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Determinants of tax compliance behavior among central Java SMEs: The mediating role of intention to comply

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Abstract

Research aims: This study aims to prove the effect of tax compliance attitude, subjective norms, and perceived financial performance on the intention to comply. Furthermore, the study analyzes the effect of perceived financial performance and intention to comply with tax compliance behavior.

Design/Methodology/Approach: This study used a quantitative approach with primary data from distributing questionnaires. The samples collected were 150 SMEs of Semarang City, Semarang Resident, Demak, and Kendal. The data were then analyzed employing Structural Equation Modeling calculated by Amos version 22.

Research findings: Empirical findings demonstrated that attitudes toward tax compliance, subjective norms, and perceived financial performance positively influenced the intention to comply. Furthermore, perceived financial performance and intention to comply positively contributed to compliance behavior.

Theoretical contribution/ Originality: This theoretical implication integrates the Theory of Planned Behavior and perceived financial performance as an alternative to perceived behavioral control.

Practitioner/Policy implication: This study concludes that intention to comply provides a mediating role in the determinants of tax compliance.

Research limitation/Implication: This research was limited by the unavailability of accurate data regarding the number of SMEs in Central Java, so sample calculations could not be done using a statistical approach. Future research is recommended to replicate this model in large companies by adding government policy as a moderating role in attitudes, subjective norms, and financial performance.

Keywords: Tax compliance attitude; Subjective norms; perceived financial performance; Intention to comply; Tax compliance behavior



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Introduction

Many countries, including Indonesia, rely on taxes as their main source of income (Said, 2017). Government revenues from tax revenues in 2022 were IDR 1,924.9 trillion out of IDR 2,436.9 trillion (BPS, 2023). Based on data from the Indonesia Ministry of Finance, taxes provided state revenues of IDR 1,400 trillion in Semester I-2023, equivalent to 57.2% of the total state revenue target in 2023 (Annur, 2023). Tax revenue as a percentage of state revenue in 80 countries ranges from 10.8% to 45.9%. In many Asian countries, the tax-to-gross domestic revenue ratio changed from 1.4% to 2.5% from 2017 to 2018 (Group, 2018).

However, tax compliance behavior remains problematic globally (Boateng et al., 2022) and in Indonesia (Hajawiyah et al., 2021). This is because the tax revenue ratio to the Gross Domestic Product (GDP) is still relatively lower than in other countries (Ikhsan et al., 2005). From 2017 to 2022, the tax reporting compliance ratio was not yet optimal and was still below 90% (Santika, 2023).

Specifically, in Indonesia, SME tax compliance remains comparatively low. This can be seen from the number of SMEs that pay the final income tax compared to the number of SMEs. The other indication is that the compliance of corporate taxpayers in submitting tax returns is still low compared to the number of registered corporate taxpayers (Lubis & Putri, 2020). In fact, since the reform of the tax law in Indonesia, the number of taxpayers, including SMEs, has increased (Inasius, 2015). In this case, even though the SME tax rate has decreased from 1% to 0.5%, the level of SME taxpayer compliance in Greater Semarang is still fluctuating and relatively low (Amin et al., 2019; Pranandika & Jaeni, 2023; Purnawan et al., 2019; Sari, 2019). Therefore, looking for determinant factors to increase the SMEs' tax compliance behavior is necessary.

This study is based on differences in research results regarding the influence of tax compliance attitudes and subjective norms on tax compliance behavior. This differs from previous research because it adds the intention to comply to mediate compliance behavior. Several studies based on the Theory of Planned Behavior (TPB) have shown that tax compliance attitude, subjective norms, and perceived behavioral control are a predictors of intention and behavior of SMEs tax compliance (Agusti & Rahman, 2023; Khozen & Setyowati, 2023; Nguyen, 2022; Taing & Chang, 2021). Other research has revealed that subjective norms did not affect the intention to comply with taxes (Alleyne & Harris, 2017; Anjani et al., 2016; Galib et al., 2018; Mustikasari, 2007). Research by Novianti and Dewi (2018) demonstrated that perceived behavioral control yielded a significant effect on the intention of non-compliant behavior; however, other studies uncovered that the effect was not significant on taxpayer compliance behavior (Bulutoding et al., 2020; Novianti & Dewi, 2018; Salman & Sarjono, 2013).

By substituting perceived behavior control with perceived financial performance as a determinant of tax compliance behavior, this study makes a third contribution to the existing body of knowledge. Azjen (1991) stated that perceived behavioral control is an individual's belief about how easy or difficult it is to carry out a behavior. Individuals who believe they have the ease of doing something because resources support them will have a strong intention to do something. Concerning tax compliance behavior, resources can be linked to financial performance. Companies with good financial performance tend to have the intention to comply with their tax obligations (Supriyono et al., 2021). In contrast, companies with poor financial performance are motivated to avoid taxes (Ayers et al., 2018; Feizi et al., 2016).

Furthermore, Boateng et al. (2022) asserted that it is crucial to expand the literature on taxation to integrate the dynamics of financial constraints at the level of company and individual taxpayers. Tax payments are based on the strength of the taxpayer's cash flow; therefore, those who experience or may experience financial constraints tend to

change their compliance behavior tax (Boateng et al., 2022). The results of Kumi et al.'s (2023) study expose that monthly sales positively affect the voluntary compliance tax but have a negative impact on the forced compliance tax.

Based on the description mentioned above, this current research aims to obtain empirical evidence of the effect of attitude on tax compliance, subjective norms and perceived financial performance on the intention to obey and its impact on tax compliance behavior. The study contributes to providing theoretical development benefits to the TPB literature and practically for the Indonesia government, especially the Directorate General of Taxes. This paper is subsequently arranged with the following outline: literature review containing theory and review of previous studies, the development of hypotheses, research methodology, empirical findings, discussion, conclusion, limitations, implications, and suggestions.

Literature Review and Hypotheses Development

Theory of Planned Behavior

This study is based on the Theory of Planned Behavior (TPB), which explains that intention determines behavior (Ajzen, 1991). TPB is a theoretical framework to expand research on taxpayers' compliance intentions (Donna D Bobek & Richard C Hatfield, 2003). In the context of this research, an individual's intention to display behavior is a combination of attitude with attitude towards behavior and subjective norms (Damayanti, 2012; Novianti & Dewi, 2018). Various studies have shown that TPB has been broadly proven to predict intention and behavior in taxation studies (Bani-Khalid et al., 2022; Taing & Chang, 2021). This study adds financial performance to the TPB: attitudes, subjective norms, and behavioral controls. It can be explained that financial performance is a proxy for perceptions of behavior control because good financial performance gives taxpayers confidence that tax compliance is easy and vice versa.

Tax Compliance Attitude and Intention to Comply

Attitude toward behavior results from an individual's evaluation of whether the behavior leads to positive or negative results (Ajzen, 2005). Thus, individuals will have a positive attitude if the behavior produces positive results, whereas individuals will have a negative attitude if the behavior produces negative results (Ajzen, 2005). The tax compliance attitude is an ethical belief that impacts tax compliance (Henderson & Kaplan, 2005). Individuals with a positive attitude will want to carry out tax compliance because tax compliance has beneficial consequences (Donna D Bobek & Richard C Hatfield, 2003).

Previous studies on Indonesia tax compliance have proven that the attitude of tax compliance positively affects the intention to comply (Hidayat et al., 2022; Sudiartana & Mendra, 2018; Utama et al., 2022). Furthermore, Bani-Khalid et al. (2022) and Paleka

and Vitezić (2023) found that attitudes toward behavior positively affected tax compliance intentions. Based on this description, the first hypothesis could be declared:

H₁: Tax compliance attitudes have a positive effect on the intention to tax compliance.

Subjective Norms and Intention to Comply

Subjective norms refer to individual perceptions of whether others agree or disagree with their behaviors (I Ajzen, 1991). In the context of taxation, subjective norms encourage people who are considered important and are considered to carry out obligations (Chatzisarantis & Biddle, 1998). Individuals who perceive that people are considered important agree to carry out tax compliance and are more motivated to carry out tax compliance (Hofmann et al., 2008). This argument follows Jimenez and Iyer (2016) that decisions about tax compliance or non-compliance are based on the approval or disapproval of people close to them.

According to Malik and Younus (2020), subjective norms are a key factor in determining the behavior of voluntary tax compliance. Previous research has empirically confirmed that subjective norms affect the intention to comply with taxes (Al-Zaqeba & Al-Rashdan, 2020; Bobek & Hatfield, 2003). The results by Al-Zaqeba and Al-Rashdan (2020) in high-income individual taxpayers in Jordan also discovered that subjective norms were an important predictor of intention to behave tax-compliantly. On the basis of the description, it is possible to assert the second hypothesis as follows:

H₂: Subjective norms have a positive effect on the intention to tax compliance.

Perceived Financial Performance Toward Tax Compliance Intention and Behavior

Financial performance measures the company's policies and operations regarding money (Sultan, 2014). Related to tax compliance, Trivedi and Lynn (2003) stated that if the company manager believes its financial performance is good, it will be better able to meet various financial obligations, including tax obligations. It will increase the intention to fulfill tax obligations (Trivedi & Lynn, 2003).

Further, Alm et al. (2019) stated that financially limited companies are more likely to commit tax non-compliance because this non-compliance can help the company overcome funding. This argument follows the results of the prior studies, stating that taxpayer non-compliance in paying taxes is related to low profitability. Companies with low profitability will experience difficulties paying taxes, ultimately affecting tax compliance behavior (Alm et al., 2019; Kim & Im, 2016). The results of previous studies by Boateng et al. (2022) also verify that financial performance contributes positively to the intention to obey taxes. Drawing from the provided description, the authors might posit the following hypotheses:

H₃: Perceived financial performance has a positive effect on the intention to comply.

H₄: Perceived financial performance has a positive effect on tax compliance behavior.

Intention to Comply and Tax Compliance Behavior

Intention is an individual's activity before behaving (I Ajzen, 1991). Damayanti et al. (2015) stated that, in general, people behave following their intentions or tendencies. Thus, intention determines whether to display behavior in a real way. Concerning tax compliance, intention is the tendency or decision to conduct tax compliance behavior (Damayanti et al., 2015). The stronger the intention to comply with taxes, the greater the individual's ability to conduct tax compliance (Donna D Bobek & Richard C Hatfield, 2003).

The taxpayer's compliance behavior is influenced by many factors, including motivation, such as reward, and punishment, such as penalties (Barbuta-Misu, 2011). The findings of Feld and Frey (2007) suggest that motivation will direct willingness to pay taxes. In addition, the results of Donna D. Bobek and Richard C. Hatfield (2003) and Damayanti et al. (2015) empirically corroborate that the intention to obey affects tax compliance behavior. In another study by Bani-Khalid et al. (2022), intention is a significant determinant of Jordan's tax compliance behavior. In light of the description, the fifth hypothesis could be posited.

H₅: Intention to comply has a positive effect on tax compliance behavior.

Mediating Role of Intention to Comply

According to the Theory of Planned Behavior (Ajzen, 1991), perceptions of behavior control influence intentions, and intentions influence behavior. Perceived control of behavior is achieved by having relevant skills, opportunities, resources, and the absence of obstacles in carrying out the desired behavior. In a company, one of these resources is financial performance. The higher the company's financial performance, the more effective and efficient it is in managing its resources; it will encourage managers to increase their intention to behave tax-compliantly (Matar & Eneizan, 2018; Zarook et al., 2013).

The study by Taing and Chang (2021) revealed that tax morale, fairness, and complexity statistically and significantly affected people's tax compliance intentions. This means that the greater the intention to comply with one's tax compliance behavior is increasing, and conversely, the less the intention to comply with one's tax compliance behavior decreases (Damayanti et al., 2015). The prior studies have also stated that attitude and subjective norms positively affect tax compliance intentions (Kiconco et al., 2019; Night & Bananuka, 2020). In other words, the higher perceived behavioral control, the higher the intention to comply (Donna D Bobek & Richard C Hatfield, 2003; Efebera

et al., 2004), and it impacts tax compliance behavior (Adam et al., 2021; Bobek et al., 2013). Based on the description, three hypotheses could be formulated:

H₆: Tax compliance attitude indirectly affects tax compliance behavior through the intention to comply.

H₇: Subjective norm indirectly affects tax compliance behavior through the intention to comply.

H₈: Perceived financial performance attitude indirectly affects tax compliance behavior through the intention to comply.

Developed based on the Theory of Planned Behavior, the research model on the determinant factors of tax behavior compliance can be depicted in Figure 1.

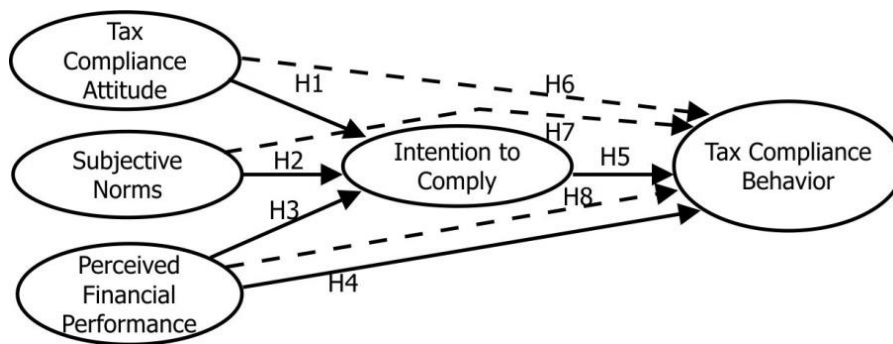


Figure 1 Model Research

Research Method

This research method was designed for the quantitative analysis approach. The target population in this study was the taxpayers of SME owners in the form of a body within Central Java Province. Based on data from the Cooperatives Service, Central Java Province's Small and Medium Enterprises in 2023 were recorded at 183,181, with Semarang City (11,917 SMEs), Demak Regency (13,027 SMEs), Kendal Regency (3,970 SMEs), and Semarang Regency (2,658 SMEs). The research sample was calculated using the Slovin formula to obtain 100 respondents. This is in accordance with determining the research sample size according to calculations for calculating the sample size with G*Power (Bearden et al., 1982; Chaokromthong & Sintao, 2021). G*Power provides a better calculator of effects and graphics options, supports distribution-based input modes and design-based, and offers all types of power analysis that users may attract (Faul et al., 2007). G*Power contains a simple but powerful calculator for various statistical tests that can be used to analyze the power of measurements based on (1) single sample correlations, (2) comparison of dependent correlations, (3) bivariate linear regression, and (4) multiple linear regression (Faul et al., 2009). The input parameters

included an effect size (f^2) of 0.15, alpha error probability (α) of 0.05, power statistic ($1-\alpha$) of 0.95, and the number of predictors tested (exogenous variable) of three constructs. The model's total predictors (exogenous and mediating variables) were four, resulting in a required sample of 115.

This study used three exogenous variables as the discriminant factors of intention and tax compliance behavior. All survey items came from prior studies. The tax compliance attitude instrument was developed from previous research, which has been proven to be reliable (Alleyne & Harris, 2017; Bani-Khalid et al., 2022; Ojo & Shittu, 2023), with indicators such as “taxation is good, the thought of paying more sales tax if engaging in sales tax compliance, paying more sales tax in sales tax compliance, and finding the concept of sales tax compliance attractive.” Subjective norms in this study were built on studies focusing on the role of social norms in tax compliance behavior (Bani-Khalid et al., 2022; Bobek et al., 2013), with items among them “most people would approve of me paying taxes, most people important to me would agree with it, important people think there will be problems if they commit fraud in sales, most important people view tax fraud negatively, and others.” Perceived financial performance indicators were constructed from an empirical study by Ensley et al. (2006) cited by Suriyankietkaew and Avery (2016) that measured financial performance in small and medium businesses, namely sales, operating profit, and cash flow, with measured “sales increase, capital growth, revenue increase, cash flow, and profit revenue.” Intention to comply was an adaptation from Ajzen (2011) with measured intent, try, plan, and be willing. Finally, tax compliance behavior was determined by the instrument adapted from studies on SME taxpayers (Bobek et al., 2013; Faizal et al., 2017) with the example “trust in tax compliance, pay taxes, and others.” All questionnaires were then measured using a Likert scale from 1, representing strongly disagree, up to 7 denoting strongly agree. The researchers tested the instrument on 30 pilot respondents before distributing the research questionnaire to real respondents.

The method in this study was designed for quantitative research with a covariance-based structural model (CB-SEM). Structural equation modeling (CB-SEM) is primarily used to confirm established theory as an explanatory model and is suitable for larger sample sizes of more than 100 (Hair et al., 2014; Zhang et al., 2020). Model fit will be assessed using Chi-square (X^2); GFI and AGFI (Goodness of Fit Index); TLI (Tucker Lewis Index) and CFI (Comparative Fit Index); and RMSEA (Root Mean Square Error of Approximation) (Arbuckle, 2017; Hooper et al., 2008). The path coefficient is assessed for significance by comparing the critical ratio with a cut-off of 1.96 at a probability of 0.05 (Ali et al., 2018).

Result and Discussion

This study was conducted from May 2023 to July 2023 by distributing 350 questionnaires to the response targets, namely SMEs in four districts in Central Java, Indonesia. Field data was collected with the facility of SME leaders and Google Forms. Of the questionnaires distributed, 185 returned with a response rate of 52.86%. Furthermore, as many as 35 answers were not processed further because of incomplete

or missing data, so the remaining 150 answers were used for research. This amount could be stated to be sufficient according to the CB-SEM approach, requiring a sample size of between 100 and 200 data points.

Table 1 presents the demographic characteristics of the respondents. Based on the data, the respondents were predominantly male (71,4%), between 45-54 years old (38.7%), had completed a bachelor’s education (48.0%), running a business for more than ten years (54.7%), and had an income IDR 25 million - IDR 200 million (72.0%).

Table 1 Descriptive of Respondent

Characteristic	Frequency	Percentage
Gender		
Male	107	71.4
Female	43	28.6
Age		
25-34 years	16	10.7
35-44 years	53	35.3
45-54 years	58	38.7
Above 55 years	23	15.3
Education		
Senior High School	62	41.3
Diploma	12	8.0
Bachelor	72	48.0
Master	4	2.7
Business Age		
Below 5 years	12	8.0
5-10 years	56	37.3
Above 10 years	82	54.7
Income		
Below IDR 25 million	2	1.3
IDR 25 million-IDR 200 million	108	72.0
Above IDR 200 million	40	26.7

Then, in Table 2, the descriptive statistics are displayed in terms of mean value, standard deviation, skewness, kurtosis, and multivariate normality. It described that respondents positively evaluated the research instrument by expressing their agreement. Furthermore, the normality testing revealed that no value of the critical ratio exceeded the required limit of +2.58. These indicate that the data were normally distributed to meet the CB-SEM assumptions (Hair et al., 2014).

Table 2 Descriptive and Normality of Construct

Variable	Mean	Standard Deviation	C.R. Skewness	C.R. Kurtosis	C.R. Multivariate
Tax Comp. Attitude	5.685	0.959	-0.716	-2.405	2.208
Subjective Norms	5.525	0.857	-0.611	-1.278	
Perceived Financial Performance	5.943	0.918	-1.647	-2.340	
Intention to Comply	5.813	0.880	-1.412	-1.384	
Tax Comp. Behavior	5.627	0.899	-0.715	-1.787	

Note: C.R. = critical ration

Measurement Testing

The first stage in the CB-SEM analysis is the measurement model through confirmatory factor analysis (CFA), which aims to test the multidimensionality of reliability, convergent validity, and discriminant validity (Hair et al., 2014). In this study, testing the measurement of research variables was carried out through construct reliability and validity testing by calculating the IBM Amos 22 software (Arbuckle, 2017). The confirmatory factor analysis results in Table 3 uncover that all indicators had a loading factor above 0.7. This proves that the measurement used possessed good unidimensionality (Hair et al., 2014). Furthermore, the Cronbach alpha was above the off value of 0.70 (Nunnally & Berstein, 1978), construct reliability (CR) was above 0.7, and the average variance extracted (AVE) was above 0.5, denoting the reliability of measurement instruments being comprehensive (Raines-Eudy, 2000).

Moreover, the study added discriminant validity testing as a must in any research involving latent variables to prevent multicollinearity problems (Ab Hamid et al., 2017) through the Fornell-Larcker criterion (Fornell & Larcker, 1981). The calculation results in Table 4 show that the correlation among constructs did not exceed the square root of AVE. This suggests that the measurement provided a good assessment, and discriminant validity was established and admissible (Voorhees et al., 2016).

Table 3 Construct Reliability and Validity Testing

Variable and Indicator	L.F.	C.A.	C.R.	A.V.E.
<i>Tax Comp. Attitude</i>		0.878	0.879	0.644
1. Every taxpayer should calculate the tax according to the actual turnover (TA1).	0.769			
2. The obligation to pay in accordance with what should be a wise action (TA2)	0.761			
3. Every taxpayer must be disciplined to pay taxes before or no later than the 15th of each month (TA3).	0.804			
4. Every taxpayer must be disciplined to submit annual tax returns (TA4).	0.854			
<i>Subjective Norms</i>		0.895	0.894	0.591
1. I think the people I consider important will not agree if I count taxes with a lower turnover than the real one (SN1).	0.734			
2. I think the people I consider important will support me if I pay taxes before the 15th of each month (SN2).	0.736			
3. I think the people I consider important will help me report the taxes before or no later than April 30th (SN3).	0.717			
4. The people around me are negative if I count taxes with a lower turnover than the real one (SN4).	0.807			

Table 3 Construct Reliability and Validity Testing (cont')

Variable and Indicator	L.F.	C.A.	C.R.	A.V.E.
1. The people around me are negative if I pay taxes late (SN5).	0.733			
2. The people around me are negative if I report taxes late (SN6).	0.904			
<i>Perceived Financial Performance</i>		0.921	0.921	0.701
1. There was an increase in sales compared with the previous year (FP1).	0.890			
2. Sales this year are greater than the costs incurred (FP2).	0.818			
3. The increase in revenue that can be set aside this year is allocated for business development (FP3).	0.823			
4. Cash revenue is always greater than cash expenditure (FP4).	0.848			
5. There was an increase in cash revenue compared to the previous accounting period (FP5).	0.765			
<i>Intention to Comply</i>		0.851	0.838	0.564
1. I will always try to calculate taxes according to the actual turnover (IC1).	0.715			
2. I have no desire to try paying taxes that are not as they should (IC2).	0.801			
3. I always plan to pay taxes before the 15th of each month (IC3).	0.776			
4. I always plan to convey the Annual Tax Return (SPT) before April 30th (IC4).	0.774			
<i>Tax Compliance Behavior</i>		0.871	0.871	0.628
1. I always calculate the amount of tax in accordance with the actual turnover (TB1).	0.756			
2. I always pay taxes according to what they should be (TB2).	0.799			
3. I always make tax payments no later than the 15th of every month (TB3).	0.764			
4. I always deliver the annual tax returns until April 30th (TB4).	0.848			

Note: L.F.:Loading Factor; C.A.: Cronbach Alpha; C.R.: Construct Reliability; A.V.E.: Average Variance Extracted

Table 4 Discriminant Validity on Fornell-Larcker Criterion

Variable	TA	SN	FP	IC	TB
TA-Tax Comp. Attitude	0.802				
SN-Subjective Norms	0.522	0.769			
FP-Perceived Financial Performance	-	-	0.837		
IC- Intention to Comply	0.220	-	0.205	0.751	
TB- Tax Comp. Behavior	0.064	0.151	0.347	0.348	0.790

Note: Diagonal is the square root of AVE; below is the correlation among constructs.

Structural Model Testing

The second testing stage in CB-SEM is testing the structural model, which consists of calculating the coefficient of determination, the fit model, and the path coefficient. The

results of Amos Graphic can be presented in Figure 2. The R-square coefficient showed a value of 40% on intention to comply and 23% on taxpayer compliance behavior. This value indicates that the model could moderately explain the determinants of tax compliance behavior (Chin, 1998). Furthermore, the data revealed that all the criteria for the goodness of fit model had been fulfilled, i.e., the X^2 was 225.188 with a probability of $0.303 > 0.05$ and the X^2/DF of $1.047 < 5$ (Schumacker & Lomax, 2004); the GFI was 0.888, and the AGFI was 0.856, above 0.8 (Zhang et al., 2020); TLI of 0.994 and CFI of 0.995 were above the threshold of 0.95 (Cangur & Ercan, 2015); and finally, RMSEA of 0.018 was below 0.08 (Browne & Cudeck, 1992).

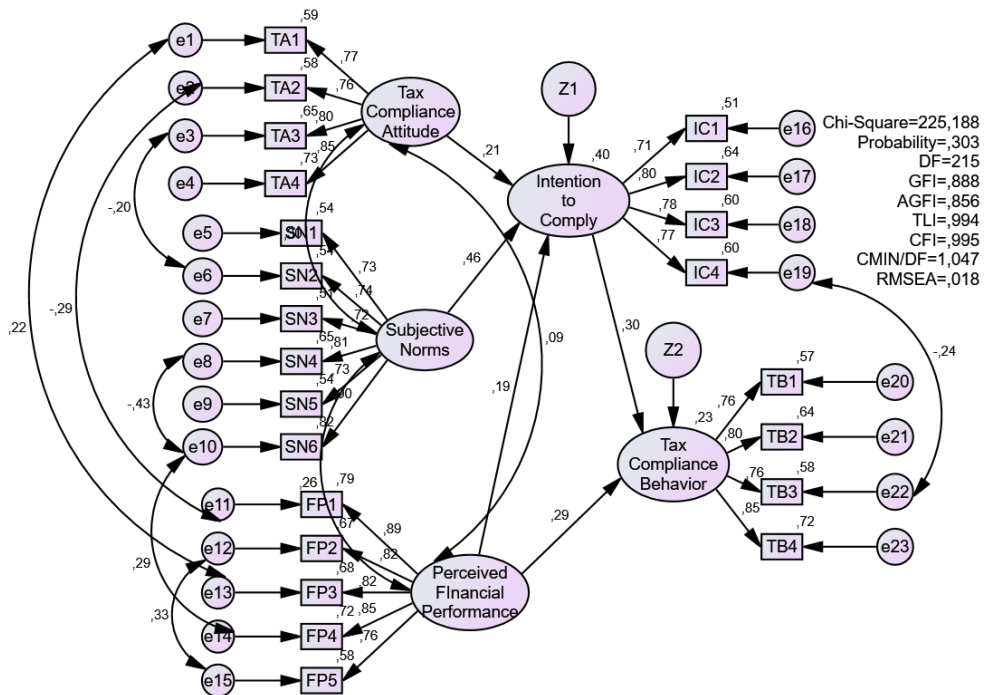


Figure 2 Model Results

The path analysis for the first to the fifth hypotheses testing can be displayed in Table 5. Based on that, all critical ratios were above 1.96, with a p-value value below 0.05. Using a significance level of 0.05, it can be concluded that the eight hypotheses could be accepted. The results demonstrated that tax compliance attitude had a positive impact on the intention to comply ($\beta = 0.184$, $SE = 0.007$, $CR = 2.407$, $p=0.016$), subjective norms positively influenced the intention to comply ($\beta = 0.445$, $SE = 0.094$, $CR = 4.746$, $p = 0.000$), and perceived financial performance yielded positive impact on the intention to comply ($\beta = 0.152$, $SE = 0.064$, $CR = 2.364$, $p = 0.018$). Furthermore, the study empirically proves that perceived financial performance positively contributed to the intention to comply ($\beta = 0.252$, $SE = 0.078$, $CR = 3.126$, $p = 0.001$). Finally, the intention to comply had positive and significant relationships with tax compliance behavior ($\beta = 0.325$, $SE = 0.107$, $CR = 3.042$, $p = 0.002$).

This study also aimed to determine the mediating effect of intention to comply with the relationship between attitudes, subjective norms and perceived financial performance on taxpayer compliance. The mediating effects hypotheses (H6, H7, and H9) in tax behavior were tested via the Sobel test approach (Preacher & Leonardelli, 2010). Based on the calculation in Table 5, subjective norms were accepted at a significant p-value of 0.05, while attitudes and financial performance were significant at a p-value of 0.1.

Table 5 Hypothesis Testing

Effect	Estimate	S.E.	C.R.	P-value	Conclusion
TA → IC	0.184	0.077	2.407	0.016**	Supported
SN → IC	0.445	0.094	4.746	0.000***	Supported
FP → IC	0.152	0.064	2.364	0.018**	Supported
FP → TB	0.252	0.078	3.216	0.001***	Supported
IC → TB	0.324	0.107	3.042	0.002***	Supported
TA→IC→TB	0.088	0.049	1.806	0.071*	Supported
SN→IC→TB	0.092	0.046	2.005	0.045**	Supported
FP→IC→TB	0.062	0.035	1.782	0.075*	Supported

Note: *=p-value<0.1, **=p-value<0.05, ***=p-value<0.001.

TA: Tax Compliance Attitude; SN: Subjective Norms; FP: Perceived Financial Performance; IC: Intention to Comply; TB: Tax Behavior

Discussion

This study proposes eight hypotheses: the effect of tax compliance attitudes, subjective norms, and perceived financial performance on tax intention to comply, and the effect of perceived financial performance and tax intention to comply on tax compliance behavior. The results of this study prove that the tax compliance attitude has a positive and significant effect on tax intention to comply. This denotes that if a taxpayer believes complying with taxes is ethical, it will increase the intention to comply with taxes (Henderson & Kaplan, 2005). This ethical belief indicates that the taxpayer considers tax compliance to be the right behavior so that it will bring positive values. The research results support research conducted by Hidayat et al. (2022). This finding also aligns with Paleka and Vitezić (2023), who revealed that the factors influencing taxpayers' voluntary compliance are taxpayers' attitudes and subjective norms.

This study also verifies that subjective norms positively and significantly affect tax intention to comply. The study findings show that the higher the subjective norm of the taxpayer, the higher the motivation to comply with the tax. Thus, taxpayers will wish to comply with taxes if they get support from close people (family, friends, partners, employees, and others). This finding aligns with the statement of Ajzen (2005), who argues that subjective norms are formed through social pressure and the people closest to the individual. The results of this study also support previous research (Al-Zaqeba & Al-Rashdan, 2020; Bobek & Hatfield, 2003). Likewise, this result is consistent with previous studies from Malik and Younus (2020) that indicate subjective norms positively and significantly affect voluntary tax compliance behavior.

Moreover, perceived financial performance in this study has been ascertained to have a positive and significant effect on tax intention to comply. A company with high financial performance can fulfill all its obligations (Trivedi and Lynn, 2003), encouraging increased taxpayer confidence in its ability. Increased confidence in the company's ability demonstrates that having a high perception of behavioral control is obligatory, which will increase tax compliance intentions. The results of this study strengthen the previous research by Boateng et al. (2022), which stated that high financial performance will increase tax compliance intentions. In Jordan, Al-Zaqeba and Al-Rashdan (2020) stated that high-income taxpayers intend and desire to comply with tax laws. This study also revealed that perceived financial performance influences tax compliance behavior. Financial performance exhibits the company's success in generating high sales, profits, and cash flow over a certain period. This success has resulted in the company not experiencing financial difficulties so that it can overcome existing obstacles and is expected to increase tax compliance behavior. This is in line with the results of Wiratmoko (2018), who asserted that companies with high profitability tend not to engage in tax evasion. A similar earlier study by Alm et al. (2019) aligns with these results that perceived financial performance commits tax compliance.

This study similarly establishes that tax intention to comply positively affects tax compliance behavior. This empirical evidence reinforces the Theory of Planned Behavior (TPB), which defines a person's behavior as determined by the intention to perform the behavior (Ajzen, 1991). Taxpayers who highly desire to perform tax compliance will automatically increase tax compliance behavior. This study also authenticates previous research by Bobek and Hatfield (2003) and Damayanti et al. (2015), which discovered that tax compliance intentions affect tax compliance behavior. Another research by Bani-Khalid et al. (2022) suggests that intention determines tax compliance behavior.

Furthermore, the findings confirm Baron and Kenny (1986) that when the direct influence of attitudes, subjective norms, and financial performance on taxpayer compliance is significant, the indirect effect through the intention to comply is also significant. This suggests that the relationship between these variables and tax compliance is significant, partially mediated by the intention to comply. In other words, the more significant the increase in sales, and/or the sales are greater than the costs incurred, the more significant and/or the greater the increase in revenue that can be set aside for business development and/or the higher the cash receipts compared to cash disbursements, the intention to comply with taxes will increase, which in turn increases tax compliance behavior. Thus, if the financial performance increases, the perception of behavioral control is due to the increasing confidence of SME owners in the company's ability, which results in increased intention to comply and then increases tax compliance behavior.

Lastly, this empirical study supports Damayanti et al.'s (2015) research on SME taxpayers in the Central Java Province of Indonesia, finding perceptions of behavioral control as a determinant of intention to comply and that intention to comply influences tax compliance behavior. This empirical study also aligns with Al-Zaqeba and Al-Rashdan

(2020), asserting that intention to comply as a mediating variable influences perceptions of behavioral control on tax compliance behavior in private taxpayers in Jordan.

Conclusion

This study aimed to analyze the mediating role of intention to comply in determinant factors of tax compliance behavior among small and medium entrepreneurs (SMEs) in Central Java. The results are expected to add new literature to the Theory of Planned Behavior (TPB) framework, especially research on SME tax compliance behavior in Indonesia. The study concludes that tax compliance attitudes, subjective norms, and perceived financial performance positively affected the intention to comply. Furthermore, the intention to comply had a positive mediation role in compliance behavior.

Although the study has been carried out through the correct stages, some limitations remain. Without reducing the study's validity, the limitations included the unavailability of accurate data on the number of SMEs in Central Java. This caused the sample calculation not to be done using a statistical approach. To overcome this limitation, future research can increase the samples so that the assessment of the research results and interpretation are more comprehensive and generalized. Future research is also suggested to replicate the model in large companies by adding government policy to moderating attitudes, subjective norms, and financial performance.

Furthermore, the managerial implications for SMEs are included. First, SME owners have a positive attitude towards tax compliance because they think it will benefit their business. For this reason, it is required that in carrying out its business, it must be based on the planning and budget that has been made. Thus, it will not be difficult to pay taxes. Second, building good cooperation with fellow entrepreneurs and the surrounding community is necessary. SME owners can use this collaboration to share information about new policies related to taxation. Third, SME owners consistently implement good financial governance so that the health condition of the company can be identified.

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Conflicts of Interest

The author declares no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.



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