

## Determinants of Taxpayer Compliance in MSMEs registered at KPP Pratama Karawang Utara

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### ABSTRACT

The study aims to evaluate and test the impact of tax understanding, mental accounting and the level of trust tax confidence on compliance with MSMEs tax obligations registered in the KPP Pratama Karawang Utara. This research uses quantitative methods using primary data. The population in this study is the entire MSMEs tax liability registered in KPP Pratama Karawang Utara. Sample on this research as many as 100 MSMEs tax obligations registered in KPP Pratama Karawang Utara. The sampling technique uses purposive sampling with criteria based on gender, age, having a NPWP, type of business, length of business and turnover. This research model uses PLS. The findings of this study show that tax understanding has a positive influence on MSMEs tax compliance. Calculation of tax liability MSMEs tax likewise with a level of trust that influences on compliance with MSMEs tax obligations with a significant value of 0.05. The results of the research show that the rate of tax payments will be imposed on the cars with the turnover criteria ranging between 250-50 million, 100-300 million and above 300 million.

Keywords: Level of Trust, Mental Accounting, MSME Taxpayer Compliance, Tax Understanding.



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### INTRODUCTION

The country generates the highest income in the tax sector (Sari & Poerwati, 2023). Micro, small and medium enterprises (MSMEs) have dominated the economy in (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022). MSMEs are small activities in the economy (Rachpriliani Awaliawati, 2022), but have a large impact on the country's economy (Rahmawati et al., 2023). In recent years, MSMEs have emerged as economic engines, including MSMEs in Karawang Regency (Yuniar & Handayani, 2018). The problem of taxpayer compliance is in the spotlight in the tax industry (Fauzi & Maula, 2020). Karawang still has a low level of taxpayer compliance. KPP Pratama Karawang Utara revealed that the level of compliance for micro, small and medium enterprises (MSMEs) varies greatly from year to year. In 2018, the level of MSME taxpayer compliance was 6.39% due to a reduction in the MSME tax rate from 1% to 0.5%. In 2019, the level of MSME taxpayer compliance fell very sharply by -21.26%, this was due to the large number of taxpayers not taking

advantage of incentives from the government and the Covid-19 outbreak which was one of the factors for taxpayers in paying taxes. Then in 2021-2022 there was an increase of 2.34%, where this year entered a new normal era after being hit by the impact of Covid-19. There is no correlation between the level of MSME tax compliance and their growth rate. Currently there is a gap in the status of MSMEs in Karawang Regency. Nearly half of Karawang Regency's economy is supported by MSMEs. The majority of MSMEs in Karawang are still having problems understanding taxation, related to financial management and increasing trust in the government regarding compliance with paying taxes (Mahpudin et al., 2021).

One of the most important aspects in maximizing tax revenue is taxpayer compliance (Yanti et al., 2022). One element that can influence taxpayer compliance is knowledge of tax regulations (Fauzi & Maula, 2020). According to (Kumala & Junaidi, 2021), the definition of a taxpayer is the taxpayer's awareness in carrying out their tax obligations starting from calculating, paying and reporting tax obligations. According to (Rahmawati et al., 2023), compliance with tax obligations increases as taxpayers' knowledge about taxation increases. Increasing taxpayer compliance in managing MSMEs by increasing taxpayer awareness of tax regulations and provisions that must be complied with by taxpayers and tax officers (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022). Mental accounting is another factor that has an impact on taxpayer compliance (Ad Qisthon, 2021). Mental accounting is taxpayer awareness regarding sales distribution (Fitriandi & Ahmar, 2022). Every time a buying and selling transaction occurs, the taxpayer's mind immediately thinks of recording a portion of the sale for tax payment (Hikmah, 2021). There are still many MSMEs in Karawang that have not recorded their finances so they have difficulty managing their finances.

The extent to which taxpayers trust the tax system is another element that determines compliance. The level of trust here refers to trust in the legal and government system (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022). The level of trust is a measure of taxpayers' trust in the existing taxation system, both legally, governmentally and in the tax collection system (Ariwangsa & Kariyani, 2022). The existence of news related to tax abuse makes taxpayers anxious and makes taxpayers less confident in tax matters.

Micro, small and medium enterprises (MSMEs) compliance with tax obligations is the topic of this research. A new aspect in this research is the use of mental accounting variables. This is because research that examines MSME taxpayer compliance using variables such as understanding of taxation, accounting mentality and taxpayer trust is still minimal (Ad Qisthon, 2021).

As shown by previous research (Ad Qisthon, 2021). MSME taxpayer compliance is influenced by tax knowledge and accounting mentality. The accounting mentality, trust and power of revenue authorities have been proven to have an impact on MSME taxpayer compliance (Mutanga Marcus, 2021). According to research (Hikmah, 2021), accounting mentality has no effect on taxpayer compliance. (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022) shows that MSME taxpayer compliance is influenced by tax knowledge and the level of taxpayer trust. Understanding tax regulations does not have much influence on MSME taxpayer compliance according to researchers (Hikmah, 2021). However, the amount of trust influences MSME taxpayer compliance. Tax literacy influences MSME taxpayer compliance (Indrawan Rizki, 2018).

There have been several studies regarding whether or not micro, small and medium enterprises (MSMEs) comply with the influence of understanding of taxation, accounting mentality and the level of taxpayer trust, making it interesting for further analysis. Considering existing facts and existing gaps in the literature was the motivation for developing this research framework. The aim of this research is to examine how taxpayer knowledge, accounting mentality, and level of taxpayer confidence influence taxpayer compliance in micro, small and medium enterprises. Based on the explanation above, RQ is obtained: What are the factors that influence taxpayers to comply with MSME taxes.

### **Theory of Planned Behavior**

According to the theory of planned behavior is an extension of the Theory of Reasoned Action (TRA) by Fishbein and Ajzen (1975). According to this view, humans (Budiman, 2018) are logical creatures who utilize information strategically. This theory explains the factors that influence a person's behavior (Anugrah & Fitriandi, 2022). The Planned Behavior theory according to (Nik Amah et al., 2023) reveals that individual behavior is the result of a person's intention to behave. A person's intentions are determined by behavioral beliefs, normative beliefs, attitudes towards behavior and control beliefs (Perdana & Dwirandra, 2020). This theory is a trigger for someone to do something, including taxpayers, in achieving tax compliance (Ulfa & Mildawati, 2019). Behavioral beliefs to carry out or refrain from certain behavior is what is meant by the term normative beliefs (Ad Qisthon, 2021). Beliefs about one's own ability to influence one's behavior are known as "control beliefs" (Maharriffyan & Oktaviani, 2021). A person's attitude towards an action describes the extent to which he perceives the behavior as positive or negative (Rahman Septya Fathonah Dewi, 2022)

The theory of planned behavior is a theory related to describing the behavior of taxpayers in fulfilling their tax obligations (Budiman, 2018). This behavioral approach shows that tax compliance is a form of taxpayer behavior (Fitriandi & Ahmar, 2022). According to the theory of planned behavior (Ad Qisthon, 2021), a person's ease in complying with taxes is influenced by how well they understand the tax system, which is in turn influenced by how well they understand the tax system. Taxpayers will fulfill their tax obligations more if they have a deeper awareness of their tax responsibilities (Rahmawati et al., 2023) than if they do not. Compliance in fulfilling their obligations is more likely to occur for Taxpayers who know and understand the relevant regulations (Milleniasofianti & Djoko wahyudi, 2022). In accordance with the theory of planned behavior, mental accounting is related to attitudes towards behavior (attitude aged behavior) where mental accounting influences a person in determining and assessing the possibilities that will occur as a result of making financial management decisions (Ardimansyah et al., 2023). Individuals are more likely to comply with tax regulations if they have a positive view and feel they have some kind of control over their tax avoidance behavior (Ad Qisthon, 2021). (Nik Amah et al., 2023) use the idea of planned behavior to argue that taxpayers' trustworthiness is correlated with their sense of agency. Individuals are more likely to comply with tax regulations if they have confidence in the country and believe that the country can be trusted (Panjaitan et al., 2019).

### **Tax Understanding**

Taxpayer compliance can be influenced by several factors, one of which is taxpayer knowledge (Panjaitan et al., 2019). In the context of taxation, the meaning of tax refers to tax information used by taxpayers as a basis for carrying out certain actions, decisions and directions (Soda Jeheskiel, 2021). The most basic requirement for taxpayers is knowledge about taxation, because without this knowledge it is very difficult for taxpayers to fulfill their tax obligations (Panjaitan et al., 2019). To comply with tax laws, taxpayers must know the laws and how to apply them to calculate, pay and record their own taxes (Kumala & Junaidi, 2021). Taxpayers will find it easier to fulfill their tax obligations if they have a strong understanding of the (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022)

### **Mental Accounting**

Mental accounting is defined as a set of cognitive operations carried out by individuals and teams to categorize and assess financial activities (Puspita & Wardani, 2022). Mental accounting can help control a person's self in managing their income (Hikmah, 2021). The principle of mental accounting focuses on decisions for a certain period and considers how much to spend on shopping, how much to spend on holidays and how much to spend on other expenses in a certain period (Novandalina et al., 2022). When discussing taxation, the term mental accounting refers to the general belief in the minds of taxpayers, that some state contributions (taxes) must be separated from net income (Ad Qisthon, 2021). Someone using mental accounting aims to determine the amount of usage that is

different in each wealth account, which affects their spending decisions (Ariwangsa & Kariyani, 2022).

### The Level Of Trust

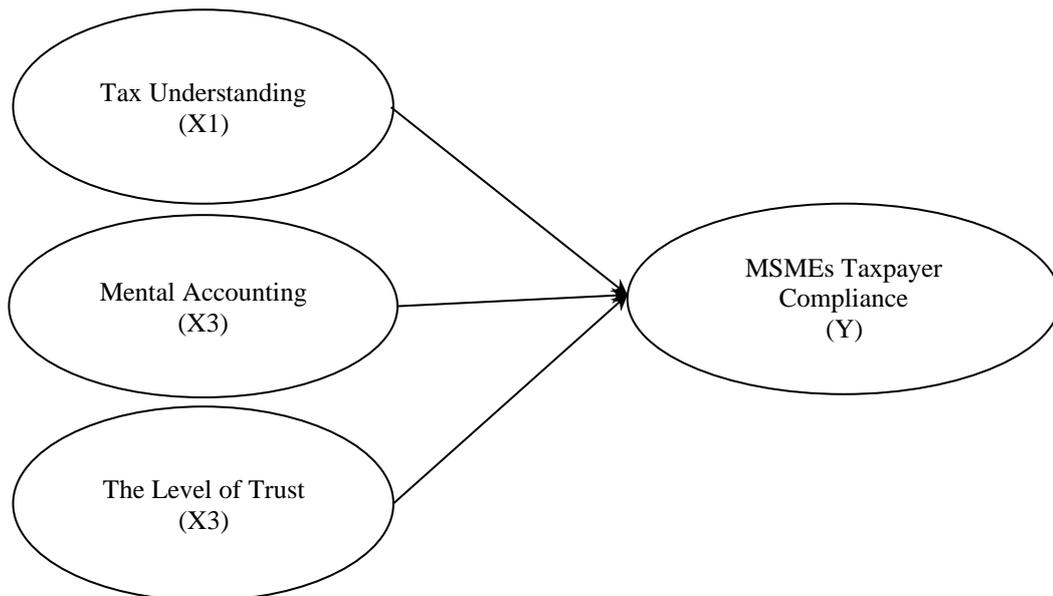
Taxpayers are more likely to pay their fair share of taxes when they have faith in the government and the justice system (Budiman, 2018). Trust measures the taxpayer's trust in existing taxation, both legally, governmentally, and the tax collection system (Stevanny Fransisca Elysabeth, 2021). As a benchmark for assessing the effectiveness of state institutions that use state authority to meet the needs of the state itself, to guarantee people's welfare in accordance with existing laws, citizens' trust in the government and the legal system is very (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022). A well-implemented tax system and tax officers who have fulfilled their responsibilities and distributed taxes well will certainly increase the trust of taxpayers (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022).

The following of conceptual research model are :

**H1: Understanding of Taxes has an effect on MSME Taxpayer Compliance**

**H2: Mental Accounting has an effect on MSME Taxpayer Compliance**

**H3: The Level of Taxpayer Confidence has an effect on MSME Taxpayer Compliance**



**Figure 2.1 Research Model**

source : Conceptual The Researcher, 2023

### Tax Understanding of MSME Taxpayer Obligations

As defined by (Sarwedy & Sarsiti, 2021), understanding occurs when a person is able to receive and benefit from some information without having to be actively involved with other factors to do so. To fulfill their tax obligations, taxpayers must first know these obligations and how to fulfill them, and this starts with being able to calculate, pay, and report their own taxes (Kumala & Junaidi, 2021). (Indrawan Rizki, 2018) found that MSME taxpayer compliance was influenced by the level of tax knowledge. Tax understanding has a positive and significant effect on compliance among micro, small and medium enterprises (MSMEs), according to research (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022). Meanwhile, research (Handayani Eka Puspita, 2020) shows that MSME tax compliance is not affected by knowledge of tax regulations. MSME taxpayer compliance is significantly influenced by the tax literacy level of the taxpayer (Kumala & Junaidi, 2021). (Pratiwi

& Susanti, 2020) research findings (2020) show that there is a relationship between taxpayer education and MSME tax compliance. Based on the description above, the theory is as follows:

**H1: Understanding of Taxes has an effect on MSME Taxpayer Compliance**

**Mental Accounting for MSME Taxpayer Compliance**

Mental accounting is a collection of cognitive techniques used by individuals and groups to code, classify, and analyze their financial operations (Ardimansyah et al., 2023). The term "mental accounting" is used to describe the way taxpayers mentally deduct state contributions (taxes) from their gross income (Ad Qisthon, 2021). Mental accounting has been proven to have an impact on MSME taxpayer compliance (Ad Qisthon, 2021). According to the literature (Mutanga Marcus, 2021), MSME tax compliance is influenced by mental accounting. However, research (Hikmah, 2021) shows that taxpayer compliance is not affected by taxpayers using mental accounting. Mental accounting may have an impact on taxpayer compliance, according to the literature (Fitriandi & Ahmar, 2022). The theory, based on the above, is as follows:

**H2: Mental Accounting has an effect on MSME Taxpayer Compliance**

**The Level of trust of Taxpayers in MSME Taxpayer Compliance**

Taxpayer trust in the current taxation system, including law, government, and tax collection mechanisms, is the main determinant of whether taxpayers pay taxes or not (Ariwangsa & Kariyani, 2022). (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022) defines trust in the government and the legal system as an evaluation of state institutions that exercise state authority in meeting the needs of the state itself to ensure people's welfare in accordance with applicable law. Previous research (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022) shows that MSME taxpayer compliance is influenced by the amount of trust between the taxpayer and the government. The level of trust has an effect on MSME taxpayer compliance, according to the literature (Handayani Eka Puspita, 2020). (Nik Amah et al., 2023) found that among micro, small and medium enterprises (MSMEs), compliance with tax laws was not affected by public trust in the government. The level of trust influences MSME taxpayer compliance, according to the literature (Hartanto & Pramuka, 2022). (Stevanny Fransisca Elysabeth, 2021) found that MSME taxpayer compliance was influenced by the level of trust. The theory, based on the previous discussion, is as follows:

**H3: The Level of Taxpayer Confidence has an effect on MSME Taxpayer Compliance**

**METHODS**

This research uses quantitative methods using primary data. Data collection was carried out using a questionnaire with Likert scale measurements. The population in this research is all MSME taxpayers registered at KPP Pratama North Karawang. The sample in this research was 100 MSME taxpayers registered at KPP Pratama North Karawang. The sampling technique uses purposive sampling with criteria based on gender, age, having a NPWP, type of business, length of business and turnover. The variables used are understanding of taxation, accounting mentality, level of taxpayer confidence and MSME taxpayer compliance. This research model uses PLS using SmartPLS 3 software.

**RESULTS AND DISCUSSION**

**Table 1. Respondents by Gender**

Respondent Identity	Information	Amount	Percentage
Gender	Male	27	27%
	Female	73	73%
	Total	100	100%

source : Excel Output Data, 2023

Table 1 shows that there were a total of 27 (27%) male respondents and 73 (73%) female respondents.

**Table 2. Respondents by Age**

Respondent Identity	Information	Amount	Percentage
<b>Age</b>	20-35 Year	38	38%
	36-50 Year	46	46%
	51-60 Year	15	15%
	Over 60 Year	1	1%
	Total	100	100%

source : Excel Output Data, 2023

Table 2 shows that there are 38 (38%) aged 20-35, 46 (46%) aged 36-50, 15 (15%) aged 51-60 and 1 (1%) aged over 60. It can be concluded that the average age -average is 36-50 years.

**Table 3. Respondents by Have a NPWP**

Respondent Identity	Information	Amount	Percentage
<b>Have a NPWP</b>	Yes	74	74%
	No	26	26%
	Total	100	100%

source : Excel Output Data, 2023

Table 3 shows that 74 (74%) respondents with NPWP and 26% of respondents without NPWP.

**Table 4. Respondents by 1 Type Business**

Respondent Identity	Information	Amount	Percentage
<b>Type business</b>	Food	76	76%
	Drink	8	8%
	Craft	10	10%
	Other	6	6%
	Total	100	100%

source : Excel Output Data, 2023

Table 4 above shows that 76 (76%) of the respondents had a type of food business, 8 (8%) of a beverage business, 10 (10%) of craft businesses, and 6 (6%) of other types of business. ). It can be concluded that the average respondent has a type of food business.

**Table 5. Respondents by Long Time In Business**

Respondent Identity	Information	Amount	Percentage
<b>Long time in business</b>	1-2 Year	13	13%

3-5 Year	56	56%
6-10 Year	21	21%
Over 10 Year	10	10%
Total	100	100%

source : Excel Output Data, 2023

Table 5 above shows that 13 (13%) have 1-2 years of business, 56 (56%) 3-5 years of business, 21 (21%) 6-10 years of business, and 21 (21%) of 6-10 years of business over 10 years as much as 10 (10%). It can be concluded that the average length of the respondent's business ranges from 3-5 years.

**Table 6. Respondents by 1 Year Turnover**

Respondent Identity	Information	Amount	Percentage
<b>1 Year Turnover</b>	1-5 Million	16	16%
	5-10 Million	43	43%
	25-50 Million	29	29%
	100-300 Million	9	9%
	Over 300 Million	3	3%
Total		100	100%

source : Excel Output Data, 2023

Table 6 above shows that there are 16 (16%) respondents with a turnover of 1-5 million, a turnover of 5-10 million is 43 (43%), a turnover of 25-50 million is 29 (29%), a turnover of 100 -300 million by 9 (9%) and turnover of more than 300 million by 3 (3%). It can be concluded that the average turnover of respondents ranges from 5-10 million.

**Tabel 1. Variabel Description - Tax Understanding**

	Mean	Median	Min	Max	Standard deviation	Excess kurtosis	Skewness	Number of observations used
Tu_1	3,310	4,000	1,000	5,000	1,214	-0,489	-0,653	100,000
Tu_2	3,111	3,000	1,000	5,000	1,288	-1,042	-0,354	100,000
Tu_3	3,490	4,000	1,000	5,000	1,315	-0,694	-0,621	100,000
Tu_4	3,590	4,000	1,000	5,000	1,297	-0,367	-0,816	100,000
Tu_5	3,280	4,000	1,000	5,000	1,209	-0,513	-0,592	100,000

source : Excel Output Data, 2023

In table 1 above it can be seen that the tax understanding variable obtains an average value (mean) of 3,590, indicating that the average respondent's response rates highly on the tax understanding variable.

**Tabel 2. Variabel Description - Mental Accounting**

	Mean	Median	Min	Max	Standard deviation	Excess kurtosis	Skewness	Number of observations used
Ma_1	3,130	3,000	1,000	5,000	1,163	-0,626	-0,374	100,000
Ma_2	3,200	3,000	1,000	5,000	1,166	-0,425	-0,399	100,000
Ma_3	3,310	4,000	1,000	5,000	1,102	-0,306	-0,553	100,000
Ma_4	3,110	3,000	1,000	5,000	1,182	-0,727	-0,290	100,000
Ma_5	3,140	3,000	1,000	5,000	1,166	-0,674	-0,316	100,000

source : Excel Output Data, 2023

In table 2 above it can be seen that the mental accounting variable obtains an average value (mean) of 3,310, indicating that the average respondent's response rates high on mental accounting.

**Tabel 3. Variabel Description - Level Of Trust**

	Mean	Median	Min	Max	Standard deviation	Excess kurtosis	Skewness	Number of observations used
Lot_1	4,040	5,000	1,000	5,000	1,385	-0,066	-1,219	100,000
Lot_2	3,610	4,000	1,000	5,000	1,303	-0,245	-0,892	100,000
Lot_3	3,230	3,000	1,000	5,000	1,310	-0,924	-0,382	100,000
Lot_4	3,290	4,000	1,000	5,000	1,336	-0,996	-0,395	100,000
Lot_5	3,130	3,000	1,000	5,000	1,262	-0,920	-0,189	100,000

source : Excel Output Data, 2023

**Tabel 4. Variabel Description - Msmes Tax Compliance**

	Mean	Median	Min	Max	Standard deviation	Excess kurtosis	Skewness	Number of observations used
Mtc_1	3,440	4,000	1,000	5,000	1,299	-0,617	-0,562	100,000
Mtc_2	3,350	4,000	1,000	5,000	1,260	-0,786	-0,507	100,000
Mtc_3	3,410	4,000	1,000	5,000	1,242	-0,645	-0,507	100,000
Mtc_4	3,560	4,000	1,000	5,000	1,299	-0,549	-0,718	100,000
Mtc_5	3,460	4,000	1,000	5,000	1,284	-0,687	-0,629	100,000

source : Excel Output Data, 2023

In table 4 above it is known that the taxpayer compliance variable obtained an average value (mean) of 3,560 indicating that the average respondent's response rated the compliance variable highly.

**Outer Model Results (Measurement Model)**

**Convergent Validity Test**

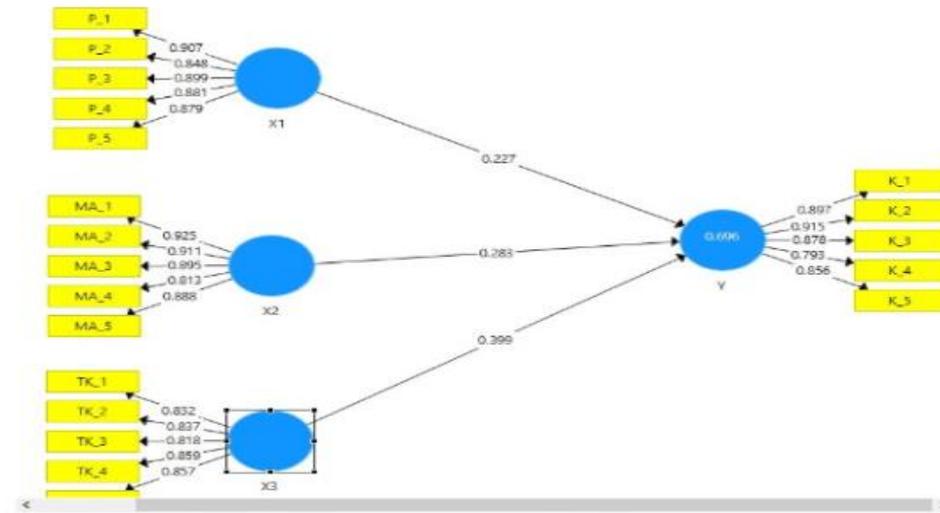


Figure 2

**PLS-Algorithm Model After Convergent Validity Test**

Source : SmartPLS 3.0, 2023

It can be seen from the test in Figure 2 that it is known that each indicator of the research variables is all declared reliable because it has a correlation value above 0.70.

Average Variance Extracted (AVE)	
	Average Variance Extracted (AVE)
X1	0,779
X2	0,787
X3	0,707
Y	0,755

source : excel output data, 2023

The output results show that the value for tax understanding, mental accounting, level of trust and compliance has a very good value where the value is above 0.50 so that the scores for all constructs are very good.

Reliability test using Composite Reliability and Cronbach's Alpha		
	Cronbach's Alpha	Composite Reliability
X1	0,929	0,946
X2	0,932	0,948
X3	0,896	0,923
Y	0,918	0,939

source : excel output data, 2023

The output results of the Reliability Test using Composite Reliability and Cronbach's Alpha are good for constructs. The AVE output results show a good AVE value for the tax comprehension construct, mental accounting, trust and compliance levels above 0.70 so that it can be concluded that all construct indicators are reliable or fulfill the reliability test.

<b>R Square test</b>		
	<b>R Square</b>	<b>R Square Adjusted</b>
<b>Y</b>	0.696	0,686

source : excel output data, 2023

Based on the coefficient of determination in the table above, it shows the R<sup>2</sup> value of the taxpayer compliance variable, amounting to 0.696, which means that this value can identify that the exogenous variables are tax understanding, mental accounting and the level of trust. In this study, R<sup>2</sup> was 69.9%, while the remaining 30.1% was influenced by other variables that were not in the high category in explaining the variable of taxpayer compliance.

<b>Hypothesis testing</b>					
	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ((O/STDEV))</b>	<b>P Values</b>
<b>X1 → Y</b>	0,227	0,249	0,118	1,923	0,022
<b>X2 → Y</b>	0,283	0,282	0,147	1,928	0,027
<b>X3 → Y</b>	0,399	0,399	0,134	2,269	0,002

source : excel output data, 2023

The *path coefficient* value can represent the relationship between variables ranging between -1 and +1 with a significance of 0.50.

#### **Effect of Tax Understanding on MSME Taxpayer Compliance**

Based on the data in the table above, there is a good relationship between tax knowledge and MSME taxpayer compliance. The findings from the data processing path coefficients show this, with a t-statistic of 1.923 greater than t table at alpha = 5% or 10%, with a p-value of 0.022 less than 0.05 or 0.10. This allows us to accept the hypothesis. MSMEs taxpayers registered with KPP Pratama Karawang Utara have a good understanding of tax regulations and tax reporting which they obtain through information outreach carried out by tax officers. The findings of this research support the Theory of Planned Behavior which states that knowledge about the tax system is related to normative beliefs about the importance of this knowledge for understanding the tax system (Nugroho et al., 2022). Taxpayer compliance increases as tax literacy increases (Rahmawati et al., 2023). Similar studies (Indrawan & Bhinekas, 2018; Deo, Pamujiku Putra, Yunus Pakpahan, and Tampubolon, 2022; Kumala & Junaidi, 2021; Pratiwi & Susanti, 2020) support these findings.

#### **The Effect of Mental Accounting on MSME Taxpayer Compliance**

The previous table shows a positive correlation and a strong influence of the mental accounting variable on MSME taxpayer compliance. This is indicated by the t-statistic value of 1.928 resulting from the path coefficient of the processed data, which is greater than the t table at alpha = 5% or 10%, with a p-value of 0.027 which is smaller than 0.05 nor 0.10. This allows us to accept the hypothesis. MSMEs taxpayers registered at KPP Pratama Karawang Utara have recorded their finances, making it easier for them to calculate their taxes. The findings of this study support the Theory of Planned Behavior, which states that "mental accounting" is an attitude toward behavior that affects a person's ability to predict and assess the results of financial management decisions (Ardimansyah et al., 2023). When someone has a positive outlook and feels responsible for their actions, they are more likely to comply with tax regulations (Nugroho et al., 2022). The study by Nugroho et al. (2022), Mutanga et al. (2021), and Fitriandi & Andi (2022) are consistent with the findings of this study.

### **The Effect of the Level of Trust on MSME Taxpayer Compliance**

As can be seen in the table above, there is a positive relationship between the level of trust and compliance of MSME taxpayers. This can be seen from the t-statistic value of 2.969 resulting from the processing of the data path coefficient, which is greater than the alpha value of 5% or 10% and the p-value of 0.002 which is smaller than 0.05 or 0.10. MSMEs taxpayers registered with KPP Pratama North Karawang believe that the taxes they pay are for the benefit of the community and are managed well. This allows us to accept the hypothesis. According to these findings, taxpayers' trust in the state and their willingness to comply with tax regulations increases when people believe that the government can be relied on to do the right thing (Panjaitan et al., 2019). Similar studies (Deo, Pamujiku Putra; Pakpahan, Yunus; Tampubolon, 2022) and (Handayani, et al, 2020) and (Nik Amah et al, 2023) support the findings presented here.

### **CONCLUSION**

First, this study concludes that MSME taxpayer compliance is positively related and significantly influenced by tax understanding variables. The findings of this study support the Theory of Planned Behavior which postulates that a person's level of tax knowledge is related to their level of normative trust in the tax system. As a result, a person's level of tax knowledge affects how easily they behave to comply with taxes. The more a taxpayer knows about his taxes, the more likely he is to pay the taxes owed.

Second, compliance with tax regulations among micro, small and medium enterprises (MSMEs) is significantly influenced by mental accounting variables. The results of this study support the theory of Planned Behavior Theory, where mental accounting is related to attitudes toward behavior (attitude toward behavior), where mental accounting influences a person in determining and evaluating the possibilities that occur as a result of making financial management decisions.

The findings of this study are consistent with the view of the Theory of Planned Behavior that individuals are more likely to comply with tax regulations if they have faith in the government and perceive it to be trustworthy. Adding factors that represent economic health has the potential to increase the precision of future studies and broaden the scope of studies, leading to more reliable findings.

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