

Determinants Of Compliance Of Msme Taxpayers In Bandar Lampung

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Abstract

This research is motivated by the consistent non-compliance of MSME taxpayers, especially in Bandar Lampung City. The purpose of this study is to observe the impact of tax rates, tax understanding, and tax sanctions on MSME taxpayer compliance and the role of tax incentives in moderating the effect of tax rates, tax understanding, and tax sanctions on MSME taxpayer compliance. This research uses a quantitative approach. The population of this study were MSME players in Bandar Lampung, with purposive sampling used as a sample selection method. The results showed that tax rates, tax understanding, and tax sanctions have a positive and significant impact on MSME taxpayer compliance. Tax incentives can buffer the impact of tax rates on taxpayer compliance, and tax incentives weaken the impact of tax understanding and tax sanctions on MSME taxpayer compliance. The importance of the amount of tax rates, the understanding of MSME actors about taxation, and tax sanctions will encourage MSME actors to be more compliant in their tax payments.

Keywords: Taxpayer Compliance, Tax Rates, Understanding of Taxation, Tax Sanctions, Tax Incentives.

INTRODUCTION

The country's dominant source of income that is used for the prosperity of its population is taxes. State taxes obtain finances from individuals and business entities.



One of the business sectors that plays an important role in tax revenue in Indonesia is MSMEs. Research conducted by Basrahpulungan and Tambun (2012) states that MSMEs are a key element in the overall economy. MSME players also receive special attention from the government, which, together with cooperatives, has a forum under the SME and Cooperative Ministry. The importance of the existence of MSME actors is recognized as a government effort to lift the economy of the little people. To increase the compliance of MSMEs to pay taxes, the government has imposed laws on taxpayers who do not fulfill their obligations (Basrahpulungan & Tambun, 2012).

Since 2013, the government has focused its attention on the MSME sector in Indonesia, which has experienced rapid growth (Halim, 2020). The government's first effort to increase tax revenue from the MSME sector involved setting the final tax rate at 1%. In accordance with Government Regulation Number 46 of 2013 (Cahyani & Noviani, 2019; Yanti & Wijaya, 2023), However, the implementation of the 1% rate did not meet expectations, as the level of MSME tax compliance was minimal and did not reach the set target. This non-compliance prompted the government to take a new step since 2018 by reducing the MSME Final Income Tax (PPH) rate to 0.5%. This change is reflected in "Government Regulation Number 23 Year 2018". This shrinkage is expected to strengthen justice as well as avoid losses for those with low turnover (Cahyani & Noviani, 2019). With this rate reduction, it is hoped that MSME players will feel lighter and can increase the level of MSME tax compliance in Indonesia (Kusuma & Diana, 2022).

Non-compliance by MSME taxpayers is a problem that consistently occurs in Lampung, especially in Bandar Lampung City. According to data recorded at KPP Pratama Bandar Lampung Satu, in 2020, the number of registered MSME OP taxpayers reached 2,678, but only 2,024 tax returns were submitted. In 2021, the number of registered MSME OP taxpayers increased to 3,030, but only 2,573 tax returns were submitted. And in 2022, the number of registered MSME OP taxpayers reached 3,328, but only 2,589 tax returns were submitted, so the compliance rate of MSME taxpayers decreased. However, the growth rate of MSMEs in Bandar Lampung is not followed by taxpayer compliance (Yanti & Wijaya, 2023).

Based on the findings of several previous researchers, it can be concluded that tax rates have support from research Ariyanto & Anita (2020); Cahyani & Noviani (2019), concluding that tax costs have an impact on taxpayer compliance. Even so, Machmudah & Putra (2019) in their study, state that tax costs have no impact on taxpayer compliance. Several other researchers have also reached the conclusion that tax understanding and



tax penalties share an impact on tax compliance. A similar conclusion was expressed by Permata and Zahroh (2022), who found that tax understanding, tax rates, and tax sanctions have a simultaneous influence on taxpayer compliance. Meanwhile, tax incentives have an impact on tax understanding and taxpayer obedience, according to research (Fazriputri et al., 2021). However, the results of the research analysis by Kurniawan (2023) show that a sense of awareness and tax incentives have an impact, but tax understanding only has a positive but insignificant effect. Rizki & Anggraeni (2023) found that tax rates, tax sanctions, knowledge, and understanding of taxpayers have no impact on tax compliance. Furthermore, the results show that the perceived effectiveness of the tax system does not moderate the relationship between penalties, costs, and the knowledge and understanding of taxpayers about tax compliance (Rizki & Anggraeni, 2023).

The main differences between this research and previous studies, especially in terms of research variables, can be identified. Cahyani & Noviri (2019) focused on the impact of tax rates, tax penalties, understanding, and tax compliance. Meanwhile, the study by Ariyanto and Anita (2020) used the variables of compliance, service quality, tax knowledge, perceived tax rates, and MSME taxpayers. Research Machmudah & Putra (2019) focuses on penalties, obedience, understanding, and MSME tax costs. Permata & Zahroh (2022) included variables of punishment, understanding, and MSME tax costs. On the other hand, Fazriputri et al. (2021) evaluated digital costs and penalties for tax compliance. Kurniawan (2023) examined tax incentives, MSME taxpayer compliance, taxpayer awareness, and understanding of taxation. (Rizki & Anggraeni, 2023) include tax rate variables, understanding, insight, and tax penalties, perceived tax optimality, and tax compliance.

This study, on the other hand, includes variables of tax rates, tax understanding, tax sanctions, MSME taxpayer compliance, and tax incentives as moderation. This research has important significance because the level of compliance of MSME taxpayers is still low in carrying out their tax obligations. Therefore, the purpose of this study is to evaluate and re-examine the impact of tax rates, tax understanding, and tax sanctions on MSME taxpayer compliance by considering tax intensity as moderate.

LITERATURE REVIEW

Theory of Planned Behavior



The theoretical framework known as Theory Planned Behavior (TPB), created by Bosnjak et al. (2020), discusses how individual intentions towards certain activities can impact individual behavior. According to this idea, behavior related to attitudes, subjective norms, and perceived behavioral control will be influenced by tax non-compliance. This idea is often used as a basis for accurately interpreting behavioral intentions.

Taxpayer Compliance

Taxpayer compliance is a multifaceted notion that includes proper tax reporting, timely financing of tax arrears, and readiness to pay taxes, voluntarily or for fear of tax sanctions (Meilita & Pohan, 2022). According to Isnaini and Karim (2021) achieving the revenue target in the tax sector is closely related to taxpayer compliance, where taxpayers exercise their taxation rights and fulfill all their obligations, which is another definition of tax compliance (Indahsari & Fitriandi, 2021).

Tax Rate

It can be defined as the total that taxpayers need to pay in proportion to their income (Rojo-Su & Alonso-Conde, 2024). The tax rate, according to Machmudah and Putra (2019) is the total that taxpayers pay through their income.

Understanding Taxation

Understanding taxation based on Theory Planned Behavior, a theory of behavior related to behavioral beliefs that explains how attitudes influence intentions to behave by recognizing the results of these individual activities. (Bosnjak et al., 2020; Lutfi et al., 2023; Rahmatika & Fajar, 2019) Understanding tax regulations includes taxpayers' understanding of the laws that require them to fulfill their tax obligations and apply them in accordance with the provisions of the tax law (Hapsari & Kholis, 2020).

Tax Sanctions

Tax sanctions act as a guarantee that tax law regulations can be adhered to. Another term for the purpose of tax penalties is to deter taxpayers from deviating from tax policy (Juwita & Khaerul, 2020). According to Widagsono (2017), tax sanctions have an impact on tax compliance. Tax sanctions are weapons that the government can use to enforce tax administration discipline and ensure that taxpayers pay the taxes they should. According to the Theory of Planned Behavior framework, people who violate tax



regulations usually fear that they will have to pay more taxes than they should as a result of the violation. Therefore, by reporting and paying taxes on time, taxpayers try to avoid punishment (Rahayu, 2017).

Tax Incentives

Tax incentives are known as government efforts to provide assistance to small to medium-sized businesses by reducing the amount of tax they have to pay (Andrew & Sari, 2021). The government offers final income tax incentives with rates ranging from 0.5% to 0% as tax assistance for small and medium-sized enterprises (MSMEs). It is hoped that this policy can encourage the expansion of MSMEs. Indonesia's economic stability can be improved and enhanced by using tax incentives (Fazriputri et al., 2021; Indahsari & Fitriandi, 2021; Kusuma & Diana, 2022).

Research Framework and Hypotheses

This research model can be characterized as follows, based on the problem formulation and background description:

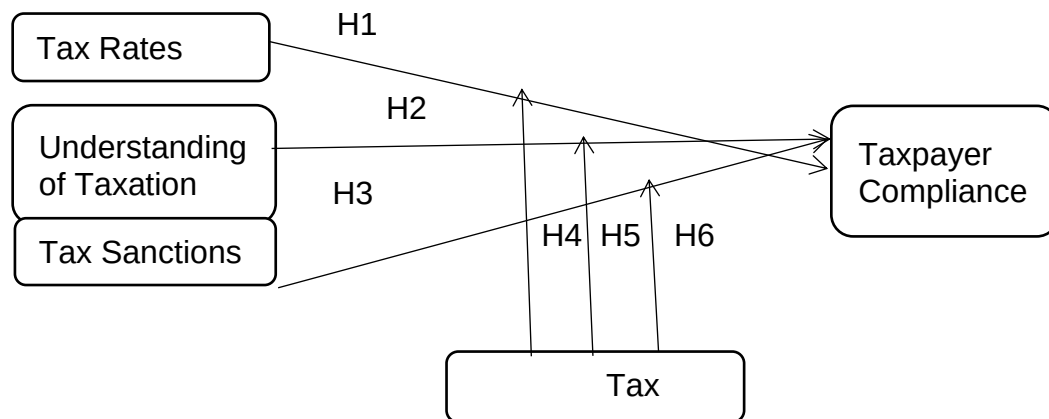


Figure 1. Research Model

The Effect of Tax Rates on Taxpayer Compliance

Research Ariyanto & Anita (2020); Fauzi & Maula (2020); Cahyani & Noviari (2019) describes costs as having an impact on tax compliance. Studies Analisa et al. (2021);

Machmudah & Putra (2019) show that tax costs have an insignificant impact on tax compliance, so the proposed hypothesis is:

H1: Tax rates have a positive and significant impact on taxpayer compliance.

The Effect of Tax Understanding on Taxpayer Compliance

Research shows that tax understanding is positively related to tax compliance (Ariyanto & Anita, 2020; Fauzi & Maula, 2020; Cahyani & Noviari, 2019). A hypothesis can be formulated, namely:

H2: Understanding taxation has a positive and significant effect on taxpayer compliance.

The Effect of Tax Sanctions on Taxpayer Compliance

Studies conducted Hantono & Sianturi (2022); Cahyani & Noviari (2019) show that tax sanctions increase taxpayer compliance. However, research Asfa & Meiranto (2017) states that sanctions have no impact on tax compliance. The following is the research hypothesis:

H3: Tax sanctions have a positive and significant impact on taxpayer compliance.

The role of tax incentives in moderating the effect of tax rates on taxpayer compliance

Tax compliance can be accompanied by high and low tax rates. Taxpayers will be increasingly disobedient in paying taxes if the tax rate is higher. However, tax incentives can help with tax payments, thereby increasing taxpayer compliance. Tax incentives can reduce the negative impact of high tax rates and increase taxpayer compliance. Examples are tax breaks and rate reductions. Thus, the research hypothesis is:

H4: Tax incentives can moderate the relationship between the impact of tax rates on taxpayer compliance.

The role of tax incentives in moderating the effect of tax understanding on taxpayer compliance

A good understanding of tax rules and regulations can increase taxpayers' awareness of their responsibility to pay taxes. Especially if there are tax incentives. Taxpayer compliance will increase with a good understanding of taxes and tax incentives. The following is the research hypothesis:



H5: Tax incentives can moderate the impact of tax understanding on taxpayer compliance.

The role of tax incentives in moderating the effect of tax sanctions on taxpayer compliance

Tax sanctions are intended as a reminder for those who violate tax laws to pay their taxes on time and treat tax regulations seriously. But sometimes, the inability of taxpayers to pay taxes is due to a lack of income. Tax incentives can help with tax payments for taxpayers. The existence of tax incentives and sanctions can assist taxpayers in increasing their level of compliance. So, the research hypothesis is:

H6: Tax incentives can moderate the effect of tax sanctions on taxpayer compliance.

RESEARCH METHOD

This study is quantitative in nature and utilizes primary data from offline and online surveys (Riswan & Khairuddin, 2018). With this approach, questionnaires were distributed to participants, with a focus on micro, small, and medium enterprises (MSMEs) in Bandar Lampung City. The population of this research is MSME actors in Bandar Lampung, with purposive sampling used as a sample selection method, so the number of samples in this study is 99 people, with 31 offline data and 68 online data. MSMEs that have NPWP are the sample criteria applied. Validity tests, descriptive statistics and reliability, multicollinearity, normality, MRA, and heteroscedasticity are some of the analysis approaches used. Taxpayer compliance is the dependent variable in this study. Meanwhile, tax rates, tax understanding, and tax sanctions are independent variables. In addition, there is one moderating variable in this study, namely tax incentives.

RESULTS AND DISCUSSION

Descriptive Statistical Test

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
X1	99	8	20	14,58	2,576
X2	99	8	20	14,86	2,403



X3	99	8	20	15,82	2,869
M1	99	6	15	11,31	1,931
Y1	99	8	20	14,78	2,315

Source : Processed Data, 2024

Through table 1 on a total sample of 99 respondents, the lowest value on the tax rate variable is 8, tax understanding 8, tax sanctions 8, tax incentives 6, and taxpayer compliance 8. The highest value on the tax rate variable is 20; tax understanding is 20; tax sanctions are 20; tax incentives are 15; and taxpayer compliance is 20. The average value of the tax rate variable is 14.58, tax understanding is 14.86, tax sanctions are 15.82, tax incentives are 11.31, and taxpayer compliance is 14.78. The standard deviation value on the tax rate variable is 2.576, understanding of taxation is 2.403, tax sanctions are 2.869, tax incentives are 1.931, and taxpayer compliance is 2.315.

Validity Test

Table 2. Validity test

Item	R Count	R Table	Result
X1.1	0,809	0,196	Valid
X1.2	0,874	0,196	Valid
X1.3	0,814	0,196	Valid
X1.4	0,714	0,196	Valid
X2.1	0,770	0,196	Valid
X2.2	0,852	0,196	Valid
X2.3	0,801	0,196	Valid
X2.4	0,768	0,196	Valid
X3.1	0,856	0,196	Valid
X3.2	0,843	0,196	Valid
X3.3	0,782	0,196	Valid
X3.4	0,790	0,196	Valid
M1.1	0,780	0,196	Valid
M1.2	0,839	0,196	Valid
M1.3	0,842	0,196	Valid
Y1.1	0,777	0,196	Valid



Y1.2	0,798	0,196	Valid
Y1.3	0,824	0,196	Valid
Y1.4	0,750	0,196	Valid

Source : Processed Data, 2024

It can be seen from the data in the validity test results table above that each questionnaire item has r count above r table, showing the validity of each question item for the questionnaire used to measure variables.

Reliability Test

Table 3. Reliability Test

Variable Reliability Test	Test Result	Taraf Cronbach Alpha	Result
Variable X1 (Tax Rate)	0,839	0,60	Reliabel
Variable X2 (Understanding Taxation)	0,806	0,60	Reliabel
Variable X3 (Tax Sanctions)	0,829	0,60	Reliabel
Moderating Variable (Tax Incentives)	0,758	0,60	Reliabel
Variable Y (Taxpayer Compliance)	0,793	0,60	Reliabel

Source : Processed Data, 2024

Through this table it is known that all items used to assess variables can be declared reliable because they have a Cronbach Alpha value > 0.60 . The Cronbach Alpha values of Variable X1 ($0.839 > 0.60$), X2 ($0.806 > 0.60$), X3 ($0.829 > 0.60$), Moderation Variable ($0.758 > 0.60$), and Variable Y ($0.793 > 0.60$), are all higher than the Cronbach Alpha value of the previous variable. This implies that additional analysis can be conducted using the data collected.



Coefficient of Determination**Table 4. Koefisien R Square**

Variable	R Square	Regression Coefficient	T Count	Sig	Result
X1	0,336	0,653	7,002	0,000	H1 Accepted
X2	0,431	0,632	8,571	0,000	H2 Accepted
X3	0,378	0,496	7,673	0,000	H3 Accepted
X1xMI	0,551	0,061	6,789	0,000	H4 Accepted
X2xM1	0,595	0,039	6,240	0,638	H5 Rejected
X3xM1	0,575	0,039	6,677	0,171	H6 Rejected

Source : Processed Data, 2024

The results of the R square test show that the study results provide an adjusted R square value for each variable, namely X1 of 0.336, and when variable X1 is moderated by the tax incentive variable, the results strengthen to 0.551, X2 of 0.431, and when variable X2 is moderated by the tax incentive variable, the results strengthen to 0.595, X3 of 0.378, and when variable X1 is moderated by the tax incentive variable, the results strengthen to 0.575, meaning that the moderating variable has a role in strengthening the model's ability to explain the variation in the dependent variable.

Data Testing

The research data that has been obtained must first pass the classical assumption test before being processed. Several stages in the classical assumption test that must be carried out by researchers are as follows:

Normality Test**Table 5. Normality Test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		99
Normal Parameters ^{a,b}	Mean	.0000000



	Std. Deviation	1.37718715
Most Extreme Differences	Absolute	.070
	Positive	.070
	Negative	-.042
Test Statistic		.070
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Source : Processed Data, 2024

Through this table, the significance is $0.200 > 5\%$ ($\alpha=0.05$). Where if the data is normally distributed in this case.

Multicollinearity Test

Table 6. Multicollinearity Test

Model	Collinearity Statistics		
	Tolerance	VIF	
1	(Constant)		
	TOTAL_X1	.546	1.831
	TOTAL_X2	.575	1.738
	TOTAL_X3	.475	2.106
	TOTAL_M1	.577	1.732
Source : Processed Data, 2024			

Through this table, the tolerance is 0.546, 0.575, 4.75, and 0.577, while the VIF values for variables X1, X2, X3, and M1 are 1.831, 1.738, 2.106, and 1.732. The independent variables have a tolerance > 0.1 , according to the calculation of the tolerance value. All independent variables have VIF values < 10 , although the results of the VIF value calculation show this clearly. Where multicollinearity is not experienced.



Heteroscedasticity Test**Table 7. Heteroscedasticity Test**

Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1 (Constant)	.889	.664		1.339	.184	
TOTAL_X1	-.010	.061	-.023	-.165	.869	
TOTAL_X2	-.031	.051	-.083	-.615	.540	
TOTAL_X3	.046	.047	.146	.979	.330	
TOTAL_M1	.000	.063	-.001	-.007	.994	
Source : Processed Data, 2024						

Through this table, the significant heteroscedasticity of X1 is 0.869, X2 is 0.540, X3 is 0.330, and the M1 variable is 0.994. Where heteroscedasticity is not experienced, because the sign is above α by 5%.

MRA TEST**Table 6. MRA Test**

Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1 (Constant)	7.624	1.039		7.337	.000	
TOTAL_X1	.653	.093	.579	7.002	.000	
2 (Constant)	11.087	.999		11.101	.000	
TOTAL_X1	-.362	.168	-.322	-2.154	.034	
X1xM1	.061	.009	1.014	6.789	.000	



Model		Unstandardized Coefficients		Standardized Coefficient		
		B	Std. Error	Beta		
1	(Constant)	5.383	1.110		4.848	.000
	TOTAL_X2	.632	.074	.656	8.571	.000
2	(Constant)	8.988	1.105		8.137	.000
	TOTAL_X2	-.060	.127	-.063	-.473	.638
	X2xM1	.039	.006	.825	6.240	.000
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.935	1.039		6.676	.000
	TOTAL_X3	.496	.065	.615	7.673	.000
2	(Constant)	10.122	.986		10.265	.000
	TOTAL_X3	-.153	.111	-.190	-1.378	.171
	X3xM1	.039	.006	.919	6.677	.000

From the research results, the linear regression model equation is obtained as follows:

$$Y_i = 7.624 + 0.653X_{1i} + \epsilon_i \quad (1)$$

$$Y_i = 11.087 - 0.362X_{1i} + 0.061X_{1xM1i} + \epsilon_i \quad (2)$$

$$Y_i = 5.383 + 0.632X_{2i} + \epsilon_i \quad (3)$$

$$Y_i = 8.988 - 0.060X_{2i} + 0.039X_{2xM1i} + \epsilon_i \quad (4)$$

$$Y_i = 6.935 + 0.496X_{3i} + \epsilon_i \quad (5)$$

$$Y_i = 10.122 - 0.153X_{3i} + 0.039X_{3xM1i} + \epsilon_i \quad (6)$$

Based on the final results of MRA in the table, the sig value of X_{1xM1} is 0.034 < 0.05, which indicates that tax incentives are significant in moderating the effect of tax



rates. As for the sig value of $X2 \times M1$ $0.638 > 0.05$, sig $X3 \times M1$ $0.171 > 0.05$, tax incentives have no significant effect on moderating tax understanding and tax sanctions on taxpayer compliance.

Hypothesis Discussion

The effect of tax rates on taxpayer compliance

For the tax impact, the significant value is $0.000 < 0.05$, where the tax rate has a positive impact on taxpayer compliance behavior. This indicates that H1 is accepted. Economically, high tax rates can be an obstacle, encouraging taxpayers to seek tax burden reduction strategies. Conversely, low tax rates can increase taxpayers' motivation to comply with taxes. Psychological aspects also play a role, where the perception of the fairness of tax rates affects the level of compliance. This research is in line with previous research (Ariyanto & Anita, 2020; Fauzi & Maula, 2020; Putu Gita Cahyani & Noviani, 2019).

The effect of tax understanding on taxpayer compliance

The significant value of understanding taxation is $0.000 < 0.05$. Understanding taxation has a positive and significant impact on taxpayer compliance. See if H2 is accepted. A good understanding of tax rules and regulations can increase taxpayers' awareness of their responsibility to pay taxes. Conversely, a lack of understanding can be an obstacle, creating uncertainty and confusion that may motivate taxpayers to avoid or reduce their tax obligations. Taxpayers who understand the tax calculation process, reporting procedures, and the benefits derived from their tax contributions are more likely to be compliant. This factor can also minimize the risk of miscalculations that may result in tax penalties. Therefore, the government needs to run an effective tax education program to increase taxpayer understanding. This research is in line with previous research (Ariyanto & Anita, 2020; Fauzi & Maula, 2020; Putu Gita Cahyani & Noviani, 2019).

The effect of tax sanctions on taxpayer compliance

The significant value for tax sanctions is $0.000 < 0.05$. determining if tax sanctions have a positive and significant impact on taxpayer compliance. This indicates the acceptance of H3. Tax sanctions are intended to be a reminder for those who violate tax regulations to pay taxes on time and carry out tax regulations seriously. Tax sanctions



can encourage taxpayers to pay their taxes, which can increase their overall sense of obedience (Juwita & Wasif Khaerul, 2020; Cahyani & Noviari, 2019; Widagsono, 2017). The results of this investigation are in line with the results of other studies (Fuadi & Mangoting, 2013; Sapriadi, 2013; Tene et al., 2017; Tiraada, 2013), which all produce the same conclusion about the effect of tax sanctions on MSME tax compliance.

The role of tax incentives in moderating the effect of tax rates on taxpayer compliance

The impact of tax rates on taxpayer compliance can be influenced by tax incentives in moderation. This is shown by the MRA test results, which show a significant value of $0.034 < 0.05$, which means that H4 is accepted. Tax incentives, such as tax relief or reduced rates, can reduce the negative impact of high tax rates, encouraging taxpayer compliance. Conversely, tax incentives can also strengthen the positive effects of low tax rates, mobilizing taxpayers to contribute more to certain activities. The psychological aspect of tax incentives, as a form of appreciation from the government, can also increase compliance motivation. The moderating importance of tax incentives on tax rates depends on the sector and income level of the taxpayer, so an in-depth understanding of their interaction is necessary to design effective tax policies. Thus, tax incentives can be a strategic tool for achieving economic and social goals.

The role of tax incentives in moderating the effect of tax understanding on taxpayer compliance

The significant value of the tax understanding variable moderated by tax incentives is $0.638 > 0.05$, which means that tax incentives weaken the effect of tax understanding on taxpayer compliance. Where H5 is rejected. Tax understanding, moderated by tax incentives, has negative results depending on a number of factors. Although tax incentives are designed to stimulate economic activity, limitations in the subject's tax understanding can lead to a less than optimal impact. If the tax subject has a limited understanding of the tax rules, the tax incentives provided by the government may not be optimized. Tax subjects who lack an understanding of available incentives may have difficulty identifying and fully utilizing them. Limited tax understanding can lead to a misinterpretation of tax rules and tax incentives. This can lead to the use of incentives that are inconsistent with policy intentions, creating the risk of abuse and negatively impacting fiscal objectives. A limited understanding of tax regulations can create



challenges in terms of tax compliance. Tax subjects who do not fully understand their tax obligations may not utilize incentives effectively and may even avoid their tax obligations.

The role of tax incentives in moderating the effect of tax sanctions on taxpayer compliance

With a sign of $0.171 > 0.05$ for the tax sanction variable moderated by tax incentives, it can be concluded that tax incentives weaken the impact of tax sanctions on taxpayer compliance. Showing rejection of H6. Government offers in the form of tax benefits. During the Corona outbreak, the government offered incentives, including depreciation of "corporate income tax rates and income tax Article 21 incentives paid by the government in the period April 2020 to September 2020, and this provision has been made." This is very important for Indonesia's tax industry and a source of concern for the economy. The aim is to ensure that there are no taxpayers who prevent taxes and to collect tax revenue. According to this thesis, all businesses are determined by financial incentives (Dewi et al., 2020). Incentives can encourage MSMEs to comply with tax obligations, which will reduce the likelihood of being fined. When taxpayers can avoid tax penalties, so that MSME tax compliance will increase.

CONCLUSIONS AND SUGGESTIONS

Tax rates have a positive impact on taxpayer compliance behavior, as seen from the significant positive effect on compliance ($0.000 < 0.05$). Taxpayer compliance has a significant positive impact on tax understanding, as seen from the positive and significant impact of tax compliance on tax understanding ($0.000 < 0.05$). Tax sanctions have a positive impact on tax compliance ($0.000 < 0.05$). Which characterizes whether tax sanctions have a positive and significant impact on tax compliance. The sign $0.034 < 0.05$ indicates that tax incentives have the ability to moderate the relationship between the effect of tax rates on tax compliance. It shows that tax incentives have a moderating function in the relationship between tax rates and taxpayer compliance. Sign $0.638 > 0.05$ for the function of tax incentives in moderating the effect of understanding on tax compliance, concluding that tax incentives do not have a moderating impact on the relationship between understanding taxation and taxpayer compliance. Sign $0.171 > 0.05$ indicates the significance of tax incentives in moderating the impact of tax sanctions on taxpayer compliance. This indicates that tax incentives mitigate the negative impact of tax sanctions on tax compliance.



Through the acquisition of the assessment, the conclusion is that tax rates, understanding of taxation, and sanctions have a positive and significant impact on taxpayer compliance. Tax incentives can suspend the impact of tax rates on tax compliance. But tax incentives shrink the impact of sanctions and tax understanding on taxpayer compliance.

It is recommended that more variables be included in future research, especially those that may have an impact on MSME taxpayer compliance. Variables that could be included include tax awareness, tax socialization, and modernization of the tax administration system, factors that may impact MSME taxpayer compliance. This is done to enable wider application of the results of further research.

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