and Discussion

4.1. Research Results

4.1.1. Demographic Responded

Once all data and information have been gathered, the next step is to process the data. The demographics of the respondents are presented in table 3 based on the identification of the respondent data:

Tabel 3. Respondent Demographic

Demographic	Freq	Percent
Gender		
Male	54	40.00
Female	81	60.00
Age		
18 – 22 Years	9	6.67
23 – 27 Years	15	11.11
28 – 32 Years	21	15.56
33 – 37 Years	18	13.33
38 – 42 Years	14	10.37
> 42 Years	58	42.96
Education		
Senior High School	68	50.37
Diploma	14	10.37
Bachelor	24	17.78
Master	2	1.48
Total	**135**	**100**

In the table above, it can be seen that most of the respondents are female, which is 81 people or 60% of the total respondents, while the remaining 54 people or 40% of the other respondents are male. According to the survey results, it was found that 58 respondents or 42.96% of respondents were over 42 years old, while the respondents with the smallest number were those aged between 18 and 22 years old, then from the survey results it was also found that 68 people or 50.37% of respondents had formal education at the senior high school level, while respondents with master's level education were the respondents with the smallest number, which was 2 respondents.

4.1.2. Descriptive Analysis

a. Taxpayer Compliance

The Taxpayer Compliance Variable is determined by six statement items. The results of the data analysis are displayed in table 4 as per the data identification process conducted:

Table 4. Descriptive Variables of Taxpayer Compliance

No	Statement	Mean	TCR	Result
1	I have registered to obtain a NPWP independently and am aware of myself as an MSME taxpayer.	4.10	82.00	High
2	I am always on time in paying my income tax due.	4.05	81.00	High
3	I am always on time in submitting my SPT	4.08	81.60	High
4	I always fill out the SPT correctly, completely and clearly and sign it.	4.13	82.60	High
5	I have calculated the amount of tax in accordance with Government Regulation Number 23 of 2018 concerning income tax.	3.98	79.60	Moderate
6	I have no tax arrears	4.19	83.80	High
	Average	4.08	81.60	High

The table 4 above shows that most respondents gave the highest rating in responding to the statement that business actors do not have tax arrears. Respondents awarded a rating of 4.19, which was the highest score, and they gave the lowest score when asked about whether business actors are complying with Government Regulation Number 23 of 2018 on income tax calculations. The average score from the feedback received was 3.98. The overall average rating was 4.08 with a Respondent Achievement Level (TCR) of 81.60%. Thus, it can be concluded that compliance in paying taxes in the West Jakarta area is relatively high.

b. Quality of Service

The quality of service is assessed by 10 different statement items. The information collected from respondents is then analysed to produce the details shown in the table below:

Table 5. Descriptive Variables of Service Quality

No	Statement	Mean	TCR	Result
1	Tax officers are responsive in helping to resolve problems faced by taxpayers.	3.95	79.00	Moderate
2	Tax officers are always ready to help resolve problems/questions from taxpayers.	3.97	79.40	Moderate
3	Tax officers have a good grasp of tax regulations so they can help taxpayers.	4.08	81.60	High
4	Tax officers maintain the confidentiality of data from each taxpayer	4.08	81.60	High
5	Tax officers communicate well	4.07	81.40	High
6	Tax officers look neat	4.14	82.80	High
7	Tax officers are friendly and polite in serving every Taxpayer	4.04	80.80	High
8	Tax officers provide convenience in service	4.10	82.00	High
9	Tax officers provide good service	4.08	81.60	High
10	Tax officers have provided timely service	4.01	80.20	High
	Average	4.05	81.00	High

According to the information provided in the table, it is evident that the majority of participants rated the statement indicating that business operators believe tax officials are well-dressed the highest. The average rating given by participants for all statements was 4.14, whereas the lowest rating was for the statement where business operators felt tax officials were not responsive in assisting with taxpayer issues, with an average rating of 3.95. Overall, the

average rating obtained was 4.05, with an 81.00% Respondent Achievement Level (TCR), suggesting that taxpayer awareness in West Jakarta is relatively strong.

c. Taxpayer Knowledge

Taxpayer Knowledge Application variable is measured by 5 statement items . Based on the results of the respondent data identification, the description is obtained as shown in the following table:

Table 6. Descriptive of Taxpayer Knowledge Variables

No	Item Code	Mean	TCR	Result
1	I know that paying taxes is the obligation of every citizen and has the function of financing national development and public facilities for the community.	4.13	82.60	High
2	I always follow the changes in applicable tax regulations.	4.03	80.60	High
3	I understand and comprehend the general provisions and procedures for taxation.	3.99	79.80	Moderate
4	I understand how to calculate the tax payable that must be paid	3.82	76.40	Moderate
5	I understand that the taxation system in Indonesia is a self-assessment system (calculating, accounting for, depositing and reporting by yourself)	3.90	78.00	Moderate
	Average	3.97	79.40	Moderate

According to the data in the table provided, the majority of participants rated the statement that business actors recognise the importance of paying taxes and understand the role it plays in funding national development and public services very highly. The average score given by participants for all statements was 4.13, with the lowest score given for the statement regarding understanding how to calculate tax payments. This statement received an average score of 3.82. The overall average score was calculated to be 3.98, indicating that participants have a good level of knowledge about taxation. The level of achievement among participants was 79.40%, suggesting that business actors in West Jakarta have a relatively strong understanding of tax responsibilities.

d. Taxpayer Awareness

The taxpayer awareness variable is measured by 6 statement items. Based on the results of the respondent data identification, the following description of the results is obtained as shown in table 7:

Table 7. Descriptive Variables Taxpayer Awareness

No	Statement	Mean	TCR	Result
1	I am aware and know about the existence of tax laws and provisions.	3.96	79.20	Moderate
2	I am aware that tax is a mandatory contribution to the state owed by individuals or bodies which is of a coercive nature.	3.96	79.20	Moderate
3	I Calculate, pay, report taxes voluntarily	3.99	79.80	Moderate
4	I am aware that paying taxes is an obligation for every citizen, especially those who already have a NPWP.	4.05	81.00	High
5	I am aware that the taxes paid can be used for national development.	4.11	82.20	High
6	I calculate, pay and report taxes correctly	4.02	80.40	High
	Average	4.01	80.20	High

As per the data in the table 7, it was discovered that the majority of participants rated the aspect of business entities being conscious of the fact that their taxes contribute to national development very highly. Respondents gave an average rating of 4.11, with the lowest ratings given for familiarity with tax laws and understanding that taxes are compulsory contributions to the government.

4.1.3. Structural Equation Modeling

a.   Convergent Validity

After analysing the processed data, the outcomes of the second-order convergent validity test can be seen in Figure 1.
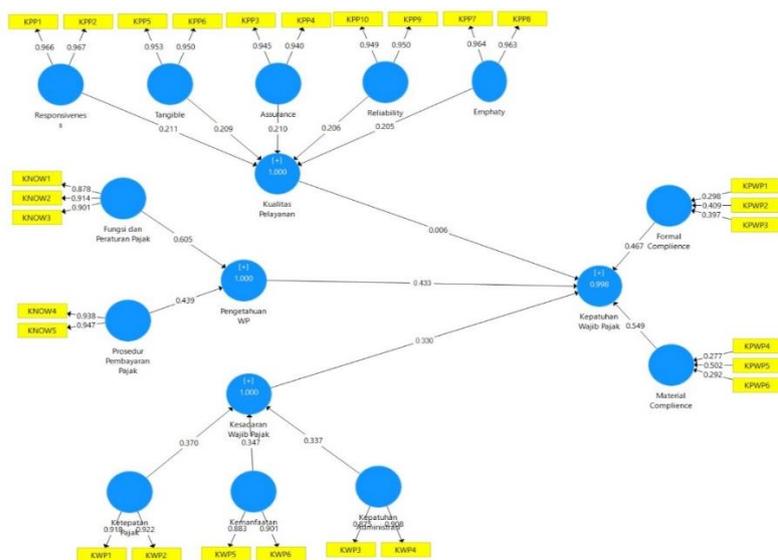

Figure 1. Second Order Convergent Validity Test Results

b.   Discriminant Validity Analysis

The approach used in Discriminant Validity Fornell Larcker Criterion. After conducting the necessary tests, the findings have been summarised in Table 8 below.

Table 8. Discriminant Validity Fornell Larker Criterion

	Assurance	Emphaty	Formal C	Fungsi da	Kemanfa	Kepatuha	Kepatuha	Kesadara	Ketepata	Kualitas P	Material	Pengetah	Prosedur	Reliability	Responsi	Tangible
Assurance	0,983															
Emphaty	0,887	0,964														
Formal Complience	0,724	0,584	0,965													
Fungsi dan Peraturan Pajak	0,765	0,702	0,944	0,928												
Kemanfaatan	0,679	0,647	0,747	0,863	0,912											
Kepatuhan Administrasi	0,69	0,631	0,753	0,881	0,879	0,901										
Kepatuhan Wajib Pajak	0,741	0,611	0,981	0,824	0,763	0,742	0,9									
Kesadaran Wajib Pajak	0,736	0,682	0,789	0,923	0,955	0,949	0,797	0,899								
Ketepatan Pajak	0,722	0,659	0,74	0,877	0,84	0,825	0,757	0,94	0,896							
Kualitas Pelayanan	0,959	0,968	0,685	0,767	0,693	0,703	0,706	0,749	0,731	0,892						
Material Complience	0,731	0,609	0,938	0,806	0,748	0,708	0,986	0,775	0,744	0,698	0,888					
Pengetahuan WP	0,745	0,657	0,849	0,97	0,871	0,881	0,857	0,932	0,896	0,742	0,843	0,877				
Prosedur Pembayaran Pajak	0,643	0,531	0,811	0,832	0,796	0,794	0,818	0,853	0,832	0,633	0,809	0,942	0,873			
Reliability	0,923	0,962	0,638	0,722	0,651	0,662	0,657	0,707	0,697	0,98	0,646	0,698	0,597	0,872		
Responsiveness	0,891	0,861	0,686	0,733	0,642	0,679	0,698	0,722	0,729	0,933	0,68	0,729	0,65	0,88	0,868	
Tangible	0,906	0,945	0,657	0,765	0,709	0,714	0,683	0,749	0,705	0,967	0,674	0,734	0,62	0,949	0,85	0,851

In the table 8 above, it can be seen that each variable has a correlation above 0.70, in addition, the variables in the first quadrant have a higher correlation coefficient value

compared to the variables in the same row or the variables in the next quadrant, while the variables in the second quadrant also have a larger correlation coefficient compared to the variables below it or the variables in the third, fourth and subsequent quadrants, hence, it can be deduced that all research variables have been assessed using the correct measurement tool, allowing for immediate progression to the next stage of data analysis.

c.   Structural Model Analysis (Inner Model)

1) Q-Square Analysis

The Q square measure is used to evaluate how accurately changes in variables can predict endogenous variables in PLS. It determines the extent to which predictions are valid and suitable. According to Hair et al. (2011), a Q square value of 0 indicates low predictive influence, while values of 0.25 and 0.50 suggest moderate and high influence, respectively.

Table 9. Q-square Analysis Results

	SSO	SSE	Q^2
Taxpayer Compliance	810.000	166.545	0.796
Taxpayer Awareness	810.000	226.608	0.720
Service Quality	1350.000	223.778	0.834
Knowledge	675.000	159.660	0.763

According to the Q square test table provided, it is evident that the Q square value for the taxpayer compliance variable is 0.796, which exceeds the threshold of 0.50, which means that taxpayer compliance has a high predictive influence so that every change in the variable can predict every change in taxpayer compliance.

2) Coefficient of Determination (R^2)

The purpose of R-squared analysis is to assess the extent to which the independent variables impact the variations in the dependent variable, as indicated by a percentage. The outcomes of the analysis are detailed in Table 9, presented in the section below.

Table 10. Results of R-square Analysis

	R^2	R^2 Adjusted
Taxpayer Compliance	0.998	0.998
Taxpayer Awareness	1.000	1.000
Service Quality	1.000	1.000
Knowledge	1.000	1.000

The value of R Square (R^2) can be considered as a measure of how well the exogenous construct can account for the endogenous construct. A high R2 value, such as 0.998, indicates a strong relationship between the two constructs.

d.   Hypothesis Testing

Direct effect testing is done by observing the original sample coefficient and t-statistic testing. Based on the results of the tests that have been carried out, the results are shown in Table 10 below:

Table 11. Hypothesis Testing Results

	Original Sample	T-statistic	P-value	Results
Quality of Service -> Taxpayer Compliance	0.006	0.884	0.377	Insignificant
Taxpayer Knowledge -> Taxpayer Compliance	0.433	3,541	0,000	Significant
Taxpayer Awareness -> Taxpayer Compliance	0.330	2,774	0.001	Significant

The table indicates that the service quality variable has a path coefficient of 0.006. This is supported by a P-value of 0.377. A data processing procedure was conducted with an error rate of 0.05. The results reveal a P value> 0.05, leading to the conclusion that service quality does not significantly impact MSME taxpayer compliance in West Jakarta.

The second hypothesis test results show that the taxpayer knowledge variable has a path coefficient of 0.433. A P-value of 0.000 was statistically obtained. Data processing used an error rate of 0.05, resulting in a P value <0.05. Consequently, Ho is rejected and H2 is accepted, indicating that taxpayer knowledge positively influences taxpayer compliance for MSMEs in West Jakarta.

In the third hypothesis testing stage, it is seen that taxpayer awareness has a path coefficient of 0.330. This finding is statistically strengthened by a *P-value* of 0.001. The data processing stage is carried out using an error rate of 0.05. The results obtained show a P value <0.05. So, the decision is that Ho is rejected and H3 is accepted so that it can be concluded that the ability to innovate has a positive effect on taxpayer compliance of MSMEs in the West Jakarta area.

4.2. Discussion

4.2.1. The Influence of Service Quality on Tax Compliance of MSMEs in West Jakarta

After conducting the hypothesis test, it was determined that there is no evidence to suggest that the quality of tax services has a beneficial impact on the compliance of MSME taxpayers. The majority of respondents agree with the high commitment of tax officials in maintaining their data identity amidst the issue of the spread of data hackers and also the attitude of taxpayers who feel helped and benefited because of good and adequate facilities and infrastructure (Viantiaraini et al., 2024). Referring to the theory of planned behavior, the facilities and infrastructure are adequate but the tax service implementing institutions are less responsive. This is because tax officials are still considered less responsive in dealing with questions or complaints from taxpayers. complaints about long queues, illegal levies and broker practices carried out by certain employees. Hence, tax officials are required to be at the forefront who always respond to public complaints regarding the quality of service. Therefore, this research demonstrates that the quality of service does not have a positive impact on MSME taxpayers. The findings of this study align with previous research carried out by Erisfiana et al. (2020) and research by Hidayat and Maulana (2022) which states that the quality of tax services does not have a significant influence on taxpayer compliance.

4.2.2. The Influence of Taxpayer Knowledge on Tax Compliance of MSMEs in West Jakarta

According to the findings from the hypothesis test that was carried out, it has been demonstrated that Tax Knowledge plays a role in taxpayer compliance. The higher the level of Tax Knowledge, the higher the level of compliance among taxpayers. This aligns with the attribution theory, which suggests that individuals are influenced by both internal and external factors when fulfilling their tax duties. Tax Knowledge is considered to be an internal factor, derived from a person's own abilities, understanding, and efforts. Understanding Tax Knowledge is crucial for taxpayers as it encourages a sense of responsibility for complying with tax regulations, ultimately leading to more taxpayers acting dutifully in meeting their tax obligations. This research aligns with the one carried out by Erawati and Parera (2017) and Rahayu and Day (2017) tax knowledge plays a crucial role in influencing taxpayer compliance in a positive way, according to this theory.

4.2.3. The Influence of Taxpayer Awareness on Tax Compliance of MSMEs in West Jakarta

A hypothesis put forward in this research suggests that awareness among taxpayers can enhance their compliance with tax regulations. The study findings indicate that taxpayer awareness indeed plays a crucial role in promoting compliance with tax laws. Encouragement to pay taxes can come from various sources, such as tax authorities, work environment, and friends or family members of a taxpayer from outside their community (Salmah, 2018). Therefore, it can be inferred that taxpayers are willing to meet their responsibilities, including contributing financially to government activities through tax payments, which can result in improved taxpayer compliance. According to a study by Salmah (2018), taxpayer awareness has a positive impact on compliance levels. This aligns with the theory of planned behaviour, suggesting that awareness can motivate taxpayers to comply. The extent of taxpayer compliance is influenced by their level of awareness. In essence, a higher awareness of tax obligations leads to greater compliance. Recognizing the significance of taxes as a vital revenue source for national development and welfare, along with the prompt filing of Tax Returns, demonstrates taxpayer awareness.

5. Conclusion

Based on the study findings and subsequent analysis, several key conclusions have emerged. First, the research reveals that tax service quality has no significant impact on taxpayer compliance among MSMEs in West Jakarta. This indicates that the quality of tax services does not serve as a determining factor in community tax compliance. Whether the tax authorities provide high or low quality of service, taxpayers continue to fulfill their tax obligations, suggesting that even when tax service institutions are less responsive to public inquiries or complaints, it does not significantly affect tax payment behavior.

Second, the study confirms that tax knowledge significantly influences MSME taxpayer compliance in West Jakarta. The findings demonstrate a direct positive relationship: as taxpayers' understanding of correct tax payment procedures increases, their level of tax compliance rises correspondingly. Furthermore, the research indicates that taxpayer awareness plays a crucial role in compliance behavior. Specifically, West Jakarta MSME taxpayers who demonstrate awareness of their tax obligations show higher levels of compliance with tax regulations, suggesting that basic tax awareness can effectively drive compliance.

Based on these findings, several recommendations can be made. The government should take more proactive measures to communicate current tax regulations and implement tools that simplify the tax payment process for MSME taxpayers. This approach would help enhance overall taxpayer compliance by addressing the demonstrated importance of tax knowledge and awareness. For future research endeavors, it is recommended to explore additional variables, expand the sample size, and implement new measurement approaches to generate more comprehensive findings that could be applicable to broader contexts.

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