



## The Influence of Tax Knowledge, Modernization of Tax Administration, and Islamic Value on Tax Compliance of MSMEs in Yogyakarta

Tiffany Ryanica Nabila<sup>1</sup>, Dinik Fitri Rahajeng<sup>2</sup>  
UIN Sunan Kalijaga Yogyakarta

### ABSTRACT

The increase in the number of MSMEs in line with the increasing number of taxpayers in Indonesia provides the potential for tax revenue. In fact the contribution to taxes is still very low. Therefore, this study intends to determine the effect of tax knowledge, modernization of tax administration and Islamic value on MSME tax compliance. The sample in this study, namely SMEs in the Province of the Special Region of Yogyakarta, was selected using a random sampling technique. The research method is multiple regression analysis method. 210 respondents who have been processed produce that tax knowledge and modernization of tax administration have a positive and significant effect on MSME taxpayer compliance. For further research, it is expected to add other variables related to tax compliance so that it can provide a broader picture.

### ABSTRAK

Peningkatan jumlah UMKM yang sejalan dengan bertambahnya jumlah wajib pajak di Indonesia memberikan potensi dari penerimaan pajak. Kenyataannya kontribusi terhadap pajak masih sangat rendah. Oleh karena itu penelitian ini bermaksud untuk menguji pengaruh pengetahuan pajak, modernisasi administrasi pajak dan Islamic value terhadap kepatuhan pajak UMKM. Sampel dalam penelitian ini yaitu pelaku UMKM di Provinsi Daerah Istimewa Yogyakarta dipilih dengan teknik random sampling. Metode penelitian yaitu metode analisis regresi berganda. 210 responden yang telah diolah menghasilkan bahwa pengetahuan pajak dan modernisasi administrasi pajak berpengaruh positif dan signifikan terhadap kepatuhan pajak UMKM. Namun, Islamic value tidak berpengaruh terhadap kepatuhan wajib pajak UMKM. Untuk penelitian selanjutnya diharapkan menambah variabel lainnya yang berhubungan dengan kepatuhan pajak sehingga dapat memberikan gambaran yang lebih luas.

### ARTICLE INFO

#### Article History:

*Submitted/Received 2 May 2023*

*First Revised 12 Jun 2023*

*Accepted 15 Jul 2023*

*First Available online 30 Sept 2023*

*Publication Date 30 Sept 2023*

#### Keyword:

*Tax Knowledge, Modernization of Tax Administration, Islamic Value, Tax Compliance*

#### Kata Kunci:

*Pengetahuan Pajak, Modernisasi Administrasi Pajak, Islamic Value, Kepatuhan Pajak*

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone that supports the Indonesian national economy (Tambunan, 2018). The number of MSMEs based on data from the Ministry of Cooperatives and SMEs from 2016 to 2017 has increased quite significantly. Likewise, GDP reached 61.7%, and labor absorption in the MSME sector reached 97%. The increase in the number of MSMEs in Indonesia is in line with the increase in the number of taxpayers according to data from the Ministry



of Finance which revealed that the number of registered taxpayers in 2002 was 2.59 million and in 2021 reached 49.82 million. Meanwhile, the number of MSME taxpayers experienced a significant increase in 2017, which was around 1.4 million to 2.31 million in 2019 (Mikro et al., 2018).

However, in practice, the contribution of MSMEs to tax revenue remains very low, amounting to only IDR 7.5 trillion out of the total tax revenue of IDR 711.2 trillion, or just 1.1% (M.antaranews.com, 2021). The low tax contribution from MSMEs raises questions about the factors contributing to their low level of tax compliance. Tax compliance, according to research by Inasius (2018), is influenced by factors such as tax knowledge, perception, and the sense of justice and fairness. Similarly, research by Single et al. (2018) found that tax compliance is significantly affected by the effectiveness of tax authorities in detecting non-compliance and imposing appropriate sanctions. Additionally, Wadesango et al. (2018) highlighted that tax compliance is influenced not only by tax knowledge but also by economic and psychological factors.

Tax compliance by MSMEs can be influenced by low basic knowledge and problems regarding taxes (Newman et al., 2018). Tax knowledge is very important for companies to comply with tax laws and engage in tax planning and avoidance (Rijt et al., 2018). According to Bornman, (2019), tax knowledge has three elements, namely general, procedural, and legal tax knowledge. In addition to tax knowledge, tax administration plays a crucial role in the tax system, prompting efforts to modernize it through the use of technology (Martin et al., 2019). Modernizing tax administration has been shown to enhance compliance services and improve overall tax compliance (Awasthi et al., 2019). However, a study by Wang (2019) revealed that the process of modernizing tax collection and management faces several challenges, including account risks, asymmetric information collection, and limited literacy among tax officers.

Furthermore, taxpayers' belief in fulfilling their tax obligations and the awareness of sanctions for non-compliance are influenced by Islamic values (Yusuf et al., 2018). According to Bulutoding et al. (2018), the fundamental values in Islam are categorized into three elements: faith (aqidah), sharia (fiqh law), and ihsan. However, Othman et al. (2019) propose that Islamic religiosity, or Islamic values, encompasses aqidah, worship, and muamalah. The spirit of an inclusive religious perspective fosters internal motivation among Indonesians to adhere to religious teachings, which, in turn, encourages voluntary tax compliance (Fidiana, 2020).

Based on the explanation above, the researcher aims to examine the relationship between tax knowledge, the modernization of tax administration, and Islamic values with tax compliance. The primary objective of this study is to analyze the influence of tax knowledge, tax administration modernization, and Islamic values on the tax compliance of MSMEs. The inconsistency in findings from previous research on this topic necessitates further investigation. Additionally, limited research focuses specifically on MSMEs, particularly regarding their tax compliance behavior. Studying MSME tax compliance is essential to gain a deeper understanding of the factors influencing compliance behavior among MSMEs in Indonesia. This research holds significant value, considering that the contribution of MSMEs to tax revenue remains very low.

## LITERATURE REVIEW

This study applies the Theory of Planned Behavior (TPB), which is an extension of the Theory of Reasoned Action (TRA). In TRA, two factors influence behavior: attitudes toward behavior and subjective norms. TPB expands on this by adding a third factor: perceived behavioral control (Ajzen, 1991). The three determining factors in this TPB theory are attitudes toward behavior, subjective norms,



and perceptions of behavioral control. Attitudes towards behavior are attitudes as a bridge that guides a person to behave or act that leads to behavior. Subjective norms are behaviors carried out by an individual that can be accepted by people who are considered important. Perceptions of behavioral control are individuals who can or cannot control their behavior caused of internal and external factors. Internal factors come from the individual and external factors come from the surrounding environment. Various aspects that form a behavior encourage a person to engage in behavior that is interesting and encourages others to follow different actions. As in this study, tax compliance behavior by MSME actors can be controlled by internal and external factors. Internal factors come from each business actor such as knowledge about taxes. Meanwhile, external factors come from the environment where the business actor is located, such as Islamic values and the modernization of tax administration.

Tax compliance is a taxpayer's behavior that is willing to fulfill all tax obligations set by the state without any coercion (Waluyo, 2020). Naicker & Rajaram, (2019) define tax compliance as the preparation, submission, and payment of taxes owed within a specified period. Taxes for MSMEs seem burdensome because they are considered to affect business operations and entrepreneurial activities in general (Ravselj et al., 2019). Likewise, some obstacles occur in MSME tax compliance, namely lack of education, non-registration, low income, and high tax rates (Lesejane, 2021).

Tax knowledge can be defined as knowledge that includes aspects of general fiscal awareness, an understanding of the process and responsibility to fulfill taxes, and a more specific understanding of specific tax rules and laws (Bornman, 2019). According to research conducted by Twum et al., (2020), Bernardd et al., (2018), Rijt et al., (2018), and Al-ttaffi & Bin-nashwan, (2020) the results show that tax knowledge has a positive and significant effect on tax compliance. Based on several studies, it is concluded that knowledge about taxes by business actors affects taxpayer compliance. Referring to the theory of planned behavior, tax compliance behavior can be influenced by tax knowledge as an internal factor. Therefore, the first hypothesis in this study is formulated as follows:

**H1 = Tax knowledge has a positive significant effect on MSME tax compliance.**

Tax administration modernization can be defined as the simplification and automation of tax transactions and services that can ensure dynamic balance, proportionality, material costs, and stable financial processes (Ponomarev et al., 2018). According to research conducted by Indrawan & Sastradipraja, (2020), Mumbua, (2019), Olii et al., (2020), and Ilham & Hayon, (2019) the results show that the digitalization of tax administration has a positive and significant effect on tax compliance. Based on this research, referring to the theory of planned behavior, tax compliance behavior can be influenced by the modernization of tax administration as an external factor.

So the second hypothesis in this study is formulated as follows:

**H2 = Modernization of tax administration has a positive significant effect on MSME tax compliance**

Islamic values are values in Islam such as aqidah, sharia and ihsan (Fidiana, 2020). Ihsan can be applied in tax behavior such as believing that paying taxes is a form of gratitude to Allah SWT Tanno & Putri, (2019). Belief in tax behavior is based on the Qur'an, Hadith, and the opinions of scholars Bulutoding et al., (2018). Therefore, spiritual factors make paying taxes a religious obligation like zakat that must be paid (Fidiana, 2020). According to research conducted by Hidayat, (2018) and Abodher et al., (2020) which gave results that Islamic values positively and significantly influence taxpayer compliance. Several studies refer to the theory of planned behavior that tax compliance behavior can be influenced by Islamic values as external factors. Therefore, the third hypothesis in this study is formulated as follows:

H3 = Islamic values have a positive significant effect on MSME tax compliance

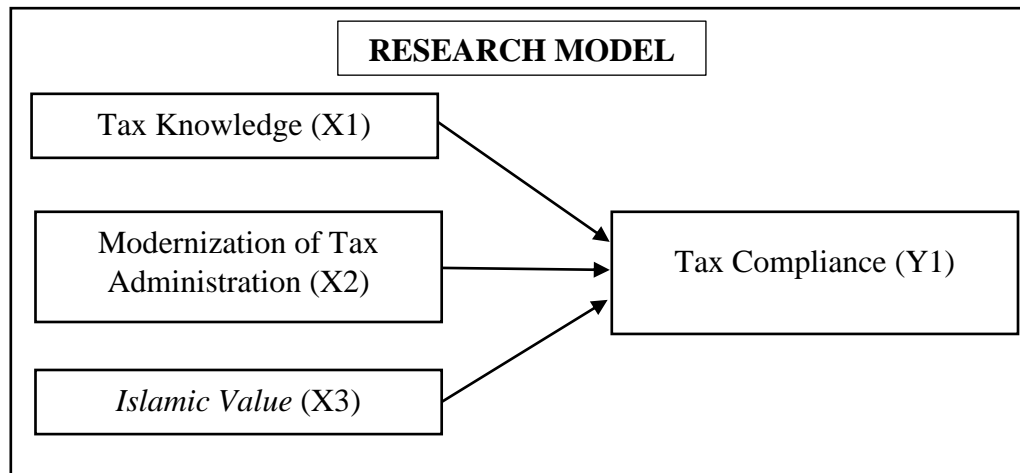


Figure 1: Research Model

## RESEARCH METHODOLOGY

This study uses a descriptive research type with a quantitative approach and survey research design. This study uses survey research that provides evidence of practices, attitudes, and knowledge, and this method must have clear, quality questions and attract the interest of the target population (Story & Tait, 2019). The data used in this study are primary data collected using a survey.

The data source in this study was obtained from a survey and distribution of questionnaires to taxpayers of MSME actors in Yogyakarta. This questionnaire can be distributed using a sampling method via a g-form link containing a distributed questionnaire. The distribution carried out was via WhatsApp of MSME actors in the vicinity and also visiting several agencies related to MSMEs and the MSME website in Jogja. The return of questionnaires from respondents who have passed the requirements can be used as data for this study.

The data collection technique used in this study was a questionnaire. The questionnaire distributed online to MSME actors uses a Likert scale with a scale of 5. Furthermore, after the questionnaire was filled out and returned to the researcher, the results of the respondents could be used as data for research after passing the selection requirements.

The population in this study is the number of MSME actors in Yogyakarta which is around 337,456 business actors based on data from the DIY Bappeda. The population consists of individual businesses and corporate businesses. The population of interest is the population that has a research target to be studied (Majid, 2018). However, in research, it is often inappropriate or inappropriate to take the entire desired population. Instead, researchers take samples from the population to be included in the study.

The sample in this study uses a sampling technique, namely the process of selecting samples that statistically represent individuals from the desired population (Majid, 2018). Research conducted by (Hair et al., 2017) recommends the use of the Structural Equation Model (SEM) method because of the method's ability to obtain meaningful solutions in almost all situations, especially when small sample sizes allow.

Research conducted by Hair et al., (2019) using Partial Least Squares (PLS) which is a predictive causal approach to SEM provides suggestions that if the resulting sample is too large so that



it is difficult, an estimate of between 100-200 respondents is used. Therefore, the number of samples in this study is calculated as follows:

(Number of indicators + Number of variables) x (5 to 10 times)

So the determination of the maximum sample in this study is  $(17 + 4) \times 10 = 210$  respondents. Therefore, the maximum number of samples in this study is 210 respondents of MSME actors in Yogyakarta. The criteria used as requirements in this sample are MSME actors in Yogyakarta, MSME actors who have NPWP or understand taxes, and MSME actors who are Muslim.

Table 1: Variable Indicators

<i>Variable</i>	<i>Indicator</i>	<i>Item No</i>
<i>Tax Compliance (Y)</i>	1. Awareness to register as a taxpayer	1
	2. Calculate the amount of tax owed independently	2
	3. Pay the amount owed independently, self-awarely and on time	3,4
	4. Report independently, self-aware and on time	5,6,7
<i>Tax Compliance (X<sub>1</sub>)</i>	1. Tax Registration	8
	2. Function of Tax	9
	3. Tax Regulations	10
	4. Tax Rate	11
	5. Tax payment procedures or methods	12
	6. Tax sanctions if late payment of taxes	13
	7. Location to pay taxes or web and application	14
<i>Modernization of Tax Administration (X<sub>2</sub>)</i>	1. Administration System	15,16
	2. Effectiveness of Supervision	17,18,19,20
	3. Professional Human Resources	21,22,23
<i>Islamic value (X<sub>3</sub>)</i>	1. Aqidah (Belief)	24,25,26,29
	2. Sharia	27,28,31
	3. Akhlak (Morals)	30,32,33

## RESULTS AND DISCUSSION

The research distributed online via the g-form link for MSME actors in Yogyakarta lasted for 46 days, from June 24, 2022, to August 8, 2022, obtaining 210 survey respondents. General description data of the research objects totaling 210 respondents based on gender, age, last education, type of business, length of business, tax education, and composition per district are presented in the table below:

Table 2: General Description of Research Objects

<i>Demographic Characteristics</i>	<i>Sub Characteristics</i>	<i>Amount</i>	<i>Percentage</i>
<i>Gender</i>	Female	116	55%
	Male	94	45%
<i>Age</i>	21-30 years old	55	26%
	31-40 years old	61	29%



	41-50 years old	56	27%
	> 50 years old	38	18%
<i>Last Education</i>	Elementary School	3	1%
	Junior High School	10	5%
	Senior High School	77	37%
	Undergraduate	90	43%
	Others	30	14%
<i>Type of Business</i>	Trade	117	56%
	Service	16	8%
	Manufacturing (Production)	54	26%
	Others	23	11%
<i>Business Period</i>	1-5 years	131	62,38%
	6-10 years	47	22,38%
	11-15 years	18	8,57%
	>15 years	14	6,67%
<i>Tax Education</i>	Self-taught	117	56%
	Training	18	9%
	Course (Brevet)	2	1%
	Counseling	29	14%
	Others	44	21%
<i>District</i>	Gunungkidul	27	13%
	Sleman	63	30%
	Bantul	53	25%
	Kulonprogo	25	12%
	Yogyakarta	42	20%

Based on the table above, it can be seen that the data of female respondents (55.24%) is more than males (44.76%). When viewed from age, most of the MSME actors are 31-40 years old with 61 participants. For the last education, most of them are S1 with 90 participants. Furthermore, when viewed from the type of business, it is a trading business with 117 participants which is the majority of the data. The length of business is mostly 1-5 years with 131 participants. Furthermore, for tax education, it is a self-study with 117 participants. Finally, for the composition per district, it is Sleman with 63 participants. Pilot Test The pilot test was conducted from June 24, 2022, to July 5, 2022, with 30 participants (18 men and 12 women). The research subjects used are in nature and scope according to the research subjects that are needed, namely MSME actors in Yogyakarta. Participants were asked to fill in the g-form link containing a series of statements and obtain the results of the validity and reliability test analysis using Pearson correlation in the following table:

Table 3: Validity Test Results

<i>Variable</i>	<i>Item</i>	<i>R<sub>Count</sub></i>	<i>Sig.</i>	<i>R<sub>table</sub></i>	<i>Description</i>
	KP1	0,8333	0,05	0,3061	Valid





<i>Tax Compliance (Y1)</i>	KP2	0,7104	0,05	0,3061	Valid
	KP3	0,6886	0,05	0,3061	Valid
	KP4	0,7776	0,05	0,3061	Valid
	KP5	0,8368	0,05	0,3061	Valid
	KP6	0,7841	0,05	0,3061	Valid
	KP7	0,7853	0,05	0,3061	Valid
<i>Knowledge about Taxes (X1)</i>	PP8	0,6588	0,05	0,3061	Valid
	PP9	0,7225	0,05	0,3061	Valid
	PP10	0,7531	0,05	0,3061	Valid
	PP11	0,7624	0,05	0,3061	Valid
	PP12	0,7694	0,05	0,3061	Valid
	PP13	0,5460	0,05	0,3061	Valid
	PP14	0,6622	0,05	0,3061	Valid
<i>Modernization of Tax Administration (X2)</i>	MAP15	0,7938	0,05	0,3061	Valid
	MAP16	0,7464	0,05	0,3061	Valid
	MAP17	0,6557	0,05	0,3061	Valid
	MAP18	0,8055	0,05	0,3061	Valid
	MAP19	0,7205	0,05	0,3061	Valid
	MAP20	0,7471	0,05	0,3061	Valid
	MAP21	0,7631	0,05	0,3061	Valid
	MAP22	0,6721	0,05	0,3061	Valid
	MAP23	0,7182	0,05	0,3061	Valid
<i>Islamic Value (X3)</i>	IV24	0,4996	0,05	0,3061	Valid
	IV25	0,4634	0,05	0,3061	Valid
	IV26	0,4791	0,05	0,3061	Valid
	IV27	0,4637	0,05	0,3061	Valid
	IV28	0,3560	0,05	0,3061	Valid
	IV29	0,5545	0,05	0,3061	Valid
	IV30	0,4676	0,05	0,3061	Valid
	IV31	0,4228	0,05	0,3061	Valid
	IV32	0,3962	0,05	0,3061	Valid
	IV33	0,6555	0,05	0,3061	Valid

Validation conducted on 30 respondents according to the results of the table test above states that all statement items are valid. The result is 33 statements are quoted to provide valid conclusions for the results of the count test > r table (2-sided test with sig. 0.05). The value of the r-table in this study with the number of samples ( $n = 30$ ) = 0.3061. The probability value of the correction results each with a total score <0.05. From this explanation, it can be concluded that this questionnaire item is declared valid. Furthermore, the reliability test table is presented in the following table:

Table 4: Reliability Test Results

<i>Variable</i>	<i>Item</i>	<i>Cronbach's Alpha per item</i>	<i>Cronbach's Alpha total each variable</i>
-----------------	-------------	----------------------------------	---



<i>Tax Compliance</i>	KP1	0,9563	0,9568
	KP2	0,9573	
	KP3	0,9575	
	KP4	0,9568	
	KP5	0,9564	
	KP6	0,9568	
	KP7	0,9567	
<i>Knowledge about Taxes</i>	PP8	0,9577	0,9574
	PP9	0,9574	
	PP10	0,9571	
	PP11	0,9570	
	PP12	0,9569	
	PP13	0,9586	
	PP14	0,9577	
<i>Modernization of Tax Administration</i>	MAP15	0,9567	0,9571
	MAP16	0,9571	
	MAP17	0,9577	
	MAP18	0,9567	
	MAP19	0,9572	
	MAP20	0,9571	
	MAP21	0,9569	
	MAP22	0,9576	
	MAP23	0,9573	
<i>Islamic Value</i>	IV24	0,9587	0,9589
	IV25	0,9590	
	IV26	0,9588	
	IV27	0,9589	
	IV28	0,9596	
	IV29	0,9585	
	IV30	0,9596	
	IV31	0,9594	
	IV32	0,9592	
	IV33	0,9578	

Testing with Cronbach's alpha value produces figures for tax compliance variables of 0.9568, tax knowledge of 0.9574, tax administration modernization of 0.9571, and Islamic value of 0.9589. Based on these results, the values obtained all exceed 0.60 (r table value) and it can be concluded that the questionnaire is reliable.

Descriptive statistical testing is used to describe the state statistically in the research variables. This study uses the minimum value, maximum value, mean, and standard deviation to describe the statistical description for each variable. The results of descriptive statistical testing are presented in the following table:

Table 5: Results of Descriptive Statistical Test





<i>Variable</i>	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Tax Compliance (Y)</i>	210	1,14	5,00	3,89	0.80
<i>Knowledge about Taxes (X1)</i>	210	1.43	5.00	3.68	0.78
<i>Modernization of Tax Administration (X2)</i>	210	1.89	5.00	3.75	0.75
<i>Islamic Value (X3)</i>	210	1,00	5,00	4,49	0,54

### Classical Assumption Test

The classical assumption test in this study consists of the normality test, multicollinearity test, and heteroscedasticity test. The three classical assumption tests are prerequisite tests that are only used in multiple linear regression analysis.

The first classical assumption test is the normality test using the Shapiro Wilk technique. By using this technique, if the distributed value has a significance probability greater than 0.05, then the data in this study can be said to be normal. In this study, it is shown in the table below that the probability value is 0.05802 and greater than 0.05, which means that the data is normally distributed. The following is the normality test table below:

Table 6: Normality Test Results

	<i>Prob&gt;z</i>
<i>Residual</i>	0,05802

The second test is the multicollinearity test which is used to show a direct relationship or very strong correlation between independent variables. This test is said to pass multicollinearity if the Variance Inflation Factor (VIF) value is less than 10 or the Tolerance value is greater than 0.10. The following is a table of the results of statistical data processing for multicollinearity testing, namely:

Table 7: Multicollinearity Test Results

<i>Variable</i>	<i>VIF</i>	<i>1/VIF</i>
<i>Knowledge about Taxes</i>	2,29	0,4357
<i>Modernization of Tax Administration</i>	2.41	0,4141
<i>Islamic Value</i>	1,13	0,8812

Based on the table above, the VIF value for the tax knowledge variable is 2.29, tax administration modernization is 2.41, and the Islamic value is 1.13, which means that the three variables are less than the maximum VIF limit. Likewise, the tolerance value for the tax knowledge variable is 0.43, tax administration modernization is 0.41, and the Islamic value is 0.88, which means that the three variables have tolerance values of more than 0.1.

From this explanation, it can be concluded that this study is free from multicollinearity symptoms or there is no very strong relationship between the independent variables and other independent variables.



After passing the normality test and multicollinearity test, the next step is to conduct a heteroscedasticity test. This test means that the variance of each error must be heterogeneous. The statistical results of the heteroscedasticity test are presented in the following table:

Table 8: Heteroscedasticity Test Results

<i>Variable</i>	<i>Robust Std. Err.</i>
<i>Knowledge about Taxes</i>	0,0917
<i>Modernization of Tax Administration</i>	0,0934
<i>Islamic Value</i>	0,0745

From the table of heteroscedasticity test results, the significant value of the tax knowledge variable is 0.09, the tax administration modernization variable is 0.09 and the Islamic value variable is 0.07. From the results of the analysis, for the three variables, the significant value exceeds 0.05, so the error variance is declared homogeneous. In this case, it means that in this study there is no heteroscedasticity problem or is free from the heteroscedasticity test and can be continued for further testing.

Hypothesis testing consists of partial tests or t-tests, simultaneous tests or f-tests, and coefficients of determination. The first hypothesis test is the partial test or t-test. The t-test or partial test is carried out to determine the influence between each independent variable and the dependent variable. In this test, if the value of the resulting probability is less than 0.05, then there is an influence between the independent variables individually on the dependent variable. The following is presented in the table for the results of statistical data on partial testing or t-tests.

Table 9: t-Test Results

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-statistic</i>	<i>Prob.</i>
<i>Knowledge about Taxes</i>	0,4086	0,0692	5,90	0,000
<i>Modernization of Tax Administration</i>	0,4585	0,0737	6,22	0,000
<i>Islamic Value</i>	-0,0271	0,0700	-0,39	0,699

The results of the statistical data for the t-test on the tax knowledge variable are 5.90. The t-table value with a probability of 0.05 and also a degree of freedom of 206 (210 respondents - 4 variables) is 1.65. This means that the calculated t-value is greater than the t-table value ( $5.90 > 1.65$ ). Furthermore, the probability value produced between the tax knowledge variable and the tax compliance variable is 0.000, which is smaller than 0.05. From the results of the analysis of the t value and probability value, it can be concluded that the tax knowledge variable has a positive and significant influence on the tax compliance variable.

Likewise, the results of the statistical data for the t-test on the tax administration modernization variable are 6.22. While the t-table value with a probability of 0.05 and also a degree of freedom of 206 is 1.65. This means that the t-count value is greater than the t-table value ( $6.22 > 1.65$ ). Then the probability value generated between the tax administration modernization variable and the tax compliance variable is 0.000 which is less than 0.05. From the results of this analysis, it can be



concluded that the tax administration modernization variable has a positive and significant influence on the tax compliance variable.

Likewise, the results of the statistical data for the t-test on the Islamic value variable are -0.39. While the t-table value with a probability of 0.05 and also a degree of freedom of 206 is 1.65. This means that the t-count value is smaller than the t-table value ( $-0.39 < 1.65$ ). Then the probability value generated between the Islamic value variable and the tax compliance variable is 0.699 which is greater than 0.05. From the results of this analysis, it can be concluded that the Islamic value variable has a negative and insignificant influence on the tax compliance variable.

Next, the second hypothesis test, namely the simultaneous test or f test, is carried out to determine the relationship between independent variables simultaneously with the dependent variable. In conducting simultaneous testing, if the value of the resulting f count is greater than the value of the f table, then the independent variables simultaneously or together influence the dependent variable. Meanwhile, if the resulting f count value is smaller than the f table, then there is no influence between the independent variables simultaneously on the dependent variable. The following is a table of statistical test results for the f test, namely:

Table 10: F-Test Results

<i>R-Squared</i>	0,5918
<i>Adjusted R-Squared</i>	0,5859
<i>F(3,206)</i>	99,56
<i>Prob&gt;F</i>	0,0000

From the table above for the results of statistical data testing on the f test, the value for the calculated f is 99.56. Meanwhile, for the value of the d table with a probability of 0.05, it is 2.65. The analysis states that the calculated f value is greater than the f table value ( $99.56 > 2.65$ ). Furthermore, the probability value resulting from this test is 0.000 and the value is smaller. Therefore, it can be concluded that the variables of tax knowledge, modernization of tax administration, and Islamic value simultaneously have a positive and significant effect on tax compliance.

For further testing in the hypothesis test, there is a coefficient of determination that is carried out to measure the ability of the model to explain the variation of the dependent variable. This test uses the adjusted R-square value to measure the ability of the model. If the value is close to 1, then the ability of this independent variable provides almost all the information needed to predict the variation of the dependent variable. The following is a table of statistical data testing the coefficient of determination, namely:

Table 11: Results of the Determination Coefficient Test

<i>R-Squared</i>	0,5918
<i>Adjusted R-Squared</i>	0,5859
<i>F(3,206)</i>	99,56
<i>Prob&gt;F</i>	0,0000



Based on the statistical results in the table above, the coefficient of determination test shows that the adjusted R-square value is 0.5859. From this value, it means that the influence of the variables of tax knowledge, modernization of tax administration, and Islamic value on the variable of tax compliance has a percentage of 58.59%. In this case, it means that the independent variable can explain the influence on the dependent variable of 58.59%, and 41.41% is influenced by factors from outside the regression model.

#### Discussion

After conducting various statistical tests, a relationship was obtained between the independent variables, namely tax knowledge, modernization of tax administration, and Islamic value on the dependent variable, namely tax compliance. Below is a table containing conclusions on the relationship between variables in this study, namely:

Table 12: Relationship of Variables

<i>Variable</i>	<i>Relationship Found</i>	<i>Significance</i>
<i>Knowledge about Taxes</i>	Influential	Significant
<i>Modernization of Tax Administration</i>	Influential	Significant
<i>Islamic Value</i>	Not Influential	Not Significant

#### The Influence of Tax Knowledge on MSME Tax Compliance

The results of statistical data processing in this study show that there is a significant influence between tax knowledge and taxpayer compliance. The increase and decrease in the tax knowledge variable greatly affects the taxpayer compliance variable. This identifies that higher or lower tax knowledge can affect taxpayer compliance. MSME actors who have high tax knowledge are more likely to comply with taxes. This tax knowledge is also the intention of respondents or MSME actors to continue paying taxes.

These results support the findings of Al-taffi & Bin-nashwan (2020), Bernard et al. (2018), Rijt et al. (2018), and Twum et al. (2020) which reveal that tax knowledge has a significant and positive relationship with tax compliance. However, these results differ from the findings of Handoko et al. (2020) and Indrawan & Sastradipraja (2020) that tax knowledge has a negative relationship with tax compliance.

From the results of the study that have been explained previously, it means that tax knowledge has an effect on the compliance of MSME taxpayers and can provide suggestions to the Government. Contextually, if the Government wants to improve the compliance of MSME taxpayers, then steps need to be taken to deepen knowledge about taxes. Steps that need to be taken include socialization, educational videos, and other activities that support tax literacy, both in the field and through social media.

#### The Effect of Tax Administration Modernization on MSME Tax Compliance

Furthermore, the results of the statistical data processing in this study state that there is a positive and significant relationship between tax administration modernization and taxpayer compliance. This means that the increase and decrease in tax administration modernization greatly affect the compliance of MSME taxpayers. Furthermore, technology here plays an important role in the relationship between digitalization and tax compliance. In addition, administrative services can be



carried out quickly and the delivery of information to taxpayers is clearer and easier so that taxpayers do not experience difficulties in making tax payments.

The findings of this study are in line with research by Indrawan & Sastradipraja (2020), Mumbua (2019), Olii et al. (2020), and Ilham & Hayon (2019) which revealed that modernization of tax administration has a positive and significant effect on taxpayer compliance. However, the results of this study differ from the research of Pratiwi et al. (2020) that modernization of tax administration does not affect tax compliance.

Modernization of tax administration has an effect on taxpayer compliance with MSMEs, which means that if the Government wants to increase MSME tax compliance, it is necessary to take supporting steps. The steps that should be taken by the Government include introducing and socializing the use of technology and other activities that provide education on technological literacy. That way, the ease of calculation, reporting, and payment becomes truly efficient among MSMEs.

### **Influence of Islamic Value on MSME Tax Compliance**

The results of the data processing in this study show that the relationship between Islamic Value and MSME taxpayer compliance is negative and insignificant. This means that the increase and decrease in Islamic value do not affect MSME taxpayer compliance. This shows that taxpayers, both those who are deeply involved in religious values and those who are not, are less motivated to pay taxes.

These results support the findings of Illahi & Sumarni (2021) that Islamic values do not have a significant effect on taxpayer compliance. However, the results of this study differ from the studies by Hidayat (2018) and Abodher et al. (2020) that Islamic values have a significant effect on MSME taxpayer compliance. The relationship between Islamic values and MSME tax compliance that has no effect means that the role of Islamic religious values cannot trigger positive behavior to comply with taxes. Likewise, this strong religious belief cannot prevent negative behavior toward tax compliance. If these MSMEs comply with Islamic values, it is not certain that these MSME actors will also comply with taxes. And vice versa, MSME actors who are less compliant with Islamic values can be compliant with taxes.

### **CONCLUSION**

Based on the discussion that has been explained previously, the conclusion is obtained to answer the formulation of the existing problem, namely for the results of the cross-sectional data regression analysis test, the results show that the tax knowledge variable has a significant influence on the UMKM taxpayer compliance variable. Furthermore, the tax administration modernization variable has a significant influence on the UMKM taxpayer compliance variable. The Islamic value variable does not influence the UMKM tax compliance variable. Furthermore, based on the Stata output results above, the tax knowledge, tax administration modernization, and Islamic value variables together (simultaneously) have a significant influence on the UMKM taxpayer compliance variable.

Based on the conclusions of the research results that have been presented previously, there are implications for the research provided, namely that it can provide counseling to improve tax compliance among UMKM owners such as tax education seminars, visits to business premises, and other activities both directly and using social media. Furthermore, it can provide the need for tax education strategies and various tax education initiatives that focus on aspects of the tax system. Can provide insight into understanding the most influential factors on the behavior of UMKM actors to pay taxes. Can



recommend and develop training programs for MSMEs to equip them with additional knowledge about the digital tax administration system.

The researcher has conducted and attempted research according to scientific procedures, but this study still has limitations, namely using research subjects, and MSME actors in the Special Region of Yogyakarta, while it is still not evenly distributed in each district in this Province. In addition, this study uses a questionnaire as primary data, but sometimes respondents do not provide answers to the actual conditions of this study.

## REFERENCES

- Abodher, F. M., Ariffin, Z. Z., & Saad, N. (2020). Religious factors on tax non-compliance: evidence from Libyan self-employed. *Problems and Perspectives in Management*, 18(1). <https://www.businessperspectives.org/images/pdf/applications/publishing/templates/article/assets/13249/>
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50, 179–211.
- Al-ttaffi, L. H. A., & Bin-nashwan, S. A. (2020). *The Influence of Tax Knowledge on Tax Compliance Behaviour : A Case of Yemeni Individual Taxpayers*. 15–30. [www.e-journal.uum.edu.my](http://www.e-journal.uum.edu.my)
- Awasthi, R., Lee, H. C., Poulin, P., Choi, J. G., Kim, W. C., & Lee, O. J. (2019). The Benefits of Electronic Tax Administration in Developing Economies : A Korean Case Study and Discussion of Key Challenges. *The World Bank; KDI School*.
- Bernarddd, O. M., Memba, F. S., & Oluoch, O. (2018). Influence of Tax Knowledge and Awareness on Tax Compliance Among Investors in the Export Processing Zones in Kenya. *International Journal of Scientific Research and Management*, 06(10), 728–733. <https://doi.org/10.18535/ijstrm/v6i10.em01>
- Bornman, M. (2019). *A conceptual framework of tax knowledge*. 27(6), 823–839. <https://doi.org/10.1108/MEDAR-09-2018-0379>
- Bulutoding, L., Asse, A., Habbe, A. hamid, & Fattah, S. (2018). The Influence of Akhlaq to Tax Compliance Behaviour, and Niyyah as Mediating Variable of Moslem Taxpayers in Malaysia. *Scientific Research Journal*, VI(1).
- Fidiana. (2020). Compliance behaviour from the holistic human nature perspective. *Journal of Islamic Accounting AndBusiness Research*, 11.
- Hair, Matthews, L. M., Matthews, R. L., & Sarstedt, M. (2017). PLS-SEM or CB-SEM: Update Guidelines on Which Method to Use. *International Journal Multivariate Data Analysis*, 1(2), 107–123.
- Hair, Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to Use and How to Report the Results of PLS-SEM. *European Business Review*, 31(1).
- Handoko, Y., Toni, N., & Simorangkir, E. N. (2020). The Effect of Tax Knowledge and Tax Sanctions on Taxpayer Compliance at the Tax Office (KPP) Pratama, Medan Timur through Tax Awareness as an Intervening Variable. *International Journal of Research and Review*, 7(9). [www.ijrrjournal.com/IJRR\\_Vol.7\\_Issue.9\\_Sep2020/Abstract\\_IJRR0041.html](http://www.ijrrjournal.com/IJRR_Vol.7_Issue.9_Sep2020/Abstract_IJRR0041.html)
- Hidayat, N. (2018). *The Analysis of the Influence of Islamic Religiosity on Tax Morale Among Self-Employed Taxpayers in Indonesia*. <https://www.business.unsw.edu.au/About-Site/Schools-Site/Taxation-Business-Law-Site/Documents/>
- Ilham, M., & Hayon, P. P. (2019). Behavior Analysis Of The Personal Taxpayer On Taxation





- Administration System in The Merauke Pratama Tax Service Office. *International Journal of Civil Engineering and Technology (IJCIET)*, 10(3).  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3456454](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3456454)
- Illahi, I., & Sumarni, N. (2021). The Effect of Religiosity on Tax Evasion Behavior with Gender as a Moderating Variable. *Journal of Islamic Finance and Accounting*, 4.
- Inasius, F., & Inasius, F. (2018). Factors Influencing SME Tax Compliance : Evidence from Indonesia Factors Influencing SME Tax Compliance : Evidence from Indonesia. *International Journal of Public Administration*, 00(00), 1–13. <https://doi.org/10.1080/01900692.2018.1464578>
- Indrawan, R., & Sastradipraja, U. (2020). What are the Compliance Factors for SME taxpayers Who Carry out E-Commerce Transaction ? : An Effort to Seek a Taxpayer Compliance Development Model (Case Study on Taxpayer KPP Pratama Kuningan, West Java). *Solid State Technology*.  
<http://www.solidstatetechology.us/index.php/jsst/article/view/5669>
- Lesejane, L. A. (2021). An assessment of tax compliance costs among Small Medium and Micro Enterprise in South Africa. *North-West University*.
- M.antaranews.com. (2021). *Kementerian Koperasi dan UKM : Potensi Pajak pada Pelaku UMKM Sangat Besar*. <https://www.google.com/amp/s/m.antaranews.com/amp/berita/2397613/menkop-potensi-pajak-pada-pelaku-umkm-sangat-besar>
- Majid, U. (2018). Research Fundamentals: Study Design, Population, and Sample Size. *Undergraduate Research in Natural and Clinical Science and Technology Journal*, 2, 1–7.
- Martin, S., Saragih, F., & Setyowati, M. S. (2019). *E-Readiness of Blockchain Technology in Modernization of Tax Administration in Indonesia*. March 2018. <https://doi.org/10.4108/eai.25-6-2019.2288017>
- Mikro, U., Menengah, D. A. N., & Sari, R. (2018). *Kebijakan Insentif Pajak*.
- MUMBUA, K. C. (2019). *Digitization Of Tax Administration, Technology And Tax Compliance By Small And Medium Sized Enterprises in Nairobi*.  
<http://erepository.uonbi.ac.ke/handle/11295/109496>
- Naicker, Y., & Rajaram, R. (2019). Factors that Influence Tax Compliance of SMEs in South Africa. *Acta Universitatis Danubius Administratio*, 10(2).
- Newman, W., Mwandambira, N., Charity, M., & Ongayi, W. (2018). Literature review on the impact of tax knowledge on tax compliance among small medium enterprises in a developing country. *International Journal of Entrepreneurship*, 22(4), 1–15.
- Olii, F., Ilato, R., & Tui, F. P. D. (2020). The Effect Of Modernization Of Tax Administration System And Quality Of Service On Taxpayer Satisfaction In The Samsat Office Bone Bolango District. *JournalNX- A Multidisciplinary Peer Reviewed Journal*, 6(8).  
<https://repository.ung.ac.id/get/karyailmiah/8333>
- Othman, Y. H., Nayan, M. A., & Yusuff, M. S. S. (2019). Measurement of Islamic Religiosity in Quantitive Research. *International Journal of Muamalat*, 3(1).
- Ponomarev, A. I., Ponomareva, A. M., Ponomarev, M. A., & Toporov, I. V. (2018). Theoretical and Methodological Grounds for the Modernization of the Tax Administration System. *European Research Studies Journal*, XXI(1), 544–552.
- Pratiwi, V. P., Maryani, M., Agustin, R. D., Prasetyo, B., & Arnan, S. (2020). *The Effect Of Taxpayer Awareness and Modernization Of Tax Administration System on Personal Taxpayer Compliance*.  
<https://www.archives.palarch.nl/index.php/jae/article/download/3826/3782>
- Ravselj, D., Kovac, P., & Aristovnik, A. (2019). Tax-Related Burden on SMEs in the European Union :



- 
- The Case of Slovenia. *Mediterranean Journal of Social Sciences*, 10(2), 69–69.
- Rijt, P. van der, Hasseldine, J., & Holland, K. (2018). Sharing Corporate Tax Knowledge with External Advisers. *Accounting and Business Research* 2. <https://doi.org/10.1080/00014788.2018.1526058>
- Single, M., Goslinga, S., Spekle, R., Hel, L. van der, & Veldhuizen, R. (2018). Corporate tax compliance : Is a change towards trust-based tax strategies justified. *Journal of International Accounting, Auditing and Taxation*, 32(Accounting, Auditing and Taxation), 3–16. <https://doi.org/10.1016/j.intaccaudtax.2018.06.003>
- Story, D. A., & Tait, A. R. (2019). Survey Research. *Anesthesiology*, 130(2), 192–202.
- Tambunan, T. T. H. (2018). *MSMEs and Access to Financing in a Development Economy: The Indonesian Experience*. 25.
- Tanno, A., & Putri, A. (2019). Religiosity Perspective in Tax Avoidance, Case Study in Indonesia. *KNE Social Science*.
- Twum, K. K., Amaniampona, M. K., & Nyarko, E. (2020). Tax Knowledge and Tax Compliance of Small and Medium Enterprises in Ghana. *South East Asia Journal of Contemporary Business Economics and Law*, 5. [http://seajbel.com/wp-content/uploads/2020/07/SEAJBEL21\\_267.pdf](http://seajbel.com/wp-content/uploads/2020/07/SEAJBEL21_267.pdf)
- Wadesango, N., Mutema, A., Mhaka, C., & Wadesango, V. O. (2018). Tax compliance of small and medium enterprises through the self-assessment system : issues and challenges. *Academy of Accounting and Financial Studies Journal*, 22(3), 1–15.
- Waluyo, T. (2020). Pemeriksaan terhadap Wajib Pajak yang Tidak Menyampaikan SPT, Ketentuan dan Pemilihannya sesuai SE-15/PJ/2018. *Simposium Nasional Keuangan Negara*, 677.
- Wang, W. (2019). *Under the " Internet + Taxation " Mode , the Exploration of China ' s Tax Administration and Modernization*. 80(Bems), 115–117.
- Yusuf, Fisol, W. N. M., & Yusuff, M. S. S. (2018). The Moderating Effect of Islamic Religiosity on Compliance Behavior of Income Zakat in Kedah, Malaysia. *International Journal of Academic Research in Accounting, Finance and Management Science*, 8(2), 281–286.