

Investigating the Factors Influencing Tax Compliance in Online Transaction: An Empirical Study on MSMEs

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Abstract: *This study aims to analyze the factors that influence personal tax compliance in paying the income tax from online sales of MSME, namely tax policy, tax knowledge, tax sanctions, and tax incentives. This study adopted the attribution theory and used a quantitative approach employing a survey method by distributing the questionnaires related to paying online sales tax of the individual taxpayers running MSMEs. A total of 159 respondent data across Yogyakarta, Central Java, and Lampung, which met the criteria, were analyzed and tested using Structural Equation Modeling (SEM) with the help of SmartPLS 3.0. This study indicates that tax knowledge and tax sanctions have significant and positive effects on tax compliance, but tax policy has no significant effect on tax compliance. Likewise, tax incentives cannot moderate the relationships between tax policy, tax knowledge, tax sanctions, and tax compliance.*

Keywords: *Tax compliance, tax incentive, tax knowledge, tax policy, tax sanction*

Abstrak: *Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi kepatuhan pajak orang pribadi dalam membayar pajak penjualan online pada UMKM, yaitu kebijakan pajak, pengetahuan pajak, sanksi pajak dan insentif pajak. Penelitian ini mengadopsi teori atribusi dan menggunakan pendekatan kuantitatif dengan metode survei melalui penyebaran kuesioner kepada wajib pajak orang pribadi pelaku UMKM dalam membayar pajak penjualan online. Sebanyak 159 responden yang tersebar di Yogyakarta, Jawa Tengah dan Lampung yang memenuhi untuk diuji dan dianalisis dengan menggunakan Structural Equation Modelling (SEM) dengan bantuan smartPLS 3.0. Hasil penelitian ini menunjukkan bahwa pengetahuan pajak dan sanksi pajak berpengaruh positif signifikan terhadap kepatuhan pajak, namun kebijakan pajak tidak berpengaruh positif signifikan terhadap kepatuhan pajak. Demikian pula insentif pajak juga belum mampu sebagai moderasi hubungan kebijakan pajak, pengetahuan pajak, dan sanksi pajak terhadap kepatuhan pajak*

Kata Kunci: *Kebijakan pajak, kepatuhan pajak, insentif pajak, pengetahuan pajak, sanksi pajak*

1. Introduction

The Covid-19 pandemic has significantly impacted all life aspects, including social, political, and economic stability at both national and international levels. The pandemic also ceases public productivity and interrupts the daily activities of workers, students, business people, and all community segments (Mar'linah, 2020). This adverse impact also impedes the development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia (Lestari & Hidayati, 2020). Most MSMEs could not run their business due to the government regulations to implement Large-Scale Social and Community Activity Restrictions. Specifically, micro-businesses such as culinary, handicrafts, boutiques, retailers, and so forth have to suffer from the turnover decrease (Fitriandi, 2020).

One of the problems in online business is implementing taxation practices. The Self Assessment System applied by the Indonesian taxation system entrusts the taxpayers and emphasizes the individual awareness to pay the tax based on calculating their taxable revenues (Hanif & Odiatma, 2017). The problem is rooted in the fact that the online sales of MSMEs still cannot describe the actual amount of revenue obtained by the taxpayer alongside all the limitations (Widiastuti, 2014). Online sales are only proven with the money transferred from the buyer to the seller without the evidence of the tax payable on the transaction (Konovsky & Organ, 2018).

Online business is an activity of making money facilitated by the internet. Similar to the business activities in the real world, this online business via the internet is intended to make a profit (Arisandy, 2017). The inability to apply the potential tax on online businesses results from the lack of the taxpayers' knowledge of taxation regulations. Hardiningsih and Yulianawati (2011) argues that the understanding of taxation regulation by the taxpayers will affect the increase in tax compliance. Also, Subarkah and Dewi (2017) corroborate that the understanding of tax regulation by the taxpayers significantly affects their tax compliance. Sound policymaking in taxation can influence tax compliance since good taxation policy will ease the taxpayers in fulfilling their tax obligations (Hardiningsih & Yulianawati, 2011). Similarly, tax sanctions will

also, directly and indirectly influence the taxpayers to comply with the regulations (Fitriandi, 2020).

This study aims to identify the factors contributing to the compliance of individual taxpayers as the owners of Micro, Medium, and Small Enterprises in Yogyakarta, Central Java, and Lampung. Luzuriaga and Scartascini (2019) state that tax compliance is when a taxpayer fulfills all of his tax obligations and exercises his taxation rights or pays his taxes following the taxation regulation. Self-Assessment System applied by the national taxation system of Indonesia gives more trust in the taxpayers and more emphasis on the awareness of the taxpayers to pay their taxes based on their income (Mardiasmo, 2018). This system is used because, in online business, MSMEs still cannot explain the amount of their income due to some limitations. An online business transaction is only proven by transferring some amount of money from one account to another account and has not yet shown a taxable buying and selling transaction (Konovsky & Organ, 2018). Focusing on the individual taxpayers who own MSMEs, this research examines whether or not the taxation policy, knowledge, sanctions, and incentives influence the individual taxpayers' compliance in paying their MSMEs' income tax from the online sales. The previous study conducted by Alfiyah and Latifah (2017) used the internal and external factors contributing to taxpayers' compliance. The external factor consisted of the factors outside the taxpayer, including the quality of tax office services, tax sanctions, and tax amnesty (Alfiyah & Latifah, 2017), and the internal factor was the factors coming from the taxpayer himself, such as the level of tax knowledge and tax awareness (Hardiningsih & Yulianawati, 2011). In this study, the variables categorized as the external factors include tax policy, tax sanctions, and tax incentives.

Meanwhile, the variable considered as the internal factor is the tax knowledge of the taxpayer. The tax incentive is used as the moderating variable. This research is a relevantly new or additional reference for the academicians interested in conducting research in analysis on the factors influencing personal taxpayer compliance in paying online sales tax of MSMEs. The results of this study are expected to provide useful

information for the government, especially the Directorate General of Taxes, to promote the potential of tax income from MSME online transactions.

The paper proceeds as follows. The following section provides relevant theoretical literature on tax compliance, followed by hypothesis development. The research method is presented afterward, which describes the process of data collection using the survey technique and data analysis using SEM based on SmartPLS. A detailed discussion of the results entails followed by some concluding remarks about the study findings.

2. Theoretical Review dan Hypothesis Development

2.1. Attribution Theory

Heider first introduced Attribution Theory in 1958, later developed by Kelley (1967). Attribution is image building by observing social behaviors based on situational or personal factors. Attribution theory becomes relevant to this research since it can explain the factors contributing to the improvement of tax compliance. This assumption is corroborated by the study conducted by Alfiyah and Latifah (2017), which uses Attribution Theory to assess the influences of sunset policy, tax amnesty, and tax sanctions on tax compliance. According to Attribution Theory, human behavior results from external and internal factors. External factors refer to those outside the individual, like tax policy, tax sanctions, and tax incentives. In contrast, internal factors come from the inside of the individual himself, such as tax knowledge.

2.2. Tax Policy

Tax policy is one of the national regulations in the taxation sector. Tax policy is divided into two definitions, wide and narrow. From a broad perspective, tax policy impacts community production, employment, and inflation using tax and state expenditure as the instrument. In contrast, in the narrow perspective, tax policy is related to determining the subject of tax, tax base, tax calculation, and tax payment procedures (Sari, 2018).

From the definition above, it can be concluded that the government is entitled to determine the option or make the regulation that the society must implement. However,

the decision must be subject to the interest of the people. The tax policy in this study context is related to MSME online sales tax.

2.3. Tax Knowledge

Tax knowledge is a taxpayer's understanding of laws, regulations, and taxation procedures properly (Nugroho & Zulaikha, 2012). According to Lestari and Yaya (2017), tax knowledge is the ability of taxpayers to comprehend the tax regulations, not only about tax rates that must be paid based on law but also about tax benefits that will be useful for the community. People's knowledge of tax regulations through both formal and non-formal education will positively affect the people's compliance in paying taxes (Notohatmojo, 2017). Referring to Attribution Theory, tax compliance is an internal factor in the form of an internal drive to comply with the regulations.

Indonesia applies a self-assessment system of taxation where the taxpayer is given the trust to calculate, estimate, pay, and report the amount of his payable tax. This behavior is established from the taxpayer's tax knowledge, positive perception of tax, and characteristics. The knowledge of tax used in this context is related to the online sales tax of MSMEs. Everyone who has a business and earns income from that business must have a taxpayer identification number (TIN); then, he must make tax reports regularly and pay taxes due to the business. This also applies to those running online sales. The taxpayer must also be aware that if they are late in reporting and paying tax, they will be warned and/or sanctioned.

2.4. Tax Sanctions

Tax sanctions are a negative reinforcement for those who violate tax regulations (Mardiasmo, 2018). Tax sanctions function as a preventive tool to keep the taxpayers from violating the rules (Suhendri, 2015). A sanction is a form of punishment given by the state or a particular authoritative group for a violation perpetrated by an individual or a group. Tax sanction is of the external factors referring to the Attribution Theory. There is a regulation in administrative sanction like tax increase or interest applied over the payment delay, which can alert the taxpayers to abide by the obligation to pay tax. Tax sanction can stimulate the taxpayers' tax compliance behavior because the sanction

will result in adverse effects for the taxpayers themselves since they have to spend extra costs compared to if they do not get sanctioned.

There are two types of sanctions in the taxation law, namely administrative and criminal sanctions. The tax sanctions in this study refer to the administrative sanctions for violating the regulations of online sales conducted by MSME. The administrative sanctions can be in the form of a tax penalty, warning letter, tax interest, and an increase in tax payment because of the violation of tax rules, such as late submission of the tax return.

2.5. Tax Compliance

Tax compliance can be defined as the willingness of taxpayers to fulfill their tax obligations as regulated by the prevailing provisions without the necessity to conduct observation, thorough investigation, warning, or threat, and the application of administrative sanctions (Sari, 2013). Luzuriaga and Scartascini (2019) mention that tax compliance is when a taxpayer fulfills all his taxation obligations and practices his taxation rights based on his awareness. In this study, the context of tax compliance is related to tax compliance in paying MSME online sales tax. The taxpayer should be aware to register his TIN, fill out the tax return form appropriately, submit the form timely, report his income according to the existing conditions, and pay the taxes on his conscience (Hardiningsih & Yulianawati, 2011).

2.6. Tax Incentives

Tax incentives are a taxation facility given by the government to a particular taxpayer in the form of tariff reduction from the amount of tax incurred. According to UNTAD (United Nations Conference on Trade and Development), tax incentives are any form of incentive to reduce the corporate tax payment to encourage the corporate to invest in a particular project or sector (Prasetya & Gayatri, 2016). Tax incentives in this research refer to the tax incentives of MSME online sales.

Tax incentives in online sales can be a reduction of the taxable income from online sales. During the pandemic era, the owners of MSME could apply tax incentives until the end of 2021, in which the final income tax of MSME amounting to 0.5% would be borne by the government. Thus, MSMEs would no longer pay the tax (Prisantama &

Muqodim, 2016). This tax incentive policy can accelerate the economic recovery on the national scale.

2.7. Development of Hypotheses

2.7.1. The influence of tax policy on tax compliance

Tax policy is one of the state regulations in the taxation sector. Taxation policy is closely related to tax compliance, where the better the tax policy, the more improved the taxation compliance (Sari, 2018). Based on the Attribution Theory, tax policy is an external cause influencing the taxpayer's perception to comply with his taxation obligation. This assumption is corroborated by the study conducted by Alfiyah and Latifah (2017), which reveals that a sunset policy can increase the state tax revenue by improving tax compliance. Sunset policy can push the taxpayers to fulfill their formal taxation aspects. Based on the description, the hypothesis is formulated as follows.

H1: Tax policy has a positive effect on tax compliance.

2.7.2. The influence of tax knowledge on tax compliance

Tax knowledge is an individual taxpayer's capability to understand the taxation regulations on tax tariff, calculation procedure, tax reporting obligation, and functions and roles of tax (Nugroho & Zulaikha, 2012). Tax knowledge is essential to growing compliance. A taxpayer can minimize the payable tax using tax planning with good knowledge of taxation. Applying good taxation management will ease the taxpayer in fulfilling his taxation obligation because he will be ensured that he pays the tax based on his ability. Based on the Attribution Theory, tax knowledge is an internal factor of tax compliance. This is supported by Irawan and Sadjiarto (2013), who states that there is an influence of tax knowledge on tax compliance. Based on the explanation mentioned above and the previous research, the hypothesis is built as follows.

H2: Tax knowledge has a positive effect on tax compliance.

2.7.3. The influence of tax Sanctions on tax compliance

Sanctions are negative reinforcement given by a state or an authoritative body because of a violation perpetrated by an individual or a group. Tax sanctions can serve as a preventive tool to keep a taxpayer from violating the tax regulations (Suhendri,

2015). Tax sanction is closely related to tax compliance, where the stricter the sanctions are, the more improved the tax compliance will be. Based on the Attribution Theory, tax sanction is an external factor that influences a taxpayer's perception to comply with his taxation obligation. A similar study was also performed by Subarkah and Dewi (2017), who found that tax sanctions positively influenced tax compliance. It is also in line with Rahayu (2017), who argues that tax sanctions assertiveness positively influences tax compliance. Concerning the elaboration above, the hypothesis is composed as follows.

H3: Tax sanctions have a positive effect on tax compliance.

2.7.4. The moderation of tax incentives to the effects of tax policy, tax knowledge, and tax sanctions on tax compliance

Tax incentives are one form of taxation facility given by the government to a particular taxpayer in the form of tariff deduction to reduce the amount of the incurred tax (Prasetya & Gayatri, 2016). Attribution Theory categorizes tax incentives as an external factor influencing a taxpayer's perception to comply with his taxation obligation. Tax incentives will reduce tax payable, so taxpayers tend to comply with the regulations. Tax incentives also serve as an essential factor in influencing the taxpayers to abide by the government policy in taxation. A good tax incentive policy is going to improve tax compliance. Tax incentives may also moderate the effects of tax policy, tax knowledge, and tax sanction on tax compliance (Hanif & Odiatma, 2017). In this research, tax incentives are applied as a moderating variable between independent and dependent variables. The study conforms to the research stating that tax amnesty or tax reduction influences tax compliance by Alfiyah and Latifah (2017). Based on the description, the researchers hypothesize as follows.

H4: Tax incentives positively impact the influence of tax policy on tax compliance.

A taxpayer should know the variety of tax incentives awarded to the taxpayers, which can be used to reduce the tax tariff payable (Hanif & Odiatma, 2017). This tax incentive will encourage a taxpayer to learn and understand more about taxation to take advantage of tax incentives. By increasing his tax knowledge of tax incentives, a taxpayer has more opportunities to apply various tax incentives provided by the

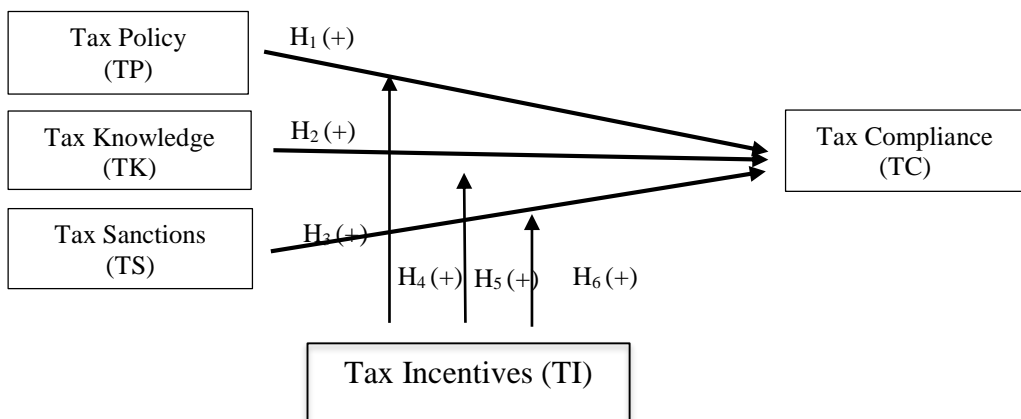
government to reduce his tax and facilitate him in fulfilling his taxation obligation. Therefore, tax incentives will influence the tax knowledge of a taxpayer. The more tax knowledge a taxpayer has, the less amount of tax to be paid by utilizing tax incentives; consequently, his tax compliance will be improved. Based on the explanation, the hypothesis is formulated as follows.

H5: Tax incentives positively impact the influence of tax knowledge on tax compliance.

Having known the variety of tax incentives provided by the government, the taxpayers are expected to utilize the facility to reduce their incurred taxes and comply with the regulations to avoid the sanctions (Putri & Irawati, 2019). According to the Attribution Theory, a tax incentive is an external factor that influences a taxpayer to comply with his tax obligation. Tax incentives facilitate a taxpayer in fulfilling his tax where he can get the opportunity to pay less tax or even be exempted from the tax. Furthermore, the taxpayer can avoid tax sanctions. Tax sanction is also related to tax compliance. The stricter the tax sanctions issued by the government, the more compliance can be expected from the taxpayers. As a result, by utilizing the tax incentives, the taxpayers can reduce the amount of their payable tax and keep them from violating the tax regulations. Conclusively, tax incentives play a role in the relationship between tax sanctions and tax compliance. The elaboration underlies the following hypothesis as follows.

H6: Tax incentives positively impact the influence of tax sanctions on tax compliance.

Figure 1.
Research Model



3. Research Method

This research is an associative study (causal relational study) using a quantitative approach with a survey and questionnaire technique. This research is to test the formulated hypotheses by employing the Structural Equation Model (SEM) of SmartPLS 3.0.

3.1. Population and Sample

The population of this research was all personal taxpayers situated in Yogyakarta, Central Java, and Lampung because these three provinces have relatively similar cultural characters because there are many people from Yogyakarta and Central Java who reside in Lampung (Hasanah, 2015). The sample included the personal taxpayers conducting MSME online sales in those three provinces. Hair et al. (2014) mention that the appropriate size of the sample should be 100 or more. In addition, there is a rule of thumb that the minimum number of samples should be at least fivefold the number of the question items which will be analyzed. This study scrutinized 36 items which necessitated the sample number of as many as $36 \times 5 = 180$. Hence, this study collected 180 respondents as the samples.

3.2. Data Source and Collection Technique

This research data were gathered using a survey method with a questionnaire technique. The questionnaire was delivered through Google form and direct delivery to the personal taxpayers conducting MSME online sales in the Provinces of Yogyakarta, Central Java, and Lampung. The sampling technique used was convenience sampling – the sampling procedure of selecting a sample from the people or units which are the easiest and most convenient to meet or access. The data collection method used in this research was a closed questionnaire by distributing the questionnaire in a list of questions to the respondents through google form or direct delivery. The criterion of the respondents included in this study was an individual who ran an MSME business through the online system. After filling out the questionnaire, the respondents were to send the questionnaire's answers back to the researchers. The data collection was conducted from March to May 2021.

3.3. Operational Definitions and Measurement of Variables

The measurement of each variable indicator of this research used a six-point Likert scale ranging from Strongly Disagree = 1, Disagree = 2, Quite Disagree = 3, Quite Agree = 4, Agree = 5, and Strongly Agree = 6. Table 1 shows the operational definitions of the variables and the measurement.

Table 1.

Variables, operational definitions, measurements, and references

Variable	Operational definitions	Measurement	References
Tax Policy (TP)	Tax policy is the regulations related to determining the subject of tax, tax base, tax calculation, and the procedures of the payable tax payment of MSME online sales.	7 items	Alfiyah and Latifah (2017)
Tax knowledge (TK)	Tax knowledge is the capability of a taxpayer to understand the tax regulations, including the tax tariff which should be incurred by the taxpayer based on the regulation and the benefits of the tax, as well as the procedures of tax calculation, tax reporting, and role of MSME online sales tax.	9 items	Hardiningsih and Yulianawati (2011)
Tax sanction (TS)	Tax sanctions function as a preventive measure so that the taxpayers do not violate the tax regulations of MSME online sales.	7 items	Alfiyah and Latifah (2017)
Tax compliance (TC)	Tax compliance is a condition where a taxpayer fulfills all of his tax obligations and receives all of his taxation rights which, in this context, are related to MSME online sales.	7 items	Alfiyah and Latifah (2017)
Tax incentive (TI)	Tax incentives are a facility given by the government to a particular taxpayer in the form of tax reduction to cut down the amount of payable MSME online sales tax.	6 items	Alfiyah and Latifah (2017)

3.4. Data Analysis Technique

Structural Equation Modelling (SEM) was employed to test the research hypotheses. SEM-based on SmartPLS can process the relatively small number of data samples, assumed as the more significant number of data using the bootstrapping

method. Bootstrapping is a selection of data sample numbers defined by how often a model is re-estimated (Ghozali & Latan, 2015). The inner model test can be observed using R2 to estimate the influences of the independent variables on the dependent variable; then, the path coefficient or t-value of each path is used as the significance test between the constructs in the structural model (Ghozali & Latan, 2015).

4. Results and Discussion

4.1. Research Data Description

Table 2.
Demographic characteristics of respondents

Characteristics		Frequency	Percentage
Gender	Male	91	57.2
	Female	68	42.8
Age	< 20 years	1	0.6
	20 - 29 years	10	6.3
	30 - 39 years	34	21.4
	40 - 49 years	94	59.1
	50 - 59 years	19	11.9
	> 60 years	1	0.6
Education	Primary School	18	11.3
	Middle School	66	41.5
	High School	54	34.0
	Higher Education	21	13.2
Business Type	Culinary	18	11.3
	Trade	108	67.9
	Industry	21	13.2
	Automotive	3	1.9
	Services	6	3.8
	Others	3	1.9
Business Age	< 5 years	56	35.2
	6 - 9 years	55	34.6
	10 – 14 years	46	28.9
	> 15 years	2	1.3
Operating Revenue/month	< Rp.5.000.000,-	118	74.2
	Rp 5.000.001 to Rp. 10.000.000,-	23	14.5
	Rp. 10.000.001 to Rp. 20.000.000,-	12	7.5
	Rp. 20.000.001 to Rp. 35.000.000,-	3	1.9
	> Rp. 35.000.000,-	3	1.9
Location	Yogyakarta	43	27.0
	Central Java	46	28.9
	Lampung	70	44.0

The number of the questionnaires prepared was 180 to be distributed to the personal taxpayers conducting MSME online sales in Yogyakarta, Central Java, and Lampung. However, the number of the questionnaires submitted and eligible for analysis was 159, with a useable response rate of 88.3%. The number of questionnaires that were not returned was 21 (11.67%). Table 2 illustrates the demographic characteristics of the respondents.

4.2. Validity Test

Convergent Validity Test

The convergent validity test result can be seen from the squared root of the average variance extracted (AVE) instrument loading value. To pass and get a good value of convergent validity, the AVE score must be less than 0.5 with a factor loading value of more than 0.7. However, in the preliminary stage of measurement scale development, a loading factor of 0.5 up to 0.6 is deemed adequate (Ghozali & Latan, 2015).

Discriminant Validity Test

The discriminant Validity test can be passed if the squared root of the AVE value is more than the between-construct correlation value (Ghozali & Latan, 2015). Thirty-one indicators in this research valued > 0.5 and were deemed valid. Five variables scored the values < 0.5 , which were considered not valid. Table 2 shows the 31 indicators which were passed for the subsequent analysis.

Table 3.

Discriminant Validity, Cronbach's Alpha, Composite Reliability, and Adjusted R²

	TP	TK	TS	TC	TI
TP	0.998				
TK	0.976	0.982			
TS	0.875	0.873	0.947		
TC	0.872	0.770	0.740	0.894	
TI	0.771	0.667	0.730	0.760	0.816
<i>Cronbach's Alpha</i>	0.919	0.956	0.824	0.895	0.663
<i>Composite Reliability</i>	0.937	0.963	0.880	0.920	0.802
<i>Adjusted R²</i>				0.982	

4.3. Reliability Test

The reliability of the research data can be observed from the composite reliability dan Cronbach's alpha values of the construct. If a construct has a composite reliability value of more than 0.7 and Cronbach's alpha value of more than 0.6, the construct is considered reliable (Ghozali & Latan, 2015), as presented in Table 3.

4.4. Inner Model Evaluation

After a model passes the outer model test, the next step is performing the inner model test, which can be seen from the estimation of the adjusted R^2 value to see the influences of the particular independent variables on the dependent variable. Then, each path's path coefficients or t-value can be used as the significant test between the constructs in the structural model.

4.5. Evaluation of Adjusted R^2 Value

The adjusted R^2 value shows how significant an independent variable can explain a dependent variable. The bigger the adjusted R^2 value, the more significant the independent variable explains the dependent variable; thus, the better the structural equation is, as described in Table 2. In this study, the value of adjusted R^2 was 0.982, which means that the variables of tax policy (TP), tax knowledge (TK), tax sanctions (TS), tax compliance (TC), and tax incentives (TI) scored 0.982 altogether. It can be concluded that the independent latent variables can explain the latent dependent variable as much as 98.2%, and the remaining 1.8% can be explained by other variables which were not discussed in this study. This research also shows that before the moderation, the adjusted R^2 was 0.982, and after the moderation, the value did not change. It can be inferred that tax incentives (TI) did not significantly moderate the influences of tax policy (TP), tax knowledge (TK), and tax sanction (TS) on tax compliance (TC).

4.6. Hypothesis Testing

The last step of the analysis in this research was hypothesis testing. The hypothesis testing was conducted in two stages: data analyses without moderation effect and with moderation effect. This was conducted to observe the difference between the model with and without the moderation. The significance level was 5%, where the hypothesis

was accepted if the p-value < 0.05 . The measurement results using SmartPLS 3.0 to test H_1 up to H_6 are described in Table 4.

Table 4.
Results of Hypothesis Testing

	Result	Coefficient	p-Value	Ideal	Description
$H_1(+)$	TP -> TC	-0.045	0.672	<0.05	Not accepted
$H_2(+)$	TK -> TC	0.772	0.000	<0.05	Accepted
$H_3(+)$	TS -> TC	0.270	0.010	<0.05	Accepted
$H_4(+)$	TI* TP -> TC	-0.138	0.207	<0.05	Not accepted
$H_5(+)$	TI * TK -> TC	0.085	0.316	<0.05	Not accepted
$H_6(+)$	TI * TS -> TC	0.065	0.479	<0.05	Not accepted

Stage One

In this first stage, the data analysis was conducted without the moderation effect on the model by directly estimating the influences of independent latent variables on the latent dependent variable.

Verification of H_1

The first hypothesis test examined the relationship between tax policy and tax compliance, and the result showed that tax policy negatively influenced tax compliance. Hence, the first hypothesis of this research is **not accepted**. This result is not in concordance with the research of Alfiyah and Latifah (2017) on the influences of sunset policy, tax amnesty, and tax sanctions on tax compliance which shows that sunset policy can increase tax compliance. Tax policy is one of the state regulations in taxation, which is positively related to tax compliance. The better the tax policy, the more improved the tax compliance (Sari, 2018).

Nevertheless, tax policy is an external factor of tax compliance. Where in this pandemic era, there are many policies, including those related to MSME online sales, which are enforced in a brief time and become irrelevant. Tax compliance is when a taxpayer fulfills all of his tax obligations and receives his rights (Sari, 2013). However, in practice, many other factors (internal factors) might influence the taxpayer's compliance, including taxpayer's awareness, tax knowledge, tax tariff, and so forth. Consequently, in this research, tax policy does not influence tax compliance. This

research result implies that if a good tax policy is implemented in the era of a pandemic but does not provide adequate time to be introduced to people, it will become irrelevant and burdensome for the taxpayers, which will not much affect their tax compliance. With more tax policies issued by the government in this pandemic era, it will also be more difficult for the taxpayers to understand the policy quickly, including those who run MSME businesses.

Verification of H₂

The second hypothesis tested the relation between tax knowledge and tax compliance and showed a positive influence of tax knowledge on tax compliance. Therefore, the second hypothesis of this research is **accepted**, which means that a taxpayer who knows the functions and roles of tax for the prosperity of the state and people will tend to comply with the regulation of taxation. According to the Attribution Theory, tax knowledge is the internal factor. Tax knowledge is an understanding of taxation regulation following the taxation law (Zhang et al., 2020). Those who have tax knowledge will understand coercive tax elements and counter-performance. They will be aware of the importance of fulfilling their tax obligation by submitting to the prevailing system and regulations since they already understand the use of tax revenue and indirectly enjoy the tax benefits. This result is supported by the research conducted by Irawan and Sadjiarto (2013), which states that tax knowledge influences tax compliance. This study implies that if a taxpayer has good tax knowledge, he will understand his obligations and rights and the functions of tax for the state.

Consequently, the taxpayer will comply with his obligation to pay tax to increase the national income. Therefore, the MSME business actors need to improve their tax knowledge to increase compliance and state revenue. To realize that, the Directorate General of Taxation (DGT) can create some programs to increase the tax knowledge of the taxpayers.

Verification of H₃

The third hypothesis test observes the relation between tax sanctions and tax compliance, and the result showed that tax sanctions positively influenced tax compliance. Hence, the third hypothesis of this research is **accepted**. Tax sanctions

positively affect tax compliance because the taxpayer thinks that if he does not pay the tax, he will get sanctioned in the form of a fine, increasing the amount of tax that he must pay. This also stimulates the actors of MSME business to comply with the regulations to pay the online sales tax of MSME. Based on the attribution theory, tax sanctions are the external factor influencing the perception of taxpayers to comply with the taxation regulations. This result is corroborated by the study performed by Rahayu (2017), which argues that the firmness of tax sanctions application will positively influence tax compliance. This research implies that if the tax sanctions are firmly applied, the taxpayers will be more compliant since they are likely to avoid the fine, which causes an increase in the amount of tax that must be paid. Consequently, the taxpayers will pay their taxes according to the applicable rules of taxation laws to avoid tax sanctions (Zhang et al., 2020). Therefore, avoiding the sanctions will improve tax compliance, including the MSME actors as the personal taxpayers.

Second Stage

In this second stage, the data were analyzed using the moderation effect on the research model by calculating the correlation value of each independent latent variable to the latent dependent variable. Tax incentives acted as the moderator to test hypotheses H_4 up to H_6 .

Verification of H_4

The fourth hypothesis estimates the relationship between tax policy and tax compliance with tax incentives as the moderating variable. The results show that the moderating variable negatively influences the effect of tax policy on tax compliance. Thus, the fourth hypothesis is **not accepted**. This result is not in line with the study conducted by Prasetya and Gayatri (2016), which indicates that tax incentive supports the effect of tax policy on tax compliance. By reducing the payable amount of tax, tax incentives are expected to increase tax compliance. Tax incentives are an external factor that influences a taxpayer's compliance (Putri & Irawati, 2019). In this research, however, tax incentives still could not moderate the effect of tax policy on tax compliance. Tax compliance is when a taxpayer fulfills all of his tax obligations and exercises his rights (Sari, 2013). However, in practice, there might be other factors that

contribute to and interfere with tax compliance, so in this research, tax incentives do not show any contribution to the relationship between tax policy and tax compliance, especially during this pandemic era because of the quick process of policymaking during the pandemic era might result in less relevant tax incentive regulation and less significant impact on the actors of MSMEs to improve their tax compliance. This study implies that even though tax incentives are not evident as the moderating variable between tax policy and tax compliance, the taxpayers should still utilize these tax incentives because they can reduce the incurred tax amount.

Verification of H₅

The fifth hypothesis test proves the relation between tax knowledge and tax compliance with tax incentives as the moderating variable. The result showed that the moderating variable did not significantly influence the effect of tax knowledge on tax compliance; therefore, the fifth hypothesis is **not accepted**. As mentioned previously, tax incentives are the facility provided by the government in the form of tax reduction to minimize the tax spending of the taxpayers (Prasetya & Gayatri, 2016). Taxpayers must know the types of incentives provided in order that the facility can function well in reducing the taxpayers' tax burden. With the decreased amount of the tax paid, the taxpayers will be at ease in complying with their tax obligations (Kogler et al., 2020). Tax incentives are an external factor that influences tax compliance; however, in this study, tax incentives cannot moderate the effect of tax knowledge on tax compliance. It may be due to the lack of efforts by the taxpayers in seeking information about tax incentives and how to calculate tax after receiving incentives, as well as limited information obtained by the taxpayers regarding tax incentives. This research implies that tax incentives are not proven to moderate the relation between tax knowledge and tax compliance. DGT needs to create a socialization program about the benefits of tax incentives and how to calculate them. Especially during the pandemic era, knowing the types of tax incentives offered by the government will benefit the taxpayers since reducing their incurred tax amount might also reduce their expenditures. Therefore, the reduction of tax is expected to increase tax compliance, especially that of the MSME entrepreneurs.

Verification of H₆

The sixth hypothesis tests the relation between tax sanctions and tax compliance moderated by tax incentives. The result showed that the moderating variable did not significantly influence the effect of tax sanctions on tax compliance. Hence, the sixth hypothesis is **not accepted**. The taxpayers are expected to utilize the incentives of tax offered by the government to reduce the tax payable and prevent them from violating the regulations and avoid tax sanctions (Kimura, 2011). Tax sanctions are a negative reinforcement given by a state or an authoritative group to an individual or a group perpetrating a violation, including tax evasion (Suhendri, 2015). Therefore, tax incentives can be a way for the taxpayer to reduce the incurred tax, thus avoiding tax sanctions (Zhang et al., 2020). This research implies that although tax incentives are not proven to moderate the effect of tax sanctions on tax compliance, DGT could intensify the information about the importance of tax incentives that can also play a role in avoiding tax sanctions by involving many public and educational institutions. The action can encourage the public, especially MSME entrepreneurs, to find more information on tax incentives, thus reducing the tax they must pay. By knowing the types of tax incentives and understanding the tax regulations, the personal taxpayers who run MSME businesses can avoid tax violations, thus preventing the possible sanctions.

5. Conclusion, Implications, and Limitations of Research

5.1. Conclusion

This study analyzes the factors influencing personal taxpayers' compliance, especially those who run MSME, in paying online sales tax in Yogyakarta, Central Java, and Lampung. The results show that tax knowledge and tax sanctions have significant and positive effects on tax compliance. However, tax policy does not show a significant influence on tax compliance. In addition, tax incentives as a moderating variable of the effects of tax policy, tax knowledge, and tax sanctions on tax compliance do not show a significant influence.

5.2. Research Implications

This research is to be an evaluation for DGT on the factors contributing to the compliance of the individual taxpayers in paying their tax of MSME online transactions. It can be a consideration for DGT in decision-making related to MSME online sales tax to encourage the individual taxpayers who run MSME. DGT should organize the program activities to socialize the importance of awareness of paying taxes by involving many institutions, such as universities and other non-government organizations. For the MSME entrepreneurs, this research could encourage compliance in fulfilling their obligations to pay online sales tax of their MSMEs to participate in and support the national development.

5.3. Research Limitation

This research was not comprehensively conducted, especially regarding its sampling technique; therefore, the research results cannot be generalized to all personal taxpayers who run micro, small, and medium businesses in Yogyakarta, Central Java, and Lampung. The research only involved the personal taxpayers who ran MSME businesses and were willing to fill out the questionnaires. Besides, the distribution of the questionnaires was carried out during the pandemic era, which also became a hurdle for the process of filling out and returning the questionnaires. Hence, only 159 of 180 questionnaires were returned by the respondents.

5.4. Suggestions

Future researchers are expected to conduct the same research by adding more variables, especially personal variables in the system itself, and examine the research qualitatively. Moreover, future researchers should not distribute the questionnaire to the respondents during the pandemic.

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