



The Influence of Tax Knowledge, Tax Digitalization and Tax Service Quality on Msme Taxpayer Compliance (MSME Taxpayers in the Creative Industry Sector in East Jakarta)

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ABSTRACT

This study aims to empirically prove the Influence of Tax Knowledge, Tax Digitalization and Quality of Tax Services on Tax Compliance of MSME Taxpayers (On MSME Taxpayers in the Creative Sector in East Jakarta). This study was conducted on 140 MSME units spread throughout East Jakarta. The research method used in this study is a quantitative method with a survey approach. The analysis used in this study with statistical testing in the form of Structural Equation Modeling (SEM) using SmartPLS software. The results of this study found that tax knowledge has a positive and significant effect on taxpayer compliance, while tax digitalization and the quality of tax services do not have a significant effect on taxpayer compliance of MSMEs in the creative industry sector in East Jakarta. The results of this study are expected to be practical input for tax authorities in increasing MSME compliance through education and service improvements.

INTRODUCTION

The government continues to make every effort to improve the welfare of the people. One of the things the government does to continue to improve the welfare of its people is by carrying out development. In carrying out national development, the government needs a large enough income. Therefore, one of the ways the government does this is by imposing taxes. Taxes are contributions to the state owed by individuals or legal entities based on mandatory laws, which are used to finance state and development expenditures. Taxes are one of the most potential sources of state revenue because they have a major influence on the continuity of development in Indonesia.

Indonesia is one of the countries with a very large population, reaching 275.77 million people (BPS, 2022). Therefore, every citizen who has met the legal requirements for taxation is obliged to carry out their tax obligations. If all taxpayers are willing to fulfill their tax obligations, the greater the state revenue paid through the taxation sector.

The Central Statistics Agency has proven that for the last three years the largest state revenues have come from the taxation sector. In 2020 there were tax revenues of IDR 1,285,136.32 billion, which is 78% of the state revenues of IDR 1,647,783.34 billion, tax revenues in 2021 amounted to IDR 1,547,841.10 billion, which is 77% of the state revenues of IDR 2,011,347.10 billion and tax revenues in 2022 amounted to IDR 1,924,937.50 billion, which is 79% of the state revenues of IDR 2,436,877.80. From these data we can see that the largest state revenues in the last 3 years have come from the taxation sector. The government continues to make various efforts so that revenues through the taxation sector will continue to increase. The most influential factor in increasing state revenues through the taxation sector is taxpayer compliance. Tax compliance is necessary because most of the activities in fulfilling tax obligations are carried out by Taxpayers (Siti Kurnia Rahayu, 2017). Therefore, it is highly expected that every taxpayer always complies with all aspects of their tax obligations in accordance with applicable tax laws.

The increasing number of MSMEs in Indonesia means that taxpayers, in this case MSMEs, have great potential to advance state revenues. According to Bank Indonesia data, in 2024 MSMEs contributed significantly to the country's GDP, which is very important for the recovery of Indonesia's economic development. According to the information obtained, the Ministry of Cooperatives and SMEs noted that in 2021 MSMEs in Indonesia reached 65.46 million, of which their contribution to Gross Domestic Product (GDP) was only 61%. The Ministry of Cooperatives and SMEs also explained that the contribution of MSMEs to the taxation sector still needs to be increased, especially since the contribution of the MSME sector to total tax revenues is still low (DDTCNews, 2021). Based on data obtained from the Ministry of Finance's Directorate General of Taxes, in 2019 the MSME final income tax contribution was IDR 7.5 trillion, or only around 1.1% of the total income tax revenues in 2019, which was IDR 711.2 trillion. Therefore, the large number of MSMEs should be able to help boost state revenue because they have the potential for very large taxpayers (A. Ananda, 2022).

One of the MSME sectors that is the focus of the research is MSMEs in the Creative Industry Sector. The creative industry is a process of creating ideas and creativity carried out by individuals or groups of people to produce a work that will later be used as an economic product. This economic product is expected to generate profits without exploiting natural resources. Some examples of MSMEs in the Creative Industry are culinary, fashion, crafts, advertising, photography, music, advertising and others.

According to data from the Ministry of Tourism and Creative Economy, the creative economy sector has made a significant contribution to the Indonesian economy. In 2021, this sector contributed around 7.8% to the national Gross Domestic Product (GDP), with leading sub-sectors such as fashion, culinary, and crafts. Therefore, based on data from the 2020 OPUS Creative Economy, this number also places Indonesia in the top three in the world in terms of contribution to national GDP below the United States with Hollywood and South Korea with K-Pop. Although in third place, Indonesia is actually superior to the United States in terms of labor absorption in the creative economy sector. According to the Good News From Indonesia page, in 2019 Indonesia's creative economy sector was able to absorb up to 17 million workers. This figure is much higher than the United States which only has 4.7 million workers in the creative economy sector. Therefore, Indonesia's creative industry has great potential to continue to be developed. However, there are several challenges that MSMEs must face, including the fact that most MSMEs have low-skilled workers and also many are engaged in low-value-added sectors; low use of technology, innovation, and investment for business development, low management capacity and low participation of MSMEs in the production value chain (RPJPN 2024-2045). For this reason, the government encourages creative economy actors, especially Micro, Small and Medium Enterprises (MSMEs) to continue to innovate, adapt in producing products and also marketing, one of which is through digitalization. Some of the things that the government has also done to encourage this include developing intellectual property, expanding and increasing market share at the domestic and global levels, increasing the capabilities of creative actors based on research, developing creative centers, and strengthening regulations.

In Indonesia, DKI Jakarta is one of the largest contributors of MSMEs. Based on data obtained from the Ministry of Cooperatives and SMEs (2022), DKI Jakarta itself has a total of 1,061,988 MSMEs with details of West Jakarta with 272,761 MSMEs, East Jakarta with 240,512, South Jakarta with 210,022, Central Jakarta with 138,304, North Jakarta with 197,179 and the Thousand Islands with 3,210. Therefore, this study wants to focus on MSMEs in East Jakarta because East Jakarta is one of the largest contributors of MSMEs in DKI Jakarta.

It can be said that MSMEs have a fairly important role in the Indonesian economy. Therefore, the government continues to pay attention to MSMEs. The government's concern for MSMEs is beyond doubt. During the COVID-19 pandemic which caused many MSMEs to experience a downturn, the government tried hard to help MSMEs, one of which was by providing fiscal stimulus in the form of Government-borne Tax incentives (DTP). In addition, the

Micro, Small and Medium Enterprises (MSMEs) Sector is one of the largest contributors to the low tax ratio in Indonesia. According to Sri Mulyani, the contribution of tax revenue from Micro, Small and Medium Enterprises (MSMEs) was in the range of IDR 5.7 trillion in 2018 or far below the total national tax revenue of IDR 1,500 trillion, while in terms of numbers, only 1.8 million MSMEs paid taxes, this is still very small compared to the number of MSMEs which number tens of millions in Indonesia.

In DKI Jakarta itself, especially in East Jakarta, according to the Mayor, MSMEs in East Jakarta City are the most in DKI Jakarta because it has a large area, but the realization of regional tax revenue is IDR 2,159,631,765,227 or only around 36.84 percent. The realization of e-SPT revenue until August 5, 2021 has only reached IDR 214,854,404,781 or 17.02 percent (N. Hapsari & D. Jaenudin, 2022). The following is a table showing the number of MSME taxpayer compliance for the East Jakarta area

Based on data from the Directorate General of Taxes above, it is shown that there are still many MSME taxpayers in East Jakarta who have not fulfilled their tax obligations. In 2018, the number of taxpayers who reported their tax obligations was only 31.01% of the total, which was 26,812 taxpayers, in 2019 it was 32.44% of the total, which was 34,832 taxpayers, in 2020 it was 8.56% of the total, which was 99,557 taxpayers, in 2021 it was 9.14% of the total, which was 101,956 taxpayers and in 2022 it was 13.95% of the total, which was 109,783 taxpayers.

The above phenomenon shows that taxpayer compliance, especially MSMEs, is still a major challenge. In fact, if all MSMEs can comply and understand their tax obligations, this can strengthen the Indonesian economy. One of the very potential MSME sub-sectors in East Jakarta is the creative industry sector. This sector has great potential to develop, making a significant contribution to the local, national, and even global economy. With the diversity of products and innovations produced, the creative industry sector is able to compete in the international market and introduce local culture to the global world. However, it is not easy to realize this because the community has not fully complied with its tax obligations. Various efforts have been made by the government to increase the contribution of MSMEs to taxes, including offering convenience for MSMEs in the form of low rates, easy calculation, payment and reporting methods, through Government Regulation Number 23 of 2018 (PP 23/2018) or the latest is Government Regulation Number 55 of 2022. PP 55/2022 stipulates that taxpayers who have a gross turnover of IDR. 500,000,000 is subject to a 0% rate. There are several factors that can influence taxpayers to comply with all applicable taxation aspects, namely Taxpayer Knowledge, Tax Digitalization and Tax Service Quality.

Tax knowledge is the ability of taxpayers to understand and know the rules and laws as well as tax procedures and apply them in carrying out tax activities such as paying taxes, reporting SPT, and so on. With tax knowledge, the public, especially taxpayers, will understand tax regulations and policies. Taxpayers who have knowledge about taxes will consciously comply with paying taxes so that taxpayer compliance will increase (Directorate General of

Taxes, 2019). Knowledge that must be mastered by taxpayers in order to increase taxpayer awareness of the importance of complying with paying taxes and their being bound by laws that regulate and supervise tax payment procedures because the taxes they pay will be used for development. According to (Ermawati & Afifi, 2021) Tax Knowledge is knowledge possessed by taxpayers about the rights and obligations of taxpayers, understanding NPWP, tax sanctions, tax rates, PTKP, procedures for reporting and paying taxes. In a study conducted by Aciang in 2023 entitled *The Influence of Taxpayer Knowledge, Taxpayer Awareness, and KPP Service Quality on Taxpayer Compliance*, it was shown that Taxpayer Knowledge had a positive and insignificant effect on Taxpayer Compliance. In addition, a study conducted by Tutik & Monot in 2017 entitled *Effect of Awareness, Knowledge and Attitude of Taxpayers Tax Compliance for Taxpayers in the Boyolali Tax Service Office* showed that tax knowledge did not have a significant effect on taxpayer compliance.

The next factor that has the potential to influence taxpayer compliance is Tax Digitalization. In this era of globalization, the use or utilization of information technology continues to be pursued because it provides convenience in activities, including ease of tax payments and reporting. With the existence of an online tax reporting system such as e-SPT and e-invoice, taxpayers can now report their taxes more easily and efficiently (R. Fitria et al., 2022). This reduces administrative barriers that previously might have made it difficult for business actors and individuals to fulfill their obligations, because the digitalization of the tax system, which was introduced through various electronic platforms such as e-invoices and e-SPT, brings significant changes in the way taxpayers carry out their tax obligations (A. Sugiyono et al., 2024) The purpose of tax digitalization is to save time, be easy, accurate and paperless. The government hopes that with this digitalization, the tax administration process will become more transparent, efficient, and easily accessible to all taxpayers, including (R. Fitria et al., 2022). However, major challenges remain, considering that there are still a number of MSMEs that have not fully adopted digital technology, either due to limited resources or their low digital literacy (N. Latifah et al., 2024). Research by M. Parso & R. Salsabila, (2023) entitled *The Impact of Information Technology Utilization and Taxpayer Awareness on Tax Compliance among the Millennial Generation in the Jakarta Area and Surrounding Areas* states that the use of technology in taxation has an impact on taxpayer compliance. In addition, research conducted by (N. Qurrota Aini & Nurhayati, 2022) states that digitalization has a positive & significant impact on taxpayer compliance, however, research conducted by (R. Pernamasari & S. N. Rahmawati, 2021) states that digitalization does not affect taxpayer compliance.

Another factor that has the potential to influence taxpayer compliance is the Quality of Tax Services. The quality of tax services is a service activity carried out by government agencies and tax officials in order to fulfill the needs of the community (taxpayers) by providing a good and attractive attitude to achieve community satisfaction (taxpayers) (Handayani, 2017). Tax officials or tax employees are parties who are directly related to taxpayers, therefore they must be able to provide quality services to taxpayers. Improving tax services is

expected to provide comfort, security, smoothness and satisfaction to taxpayers so that they are compliant in paying taxes. The results of a study conducted by David Chandra (2023) entitled *The Influence of Taxpayer Awareness, Tax Service Quality, and Tax Sanctions on the Level of Taxpayer Compliance with Taxpayer Financial Conditions as a Moderating Variable* show that the Quality of Tax Services has a positive and significant effect on Tax Compliance in taxpayers, which means that taxpayers will be compliant in paying taxes if the services provided are good. In addition, research conducted by Trudy Annisa Sumardi, et al (2023) entitled *The Influence of Tax Service Quality and Tax Knowledge on Individual Taxpayer Compliance* also states that Tax Service Quality has a significant effect on taxpayer compliance because the better the quality of tax services provided by tax officers, the more aware taxpayers will be in carrying out their tax obligations. However, research conducted by Ni Wayan, (2022) states that the quality of tax services does not affect taxpayer compliance..

LITERATURE REVIEW

Attribution Theory

Attribution Theory was first put forward by Fritz Heider in 1958. According to Heider, everyone is basically a pseudo scientist who tries to understand the behavior of others by collecting pieces of information until they find a reasonable explanation of why others behave in a certain way. In other words, a person is always trying to find the reason why someone acts in a certain way. Attribution theory discusses how individuals explain the causes of behavior, both from internal factors such as ability and effort, and external factors such as situations and luck (Wardani et al., 2023).

The relevance of attribution theory to taxpayer compliance is that a person in determining compliant or non-compliant behavior in fulfilling his tax obligations is influenced by internal and external factors such as Tax Knowledge, Tax Digitalization and Tax Service Quality. Attribution theory is closely related to tax knowledge because it helps understand how a person explains the causes behind tax compliance behavior. Tax knowledge, which is an internal factor, is considered one of the main causes of why a person acts according to tax obligations or vice versa. Attribution theory also assumes that tax digitalization is an external factor that makes taxpayers carry out digital tax reporting services by the Directorate General of Taxes. The existence of tax digitalization can simplify the process of service procedures for taxpayer reporting. In addition, according to attribution theory, Tax Service Quality is an external cause that can influence taxpayer behavior in carrying out their tax obligations. If taxpayers can accept these external influences, it will have a positive impact, namely the willingness of taxpayers to carry out their tax obligations.

Hypothesis Development

The Influence of Tax Knowledge on Taxpayer Compliance

Based on Law No. 28 of 2007, the risks that taxpayers will face if they do not comply include receiving sanctions in the form of administrative sanctions and criminal sanctions. Administrative sanctions are sanctions where taxpayers must pay a certain amount of money to the state for violating applicable

regulations. Administrative sanctions consist of fines, interest sanctions, and increase sanctions. While Criminal Sanctions are sanctions given in the form of criminal penalties such as criminal fines, imprisonment and imprisonment. Therefore, taxpayers who understand the risks of taxation tend to be more compliant because they avoid the consequences that they might face one day.

Research conducted by Takismen, (2020) shows that tax knowledge has a positive effect on the compliance of MSME Taxpayers. This means that the higher the tax knowledge, the higher the awareness of Taxpayers to submit their tax obligations on time and this will increase Taxpayer compliance. This study is also in line with research conducted by F. Zahrani, (2019) that tax knowledge has a positive effect on taxpayer compliance because the higher the level of tax knowledge and knowledge, the easier it is for taxpayers to understand tax regulations and fulfill their tax obligations. In addition, based on research conducted by R. Novita & S. Djoko, (2022) shows that tax knowledge has a positive effect on taxpayer compliance because someone with a high level of knowledge and understanding of taxation will be used as a basis for consideration of their tax payments and compliance. Based on the description of the theory and a number of previous research results, a hypothesis is proposed which will be proven soon, namely:

H₁ : Tax knowledge has a positive effect on taxpayer compliance

The Impact of Tax Digitalization on Taxpayer Compliance

Digitalization or the use of information technology, especially in the modernization of the tax administration system, has caused many tasks that are usually done by humans, although they can be replaced by systems or machines. Research conducted by H. Sulistyono, (2023) shows that there is a positive influence of the Tax Digitalization System on Tax Compliance. Where when compared to manual tax reporting, online or electronic tax reporting through the Directorate General of Taxes (DJP Online) website such as through E-filing taxes, provides many advantages such as online tax reporting from anywhere and anytime, saving time, and proof of reporting is stored more securely and easier to track.

The better the tax digitalization system, the more it will encourage taxpayers to comply with their tax obligations. This was also expressed by Aini et.al (2022) where with the digitalization of taxes, the more attractive it is for taxpayers to comply in calculating, paying and reporting their taxes, with a faster, safer, free and paperless process. In addition, with the digitalization of taxes, it can minimize fraud or tax avoidance carried out by taxpayers. With the digitalization of taxes, it really helps taxpayers to carry out their tax obligations more effectively and efficiently and makes it easier for taxpayers to always get the latest information regarding the existing tax system.

H₂ : Tax digitalization has a positive impact on taxpayer compliance

The Influence of Tax Service Quality on Taxpayer Compliance

According to the Great Dictionary of the Indonesian Language, quality means the level of good or bad of something, degree or level of quality. While

Service means helping to prepare (take care of) what someone needs. This service activity is usually carried out to welcome, satisfy, and provide comfort to someone whose presence is considered important and valuable. Tax services are a form of service provided by tax officials which aims to provide quality tax services in serving the community regarding tax payments by taxpayers, as well as supervising the community so that the implementation of tax obligations by taxpayers is carried out properly (Atarmawan, 2020) In addition, tax officials are also tasked with serving taxpayers optimally. This aims to ensure that taxpayers' tax obligations do not cause confusion.

Several studies have shown empirical evidence on the impact of service quality on taxpayers' willingness to pay taxes, such as research conducted by (I. Rabiya et al., 2021), which shows that service quality positively influences willingness to pay taxes. In addition, this study is also in line with research conducted by F. Juardi & A. Hatimah, (2021) and A. Maqsudi et al., (2021) which states that the quality of tax services has a direct and significant influence on taxpayer compliance. The better the quality of the services provided by the tax authorities, the more comfortable, understanding, and voluntary taxpayers are in fulfilling their tax obligations..

H₃ : Tax Service Quality has a positive effect on taxpayer compliance

Based on the literature review and previous research above, the framework of thought in this research can be seen in Figure 1 below:

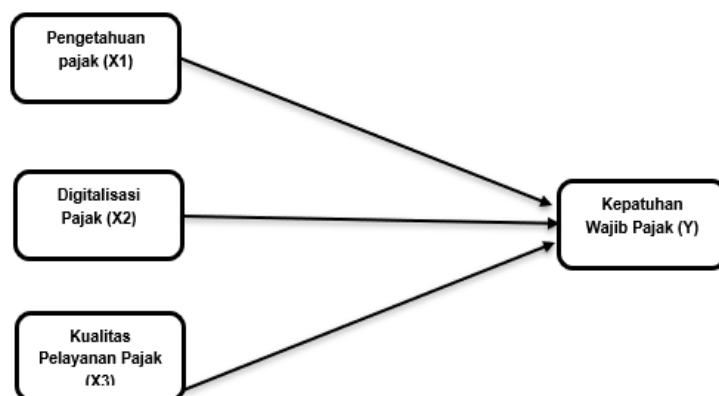


Figure 1 Framework of Thought

METHODOLOGY

This research is a quantitative research that aims to prove the possible direct influence between each research variable used. In this research, the population is all MSME taxpayers in the Creative Industry Sector located in East Jakarta. Given that the population is unknown, the sample size is carried out by citing the opinion of Hair et al., (2019), namely the ideal sample size is between 5 and 10 times the number of indicators, so that = $(24 + 4) \times 5 = 140$. Based on the formula data, the number of samples used in this study is 140 MSME located in East Jakarta. The sample criteria in this study are:

Table 1. Sampling Criteria

Category	Amount
Creative Industry MSME Business Actors in East Jakarta Region	√
Have at least 2 workers	√
Minimum business age 3 years	√
Total	140

The data collection technique used in this research is a survey, namely by distributing questionnaires to MSME actors in the East Jakarta area. The distribution of questionnaires was carried out directly. In this research, the research variables used can be grouped into two variables, namely dependent variables and independent variables. The operational definition and measurement of each variable used are shown in table 3 below.:

Table 2. Measurement of Variables

Variable	Dimensions	Indicator	Scale
Taxpayer Compliance (Gultom & Oktris, 2022).	Formal Compliance	<ul style="list-style-type: none"> - Have a NPWP as an identity in tax administration - Timely tax payments in accordance with applicable regulations - Reporting SPT on time 	Ordinal
	Material Compliance	<ul style="list-style-type: none"> - Understanding the laws and regulations in the field of taxation - Reporting tax deductions or collections on income received 	
Tax Knowledge (Prasetyo & Arisudhana, 2019).	Functions & Regulations	<ul style="list-style-type: none"> - Taxpayer knowledge about tax functions - Taxpayer knowledge of tax regulations - Taxpayer knowledge regarding registration as a taxpayer 	Ordinal
	Tax Payment Procedure	<ul style="list-style-type: none"> - Taxpayer knowledge of tax calculation procedures - Taxpayer knowledge of tax payment mechanisms 	
Tax Digitalization Nurlis & Meiliyah (2020)	Tax Application Knowledge	<ul style="list-style-type: none"> - Digital-based tax service application - Ease of use 	Ordinal
	Usage and Convenience	<ul style="list-style-type: none"> - Reliability of Information - Satisfaction with the implementation of digital systems 	
Quality of Tax Services Budianto (2017)	<i>Responsiveness</i>	<ul style="list-style-type: none"> - Resolve taxpayer issues quickly - Respond to suggestions and criticism from taxpayers openly 	Ordinal
	<i>Assurance</i>	<ul style="list-style-type: none"> - Be polite to taxpayers - Able to answer any questions from taxpayers regarding taxation 	
	<i>Tangible</i>	<ul style="list-style-type: none"> - Have communication facilities that make it easier for taxpayers - Adequate service facilities and neat employee appearance 	
	<i>Empathy</i>	<ul style="list-style-type: none"> - Employees provide recommendations to taxpayers according to what is needed. - Staff are polite and friendly towards taxpayers 	
	<i>Reability</i>	<ul style="list-style-type: none"> - Able to provide solutions to problems faced by taxpayers - Perform services according to the specified quality 	

The data analysis technique used is using a path analysis model with the concept of Structural Equation Modeling (SEM). Data processing is carried out

using the help of Partial Least Square (PLS) software. The testing stage is carried out using two stages, namely conducting measurement model assessments (MMA) and Structural Model Assessment (SMA).

The MMA testing stages consist of Convergent Validity analysis which includes Confirmatory Factor Analysis analysis, Cronbach's Alpha testing, and Average Variance Estrated. After these procedures are fulfilled, the processing stage is continued with Discriminant Validity analysis with the Fornell Lacker Criterion approach, as well as HTMT and cross loading accuracy tests. After these procedures are fulfilled, the inner model and model fit analysis can be carried out. The second stage in advancing the Structural Equation Model analysis through PLS is the SMA analysis. In this research, the tests analyzed are only direct effects, by observing the path coefficient value and the results of the t-statistic test. If the T-statistic value is above 1.96 and the direction of the hypothesis formed through the path coefficient is in the same direction as the proposed hypothesis, then the hypothesis is accepted and vice versa.

RESEARCH RESULT

Respondent Demographics

Based on the identification of respondent data, the demographics of the respondents can be seen as in table 3 below:

Table 3. Respondent Demographics

Demographic	Amount	Percentage
Gender		
Male	73	52,1
Female	67	47,9
Age		
20 - 35 Years	78	55,7
35 - 50 Years	60	42,9
51 - 65 Years	2	1,4
Education		
Diploma Level	35	25,0
Postgraduate Level	1	0,7
Bachelor Degree	27	19,3
High School Level	53	37,9
Junior High School Level	24	17,1
Types of MSME Businesses		
Product Design	7	5,0
Fashion	46	32,9
Photography	3	2,1
Craft	25	17,9
Culinary	55	39,3
Music	2	1,4
Printing	1	0,7
Information Technology	1	0,7
Total	140	100%

Based on table 3 above, it can be seen that the number of male respondents is 73 people with a presentation of 52.1% and female respondents are 67 people

with a presentation of 47.9%. This means that the gender composition in this study is quite balanced where the Creative Industry Sector MSMEs are managed by men and women in almost the same proportion. This can reflect that this sector is inclusive of both genders in terms of business ownership or management. In addition, if observed from the age level, it was obtained that respondents aged 20-35 years were 78 people with a presentation of 55.7%, those aged 35-50 years were 60 people with a presentation of 42.9% and those aged 51-65 years were 2 people with a presentation of 1.4%. So it can be concluded that the majority of respondents who participated in this questionnaire came from the younger generation aged 20-35 years who may be more adaptive to innovation and technology in this field. Meanwhile, the 35-50 year age group is also quite large, indicating that there are business actors with longer experience in this field, and only a few respondents are aged 51-65 years, indicating that this sector is more dominated by the younger generation than the older generation.

Other information obtained by researchers is that the majority of respondents are those who have high school education with a total of 53 people and a percentage of 37.9%, this means that this sector can be accessed by individuals without higher education. In addition, what is quite significant is the Diploma level education of 35 people with a percentage of 25% and Bachelor's level education of 27 people with a percentage of 19.3%, this indicates that some business actors have a higher formal educational background, which may affect the way they manage their businesses. Then there is the Junior High School level, as many as 24 people with a percentage of 17.1%, and the least is Postgraduate level education of 1 person with a percentage of 0.7%. This shows that MSMEs in this sector are more run by individuals with secondary education than academics or professionals with higher degrees. If observed from the type of UMKM business, it was found that the type of business with the most respondents was Culinary, which was 55 people with a percentage of 39.3%, then followed by fashion with 46 people with a percentage of 32.9%. This could be due to high market demand, ease of production, or more affordable capital compared to other sectors. Next, there are Crafts with 25 people with a percentage of 17.9% which shows that handicraft products still have a fairly large market. In addition, there are Product Design with 7 people with a percentage of 5%, Photography with 3 people with a percentage of 2.1%, Music with 2 people with a percentage of 1.4% then the least is Printing and Information Technology with 1 person each and a percentage of 0.7%, this could indicate that this sector has a greater challenge in business development in East Jakarta.

Convergent Validity

The first stage in the Measurement Model Assessment (MMA) analysis is convergent validity. In accordance with the data processing process that has been carried out, the results obtained are shown in the following table 4.:

Table 4. Convergent Validity

	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Tax Digitalization	0.616 – 0.852	0.807	0.829	0.643
Taxpayer Compliance	0.614 – 0.891	0.883	0.901	0.690
Quality of Tax Services	0.565 – 0.829	0.848	0.881	0.525
Taxpayer Knowledge	0.613 – 0.794	0.759	0.782	0.509

The results obtained show that each variable that forms the measurement framework model has an outer loading ≥ 0.50 (Ghozali & Latan, 2019), has a Cronbach's Alpha and Composite Reliability value ≥ 0.70 (Hair et al., 2019), and an Average Variance Extracted (AVE) above 0.50 (Hair et al., 2019), thus it can be concluded that each statement used in measuring each variable in this research has been measured with an appropriate and reliable statement..

Discriminant Validity

The approach used is the Fornell Lankers Criterion, in testing the correlation matrix formed must be consistent where the variables in the first row and in the first column become variables with the largest correlation coefficient (Fornell & Larcker, 1981). The results of the processing obtained are shown in the following table 5:

Table 5. Fornell-Lanker criterion

	Tax Digitalization	Taxpayer Compliance	Quality of Tax Services	Taxpayer Knowledge
Tax Digitalization	0.888			
Taxpayer Compliance	0.873	0.870		
Quality of Tax Services	0.868	0.825	0.852	
Taxpayer Knowledge	0.852	0.817	0.809	0.803

In the correlation matrix formed, tax digitalization is seen as a variable with the highest correlation coefficient, which is 0.888, compared to variables in the same column and row. In the second quadrant, taxpayer compliance has the highest correlation value, which is 0.870, which is greater than all variables in the same column and row, but has a smaller correlation coefficient than the tax digitalization variable. The same thing also happens to the variables in the next quadrant.

Inner Model

The inner model analysis is shown from the measurement framework supported by variables with appropriate and reliable measurement instruments as can be observed in Figure 1 below:

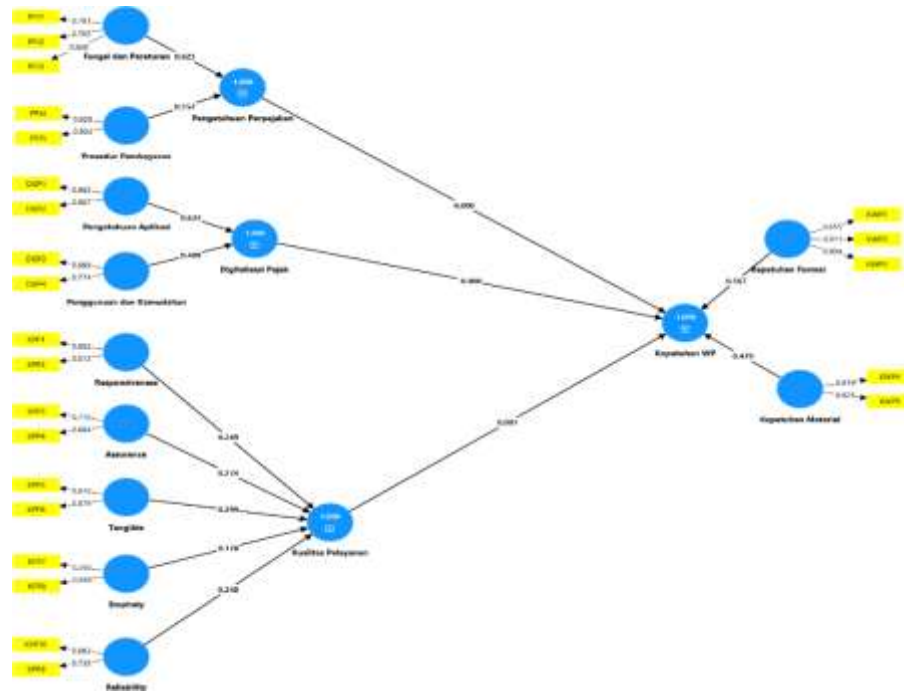


Figure 1. Measurement Framework

In the measurement framework, the R^2 value is 0.576. This value shows that tax knowledge, tax digitalization and the quality of tax services can influence changes in taxpayer compliance, especially for MSME actors in the East Jakarta area, in addition, the remaining contribution of 42.40% is influenced by other variables that have not been used at this time such as tax sanctions, citizenship status and so on..

Hypothesis Testing

After the testing procedure is fulfilled, the hypothesis testing process can be carried out. In accordance with the data processing that has been carried out, the results are described in the following table 6:

Table 6. Hypothesis Testing Results

	Original sample (O)	T statistics	P values	Hasil
Taxpayer Knowledge -> Taxpayer Compliance	0,431	6,301	0,000	Accepted
Tax Digitalization -> Taxpayer Compliance	0,010	0,061	0,952	Not Accepted
Quality of Tax Services -> Taxpayer Compliance	0,001	0,520	0,603	Not Accepted

At the hypothesis testing stage, it was found that tax knowledge had a positive and significant effect on taxpayer compliance, statistically the findings were proven by a value of $P < 0.05$. The findings indicate that the higher the taxpayer's knowledge, the higher the taxpayer's compliance. At the second testing stage, it was found that tax digitalization had no significant effect on taxpayer

compliance ($P > 0.05$), while in the third statistical test, it was found that the quality of tax services had no significant effect on taxpayer compliance.

DISCUSSION

Based on the hypothesis test, it shows a significant influence between tax knowledge and taxpayer compliance. This means that Tax Knowledge is highly dependent on Taxpayer Compliance. Tax knowledge is knowledge about the concept of general provisions in the field of taxation, types of taxes applicable in Indonesia starting from tax subjects, tax objects, tax rates, calculation of tax payable, recording of tax payable, to how to fill out tax reports. This finding strengthens the view that the higher the taxpayer's knowledge of their rights and obligations, the more likely they are to fulfill their tax obligations in a timely and correct manner. Good knowledge provides clarity and reduces uncertainty in tax reporting and payment. Referring to Attribution Theory, a person's understanding of taxation can be influenced by internal and external factors. In this case, taxpayers who have a good understanding of taxation tend to attribute their compliance to internal factors, such as personal awareness and responsibility. The results obtained in the first hypothesis are in line with Zulma (2020) showing that the higher the level of taxpayer knowledge of applicable tax provisions, the higher the level of taxpayer compliance. This study is also in line with research (Wogo. P. P et al., 2023) that tax knowledge has a positive effect on taxpayer compliance. The higher the taxpayer's knowledge of tax provisions, the higher the level of taxpayer compliance. The tax provisions in question such as the tax payment deadline, the amount of tax to be paid, and understanding of the applicable tax provisions..

In the second hypothesis testing stage, it was found that tax digitalization had no significant effect on taxpayer compliance. This is interesting to study further considering that digitalization indicators such as digital service applications, ease of use, reliability of information, and satisfaction with the system should provide added value in the tax administration process. However, these insignificant results indicate that this is due to technical constraints in the digital system, low digital literacy of taxpayers, and uneven infrastructure. Although digitalization aims to simplify taxpayer administration, without user readiness and optimal system support, tax compliance does not automatically increase. These results, when associated with the perspective of attribution theory, tax digitalization is an external factor that is expected to encourage compliance. However, if taxpayers do not feel comfortable, do not fully trust the digital system, or are dissatisfied with the digital service, then digitalization will not influence their decision to comply. The findings obtained are supported by the research results of Jefrianus Jehadu and Herlambang Pudjo (2024) which show that internet knowledge does not moderate the effect of digitalization on tax compliance, which means that without adequate education, digitalization does not significantly increase compliance. Therefore, system improvements, increasing digital literacy, and wider socialization are needed so that tax digitalization can contribute to taxpayer compliance effectively. This study is also

in line with research conducted by Nugraha Yogi (2024) that the digitalization of tax services has no effect on taxpayer compliance.

The results of the third hypothesis test found that the quality of tax services has no significant effect on taxpayer compliance. This finding indicates that although tax services have covered aspects such as clarity of information, ease of administration, and responsiveness to questions or complaints, this has not fully encouraged taxpayer compliance. It could be that the services provided have not been optimally felt by taxpayers, or that there are other factors that are more dominant in influencing compliance. Dwina et al. (2023) that the quality of tax services has no effect on taxpayer compliance. However, this study is not in line with the research conducted by (Tambunan, 2021) (Wahyuni & Setiyawati, 2023), (Widodo Agus and Muniroh Hetty, 2021) which shows that the results of tax services have an effect on tax compliance, namely with tax services provided by the Directorate General of Taxes, taxpayers are facilitated in carrying out their tax rights and obligations.

CONCLUSION AND RECOMMENDATION

The results obtained show that tax digitalization and the quality of tax services do not affect the level of personal taxpayer compliance, but from the results of the hypothesis test it was found that higher tax knowledge will increase taxpayer compliance. This can be seen from the consistency of MSME actors in East Jakarta who are routine and consistent taxpayers in fulfilling tax obligations on time.

The researcher recommends that business actors, in this case MSME taxpayers, are expected to continue to improve their tax knowledge, such as calculation mechanisms, reporting and also the taxation system currently used in order to facilitate their tax administration. The researcher also provides recommendations for the Government, in this case the Tax Service Office in the East Jakarta area, to be more active in socializing the latest tax regulations and taxation systems so that this can increase taxpayer knowledge so that taxpayers can understand and continue to be encouraged to carry out their tax obligations voluntarily.

FURTHER STUDY

The researcher realizes that the sample size currently used is a small sample, so this also influences the research findings obtained. In addition, the researcher also realizes that there are still other variables that influence Taxpayer Compliance, because in the analysis the R-Square value shows a small value..

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