

Determinant Taxpayers' Compliance among Micro, Small, and Medium-Scale Enterprises In Jakarta, Indonesia

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Abstract

Micro, small, and medium-scale enterprises (MSMEs) are business sectors known to significantly contribute to employment. Therefore, it is necessary to enhance tax compliance among MSME players as they are reported to contribute to GDP by 60%. This study aims to analyze the effect of the tax fairness dimensions, self-assessment system, and income level on tax compliance among MSMEs in Thamrin City, Southeast Asia's largest shopping center located in Jakarta, Indonesia. This research is a quantitative study using primary data by distributing questionnaires from May until August 2021 to taxpayers. To this end, a quantitative method was applied by collecting primary data from taxpayers then respondents in this study were recruited using the purposive sampling technique (n=95). The data were analyzed using SEM PLS with SmartPLS 3.0, showing that tax fairness dimensions (p-value of 0,014), self-assessment system (p-value of 0,019), and income level (p-value of 0,000). These results explain that the tax fairness dimension has a significant effect on Taxpayers' Compliance, the self-assessment system has a significant effect on Taxpayers' Compliance, a self-assessment system has a significant effect on Taxpayers' Compliance.

Keywords: *Tax Fairness, Self-Assessment System, Income Level, Taxpayers Compliance*



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INTRODUCTION

Tax phenomena in 2020-2021 did not occur due to a lack of taxpayers' awareness, but it occurred due to the poor economic condition caused by the pandemic, as it is reported that micro, small, and medium scale enterprises suffered an 87.5% drop in 2021 (ekonomi.bisnis.com). The Covid-19 pandemic significantly affects the survival of micro, small, and medium-scale enterprises (MSMEs) in Indonesia. During the Covid-19 pandemic, entrepreneurs face challenges to survive unexpected conditions. Amid this condition, the Taxes Directorate General (DJP) put its efforts to enhance tax compliance through effective tax education and dissemination. Effective tax dissemination is believed to improve taxpayers' compliance, including MSME taxpayers (pajak.go.id). While 2019 witnessed an increase in tax revenue realization from 1,518.8 trillion to 1,546.1 trillion, a significant drop was reported in 2020 where only 1.282,77 trillion revenue was obtained due to the Covid-19 pandemic. As per April 2021, the country reported 453,63 trillion revenue where 374,9 trillion were obtained from taxes, showing a 0,5% drop compared to April 2020 (376,6%) (kemenkeu.go.id). The tax revenue still heavily depends on the economic development and the Covid-19 pandemic progress. In controlling taxpayer payments effectively, government authorities need the trust of taxpayers in every social stratum so that taxpayer compliance degree could increase.

Sinaga (2020) suggested that micro, small, and medium enterprises (MSMEs) can potentially give a significant contribution to the state revenue and increase the community income due to their ability to

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absorb employment. Increased sales were reported by MSMEs in 2021 as they began to engage with digital transactions through e-commerce (Alfin, 2021). Many business actors attempt to open small to medium-scale businesses (wartaekonomi.co.id). Taxpayers' compliance can be affected by their perception of tax fairness (Kurniawan & Hudayati, 2020). In other words, they are likely to be tax compliant if they perceive the tax system is fair (Utama & Setiawan, 2019). In this regard, tax fairness dimensions play pivotal roles in determining taxpayers' compliance because, as reported, they are likely to commit tax avoidance when they consider the system unfair. Taxpayers are likely to be compliant if they perceive general fairness, i.e., the imposed tax is proportional to their ability to pay. Tax policies play an important role in developing taxpayers' awareness (Rahayu, 2019).

Micro, small, and medium-scale enterprises (MSMEs) can potentially contribute significantly to employment absorption. They are also reported to give a 60% contribution to the gross domestic product (GDP), yet the tax payment is still minimum. The present study explores the underresearched five dimensions of tax fairness, namely general fairness, exchange with the government, tax rate structure, special provision, and self-interest. The tax rate structure is reported to affect the taxpayers' compliance behavior (Purnaningsih & Noviani, 2019). Jurisdiction in tax sectors in Indonesia has not been able to meet the sense of fairness due to incompetent law enforcement and legal misconceptions. The principle of fairness in tax law and its implementation should be enforced although the truth is relative (Wahyuni, 2019). The tax fairness system in Indonesia is basically administered from, by, and for the people. This democratic system serves as the government's basis to formulate and implement policies, particularly on tax fairness (pajak.go.id). A tax system is considered fair when taxpayers perceive the imposed tax is proportional to their ability to pay and the benefit they may receive from the tax they pay (Udayana, 2017b).

In this regard, taxpayers' compliance plays a central role in Indonesia's self-assessment tax system. A self-assessment system is a system that provides the taxpayers with authority, trust, and responsibility to calculate, estimate, pay, and report their taxes (Listiyowati, 2021). The present study depicts how MSME taxpayers' abilities and roles in fulfilling their tax obligation is closely associated with their income level. One of the factors to consider in tax collection is the taxpayers' income. MSMEs taxpayers with adequate income do not find it difficult to meet their needs, increasing their probability to perform their tax obligation (Megantara, 2017). Taxpayers' income reported through annual tax returns is used as the reference in tax collection. Existing literature also shows that income level can affect taxpayers' compliance. They view tax as a burden on their economic activities (Udayana, 2017a).

A higher income can serve as a factor in improving taxpayers' compliance behavior (Yuliyannah, 2019). The government regulates tax as an obligatory contribution to the state from individuals or entities, including MSMEs (Mozart, 2018). Micro, small, and medium-scale enterprises cover about 40,5% of business in Jakarta (cnnindonesia.com). It is also reported that MSMEs contribute 5,7 trillion rupiahs to the 2018 state revenue. The present study is different from the previous studies as it attempts to analyze the MSMEs taxpayer compliance by collecting deeper data from MSME taxpayers located in Thamrin City, the largest shopping center in Southeast Asia. To be more specific, this study aims to examine and analyze the factors affecting tax compliance among MSMEs in Thamrin City, Jakarta, Indonesia.

Based on the phenomena described previously and the results of previous studies, it is necessary to research Determinant Taxpayer compliance among micro, small and medium scale enterprises to conduct an Empirical study on Taxpayer compliance among micro, small and medium scale enterprises.

LITERATURE REVIEW

Legitimacy Theory

The legitimacy theory denotes a condition in which an institution's value is consistent with the value system. This theory has been widely used in the accounting field to develop a theory of CSR disclosure (Badjuri et al, 2021). The legitimacy theory explains that for every company that wants to be well received by the surrounding environment, the company must strive to run in harmony with the norms that already exist in the environment and society around the company (Deegan, Rankin, & Tobin, 2002). The survival of a company will be threatened if the public perceives that the company violates the social contract or that the activities of Micro, small, and medium-scale enterprises are not carried out according to the expectations of the community (Lanis and Richardson, 2013). Legitimacy can be seen as leveling one's perceptions that an entity's act is as expected and fit the value, norms, belief, and socially developed definitions. This theory is highly relevant to the taxpayers' compliance in which taxpayers should adhere to the government rules and policies on the social system.

Compliance Theory

Compliance theory defines taxpayers' compliance with the determined regulation. Taxpayers' compliance with the regulation stems from tax obligations stipulated by law (Kunarti, 2019). It refers to taxpayers' compliance with policies, regulations, and the prevailing law (Arifiani, 2019). Taxpayers' compliance is known to affect the effectiveness of the regulation. It encourages individuals to fulfill their obligations, for example, to pay the tax on time. An on-time tax payment prevents individuals from being imposed by sanctions, in addition, to contributing to the state revenue and public service development (Puteri, 2019). From a normative perspective, compliance behavior is viewed as a moral different from personal interest (Sella & Pusposari, 2020).

Taxpayers Compliance

Taxpayers' compliance constitutes the awareness of fulfilling obligations stipulated by the tax law and regulations. A tax system that demands taxpayers' active involvement should be supported by taxpayers' compliance (Putri et al, 2019). Taxpayers' compliance can be divided into two categories, namely formal and material compliance (Susyanti, 2020). Studies on taxpayers' compliance report a range of factors affecting compliance behavior, including economic, social, psychological, and demographic factors, among others (Redae, 2017). Compliance is affected by social factors as they are significantly influential in determining one's behaviors and activities (Nabila & Isroah, 2019).

Tax Fairness Dimensions

Taxpayers' compliance can be affected by the taxpayers' perception of tax fairness (Kurniawan & Hudayati, 2020). These dimensions constitute taxpayer perception of tax system fairness, which can be affected by internal and external factors. While the former is related to individuals' characteristics, the latter deals with individuals' surroundings (Rosmawati, 2021). Taxpayers are likely to consider the tax fair when it is proportional to their ability to pay and the benefit they receive. The principle of tax justice is seen as fair by the taxpayer if the tax charged is proportional to the ability to pay and the benefits to be received by the taxpayer (Faizal, 2017). Tax fairness is pivotal as it can affect taxpayers' compliance behavior, the fairness of the taxation system can increase public confidence in the government because taxpayers feel that the tax burden paid has the benefits provided by the government. then the taxpayer will continue to carry out his tax obligations and will increase the tax compliance.

Self-Assessment System

A self-assessment system refers to a tax collection system that allows taxpayers to determine the amount of tax they should pay (Putri, 2018). Applying this system, taxpayers' role significantly determines the tax revenue (Latofah & Harjo, 2020). It requires taxpayers to play active roles in fulfilling their tax obligation (Anjanni, 2019). It is believed that an appropriate application of the self-assessment system requires taxpayers' high compliance. This system imposes administrative sanctions and a fine for income tax (Lasmaya & Fitriani, 2017).

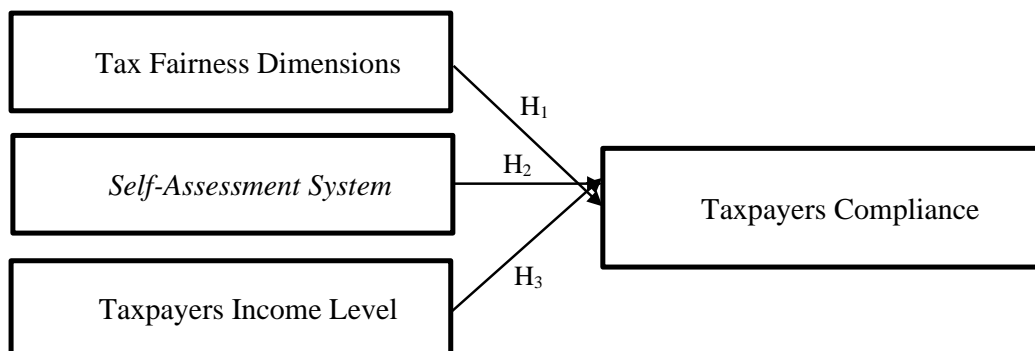
Directorate General of Taxes performs tax audits to minimize tax fraud committed by taxpayers (Setiawan, 2017). The audit mainly aims to develop taxpayer compliance behavior in fulfilling their tax obligation. Since taxpayers' compliance is pivotal in the self-assessment system, performing a fiscal audit is necessary to ensure taxpayers' compliance (Susena, 2018). Taxpayers' honesty in providing correct information (examples, identity, business activity, and any tax-related wealth) is also fundamental in the self-assessment system (Aryanti & Andayani, 2020).

Taxpayers Income Level

Income, as stipulated by article 4 paragraph (1) of the Indonesian Income Tax Law, refers to a taxpayer's any form of economic ability obtained in Indonesia or outside Indonesia, which can be used for a consumptive purpose or to increase wealth (Kemenkeu.go.id). Taxpayer income is reported annually through an annual tax return and is used as the reference for tax collection. Taxpayers' ability to fulfill tax obligations is closely associated with their income level (Cahayani, 2018). It serves as an important factor to consider in performing their tax obligation (Rachmawati & Haryati, 2021).

The higher-income level is likely to lead to a higher compliance level. MSME players with higher income levels, together with high tax awareness, tend to exhibit higher compliance due to their financial ability (Amran, 2018). From a theoretical perspective, individuals with higher incomes can fulfill their personal needs, allowing them to perform their tax obligation (Nasirin, 2018). Tax represents citizens' obligatory contribution to the state from their business activities, including MSMEs activities (Mozart, 2018). Based on the description above, a research framework is developed and presented in the following figure:

Figure 1. Conceptual Framework



Hypotheses

The Effect of Tax Fairness Dimensions on Taxpayers Compliance among MSMEs

Tax fairness dimensions represent taxpayers' perception of the tax fairness of a country. It is related to a country's tax system and significantly affects tax compliance (Wahyuni, 2019). A country's tax system is known to affect taxpayers' compliance with the prevailing tax regulation. One's perception is likely to be affected by internal and external factors associated with individuals' characteristics and surroundings, respectively (Rosmawati, 2021).

The legitimacy theory is relevant to the tax fairness dimensions as the government holds the legitimacy to oblige taxpayers to adhere to the regulation and policies of a social system (Kunarti, 2019). A positive response to these dimensions may enhance taxpayers' compliance behavior. Taxpayers who perceive high tax fairness tend to have higher awareness to exhibit compliant behaviors. As mentioned in the previous studies, tax fairness dimensions can affect individuals' tax compliance behavior (Wahyuni, 2019; Kurniawan, 2021). A different finding was reported by Wulandari and Budiaji (2018) who found that fairness dimensions did not affect taxpayer compliance. Justice is a condition when the results that a person receives from a relationship are proportional to what they have contributed, Robbins and Judge (2016) also argue that the theory of justice is a theory that states that individuals compare the inputs and outcomes of their efforts. Robbins and Judge (2016) mention justice into three types of justice, namely distributive justice, procedural justice, and interactional justice. Based on the description above, it is expected that:

H1: Tax fairness dimensions affect MSMEs' taxpayer compliance.

The Effect of Self-Assessment System on Taxpayers Compliance among MSMEs

The self-assessment tax collection system provides taxpayers the authority, trust, and responsibility to determine the amount of tax according to the prevailing tax law. This system requires taxpayer initiative to register a tax identification number and perform their tax obligation. The self-assessment system requires taxpayers to be able to play an active role in fulfilling their tax obligations. For the implementation of the self-assessment system to run well, high tax compliance is required from taxpayers (Anjanni, 2019). This system is expected to improve taxpayers' compliance (Lasmaya, 2017). Applying this system, taxpayers' role significantly determines the tax revenue (Latofah & Harjo, 2020).

Compliance theory is relevant to the self-assessment system, in which individuals perform their tax obligation autonomously. Hence, taxpayers should be accountable for their tax arrears so that this system can be implemented properly (Susena, 2018). A compliant taxpayer is likely to be aware of their tax responsibility in order to avoid administrative sanctions. In one of the previous studies Studi, (2017) report a positive, significant effect of the self-assessment system on taxpayers' compliance because the system allows taxpayers to calculate and report their obligation themselves. However, this system causes the taxpayers to bear a large burden as they should perform all tax-related activities themselves while the tax agency only functions to oversee their compliance. Lasmaya and Fitriam (2017) explained that the awareness and compliance of taxpayers is a very important factor in the implementation of a self-assessment system where taxpayers are required to be active in calculating, playing a role in calculating, depositing, and reporting the tax payable. Based on the description above, it is expected that:

H2: Self-assessment system affects taxpayer compliance among MSMEs.

The Effect of Income Level on Taxpayers Compliance among MSMEs

Taxpayer income is reported annually through an annual tax return and is used as the reference for tax collection. Taxpayers' ability to fulfill tax obligations is closely associated with their income level (Cahayani et al, 2018). It plays a central role in determining one's tax compliance. One of the factors affecting taxpayer compliance is the income level. The compliance theory is deemed relevant to the taxpayer income level. It holds that higher income levels may lead to increases in taxpayer compliance, encouraged by either voluntary or enforced compliance (Kirchler & Wahl, 2010). MSME players with higher income are likely to have a higher compliance behavior as they do not find it difficult to fulfill their tax obligation (Amran, 2018).

In the same vein, studies conducted by Wiranatha et al (2017) and Fadilah (2021) also report that taxpayers' income positively relates to their compliance. a taxpayer will not have difficulty in fulfilling his tax obligations if the value to be paid is below the actual income they earn on a regular basis. Cynthia and Djauhari (2020) explained that the more and more levels the income of the taxpayer, the higher compliance in paying Property tax. Because it's mandatory taxes that have income enough not to burden in payment of taxes. Based on the description above, it is expected that:

H3: Taxpayers' income level positively affects their compliance.

RESEARCH METHOD

This quantitative survey study collected primary data from MSMEs in Thamrin City shopping center, Jakarta, Indonesia. A questionnaire was distributed to 104 MSMEs that already had NPWP. However, only 95 responses met the criteria determined in this study.

Smart PLS version 3.0 was used to see the effect of the tax fairness dimension, self-assessment system, and income level on the taxpayer's compliance. Applying a cross-sectional design, this study examined the object, condition, and taxpayers' perception of an event in order to provide a systematic depiction of facts and relationships among the phenomena in question.

The taxpayer compliance variable is measured using 6 indicators. The variable of tax fairness dimensions is measured using 6 indicators. Furthermore, the self-assessment system variable is measured using 5 indicators, and the taxpayers' income level variable is measured using 4 indicators.

The present study applied partial Least Square (PLS) using Smart PLS 3,0 to process the data obtained from the questionnaire. SmartPLS was used to analyze the effect of the independent variables (examples, tax fairness dimensions, self-assessment system, and income level) on the dependent variable (tax compliance among MSMEs in Thamrin City, Jakarta, Indonesia). Four respondent characteristics were applied in this study, including gender, age, tax identification number, and annual turnover.

PLS-SEM is a statistical tool utilized to analyze a set of a relationship relatively difficult to be measured simultaneously (Sani & Habibie, 2017). This study applied PLS because it used a latent variable that can be measured based on its manifest variables, and it simultaneously involved measurement error. The PLS method in this study was divided into two, namely the outer and inner models. A hypothesis test was performed to confirm the proposed hypothesis by considering the t-statistic and p-values. In this study, the p-value is significant at 0,05.

FINDINGS AND DISCUSSION

The measurement model in this study aims to find out the validity of each indicator. Three types of validity were employed, namely convergent validity, discriminant validity, and composite reliability. Convergent validity indicates that the set of indicators used in this study represents one latent variable.

The convergent validity is associated with the principle stating that indicators of a construct should be highly correlated. In this study, a factor loading of 0,05 was considered satisfactory and for loadings greater than 0.05, it is considered practically significant, thus the higher the loading factor value, the more important the role of loading in interpreting the factor matrix. (Hair et al, 2008).

Table 1. Factor Loading-Validity Convergent

Variables	Indicators	Factor Loading	Parameter	Description
Tax Fairness Dimensions	DKP1	0,725	0,50	Valid
	DKP2	0,817	0,50	Valid
	DKP3	0,793	0,50	Valid
	DKP4	0,819	0,50	Valid
	DKP5	0,720	0,50	Valid
	DKP6	0,785	0,50	Valid
Self-Assessment System	SAS1	0,789	0,50	Valid
	SAS2	0,742	0,50	Valid
	SAS3	0,741	0,50	Valid
	SAS4	0,750	0,50	Valid
	SAS5	0,781	0,50	Valid
Taxpayers Income Level	TPWP1	0,665	0,50	Valid
	TPWP2	0,764	0,50	Valid
	TPWP3	0,612	0,50	Valid
	TPWP4	0,837	0,50	Valid
Taxpayers Compliance	KWP1	0,770	0,50	Valid
	KWP2	0,692	0,50	Valid
	KWP3	0,817	0,50	Valid
	KWP4	0,803	0,50	Valid
	KWP5	0,818	0,50	Valid

Source: primary data processed, 2022

Table 1 shows that the results of the convergent validity test for all variables are met. This condition can be identified through the loading factor value of all indicators on the variable tax fairness dimensions, self-assessment system, taxpayers' income level, and taxpayers' compliance > 0,50.

Discriminant Validity

Discriminant validity signifies two conceptually different concepts that should exhibit adequate differences. Discriminant validity is related to the principles in which the indicators of different constructs should not be highly correlated. Cross loading is used to test the discriminant validity. The indicator is deemed valid if its cross-loadings value is higher than other constructs. The discriminant validity can also be determined by comparing the square root of the average variance extracted.

Table 2. Cross Loading-Discriminant Validity

	Tax Fairness Dimensions	Self-Assessment System	Taxpayers Income Level	Taxpayers' Compliance
DKP1	0,725	0.644	0.626	0.817
DKP2	0,817	0.628	0.539	0.589

DKP3	0,793	0.655	0.493	0.553
DKP4	0,819	0.716	0.564	0.591
DKP5	0,720	0.665	0.444	0.529
DKP6	0,785	0.710	0.452	0.565
SAS1	0.724	0,789	0.619	0.745
SAS2	0.604	0,742	0.494	0.546
SAS3	0.573	0,741	0.439	0.516
SAS4	0.682	0,750	0.489	0.583
SAS5	0.676	0,781	0.577	0.648
TPWP1	0.457	0.444	0,665	0.483
TPWP2	0.513	0.478	0,764	0.711
TPWP3	0.473	0.445	0,612	0.437
TPWP4	0.547	0.634	0,837	0.804
KWP1	0.635	0.693	0.634	0,770
KWP2	0.642	0.603	0.525	0,692
KWP3	0.725	0.644	0.626	0,817
KWP4	0.619	0.612	0.744	0,803
KWP5	0.542	0.623	0.848	0,818

Source: primary data processed, 2022

As shown in table 2, the factor loading value of each latent variable is higher than the loading of other constructs if it is related to the other variables. The indicators of taxpayers' compliance exhibit factor loading higher than the other constructs. It demonstrates that each latent variable in this study possesses good discriminant validity. In other words, the construct used in this study is unique and able to describe the measured phenomenon.

The reliability of this study is determined by the composite reliability and Cronbach alpha value of each construct. A construct is considered reliable if it has Cronbach's alpha which is higher than 0,60.

Table 3. Composite Reliability and Cronbach's Alpha

Variables	Composite Reliability	Cronbach's Alpha	Description
Tax Fairness Dimensions	0.902	0.870	Reliable
Self-Assessment System	0.873	0.820	Reliable
Taxpayers Income Level	0.814	0.701	Reliable
Taxpayers Compliance	0.887	0.840	Reliable

Source: primary data processed, 2022

As shown in the table above, the composite reliability of tax fairness dimensions, self-assessment system, income level, and taxpayers compliance comprised 0,902; 0,873; 0,814; and 0,887; respectively. The value indicates that the four variables used in this study are reliable as they are higher than 0,60. Regarding the Cronbach alpha, the tax fairness dimensions, self-assessment system, income level, and taxpayer compliance exhibit a score comprising 0,870; 0,820; 0,701, and 0,840, respectively. To sum up, all variables in this study are reliable as they met the composite reliability and Cronbach's alpha criteria.

Structural Model Measurement

Inner model measurement is used to determine the causal relationship among latent variables. It is carried out by seeing the r-square of each dependent latent variable. The interpretation is similar to that of the regression (Saputri, 2021). The structural model of the conceptual framework was calculated using the Goodness of Fit Inner model based on R2 of each endogenous variable.

As shown in table 10, The r-square of an endogenous latent variable (for example, taxpayers' compliance) comprised 0,854 (85.4%). The score indicates that the taxpayer compliance is affected by tax fairness dimensions, self-assessment system, and income level by 85.4%, while the rest (14.6%) was affected by the other factors outside this study.

Hypotheses Testing

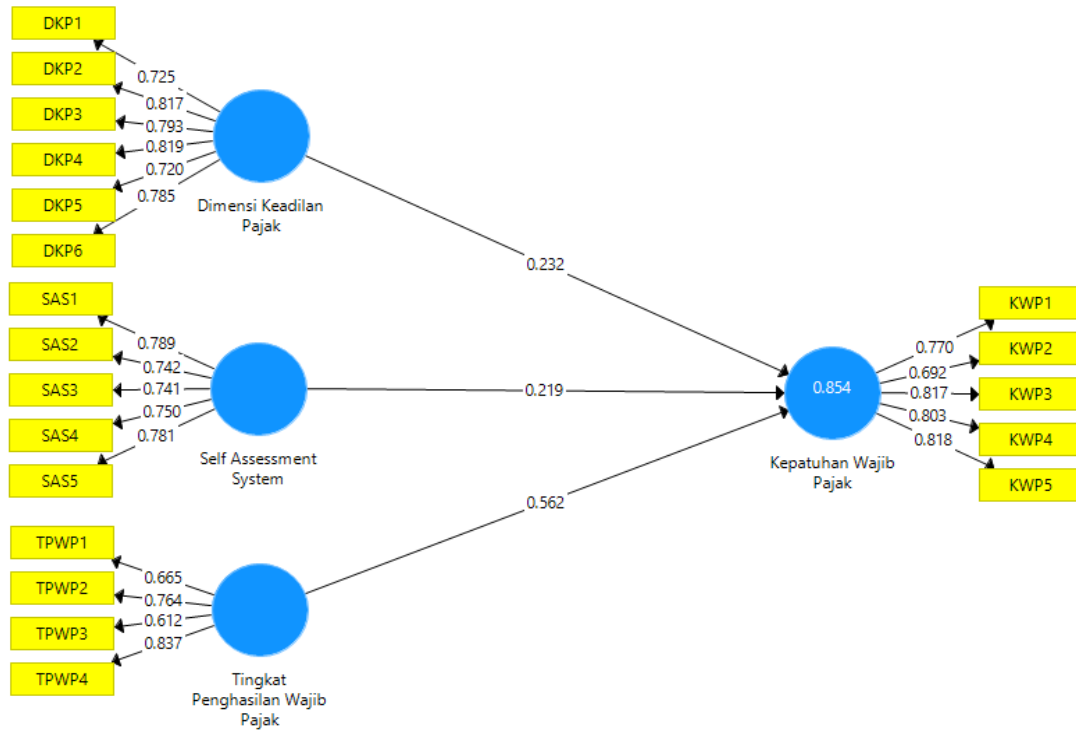
The hypothesis test was conducted to confirm the proposed hypotheses. In this study, the hypotheses were tested using the resampling bootstrap method by Geiser and Stone. T-test was used as the statistical test. The t-statistic value was then compared to the t-table value. This study applied a 90% confidence level and 10% inaccuracy limit (α), while the t-table was 1,64. The p-value of 0,05 (alpha 5%) indicated the significant effect. Meanwhile, the p-value 0,05 (alpha 5%) indicated insignificant effect.

Table 4. Hypotheses Testing

Independent Variables	Dependent Variable: Taxpayers' Compliance SEM-PLS		
	Coef.	t-stat.	p-value
Tax Fairness Dimensions -> Taxpayers Compliance	0,232	2,466	0,014
Self-Assessment System -> Taxpayers Compliance	0,219	2,355	0,019
Taxpayers Income Level -> Taxpayers Compliance	0,562	9,208	0,000
R ²	85,4%		
Adjusted R ²	85%		
Notes: The value of average variance extracted (AVE) variable tax fairness dimensions (0.605), self-assessment system (0.579), taxpayers' income level (0.526), dan taxpayers' compliance (0.611). Value of variance inflation factor (VIF) variable tax fairness dimensions (4.116), self-assessment system (4,278), dan taxpayers income level (2,047). Multicollinearity refers to a situation in which two or more independent variables or exogenous constructs exhibit high correlation, causing poor predictive ability. The multicollinearity test was done by seeing the Variance Inflation Factor (VIF). A VIF value of higher than 5 indicates multicollinearity.			

Source: primary data processed, 2022

Figure 2. Partial Least Square Output



The Effect of Tax Fairness Dimensions on Taxpayers' Compliance

The first hypothesis test result, as displayed in table 4 showed a path coefficient value of 0.232 indicating that each point's increase in tax fairness dimension may lead to a 0.232 increase in taxpayers' compliance, assuming that other variables are constant. Meanwhile, the t-statistic value of 2.466 > t-table of 1.64 and p-value of 0.014 < 0.05 indicated that the first hypothesis was accepted. In other words, tax fairness dimensions significantly affected taxpayers' compliance. This result implies that taxpayers with higher perceived tax fairness dimensions may exhibit higher tax compliance, supporting the findings of previous studies conducted on fairness (Kurniawan & Hidayati, 2020); Utama & Setiawan (2019); Wahyuni (2019); Kurniawan & Hidayati (2021). This study found that increased tax fairness dimensions can enhance taxpayers' compliance among MSMEs in Thamrin City.

The Effect of Self-Assessment system on Taxpayers' Compliance

The second hypothesis test result, as displayed in table 4 showed a path coefficient value of 0.219, demonstrating that each point increase in the self-assessment system may lead to a 0.219 increase in taxpayers' compliance, assuming that other variables are constant. Meanwhile, the t-statistic value of 2.355 > t-table of 1.64 and p-value of 0.019 < 0.05 indicated that the second hypothesis was accepted. The result indicates that the self-assessment system significantly affects taxpayers' compliance. Applying this system, taxpayers are obliged to report the amount of tax arrear as stipulated in tax law. This finding supports previous studies conducted by Yuliyannah et al. (2019). The result implies that taxpayer compliance may improve when more individuals take active roles in fulfilling their tax obligation.

The Effect of Taxpayers' Income Level on Tax Compliance

The third hypothesis test result, as displayed in table 4 showed a path coefficient value of 0.562, meaning that each point increase in taxpayer income level may lead to a 0.562 increase in taxpayers' compliance, assuming that other variables are constant. Meanwhile, the t-statistic value of 9.208 > t-table of 1.64 and $0.000 < 0.05$ indicated that the third hypothesis was accepted. This finding implies that taxpayer income level significantly affects taxpayer compliance. In other words, having a high-income level can encourage individuals to perform their tax obligation as they have the ability to pay. It is consistent with the previous studies conducted by Amran (2018); Wiranatha et al (2017), and Fadilah, (2021). This study found that the increased higher income level can enhance taxpayers' compliance among MSMEs in Thamrin City.

DISCUSSION

The Effect of Tax Fairness Dimensions on Taxpayers' Compliance

The first hypothesis test result showed that tax fairness dimensions significantly affected taxpayers' compliance, implying that taxpayers with higher perceived tax fairness dimensions may exhibit higher tax compliance, supporting the findings of previous studies conducted on fairness (Kurniawan & Hidayati, 2020); Utama & Setiawan (2019); Wahyuni (2019); Kurniawan & Hidayati (2021). This study found that increased tax fairness dimensions can enhance taxpayers' compliance among MSMEs in Thamrin City.

Kunarti (2019) suggests that tax fairness dimensions belong to the government authority that holds a legitimate basis to oblige taxpayers to adhere to the prevailing regulation and policies on taxes. A positive response to tax fairness dimensions may enhance taxpayers' compliance behavior. Tax compliant behaviors exhibited by MSME players in Thamrin City were accounted for by a fair tax system. The tax imposed on taxpayers was also deemed proportional to their ability to pay.

This study is consistent with previous studies conducted by Wahyuni (2019); Kurniawan & Hidayati (2021); and Utama & Setiawan (2019) that reported a positive, significant relationship between tax fairness dimensions and taxpayer compliance. Previous studies agree that a tax system is considered fair when taxpayers perceive that the imposed tax is proportional to their ability to pay and the benefits they may receive from the tax they pay.

The Effect of Self-Assessment system on Taxpayers' Compliance

The second hypothesis test results indicate that the self-assessment system significantly affects taxpayer compliance. Applying this system, taxpayers are obliged to report the amount of tax arrear as stipulated in tax law. This finding supports previous studies conducted by Listiyowati (2021); Aryanti (2020); Yuliyannah et al. (2019). The result implies that taxpayer compliance may improve when more individuals take active roles in fulfilling their tax obligation.

The present study found that the self-assessment system affects taxpayers' compliance. In this regard, most MSMEs with NPWP stated that they believe more in their own calculation system. Taxpayers' awareness is the most important factor in the self-assessment system.

As Susena (2018) suggests, taxpayers should be accountable for their tax arrears to allow this system to work properly. Compliance theory is relevant to the self-assessment system, in which

individuals perform their tax obligation autonomously. A compliant taxpayer is likely to be aware of their tax responsibility in order to avoid administrative sanctions.

This study supports previous studies that found a positive, significant effect of the self-assessment system on taxpayers' compliance Aryanti et al., (2020); Yuliyannah et al., (2019). An existing literature agrees that the self-assessment system heavily relies on taxpayer honesty in providing correct information (identity, business activity, and any tax-related wealth).

The Effect of Taxpayers' Income Level on Tax Compliance

The third hypothesis test result implies that taxpayer income level significantly affects taxpayer compliance. In other words, having a high-income level can encourage individuals to perform their tax obligation as they have the ability to pay. It was consistent with the previous studies conducted by Amran (2018); Wiranatha et al (2017); and Fadilah (2021). This study found that the increased higher income level can enhance taxpayers' compliance among MSMEs in Thamrin City.

This survey found that income level serves as one of the factors in determining taxpayers' compliance. A higher income level is likely to lead to a higher compliance level. Together with tax awareness, higher income can encourage individuals to fulfill their tax obligation as they view themselves as financially capable to pay the tax.

Yuliyannah et al (2019) state that a higher income level can lead to a higher compliance level, which is relevant to the compliance theory. The finding in the present study is also consistent with the previous studies reporting a positive and significant effect of income level on taxpayer compliance (Wiranatha et al, 2017; Fadilah, 2021).

CONCLUSION & FURTHER RESEARCH

The present study focuses on the effect of tax fairness dimensions, self-assessment system, and taxpayers' income level on taxpayer compliance among MSME players in Thamrin City, Jakarta, Indonesia. Micro, Small, and Medium-scale enterprises (MSMEs) are business components potentially resulting in developing employment. Therefore, it is necessary to improve taxpayer compliance in this sector as MSMEs are reported to give a 60% contribution to the GDP, yet the tax payment rate is still low.

This study presents empirical evidence of the significant effect of tax fairness dimension, self-assessment system, and income level on taxpayer compliance. The present study provides theoretical, methodological, and policy contributions.

This study gives a theoretical contribution by showing that taxpayers' compliance can be determined by their perceived tax fairness dimension. In this regard, taxpayers are likely to be compliant when they perceive the tax system as a tax collection system that provides taxpayers with authority, trust, and responsibility to calculate, estimate, pay, and report their tax requires taxpayers to have sufficient tax knowledge, moral and discipline.

Concerning the methodological contribution, the present study surveyed taxpayers among MSMEs in Thamrin City by employing a purposive sampling technique, resulting in 95 respondents who met the predetermined criteria and applied PLS-SEM using SmartPLS 3.0. The findings of the study also contribute to the Indonesian government policies by showing that tax fairness dimensions, tax collection system, and income level can affect the taxpayers' compliance. In general, low tax revenue can be accounted for by taxpayers' lack of compliance, which may be affected by tax fairness. Taxpayers perceived unfair treatment as likely to result in lower tax compliance.

Despite its contribution, several limitations are noticed. First, the data collection process was quite time-consuming when using Google Forms. Therefore, we distributed a hard copy of the questionnaires to the respondents. Second, this study used smartpls program with a non-original sample of fewer than 100 respondents. Third, this study did not specify the gender of the respondents. Fourth, this study was conducted during the covid-19 pandemic, preventing the researchers to collect the data every day. Future studies are recommended to modify the research model according to the phenomena in order to provide a greater contribution to the government and the MSME taxpayers.

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