



The Influence of Tax Knowledge and Tax Literacy on MSME Tax Compliance

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Abstract. *This study examines how tax knowledge and tax literacy influence tax compliance among Micro, Small, and Medium Enterprises (MSMEs). A quantitative descriptive design was applied, with primary data obtained from questionnaires completed by 50 MSME owners in Bandung City, selected through purposive sampling. The collected data were processed using statistical testing procedures, including validity and reliability assessments, followed by multiple linear regression analysis. The findings reveal that tax knowledge significantly enhances MSME tax compliance, indicating that a solid understanding of tax regulations, obligations, and sanctions encourages compliant behavior. Conversely, tax literacy demonstrates a positive yet statistically insignificant relationship, suggesting that technical comprehension alone may not directly result in compliance. Therefore, strengthening tax knowledge is considered a key factor, supported by continuous government initiatives through practical and targeted tax education programs tailored to MSME characteristics.*

Abstrak. Penelitian ini mengkaji pengaruh pengetahuan perpajakan dan literasi perpajakan terhadap tingkat kepatuhan pajak pelaku Usaha Mikro, Kecil, dan Menengah (UMKM). Metode kuantitatif deskriptif digunakan dengan pengumpulan data primer melalui kuesioner yang disebarakan kepada 50 pelaku UMKM di Kota Bandung, yang dipilih menggunakan teknik *purposive sampling*. Analisis data dilakukan melalui serangkaian pengujian statistik, meliputi uji validitas, reliabilitas, dan regresi linier berganda. Hasil penelitian mengonfirmasi bahwa pengetahuan perpajakan berpengaruh positif dan signifikan terhadap kepatuhan pajak UMKM, yang menandakan bahwa pemahaman terhadap peraturan, kewajiban, serta sanksi perpajakan mendorong perilaku patuh. Sebaliknya, literasi perpajakan memiliki pengaruh positif

namun tidak signifikan, sehingga pemahaman teknis belum tentu langsung tercermin dalam kepatuhan. Dengan demikian, pengetahuan perpajakan menjadi faktor yang lebih dominan, sehingga diperlukan peran berkelanjutan dari pemerintah melalui edukasi perpajakan yang sederhana dan sesuai dengan karakteristik UMKM.

Keywords:

Tax Knowledge; Tax Literacy; Tax Compliance

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Introduction

Taxes constitute the largest source of state revenue and play a crucial role in financing national development and public welfare. The implementation of the self-assessment system in Indonesia requires taxpayers to independently calculate, pay, and report their tax obligations in accordance with applicable regulations. However, this system also presents challenges, particularly for taxpayers who have limited knowledge and understanding of taxation, which may lead to errors in tax calculation and reporting, ultimately affecting the level of taxpayer compliance (Kurniawan et al., 2024). Therefore, taxpayer compliance remains a critical issue in achieving optimal tax revenue.

Micro, Small, and Medium Enterprises (MSMEs) represent a strategic sector in the Indonesian economy, contributing significantly to Gross Domestic Product (GDP) and employment generation. Despite their substantial economic contribution, the level of tax compliance among MSMEs remains relatively low. This condition is influenced by several factors, including limited understanding of tax regulations, administrative complexities, and the perception that taxation imposes an additional burden on business activities (Safitri, 2025). As a result, the contribution of MSMEs to tax revenue has not yet reached its optimal potential.

One of the key factors influencing tax compliance is tax knowledge. Tax knowledge reflects the extent to which taxpayers understand tax regulations, procedures, and obligations, which in turn affects their ability to fulfill tax responsibilities accurately and on time. Previous studies indicate that tax knowledge has a significant positive effect on taxpayer compliance, as a higher level of understanding encourages more compliant behavior (Nugroho & Apriladiestya, 2023). In addition to tax knowledge, tax literacy also plays an important role, as it represents the ability of taxpayers to interpret and apply tax-related information in practical contexts. Low levels of tax literacy may hinder MSME owners in complying with tax obligations effectively.

Although a number of studies have examined the relationship between tax knowledge and taxpayer compliance, as well as the role of related factors such as awareness and willingness to pay taxes, the findings remain inconsistent. Some studies show that tax knowledge significantly affects compliance, while others indicate that its influence is not always dominant due to the presence of other factors (Nugroho & Apriladiestya, 2023). Furthermore, studies that simultaneously examine tax knowledge and tax literacy in the context of MSMEs are still limited, particularly in capturing how both variables interact in influencing taxpayer compliance. This indicates the existence of a research gap that requires further empirical investigation.

Based on these conditions, this study aims to analyze the influence of tax knowledge and tax literacy on tax compliance among MSME owners. This research is expected to provide a more comprehensive understanding of the factors influencing

MSME tax compliance and to contribute to the development of more effective tax policies in improving compliance within the MSME sector.

Research Method

This study employs a quantitative approach with a descriptive design. The descriptive quantitative approach is used to describe and analyze the condition of the research object based on numerical data collected from respondents, without the intention of testing causal relationships among variables. The population of this study comprises all Micro, Small, and Medium Enterprises (MSMEs) registered as taxpayers in Bandung City. The selection of this population is based on the strategic role of MSMEs in contributing to tax revenue and their relevance as the object of analysis in studies related to tax compliance and tax understanding. The sample consists of 50 MSME owners selected using a purposive sampling technique. The selected MSMEs meet specific criteria, namely business actors who are actively operating their enterprises and are willing to participate as research respondents. Although the majority of respondents do not yet possess a Taxpayer Identification Number (NPWP), they were still included in the sample, as this study aims to measure the levels of tax compliance, tax knowledge, and tax literacy among MSME owners, particularly in relation to Value Added Tax (VAT) and Income Tax Article 21. Data were collected through a questionnaire developed using a Likert scale ranging from 1 to 5 (1 = Not Understand, 5 = Understand). The questionnaire was distributed to MSME owners via an online platform using Google Forms. In addition to the questionnaire, brief interviews were conducted with several respondents to further explore their responses and to obtain a deeper understanding of MSME owners' perspectives and experiences related to taxation. This study involves two independent variables, namely Tax Knowledge (X1) and Tax Literacy (X2), and one dependent variable, Tax Compliance (Y).

Based on the defined variables, the indicators employed in this study are presented as follows:

Table 1. Research Variables and Indicators

Variable	Indicators
Tax Knowledge (X1)	<ol style="list-style-type: none"> 1. Understanding of the function and role of taxes in national development 2. Understanding of the existence of sanctions for late tax payment or tax reporting 3. Understanding of the MSME turnover threshold subject to Value Added Tax (VAT)
Tax Literacy (X2)	<ol style="list-style-type: none"> 1. Understanding of MSME tax return (SPT) reporting procedures and obligations 2. Understanding of how to calculate MSME taxes based on business turnover 3. Understanding of MSME tax payment deadlines (Final Income Tax) 4. Understanding of Value Added Tax (VAT) regulations and procedures applicable to MSME owners
Tax Compliance Level (Y)	<ol style="list-style-type: none"> 1. Compliance with MSME tax payment in accordance with applicable regulations 2. Understanding of the obligation to possess a Taxpayer Identification Number (NPWP) among MSME owners

Results and Discussion

Reliability and Validity Testing in the Construction of the Measurement Model

Table 2. Reliability and Validity Test Results

Construct	AVE	Composite Reliability	Cronbach's Alpha
Tax Knowledge (X1)	0.888	0.964	0.958
Tax Literacy (X2)	0.768	0.906	0.901
Tax Compliance (Y)	0.910	0.866	0.851

Source: Processed data (2025)

Based on Table 2, it can be explained that all variables in this study, namely Tax Knowledge, Tax Literacy, and Tax Compliance, have Average Variance Extracted (AVE) values above 0.50. The test results confirm that each variable is able to adequately represent the variance of its indicators, thereby fulfilling the criteria for convergent validity. The Tax Compliance variable has the highest AVE value, while the latent variable of Tax Literacy has the lowest AVE value, however it still exceeds the minimum required threshold.

Furthermore, the reliability test results indicate that the Composite Reliability and Cronbach's Alpha values for all variables are above 0.70. This demonstrates that the research instruments exhibit a good level of consistency and reliability. Therefore, all research variables meet the measurement quality criteria and can be utilized for further analysis.

Multiple Linear Regression Test

Table 3. Results of the Multiple Linear Regression Test

Path	Coefficient	t-value	p-value	Decision
Tax Knowledge → Tax Compliance	0.380	2.390	0.017	Significant
Tax Literacy → Tax Compliance	0.331	1.866	0.062	Not significant

Source: Processed data (2025)

For the relationship between Tax Knowledge and MSME Tax Compliance, the coefficient value is 0.380, indicating that tax knowledge has a positive effect on MSME tax compliance. The t-value of 2.390 suggests that the effect is statistically significant, while the p-value of 0.017 is lower than the significance level of 0.05. These results indicate that tax knowledge has a significant effect on MSME tax compliance; therefore, the proposed hypothesis is supported.

The empirical findings of this study are consistent with previous research conducted by Istutik et al. (2024), which found that tax knowledge has a positive and significant effect on MSME taxpayer compliance. This indicates that an understanding of tax regulations and obligations plays a meaningful role in encouraging taxpayer compliance.

Meanwhile, for the relationship between tax literacy and MSME tax compliance, the coefficient value of 0.331 indicates a positive direction of association with MSME tax compliance. However, the t-value of 1.866 and the p-value of 0.062, which exceeds the 0.05 significance level, indicate that the effect of tax literacy is not statistically significant. Therefore, the hypothesis proposing an effect of tax literacy on MSME tax compliance is not supported.

Similarly, previous research by Ni Nyoman Yuliati et al. (2020) reported that tax literacy does not have a significant effect on taxpayer compliance. The findings of this study are in line with those results, indicating that tax literacy has not been proven to exert a significant influence on the level of MSME tax compliance. This condition suggests that the level of tax-related understanding possessed by MSME owners does not necessarily directly encourage compliant behavior in fulfilling tax obligations.

ANOVA Summary

Table 4. ANOVA Summary Results

	Sum Square	df	Mean Square	F	P Value
Total	106.520	56	0.000	0.000	0.000
Error	64.462	54	1.194	0.000	0.000
Regression	42.058	2	21.029	17.616	0.000

Source: Processed data (2025)

Based on the results of the simultaneous test using ANOVA analysis, the calculated F-value is 17.616 with a significance level (p-value) of 0.000. The probability value (sig.) is below the 0.05 significance level, indicating that the regression model is statistically significant. These findings are consistent with the views of Elin (2023) and Ristanto and Budiantara (2025), who state that independent variables simultaneously exert a significant effect on the dependent variable. Furthermore, the contribution of the independent variables in explaining the variation of the dependent variable, as indicated by the coefficient of determination, is 39.48%, while the remaining variance is explained by other factors outside the research model.

Discussion

Tax compliance is a crucial factor in supporting state revenue, particularly within the MSME sector. The findings of this study indicate that tax compliance is not only influenced by technical understanding, but also by how such understanding is internalized and applied in practice. The significant effect of tax knowledge on tax compliance shows that MSME owners who understand tax functions, regulations, and sanctions tend to be more compliant. This suggests that tax knowledge builds awareness and responsibility, making it a key factor in encouraging compliant behavior. This result is consistent with previous studies cited in this research. In contrast, tax literacy does not have a significant effect on tax compliance, even though it shows a positive relationship. This indicates that the ability to understand technical aspects of taxation does not automatically lead to compliance. One possible explanation is that MSME owners still perceive tax procedures as complex and burdensome, as highlighted in this study. As a result, even when they understand how taxation works, they may not fully implement it in practice.

Additionally, the characteristics of MSMEs in Bandung, which generally operate with simple management systems and limited resources, may hinder the application of tax literacy. Business owners often prioritize operational activities over administrative obligations, which affects their compliance behavior. These findings also suggest that tax knowledge and tax literacy represent different dimensions. Tax knowledge is more closely related to awareness and attitudes, which directly influence compliance, while tax literacy requires supportive conditions—such as simpler procedures—to be effectively implemented. Furthermore, the model explains 39.48% of tax compliance, indicating that other factors outside this study, such as tax sanctions, service quality, and trust in tax authorities, also play an important role.

Overall, improving MSME tax compliance requires not only enhancing tax knowledge and literacy, but also addressing practical barriers. Therefore, simplifying tax procedures and improving accessibility are essential to ensure that taxpayers can translate their understanding into actual compliance behavior.

Conclusion and Recommendations

This study was conducted to assess the effects of tax knowledge and tax literacy on the level of tax compliance among Micro, Small, and Medium Enterprises (MSMEs). Based on the results of the data analysis, it can be concluded that tax knowledge has a positive and significant effect on MSME tax compliance. This finding supports the theory which states that tax knowledge represents information that can be utilized by taxpayers as a basis for decision-making, action, and the formulation of strategies related to the fulfillment of their tax rights and obligations (Istutik, Amelia, & Herder, 2024). Therefore, the higher the level of MSME owners' understanding of tax functions, tax regulations, and applicable sanctions, the higher their level of compliance in fulfilling tax obligations.

Meanwhile, although tax literacy shows a positive relationship with tax compliance, it is not proven to have a statistically significant effect. This result is consistent with findings from a study conducted in Surabaya, which reported that the relationship between tax skills and tax payment compliance is not moderated by tax incentives (Saharani & Sari, 2023). These findings indicate that mastery of technical aspects of taxation, such as tax procedures and mechanisms, does not automatically lead to increased taxpayer compliance. In addition, the level of compliance is also influenced by other factors, such as the implementation of tax sanctions, which function as law enforcement instruments to ensure adherence to tax regulations (Istutik, Amelia, & Hedher, 2024).

Based on the findings of this study, the government and tax authorities are advised to place greater priority on enhancing MSME owners' tax knowledge through continuous socialization and educational programs delivered in simple and easily understandable language. A strong understanding of tax regulations, the role of taxation, and applicable tax sanctions is expected to encourage higher levels of MSME tax compliance. Although tax literacy does not show a statistically significant effect, efforts to simplify administrative procedures and improve the usability of tax systems should still be pursued as supporting factors. In addition, future research is recommended to expand the research model by incorporating other variables that may influence MSME tax compliance in order to produce more comprehensive findings.

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