The Effect of Tax Knowledge on Voluntary Tax Compliance with Trust as a Mediating Variable: A Study on Micro, Small, and Medium Enterprises (MSMEs)

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Abstract: *One of the determinants of tax compliance is tax. Tax rules often change according to certain conditions. This study examines the role of tax knowledge on volunteer compliance and trust as an intervention variable. The Slippery Slope Framework by Kirchler et al. (2008) was used as the framework of this study. Using a survey method using a questionnaire, this study uses a sample of 108 entrepreneurs belonging to Micro, Small, and Medium Enterprises (MSMEs) in the Special Region of Yogyakarta. The data analysis technique used is SEM-PLS. The test results show that tax compliance and trust are influenced by tax knowledge. The results of the study also show that tax knowledge increases trust. Our research also finds that trust partially mediates the effect of knowledge on voluntary taxation. The results of this study indicate the importance of knowledge and trust of taxpayers to improve voluntary tax compliance.*

Keywords: *Voluntary Tax Compliance, Tax Knowledge, Trust.*

Abstrak: *Salah satu faktor penentu kepatuhan pajak adalah pengetahuan pajak. Aturan pajak kerap kali mengalami perubahan disesuaikan dengan kondisi tertentu. Studi ini menguji peran pengetahuan pajak terhadap kepatuhan pajak sukarela. Penelitian ini juga menguji kepercayaan sebagai variabel intervening. Penelitian ini menggunakan Kerangka Slippery Slope oleh Kirchler et al. (2008). Kerangka tersebut menyajikan kerangka untuk kepatuhan pajak yang ditegakkan dan kepatuhan pajak sukarela. Penelitian ini fokus terhadap kepatuhan pajak sukarela. Studi ini dilakukan dengan metode survei menggunakan kuesioner. Penelitian ini menggunakan sampel sebanyak 108 responden yang merupakan wiraswasta yang tergolong dalam Usaha Mikro, Kecil, dan Menengah (UMKM) di Daerah Istimewa Yogyakarta. Teknik analisis data yang digunakan adalah SEM-PLS. Hasil pengujian menunjukkan bahwa kepatuhan pajak sukarela dan kepercayaan dipengaruhi oleh pengetahuan pajak. Hasil studi juga menunjukkan bahwa pengetahuan pajak meningkatkan kepercayaan. Penelitian kami juga menemukan bahwa kepercayaan memediasi secara parsial pengaruh pengetahuan pajak terhadap kepatuhan pajak sukarela. Hasil studi ini menunjukkan pentingnya pengetahuan dan kepercayaan Wajib Pajak untuk meningkatkan kepatuhan pajak sukarela.*

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Kata Kunci: *Kepatuhan Pajak Sukarela, Pengetahuan Pajak, Kepercayaan.*

1. Introduction

Taxes are the primary source of state development (Palil et al., 2013). Taxes are defined as mandatory levies by the government on people's income or wealth without imbalance (Song & Yarbrough, 1978). Torgier & Schneider (2007) argue that taxes come from government action and the maintenance of a fair legal system. These actions lead to all government services for the broader welfare (Torgier & Schneider, 2007). Thus, the general tax can be defined as the public's mandatory contribution to the state for full government services to achieve welfare for the community.

Every citizen who meets the qualifications to become a taxpayer must comply with the tax rules by applying the applicable laws. Citizens' motives for complying with tax regulations vary. According to Kirchler et al. (2008), different motives can result from the same behavior: (a) citizens comply with tax regulations because of the costs of charging for non-compliance, or (b) citizens comply with tax regulations because of this. is an obligation as a member of society. Individual tax compliance can also be obtained from the government received from public goods and services against taxpayers' pay price (Torgier & Schneider, 2007).

Various studies on tax taxes have been carried out. Feld & Frey (2007) predict that tax liability can be regulated on how the tax authority treats taxpayers. Tax authorities can treat taxpayers in two ways: respecting taxpayers and increasing tax taxes or treating taxpayers with authoritarianism which can destroy tax morale (Feld & Frey, 2007). The results show that the way the taxpayer's tax authority systematically affects tax morale (Feld & Frey, 2007).

Research by Kogler et al. (2015) uses the Slippery Slope framework. The Slippery Slope framework is developed by Kirchler et al. (2008), concerns enforced tax where the main dimensions are tax authority and trust in the tax authority. These studies indicate that taxes based on taxes and obligations are enforced by motivational prayer underlies tax behavior. Other results suggest an influence between procedural and distributive justice perceptions on trust and trust in authority to mediate the relationship.

Also, retributive justice relates to records that are upheld and mediated by power. Social norms related to connections, but not relationship that is enforced and prevention is not a significant predictor of volunteering and is enforced. Also succeeded in confirming the Slippery Slope framework. Research S & T (2012) found that trust factors influence tax preferences and factors power that affect enforced taxes.

Purnawan et al. (2021) studied MSME voluntary tax compliance in paying income tax in Surakarta City, Central Java, Indonesia. The research results by Purnawan et al. (2021) show that voluntary compliance is still low. The reason is the lack of knowledge of taxpayers about income tax regulations. The financial capacity of MSMEs is still tiny. They have not felt the benefits of paying taxes for business development (Purnawan et al., 2021). Rianti & Hidayat (2021) found that knowledge of taxes, tax just, and tax sanctions significantly affect the tax compliance of MSME taxpayers in West Bandung.

Alm & Torgler (2011) also classify three paradigms for regulating tax behavior: enforcement, service, and trust. Alm & Torgler (2011) suggest some recommendations for tax authorities to promote a climate of trust, including: 1). Using mass media to strengthen tax compliance as a form of ethical behavior, 2). Focusing on the relationship between tax payments and government service receipts, 3). Introducing to new companies or employees that paying taxes is the right thing to do, 4). Creating a sense of justice for taxpayers, 5). Motivating other organizations and institutions to promote honest tax compliance so that people feel that paying taxes is ethical behavior, and 6). Promote to prominent people that paying fair tax is right and fraud is wrong (for example, withdrawing from tax amnesty).

These points imply that the tax authorities must provide various understandings of tax rules to the public, explain that paying honest taxes is an ethical and correct action, and maximize service to the community. Thus, the steps taken by the tax authority become tax knowledge for the public. In the current Self Assessment System era, knowledge has an essential role in building taxpayer awareness and ethics to reduce tax non-compliance (Palil *et al.*, 2013). The results show a positive relationship between knowledge of tax regulations and tax compliance decisions (Razak & Adafula, 2013).

Omnibus Law passed at the end of 2020 also affects the taxation sector. The tax laws regulated in the Job Creation Law are the Income Tax Law, the Value Added Tax Law and Sales Tax on Luxury Goods, the Law on General Provisions and Tax Procedures, and the Law on Regional Taxes and Levies. Omnibus Law also regulates that MSMEs will have the convenience of managing a Business Registration Number to make it easier to access capital from banks.

Taxation in Indonesia, especially for Micro, Small, and Medium Enterprises (MSMEs), has changed the rules several times in the last ten years. Government Regulation Number (PP) 46 of 2013 issues rules for imposing final income tax on income received or earned by taxpayers. This rule applies to taxpayers whose gross turnover does not exceed Rp. 4.8 billion in one tax year. The rate charged is 1%. These rules facilitate the administration of reporting and improve voluntary tax compliance (Aditya, 2020).

The government issued PP Number 23 of 2018 regarding the final income tax rate changes five years later. The tariff effective from 1 July 2018 is 0.5%, down 0.5% from the previous rate of 1%. The tariff reduction is intended to provide convenience for MSMEs in carrying out their tax obligations (Pajak.go.id).

The rules changed again when the Covid-19 pandemic hit the entire country, including Indonesia. The government provides final income tax incentives for MSMEs whose turnover does not exceed IDR 4.8 billion in a year. MSMEs do not need to pay taxes, but the government bears the final income tax. This tax incentive period is valid for the Tax Period April 2020 to December 2021.

Research on tax compliance has been done a lot. However, few studies use the Slippery Slope framework for tax compliance, especially in Indonesia. Researchers use the tax knowledge factor as the independent variable, trust as the mediating variable, and voluntary tax compliance as the dependent variable.

Several things underlie this research using these variables. First, based on Yogyakarta Special Region Province BAPPEDA (2018) data, MSMEs have increased every year. This impacts potential tax revenue so that it must be one of the government's focuses at this time. However, the Head of the DIY Industry and Trade, Tri Saktiyana,

stated that tax compliance for MSMEs taxpayers in DIY is still low (Aditya, 2018). The MSMEs taxpayers evidence this, only twenty-five percent who have a Taxpayer Identification Number (NPWP). MSMEs taxpayer compliance is categorized as voluntary tax compliance.

Second, The Indonesian government has made reforms related to MSME tax regulations according to certain conditions. The rules that have changed in the last ten years show that taxpayers must understand the applicable laws. The low level of compliance of MSMEs taxpayers in the Yogyakarta Special Region is since most taxpayers do not have NPWP (Aditya, 2018). This shows that tax knowledge for taxpayers is still low. This factor aligns with Wirapati & Jati's (2014) research, which states that tax knowledge affects NPWP ownership.

Third, trust is one of the motivation factors for taxpayers to obey voluntarily. Alm & Torgler (2011) argue that one of the strategies that can be used but are often neglected to improve tax compliance and the importance of ethics in compliance is to increase trust in tax authorities. The Tax Compliance Survey was conducted by the Tempo Data and Analysis Center (PDAT) together with the Center for Indonesia Taxation Analysis (CITA) in 2018 (Rohmani, 2018). The survey involved two thousand respondents consisting of CEOs of BUMN, private companies, and business owners from 30 provinces, with 68% coming from MSMEs. The survey results show that one factor influencing tax compliance is the transparent allocation of tax funds. The transparency of the tax authorities and the government will increase the trust of taxpayers. Finally, research on tax knowledge and tax trust has been widely carried out in information systems but is still limited in the field of taxation. Based on previous explanations, this study wants to test whether tax knowledge positively affects voluntary tax compliance and trust as a mediating variable.

2. Theoretical Framework and Hypothesis Development

2.1. Slippery Slope Framework

This framework was introduced by Kirchler et al. (2008). This is a framework that bridges economic and human psychological factors. The motivation that underlies

taxpayers to comply with tax regulations is enforced compliance and voluntary compliance. Enforced tax compliance occurs because of coercive parties, while voluntary tax compliance occurs because it is voluntary from the taxpayer.

This framework was initiated because of two climates in society: an antagonistic climate and a synergistic climate (Kirchler et al., 2008). It is also explained that taxpayers and tax authorities cooperate in an atmosphere of confrontation, while taxpayers and tax authorities cooperate in a synergistic atmosphere. In the hostile climate characterized by "police and robbers," tax authorities consider taxpayers to be "murderers," and they try to escape if possible and should be detained; taxpayers feel persecuted by the authorities (Kirchler et al., 2008). A synergistic climate is characterized by "services and clients," where the tax authorities perform services for the community (Kirchler et al., 2008).

Figure 2.1
Slippery Slope Framework

Source: Kirchler, Hoelzl, dan Wahl (2008)

The Slippery Slope framework has two main aspects of tax compliance: tax authorities' power and trust in tax authorities (Kirchler et al., 2008). The tax authority's authority is the taxpayer's understanding of the tax authority's ability to find and sanction tax violations (Kirchler et al., 2008). Therefore, the tax authority's authority is included

in a hostile climate. The impact of law enforcement through increased authority will affect taxpayers. Authority trust illustrates that individuals perceive tax authorities as kind and work well for the common good (Kirchler et al., 2008). Based on this statement, a synergistic climate is formed because of the trust between taxpayers and tax authorities. The tax authorities trust the taxpayers in carrying out their tax obligations honestly so that the services provided by the authorities are good. Thus, taxpayers will also believe that taxpayers obey without coercion or coercion because the authorities offer good services.

2.2 Tax Compliance

According to Harjo (2013), tax compliance is a condition for taxpayers to carry out all tax obligations and tax rights. James & Alley (2009) argue that tax compliance is the willingness of both individual and entity taxpayers to act following the “spirit” and tax law provisions and administration. In general, tax compliance is individuals and entities' attitude as taxpayers to carry out their tax obligations and rights following applicable tax laws and regulations in a country.

Based on the Law on General Provisions and Tax Procedures (2013), the Self Assessment System is a tax collection method that gives the complete public trust to carry out national cooperation. The system requires taxpayers to calculate, deposit, and report the tax owed themselves. The obligations of taxpayers in the self-assessment system include: (1) taxpayers to the tax service office to register themselves, (2) calculating taxes, (3) paying taxes, and (4) reporting.

2.3 Tax Knowledge

Tax knowledge is the most crucial factor in influencing tax compliance (Hofmann et al., 2008). Tax knowledge can be defined as the level of taxpayer awareness or sensitivity to tax laws (Oladipupo & Obazee, 2016). Tax knowledge combines tax regulations and financial knowledge to calculate taxpayers' economic consequences (Fallan, 1999). According to Ramadhanty (2018), tax knowledge is the maturation process that taxpayers go through in changing the attitude and behavior of a taxpayer or group of taxpayers through teaching and training efforts. Based on the definitions that have been presented by several previous researchers, in general, tax knowledge is the

awareness of taxpayers regarding tax regulations and financial knowledge obtained through teaching and training.

Tax knowledge has a positive impact on tax compliance. Taxpayers who consider tax law important can be helpful for taxpayers' preferences and attitudes towards taxes (Eriksen and Fallan, 1996). However, on the other hand, not a few people have poor tax knowledge because taxpayers do not understand tax regulations (Hofmann et al., 2008). The public also does not understand tax rates and the basic concept of taxes (Hofmann et al., 2008). Thus, taxpayers need to anticipate taxpayers' mistakes regarding their tax obligations (Hofmann et al., 2008).

2.4 Trust

Trust has been extensively researched from social science and a philosophical perspective (Olsen, 2008). Furthermore, Olsen (2008).states that trust is based on cognitive and emotional attributes. Trust is defined as a psychological state intended to accept vulnerability based on positive expectations of others' intentions and behavior (Rousseau et al., 1998). Olsen (2008) defines trust as a tool to reduce complexity in social relations and world uncertainty. Thus, trust is a person's psychological state who accepts a situation based on positive expectations that can reduce social relationships' complexity.

Trust is sociological because trust is not necessary if there is only one person or if everyone is fully knowledgeable in a deterministic world (Olsen, 2008). According to Braithwaite & Makkai (1994), there are two views regarding compliance with regulations. First, someone claims that trust is a matter of non-compliance with the rules. Second, trust is seen to foster obedience. Trust in tax authorities depends on people's perceptions of tax authorities and the general culture of being responsible for the country (Ali & Ahmad, 2014). Kirchler et al. (2008) explain that the trust that taxpayers build on the tax authority is related to the taxpayer's perception of the existing tax system's procedural fairness. If tax authorities treat people as worthy of trust, they will pay this respect through voluntary compliance with fair rules (Braithwaite and Makkai, 1994). In other words, when people are trusted to do the right thing and then do it, people

convince themselves that they are doing it because they believe it is correct (Braithwaite and Makkai, 1994).

According to Torgler and Schneider (2007), belief in the state is linked to the government's trust, parliament, and the legal system with tax morale. Services from tax authorities that the public has received will shape their attitudes and beliefs, while social norms will influence taxpayers who do not pay taxes (Cummings et al., 2004). If the government is trustworthy, the public, especially taxpayers, will comply with the tax law.

2.5 Relationship between Tax Knowledge and Voluntary Tax Compliance

According to applicable regulations, knowledge is essential for taxpayers to carry out their tax obligations and rights. Taxpayers' tax knowledge cannot be separated from its relationship to ethics. Tax knowledge can produce a better agreement between how taxpayers understand the tax system and how it is, perhaps changing their attitude towards taxes (Eriksen and Fallan, 1996).

Taxpayers with more fiscal knowledge have a higher tax ethic than those with lower fiscal knowledge (Song & Yarbrough, 1978). Research by Azmi et al. (2016) examined tax justice mediation on the influence of tax knowledge, tax complexity, and voluntary tax compliance. The study results show that there is a relationship between tax knowledge and tax compliance. This indicates that taxpayers' tax knowledge does not directly affect tax compliance, but tax knowledge leads to fairness perceptions (Azmi et al., 2016). Similar research conducted by Andreas & Savitri (2015) shows that tax knowledge significantly affects tax compliance. Ali and Ahmad (2014) declare that the taxpayer collects all kinds of formal and informal information to conduct a greater willingness to complete tax declaration work in the future. This indicates that tax knowledge influences individual tax morale because they are more responsible and better understand how vital taxes contribute to public spending.

A study conducted by Oladipupo & Obazee (2016) shows that tax knowledge has a significant positive impact on tax compliance, while tax penalties do not affect tax compliance. This means that tax knowledge has a higher tendency to promote tax compliance than tax penalties (Oladipupo & Obazee, 2016). They also provide

suggestions for the government to increase public knowledge about taxes in the school curriculum.

Social learning theory can explain tax compliance behavior, one of which is influenced by knowledge. The Theory describes the process of individuals learning behavior by observing other people or direct experience. Both ways provide information for individuals so that it becomes knowledge for individuals. Individuals will see how others perform their tax obligations. The retention process occurs when individuals voluntarily seek more information about tax laws. The process of motor reproduction results in voluntary tax compliance. The strengthening process occurs when taxpayers experience increased motivation to comply with tax rules if taxpayers feel the benefits. For example, when the MSME final income tax for turnover does not exceed Rp. 4.8 billion in a year, the rate is decreased from 1% to 0.5%. Of course, this is an advantage for MSME actors because it is hoped that MSMEs will be more advanced. When MSMEs carry out their tax obligations, there are various advantages, such as obtaining business permits and loan funds from banks. If the taxpayer has excellent and correct knowledge of tax rules, the taxpayer will obey voluntarily. Taxpayers will be aware of tax law when tax knowledge is adequate. Based on this, the hypotheses proposed in this study are:

H1: Tax knowledge has a positive effect on voluntary tax compliance.

2.6 Relationship between Tax Knowledge and Trust

The literature that discusses the effect of knowledge on trust, especially in taxes, is still limited. Existing studies examine more information systems. Knowledge is one crucial factor that affects the level of trust. Wang et al. (2009) explain that knowledge is positively related to online shopping beliefs and activities. Thus, individuals who have more information will trust and shop more online, likewise, in tax compliance. Taxpayers with excellent and correct information and knowledge will increase the taxpayer's trust in the tax authorities.

Ali and Ahmad (2014) conducted a study that randomly selected 500 samples from 2,030 young respondents working in Malaysia. The results show no relationship between tax knowledge about filing tax returns and trust in the authorization. In other

words, tax knowledge does not always lead to trust in tax authorities. These findings indicate that when taxpayers submit tax returns to improve their tax knowledge, they often question tax authorities' ability and demand more actions to meet their expectations (Ali and Ahmad, 2014).

Social learning theory in the process of attention is that individuals observe reference models such as the behavior of taxpayers who comply with tax regulations. These observations become knowledge for individuals. Individuals will remember the features of the reference model as a retention process. The inherent features of the reference model become the process of individual beliefs about the behavior of the reference model. There are pros and cons regarding the relationship between tax knowledge and trust. Even so, tax knowledge has a vital role to play in increasing trust in the tax authorities. Taxpayers who understand how the process of tax revenue, tax management, and services that the broader community from taxes can enjoy will foster trust in the tax authorities. Taxpayers are not worried that the tax authorities will misuse previously paid taxes. Based on this, the hypotheses proposed in this study are:

H2: Tax knowledge has a positive effect on trust.

2.7 Relationship between Trust and Tax Compliance

Trust in authority is something that taxpayers must own. This is because this trust will foster taxpayer obedience. Trust is closely related to individuals' vulnerability due to others' actions (Ali and Ahmad, 2014). Several previous studies have been conducted. Ali and Ahmad's research (2014) tested the trust in authority to file tax returns on young taxpayers. Filling tax returns is included in tax compliance. The results are significantly positive. This means that increasing trust in tax authorities will improve tax compliance.

Kogler et al. (2015) conducted tax compliance research on 476 self-employed taxpayers. The results showed that trust and strength were positively related to tax compliance. S & T (2012) tested the Slippery Slope framework on 350 taxpayers in Turkey. The results show that power is positively associated with enforced tax compliance, and trust is associated with voluntary tax compliance. A similar study conducted by Kasper et al. (2015) also showed the same results: trust and strength related to tax compliance.

The retention process in social learning theory reflects individuals remembering the features of the reference model so that trust arises. The process of motor reproduction occurs when the individual will behave like a reference model, which is to act obediently to tax rules. This process is complemented by reinforcement; individuals have higher motivation if individuals benefit from tax compliance. If the taxpayer has a high level of trust in the tax authority, it will increase the taxpayer to comply voluntarily. Based on this, the hypotheses proposed in this study are:

H3: Trust has a positive effect on voluntary tax compliance.

2.8 Relationship between Tax Knowledge and Voluntary Tax Compliance with Trust as Mediating

This study wants to examine the Slippery Slope framework by Kirchler et al. (2008). This study uses the dimension of trust and includes another factor, namely knowledge, into the model. Kirchler et al. (2008) predict that tax knowledge is positively correlated to voluntary tax compliance through trust. There are criticisms of the tax law because it is considered too complicated to understand, so it is necessary to simplify it (Kirchler et al., 2008). The aim is to increase taxpayers' knowledge through training and education. Improving taxpayer services is expected to increase trust in the tax authorities and thus will impact increasing voluntary tax compliance (Kirchler et al., 2008). The Omnibus Law in Indonesia combines several previous laws into more specific legislation. This rule also applies to MSMEs; it is hoped that MSMEs will develop and comply with taxes.

The Theory Planned of Behavior (TPB) interprets this hypothesis with control beliefs based on past experiences with behavior, information about behavior, and observing experiences from friends and friends (Hartono, 2008). Control beliefs in the form of these experiences form perceived behavioral control in knowledge for Taxpayers. Good knowledge will lead to intentions in the form of trust to comply with tax rules. If the individual has high trust, then the individual will behave obediently to his tax obligations.

Taxpayers who have good knowledge, of course, can increase taxpayer trust in the tax authority. This is in line with the taxpayer's belief that the tax authorities collect and

manage taxes well. Taxpayers understand how the income tax payment procedure is allocated to government programs. Therefore, the taxpayer will trust the tax authority, and the taxpayer will increase. This is because taxpayers are not worried that the tax authorities will misuse the tax that has been trusted. Thus, the taxpayers who will increase in line with high knowledge and trust in the tax authorities based on this, the hypothesis proposed in this study are:

H4: Tax knowledge has a positive effect on voluntary tax compliance and is mediated by trust.

3. Research Method

3.1. Population and Samples

This study's population were self-employed taxpayers domiciled in the Yogyakarta Special Region Province, including Yogyakarta City, Sleman Regency, Bantul Regency, Kulon Progo, and Gunung Kidul Regency. Sampling is done by the non-probability sampling method. This means that the research findings cannot be generalized to the population (Sekaran and Bougie, 2013). This study uses purposive sampling, which uses criteria in the form of specific considerations (Hartono, 2017). The sample criteria in this study are as follows:

1. Self-employed Taxpayer (WP) domiciled in the Special Region of Yogyakarta.
2. Have a Taxpayer Identification Number (NPWP).
3. Have a turnover of below 4.8 billion in a year.

3.2 Data Collection Techniques

This research was conducted using quantitative methods. This research data is primary data. The survey carried out the research data collection technique. The survey was distributed to self-employed taxpayers in the Yogyakarta Special Region Province. The survey technique used is a self-administered survey, where the method is carried out using a list of questions asked of individual respondents (Hartono, 2017). This method was chosen because the questionnaire is an efficient data collection mechanism when the study is descriptive or explanatory (Sekaran and Bougie, 2013)—preferably

distributing questionnaires offline to respondents according to the criteria in this study. The estimated time spent completing the questionnaire was approximately fifteen minutes. Respondents were asked to choose options on a Likert scale of 1-5 (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree).

3.3. Operational Definition of Variables

3.3.1 Dependent Variable

The dependent variable in this study is voluntary tax compliance. Harjo (2013) defines tax compliance as a condition in which the taxpayer fulfills all tax obligations and exercises his tax rights. Taxpayers are obedient if the taxpayer registers, calculates taxes, pays taxes, and reports taxes. The variable of voluntary tax compliance was measured using the Faizal et al. (2017) research instrument.

3.3.2 Independent Variable

This study uses an independent variable, namely tax knowledge. According to Fallan (1999), tax knowledge is a combination of information used to calculate taxpayers' economic consequences of tax regulations and financial knowledge. The independent variable, tax knowledge, is measured by adopting the Widyawati and Nurlis (2010) question.

3.3.3 Mediating Variable

The mediating variable in this study is trust. Rousseau et al. (1998) stated that trust is a psychological state to accept vulnerability based on positive expectations of others' intentions and behavior. Trust is based on measurements made by Faizal et al. (2017).

3.4 Data Analysis Technique

This study uses Structural Equation Modeling (SEM). SEM is a multivariate analysis tool in the social sciences to analyze several research variables (Sholihin and Ratmono, 2013). SEM is divided into two types: Covariance-based SEM (CB-SEM) and Variance-based SEM or Partial Least Squares (SEM-PLS). The SEM method used in this research is Structural Equation Modeling based on Partial Least Square. SEM PLS uses two stages to test the model: first, estimating the measurement model (outer model) and the structural model (inner model). This study uses the WARP PLS 6.0 analysis tool.

4 Results and Discussion

4.1 Profile of Respondents

Based on Table 4.1, the research respondents' profile can be explained that the number of male respondents is 26 people or 24% of the total number, and female respondents are 82 people or 76% of the total sample. Based on the age of MSMEs, 35 people (32%) who are more than four years old have the most respondents. The majority of the annual turnover of MSMEs is not more than 300 million, namely as many as 96 people (89%), 300 million to 2.5 billion as many as ten people (9%), and 2.5 billion to 4.8 billion as many as two people (2%). Regarding education level, respondents in this study have different education levels from junior high school to master degree (S2). The last education level for bachelor's degree (S1) was 48 people (44%), or almost half of the total sample. They are furthermore, followed by senior high school, as many as 33 people (31%), diploma as many as 19 people (18%), and junior high school and master degree have the same number, namely four people each (4%).

4.2 Analysis of the Structural Model (Inner Model) as a Hypothesis Test

The results of hypothesis testing H1, H2, and H3 can be seen in full in Figure 4.1, Figure 4.2, and path analysis in Table 4.2. The results show that tax knowledge has a positive impact on voluntary tax compliance (Path Coefficient (β): 0.57, $p < 0.01$), H1 is supported. Hypothesis 2 test shows that tax knowledge has a positive effect on trust (Path Coefficient (β): 0.45, $p < 0.01$), H2 is supported. Trust has a positive impact on voluntary tax compliance (Path Coefficient (β): 0.39, $p < 0.01$), H3 is supported.

Meanwhile, to test the mediating hypothesis, the need for further analysis related to the exploration of mediation mechanisms based on Baron and Kenny's (1986) model using Variance Extracted For (VAF) analysis by Hair et al. (2013). Testing using the VAF method has several stages (Hair et al., 2014): 1). Seeing the direct effect must be significant when the mediating construct has not been included in the model, 2). After the mediation construct is included in the model, the indirect effect must be significant, and 3). Calculating the Variance Accounted For (VAF) value with the indirect effect formula, the total effect is the direct effect added with the indirect effect.

Table 4.1
Profile of Research Respondents

Profile	Amount	Percentage of 100%
Gender		
Male	26	24%
Female	82	76%
Years of MSMEs		
< 1 Year	13	12%
1-2 Years	25	23%
2-3 Years	23	21%
3-4 Years	12	11%
> 4 Years	35	32%
Profile	Amount	Percentage of 100%
Income/Year		
< 300 million	96	89%
300 million - 2,5 billion	10	9%
2,5 - 4,8 M	2	2%
Education Level		
Junior High School	4	4%
Senior High School	33	31%
Diploma	19	18%
Bachelor degree (S1)	48	44%
Master degree (S2)	4	4%

Source: Primary Data Processed

Figure 4.1
Direct Testing Analysis

Source: data processed using WarpPLS 6.0.
Note. PP: tax knowledge, KPS: voluntary tax compliance.

Figure 4.2
Model Path Analysis for Hypothesis Testing

Source: data processed using WarpPLS 6.0.
Note. PP: tax knowledge, KP: Trust, KPS: voluntary tax compliance.

Table 4.2
Results of Structural Model Analysis

Construct	Path - (β & P-value)	
	Trust	Voluntary Tax Compliance
Direct		
Tax Compliance (PP)		0,57***
R² (Adjusted)		0,33
Q²		0,33
Full Model		
Tax Compliance (PP)	0,45***	0,40***
Trust (KP)		0,39***
R² (Adjusted)	0,21	0,45
Q²		
Effect Sizes:		
PP	0,33	0,23
KP		0,23

Note: P <0.01 ***
Source: data processed using WarpPLS 6.0.

Table 4.3
The Results of Exploration of Variance Extracted For (VAF) Mediation Method

Indirect Effect (PP-KP-KPS)	0.45 x 0.39	0.18
Direct Effect		0.40
Total Effect		0.58
VAF (PP-KP-KPS)	0.18 / 0.58	0.31 (31%)**

** VAF value> 20% - 80% = partial mediation

Source: data processed on Ms. Excel 2010

Table 4.3 shows the results of hypothesis testing from the exploration of the mediation mechanism in hypothesis H4. Results Table 4.3 is a derivative of the advanced analysis from Table 4.2 Full Model, which shows the results of exploring the mediation mechanism in SEM analysis according to Barron and Kenny's (1986) guidelines using the VAF method from Hair et al. (2014). Mediation is fully supported (fully mediated) if the VAF value is> 80%, partial mediation if the VAF value is> 20% - 80%, and does not mediate if the VAF value is <20%. Exploring the mediation mechanism in this study to test hypothesis H4. the Trust part mediates the positive impact of tax knowledge on voluntary tax compliance (VAV; 0.31 / 31%) H4 is partially supported.

4.3 Discussion

Hypothesis 1 predicts that tax knowledge has a positive effect on voluntary tax compliance. Based on the results of the statistical tests, the path coefficient value (β): 0.57, p <0.01. These results prove that H1 is supported. Thus, if taxpayers have good knowledge, voluntary tax compliance also tends to increase.

The results of this study can be explained by social learning theory. This Theory describes how individuals learn something based on observations of what happens to other people and direct experience. Likewise, the same is how taxpayers obtain tax knowledge from observing other people and direct experience in tax activities. Based on the social learning theory, taxpayers experience several processes, including attention, retention, motor reproduction, and strengthening. The attention process occurs

when someone pays attention to the behavior of obedient taxpayers and behavior modeled in the form of socialization related to tax regulations from the tax authorities. When the individual continues to observe the behavior, a retention process occurs. Namely, the individual will remember the behavior. Individuals will process previous observations into motor reproduction. Individuals will follow the behavior to comply with taxes. Finally, individuals are motivated to behave when given positive incentives or rewards. After the tax rate fell to 0.5%, taxpayers increased (Laoli, 2019). If MSMEs have a TIN and comply with taxes, there is a straightforward administrative process in borrowing funds from banks. The existence of final income tax incentives for MSMEs during the Covid-19 pandemic should also increase tax compliance. These processes create knowledge for taxpayers. Taxpayers who have good knowledge tend to have good voluntary tax compliance too. Taxpayers are aware that registering, counting, paying, and reporting is an obligation as a citizen. Taxpayers are also aware that they have helped other citizens enjoy public facilities and infrastructure complying with tax regulations.

This study's results are consistent with the research conducted by Azmi et al. (2016) and Andreas and Savitri (2015). The results show that tax knowledge has a positive impact on tax compliance. Research by Oladipupo and Obazee (2016) regarding tax knowledge and tax compliance states that a more effective taxpayer approach to increase tax compliance is tax knowledge compared to tax penalties. The government should also include a tax curriculum in schools to increase public knowledge from school.

Hypothesis 2 examines the effect of tax knowledge on trust. The statistical value based on this test is Path Coefficient (β): 0.45, $p < 0.01$. The results show that hypothesis 2 is supported. This indicates that taxpayers who have good tax knowledge certainly have high trust in the tax authorities. The results of this hypothesis are by social learning theory in the phases of the attention process and the retention process. Individuals will observe the reference model's behavior and remember the reference model's actions after the reference model is no longer available. This condition represents the emergence of confidence in the individual after the individual learns the reference model. Although reference models are not available, individuals remember these behavioral features.

Taxpayers believe that what the tax authorities have done is right and act in the public interest. Wang, Chen, dan Jiang (2009) also supports this study result, who show that knowledge is positively related to trust in online shopping activities.

This study's results add to the literature related to limited knowledge and trust in the tax field. The more information the taxpayer has the higher the taxpayer's trust in the tax authority. Taxpayers understand the tax authorities' duty in the process of tax revenue, tax management, and services to the community so that trust can increase.

Trust has a positive effect on voluntary tax compliance (Path Coefficient (β): 0.39, $p < 0.01$). H3 is supported. Ali and Ahmad's research (2014) tested the trust in authority to file tax returns on young taxpayers. Filing tax returns is included in tax compliance. The results are significantly positive. This means that increasing trust in tax authorities will improve tax compliance. The results of this hypothesis are in line with social learning theory in the retention phase, motor reproduction phase, and reinforcement phase. Individuals will think about whether to behave like a reference model or not. If the individual has high confidence, the individual will take action based on the reference model, resulting in a motor reproduction phase. The reinforcement process occurs when the individual benefits from the behavior.

Trust causes voluntary tax compliance and reduces the feeling that someone is forced to pay taxes (Muehlbacher et al., 2011). Taxpayers who have high trust in authority will not feel burdened by taxes. On the contrary, taxpayers voluntarily obey the tax rules. The steps to build trust are more effective and (Muehlbacher et al., 2011). Furthermore, Muehlbacher et al. (2011) suggest increasing transparency in government decisions and spending to increase taxpayer trust in authority.

Hypothesis 4 predicts that trust will mediate the impact of tax knowledge on voluntary tax compliance. Based on the results of statistical tests, the VAF value is 31%. The VAF value of 31% is between 20% -80%, which is partially mediated. Whether or not a mediating variable exists, the relationship between the independent and dependent variables remains significant. The mediating variable bridges the influence of the independent variable on the dependent variable. This indicates that trust can link tax

knowledge on voluntary tax compliance; however, the effect of tax knowledge on voluntary tax compliance remains significant.

According to TPB, taxpayers' knowledge will form perceived behavioral control, thereby generating behavioral intentions in the form of trust and subsequently leading to voluntary compliance with taxes. Perceived control behavior is shown when individuals reflect on past experiences in the form of knowledge they have. Individuals who understand tax regulations will find it easier to carry out tax compliance behavior. Good tax knowledge will raise intentions in the form of trust in tax authorities. Individuals who have the intention to comply with tax rules mean placing high trust based on their knowledge. Individuals with a good understanding of tax regulations will have confidence in the tax authorities so that they are more confident to behave obediently to taxes. A deep understanding of taxpayers' taxation will increase trust in tax authorities. Taxpayers will assess whether the tax authorities have taken appropriate actions to collect taxes, manage taxes and provide public services. Once people's trust in authority increases, voluntary compliance with tax policies will also increase. Taxpayers voluntarily comply with applicable tax rules without feeling worried about tax abuse by tax authorities.

5 Conclusion, Implication, and Limitation

5.1 Conclusion

Based on the results of the discussion previously described, there are several conclusions from this study. First, tax knowledge has a positive effect on voluntary tax compliance. This means that the higher the taxpayer's knowledge, the higher the voluntary tax compliance. Second, tax knowledge has a positive effect on trust. This shows that if the taxpayer's knowledge is high, the higher the taxpayer's trust in the tax authority. Fourth, trust has a positive effect on voluntary tax compliance. It can be concluded that the higher the taxpayer's trust in the tax authority, the higher the level of voluntary tax compliance. Finally, trust mediates the effect of tax knowledge on voluntary tax compliance. This is evidenced by the statistical results, which show that

the VAF value is 31%. The VAF value of 31% is between 20% -80%, which is partially mediated.

5.2. Implication and Limitation

There are several limitations to this study. First, this research was only conducted in the Special Region of Yogyakarta, so that the results may vary from region to region. Besides, the results of this study cannot be generalized to other parts of Indonesia. Future research can use a more comprehensive sample in Yogyakarta, for example, MSMEs in Java. Based on Central Bureau of Statistics (BPS) data, the number of micro and small businesses in Java in 2019 was 2,727,194. This amount is equivalent to 60% of the total micro and small businesses in Indonesia. Second, this study has not examined other factors, especially from the dimension of enforced compliance. This dimension makes it possible to investigate taxpayer compliance regarding personal income tax and value-added tax (VAT). There is a tax deduction from employee salaries and purchases of goods or services included with VAT. This condition reflects the power of authority so that taxpayers are forced to pay the tax.

This research has several implications. First, this research is helpful in the academic field, such as accounting knowledge development, especially in the tax field. This study adds references to the factors that influence voluntary tax compliance. Second, this research can be an input for accounting practitioners, especially in the tax field. The importance of tax knowledge for practitioners can improve voluntary tax compliance. Third, the government's role regarding voluntary tax compliance can encourage taxpayers to comply with taxes voluntarily. The government needs to increase public trust in the government and actively conduct tax socialization to taxpayers to improve voluntary tax compliance.

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