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The Influence of Tax Understanding, Reduction of Final PPH Tax Rates, and Tax Sanctions on the Compliance of Micro, Small, and Medium Enterprises (MSMEs) Taxpayers (Case Study on Batik MSMEs in Jambi City)

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A B S T R A C T

This research aims to determine the effect of understanding taxation, reducing the final PPH tax rate and tax sanctions on taxpayer compliance. This research was conducted on batik MSME in Jambi City. The number of samples used in this research was 104 (one hundred and four) MSME actors with the sampling method being a saturated sample. The data analysis technique used in this research is SPSS 27. The results of this research show that understanding taxation is positive and significant on taxpayer compliance, reducing the final PPH tax rate has a positive and significant effect on taxpayer compliance. Meanwhile, tax sanctions have a negative and insignificant effect on taxpayer compliance

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INTRODUCTION

Indonesia is a developing country with many companies and innovations in various sectors that help the economy and enable it to continue growing. One of the initiatives that can support economic growth in Indonesia is the presence of MSMEs. In terms of the number of companies and job creation, MSMEs are very important for the Indonesian economy. The growth and development of the country will accelerate if its funding is smooth. The effective collection of tax revenue heavily depends on taxpayer compliance regarding tax payments (Aryanti, 2016). State revenue comes from taxes, which are mandatory and collected from individuals or organizations. Taxes are also very important for funding a country's infrastructure. As a result, national income also includes taxes. The compliance of the country's taxpayers determines the magnitude of its revenue sources.

Canting is a small bowl-shaped tool made of copper with a spout or nozzle and a handle made of bamboo or wood that can be used to create a collection of lines, dots, or spots that eventually form a pattern. This is used in batik painting. In batik paintings, these patterns are then transformed into ornament designs (Kemendikbudristek, 2023). It also symbolizes history, identity, and economy. Because batik culture was originally a hereditary tradition, batik patterns can usually be recognized by the family lineage or their place of origin. Even now, the royal family is the only one allowed to wear certain traditional batik designs, which may serve as an indicator of a person's position or rank. Traditional batik comes in various forms and designs, but the philosophy and culture of each region are reflected in its themes and variations. Various themes and styles of traditional batik, each with its own uniqueness, have been created as a result of Indonesia's extraordinary cultural wealth.

It is hoped that the numerous MSMEs spread across Indonesia will have a better impact on the tax sector, but this is not happening in practice. According to Kompas.com (2021), Teten Masduki, the Minister of Cooperatives and SMEs (Menkop UKM), stated that SMEs continue to contribute a small amount of tax to national tax revenue. One of the main reasons why tax revenue in Indonesia cannot be generated efficiently is the low compliance of individual taxpayers (WPOP) applied by small and medium enterprises (UMKM) in fulfilling their obligations. Therefore, the government continues to work on preserving and promoting the expansion of MSMEs in Indonesia and enhancing MSMEs' understanding of tax payments to increase tax revenue from the MSME sector.

Study (Agustinus & Oktavini, 2024), The Influence of Income Level, Tax Penalties, and Tax Rates on MSME Taxpayer Compliance in the West Jakarta Region, is replicated in this study. The income level variable was changed to tax knowledge in this study, which altered one variable from previous research. In addition, there is a variation in location; while the last research was conducted in West Jakarta, this study uses a case study in Jambi City.

LITERATURE REVIEW

Theory of Planned Behavior

Theory of Planned Behaviour is a theory about a person's behavior. A person's behavior to be motivated to do something. The idea was applied to study human behavior and create stronger treatments starting around the year 1980. It was incorporated into an existing rational action model in 1988 and The Theory of Planned Behavior (TPB) is its name. According to the Theory of Planned conduct (TPB), an individual's conduct is influenced by a number of elements, and their actions are determined by these factors.

The Influence of Tax Understanding on the Compliance of MSME Taxpayers

Taxpayers who have an understanding of taxation are more likely to fulfill their tax obligations. Therefore, the higher the level of tax understanding, the greater the influence on the tax compliance of SMEs in paying taxes. Research on tax understanding previously conducted by (Sianturi et al., 2024) and (Asyhari & Ttitik Aryati, 2023) shows that tax understanding has a positive effect on tax payment compliance, whereas the research by (Muhammad & Dewi, 2018) shows that tax understanding does not have a positive effect on tax payment compliance.

The Impact of Reducing Final Income Tax Rates on the Compliance of MSME Taxpayers

According to Sri Mulyani, as quoted from www.kompas.com (2018), low interest rates are expected to encourage the public to be more daring in venturing into the business world. Low rates can also encourage greater tax compliance, which will enhance the tax database of the Directorate General of Taxes. Research on the reduction of final income tax rates has been conducted previously, with findings by (Cahyani & Naniek Noviari, 2019) indicating that tax rates have a positive effect on the compliance of MSME taxpayers. (Agustinus & Oktavini, 2024) state that there is a positive influence between the variable of final income tax rate reduction and the compliance of MSME taxpayers. However, The findings of this investigation do not align with the findings of (Putri & Trisnaningsih, 2023), which states that the reduction of final income tax rates does not affect the compliance of MSME taxpayers.

The Impact of Tax Sanctions on the Compliance of MSME Taxpayers

If taxpayers realize that tax penalties will be more detrimental, they will still pay their taxes. According to previous research on tax sanctions, the severity of tax penalties significantly and favorably affects the compliance level of individual taxpayers. (Sianturi et al., 2024). According to the research by Augustinus and Oktavini (2024), tax sanctions have a favorable and significant impact on the compliance of individual taxpayers. However, these results contradict those of (Putri & Trisnaningsih, 2023), which show that tax penalties don't significantly affect taxpayer adherence.

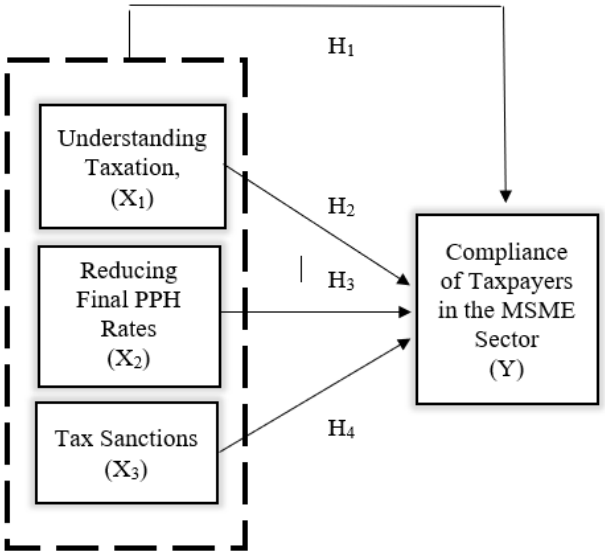

Figure 1. Conceptual Framework

METHODOLOGY

Research Approach

This research uses a quantitative approach because it measures research variables with numbers and conducts data analysis using statistical procedures. This research is also categorized as a survey study because the research data were obtained using a questionnaire instrument. Through this survey method, the research aims to investigate the influence of tax understanding, reduction of final PPH tax rates, and tax sanctions on the compliance of micro, small, and medium-sized batik business taxpayers in Jambi City. The researcher's work is a repetition of previous investigations. The researcher's replication involves retesting a number of identical factors in the previous study using a different study population and time period.

Population and Sample

The population of this study consists of taxpayers who are MSME actors in Jambi City, based on the aspects to be researched. Since they are taxpayers affected by the implementation of Government Regulation Number 55 of 2022, MSME taxpayers were chosen. The total number of MSMEs is 104. In a quantitative research approach, a sample is a part of the quantity and characteristics present in the population, as explained by (Dr. Umar Sidiq, M.Ag Dr. Moh. Miftachul Choiri, 2019). As many as 104 active batik MSME actors in Jambi City who have a Tax Identification Number (NPWP) will be selected as the sample for this research. In this study, the entire population or saturated sample taken includes all active batik MSME actors with NPWP in Jambi City, totaling 104, and will be used as a saturated sample in this research. (Sugiyono, 2013) defines saturated sampling as a sampling strategy where every member of the population is used as a sample. The sampling strategy in this research is the Saturated Sampling Technique, which creates a sample from the entire population.

Data Analysis Techniques

Descriptive Statistics

An overview or description of data as seen from the mean, standard deviation, variance, maximum, and minimum is provided by descriptive statistics values. (Ghozali Imam, 2011)

Data Quality Test

Validity Test

The validity of the questionnaire is assessed through validity testing. If the questions in the questionnaire can provide information about what is intended to be measured by the questionnaire, then the questionnaire is considered valid (Ghozali Imam, 2011). Corrected Item-Total with the r table is used in this research validity test for degrees of freedom (df) = n – 2, where n is the sample size and alpha = 0.05. Indicators or question items are considered valid if the calculated r is positive and greater than the r table. (Zuwesty Eka Putri, 2014).

Reliability Test

With SPSS, you can use the Cronbach Alpha (α) statistical test to determine reliability. If a construct or variable has a Cronbach Alpha value greater than 0.60, it is considered reliable according to (Ghozali Imam, 2013).

Classic Assumption Test

Normality Test

A non-parametric Kolmogorov-Smirnov statistical test (1-sample K-S) is used to test for normality. Residual data is normally distributed if the Kolmogorov-Smirnov test result has a significance value greater than 0.05. As stated by (Amelina Wulandari, 2021).

Multicollinearity Test

To determine if independent variables in a regression model are correlated, the multicollinearity test is utilized. There should be no correlation between the independent variables in a decent regression model. Multicollinearity is indicated by a VIF score of at least 10 or a tolerance value of less than 0.10.

Heteroscedasticity Test

Finding out if the variance of the residuals in a regression model differs from one observation to the next is the goal of the heteroscedasticity test.. Ghozali (2013). The Glejser test, which involves regressing independent variables against absolute residuals, was used for testing.

Multiple Linear Regression Analysis

Multiple Linear Regression Analysis is useful in analyzing the influence of the relationship between independent variables, namely tax understanding, reduction of final income tax, and tax sanctions, on the dependent variable, which is taxpayer compliance.

F Statistical Test

Using SPSS to check the F significance value from the regression output at a significance threshold of 0.05 (α=5%). The hypothesis is rejected if the significance value is higher than α, which indicates that There is no relationship between the independent and dependent variables. The hypothesis is accepted if the significance value is less than α, which indicates shows there is an impact between the independent and dependent variables..

T Statistic Test

Basically, the degree to which each independent variable helps to explain the variation in the dependent variable is evaluated using the t-statistic test.. With a significance threshold of 0.05, this test is used to determine whether each independent variable has a significant impact on the dependent variable being investigated. A significance level of 5% is used to make testing choices. If the significance level is less than 5% (less than 0.05), acceptance of the alternative hypothesis (Ha); if it is more than 5%, the alternate hypothesis Ha is disproved.. Ghozali (2013).

Coefficient of Determination Test (R^2)

Basically, Adjusted R^2 measures how well the model can explain the variance in the dependent variable. (Ghozali, 2013). A small R^2 value indicates that the independent variable has a very limited capacity to explain the dependent variable. The value of the coefficient of determination ranges from 0 (zero) and 1 (one).

RESULTS

Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Test

	Descriptive Statistics					
Variable	Indicator	N	Minimum	Maximum	Mean	Std. Deviation
	Compliance in obtaining NPWP voluntarily (Y1)	81	1	5	3,23	0,965
	Compliance with actual tax calculations (Y2)	81	1	5	3,42	0,960
Y	Compliance in reporting tax returns on time (Y3)	81	1	5	3,14	1,093
	Compliance in filling out the tax return according to the law (Y4)	81	1	5	3,51	1,085
	Compliance with paying and calculating the owed taxes correctly (Y5)	81	1	5	3,37	0,901
	Understanding the concept of self-assessment (X1.1)	81	1	5	3,17	0,997
	Understanding how to pay taxes (X1.2)	81	1	5	3,40	0,958
X1	Understanding the correct filling of the notification letter (SPT) (X1.3)	81	1	5	3,36	1,028
	Understanding the tax payment deadline (X1.4)	81	1	5	3,35	0,938
	Understanding tax reporting deadlines (SPT) (X1.5)	81	1	5	3,41	0,891
	High tax rates lead to tax evasion fraud. (X2.1)	81	1	5	3,60	0,983
X2	The reduction in tax rates increases the willingness to pay taxes. (X2.2)	81	1	5	3,85	0,976
	Ability to pay taxes based on the applicable rates (X2.3)	81	1	5	4,23	0,898
	Tax rates do not determine the level of tax payment awareness. (X2.4)	81	1	5	3,74	0,972
	Sanctions are necessary for the creation of discipline. (X3.1)	81	1	5	3,35	1,131
X3	Will be subject to sanctions for violations. (X3.2)	81	1	5	3,60	1,069
	The sanctions imposed are in accordance with the violations. (X3.3)	81	1	5	3,79	1,069
	The sanctions imposed are in accordance with the applicable laws. (X3.4)	81	1	5	4,21	0,958
	Valid N (listwise)	81				

It is evident from the statistics in the preceding table that the respondents' answers for the taxpayer compliance variable yielded the highest average score of 3.51 for the compliance indicator in analyzing tax returns according to the law and the lowest average score of 3.14 for the compliance indicator in evaluating tax returns on time.

Data Quality Test
Validity Test
1. Taxpayer Compliance (Y)

Table 2. Results of the Taxpayer Compliance Validity Test

Correlations

		Y1	Y2	Y3	Y4	Y5	totalY
Y1	Pearson Correlation	1	.284*	.052	.112	.071	.539**
	Sig. (2-tailed)		.010	.642	.320	.527	<,001
	N	81	81	81	81	81	81
Y2	Pearson Correlation	.284*	1	.195	.177	.020	.603**
	Sig. (2-tailed)	.010		.081	.113	.857	<,001
	N	81	81	81	81	81	81
Y3	Pearson Correlation	.052	.195	1	.120	.190	.594**
	Sig. (2-tailed)	.642	.081		.284	.090	<,001
	N	81	81	81	81	81	81
Y4	Pearson Correlation	.112	.177	.120	1	.023	.552**
	Sig. (2-tailed)	.320	.113	.284		.837	<,001
	N	81	81	81	81	81	81
Y5	Pearson Correlation	.071	.020	.190	.023	1	.445**
	Sig. (2-tailed)	.527	.857	.090	.837		<,001
	N	81	81	81	81	81	81
totalY	Pearson Correlation	.539**	.603**	.594**	.552**	.445**	1
	Sig. (2-tailed)	<,001	<,001	<,001	<,001	<,001	
	N	81	81	81	81	81	81

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Based on table , the person correlation value (calculated r) for each question item is greater than the table r value. This means that all indicators/question items measuring the Taxpayer Compliance variable are valid because the calculated r values produced are greater than the table r value of 0.2185.

2. Understanding Taxation (X1)

Table 3. Results of the Taxation Understanding Validity Test

Correlations

		X1.1	X1.2	X1.3	X1.4	X1.5	totalX1
X1.1	Pearson Correlation	1	.216	.256*	.296**	.201	.603**
	Sig. (2-tailed)		.053	.021	.007	.072	<,001
	N	81	81	81	81	81	81
X1.2	Pearson Correlation	.216	1	.235*	.292**	.278*	.607**
	Sig. (2-tailed)	.053		.034	.008	.012	<,001
	N	81	81	81	81	81	81
X1.3	Pearson Correlation	.256*	.235*	1	.440**	.398**	.714**
	Sig. (2-tailed)	.021	.034		<,001	<,001	<,001
	N	81	81	81	81	81	81
X1.4	Pearson Correlation	.296**	.292**	.440**	1	.383**	.723**
	Sig. (2-tailed)	.007	.008	<,001		<,001	<,001
	N	81	81	81	81	81	81
X1.5	Pearson Correlation	.201	.278*	.398**	.383**	1	.667**
	Sig. (2-tailed)	.072	.012	<,001	<,001		<,001
	N	81	81	81	81	81	81
totalX1	Pearson Correlation	.603**	.607**	.714**	.723**	.667**	1
	Sig. (2-tailed)	<,001	<,001	<,001	<,001	<,001	
	N	81	81	81	81	81	81

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Based on the table above, the Pearson correlation (calculated r) for each question is greater than the r value in the table, which is around 0.2185. This means that every indicator or question challenging the variable of Tax Understanding is valid.

3. Reduction of Final Income Tax Rate (X2)

Table 4. Results of the Validity Test on the Reduction of Final PPH Tax Rates

Correlations

		X2.1	X2.2	X2.3	X2.4	totalX2
X2.1	Pearson Correlation	1	.173	.347**	.022	.580**
	Sig. (2-tailed)		.123	.002	.843	<,001
	N	81	81	81	81	81
X2.2	Pearson Correlation	.173	1	.539**	.223*	.722**
	Sig. (2-tailed)	.123		<,001	.046	<,001
	N	81	81	81	81	81
X2.3	Pearson Correlation	.347**	.539**	1	.300**	.804**
	Sig. (2-tailed)	.002	<,001		.007	<,001
	N	81	81	81	81	81
X2.4	Pearson Correlation	.022	.223*	.300**	1	.578**
	Sig. (2-tailed)	.843	.046	.007		<,001
	N	81	81	81	81	81
totalX2	Pearson Correlation	.580**	.722**	.804**	.578**	1
	Sig. (2-tailed)	<,001	<,001	<,001	<,001	
	N	81	81	81	81	81

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Based on the table above, the Pearson correlation (r calculated) for each question is greater than the table r, which is around 0.2185. This means that each indicator or item in the question testing the variable of Final PPH Tax Rate Reduction is valid because the calculated value obtained is greater than the table value of 0.2185.

4. Tax Sanction (X3)

Table 5. Results of the Tax Penalty Validity Test

Correlations

		X3.1	X3.2	X3.3	X3.4	totalX3
X3.1	Pearson Correlation	1	.207	.205	.151	.603**
	Sig. (2-tailed)		.063	.066	.177	<,001
	N	81	81	81	81	81
X3.2	Pearson Correlation	.207	1	.506**	.229*	.724**
	Sig. (2-tailed)	.063		<,001	.040	<,001
	N	81	81	81	81	81
X3.3	Pearson Correlation	.205	.506**	1	.336**	.760**
	Sig. (2-tailed)	.066	<,001		.002	<,001
	N	81	81	81	81	81
X3.4	Pearson Correlation	.151	.229*	.336**	1	.608**
	Sig. (2-tailed)	.177	.040	.002		<,001
	N	81	81	81	81	81
totalX3	Pearson Correlation	.603**	.724**	.760**	.608**	1
	Sig. (2-tailed)	<,001	<,001	<,001	<,001	
	N	81	81	81	81	81

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Based on the table above, the Pearson correlation value (r calculated) for each question item is greater than the table r value, which is 0.2185. This means that all indicators/question items measuring the Tax Sanction variable are valid.

Reliability Test

Table 6. Results of Data Reliability Test

Variable	Cronbach's Alpha	Information
Taxpayer Compliance	0,624	Reliable
Understanding Taxation	0,679	Reliable
Decrease in Final PPH Tax Rates	0,746	Reliable
Tax Sanctions	0,790	Reliable

The table above shows that the Cronbach's alpha value for the taxpayer compliance variable is 0.624, which is > 0.60. This means that the construction of the questions designed to measure taxpayer compliance is reliable. Similarly, the Cronbach's alpha value for the tax understanding variable is 0.679 > 0.60, which means that the question construction for measuring the tax understanding variable is declared reliable. The variable of the final PPH tax rate reduction has a Cronbach's alpha value of 0.746 > 0.60, thus the final PPH tax rate reduction is declared reliable. The tax sanction variable has a Cronbach's alpha value of 0.790 > 0.60, thus the tax sanction is declared reliable.

Classic Assumption Test

Normality Test

Table 7. Results of the Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			81
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		2.66303282
Most Extreme Differences	Absolute		.084
	Positive		.084
	Negative		-.063
Test Statistic			.084
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.160
	99% Confidence Interval	Lower Bound	.150
		Upper Bound	.169

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

The table above shows the test findings with a significance value of utilizing the One-Sample Kolmogorov-Smirnov Test 0.200, which exceeds the confidence significance level of α = 0.05. This indicates that the data in this study has a normal distribution.

Multicollinearity Test

Table 8. Results of the Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	totalX1	.736	1.358
	totalX2	.733	1.364
	totalX3	.863	1.159

a. Dependent Variable: totalY

The VIF analysis results additionally demonstrate that no independent variables have a VIF value higher than 10. Therefore, it may be said that the regression model does not contain multicollinearity..

Heteroscedasticity Test

Table 9. Results of the Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.666	1.244		2.143	.035
	totalX1	.098	.065	.194	1.498	.138
	totalX2	-.127	.075	-.221	-1.696	.094
	totalX3	-.010	.060	-.019	-.162	.872

a. Dependent Variable: ABS_RES

Considering the outcomes of the Glejser test computations in the preceding table, independent variables such as tax understanding, reduction of final PPH tax rates, and tax sanctions show significance values above 5% or > 0.05. Thus, it can be concluded that the regression model used does not indicate the presence of heteroscedasticity symptoms.

Hypothesis Testing

Multiple Linear Regression Model

Table 10. Results of Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.036	2.112		2.857	.005
	totalX1	.282	.111	.283	2.547	.013
	totalX2	.425	.127	.371	3.335	.001
	totalX3	-.052	.101	-.053	-.516	.607

a. Dependent Variable: totalY

In the table above, the multiple linear regression equation in this study can be explained. The regression equation in this study is as follows:

$$KWP\ (Y) = 6.036 + 0.282\ PP + 0.425\ PTP - 0.052\ SP$$

F Statistic Test

Table 11. Results of the F Statistical Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	243.722	3	81.241	11.026	<,001[b]
	Residual	567.340	77	7.368		
	Total	811.062	80			

a. Dependent Variable: totalY

b. Predictors: (Constant), totalX3, totalX1, totalX2

According to the table above, the significance level is 0.0001, which is less than 5% (<0.05). Because of this, it can be said that Understanding Taxation, the Reduction of Final PPH Tax Rates, and Tax Sanctions collectively have a significant impact on Taxpayers. (H1 diterima)

T Statistic Test

Table 12. Results of the t-Statistic Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.036	2.112		2.857	.005
	totalX1	.282	.111	.283	2.547	.013
	totalX2	.425	.127	.371	3.335	.001
	totalX3	-.052	.101	-.053	-.516	.607

a. Dependent Variable: totalY

The table above shows that there are two independent variables, X1 (Tax Understanding) and X2 (Reduction of Final PPH Tax Rate), each having a significant influence on the dependent variable, Taxpayer Compliance, compared to 5% or less than 0.05. The values of X1 and X2 are approximately 0.013 and 0.001, respectively.

Coefficient of Determination Test (R^2)

Table 13. Results of the Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548[a]	.300	.273	2.714

a. Predictors: (Constant), totalX3, totalX1, totalX2

The coefficient of determination (R2) test is used to evaluate several good models that can explain the variables in the dependent variable. The numbers 0 and 1 represent the range of values for the Coefficient of Determination. When a single coefficient of determination is found, it shows that the independent variable offers a noteworthy amount of information needed to determine the dependent variable.

DISCUSSION

The Influence of Tax Understanding, the Reduction of Final PPH Tax Rates, and Tax Sanctions Collectively Have a Significant Impact on Taxpayer Compliance

Based on the hypothesis test that has been conducted, the results in table 4.12 show a significance level of 0.0001, which is less than 5% (< 0.05). Therefore, the results of this hypothesis test indicate that, in general, tax understanding, the reduction of final PPH tax rates, and tax sanctions have a significant impact on taxpayers.

The Influence of Tax Understanding (X1) on Taxpayer Compliance (Y)

The results of the completed hypothesis test show that responsibility accounting yields results similar to those in table 4.13, which indicates a significance level of 0.013 < 0.05. Therefore, the research results show that understanding taxation has a significant impact on compliance with tax obligations. As the level of understanding among batik MSME actors increases, the high level of taxpayer compliance in Jambi City will also increase. Conversely, if the level of understanding among MSME taxpayers decreases, the level of taxpayer compliance will also decline. The Theory of Planned Behavior explains that the three main factors influencing individual performance are their attitudes towards their performance, their subjective norms, and the control they perceive over their performance. In the context of tax understanding, good comprehension can enhance positive attitudes towards tax obligations, thereby encouraging compliance. If the requirement for tax is that the social environment promotes compliance (subjective norms), and they have the ability to effectively suppress the requirement for tax (behavior), then they will be able to do so. Therefore, understanding taxation is very important to establish intent and, ultimately, to settle the required taxes. Previous research on tax understanding was conducted by Sianturi et al. (2024) and Aninda et al. (2023). These studies show that tax understanding has a positive impact on tax payment, whereas Muhammad and Dewi (2018) found that tax understanding does not have a positive impact on tax payment.

The Influence of the Reduction in Final PPH Tax Rates (X2) on Taxpayer Compliance (Y)

The results of the hypothesis test indicate that changes in the final PPH tax price have a significant impact on the required tax compliance, as shown in table 4.13, which indicates results with a significance level of 0.001 < 0.005. This shows that the policies implemented by the government in adjusting the PPh rates for MSMEs, namely the reduction of the 1% rate applied in 2013 for PP 46 to 0.5% for PP 23 in 2018, have had a significant impact on the batik MSME taxes in Jambi City. Tax compliance among batik MSMEs in Jambi City has increased due to the aforementioned reduction in the PPh rate.The Theory of Planned Behavior can be used to analyze the final Income Tax (PPh) rate. The three main components of the aforementioned theory—attitude, subjective norm, and perceived behavioral control—have an impact on taxpayers' understanding and attitudes towards tax obligations in this context.Previous research on the reduction of final PPh tax rates was conducted by Cahyani & Naniek Noviari (2019) and Senusi et al (2024) , who found that the rate had a positive impact on the tax compliance of MSME obligations. Augustinus & Oktavini (2024) found a positive correlation between

the variable reduction of final PPh tax rates and the tax compliance of MSME obligations. However, these findings are not in line with other research (Putri & Trisnaningsih, 2023), which stated that the increase in final PPh tax rates does not affect the tax obligations of MSMEs.

The Influence of Tax Sanctions (X3) on Taxpayer Compliance (Y)

According to the completed hypothesis test results, the tax sanction produced results similar to those in table 4.13, which showed a significance level of 0.607 > 0.05. Therefore, the research results indicate that tax sanctions do not significantly affect compliance with tax requirements. Thus, the four hypotheses are discussed in this study. It can be stated that tax sanctions do not significantly affect compliance with tax obligations. Consequently, taxpayers who are aware of the tax sanctions will not negatively impact taxpayer compliance. Tax sanctions that do not affect compliance with tax obligations can be explained by several factors. First of all, if the tax obligation establishes that the risk of sanctions is very high or the supervision is quite strict, they may not be willing to comply. The lack of clarity regarding the imposed sanctions can also lead to a lack of motivation, where mandatory taxes are not needed. Moreover, a negative attitude towards the tax system might lead us to believe that the existing sanctions are inaccurate, thereby extending the tax obligations. In times of economic hardship, daily financial needs are often prioritized over sleep patterns. If the benefits of paying taxes are not clear, then sanctions are not very effective in encouraging compliance. Therefore, tax sanctions become less effective in increasing compliance without the support of good supervision, education, and a positive understanding of the tax system.The results of this study are consistent with the research by Sofianti & Djoko Wahyudi (2022), which states that tax sanctions do not negatively impact the taxes needed by MSMEs. However, this study does not fully align with the findings of Augustinus and Oktavini (2024) and Tiswiyanti et al (2022) , which state that tax sanctions have a significant impact on mandatory taxes.

CONCLUSIONS AND RECOMMENDATIONS

This research aims to empirically demonstrate The impact of tax knowledge, Reduction of Final PPH Tax Rates, and Tax Sanctions on Taxpayer Compliance among Batik SMEs in Jambi City. Based on the results of the tests conducted, therefore, the conclusion is obtained as follows. Tax Understanding, Reduction of Final PPH Tax Rates, and Tax Sanctions significantly affect Taxpayer Compliance in batik SMEs in Jambi City. Tax Understanding significantly affects Taxpayer Compliance in batik SMEs in Jambi City. Reduction of Final PPH Tax Rates significantly affects Taxpayer Compliance in batik SMEs in Jambi City. Tax Sanctions do not significantly affect Taxpayer Compliance in batik SMEs in Jambi City.

FURTHER STUDY

Researchers can add several variables that may influence business success to achieve even better results in this study, such as the impact of tax service quality, tax service modernization, and so on.

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