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Tax Compliance and Tax Incentives during a Pandemic (Covid-19): Evidence from MSMEs in Indonesia

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Abstract:
The COVID-19 pandemic has significantly impacted Micro, Small, and Medium-sized Enterprises (MSMEs) by causing reduced demand, supply chain disruptions, cash flow issues, and digitalization challenges. To alleviate these challenges, governments have implemented tax incentives and relief measures. This study examines the factors influencing MSME taxpayer compliance with tax incentives during the COVID-19 pandemic. This study uses a quantitative approach with 167 respondents as MSME taxpayers in East Java, Indonesia. This study uses the SEM-PLS approach. Based on the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT), this study's results indicate a positive influence between attitude, subjective norm, Perceived Behavioral Control, and Self-efficacy on behavioral intention to tax compliance. It can be concluded that there is a positive relationship between behavioral intention to comply with taxes and tax compliance, which is moderated by tax incentives. This means that individuals who have a stronger intention to comply with taxes are more likely to actually comply, and this effect can be further strengthened by the provision of tax incentives.

Keywords: Tax Compliance, Tax Incentive, Theory of Planned Behavior, Social Cognitive Theory.

Abstrak:
Pandemi COVID-19 berdampak signifikan terhadap Usaha Mikro, Kecil, dan Menengah (UMKM) dengan menyebabkan berkurangnya permintaan, gangguan rantai pasokan, masalah arus kas, dan tantangan digitalisasi. Untuk mengatasi tantangan ini, pemerintah telah menerapkan insentif pajak dan langkah-langkah bantuan. Penelitian ini mengkaji faktor-faktor yang mempengaruhi kepatuhan wajib pajak UMKM terhadap insentif perpajakan selama pandemi Covid-19. Penelitian ini menggunakan pendekatan kuantitatif dengan 167 responden wajib pajak UMKM di Jawa Timur Indonesia. Penelitian ini menggunakan pendekatan SEM-PLS. Berdasarkan teori Theory of Planned Behavior (TPB) dan Social Cognitive Theory (SCT), hasil penelitian ini menunjukkan adanya pengaruh positif antara sikap, norma subyektif, Perceived Behavioral Control, dan Self-efficacy terhadap behavioral intention terhadap kepatuhan wajib pajak. Selain itu, terdapat pengaruh positif antara behavioral intention terhadap kepatuhan wajib pajak terhadap kepatuhan wajib pajak yang dimoderasi oleh insentif pajak. Hal ini menunjukkan bahwa individu yang memiliki niat lebih kuat untuk mematuhi pajak ternyata benar-benar patuh dalam hal pembayaran pajak. Perilaku ini terbukti diperkuat dengan pemberian insentif pajak.

Kata Kunci: Kepatuhan Pajak, Insentif Pajak, Teori Perilaku Terencana, Teori Kognitif Sosial.

INTRODUCTION

The COVID-19 pandemic has caused changes in all aspects of the economy throughout the country, including in Indonesia. The widespread Covid-19 pandemic has left the business world in a vulnerable condition. The COVID-19 pandemic has significantly impacted Micro, Small, and Medium-sized Enterprises (MSMEs) by causing reduced demand, supply chain disruptions, cash flow issues, and digitalization challenges. To alleviate these challenges, governments have implemented tax incentives and relief measures. These incentives, such as tax deferrals, reduced tax rates, and employee retention support, have provided MSMEs with crucial cash flow relief, reduced tax burdens, and encouraged employee retention. Investment incentives and loan guarantees have also promoted technology investments and facilitated financing access. Overall, these tax incentives have played a vital role in helping MSMEs navigate the pandemic's economic challenges and contribute to economic recovery.

In 2020, the Government made regulations regarding tax incentives to taxpayers, including taxes for Micro, Small and Medium Enterprises (MSMEs) (www.kemenkeu.go.id, 2021). The MSME sector is essential in maintaining local economic activity and Government. MSMEs can provide many choices of economic activities that producers, consumers, and the Government need. Tax incentives are provided to help economic recovery during the COVID-19 pandemic (www.kemenkeu.go.id, 2021; Gede, 2020). However, until mid-2021, the pandemic continued. Therefore, the Government provides an extension of tax incentives to help taxpayers deal with the pandemic (Regulation of the Minister of Finance of the Republic of Indonesia number 82/PMK.03/2021). This is because health and the economy must go hand in hand. The fiscal policy continues to protect the people and support economic activity so that Indonesia can quickly recover from the crisis caused by COVID-19 (Kumala & Junaidi, 2020).

The public will benefit from taxes imposed by the Government (Ghazinoory & Hashemi, 2021; UN and CIAT, 2018). The Government has so far conducted socialization regarding tax incentives both through print and online media regarding tax incentive policies. In the case of Indonesia, the Government has implemented tax incentives as a way to encourage greater taxpayer compliance, which can have a positive impact on economic growth. When taxpayers are more compliant in paying their taxes, the Government can generate more revenue to fund public goods and services important for economic development, such as infrastructure, education, and healthcare.

The extension of tax incentives does not necessarily increase taxpayer compliance. There are still MSME taxpayers who are reluctant to pay taxes because, during the COVID-19 pandemic, their income has dropped dramatically (Kumala & Junaidi, 2020). Conditions on the ground indicate that some MSME actors still need to understand what tax incentives and their designations mean. In addition, some taxpayers still buy time to make tax payments even though there are incentives.

Ajzen (1991) and Ajzen (2020) state that the unsuccessful application of a condition or policy is a factor of individual psychology. Ajzen (2020) explains individual behavior through the Theory of Planned Behavior (TPB), which has variables consisting of attitudes, subjective norms, and control of individual behavior that influence individual behavioral intentions to act. The attitude of tax-compliant taxpayers will determine their behavior in carrying out tax compliance. Subjective norms explain the norms that will generate awareness for taxpayers to comply with their obligations. Perception to control behavior (Perceived Behavioral Control), which explains the behavioral control of the taxpayer himself either obtained from within themselves (internal) or outsiders (external) of the taxpayer. The

three essential parts will generate interest, which will give effect to the taxpayer to comply in carrying out their obligations.

Research models related to taxpayer compliance have been developed by several researchers, along with the emergence of various forms of tax incentives. Several researchers (Taing and Chang, 2020; Alshira'h et al., 2020; Carsamer and Abbam, 2020) use TPB model variables influencing individual tax compliance behavior. The results of the research by Taing and Chang (2020) state that the variable elements in attitude, subjective norms, and perceived behavior control positively influence the behavioral intention of tax compliance in Phnom Penh, Cambodia. Taing and Chang (2020) recommend further research to expand the model by adding other variables that affect the behavioral intention of tax compliance. Bobek and Hatfield (2003) use SDG measurements indirectly through what beliefs exist in society. Bobek and Hatfield's research (2003) shows that subjective norms, namely the perceptions of other people, such as colleagues and family, have a positive and significant effect on the intention to behave obediently. Bobek and Hatfield (2003) suggest further research to consider other variables to be added to the research. Ajzen (1991) and Francis et al. (2004) stated that SDG variables could be measured in two ways, namely, directly or indirectly. Direct measurement is carried out by asking respondents how their overall attitude is toward a behavior, the pressure from people they know to carry out a behavior, and their level of confidence in the ability to carry out a behavior (Alshira'h et al. 2020; Carsamer and abba 2020). Langham's research (2012) found that attitudes did not affect interest in tax compliance behavior in Australia.

Based on previous studies, there are inconsistent results on the use of TPB. Several studies have suggested modifying the variable expansion of TPB in different objects and countries. Therefore, this study wants to reveal whether the tax compliance behavior of individual taxpayers can be explained through TPB by adding Self-efficacy as the fourth variable and adding the tax incentive variable as a moderating variable between behavioral intention to comply with taxes on tax compliance. Self-efficacy can be interpreted as an individual's belief about his capacity to complete a particular job's mission. Someone with a high level of confidence that he can complete his work successfully will develop his business and continue to work despite his difficulties. This self-efficacy is suitable when used to measure interest in the behavior of MSME taxpayers because, with a high level of confidence that they can pay taxes even though he is experiencing a crisis due to the COVID-19 pandemic, they can develop their business. This self-efficacy will affect the interest in the behavior of MSME taxpayers to comply with taxes. In addition, tax incentive moderation is also needed to moderate and predict the relationship between behavioral intention tax compliance and tax compliance.

This study aimed to empirically test the development of TPB and SCT, which were modified with a moderating variable, namely tax incentives for MSME taxpayers in East Java, Indonesia. This research contributes as a model that can be used as a consideration for making regulatory decisions related to tax compliance. TPB (Ajzen, 1991) is a widely used psychological model that can be applied to various fields, including taxation. According to this theory, people's attitudes, subjective norms, and perceived behavioral control influence their intentions and behaviors. In the case of taxation, this means that taxpayers' attitudes toward paying taxes, their perception of social norms related to tax compliance, and their perceived ability to comply with tax regulations affect their compliance behavior.

In the context of the COVID-19 pandemic, TPB can help us understand how MSME taxpayers are affected by the crisis and how it affects their tax compliance behavior. For example, if taxpayers perceive that paying taxes is more difficult due to the pandemic, their perceived behavioral control may decrease, leading to a lower intention to comply with tax obligations. On the other hand, if the Government provides tax relief measures, this may increase taxpayers' perceived control and willingness to comply with tax obligations.

Overall, the Theory of Planned Behavior provides a useful framework for understanding taxpayers' compliance behavior and can be used to develop effective tax policies and interventions that promote tax compliance. It explains the change in behavior from taxpayers to compliance originating from intentions, behavior, and social norms. Maranda et al. (2015) concluded that TPB is the most suitable taxation framework for testing the determinants of tax compliance related to intentions and behavior through behavioral elements.

In general, the study of tax compliance is based on three theoretical models: prevention theory, economic and psychological models, and behavioral models. The research tax compliance method based on behavioral theory is a significant advance in studying tax compliance. It was shown that knowledge about compliance behavior goes far beyond the deterrent and economic factors described in the previous theory. To study tax compliance more deeply, research has included factors in such a model as psychological, moral, and social factors that affect tax compliance, especially in MSMEs. Despite the increasing number of studies on tax compliance, these results still need to be consistent.

Second is the second cognitive theory. Bandura (1989) stated that there is a reciprocal causality relationship in individual psychological relationships, one of which is the pattern of individual behavior. Terry and O'Leary (1995) stated that Self-efficacy is one of the Social Cognitive Theory (SCT) variables that can influence individual behavioral interests. Bandura (1989) and Terry and O'Leary (1995) stated that self-efficacy can be interpreted as an individual's belief about his capacity to complete a mission of a particular job. Someone with a high level of confidence that he can complete his work successfully will develop his business and continue to work despite his difficulties.

Based on the literature review, the authors developed five hypothetical frameworks. The first is attitude (AT). Ajzen (1991) defines attitude as a feeling of favorability or unfavorableness towards an object to be addressed. An individual's attitude towards a specific behavior, such as tax compliance, plays a crucial role in determining their intentions to comply with the behavior, as stated in Ajzen's Theory of Planned Behavior (1991). According to TPB, this is generated by their beliefs about the action, including their judgments of the conduct's results and the emphasis they place on these outcomes.

TPB is supported by Bobek and Hatfield's (2003) study, which shows that an individual's attitude toward tax compliance considerably influences their desire to comply with tax regulations. Many more research, including Taing and Chang (2020), Hariadi and Kusumadewi (2019), Al-Mamun et al. (2014), and Shaharudindin (2012), have found that attitude has a beneficial influence on individual behavioral interest in a variety of circumstances. Kuria et al. (2017) discovered that taxpayer compliance behavior influences attitudes toward government accountability in the administration of public finances in Kenya. According to Alleyne and Harris (2017), individuals who perceive tax non-compliance as a negative or frightening behavior are less likely to engage in it. On the other hand, those who hold a positive attitude towards tax non-compliance, such as seeing it as a way to evade taxes or "stick it to the man," are more likely to engage in it. This highlights the importance of perceptions and attitudes toward tax compliance in shaping individual behavior. Based on the foregoing reasons, the authors then stated H1 as follows:

H1: Attitude has a positive effect on the interest in the behavior of MSME taxpayers to comply with taxes on tax incentives during a pandemic.

Second is the subjective norms (SN). Subjective norms explain the norms that will generate awareness for taxpayers to comply with their obligations. Subjective norms refer more to individual perceptions of whether particular individuals or groups agree or disagree with their behavior, and they motivate individuals to behave in a certain way. The people

around who are referred are, for example, friends, family, or leaders. Many research, including Bobek and Hatfield (2003), Nurwah et al. (2018), Hariadi & Kusumadewi (2019), Kusumadewi et al. (2017), and Bobek et al. (2017), support the assertion that subjective norms have a favorable and substantial influence on behavioral intentions to obey (2013). According to the findings, individuals are more inclined to comply with tax requirements when they believe others, such as colleagues and relatives, expect them to.

Additionally, Saad (2011) supports the idea that subjective norms play an important role in individual taxpayer compliance behavior. According to Saad, those who feel their peers approve of non-compliance are more inclined to engage in such behavior, which can result in underreporting of income or misrepresenting company costs. Significant others, on the other hand, are less likely to engage in tax evasion behavior if they dislike it. Conducting non-compliant behavior. Based on the foregoing reasons, the authors then stated H2 as follows:

H2: Subjective norms positively affect interest in the behavior of MSME taxpayers to comply with taxes on tax incentives during a pandemic.

The third theory is perceived behavior control. According to Ajzen (2002), behavioral control impacts intention by assuming that behavioral control experienced by an individual would have motivational consequences for that person. The three perceptions are for controlling behavior (Perceived Behavioral Control), which explains the behavioral control of the taxpayers themselves, either obtained from within themselves (internal) or outsiders (external) of the taxpayer. These three essential parts will generate intention (intention), which will influence the taxpayer to comply (behavior) in carrying out his obligations following the provisions of the applicable tax rules. Shaharudindin (2012) and Tavousi et al. (2009) state that Perceived Behavioral Control positively influences individual behavioral interest. Saad (2012) discovered that taxpayers' opinions of fairness in the taxation system influence their willingness to pay taxes in Malaysia and New Zealand. Alleyne and Harris (2017) revealed that PBC influences taxpayers' avoidance of tax fraud. Law enforcement opinions, tax investigations, use of tax administration technology, and hefty tax penalties, in particular, impact taxpayer compliance behavior; this also contributes to avoiding future poor outcomes. The impact of PBC on taxpayer compliance behavior is an effort to connect present taxpayer behaviors with future outcomes. In this scenario, those with high PBC levels are more likely to be active in sales tax compliance. Based on the foregoing reasons, the authors then stated H3 as follows:

H3: Perceived Behavioral Control has a positive effect on the behavioral interest of MSME taxpayers to comply with taxes on tax incentives during a pandemic.

Fourth, self-efficacy. Research by Bandura (1989) and Terry and O'Leary (1995) found that self-efficacy affects a person's intention to behave but not the behavior itself (Tavousi et al. 2009). Terry & O'Leary (1995) stated that self-efficacy positively affects an individual behavioral interest in acting. Individual self-confidence is a belief from within the individual that what he will do is good. Tavousi et al. (2009) and Kusumadewi et al. (2017) stated that self-efficacy positively influences individual behavioral interests. Based on the foregoing reasons, the hypothesis is as follows:

H4: Self-efficacy positively affects the behavioral interest of MSME taxpayers to comply with taxes on tax incentives during a pandemic.

Fifth is a behavioral intention to tax compliance, tax compliance, and tax incentives. Ajzen (1991) explains in the TPB model that behavioral interest is an intermediate variable in behavior. Research by Bobek and Hatfield (2003) shows that interest in behavior positively and significantly affects behavior. If this behavioral interest is realized, it will become actual behavior (Ajzen, 1991). This also happens to MSME taxpayers with a behavioral interest in tax compliance. However, this interest is still only a desire. Therefore, arriving at the actual tax-compliant behavior takes a significant effort.

Tax compliance refers to the extent to which a taxpayer complies with its tax obligations and the laws and regulations governing the tax system. Taxpayers are expected to accurately report their income and pay the appropriate amount of tax on time. Non-compliance can result in penalties, fines, and legal consequences. Tax compliance level can be influenced by various factors, including the complexity of the tax system, the level of enforcement, the perceived fairness of the system, and the cultural norms and values of the society. In the case of Indonesia, the self-assessment method places a greater responsibility on taxpayers to accurately report their income and pay the appropriate amount of tax, making compliance a crucial aspect of the tax system. During COVID-19, many sectors of the tax system, particularly in Indonesia, encountered uncertain conditions, including MSME taxpayers. As a result, the taxpayer's orientation is uncertain. When presented with a given issue, someone with an unsure orientation will likely make heuristic judgments or decisions based on shortcuts.

To achieve actual behavior, namely tax compliance behavior, MSME taxpayers are felt to have factors that strengthen their interest in tax compliance. In conditions of uncertainty during the COVID-19 pandemic, the Government provided tax incentives, one of which was given to MSME taxpayers. Tian et al. (2020) stated that tax incentives could influence individual or company decisions. Tax incentives are a policy instrument currently used in many countries in predicting individual tax compliance (Busom, Corchuelo, and Martı'nez-Ros, 2014). The provision of tax incentives must be given selectively with priority to specific sectors that are restrained and need more support for the recovery rate so that the criteria for receiving incentives are adjusted. Providing a final income tax incentive for MSMEs in the form of a 0.5% tax rate positively impacts tax compliance behavior among MSME taxpayers, as it eliminates the tax burden and simplifies the tax reporting requirements for them. The tax incentive also encourages parties transacting with MSMEs to comply with tax regulations by waiving the tax deduction and collection requirements on payments made to MSMEs. Therefore, the availability of tax incentives increases the overall level of tax compliance and helps to promote a culture of voluntary tax compliance among MSMEs.

H5: Behavioral interest in tax compliance positively affects MSME taxpayer tax compliance moderated by tax incentives during the pandemic.

RESEARCH METHODS

A quantitative technique is used in this investigation. This study's population is all MSME taxpayers in East Java, Indonesia, in 2021. In this study, MSME taxpayers are classified into two categories: corporate taxpayers and individual taxpayers with a taxpayer identification number (NPWP) and current tax payments. Because it is unknown how many MSME taxpayers there are in East Java, the researcher used convenience sampling and simple random sampling, selecting participants based on three criteria: first, whether they are registered as taxpayers or have NPWPs; second, whether their gross revenue does not exceed 4.8 billion; and third, whether they have been in business for at least a year. One

month was spent to collect questionnaires from respondents. The total number of samples gathered in one month was 180. The total number of samples that could be processed was 167 after the elimination phase. The operational definition and measurement of each variable are stated in Table 1.

Table 1. Operational Definition and Measurement

Variables	Operational Definition	Measurement Indicators
Attitude (AT)	Attitude is how individuals feel about a subject or interest, whether positively or negatively.	1. A desire to pay taxes based on the amount owed. 2. The tax system is transparently used by the Government. 3. Paying taxes in accordance with what the person has truly done to benefit the nation.
Subjective Norm (SN)	A person's perception to engage in or refrain from engaging in the behavior under consideration is influenced by a person's impression or opinion of the beliefs of other people.	1. People closest to me once encouraged me to comply with tax regulations. 2. A tax consultant once persuaded me to comply with tax regulations. 3. The tax officer once persuaded me to comply with tax regulations.
Perceived Behavioral Control (PBC)	Perceived behavior control is the degree to which a person has control over the internal and external factors that help or hinder behavior performance.	1. Possible inspection by the tax authorities. 2. Possible sanctions. 3. Possibility of third-party reporting.
Self-Efficacy (SE)	Self-efficacy is the belief in one's capacity to carry out a task successfully.	1. I am confident in my capacity to handle challenging issues while acting in accordance with tax regulations. 2. I shall overcome the challenging issue of acting in accordance with tax legislation if I can seek assistance from other parties. 3. I'm confident I can handle complex issues while adhering to tax laws if I have enough time.
Behavioral Intention to Tax Compliance (BITC)	Behavioral intention to tax compliance is a motivating element that affects tax compliance behavior as evidenced by the degree to which a person or group makes an attempt to pay taxes and the degree to which behavior to comply with taxes has been thought out.	1. I want to know more about paying taxes. 2. I want to keep paying taxes in the future. 3. I advise my MSME coworkers to pay taxes.
Tax Incentive (TI)	Tax incentives have an effective impact on reducing the tax burden borne by taxpayers.	1. Ease of use of tax incentives for taxpayers 2. Implementation of tax obligations for MSME taxpayers who take advantage of tax incentives 3. The short-term impact of implementing tax incentives for taxpayers in terms of taxation and the purchasing power of the MSME community
Tax Compliance (TC)	According to the applicable tax legislation, tax compliance is a procedural and administrative action necessary to complete taxpayer duties.	1. I'm never late and always pay my taxes on time. 2. If there is one, I'm prepared to pay the penalty for the error if the payment is late. 3. I acknowledge that it is my responsibility to pay taxes on time, honestly, and correctly.

The following is the regression model from this study:

$Y_{1BITC} = a + b1AT + b_2SN + b_3PBC + b_4SE + e$
$Y_{2TC} = a + b_5BITC + b_6TI + b_7BITC.TI + e$

Explanation:
Y_{1BITC} = *dependent variable* (Behavioral Intention to Tax Compliance)
Y_{2TC} = *dependent variable* (Tax Compliance)
AT = independent variable (Attitude)
SN = independent variable (Subjective Norm)
PBC = independent variable (Perceived Behavioral Control)
SE = independent variable (Self-Efficacy)
TI = immoderation variable (Tex Incentive)
a = constant
b = determination coefficient
e = error term

Structural Equation Modeling (SEM) with Partial Least Square (PLS). SEM can be used to test the validity and reliability of a hypothesis by analyzing the relationships between the variables in the model. Meanwhile, PLS is particularly useful when the sample size is relatively small or when the data distribution is non-normal. The bootstrapping approach or random multiplication is a resampling method frequently used to calculate the statistical significance of results in PLS modeling.

In this project, the researcher is interested in examining the relationships between several variables, including AT, SN, PBC, SE, BITC, IT, and TC. By using PLS, the researcher can evaluate the strength and direction of the relationships between these variables, even if they do not follow a normal distribution. SmartPLS 3.2.7 Software is a popular tool used for PLS modeling, and it allows researchers to manage data efficiently and analyze results effectively. Through the PLS test, the researcher can examine the influence of the independent variables (AT, SN, PBC, SE, BITC, IT) on the dependent variable (TC) and gain insights into the factors that affect tax compliance. To evaluate the goodness of fit of the model, researchers use various statistical measures, such as the chi-square test, RMSEA, CFI, and TLI. A non-significant chi-square test, a low RMSEA value (typically < 0.08), and high CFI and TLI values (typically > 0.90) indicate a good fit between the theoretical model and the data. It is important to note that the cutoff values for these measures may vary depending on the complexity of the model and the sample size.

Reliability can also be assessed using SEM by examining the internal consistency of the variables in the model. This is often done by calculating Cronbach's alpha for each variable or construct. A Cronbach's alpha value of more than 0.70 (>0.70) is generally considered acceptable for internal consistency, although the threshold can vary depending on the specific research context. In summary, SEM can be a powerful tool for testing the validity and reliability of hypotheses by analyzing the relationships between variables and examining goodness-of-fit statistics and internal consistency measures. Overall, the use of PLS in this project aligns with the study's objectives, and the researcher can use it to investigate the complex relationships among the variables of interest. The development of these hypotheses can be described in the research model below:
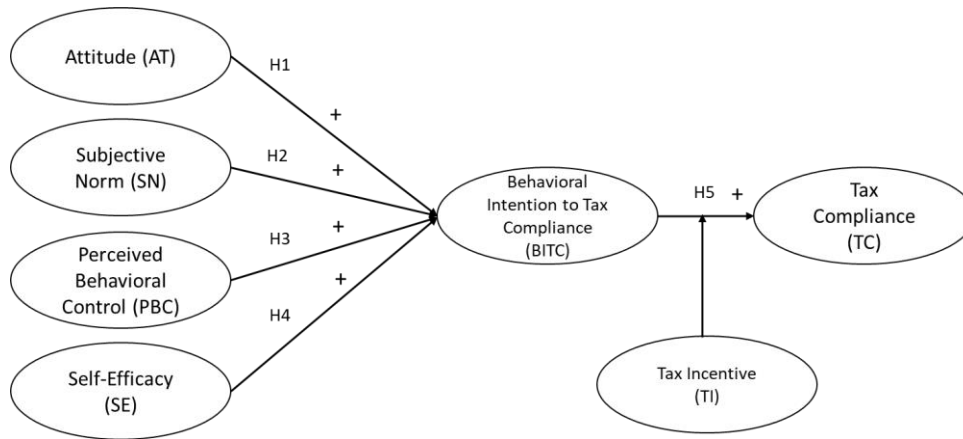
Figure 1. Hypothesis Development Model

RESULTS AND DISCUSSION

Respondent Demographics

The following is the demographic data of the respondents obtained, as presented in Table 2.

Table 2. Respondent Demographics

Criteria	Information	Total	Percentage
Gender	Male	97	58%
	Female	70	42%
Age	20-29 years old	44	26%
	30-39 years old	57	34%
	40-50 years old	43	26%
	>50 years old	23	14%
Educational Levels	Senior High School	43	26%
	Diploma	51	31%
	Bachelor degree	49	29%
	Master's degree	18	11%
	Doctoral degree	6	4%
The company has existed for a very long period	1-5 years	45	27%
	6-10 years	49	29%
	11-15 years	48	29%
	16-20 years	15	9%
	>20 years	10	6%
SPT Reporting from Business Establishment to Present	1 time	20	12%
	2 times	38	23%
	3 times	42	25%
	> 3 times	67	40%

Source: Processed data (2021)

According to the aforementioned tablet, 58% of the respondents were men, and 34% were in the 30- to 39-year age bracket. The majority of respondents, or 31%, had a diploma as their highest level of schooling. MSMEs that have been in business for between six and fifteen years, or 29% of them. Meanwhile, 67 MSMEs, or 40%, reported SPT more than three times.

Statistical Result

Before testing the hypothesis, the researcher conducted a validity test (Table 1), and all of them were above 0.5. So, each questionnaire question is valid for each variable.

Table 3. Validity Test Results

Construct	R Counts
AT	0.850 to 0.922
SN	0.818 to 0.888
PBC	0.794 to 0.896
SE	0.871 to 0.886
BITC	0.874 to 0.937
TI	0.617 to 0.962
TC	0.832 to 0.910
BITC*TI	1.000

Source: Processed data (2021)

Furthermore, the researcher conducted a reliability test, and the results showed that all Cronbach's α values were more than 0.7. So, it can be concluded that each variable AT, SN, PBC, SE, BITC, TI, and TC has met construct reliability.

Table 4. Reliability Test Results

Construct	Cronbach's α
AT	0.881
SN	0.819
PBC	0.803
SE	0.854
BITC	0.901
TI	0.809
TC	0.858
BITC*TI	1.000

*CR = Composite Reliability
Source: Processed data (2021)

Based on the information provided, it is impossible to conclude whether the variables AT, SN, PBC, SE, BITC, TI, and TC have fulfilled construct reliability. While Cronbach's Alpha measures internal consistency, it is not the only criterion for evaluating construct reliability. Other factors that may be considered include convergent validity, discriminant validity, and factor loadings. Therefore, it is important to thoroughly analyze the data and the measurement instruments used to assess each construct before making any conclusions about their reliability.

In general, it is considered acceptable to have a Cronbach's Alpha value of 0.7 or greater and an AVE of 0.5 or greater for a construct to have acceptable reliability and convergent validity. A high AVE indicates that the construct is strongly related to its indicators, meaning that the items are consistent in measuring the construct and accurately represent the construct. A high Cronbach's Alpha value indicates that the items are internally consistent, meaning they all measure the same underlying construct reliably. Therefore, meeting these criteria indicates that the construct is reliable and valid. However, it is important to note that these criteria should not be the only criteria used to assess the psychometric properties of a construct, and other factors, such as discriminant validity, should also be considered.

It is important to note that the theoretical support for a model is only one aspect of determining its excellence. In addition to theoretical support, a model's excellence can be

evaluated based on its ability to accurately predict and explain real-world phenomena. This can be assessed through statistical measures such as goodness-of-fit indices, such as the chi-squared statistic, comparative fit index, and root-mean-square approximation error. Furthermore, the categorization of variables as exogenous or endogenous is not a definitive classification but rather a way to conceptualize the relationships between variables in the model. Exogenous variables are considered independent of the other variables in the model and are thought to influence the endogenous variables. Conversely, the exogenous variables are thought to be influenced by the exogenous variables and are considered to be the outcomes or dependent variables in the model.

In summary, the excellence of a model is determined by its theoretical support and ability to accurately predict and explain real-world phenomena. The categorization of variables as exogenous or endogenous is a way to conceptualize the relationships between variables in the model, but it is not a definitive classification. The following image depicts the results of the study using Partial Least Squares (PLS) to determine the total impact between variables:
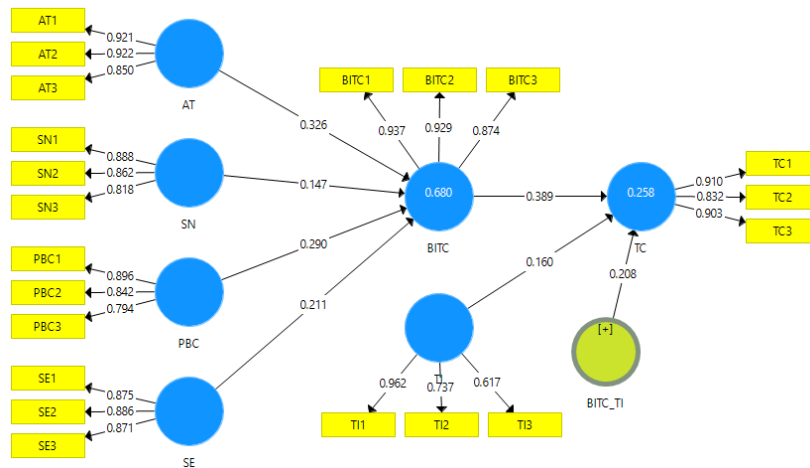

Figure 2. Research Model Test Results

The t-statistic and probability values indicate that the hypothesis was tested. When utilizing probability to reject or accept a hypothesis, Ha is accepted if the p-value is less than 0.05. The suggested hypothesis may be tested using the empirical data from this investigation. Based on the data analysis, the following is the outcome of testing the hypothesis:

Table 5. Hypothesis Testing Results

Numb.	Effect	Path coefficient	Std Error	T Count	P Values	Significant?
1	AT -> BITC	0.326	0.094	3.457	0.000	Yes
2	SN -> BITC	0.147	0.064	2.291	0.011	Yes
3	PBC -> BITC	0.290	0.083	3.489	0.000	Yes
4	SE -> BITC	0.211	0.074	2.859	0.002	Yes
5	BITC*TI -> TC	0.208	0.114	1.820	0.035	Yes

Source: Processed data (2021)

Based on hypothesis testing, it was found that all hypotheses had a positive and significant direction.

Discussion

The influence of AT on BITC obtained a path coefficient of 0.326 with a statistical t-value of 3.457 (t > 1.645) and a p-value of 0.000 (p <0.05), so AT has a positive influence and significance towards BITC. That is, the better AT toward tax incentives will affect the BITC of MSME actors. The passage discusses the relationship between attitude and behavioral intention toward tax compliance. The author cites several studies (Nurwah et al., 2018; Bobek and Hatfield, 2003; and Saad, 2011) that support the idea that a positive attitude towards paying taxes leads to a higher intention to comply with tax regulations. The concept of tax morale is also introduced, which refers to the intrinsic motivation of individuals to comply with tax regulations based on their belief that it is their moral obligation to contribute to society by paying taxes.

This result is also supported by the Theory of Planned Behavior (TPB), which suggests that an individual's attitude towards a behavior, in this case, paying taxes, significantly impacts their intention to comply with tax regulations. Thus, a positive attitude towards paying taxes would likely result in a higher tax morale and, in turn, lead to a higher intention to comply with tax regulations. Overall, the passage highlights the importance of attitudes in shaping an individual's intention and behavior toward tax compliance and how the concept of tax morale supports the TPB theory.

The passage describes the influence of subjective norms on behavioral intention to tax compliance among MSME actors. The path coefficient for this relationship is 0.147, with a statistically significant t-value of 2.291 and a p-value of 0.011. The passage discusses the relationship between subjective norms and behavioral intention to comply with tax regulations. It suggests that subjective norms, influenced by social pressure related to the fairness of the tax system and trust in the Government, positively and significantly influence behavioral intention to comply with tax regulations.

The passage notes that if taxpayers perceive that the tax authorities treat them less fairly than others, non-compliant behavior can be expected to increase. Conversely, if taxpayers perceive that the tax authorities are accountable and transparent in using their tax revenues, their trust level will increase, leading to obedience and a greater behavioral intention to comply with tax regulations.

The passage also highlights that these results support the Theory of Planned Behavior (TPB), which suggests that attitudes, subjective norms, and perceived behavioral control all influence behavioral intentions, which influence actual behavior. Furthermore, the findings are consistent with previous research on the topic, including studies by Nurwah et al. (2018), Bobek and Hatfield (2003), and Saad (2011).

The influence of PBC on BITC obtained a path coefficient of 0.290 with a statistical t-value of 3.489 (t > 1.645) and a p-value of 0.000 (p 0.05), indicating that PBC has a positive and significant influence on the BITC, which means that the better the PBC. The passage describes the results of a study that supports hypothesis 3, which suggests that power of authority, tax intricacy, tax knowledge, and tax awareness can all be barriers to regulating taxpayer behavior in the context of tax compliance. The passage also explains the concept of PBC and its importance in influencing taxpayer compliance behavior.

According to the Theory of Planned Behavior (TPB), PBC refers to the perceived ease or difficulty of performing a behavior. In the context of tax compliance, PBC relates to the perceived level of control taxpayers have over their tax-related actions, such as perceptions of law enforcement, tax audits, tax administration technology, and high tax sanctions. If taxpayers believe they have a high level of control over these factors, they are more likely to comply with tax laws and regulations. Furthermore, the findings are consistent with previous research on the topic, including studies by Nurwah et al. (2018), Bobek and Hatfield (2003), and Saad (2011).

The passage also notes that PBC is a strong predictor of taxpayer compliance behavior. When taxpayers perceive that they have a high level of control over their tax-related actions, they are more likely to engage in compliant behavior and avoid adverse outcomes in the future. Overall, the passage suggests that to improve taxpayer compliance behavior, tax authorities should focus on enhancing taxpayers' perceived control over their tax-related actions by improving their understanding of tax laws, simplifying tax processes, and ensuring fair enforcement of tax laws.

The results indicate a positive and significant relationship between SE and BITC. The path coefficient of 0.211 indicates a moderate effect of Self-efficacy on Behavioral Intention to Tax Compliance. The t-statistic value of 2.859 and a p-value of 0.002 indicate that the relationship between the two variables is statistically significant at the 0.05 level. The social cognitive theory proposed by Bandura (1989) suggests that self-efficacy plays a critical role in determining behavior. According to this theory, individuals who believe in their ability to perform a specific task or behavior are more likely to engage in that behavior and achieve positive outcomes. Conversely, those who lack confidence in their abilities are less likely to engage in the behavior and achieve positive outcomes.

The study's findings are consistent with the Social Cognitive Theory (SCT), indicating that individuals with high self-efficacy regarding tax compliance are more likely to comply with tax laws. This result implies that taxpayers who are confident in one's own abilities to comply with tax laws are more likely to have a positive attitude towards tax compliance and intend to comply with taxes.

The study's results also support previous research conducted by Tavousi et al. (2009) and Kusumadewi et al. (2017), which found a positive correlation between self-efficacy and tax compliance. The study contributes to the body of knowledge in this area by demonstrating the relationship between self-efficacy and tax compliance in a different cultural and social context. In conclusion, the study's findings suggest that enhancing taxpayers' self-efficacy through education and training programs could improve their Behavioral Intention to Tax Compliance. The study's results support the SCT theory and have important implications for tax policymakers and practitioners seeking to promote tax compliance among MSME actors.

The passage describes a study that investigated the relationship between BITC and TC with TI, with a path coefficient of 2.208 with a statistical t-value of 1.820 (t > 1.645) and a p-value of 0.035 (p <0.05), and the results showed that BITC has a positive and significant effect on TC with TI. The passage suggests that tax incentives can positively impact the relationship between BITC and TC among MSME actors, particularly during the COVID-19 pandemic. The stronger the tax incentives, the greater the influence of BITC on TC. These findings are consistent with previous research on the determinants of tax compliance, which has supported the TPB. This result is also supported by Tian et al. (2020) research that tax incentives could influence individual or company decisions. Tax incentives are a policy instrument currently used in many countries in predicting individual tax compliance (Busom, Corchuelo, and Martı'nez-Ros, 2014). The passage implies that tax incentives can be valuable for promoting tax compliance among MSME actors, particularly when combined with BITC.

The theoretical implications of the research mentioned above are significant as they provide support for two well-established theories in social psychology – TPB and SCT. The TPB suggests that an individual's behavior is influenced by their behavioral intention, subjective norm, and perceived behavioral control. Meanwhile, SCT posits that both environmental factors and personal factors, such as self-efficacy, influence behavior.

The research findings demonstrate that these factors are important predictors of tax compliance behavior. Behavioral intention, tax incentives, attitude, subjective norm, perceived behavioral control, and self-efficacy are crucial in determining whether individuals

will comply with tax laws. These findings are consistent with previous studies that have applied TPB and SCT to various other behavior domains.

The significance of these theoretical implications lies in their potential to inform the development of more comprehensive tax compliance models. By incorporating these factors into existing tax compliance models, researchers can gain a more nuanced understanding of the complex processes that underlie taxpayer compliance behavior. This, in turn, can help policymakers and tax authorities design more effective interventions to promote tax compliance.

CONCLUSION

The study finds that attitude, subjective norms, perceived behavioral control, and self-efficacy positively impact behavioral intention to tax compliance. These findings support the TPB and SCT theories. The study's comprehensive description helps to understand the relationship between tax compliance structure and moderation variable (tax incentive). The results of this study suggest that tax incentives can positively influence taxpayers' compliance behavior.

Based on the findings of this study, it can be concluded that there is a positive relationship between behavioral intention to comply with taxes and tax compliance, which is moderated by tax incentives. This means that individuals who have a stronger intention to comply with taxes are more likely to actually comply, and this effect can be further strengthened by the provision of tax incentives. TPB and SCT are both important in explaining tax compliance behavior in Indonesia. TPB emphasizes the role of individual attitudes, subjective norms, and perceived behavioral control in shaping behavior, while SCT focuses on the influence of environmental and social factors. The study found that perceived behavioral control was the most important predictor of tax compliance behavior, suggesting that individual perceptions of their ability to comply with taxes are crucial in shaping their behavior.

The findings of this study can be useful for policymakers and regulators in Indonesia when designing tax policies and incentives to improve tax compliance. By understanding the factors influencing tax compliance behavior, policymakers can create more effective policies and incentives to encourage individuals to comply with taxes. For example, offering tax relief or incentives for individuals who comply with their tax obligations may help to increase compliance rates.

Overall, this study provides useful insights for policymakers and tax authorities in Indonesia to improve tax compliance behavior. By understanding the determinants of tax compliance and the role of tax incentives, policymakers can design effective policies and strategies to encourage taxpayers to comply with their tax obligations. Additionally, this study highlights the importance of understanding the psychological and environmental factors that influence tax compliance behavior and provides insights into how tax policies and incentives can be designed to improve compliance rates.

There are several limitations to this study. Data for this study were only gathered in East Java, Indonesia. These constraints may indicate the need for more study in Indonesia to acquire larger data or employ objects other than MSMEs, such as building service businesses. Some scholars believe that qualitative analysis is required when researching individual interests in order to understand their activities (Taing & Chang, 2020). This study makes recommendations for future studies that will include additional factors to adjust the TPB and SCT development models in order to analyze tax compliance in various nations and give qualitative analysis. This is to make the real scenario of using e-government easier.

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