

Tax Assistant Mediation in The Behavioral Model of Tax Compliance in MSMEs

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Abstract

This research examines how tax assistants, tax management, and the final PPh tax incentives (PP 23/2018) might increase Bandung Regency SMEs' tax knowledge and compliance. The quantitative descriptive research technique used simple random selection for MSMEs with active NPWP status at the DJP KPP office in Bandung Regency. This research uses PLS SEM and SEMPLS3 software to analyze 132 MSMEs in agricultural, culinary, and fashion. Tax management mediated by a tax assistant has a 17.7% favorable impact on tax compliance. Tax Assistant improves tax compliance by 0.626, or 62.6%. Tax Management (TMP) improves the Tax Assistant (TEA) by 55.0%. This research concludes that the low level of SME tax compliance in Bandung Regency is more due to a lack of knowledge in techniques for calculating, paying, and reporting MSMEs final income tax (PPh), where a tax assistant becomes very important in aiding management in MSMEs tax compliance, and that the findings are consistent with the Expected Utility Tax Compliance Theory.

Keywords: MSMEs, Tax Assistant, Tax Behavioral, Tax Compliance, Tax Management

INTRODUCTION

For the Indonesian economy, small and medium-sized enterprises play a crucial role. Micro, small, and medium-sized enterprises (MSMEs) can be utilized to alleviate destitution, level the economic standing of the community, and generate foreign exchange income for the country. The state can increase the State Revenue and Expenditure Budget (APBN) through MSMEs as well (Coordinating Ministry for Economic Affairs, 2021).

Micro, small, and medium-sized enterprises (MSMEs) are one of Indonesia's economic pillars. According to data from the Ministry of Cooperatives and SMEs for 2021, the number of MSMEs in Indonesia has reached 64,2 million, contributing 61.07 percent to the nation's gross domestic product,

or 8,573.89 trillion IDR. The contribution of micro, small, and medium-sized enterprises (MSMEs) to the Indonesian economy includes the ability to accommodate up to 97 percent of the total workforce and to accumulate up to 60.4% of total investment (Coordinating Ministry for Economic Affairs, 2021; World Bank Group, 2021). Local governments have been encouraged by the rapid growth of the MSME sector to continue raising MSME actors' awareness of their obligations to pay income tax (PPh) from their enterprises.

According to data from 2020, the Directorate General of Taxes of the Ministry of Finance reported that as many as 58 million micro, small, and medium enterprises (MSMEs) have yet to fulfill their tax obligations. It is known that only about 2 million out of a total of 60 million micro, small, and

medium enterprises in Indonesia have been registered as taxpayers and pay state taxes. In 2021, even the contribution of MSMEs to taxes will be negligible. Only 2 trillion IDR despite a 60% contribution to the GDP (Coordinating Ministry for Economic Affairs, 2021).

This condition also exists in the Bandung Regency, where the regional economy is dominated by MSME-based enterprises, but the tax contribution to local taxes remains relatively modest.

The results of the BPS Bandung Regency's data collection revealed that at the onset of the COVID-19 pandemic in 2020, 31.5 percent of the Bandung Regency's population, or 16.8 percent of the total population conducting business in Bandung Regency, were engaged in business activities or enterprises. Among the self-employed, 4% have a workforce that is not permanent; while 3.3% have a permanent workforce. Consequently, residents of Bandung Regency who are self-employed are in second place after residents who are employed (BPS Regency of Bandung, 2022).

As shown in Table 1, the increase in the number of MSMEs following the COVID-19 pandemic did not significantly impact the number of NPWP registrants for MSMEs in Bandung Regency:

Table 1. SMEs in Bandung Regency 2016 – 2021

Year	Amount of UMKM	Total NPWP (Registered)	
		Unit	%
2016	353.277	8.218	2,32
2017	375.135	11.745	3,13
2018	398.346	13.176	3,30
2019	422.992	17.412	4,11
2020	449.164	25.718	5,72
2021	476.954	26.147	5,48

The number of micro, small, and medium-sized enterprises (MSMEs) in Bandung Regency has continued to increase significantly since before and after the pandemic, as indicated by Table 1.1. COVID-19. The average annual growth rate for registered NPWPs is 6.18 percent, with a range of 2.23 percent to 5.72 percent. This indicates that the contribution to paying income tax (final income tax) is still quite low among MSMEs, necessitating special attention from the regional tax authorities in order to investigate the potential for MSMEs taxes in Bandung Regency.

The Indonesian government, through its financial and taxation authorities, is continuing its efforts to encourage the development of MSMEs in Indonesia in light of the opportunities for increasing taxes on MSMEs, which are still relatively high. One of the steps taken by the government to encourage MSMEs tax compliance is to provide tax incentives to MSMEs by reducing the Final PPh rate

from 1% to 0.5% and exempting entrepreneurs with up to IDR 500 million in annual revenue from Final PPh (Coordinating Ministry for Economic Affairs, 2021).

The reduction of the MSMEs final PPh rate to 0.5 percent was implemented to encourage community participation in formal economic activities, give a sense of justice, facilitate the fulfillment of tax obligations, provide opportunities to contribute to the country, and raise awareness of the benefits of taxes for regional and local development.

The Ministry of Finance, through the Director of Counseling, Services, and Public Relations of the Directorate General of Taxes, has announced that if the annual income of a business actor exceeds IDR 4.8 billion, the bookkeeping system or net income calculation norms will be used to calculate taxes. Article 17, point 5, of the Income Tax Law stipulates this. The article explains that business tax returns are computed by dividing the number of days in the tax year by 360 and then multiplying the result by the amount of tax due for one year of the tax period.

The Law on Harmonization of Tax Regulations (HPP) stipulates that MSMEs with annual earnings between IDR 500 million and IDR 5 billion will be subject to a 30% income tax. Those with incomes exceeding 5 billion IDR are taxed at a rate of 35% (World Bank Group, 2021; Presiden Republik Indonesia, 2021).

In the latest 2022 MSMEs final PPh rate policy, the government intends to exempt income tax (PPh) for private MSMEs with annual revenue of less than Rp. 500 million through the ratification of the new HPP Law. This rule became effective on April 1, 2022. This implies that the MSME income tax (PPh) for the year 2022 will become a mandatory charge for all MSMEs in Indonesia (Direktorat Jenderal Anggaran Kemenkeu, 2021).

The policy regarding Tax Incentives for Micro, Small, and Medium-Sized Enterprises is outlined in Minister of Finance Regulation 44/PMK.03/2020. Along with the publication of the Law on Harmonization of Tax Regulations (UU-HPP), the government has implemented a new income tax policy for MSMEs that has been in effect since the beginning of 2022 (Presiden Republik Indonesia, 2021).

According to Sarwono (2015) and Budiman et al. (2020) regarding the business profile of SMEs in Indonesia, variations in income levels (decrease) as a result of the economic crisis following the Covid-19 Pandemic had little impact on the demand for SMEs' manufactured goods. This is due to the following empirical evidence:

The majority of small and medium-sized enterprises (SME) do not receive capital from banks, so they are spared the burden of high interest

costs resulting from a rise in interest rates during a banking sector crisis (Budiman et al., 2020).

The majority of MSME actors are engaged in the garments, food, and local trade industries, in which entry and exit barriers are nearly nonexistent.

The economic crisis caused the formal sector to lay off a significant number of employees. These unemployed individuals eventually reach the informal sector and engage in primarily small-scale business activities, thereby increasing the number of MSMEs (Asrinanda, 2018; Klaudia et al., 2017).

Behind the above-mentioned three assets, however, the most common challenges encountered by MSMEs are related to business management, business economic scale, and limited access to markets and capital (Budiman et al., 2020; Asrinanda, 2018; Klaudia et al., 2017).

Another challenge is that MSMEs often do not have a neat record of financial transactions and according to SAK ETAP (Aulia Runtika, 2016). In fact, it can be said that almost 80% of MSMEs in general really do not understand how to record their business transactions. This creates difficulties for the tax administration to oversee tax compliance (Hidayat et al., 2020).

What are the outcomes of implementing the provisions regarding tax incentives? And, as anticipated by the government, is the convenience of access for MSMEs Final Income Tax payments capable of influencing the level of tax compliance among MSMEs? Does the existence of this policy have an effect on the level of cognizance and compliance of MSMEs with regard to fulfilling their tax obligations as citizens?

LITERATURE REVIEW

Since 1983, Indonesia has devised a system of self-assessment that has implications for the significance of taxpayer compliance. Devos (2014) argues that it is preferable to look beyond the economic approach in order to comprehend non-economic behavioral factors that can influence taxpayers. The focus on producing taxpayer compliance has shifted from an economic approach to a social psychological approach that takes non-economic factors into consideration. Social psychology offers a greater understanding of taxpayer behavior (Misra, 2019; Devos, 2014; Bello et al., 2014).

The psychological approach implies that individuals interact with other humans based on their attitudes, beliefs, norms, and roles (Bătrâncea et al., 2012; Allingham, 1972). Individuals are not assumed to be independent, self-centered, and maximizing utility alone. The Theory of Planned Behavior is commonly used to explain why an individual behaves obediently or does not comply with paying taxes (Bellová & Špírková, 2021; Novianti & Uswati Dewi, 2018).

According to the Theory of Planned Behavior, attitudes influence behavior through a methodical and deliberate decision-making process (Bătrâncea et al., 2012). A person will perform a specific action if he views it favorably, believes others want him to perform it, and believes he is capable of doing it. The Theory of Planned Behavior has flaws because it is predicated on the assumption that humans are rational and use information in decision-making while presuming future certainty (Bellová & Špírková, 2021; Novianti & Uswati Dewi, 2018; Bătrâncea et al., 2012; Allingham, 1972). This contrasts with the taxation phenomenon in Indonesia, whose future is uncertain because compliant taxpayers are not necessarily exempt from sanctions and noncompliant taxpayers are not necessarily subject to sanctions (Novianti & Uswati Dewi, 2018).

In their publication, Putra & Osman (2019) state that in general, MSMEs are only engaged in the informal sector, so this condition has become the leading cause of the absence of awareness of actors to contribute to the provision of public products and services, which has a negative effect on tax compliance. The low tax compliance of micro, small, and medium-sized enterprises (MSMEs) is a concern in many developing countries, where they play a dominant role in the economy, which has an effect on the perception of justice (Mohd Rizal Palil, 2011).

Palil (2011) states that MSMEs who are not registered with the tax administration, for instance, will sell the same products at a lower price than registered business actors. While registered business actors (those with an NPWP) are required to collect VAT, which will increase the selling price for consumers, unregistered business actors (those without an NPWP) are not. Alternatively, a registered business actor must set aside the income earned to pay the tax owed, whereas an unregistered MSMEs can keep the entire amount of income earned. This condition is not deemed to represent the side of justice (Laguir et al., 2015).

Long-term, this disparity between registered and unregistered MSMEs will reduce the competitiveness of registered MSMEs (Hemawan, 2021; Bestvinová et al., 2013). To be able to compete with unregistered MSMEs on the market, this will create a disincentive for tax compliance among registered MSMEs; they will tend to distort tax obligations, such as not collecting VAT or not paying the tax owed (Taing & Chang, 2021; Bello et al., 2014).

According to Hermawan et al (2020) and Kumaratih et al (2020), the reduction of the final tax rate of PPh 23/2018 from 1% to 0.5% has a significant impact on tax compliance among MSMEs in the Boyolali Region. However, (Hidayat et al., 2020) state in their article that the assistance procedure when MSMEs conduct tax calculations,

deposits, and reporting yields positive results despite having no effect on tax compliance.

Aliyah (2014) explains how the non-compliance of MSMEs actors in paying Final Income Tax is a result of a lack of trust in the government and negative perceptions of tax cases. Understand, from the perspective of the theory of compliance (tax compliance), why taxpayers comply or do not comply with taxes, which typically results in tax avoidance. These factors make the theory of tax compliance an intriguing topic to continue exploring and developing both practically and theoretically so that a universal tax compliance model can be developed (Misra, 2019; Huseynov & Klamm, 2012; Slemrod, 2008).

Piolatto & Rablen (2017), on the other hand, explain the emergence of two dominant tax compliance theories. They distinguish the 'Economic Approach', which is characterized by the concept of Expected Utility, from the 'Behavioral Approach,' which is concerned with issues of equity and fairness, as well as the desire of taxpayers to be decent citizens. Expected Utility Theory posits that decisions regarding risky or uncertain prospects are made by comparing their 'expected utility' values, and over the past five years, the theory has underpinned numerous theoretical and empirical approaches to understanding tax compliance (Hemawan, 2021; Misra, 2019; Piolatto & Rablen, 2017; Slemrod, 2008; Wenzel, 2005; Allingham, 1972).

According to the Expected Utility Theory, there are four factors that influence a person's decision to pay taxes: (1) risk detection, (2) penalties, (3) potential returns, and (4) risk avoidance (Piolatto & Rablen, 2017; Ameer & Tkiouat, 2016). The Expected Utility Theory is wholly predicated on taxpayers as autonomous agents who are able to decide whether to comply and personally endure the consequences of their decisions (Ameer & Tkiouat, 2016).

One of the characteristics of the Expected Utility model is that it assumes individuals pay taxes solely due to the economic consequences of noncompliance, while ignoring the possibility of rational economic actors making decisions for moral or ethical reasons (Dhami & al-Nowaihi, 2007).

The concept of Tax Morality Horodnic (2018) refers to the significance of a sense of justice and the moral duty to comply with the theory of taxpayer behavior.

According to Kornhauser (2017) and Ullah et al. (2009), in the Tax Moral framework, correct behavior in tax compliance is a reward in and of itself. Tax Morale is defined by Torgler et al. (2008) as an intrinsic motivation to pay taxes.

According to Torgler et al. (2008), important factors in the context of tax morality include: 1) the taxpayer's belief that avoiding taxes is morally or ethically wrong; 2) his perception of the fairness of

the tax system; 3) his perception of normal tax compliance behavior in trading; 4) the level of respect for revenue authorities and; 5) its appreciation of the broader social contract which recognizes that taxes must be paid if social services are to be maintained.

This research study in the field of taxpayer behavior argues that the human element plays a significant role in the compliance decisions of individual taxpayers. Despite the fact that literature on tax compliance has emerged from a variety of disciplines, there is a lack of consensus and accord regarding why individuals pay or do not pay their taxes (Torgler et al., 2008; Ullah et al., 2009; Huseynov & Klamm, 2012). The literature on tax compliance indicates that there are still many research gaps that need to be filled with regard to tax morale, tax fairness, and preventive measures in order to increase overall taxpayer compliance.

Referring to the empirical deficiency in the government's efforts to increase tax awareness among MSMEs through a Tax Incentive policy and all available convenience facilities, it has not produced positive results; The subsequent research findings on tax compliance theory continue to provide diverse perspectives and interpretations when presenting tax compliance models.

Tax compliance factors cannot be determined with surety (Hardiningsih et al., 2020; Kim & Im, 2017; Marandu et al., 2015) due to the research vacuum that has been the subject of multiple studies. On the basis of the identified research gaps, it can be stated that the purpose of this study is to determine the extent to which the mediation role of tax assistants, tax management, and final PPh tax incentives PP 23/2018 can be implemented in an effort to increase awareness of paying taxes in order to motivate MSMEs to manage their taxes and lead to increased tax compliance, particularly for MSMEs in Bandung Regency.

Hypothesis

This study's objective is to provide empirical evidence for the development of the level of tax compliance among MSMEs actors in Bandung Regency by examining patterns, ideas, or hypotheses, and to test or confirm the following research hypothesis theory:

- H₁ Tax Rate Incentives have an effect on Tax Management
- H₂ Awareness of Paying Taxes has an effect on Tax Management
- H₃ Tax Management influences Tax Assistant
- H₄ The Tax Assistant has an effect on Tax Paying Compliance
- H₅ Tax Management influences Tax Paying Compliance
- H₆ Tax Management has an effect on Compliance Paying Taxes Mediated by Tax Assistants

While Figure 1 depicts the hypothesis-style tax compliance model that has been proposed:

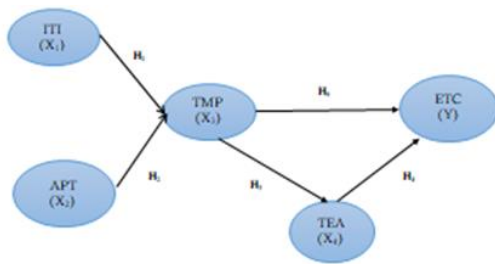


Figure 1. Research Model

METHOD

The survey was conducted by the KPP Directorate General of Taxes in Bandung Regency between October 2022 and February 2023. Respondents are MSMEs with Active NPWP status through March 2023 SPT that are dispersed across 31 sub-districts. 132 MSMEs respondents provided valid and reliable data after receiving data using the Simple Random Sampling technique and the What's-App application as a Google form.

Using questionnaire completion techniques and interviews, data was collected by disseminating questionnaires to Bandung Regency-based MSMEs with NPWP in three (three) primary sectors.

Three endogenous variables-tax management (TMP), tax assistant (TEA), and tax compliance enhancement (ETC)-as well as two (two) exogenous variables-tax incentives (ITI) and awareness of paying taxes-were utilized to evaluate the empirical model in this study (APT). Hence, there were 5 (five) construct variables examined in this study.

Table 2. Variables in the description

Variable	Symbol	Description
Tax Incentives	ITI	Perspectives of taxpayers on tax rates. Minimum score of 4 (1 out of 4 non-compliant questions), maximum score of 20 (5 out of 4 extremely compliant questions).
Awareness of paying taxes	APT	The tax rates as perceived by taxpayers. A maximum score of 20 and a minimum score of 4 (1 x 4 incompatible questions) (5 x 4 very compliant questions).
Tax Management	TMP	A maximum score of 20 and a minimum score of 4 (non-compliant) (extremely compliant), respectively.
Tax Assistant	TEA	Minimum score is 4 (non-compliant); maximum score is 20. (extremely obedient)
Improved Tax Compliance	ETC	Each respondent must obtain a minimum total score of 20 (1 point multiplied by 20 questions) and a maximum total score of 100. (5 times 20 questions- very compliant).

In this investigation, the multivariate analysis technique Structural Equation Modeling - Partial Least Square (PLS-SEM) was applied.

PLS-SEM is an analytical technique that, like normality and multicollinearity tests, does not rely on many assumptions or conditions. This method does not require a study sample size or multivariate normally distributed data (J. F. Hair et al., 2018; J. F. J. Hair et al., 2014; Becker et al., 2012).

In a structured research model, the PLS process will extract components from X and Y so that the resulting factors have the highest covariance possible (Becker et al., 2012). We will use the Partial Least Square (PLS) technique to identify a linear decomposition of X and Y variables in a number of path analysis constructs because the PLS method can also be used with multiple response variables. (J. F. Hair et al., 2014). So the equation is:

$$X = TP^T + E$$

$$Y = UQ^T + F$$

Where :

$$T_{nxg} = X - \text{score} \quad U_{nxg} = Y - \text{score}$$

$$P_{pxg} = X - \text{loadings} \quad Q_{l_xg} = Y - \text{loadings}$$

$$E_{nxp} = X - \text{residual} \quad F_{nx1} = Y - \text{residual}$$

The row of T is a latent vector, and $U = TB$, that is, the regression of the latent vector t so that:

$$Y = TBQ^T + F$$

Using the SMART-PLS3 program, the research model will be evaluated to assess its suitability as an inner model and an outer model (Asyraf & Afthanorhan, 2013).

RESULTS AND DISCUSSION

Structural Model Analysis Results

SmartPLS3 software was utilized to analyze the measurement model in this study, the construct method being reflected or generated by dimensional latent constructs. Lower order and higher order reflectivity are used to model HOC in this study (J. F. Hair et al., 2018).

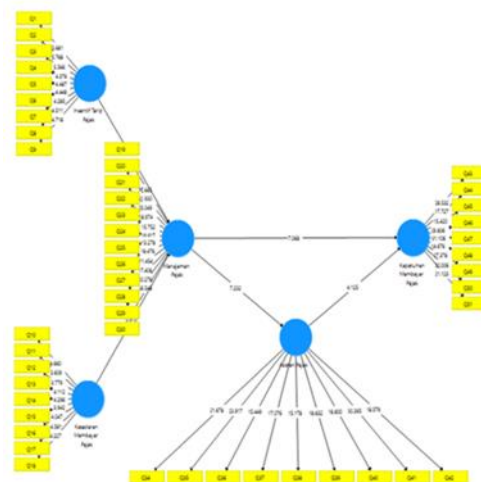


Figure 2. Full Model Results of Bootstrapping and PLS Algorithm. (Inner: Path Coefficients. Construct: R-Square)

In the end, the entire model in the SmartPLS3 program can be created as a SEM model by following the steps outlined below.:

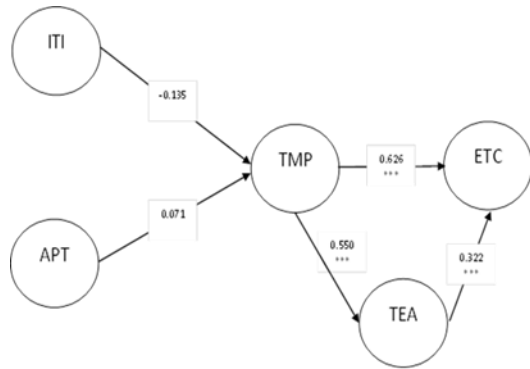


Figure 3. Full Model Struktural, path coef

Exogenous and endogenous latent variables are interconnected throughout the entire model illustration (Fig. 2). The displayed values are the route coefficients for each relationship, which indicate a direct effect. Using these values, the indirect effect and cumulative effect can be calculated. In parentheses is the t-statistic value that will be used to determine the significance of the influence between variables. In the illustration, the continuous line represents the line of substantial influence.

The results of evaluating the structural equation model as a whole (complete model) are tabulated and described according to its substructure in the following table.:

Table 3. Value path coefficients, t-statistics significance, p-value, serta parameter kekuatan model (nilai R2, f2 dan nilai Q2)

SS	Endo	Ekso/ Endo	Part Coef.	t-star	P Value	Ket	f2	R2	Q2
I	ITI	TMP	-0.135	0.981	0.327	TS***	0.019	0.023	0.007
	APT	TMP	0.072	0.510	0.611	TS***	0.005		
II	TMP	TEA	0.550	7.232	0.000	S***	0.435	0.303	0.167
III	TEA	APT	0.322	4.125	0.000	S***	0.255	0.717	0.445
	TMP	APT	0.626	7.068	0.000	S***	0.962		

The 3 (three) substructures created will be used to characterize the outcomes of the entire model test in stages, such as:

Substructure I of the Structural Equation in the Full Model

Based on Figure.4 above, the mathematical equation for the substructural model I is obtained as follows;

$$TMP = -0.135*ITI + 0.071*APT$$

ITI Pajak → TMP nilai t-stat = 0.981; p-value = 0.327; f2 = 0.019

APT → TMP nilai t-stat = 0.510; p-value = 0.611; f2 = 0,005



Figure 4. Substructure I, path coef value. (t-stat)

The aforementioned model suggests that the Tax Rate Incentives (ITI) variable has a negative influence on the 13.5% Tax Management (TMP) value. This result is statistically insignificant, as its t-count value is 0.981 (less than 1.96), and its p-value is 0.327 (greater than 0.05).

The results of this test indicate that the less MSME actors are motivated to manage their Final PPh tax (TMP), the greater the tax rate incentives offered.

Awareness of Paying Taxes (APT) has a positive influence on the 7.1% value of Tax Management (TMP). With a t-count value of 0.510 (less than 1.96), and a p-value of 0.611 (greater than 0.05), this result is statistically insignificant. This test indicates that the desire of MSMEs to effectively manage their Final Income Tax (TMP) is proportional to their awareness of paying taxes (APT).

Substructure II of the Structural Equation in the Full Model



Figure 5. Substructure II, path coef value. (t-stat)

Based on Figure 5 above, the mathematical equation for the substructural model II is obtained as follows:

$$TEA = 0.550*TMP$$

nilai t-stat = 7.232; p-value = 0.000; f2 = 0.435

The above model indicates that the Tax Management variable (TMP) has a positive effect on the value of 55.0% of the Tax Assistant (TEA) variable, and statistically, this result is stated to be significant at the 1% level. This is due to the fact that a t-count value of 7,232 is obtained (greater than 1.96), and a p-value of 0.000 is obtained (smaller than 0.05). According to the findings of this test, the significance of the role played by the Tax Assistant (APT) in the process of MSMEs's management of their Final Income Tax (TMP)

would increase in proportion to the degree to which the MSMEs want to effectively manage their Final Income Tax (TMP).

Substructural Analysis III of the Structural Equation in the Full Model

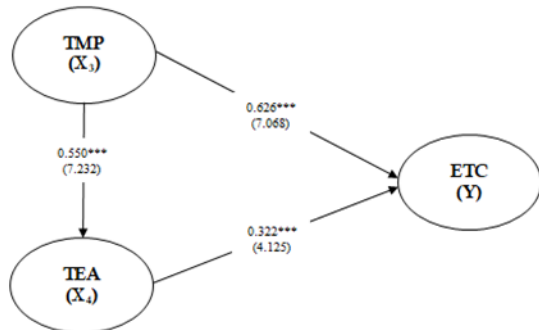


Figure 6. Substructure III path coef value (t-stat)

Based on Figure.6 above, the mathematical equation for the substructure III model is obtained as follows:

$$TEA = 0.550 * TMP$$

$$ETC = 0.322 * TEA + 0.626 * TMP$$

TEA → ETC nilai t-stat = 4.125; p-value = 0.000; f2 = 0.255

TMP → ETC nilai t-stat = 0.626; p-value = 7.068; f2 = 0,000, R2 = 0,717; Q2 = 0,445

It is possible to understand that, based on the findings of the analysis of the substructure model III and the tabulation analysis of the size of the effect between the variables discussed before;

1. The Tax Assistant Variable (TEA) has a direct and substantial effect on Tax Paying Compliance (ETC). With a calculated t value of 4,125 (greater than 1.96), and a p value of 0.000 (less than 0.05), the hypothesis is supported.
2. With a calculated t value of 7,068 (greater than 1.96), and a p value of 0.000 (less than 0.05), the Tax Management Variable (TMP) is directly capable of exerting a significant influence on Tax Paying Compliance (TMP).
3. The Tax Assistant Variable (TEA) has a significant positive influence when tested as a mediator variable between Tax Management (TMP) and Tax Paying Compliance (ETC). The total effect is 17.7%.

The study was able to provide a response to the presented hypothesis by analyzing the findings of the analysis of the whole structural model (inner model) as well as the analysis of the mediating effects on the substructures I, II, and III. Specifically, the research found that;

Table 4. Hypothesis Testing Results

Hypothesis	Original	T	P Values	Conclusion
	Sample (O)	Statistics		
H1 ITI->TMP	-0.135	0.981	0.327	Rejected
H2 APT->TMP	0.071	0.510	0.611	Rejected
H3 TMP->TEA	0.550	7.232	0.000	Accepted
H4 TEA->ETC	0.322	4.125	0.000	Accepted
H5 TMP->ETC	0.626	7.068	0.000	Accepted
H6 TMP->TEA->ETC	0.177	3.551	0.000	Accepted

Tax Rate Incentives have an effect on Tax Management

The existence of a negligible negative relationship between Tax Rate Incentives (ITI) and Tax Management (TEA) is demonstrated by the fact that, at the 5% significance level, the t-count value is less than the t-table value, namely $0.981 < 1.96$. It has also been determined that the effect of Tax Rate Incentives (ITI) on Tax Management (TMP), based on a path coefficients value of 0.135, is not statistically significant because its p-value is greater than 0.05 (0.611). This means that the motivation of micro, small, and medium-sized enterprises (MSMEs) to manage their income tax is influenced by factors other than the large tax rate incentives that were not examined in this study.

From an empirical perspective, however, if the tax paid is relatively modest, there will be a tendency for taxpayers to neglect paying their taxes. A minor illustration is the payment of Land and construction Tax (PBB) in regency areas where land and construction costs are still relatively low. In general, individual taxpayers will pay their delinquent PBB tax after a number of years.

According to the Expected Utility theory, taxpayers only pay taxes for strictly economic reasons (Piolatto & Rablen, 2017; Dhami & al-Nowaihi, 2007; Mohd Rizal Palil, 2011; Hardiningsih et al., 2020). In accordance with the Expected Utilities theory, there is a possibility that MSMEs will not pay their Final Income Tax due to the minuscule quantity of tax that must be paid (the incentive is too great).

Awareness of Paying Taxes has an effect on Tax Management

It has been shown that there is a positive relationship between Awareness of Paying Taxes (APT) and Tax Management (TMP), however this effect is not statistically significant. This is due to the fact that statistically, the t-count value is lower than the t-table at the 5% significance level, namely $0.510 < 1.96$. Additionally, it has been determined through testing that the influence of Tax Paying Awareness (APT) on Tax Management (TMP), which is based on a path coefficients value of 0.071, is not proven to be significant because it is at a p-value of 0.327, which is greater than 0.05. This conclusion was reached as a result of the fact that the p-value is higher than 0.05.

Thus, the greater the awareness of taxation (APT), the greater the motivation of MSMEs to plan and manage their Final Income Tax (TMP) more effectively. Although the non-significance of the relationship between these two exogenous variables can be explained, there is a very minor correlation (7.1%) between the variable Tax Paying Awareness (APT) and the variable Tax Management (TMP). This indicates that there are additional factors that influence taxpayers' decisions to plan and manage their taxes.

This phenomenon is also consistent with the Expected Utility theory, according to which economic considerations will dominate the behavior of small and medium-sized enterprises (SMEs) when making tax decisions (Ameur & Tkiouat, 2016).

Tax Management Influences Tax Assistant

The existence of a significant positive effect between Tax Management (TMP) and Tax Assistant (TEA) is demonstrated by the fact that, at a significance level of 5%, the t-count value is greater than the t-table value, i.e. $7.232 > 1.96$. It has also been determined that the influence of Tax Management (TMP) on Tax Assistants (APT), as measured by a path coefficients value of 0.550, is statistically significant because its p-value is less than 0.05 and is therefore less than 0.000. In other words, the greater the desire of MSMEs to manage their Final Income Tax, the greater the role of the Tax Assistant (TEA) in regulating and administering the taxation of the business of MSMEs.

An indication of how the role of a tax assistant in this study is closely related to economic motivation as conceptualized in the Expected Utility theory, where business tax planning and management will require a tax assistant with strong soft skills in the field of finance (Ernest et al., 2022; Putri Sekti Ari, 2019; Ameur & Tkiouat, 2016).

The Tax Assistant has an effect on Tax Paying Compliance

The existence of a significant positive relationship between the Tax Assistant (TEA) and Tax Paying Compliance (ETC) is demonstrated by the fact that the t-count value is statistically greater than the t-table at the 5% significance level, i.e. $7.068 > 1.96$. It was also determined that the effect of the Tax Assistant (TEA) on Tax Paying Compliance (ETC) based on the path coefficients value of 0.626 was significant because the p-value was less than 0.05 and was 0.000. This indicates that the function of the Tax Assistant (TEA) in the business of MSMEs will encourage MSME actors to fulfill their Final Income Tax obligations.

Generally speaking, MSMEs in rural districts have a relatively low level of education. According to the collected data, 66.7% of Bandung Regency residents had an equivalent senior high school

education (SMA) and 31.1% had an equivalent junior high school education (SMP). The results of this map's observation of demographic demographics indicate that MSMEs in Bandung Regency are still unfamiliar with tax payment procedures that already employ electronic mechanisms, both in terms of their capabilities and mentality.

On the one hand, online mechanisms for calculating, paying, and reporting taxes offer many conveniences and flexible accessibility to taxpayers who are already familiar with digital technology. However, for the majority of rural MSMEs at the district level, it is not simple to comprehend and requires intensive outreach (Naufalin & Dinanti, 2020).

This phenomenon contradicts the findings of Aliyah (2014), which indicates that the failure of MSMEs to pay their tax obligations is due to a lack of trust in the government, specifically the taxation authority. Due to low levels of education, participation in paying MSME Final PPh is low; therefore, the need for tax assistants who assist MSMEs with business taxation matters becomes crucial.

Tax Management Influences Tax Paying Compliance

The existence of a significant positive relationship between Tax Management (TMP) and Tax Paying Compliance (ETC) is demonstrated by the fact that, at a significance level of 5%, the t-count value is greater than the t-table value, i.e. $4.125 > 1.96$. It has also been determined that the influence of Tax Management (TMP) on Tax Paying Compliance (ETC) based on the path coefficients value of 0.322 is significant because the p-value is less than 0.05 and is 0.000, which is significantly less than 0.05.

Consequently, if tax issues are managed effectively (TMP), MSMEs will be more compliant with their Final Income Tax. This study explains that effective tax planning and administration in MSMEs will significantly increase tax compliance. These findings are also consistent with what has been conceptualized by the Expected Utility theory, which tends to classify MSME Final Income Tax obligations as one of the obligatory economic obligations of citizens (Hemawan, 2021; Asrinanda, 2018; Hermawan & Ramadhan, 2020; Hardiningsih et al., 2020).

Tax Management has an effect on Compliance Paying Taxes Mediated by Tax Assistants

The existence of a significant positive effect between Tax Management (TMP) and Tax Paying Compliance (ETC) mediated by Tax Assistants (TEA) is demonstrated by the fact that the t-count value is statistically greater than the t-table value at the 5% significance level, i.e., $3.551 > 1.99$. The

influence of Tax Management (TMP) mediated by the Tax Assistant (TEA) on Tax Paying Compliance (ETC), as measured by a path coefficients value of 0.177, has also been shown to be statistically significant, with a p-value of 0.000, which is less than 0.05.

In other words, the motivation of MSMEs to manage their Final Income Tax in a planned manner will increase compliance in paying their taxes if these MSME actors receive the support and assistance of tax-savvy (soft skills) employees in their companies.

This phenomenon is also consistent with Expected Utility Theory concepts (Misra, 2019; Piolatto & Rablen, 2017; Ameer & Tkiouat, 2016). This can be demonstrated by the Tax Assistant's function in facilitating communication between the tax authorities and MSMEs. If a tax assistant is present in an MSME's business, barriers resulting from a lack of comprehension regarding business taxation management will be eliminated.

Implications of Tax Assistants in Tax Compliance Behavior Model

In broad business practice, the existence of tax assistants, either in the form of professional staff or technology-based such as applications or AI-based systems in all sizes of business entities, has significant implications for tax compliance behavior models. These implications can be viewed from several perspectives, including:

1. Improving tax compliance through education and Information. Tax assistants can help taxpayers understand their tax obligations by providing clear, accurate, and personalized information. In behavioral compliance models such as the Theory of Planned Behavior (Ajzen, 1991), better information increases perceived behavioral control and attitudes toward tax compliance (Bani-Khalid et al., 2022; Damayanti, 2012; Benk et al., 2011).
2. Efficiency in fulfilling tax obligations. Technology-based tax assistants simplify administrative processes such as SPT reporting, tax calculations, and payments. This reduces compliance costs, which in some studies are obstacles to tax compliance. In the Slippery Slope Framework model (Hofmann et al., 2008), this efficiency can increase voluntary compliance because taxpayers find it easier to carry out their obligations (Ślifirczyk, 2024; Irawan & Sebayang, 2022; Moosa, 2018).
3. Reducing regulatory uncertainty. Uncertainty about regulations is often a reason for non-compliance. With tax assistants that provide automatic updates and real-time explanations of regulations, taxpayers feel more confident and are more likely to comply. In the Tax Compliance Model (Obaid et al., 2020; Guenther et al., 2019; Y. Kim, 2005; Goulder,

2002), this reduction in uncertainty can reduce the risk of intentional non-compliance.

4. Taxpayer motivation and trust. Tax assistants can strengthen trust in tax authorities. Through friendly and accurate services, taxpayers feel that the tax authorities support them, thus creating greater reciprocity. According to the Service Climate Theory Framework (Akrong et al., 2022; Padmakumar et al., 2011), this good relationship can encourage compliance behavior through intrinsic motivation (Yenni Mangoting et al., 2019; Chong et al., 2019).
5. Effects on normative compliance. With consistent guidance, tax assistants help shape social norms and moral perceptions of taxpayers. For example, in the Normative Compliance Model (Onu & Oats, 2015), tax assistants who educate about the importance of taxes in national development can improve taxpayer normative compliance (Bobek et al., 2013; Edlund & Åberg, 2002).
6. Risk of dependence and potential misuse. However, the use of technology-based tax assistants also has risks. Dependence on these assistants can reduce taxpayers' manual understanding. In addition, if tax assistants are used to optimize tax avoidance, this can have a negative impact on compliance (Ardiansyah, 2023; Zee et al., 2002).

Recommendations for Implementation

1. Integration of Tax Assistants into the National Tax System: The government needs to encourage the development of AI-based technology and professional platforms that are directly connected to the national tax system.
2. Digital Tax Literacy Campaign: Taxpayers must be educated on the use of tax assistants so that they do not only rely on technology.
3. Regulation of the Use of Tax Assistants: Supervision is needed so that tax assistants are not used for purposes that violate tax laws.

Conclusion

Based on the findings of this study, it was determined that the low level of tax compliance among MSMEs in Bandung Regency was primarily attributable to a lack of knowledge among MSMEs regarding the method for calculating, paying, and reporting MSMEs Final Income Tax (PPH). It has been demonstrated that the function of a tax assistant in assisting with tax matters will greatly aid MSMEs in improved tax planning and management so as to influence tax compliance. The tax incentive in the form of a reduction in the Final PPh 28/18 rate that was implemented five years ago still requires the tax authority to play a more active and intensive role in providing tax assistance and outreach, tax counseling and tax training to MSMEs, particularly for employees who serve as tax assistants for their

companies, as tax procedures require considerable expertise and skills (soft skills) in finance and taxation. This study's findings are consistent with the Expected Utility Tax Compliance Theory. With the right approach, tax assistants can be a strategic tool in significantly increasing the level of tax compliance, both in terms of administration and taxpayer behavior.

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