



THE KNOWLEDGE ADVANTAGE: REVOLUTIONIZING TAX COMPLIANCE IN THE MSME SECTOR

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Abstract

This study aims to examine how tax knowledge influences tax compliance levels in the MSME sector. The method used is a systematic literature review applying the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) approach, which includes the collection and analysis of various academic sources, journals, and related articles published between 2019-2024. From 43 identified articles, 25 articles met the inclusion criteria for in-depth analysis. The analysis results show that increased tax knowledge is positively related to increased tax compliance among MSME actors. This relationship is mediated by factors such as attitudes toward taxation, perceptions of tax fairness, and tax awareness. The main obstacles faced in strengthening tax knowledge in the MSME sector include the complexity of tax regulations, lack of education and training, and limited resources. This article suggests strategies to improve tax knowledge in the MSME sector, including simplification of tax regulations, development of continuous education programs tailored to MSME characteristics, and utilization of digital technology to expand access to tax information.

Keywords: SMEs, Systematic Literature Review, Tax Compliance, Tax Knowledge

INTRODUCTION

Taxes are a primary source of state revenue used to finance various public needs, such as infrastructure, education, and healthcare. Therefore, tax compliance plays an important role in maintaining state financial stability. Low tax compliance can lead to budget deficits and hinder national development. On the other hand, the MSME sector plays an important role in Indonesia's economy, both in terms of employment absorption and contribution to Gross Domestic Product (GDP). According to data from the Ministry of Cooperatives and SMEs (2023), the MSME sector contributes about 61% of Indonesia's GDP and absorbs up to 97% of the total workforce. However, one of the main challenges faced by this sector is the relatively low level of tax compliance.

Based on data from the Directorate General of Taxes (2022), of the approximately 64.2 million MSMEs operating in Indonesia, only about 2.3 million are registered as taxpayers with a Tax ID Number (NPWP), and of that number, less than 50% regularly file Annual Tax Returns. This phenomenon of low tax compliance is a serious concern for the government, given the large potential tax revenue from the MSME sector.

Tax knowledge plays a crucial role in encouraging tax compliance. Tax knowledge includes understanding tax obligations, reporting procedures, and the benefits of tax compliance itself. Research conducted by Kurniawan (2020) shows that increasing tax knowledge can reduce errors in tax reporting and increase taxpayer awareness of the importance of fulfilling their tax obligations. Higher levels of tax knowledge among MSMEs are positively associated with higher levels of tax compliance.

Several empirical studies have identified factors influencing tax knowledge and tax compliance among MSMEs. According to Putri and Setiawan (2019), tax education and training have a significant impact on increasing tax knowledge, which in turn increases tax compliance.



Additionally, Susanto (2020) identified that access to information and socialization of tax policies play an important role in increasing tax knowledge in the MSME sector.

In the Indonesian context, MSME tax policies have undergone several significant changes. Since the implementation of Government Regulation No. 23 of 2018, which reduced the final income tax rate for MSMEs from 1% to 0.5%, the government has sought to encourage tax compliance in this sector. However, challenges in disseminating effective tax information and adequate education for MSME actors remain major obstacles to improving tax compliance.

This article aims to examine in depth how tax knowledge can function as a determining factor in improving tax compliance in the MSME sector through a systematic literature study. This research contributes to the literature by: (1) analyzing the relationship between tax knowledge and tax compliance in the MSME sector based on recent studies; (2) identifying factors that influence tax knowledge in the MSME sector; and (3) examining barriers to increasing tax knowledge among MSME actors and proposing strategies to overcome them.

LITERATURE REVIEW

Tax Knowledge

Tax knowledge is the understanding and information possessed by individuals or organizations regarding taxation aspects that play an important role in influencing tax compliance behavior. This concept has been the focus of various research in the field of taxation.

Bornman and Ramutumbu (2019) define tax knowledge as knowledge of tax regulations and procedures possessed by taxpayers. According to them, this knowledge includes three main components: (1) general understanding of taxation, (2) tax compliance procedures, and (3) legal knowledge related to tax regulations. By having in-depth knowledge of taxation, taxpayers can better understand their rights and obligations, which in turn can increase compliance levels.

Pham et al. (2021) emphasize that good tax knowledge is essential for individuals to understand how the tax system works and make appropriate decisions when filing tax returns. They also note that tax knowledge can become complicated when dealing with more complex aspects of taxation, such as income tax progressivity or special provisions that apply to certain types of businesses.

In the MSME context, Salawati et al. (2021) divide tax knowledge into two categories: general knowledge and technical knowledge. General knowledge includes understanding the function of taxes, the purpose of tax collection, and the benefits of taxes for national development. Meanwhile, technical knowledge includes understanding how to calculate, report, and pay taxes, including understanding applicable tax rates, payment deadlines, and penalties for late payment or negligence.

It should be noted that although Wibowo, Karamoy, and Lambey (2022) found no significant influence between the self-assessment system with tax knowledge on individual taxpayer compliance, many other studies show a positive relationship between tax knowledge and tax compliance, especially in the MSME context. This indicates that the influence of tax knowledge on compliance may vary depending on the context and characteristics of the taxpayer.

Tax Compliance

Tax compliance is a fundamental aspect of an effective and sustainable tax system. This concept shows that individuals and companies who are taxpayers fulfill their tax obligations in accordance with applicable laws and regulations.

Kesaulya and Pesireron (2019) identify three main components of tax compliance: tax knowledge, tax penalties, and taxpayer awareness. Their research shows that good knowledge about taxation and the threat of penalties have a significant influence in increasing taxpayer



compliance, while taxpayer awareness does not significantly affect compliance. These findings emphasize the importance of tax education and law enforcement in improving compliance.

Using the Theory of Planned Behavior (TPB), Saputra (2019) examined factors that influence tax compliance. His research results show that tax compliance is influenced by taxpayer attitudes, subjective norms, and perceived behavioral control. Positive attitudes toward tax compliance and good perceptions of behavioral control contribute to the intention to behave compliantly toward taxes. However, subjective norms are not significant in influencing this intention. This shows that the decision to comply with taxes is more influenced by internal factors (attitudes and perceptions of control) than social pressure (subjective norms).

Nurazhari and Halimatusadiah (2023) define tax compliance as taxpayer awareness in carrying out tax obligations by complying with tax regulations. They found that factors such as tax knowledge and the quality of tax services play an important role in improving compliance. Good service from tax authorities can increase taxpayer trust in the tax system, which in turn increases compliance.

Brown and Lee (2022) developed a more comprehensive tax compliance model that distinguishes between formal and material compliance. Formal compliance refers to adherence to procedural aspects of taxation, such as registration, timely reporting, and payment. Meanwhile, material compliance relates to the substantial correctness of the reported information, including accurate tax calculations and reporting of all taxable income. In the MSME context, Brown and Lee found that formal compliance is relatively easier to achieve compared to material compliance, which requires a deeper understanding of tax regulations.

MSME Characteristics

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, especially in job creation, innovation, and local economic growth. Understanding the characteristics of MSMEs related to taxation is key to formulating effective tax policies and providing the necessary support for this sector.

Thaha et al. (2023) identify limited resources as one of the main characteristics of MSMEs. MSMEs generally operate with limited financial and human resources. This often results in a lack of knowledge and understanding of tax obligations. These limitations also affect the ability of MSMEs to effectively manage tax administration, potentially leading to non-compliance or errors in tax reporting.

Another important characteristic is simple and unstructured administration. According to Thaha et al. (2023), MSMEs typically have simpler and less structured administrative systems compared to large companies. This includes incomplete or less organized financial records, which can make it difficult to meet tax reporting requirements accurately and on time. Puspasari et al. (2021) studied MSME perceptions of taxes and found that MSMEs often have negative perceptions of the taxes imposed. These perceptions encompass several aspects: (1) distrust of the government in managing tax funds, (2) misclassification leading to disproportionate tax burdens, (3) unfair treatment compared to large companies, and (4) inadequate incentives to encourage compliance.

Judith et al. (2022) emphasize the relationship between tax practices and MSME survival. They found that complex tax practices and layered tax burdens can hinder the survival and growth of MSMEs. Taxes that do not match the MSMEs' ability to pay and high tax administration costs are major constraints. This study also identified that MSMEs that successfully manage their tax obligations tend to perform better business-wise in the long term. Garcia and Martinez (2021) analyzed MSME characteristics from a geographical perspective and found that MSMEs in urban areas have better access to tax information and consulting services compared to MSMEs in rural areas. This creates gaps in the level of tax knowledge



and, ultimately, tax compliance. Their research highlights the importance of considering geographical factors in designing tax education strategies for MSMEs.

Theory of Tax Compliance Behavior

The theory of tax compliance behavior is a concept in economics and psychology that explains why and how individuals or companies fulfill their tax obligations. Several key theories relevant to this research are:

Theory of Planned Behavior (TPB)

TPB, developed by Ajzen (1991), is one of the most frequently used theories to understand tax compliance behavior. This theory explains that a person's behavior is determined by the individual's intention to take a certain action. This intention is influenced by three main factors: (1) attitude toward behavior, (2) subjective norms, and (3) perceived behavioral control. In the context of taxation, Saputra (2019) applied TPB to explain tax compliance in Indonesia. His research results show that attitudes toward tax compliance are shaped by taxpayer beliefs regarding tax compliance, encompassing everything they know, believe, and experience related to the implementation of applicable tax regulations. These beliefs produce attitudes that can be positive or negative toward tax compliance, which then influence taxpayer intentions to comply or not comply with existing tax regulations.

Economic Deterrence Theory

This theory, which is rooted in the traditional economic model, assumes that individuals are rational agents who make decisions based on cost-benefit calculations. In the context of taxation, this theory explains that taxpayers will comply with tax rules if the benefits of compliance (e.g., avoiding fines or penalties) outweigh the costs (e.g., the tax payment itself). Anugrah and Fitriandi (2022) tested this theory in the Indonesian context and found that factors such as audit probability, magnitude of punishment, and tax rates have a significant influence on tax compliance decisions. However, they also noted that the pure economic model is not sufficient to explain tax compliance behavior, especially among MSMEs, where non-economic factors also play an important role.

Slippery Slope Framework

The Slippery Slope Framework, introduced by Kirchler, Hoelzl, and Wahl (2008), integrates economic and social psychology perspectives to understand tax compliance. This model states that tax compliance is influenced by two main factors: trust in tax authorities and the power of tax authorities.

Permatasari and Wulandari (2023) applied this framework to analyze tax compliance in the MSME sector and found that both trust and power have a positive impact on tax compliance. However, they also noted that among MSMEs, trust has a stronger effect compared to power, indicating the importance of building cooperative relationships between tax authorities and MSME actors.

Social Learning Theory

This theory, developed by Bandura (1977), states that individuals learn through observation, imitation, and reinforcement. In the context of taxation, this theory explains that tax compliance behavior can be learned through social interaction and observation of others' behavior.

Kurniawan (2020) used this theory to explain how tax education can influence tax compliance. His research results show that the learning environment, including formal education and tax training, plays an important role in shaping tax knowledge and compliance behavior. This emphasizes the importance of effective education programs to improve tax compliance among MSMEs.

Relevant Tax Compliance Models



In tax compliance analysis, several models have been developed to understand and improve taxpayer compliance, especially in the MSME sector. The following are tax compliance models relevant to this research:

Economic Model or Deterrence Compliance Model

This model, which is rooted in traditional economic theory, assumes that taxpayers make decisions based on cost-benefit calculations. Factors considered in this model include audit probability, magnitude of punishment, and tax rates.

Purwanti et al. (2023) tested this model in the context of VAT rate increases and their impact on MSME tax compliance in Bekasi. They found that tax rate increases have a negative impact on compliance, especially if not balanced with increased audit probability and enforcement of sanctions. This shows the importance of balance between tax rate policies and law enforcement strategies.

Behavioral Tax Compliance Model

This model combines economics and psychology to understand tax compliance behavior, paying attention to aspects such as cognitive biases, heuristics, and emotions. Linawati and Widyastuti (2024) conducted a systematic literature study on tax compliance models and found that behavioral models provide a more comprehensive explanation of tax compliance behavior compared to traditional economic models.

They identified several behavioral factors that influence tax compliance, including availability heuristics, where taxpayers may be more compliant if they hear more stories about arrests and punishments for non-compliance, and optimism bias, where taxpayers may underestimate the risk of audit and punishment.

Slippery Slope Framework Tax Compliance Model

This model, developed by Kirchler et al. (2008), combines elements from economic and sociological models, and suggests that compliance is influenced by two main factors: the power of tax authorities and trust in tax authorities.

Rahayu and Pratama (2024) applied this model to analyze factors influencing tax compliance among MSMEs. They found that both power and trust have a positive impact on tax compliance. However, they also noted that the interaction effect between power and trust is negative, indicating that power may be less effective in increasing compliance when trust is already high, and vice versa.

Fiscal Motivation Model

This model emphasizes the importance of fiscal motivation or motivation related to fiscal (state finance), which includes tax awareness and transparency in tax usage. Setiawan and Hartono (2022) examined the role of tax knowledge in influencing tax compliance behavior among Indonesian MSMEs and found that good tax knowledge can increase fiscal motivation, which in turn increases tax compliance.

They also identified that transparency in the use of tax funds is an important factor influencing fiscal motivation. MSMEs are more likely to comply if they believe that taxes are used wisely and transparently for public interests.

Previous Research

Several previous studies have examined the relationship between tax knowledge and tax compliance, especially in the MSME context. Here are some relevant studies that form the basis for this review:

Kurniawan (2020) in his research examined the impact of tax education on knowledge and tax compliance. Using a quantitative approach and a survey of 300 respondents who had completed higher education, this study found that tax education in higher education has a significant impact on individual tax knowledge and compliance. The results show that tax education directly increases understanding of taxation, which then contributes to increased



personal tax compliance. Additionally, the implementation of tax education in universities and cooperation between universities and the Directorate General of Taxes also play an important role in improving tax compliance. This research underscores that tax education can enhance tax knowledge and influence taxpayer compliance behavior, in line with social learning theory, which states that the environment influences cognition and behavior.

Zulma (2020) in his research used a quantitative approach with a sample of 150 MSME actors from various sectors in Indonesia. This study found that good tax administration has a positive impact on tax compliance. Transparent, accountable, and effective tax administration can increase taxpayer trust and ultimately improve tax compliance. Effective tax penalties were also found to have a positive impact on tax compliance, but high tax rates did not significantly affect tax compliance during the COVID-19 pandemic because of the many rate relief measures provided by the government during this period. This research affirms the importance of continuous tax reform by the government to increase trust and compliance of taxpayers in the MSME sector.

Wujarso, Saprudin, and Napitupulu (2020) in their research used a quantitative method with questionnaires distributed to 60 MSME actors in Jakarta. The results showed that tax knowledge and tax penalties have a significant influence on the compliance of micro, small, and medium enterprise taxpayers in Jakarta. Increasing tax knowledge and applying appropriate tax penalties can increase the level of taxpayer compliance. Tax knowledge possessed by taxpayers helps them better understand tax obligations, while tax penalties serve as reminders and deterrents to tax violations. Both factors together contribute significantly to increasing taxpayer compliance in Jakarta. This research emphasizes the importance of the role of government and stakeholders in providing education and fair sanctions to achieve national development goals and improve public welfare.

Nugroho (2019) in his research used a quantitative approach with a sample of 120 MSME actors in Yogyakarta. This study found that tax knowledge has a positive and significant influence on MSME tax compliance. Nugroho identified three dimensions of tax knowledge that influence: knowledge of general tax provisions, knowledge of the tax system, and knowledge of tax functions. The research results show that of these three dimensions, knowledge of tax functions has the strongest influence on tax compliance. This indicates that MSMEs that understand well how taxes are used for development and public welfare tend to be more compliant in fulfilling their tax obligations.

Salawati et al. (2021) in their research used a mixed method approach with a combination of a survey of 250 MSMEs and in-depth interviews with 15 MSME owners in Malaysia. The results showed that tax knowledge positively correlates with tax compliance motivation. They identified that technical tax knowledge has a greater impact on compliance compared to general tax knowledge. Additionally, this study also found that tax knowledge mediates the relationship between tax awareness and tax compliance. In other words, high tax awareness will be more effective in increasing tax compliance if accompanied by adequate tax knowledge.

Garcia and Martinez (2021) in their research analyzed data from 400 MSMEs in four Southeast Asian countries, including Indonesia. They found significant variations in the level of tax knowledge based on geographical location, with MSMEs in urban areas showing higher levels of tax knowledge compared to those in rural areas. This research also identified the important role of social networks and business communities in disseminating tax knowledge among MSMEs.

METHODS



This research uses a systematic literature review method that follows the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) approach. This approach was chosen to ensure the literature review is conducted comprehensively, systematically, and transparently, thus providing valid and replicable results.

Search Strategy

The literature search was conducted on several main academic databases, including Scopus, Web of Science, Google Scholar, and the Indonesian Scientific Journal Database (ISJD) for the publication period 2019-2024. Keywords used in the search consisted of combinations of the following terms:

- In Indonesian: "pengetahuan pajak", "tax knowledge", "kepatuhan pajak", "UMKM", "UKM", "usaha kecil", "perpajakan UMKM"
- In English: "tax knowledge", "tax literacy", "tax compliance", "SMEs", "small business", "small and medium enterprises", "tax behavior"

Inclusion and Exclusion Criteria

Inclusion criteria:

1. Articles published in peer-reviewed journals or academic conference proceedings
2. Published between 2019-2024
3. Publication language: Indonesian or English
4. Discusses the relationship between tax knowledge and tax compliance
5. Research subjects include MSMEs

Exclusion criteria:

1. Articles not published in journals or conference proceedings
2. Publications before 2019
3. Does not focus on tax knowledge or tax compliance
4. Research subjects are not MSMEs

Selection Process

The article selection process was conducted in several stages:

1. Identification: Initial search using keywords yielded 43 potential articles
2. Screening: After removing duplications, 38 articles remained for review
3. Eligibility: Review of abstracts and methodology left 25 articles that met the criteria
4. Inclusion: 25 articles were analyzed in depth for synthesis in this literature review

Data Analysis

Data analysis was conducted with a narrative synthesis approach that includes:

1. Organization of findings based on main themes (relationship between tax knowledge and tax compliance, factors influencing tax knowledge, barriers to improving tax knowledge)
2. Comparative analysis of findings between studies, including consistencies and contradictions
3. Synthesis of findings to produce comprehensive conclusions

To ensure the quality of the analysis, we used a study quality assessment framework that includes methodology, sample size, internal validity, and relevance of findings to the MSME context in Indonesia.

RESULTS AND DISCUSSION

The Influence of Tax Knowledge on Tax Compliance

Tax knowledge refers to an individual's understanding of tax rules, regulations, and obligations. Based on the literature review conducted, there is strong evidence showing that increasing tax knowledge has a positive and significant influence on tax compliance in the MSME sector.



Understanding Tax Regulations and Procedures

A good understanding of tax regulations and procedures is a fundamental component of tax knowledge that influences compliance. Kurniawan (2020) in his research highlights the significant influence of tax knowledge on tax compliance. The results of this research show that tax education obtained during higher education plays a major role in increasing individual tax knowledge, which ultimately increases their tax compliance.

An important finding from this research is that individuals with better tax knowledge tend to have higher levels of tax compliance. They better understand tax rules and regulations as well as their obligations as taxpayers. This makes them more capable and more likely to fulfill their tax obligations correctly and on time.

Attitudes and Compliance Motivation

Tax knowledge not only increases technical understanding of taxation but also shapes positive attitudes toward tax compliance. Taxpayers who understand the benefits and importance of taxes for national development show higher motivation to comply in reporting and paying taxes.

Zulma (2020) in his research found that tax knowledge has a positive impact on tax compliance. Tax knowledge includes information that can be used by taxpayers as a basis for acting, making decisions, and taking certain strategies related to fulfilling their tax rights and obligations. If taxpayers do not have a good understanding, they are most likely unaware of the importance of fulfilling their tax rights and obligations.

Setiawan and Hartono (2022) strengthen this finding by showing that good tax knowledge can increase fiscal motivation, which is the motivation to contribute to national development through tax payments. They found that MSMEs with good tax knowledge better understand how the taxes they pay are used for public interests, which in turn increases their motivation to comply.

Reduction of Uncertainty and Errors

Good tax knowledge helps reduce uncertainty and confusion often felt by taxpayers. By understanding tax regulations and procedures, individuals can avoid errors in tax reporting and payment, which indirectly increases their tax compliance.

Wujarso, Saprudin, and Napitupulu (2020) in their research found that tax knowledge has a significant influence on taxpayer compliance. This research focused on micro, small, and medium enterprise business actors in the Special Capital Region of Jakarta. From 60 respondents obtained, the data was then tested using various statistical methods. The research results show that tax knowledge influences taxpayer compliance.

Brown and Lee (2022) strengthen this finding by showing that MSMEs with good tax knowledge are better able to overcome the complexity of tax regulations and make appropriate decisions related to their tax obligations. This reduces the risk of unintentional errors and increases compliance, both formal (procedural) compliance and material (substantial) compliance.

Mediation and Moderation

Several studies also identify factors that mediate or moderate the relationship between tax knowledge and tax compliance. Salawati et al. (2021) found that tax knowledge mediates the relationship between tax awareness and tax compliance. In other words, high tax awareness will be more effective in increasing tax compliance if accompanied by adequate tax knowledge.

Rahayu and Pratama (2024) identify that trust in tax authorities moderates the relationship between tax knowledge and tax compliance. They found that the influence of tax knowledge on tax compliance is stronger when taxpayers have high trust in tax authorities. This emphasizes the importance of building trust between tax authorities and MSME actors to maximize the effectiveness of tax education programs.



Based on the literature review, it can be concluded that tax knowledge plays a crucial role in increasing tax compliance in the MSME sector. By understanding tax rules and regulations well, having a positive attitude toward tax obligations, and reducing uncertainty, taxpayers can fulfill their tax obligations more effectively. Increasing tax knowledge through effective education and access to relevant information is key to achieving higher levels of tax compliance in the MSME sector.

Factors Influencing Tax Knowledge in the MSME Sector

Based on the literature review, there are several key factors that influence the level of tax knowledge among MSME actors:

Tax Education and Training

Formal education and tax training are important components in increasing tax knowledge in the MSME sector. Fauziyah and Rahayu (2019) identified a positive correlation between the education level of MSME owners and their tax compliance level. In a study involving 150 MSMEs in West Java, they found that education level has a positive correlation ($r = 0.65$, $p < 0.01$) with the level of tax knowledge.

Safitri and Hartono (2020) strengthen this finding by showing that regular and relevant tax training improves MSMEs' ability to understand and fulfill tax obligations. In an experimental study with 80 MSMEs, the group that received structural tax training for 10 weeks showed a significant increase in tax knowledge compared to the control group (42% increase vs. 7%, $p < 0.001$). This demonstrates the effectiveness of training in increasing tax knowledge.

Kurniawan (2020) also sharpens this understanding by showing that formal tax education in higher education institutions contributes significantly to tax knowledge. In his study, students who took taxation courses showed higher levels of tax knowledge and, after graduating, also showed higher levels of tax compliance.

Tax Socialization and Education

Tax socialization and education conducted by tax authorities are effective strategies for increasing tax knowledge among MSMEs. Pratama (2020) found that tax education programs conducted regularly and structurally successfully increased understanding and tax compliance among MSME actors. In his longitudinal study, areas that received intensive tax education programs showed an increase in tax compliance rates of 27% in two years, compared to 8% in control areas.

Additionally, Pratama (2020) also identified that interactive and easy-to-understand delivery methods play an important role in the effectiveness of education. Education that uses direct approaches, such as workshops or seminars, showed higher knowledge retention rates (68% retention after 6 months) compared to print media-based education (31% retention).

Access to Information

Ease of access to information regarding tax regulations and policies greatly influences the level of tax knowledge among MSMEs. Rahayu (2020) in her study of 200 MSMEs in five major cities in Indonesia found that MSMEs that proactively seek information through various sources (average 3.2 sources) tend to have better tax knowledge compared to those that are passive (average 1.1 sources).

Setiawan (2020) strengthens this finding by showing that digitalization of tax services increases accessibility and understanding of MSME actors toward their tax obligations. In his study, MSMEs that use digital tax applications showed a 42% higher level of understanding of tax procedures compared to those using traditional methods. This shows the important role of technology in facilitating access to tax information.

Business Experience

Experience in running a business also influences the level of tax knowledge of MSME actors. Handayani and Purba (2021) in a cross-sectional study of 300 MSMEs showed that



MSME actors with more than five years of business experience have significantly higher tax compliance rates (76%) compared to actors who are just starting their businesses (44%). Their regression analysis shows that each addition of one year of business experience is associated with a 3.2% increase in tax knowledge scores.

Lengthy business experience enables MSME actors to learn from previous practices and develop more effective strategies in managing tax obligations. They are more likely to have good administrative and record-keeping systems, which facilitate the process of tax reporting and payment.

Tax Motivation and Awareness

Motivation and awareness of the importance of taxes for national development are also key factors that influence the level of tax knowledge among MSMEs. Ardiansyah (2019) in his study of 180 MSMEs in East Java noted that MSME actors who have high motivation scores to contribute to national development (score > 7.5 out of 10) show 35% higher tax compliance rates compared to those with low motivation scores (< 5 out of 10).

Salawati et al. (2021) strengthen this finding by showing that tax awareness has an indirect effect on tax compliance through tax knowledge. They found that high tax awareness encourages MSMEs to actively seek information and increase their tax knowledge, which in turn increases tax compliance.

Tax Consultant Support

The use of tax consultant services can help MSME actors in understanding and managing their tax obligations better. Suparno (2021) in his study of 120 MSMEs showed that MSMEs that use tax consultant services tend to have higher tax compliance rates (83%) compared to those that do not use consultant services (61%).

Tax consultants play a role in helping MSME actors navigate complex and frequently changing tax regulations. Suparno (2021) also found that MSMEs that use tax consultant services receive tax information updates more frequently (average 8.2 times per year) compared to those that do not use consultant services (average 2.4 times per year).

Technology and Digitalization

The use of technology and digitalization in tax administration also influences the level of tax knowledge. Setiawan (2020) in his study of 250 MSMEs in six major cities in Indonesia found that MSMEs that use digital tax applications reported lower levels of difficulty in understanding and fulfilling tax obligations (average difficulty score 4.2 out of 10) compared to those using traditional methods (average difficulty score 7.8 out of 10).

Digitalization not only facilitates the process of tax reporting and payment but also provides access to information and education that can be accessed anytime. In Setiawan's (2020) study, MSMEs that use digital tax applications access tax information 3.5 times more frequently compared to those that do not use applications.

Based on the literature review, it can be concluded that various factors influence the level of tax knowledge in the MSME sector, ranging from formal education and training to the use of digital technology. A comprehensive understanding of these factors is very important for designing effective strategies in increasing tax knowledge among MSMEs, which will ultimately encourage higher tax compliance.

Barriers to Improving Tax Knowledge in the MSME Sector

Increasing tax knowledge in the MSME sector faces several significant barriers that need to be overcome to improve tax compliance levels. Based on the literature review, here are the main barriers identified:

Lack of Education and Training

One of the main barriers to increasing tax knowledge in the MSME sector is the lack of adequate education and training. Based on a study conducted by Fauziyah and Rahayu (2019),



about 68% of MSME owners in Indonesia do not have a formal educational background in taxation or accounting, making it difficult for them to understand applicable tax rules and obligations.

Pratama (2020) strengthens this finding by showing that only 23% of MSMEs have ever participated in formal tax training. The lack of access to relevant and affordable tax training makes it difficult for them to effectively increase knowledge. This study also identifies geographical gaps in access to tax education, where MSMEs in urban areas have much better access compared to those in rural areas.

Safitri and Hartono (2020) add that even when training is available, often the training materials are not tailored to the specific needs of MSMEs, which have different characteristics from large companies. This makes training less effective in increasing tax understanding among MSMEs.

Complexity of Tax Regulations

The complexity of tax regulations often becomes a barrier for MSMEs in increasing tax knowledge. Zulma (2020) in his study found that 72% of MSME respondents reported difficulty in understanding applicable tax regulations. Tax regulations that frequently change and are complex make it difficult for MSME owners to keep up with the latest developments.

Puspasari et al. (2021) through a qualitative approach with the ZMET (Zaltman Metaphor Elicitation Technique) method revealed that MSME actors often describe tax regulations as a "labyrinth" or "jungle" that is difficult to navigate. This shows that the perceived level of complexity is very high and creates psychological barriers in efforts to understand and comply with tax regulations.

Judith et al. (2022) strengthen this finding by identifying that frequent changes in tax regulations without adequate socialization create confusion among MSMEs. In their study, nearly 80% of respondents admitted to not knowing the latest changes in tax regulations relevant to their business.

Low Tax Awareness

Low tax awareness among MSME actors also becomes a barrier to increasing tax knowledge. Ardiansyah (2019) found that 56% of MSME actors have low levels of tax awareness, indicated by a limited understanding of the importance of taxes for national development.

Salawati et al. (2021) identified a causal relationship between tax awareness, tax knowledge, and tax compliance. They found that low tax awareness reduces motivation to increase tax knowledge, which in turn lowers compliance levels. Without sufficient awareness about the importance of taxes, MSME actors tend not to be proactive in seeking information and increasing their tax knowledge.

Setiawan and Hartono (2022) add that negative perceptions of tax fund usage also contribute to low tax awareness. In their study, 64% of MSME respondents expressed doubts about whether the taxes they pay are actually used for public interests.

Limited Resources

MSMEs often have limited resources, both in terms of finances and time, which become barriers to increasing tax knowledge. Thaha et al. (2023) found that 78% of MSMEs do not have specialized staff handling taxation, and 83% of MSME owners handle tax affairs themselves alongside managing daily business operations.

Suparno (2021) identified that the cost of obtaining tax consultant services is often considered too expensive by most MSMEs. In his study, only 17% of MSMEs regularly use tax consultant services, while 72% stated that consultation costs are a major barrier.

Handayani and Purba (2021) strengthen this finding by showing a correlation between MSME size and resource allocation for tax management. In their study, micro MSMEs allocate an average of only 1.2 hours per week for tax management, compared to 4.5 hours for small



MSMEs and 8.7 hours for medium MSMEs. This shows that resource limitations, especially among micro MSMEs, significantly affect their ability to increase tax knowledge and compliance.

Less Supportive Technology

The use of less supportive technology in financial management and taxation also becomes a barrier for MSMEs in increasing tax knowledge. Setiawan (2020) found that 65% of MSMEs still use manual methods in financial recording, and only 22% use modern accounting software.

Furthermore, Setiawan (2020) identified that among MSMEs that have adopted digital technology, only 38% use specialized tax applications. Limitations in technological infrastructure and digital skills among MSMEs create barriers in accessing tax information and using online tax services.

Rahayu (2020) adds a geographical dimension to this technology barrier by showing that MSMEs in areas with limited internet infrastructure face greater barriers in accessing digital tax services. In her study, the penetration of digital tax service usage in rural areas only reached 12%, compared to 47% in urban areas.

Recommendations for Strategies to Increase Tax Knowledge in the MSME Sector

Based on the analysis of barriers and factors influencing tax knowledge, here are recommendations for strategies to increase tax knowledge in the MSME sector:

Simplification of Tax Regulations

Given that the complexity of tax regulations is a significant barrier, simplification of tax regulations and procedures becomes an important strategy. Simpler and easier-to-understand tax regulations will increase information accessibility and reduce the cognitive burden for MSME actors in understanding their tax obligations.

Zulma (2020) suggests a segmentation approach in tax regulations, where regulations are grouped based on MSME size and characteristics to ensure relevance and ease of understanding. This approach will enable tax authorities to develop regulations that are more suitable for the specific needs of various types of MSMEs.

Tailored Education Programs

Developing education programs tailored to the needs and characteristics of MSMEs is an effective strategy for increasing tax knowledge. Safitri and Hartono (2020) suggest a modular approach in tax education, where educational materials are divided into small modules that can be accessed according to the specific needs of MSMEs.

Kurniawan (2020) emphasizes the importance of collaboration between higher education institutions and tax authorities in developing taxation curricula that are relevant to the MSME context. This collaboration can produce educational materials that combine strong theoretical frameworks with practical applications relevant to MSMEs.

Pratama (2020) adds that delivery methods also need to be adapted to MSME characteristics. Education programs that use active learning approaches, case studies, and practical simulations have proven to be more effective in increasing tax knowledge among MSMEs compared to traditional methods that focus on lectures.

Utilization of Digital Technology

With technological developments, the use of digital platforms to disseminate tax information and facilitate tax administration becomes an increasingly important strategy. Setiawan (2020) highlights the potential of mobile tax applications in increasing the accessibility of information and tax services for MSMEs.

Rahayu (2020) suggests the development of tax chatbots that can provide instant answers to common questions about MSME taxation. This technology can help overcome time and human resource limitations in providing tax consulting services for MSMEs.



Garcia and Martinez (2021) affirm the importance of considering the digital divide in developing technology solutions. They suggest a gradual approach in digitizing tax services, while maintaining traditional options for MSMEs that are not ready for digital transformation.

Strengthening Support Networks

Building support networks for MSMEs in tax management can help overcome resource limitations. Suparno (2021) suggests the development of subsidized tax consultation programs for MSMEs, where the government bears part of the consultation costs to encourage MSMEs to utilize these services.

Handayani and Purba (2021) emphasize the importance of building communities of practice among MSME actors to share knowledge and experience in tax management. These communities can facilitate peer learning, which is often more effective in the MSME context.

Incentive System Reform

Developing an incentive system that encourages increased tax knowledge and compliance can be an effective strategy. Ardiansyah (2019) suggests reward programs for MSMEs with high tax compliance, which can increase motivation to learn and comply with tax regulations.

Puspasari et al. (2021) add that transparency in the use of tax funds can also function as an indirect incentive to increase tax knowledge and compliance. They suggest the development of a system that allows taxpayers to track how the taxes they pay are used for development, especially in sectors relevant to MSMEs.

CONCLUSION

Summary

Based on the systematic literature review conducted, it can be concluded that tax knowledge has a positive and significant influence on tax compliance in the MSME sector. A good understanding of tax regulations, procedures, and benefits enables MSME actors to fulfill their tax obligations more effectively and reduce the risk of unintentional non-compliance.

Several key factors that influence the level of tax knowledge among MSMEs include: (1) access to tax education and training, (2) socialization and education from tax authorities, (3) ease of information access, (4) business experience, (5) tax motivation and awareness, (6) support from tax consultants, and (7) the use of digital technology in tax administration. Understanding these factors is important for designing effective strategies to increase tax knowledge in the MSME sector.

This study also identifies several main barriers to increasing tax knowledge among MSMEs, including: (1) lack of relevant and affordable education and training, (2) complexity of tax regulations, (3) low tax awareness, (4) resource limitations, and (5) limited technology adoption. These barriers need to be addressed through an integrated approach involving various stakeholders, including the government, educational institutions, business associations, and MSME actors themselves.

Based on this analysis, several key strategies for increasing tax knowledge in the MSME sector include: (1) simplification of tax regulations and procedures, (2) development of education programs tailored to MSME needs, (3) utilization of digital technology to expand access to tax information and services, (4) strengthening support networks for MSMEs in tax management, and (5) reform of the incentive system to encourage learning and tax compliance. This research makes a significant contribution to the literature by providing a comprehensive analysis of the relationship between tax knowledge and tax compliance in the MSME sector, as well as identifying factors and barriers that influence tax knowledge. These findings can be the basis for developing more effective policies and programs in improving tax compliance in the



MSME sector, which will ultimately contribute to increasing state revenue and sustainable economic development.

Suggestions

Based on the findings from this systematic literature review, here are suggestions for various stakeholders:

For Government and Tax Authorities

1. Simplify tax regulations and procedures for MSMEs, with a focus on clearer, more consistent, and easier-to-understand regulations.
2. Enhance tax socialization and education with methods tailored to MSME characteristics, including the use of simple language and relevant practical examples.
3. Develop user-friendly digital platforms to facilitate access to tax information and tax administration services for MSMEs.
4. Strengthen collaboration with educational institutions, business associations, and civil society organizations in developing and disseminating tax education materials.
5. Increase transparency in tax fund management and clearly communicate how taxes are used for development relevant to MSMEs.

For MSME Actors

1. Proactively seek information and increase tax knowledge through various available sources, including training, seminars, and online sources.
2. Consider using digital technology and tax applications to facilitate tax administration and compliance.
3. Join business associations or communities of practice to share knowledge and experience in tax management.
4. Consider adequate resource allocation for tax management, including investment in staff training or the use of tax consultant services if necessary.

For Educational and Training Institutions

1. Develop taxation curricula relevant to the MSME context, with a focus on practical applications and realistic case studies.
2. Strengthen collaboration with tax authorities and business associations in developing and delivering tax training programs.
3. Adopt innovative and interactive learning methods, such as simulations and problem-based learning, to increase the effectiveness of tax education.

For Future Researchers

1. Conduct empirical research to test the effectiveness of various strategies in increasing tax knowledge and compliance in the MSME sector.
2. Further explore contextual factors that moderate the relationship between tax knowledge and tax compliance, such as culture, trust in government, and social norms.
3. Develop and validate comprehensive tax knowledge measurement instruments relevant to the MSME context in Indonesia.
4. Conduct longitudinal studies to understand how tax knowledge and compliance develop over time, especially in response to policy changes and tax reforms.
5. Use a mixed-method approach to gain a deeper understanding of how MSME actors acquire, interpret, and apply tax knowledge in their business context.

Implementation of these suggestions will require strong collaboration between various stakeholders and an integrated approach that considers the complexity of factors influencing tax knowledge and compliance in the MSME sector.



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