

## MSME SALES TAX COMPLIANCE: DO PATRIOTISM AND RELIGIOSITY ARE SUFFICIENT TO MODERATE TAX COMPLIANCE?

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### ABSTRACT

*This research aims to determine the factors that influence MSME sales tax compliance in Indonesia. This research examines the influence of tax audits, tax rates, tax sanctions, patriotism and religiosity on sales tax compliance with patriotism and religiosity also acting as moderating variables. The respondents in this study were 170 MSME actors who were selected using a purposive sampling technique. This research uses quantitative methods with data processed using SEM (Structural Equation Modelling) analysis using Smart PLS software. These findings shed the importance of religiosity and patriotism on taxpayer, where instead of moderating variables, these two factors are more suitable to be placed as main factor considered directly on tax compliance. Therefore, to maintain tax compliance, it is urged to use the personal belief approach, as if pay tax properly will be seen as the implementation of worship. Further, we also highlight the love of country spirit in encouraging people for paying taxes. This finding implies that instead of framing tax compliance as sacrifice of taxpayer, it will be suggested to frame it as part of the loyalty of citizen to their homeland.*

**Keywords:** Tax audit, Tax rate, Tax penalty, Patriotism, Religiosity, Sales Tax Compliance

### ABSTRAK

Penelitian ini bertujuan untuk mengidentifikasi faktor-faktor yang memengaruhi kepatuhan pajak penjualan pada Usaha Mikro, Kecil, dan Menengah (UMKM) di Indonesia. Penelitian ini mengkaji pengaruh pemeriksaan pajak, tarif pajak, sanksi pajak, 44eknik44ism, dan religiusitas terhadap kepatuhan pajak penjualan, dengan 44eknik44ism dan religiusitas juga diposisikan sebagai variabel moderasi. Responden dalam penelitian ini terdiri atas 170 pelaku UMKM yang dipilih menggunakan 44eknik purposive sampling. Penelitian ini menggunakan metode kuantitatif dengan pengolahan data melalui analisis Structural Equation Modelling (SEM) menggunakan perangkat lunak SmartPLS. Hasil penelitian menunjukkan bahwa untuk menjaga dan meningkatkan kepatuhan pajak, pendekatan berbasis keyakinan personal menjadi sangat penting, dimana pembayaran pajak yang dilakukan secara benar dapat dipandang sebagai bentuk penerapan religiusitas. Selain itu, penelitian ini juga menekankan pentingnya semangat cinta tanah air dalam mendorong masyarakat untuk memenuhi kewajiban perpajakan. Implikasi dari temuan ini menunjukkan bahwa alih-alih mbingkai kepatuhan pajak sebagai bentuk pengorbanan bagi wajib pajak, lebih disarankan untuk memosisikannya sebagai wujud loyalitas dan tanggung jawab warga negara terhadap tanah air.

**Keywords:** audit perapajakan, tarif pajak, sanksi pajak, patriotism, religiusitas, kepatuhan pajak

### INTRODUCTION

The crucial role of tax revenues in a country is demonstrated by the fact that practically all countries in the world rely on them (Nurisdianto, 2019), including Indonesia. Based on Realization Data for the 2022 State Budget, realized tax revenues reached Rp. 1,716.8 trillion of the total realized state revenues for the 2022 State Budget of Rp. 2,626.4 trillion (Badan Kebijakan Fiskal, 2023). This number indicates that the proportion of the contribution from tax

revenue to the realization of the 2022 state budget reaches 65%. Regarding the contribution of taxation to state revenue, it is critical to pay particular attention to how well taxpayers comply with their commitments.

Due to the COVID-19 epidemic, Indonesia saw negative economic growth in 2020. Nevertheless, the Indonesian economy was able to recover from the aforementioned challenges (Kementerian Pendayagunaan Aparatur Negara dan Reformasi Birokrasi, 2023). MSMEs (micro, small, and medium-sized enterprises) have aided economic growth in post-pandemic Indonesia (Wahyunti, 2020). Even though they also experienced a downturn during the pandemic, the success of MSMEs which are recovering has received support from the government as a Critical Engine for the National Economy (Kementerian Koordinator Bidang Perekonomian, 2022). MSMEs show their participation in the Indonesian economy through Gross Domestic Product, employment, distribution of community income, tips for alleviating poverty and employment (Novitasari, 2022).

Data from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia show that MSMEs account for 60.5% of GDP and 96.9% of labor absorption in the country. Maretianiandini et al. (2023) argues that domestic economic conditions need to be maintained by increasing state revenue through taxes with potential objects, namely MSMEs. MSMEs in Indonesia as of 2021 numbered 64.2 million (Komite Pengawas Perpajakan, 2021). The Ministry of Finance stated that the potential tax revenue of MSMEs is a focus of attention because there are only 1.5 million MSMEs registered as taxpayers stated by Directorate General of Taxes (Hermawan & Ramadhan, 2020).

Tax revenue related to MSMEs is Sales Tax. On a worldwide basis Sales Tax is commonly referred to as Value Added Tax and Goods and Services Tax (Alshira'h & Abdul-Jabbar, 2020). In Indonesia, one type of tax that contributes greatly to tax revenue is Value Added Tax (Prasetyo & Djufri, 2020). It has been expected that the implementation of Law No. 7 of 2021 about Harmonization of Tax Regulations, which raises the VAT rates, would result in a rise in MSME tax non-compliance (Maretianiandini et al., 2023). Considering the large contribution of VAT to Indonesia's tax revenues, further research is needed on MSME tax compliance as a potential object in contributing to state revenues.

One of the factors influencing sales tax compliance is a tax audit. Quoting from the website of the Direktorat Jenderal Pajak (2022), a tax audit is conducted to assess tax compliance of taxpayers and to apply tax laws and regulations. According to study by Alshira'h & Abdul-Jabbar (2020), tax audits contribute to a rise in sales tax compliance. Another factor that influences sales tax compliance is the tax rate (Alshira'h & Abdul-Jabbar, 2020). In an effort to improve tax compliance, the Directorate General of Taxes reduced the tax rate from 1% to 0.5% only for MSMEs (Hermanto et al., 2022). Furthermore, tax penalties are regarded as a factor that can affect tax compliance (Alshira'h & Abdul-Jabbar, 2020). Tax penalties are presented to give a feeling of submission or fear of violating tax regulations (Kamil, 2015). Patriotism is used as a moderating variable in this study to strengthen the effects of tax audit, tax rates, and tax penalties on tax compliance. However, the potential effect of patriotism is discovered based on prior restricted literature sources, which state that the link between patriotism and tax compliance is still inconsistent (Alshira'h & Abdul-Jabbar, 2020).

By considering the inconsistency of the preceding factors on tax compliance, the authors included religiosity as a moderating variable in the present study. Amri et al. (2021) stated that religiosity is stereotypically defined as an understanding of religious knowledge and beliefs, outside of influences related to a person's emotional attachment to his religion. One theory that can explain tax compliance behavior is the theory of planned behavior. Agbetunde et al. (2022)

stated that the attitudes toward the behaviors and perception of subjective norms that represent "individuals' beliefs of referents' approval" of their behavior also influence taxpayers' intentions, which directly predict their behavior. Apart from the perceived social pressure, the influence of the belief that God always supervises his people can also strengthen the power of religiosity to facilitate taxpayers in complying with regulations. Religiosity is expected to be able to provide a strong internal influence for taxpayers in Indonesia to comply with tax compliance. Benk et al. (2016) prove that religiosity has a positive impact regarding tax compliance. Due to its potential in encouraging internal taxpayers to comply with taxes, this study adds the religiosity variable as a novelty to explain sales tax compliance. There has been many previous study on tax compliance. However, there are still discrepancies amongst studies. Previous research has discovered that moderating variables like patriotism improve the relationship between these parameters and sales tax compliance. As a result, it is expected that the moderating variable, religiosity, will enhance the impact of tax audits, tax rates, and tax penalties on sales tax compliance.

## LITERATURE REVIEW

### Deterrence Theory

Criminal behavior based on standard economic models was discovered by Gary Becker in 1968 through his seminal work entitled *Crime and Punishment: An Economic Approach* (Chalfin & McCrary, 2017). According to the economic model of deterrence theory, criminal behavior is not determined by social standards, psychological infirmities, or innate characteristics, but rather by the economic theory of choice (Johnson, 2019). Gary S. Becker states that the approach used is choice analysis which estimates that a violation is committed by someone if the benefits of committing the violation are greater than the benefits received when using time and other resources for other activities (Becker, 1968). He also added that a person tends to choose to become a criminal not because of differences in motives or differences in encouragement from themselves, but because of differences in benefits and costs with people who do not commit crimes.

According to Piquero et al. (2011), the theory of deterrence describes how the prospect of penalties and the application of sanctions discourage criminal conduct in society as a whole (in the case of general deterrence) and the persistence of crime among perpetrators (in the case of special deterrence). Research conducted by Taufik et al. (2023) explained that general prevention is defined as a goal in the hope of preventing people from being involved in crime. Meanwhile, special prevention aims to provide a deterrent effect through imposing penalties on those who have committed crimes. Deterrence theory is relevant to be used to discuss tax compliance. Based on deterrence theory, punishment or sanctions can prevent crime or criminal behavior in the future while increasing compliance (Piquero et al., 2011). In addition, Becker's economic model of deterrence theory is also the root of the theory of tax compliance, namely the prevention theory of the economic approach or also known as the A-S model (Alshira'h & Abdul-Jabbar, 2020). Allingham and Sandmo explored the A-S model in 1972, which takes into consideration taxpayer behavior based on the possibilities of performing tax audits, tax penalties, tax rates, and income (Enofe et al., 2019). Deterrence theory based on research by Kiconco et al. (2019), taxpayers will take into account the advantages and disadvantages that will be received if they commit tax non-compliance because there is an opportunity for audit detection and imposition of severe sanctions. Al-Ttaffi et al. (2021) stated that deterrence theory assumes that high tax rates lead to higher levels of tax non-compliance.

### **Social Identity Theory**

Social identity according to Tajfel (1974), is described as a component of a person that stems from knowledge about his membership in a certain group, as well as the emotional value that stems from his membership. Social identity theory emphasizes that individual behavior is a reflection of larger societal units, such as groups, organizations, culture and the identification of individuals with collective units is an internal process (Sulistiani, 2021). On the basis of the above explanation, it is possible to infer that social identity theory analyzes individual notions that emerge as a result of their existence in a group, which is followed by emotional internalization and existing values. According to (Mangum & Block (2018), social identity theory has three main components, namely: (1) social categorization, where instinctively, individuals have a way of thinking based on their group. In addition, naturally also individuals position themselves in a group and build good trust in the group they choose, (2) social identification, which stated along with the process of social categorization, social identification also occurs. Social identification means the attraction or sympathy that a person has for one group one follows over another. And (3) social comparison, which argued that after someone places himself in a group, individuals tend to make comparisons between groups that are followed and other groups that are not joined by individuals. Normally, a person will view the group he is following as better than the other group he is not following.

Social identity theory is useful for understanding sales tax compliance, particularly from a social standpoint. According to Christian & Alm (2014), non-economic factors are very important to pay attention to both for tax compliance even other decisions of a person. Their research shows that a person is influenced by morals, social norms and a sense of justice. In this study, social identity theory is relevant to explain the moderating variable of patriotism. Social identity theory will provide an overview of the consequences for national loyalty (Huddy & Khatib, 2007). Based on Nazaruddin (2019), taxpayers with a strong feeling of patriotism will be more honest and obedient in their tax payments.

### **Theory of Planned Behavior**

The Theory of Planned Behavior has recently emerged as the most extensively used social psychology paradigm for comprehending and forecasting human behavior (Memon et al., 2020). In 1991, Ajzen proposed the Theory of Planned Behavior. Based on Ajzen (1991), The Theory of Reasoned Action (TRA) evolved into the Theory of Planned Behavior (TPB). He further stated that the advancement was regarded as an addition to the sense of behavioral control that individuals feel. According to the Theory of Planned Behaviour, human behaviour stems from three types of considerations (Bosnjak et al., 2020) and (Ajzen, 1991): (1) Behavioral Beliefs and Attitude Towards Behavior, explain individual beliefs regarding the consequences that arise from carrying out a behavior. This leads in either a positive or negative view about the way someone acts or the behaviour; (2) Normative Beliefs and Subjective Norms, where it is explains the notion that there are normative expectations (between agree and disagree) that come from other people towards the behaviour expressed by individuals. This results in social pressure. Lastly, (3) Control Beliefs and Perceived Behavioral Control, demonstrate how objects can either help or hinder people's behaviour. Behavioral control, also known as self-efficacy, results from control beliefs.

After going through the three considerations above, the intentions of each individual will affect the behavior shown (Damayanti, 2018). This is aligned with the findings of Bosnjak et al. (2020) who observed that intention happens before behaviour manifested. The theory of planned behavior may be implemented to explain sales tax compliance in a variety of ways,

one of which is through the variable religiosity. The existence of religiosity in relation to tax compliance will control individual behavior through religious values contained in each individual's beliefs (Damayanti, 2018). According to the preceding definition, the theory of planned behaviour should be able to explain sales tax compliance through the use of the religiosity variable.

### **Micro, Small and Medium Enterprises (MSME)**

MSMEs, or Micro, Small, and Medium Enterprises, are frequently mentioned as catalysts for a country's development (Ika et al., 2022). Based on information from Kementerian Koordinator Bidang Perekonomian (2022), MSMEs in Indonesia have succeeded in providing 60.5% of GDP and can absorb up to 96.9% of the national workforce. MSMEs are projected to contribute even more to state revenues as a result of their contribution to the country's economy. The concept of MSMEs is divided into three categories, according to Government Regulation Number 7 of 2021 on the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises.

### **Tax Audit**

Tax audits are described as taxpayers' obedience or compliance in implementing the tax reporting system, which involves filling out, calculating, collecting, and withholding all taxes in accordance with applicable laws and regulations (Rahmayanti et al., 2020). According to Waluyo (2020), A tax audit is a set of actions designed to gather and process data, information, and evidence in line with reality and professionalism on the basis of audit standards in order to check tax compliance or for other objectives still relevant to the rules. In addition, Hermawan (2022) tax audit has the meaning as a means of examining reporting documents, evidence, books and records of taxpayers to ensure the correctness of accounting standards and applicable tax regulations. He also argues that a tax audit is a fiscal strategy in dealing with tax non-compliance behavior. In a more specific sense of a sales tax audit, Alshira'h & Abdul-Jabbar (2020) state that a sales tax audit is an activity of checking and monitoring systematically records, factors and tax reporting for those who have registered their sales tax or who make sales with taxable goods and services.

Based on past research, it can be inferred that a tax audit is a process of analyzing taxpayer records to show compliance with applicable tax laws. The implementation of a tax audit is, of course, driven by the aim of implementation and its application, which then serves as the foundation for performing a tax audit. A tax audit, according to Article 29 of Law No. 16 of 2000, has the goal of assessing taxpayer compliance and other requirements connected to the application of tax laws and regulations, and the party authorized to conduct this audit is the Directorate General of Taxes. Tax audits are performed to ensure that taxpayers comply with tax laws and regulations (Olaoye & Ekundayo, 2019). In addition, Akinadewo et al. (2023) state that tax audits are used to establish the amount of relevant tax compliance and successfully assist the government's purpose of tax collection. According to Kardinan et al. (2023), a tax audit has the goal of being a tester of Annual Tax Returns with the implementation of common auditing techniques and rules. Based on the purpose and functionality of the tax audit as explained above, the authors conclude that the objective of the tax audit is to check that each taxpayer has declared his taxes accurately and in line with the law.

### **Tax Rate**

Tax collection must be carried out one of them with the principle of justice, both in law and in practice. This justice can be achieved by applying tax rates by giving equal pressure to each taxpayer (Zulvina, 2018). Tax justice can be carried out by carrying out the distribution of wealth from people with extra income to people in need with subsidies or government channel programs (Kementerian Keuangan Republik Indonesia, 2022). The tax rate is the basis for determining the amount of tax that must be paid as a percentage (Cahyani & Noviyari, 2019). Meanwhile, Dewi et al., (2020) define the tax rate as the basis for imposing taxes on tax objects that are the responsibility of the taxpayer. In Indonesia, taxes are the main source of state revenue. Therefore, it is necessary to carry out tax reform and fiscal consolidation in order to optimize tax revenue.

According to the mandate of Article 7 of Law Number 7 of 2021 Concerning the Harmonization of Tax Regulations, one of the government's initiatives relating to tax reform and fiscal consolidation is the modification of VAT rates (Lubis, 2022). Value Added Tax (VAT) is characterized as a consumption tax levied against customers who purchase goods or services based on the imposition of service items that are tax objects (Agasi & Zubaedah, 2022). The subject of Value Added Tax is a Taxable Entrepreneur who has been registered as a taxable entrepreneur. Since April 1, 2022, the VAT rate has changed from the original 10% to 11%. Agustina & Hartono (2022) state that according to the Government of Indonesia, the possibility of boosting middle-class consumption makes VAT the primary source of rising state revenue. The World Bank (2020) states that since 2002, the consumption of the middle class in Indonesia has grown by 12% annually and has become the main contributor to economic growth in Indonesia. According to the explanation given above, the value added tax rate has increased in order to maximize tax income in Indonesia, which is also done in accordance with the principle of fairness

### **Tax Penalty**

Tax is mandatory and has the coercive power. This means that there will be legal consequences such as tax sanctions if tax obligations are not carried out (Asnawi & Mukhlisin, 2017). This is in line that taxpayers who do not comply with their tax obligations may be fined (Internal Revenue Service, 2023). In line with Deterrence Theory, Asnawi & Mukhlisin (2017) stated that tax penalties are intended so that taxpayers know and consider the legal consequences of actions taken against tax obligations. The imposition of tax penalties in each country is not the same and depends on the level of violation or evasion committed by the taxpayer. Based on Oghuma (2018), in China, the punishment received by tax violators can be equivalent to the death penalty. However, it is different from Nigeria, where the punishment is light so that the impact of the punishment cannot be felt by the perpetrators of tax violations.

The application of tax sanctions can be used to prevent tax non-compliance. According to (Doran, 2009), tax sanctions have two main functions, namely tax sanctions as an instrumental function of tax compliance which sees tax sanctions as promoters of tax compliance and tax sanctions as a function of the definition of tax compliance itself. He explained that in terms of the use of tax sanctions as an instrumental function, changes or reforms to sanctions must take into account the understanding of taxpayers to comply with their taxes. In its use as a function of definition, tax sanctions are seen as determinants of circumstances or situations based on law that can prevent the imposition of tax sanctions which are related to establishing standards of taxpayer compliance behavior.

### **Patriotism**

Patriotism according to Mamadzhanov (2021), is principally defined as a feeling of pride in one's country's achievements and culture, a desire to uphold these characteristics, and a sense of self-identification (a unique emotional sense of nationality, language, and traditions) among representatives of one's people. This also includes the desire to advance the interests of the motherland and its people. Meanwhile, Nazaruddin (2019) defines patriotism as a person's relationship with his group (race, country, political party, etc.), being loyal to certain social groups and willing to identify with them is part of this bond. Mayapada et al. (2021) also stated that due to this sense of patriotism, citizens usually tend to act the same or imitate the behavior of other citizens who are in the same group as them to avoid threats or rejection if they act differently. They also added that because of this similarity in social identity, patriotism can strengthen cooperation between citizens. Mulya (2020) stated that one form of patriotism is the intention to sacrifice for the interests of the nation and state. According to Westheimer (2006), there are two categories of patriotism, including:

### **Religiosity**

The degree of a person's attachment to the belief or religion they follow can be measured by how much they value and internalize religious principles, which subsequently have an impact on their behaviour and outlook on the world (Hanifah & Yudianto, 2019). Defining religiosity in the context of the taxpayer, Nazaruddin (2019) defines religiosity as a taxpayer's commitment to his religion which is implemented in his daily life. Religion or one's beliefs are believed to be able to regulate individual behavior so that unethical behavior does not create (Hanifah & Yudianto, 2019). Apart from that, religion also emphasizes its adherents that God always listens, observes and knows all individual behavior and that there is accountability for the actions of each individual (Elshaer et al., 2021). They also add that individuals who uphold God as the main source of inspiration will feel worried about the alignment of their attitude with God's commands. Therefore, religiosity can be concluded as a commitment between individual adherents of religion to their religion and God so that it leads to an individual's submission to God's commands and the realization of behavior that is in line with the value of his God.

To show one's religiosity, it is necessary to have trust in one's beliefs through adherence to the rules and values of one's religion so that it can be manifested in daily practice (Dali et al., 2019). If a person's level of religiosity is higher, his behavior in carrying out social life will increase along with ethical values (Budiarto et al., 2018). Religiosity according to Glock (1962) has 5 dimensions including, the experiential, ritualistic, ideological, intellectual, and consequential

### **Sales Tax Compliance**

Sales tax is defined as a calculation of the proportion of the selling price that is collected by the seller and then reported to the government on behalf of the buyer (Zhang & Choi, 2020). In this study, sales tax refers to Value Added Tax (VAT). Value Added Tax is a tax that is levied on the consumption of products or services in the customs area in phases at each stage of production and distribution (Andika, 2022). Value Added Tax (VAT) is an indirect tax on products and services that is levied at every stage of production to prevent cascading or multiple effects (Obaretin & Uwaifo, 2020). In Indonesia, VAT ranks second in its contribution to tax revenue (Prasetyo & Djufri, 2020). Sales tax compliance can be described as complying to all sales tax regulations and processes, including reporting accurately and honestly the amount of

sales tax that was collected and paid, compiling the right tax responsibilities, and submitting sales tax returns on time and in the appropriate amount (Nura et al., 2017). According to Sing & Bidin (2020), sales tax compliance means not rigging sales invoices in order to pay less sales tax, but sales invoices and their details are stated correctly and in reality. Taxpayer compliance can be illustrated through the level of discipline of taxpayers in depositing and reporting their taxation where Taxable Entrepreneurs have a fairly high frequency because SPT reporting is monthly (Mokoagow et al., 2021). Since April 2022, Indonesia has experienced an increase in VAT rates and this is calculated to raise the potential for taxpayer compliance from before (Maretaniandini et al., 2023). They added that tax compliance, particularly for MSMEs, was not comparable with the number of MSMEs in Indonesia even before the VAT rates were raised, making tax compliance, particularly for Value Added Tax, a very intriguing subject to research.

### Hypothesis Development

According to the deterrence theory, doing tax audits has an impact on taxpayers' attitudes towards tax compliance. A tax audit is an essential instrument in building and maintaining tax compliance which directly or indirectly influences the behavior of taxpayers (Kasper & Alm, 2022). It is possible that tax audit by the tax authorities will detect tax non-compliance (Chau & Leung, 2009). The higher the possibility of carrying out tax audit, taxpayer tends to be more subject and obedient to tax compliance. Taxpayers will consider their actions in reporting taxes regarding compliance with facts and also laws and regulations.

The association between tax audit and tax compliance has been covered in a variety of research studies. Rahmayanti et al. (2020) stated that tax audits have a positive influence on corporate taxpayer compliance. Another study from Suyati & Sugiharto (2021) states that tax audits encourage individual taxpayer compliance. This positive influence indicates that if tax audits are carried out regularly and procedures are implemented in accordance with tax laws, then taxpayers will be more obedient to their tax obligations. In their research on how a tax audit affects sales tax compliance, Alshira'h & Abdul-Jabbar (2020), Woodward & Tan (2015) and Sanusi et al. (2017) discovered that tax audits significantly impact sales tax compliance. Therefore, formulate the hypothesis as follows:

#### **H1: Tax audits have a positive and significant effect on MSME sales tax compliance in Indonesia**

In line with the deterrence theory, Al-Ttaffi et al. (2021) found that high tax rates will affect tax non-compliance. According to Zulma (2020), high tax rates will result in taxpayers being reluctant to pay their taxes obediently. Meanwhile, the Value Added Tax rate in Indonesia has increased to 11% since 1 April 2022 where previously the VAT rate was 10% (Direktorat Jenderal Perbendaharaan, 2023). This has the potential to have an impact on tax compliance, especially MSMEs, many of which are still in the development stage because high tax rates can burden MSMEs. There is still few research on the relationship between tax rate and sales tax compliance (Alshira'h & Abdul-Jabbar, 2020). According to Cahyani & Noviani (2019), tax rates influence MSME tax compliance positively. This suggests that MSMEs are more compliant with their tax obligations the more fair the tax rate. Within the scope of taxes, especially VAT, research from Fjeldstad et al. (2020) state that a fair VAT tax rate is the dominant factor for taxpayer compliance. When taxpayers feel the taxes they pay are charged at a fair or appropriate rate, taxpayers tend to feel more comfortable in paying taxes so that it has an impact on compliance. Meanwhile, research from Matthews & Lloyd-Williams (2000)

states that VAT rates have a negative impact on tax compliance. Therefore, The following formulation represents the second hypothesis:

**H2: Tax rates have a positive and significant effect on MSME sales tax compliance in Indonesia**

In deterrence theory, there is the possibility of being subject to sanctions if violating obligations can affect taxpayer compliance. Tax penalties are very salient in tax enforcement and collection if there is deviant taxpayer behavior (Swistak, 2016). The imposition of effective and structured penalties is necessary to prevent tax non-compliance (Al-Ttaffi et al., 2021). This can be explained through deterrence theory which explains that the imposition of fines can lead to fear of being fined if you commit a violation. Based on research by Rahmayanti et al. (2020), compliance by corporate taxpayers is influenced positively by the tax penalty. In addition, Mannan et al. (2020) declared that the tax penalty has a positive and significant effect on individual taxpayer compliance. This positive impact can be seen as meaning that taxpayers tend to be susceptible to and fearful of taxes if the rate of tax penalties levied on non-compliant taxpayers is higher. In relation to sales tax compliance, research by Alshira'h & Abdul-Jabbar (2020) declared that there is a significant and positive association between sales tax compliance and tax penalties. According to Faridy et al. (2014), the tax penalty has a negative effect on sales tax compliance. Based on the discussion above, the third hypothesis is:

**H3: Tax penalty has a positive and significant effect on MSME sales tax compliance in Indonesia.**

Based on social identity theory, a person's behavior can be explained from the larger environment in which they grow up, such as on a national scale. According to Kurniawan et al. (2023), a person's social behavior is guided by their level of patriotism, for example, it is associated with someone's patriotic behavior when they pay taxes on time. Taxpayers who have a sense of love and concern for the growth of their country can be a major factor in many social lives, such as compliance with paying taxes (Betu & Baso, 2023). Taxpayer who has a high spirit of patriotism tends to do behave in accordance with applicable regulations or laws due to the spirit of patriotism will uphold the values of the group they follow. The higher a person's spirit of patriotism, the stronger they hold the values of their group so that they will then comply with all regulations, including tax regulations. The aforementioned explanation is consistent with research by Wati et al. (2022) which show that patriotism has a positive and significant effect on tax compliance. According to the explanation provided, the fourth research hypothesis is:

**H4: Patriotism has a positive and significant effect on MSME sales tax compliance in Indonesia.**

According to the theory of planned behavior, someone's behavior can depend on what they believe, which is established as a result of their considerations. Religiosity is a reflection of the knowledge, belief, implementation and appreciation of a religious follower so that the higher a person's level of religiosity, the better their values and behavior will be (Budiarto et al., 2018). One's behavior in complying with taxation can be controlled by the level of religiosity one has (Damayanti, 2018). A person with high religiosity tends to obey the teachings of his religion and avoid actions that cause sin such as breaking the rules. This is because they believe that their every behavior will always be under God's supervision so they avoid behavior that makes them fall into sin. A study conducted by Dabor et al. (2021) states that religiosity has a positive

effect on tax compliance. This is consistent with study by Nurani & Islami (2020) which discovered that religion had a significant positive impact on tax compliance. Another study by Utama et al. (2022) also show that religiosity has a positive impact on tax compliant intention, which relates to the taxpayer's desire to carry out tax compliance or non-compliance. Considering the previous explanation, the fifth hypothesis is:

**H5: Religiosity has a positive and significant effect on MSME sales tax compliance in Indonesia.**

Based on social identity theory, a person's behavior is reflected based on his values and participation in a group. A person's social identity influences his sense of responsibility and commitment (Alshira'h & Abdul-Jabbar, 2020). In this study, patriotism can describe social identity theory for MSMEs towards their obligations to pay taxes. Konrad & Qari (2012) state that patriotism positively impact sales tax compliance. Patriotism can be defined as a feeling connection that evokes emotion and positive identification of tax payments from MSME managers regarding their sales tax, rather than committing fraud or avoiding paying taxes for the sake of the country's development (Bani-Khalid et al., 2022). Carrying out regular tax audits and appropriate procedures can improve tax compliance (Rahmayanti et al., 2020). According to Alshira'h & Abdul-Jabbar (2020), patriotism is positively and significantly correlated with tax audits and sales tax compliance. Tax audits and sales tax compliance may be connected by the patriotism that permeates each tax authority and taxpayer. Taxpayers will be honest regarding their taxes to the authority that conducts tax audits. Taxpayers with a high spirit of patriotism will also comply with tax regulations. Meanwhile, tax authorities with a high spirit of patriotism will carry out inspections properly in accordance with applicable tax regulations. The level of sales tax compliance will also increase if taxpayers and tax authorities can work together in accordance with the law. In light of the foregoing explanation, the writer proposes a hypothesis:

**H6: Patriotism moderates the relationship between tax audit and sales tax compliance on MSME in Indonesia.**

Research by Alshira'h & Abdul-Jabbar (2020) stated that the moderating relationship of patriotism between tax audits, tax rates, tax penalties and sales tax compliance is very strong. Fairly applied tax rates will increase sales tax compliance. According to Fitria & Supriyono (2019), the higher the tax rate, the taxpayer will tend to delay payments and not even pay taxes. Meanwhile, keeping the sales tax rate, Indonesia has implemented an increase in the VAT rate to 11%. This situation has the possibility to affect the compliance of sales tax payers in Indonesia. It is projected that social identity theory, particularly patriotism, will have an impact on the link between tax rates and sales tax compliance. Patriotism in the context of sales tax compliance and tax rates refers to a taxpayer's internal motivation to support the growth of his country. The greater the spirit of patriotism possessed by a taxpayer, the taxpayer tends to comply with tax regulations and is willing to pay the tax rate determined by the government. According to Alshira'h & Abdul-Jabbar (2020), patriotism and tax rates and sales tax compliance have a positive and significant association. Based on the previous explanation, the seventh hypothesis is:

**H7: Patriotism moderates the relationship between tax rate and sales tax compliance on MSME in Indonesia.**

Based on deterrence theory, tax penalty will create feelings of fear for taxpayers who intend to violate tax regulations. Feelings of fear or worry about being fined will then have an impact on the taxpayer's choice to comply with tax regulations. This is corroborated by research by Widuri et al. (2019) which found that tax penalties had a positive and significant effect on tax compliance. Penalties imposed on tax violators can be a factor in preventing tax evasion since taxpayers tend to reevaluate their attitude if they intend to breach tax legislation. However, Tilahun (2019) discovered that tax penalties did not reduce tax noncompliance. Due to the fact that the previous results were inconsistent, this study included patriotism as a moderating component between tax fines and sales tax compliance. Patriotism is linked to tax penalties, and sales tax compliance stems from citizens' desire to contribute to the development of their nation. MSME entrepreneurs who have a high spirit of patriotism will comply with tax regulations because they will not endanger their country by committing fraudulent conditions that can harm their own country and subject their businesses to fines. If they commit fraud or tax deception, entrepreneurs will tend to feel unpatriotic. This is supported by the research of Alshira'h & Abdul-Jabbar (2020) which patriotism has a positive and significant relationship with tax penalties and sales tax compliance. Based on the explanation given, the hypothesis formulated as follows:

**H8: Patriotism moderates the relationship between tax penalty and sales tax compliance on MSME in Indonesia**

The Directorate General of Taxes conducts a significant tax audit to assess the appropriateness of taxpayers' tax responsibilities (Tikupadang & Palalangan, 2020). In line with deterrence theory, a tax audit can function to prevent tax non-compliance through regular inspections done by tax authority. According to the theory of planned behaviour, a person's religiosity should be able define the attitude or behaviour displayed by taxpayers in order to comply with tax legislation. Someone with high religiosity tends to be careful of the actions they take because of fear and submission to the beliefs that are carried out. Hanifah & Yudianto (2019) and Hwang & Nagac (2021) argued that religiosity has a positive and significant effect on tax compliance. It can be concluded that devotees of religions with strong religiosity are sensitive to the value of their religion and God, therefore they are frightened to breach tax restrictions. Consequently, with a high level of religiosity, MSME taxpayers will always consider their religious value in any decisions they make, including if they commit a violation. In terms of faith, religious MSME taxpayers will always feel that their behavior is being watched by God so that they tend to choose to obey the rules that have been set. In connection with the implementation of a tax audit, people with high religiosity tend to be afraid of the potential for detection of committed fraud during an audit. Therefore, the ninth hypothesis is:

**H9: Religiosity moderates the relationship between tax audit and sales tax compliance on MSME in Indonesia**

Based on Allingham & Sandmo (1972), tax rates have a significant relationship with deterrence theory. The findings from Chandra & Sandra (2020) prove that tax rates have a positive and significant effect on tax compliance. It also implies that if tax rates are regulated fairly, taxpayers are more likely to comply with tax regulations. Nevertheless, various results have been found, such as research by Yusro & Kiswanto (2014), which shows that tax rates have no significant impact on tax compliance. It is expected that religiosity, which reflect the theory of planned behavior, will increase the relationship between tax rates and sales tax compliance. Taxpayers with a high level of religiosity are more likely to adhere by the tax laws because

they are more likely to feel that the tax laws have been constructed properly and are not intended to be broken, particularly by MSME taxpayers. Their attitude in complying with tax regulations will be formed because they will always involve their religious value in daily lives. MSME taxpayers with high religiosity will uphold their religious value to always be obeyed, they also tend to comply with tax regulations. By complying with tax regulations, MSME taxpayers will feel that they are also obedient and successful in serving their God. This is corroborated by research by Octavianny et al. (2021) which found that religiosity has a significant influence on tax compliance. Mohdali & Pope (2012) also stated that taxpayer religiosity has a positive effect on voluntarily taxes compliance. According to previous explanation, the proposed hypothesis is:

**H10: Religiosity moderates the relationship between tax rate and sales tax compliance on MSME in Indonesia**

Based on deterrence theory, tax penalties are able to prevent tax non-compliance because taxpayers tend to consider the fines they will receive if they violate tax regulations. The application of tax penalties can strengthen MSME tax compliance through prevention, encouragement and justice and social norms to become drivers of taxpayer attitudes (Swistak, 2016). This is in line with the research by Yunus et al. (2017) which states that tax penalties significantly impact tax compliance. Taxpayers' attitudes towards paying taxes can also be observed based on their level of religiosity. Those with a high level of religiosity are more likely to adhere to rules. This is proven by research from (Benk et al., 2016) which asserts that a person's level of religiosity has a positive and significant impact on tax compliance, demonstrates this. It is possible to suggest that one's religiosity will boost tax compliance since taxpayers frequently uphold the moral standards of the religions they follow. If a taxpayer is subject to a tax penalty, it means that the taxpayer has violated tax regulations while a taxpayer with high religiosity will strive for compliance based on his beliefs. MSME taxpayers with high religious values will feel the presence of God and always involve God's guidance in determining attitudes. This leads to the potential that if they commit fraud, they tend to feel sinful or not religious. Therefore, the eleventh hypothesis proposed:

**H11: Religiosity moderates the relationship between tax penalty and sales tax compliance on MSME in Indonesia**

#### Research Method

### RESEARCH METHOD

The approach method is quantitative analysis. This study relies on primary data gathered through the distribution of questionnaires. This study's sample was drawn using a purposive sampling technique with certain criteria. This study's questionnaire contains 34 indicators. As a result, the minimal sample size for this investigation is 170 samples. Each factor in the questionnaire is measured using a Likert value with a value of 1 (Strongly Disagree) to 5 (Strongly Agree). Statistical analysis of the primary data gathered is needed to provide an overview of the effect of tax audits, tax rates, and tax penalties on sales tax compliance with patriotism and religiosity as moderating variables and to evaluate the hypotheses. The Structural Equation Model - Partial Least Square (SEM-PLS) is used in this research.

### Data

Hypothesis testing aims to test whether or not a statistical statement is true and to determine a decision whether the statistical statement is rejected or accepted (Anuraga et al., 2021). If the p-value is 0.05 or alpha 5% and 0.1 or alpha 10%, the analysis is considered significant.

**Table 1. Convergent Validity**

Variable	Construct	Convergent Validity	AVE
Patriotism	PA3	0.800	0.599
	PA4	0.712	
	PA5	0.806	
Religiosity	RE1	0.767	0.555
	RE4	0.729	
	RE5	0.776	
	RE6	0.705	
Sales Tax Compliance	STC10	0.720	0.513
	STC5	0.674	
	STC8	0.776	
	STC9	0.691	
Tax Audit	TA1	0.751	0.599
	TA2	0.740	
	TA3	0.828	
Tax Penalty	TP1	0.674	0.564
	TP2	0.697	
	TP3	0.814	
	TP4	0.809	
Tax Rate	TR1	0.906	0.810
	TR2	0.893	
	Patriotism x Tax Audit	1.000	
	Patriotism x Tax Penalty	1.000	
	Patriotism x Tax Rate	1.000	
	Religiosity x Tax Audit	1.000	
	Religiosity x Tax Penalty	1.000	
Religiosity x Tax Rate	1.000		

According to Table 1, the convergent validity, as shown by the loading factor is  $> 0.6$  with AVE  $> 0.5$ . According to Hair et al. (2016), convergent validity is measured through AVE with a standard point of 0.5. There are several indicators with loading factor values below 0.6 which have been eliminated such as TR3, PA1, PA2, PA6, RE2, RE3, RE7, STC1, STC2, STC3, STC4, STC6, STC7, and STC11 so that the data listed above have passed convergent validity test.

**Table 2. Discriminant Validity**

	Patriotism	Religiosity	Sales Tax Compliance	Tax Audit
Patriotism				
Religiosity	0.347			
Sales Tax Compliance	0.835	0.543		
Tax Audit	0.313	0.623	0.451	
Tax Penalty	0.309	0.298	0.331	0.447
Tax Rate	0.094	0.315	0.234	0.366
Patriotism x Tax Rate	0.161	0.156	0.155	0.162
Patriotism x Tax Audit	0.235	0.415	0.208	0.383
Patriotism x Tax Penalty	0.251	0.303	0.221	0.036

**JURNAL AKUNTANSI, KEUANGAN, PAJAK DAN INFORMASI (JAKPI)**

Volume 5, No. 2, Desember 2025, p. 44-66

	Patriotism	Religiosity	Sales Tax Compliance	Tax Audit
Religiosity x Tax Audit	0.274	0.573	0.177	0.281
Religiosity x Tax Penalty	0.269	0.692	0.377	0.286
Religiosity x Tax Rate	0.163	0.452	0.178	0.262

	Tax Penalty	Tax Rate	Patriotism x Tax Rate	Patriotism x Tax Audit
Patriotism				
Religiosity				
Sales Tax Compliance				
Tax Audit				
Tax Penalty				
Tax Rate	0.614			
Patriotism x Tax Rate	0.072	0.106		
Patriotism x Tax Audit	0.051	0.119	0.285	
Patriotism x Tax Penalty	0.075	0.067	0.633	0.399
Religiosity x Tax Audit	0.152	0.108	0.213	0.649
Religiosity x Tax Penalty	0.063	0.064	0.210	0.446
Religiosity x Tax Rate	0.078	0.060	0.183	0.313

	Patriotism x Tax Penalty	Religiosity x Tax Audit	Religiosity x Tax Penalty	Religiosity x Tax Rate
Patriotism				
Religiosity				
Sales Tax Compliance				
Tax Audit				
Tax Penalty				
Tax Rate				
Patriotism x Tax Rate				
Patriotism x Tax Audit				
Patriotism x Tax Penalty				
Religiosity x Tax Audit	0.314			
Religiosity x Tax Penalty	0.461	0.604		
Religiosity x Tax Rate	0.208	0.402	0.571	

Source: Data Proceed (2023)

Based on the data in the table above, the discriminant validity value calculated using the Heterotrait-monotrait (HTMT) ratio is less than 0.9 and the discriminant validity of this study meets the requirements

**Table 3. Reliability Test**

	Cronbach's Alpha	Composite Reliability
Patriotism	0.664	0.817
Religiosity	0.735	0.833
Sales Tax Compliance	0.683	0.808

MSME SALES TAX COMPLIANCE: DO PATRIOTISM AND RELIGIOSITY ARE SUFFICIENT TO MODERATE TAX COMPLIANCE?

Putu Cindy Vania Ardelia Putri Paramitha<sup>1</sup>, Vita Elisa Fitriana<sup>2\*</sup>

	Cronbach's Alpha	Composite Reliability
Tax Audit	0.670	0.817
Tax Penalty	0.743	0.837
Tax Rate	0.765	0.895

The Cronbach Alpha value is already > 0.6. Furthermore, with a more specific approach, which is composite reliability with a value greater than 0.7 (Hair et al., 2016). Therefore, the Cronbach Alpha and Composite Reliability values in this study have met the criteria.

**Table 4. R-Square**

	R-square
Sales Tax Compliance	0.413

The R2 value in this study is 0.413, or 41.3%. This means that Tax Audit, Tax Penalty, Tax Rate, Patriotism, and Religiosity all have a 41.3% influence on Sales Tax Compliance. Other variables outside of this study influence Sales Tax Compliance by 58.7%.

**Table 5. Q Value**

	Q <sup>2</sup> Predict
Sales Tax Compliance	0.272

Source: Data Proceed (2023)

According to Chin & Marcoulides (1998), if the Q2 value > 0, the model has predictive relevance. In accordance with the table data above, it indicates that the Q2 Predict value on the dependent variable Sales Tax Compliance is 0.272, implying that this study has predictive relevance.

The Goodness of Fit (GoF) is then computed manually using the given formula:

$$\sqrt{GoF} = \sqrt{(AVE \times R2)}$$

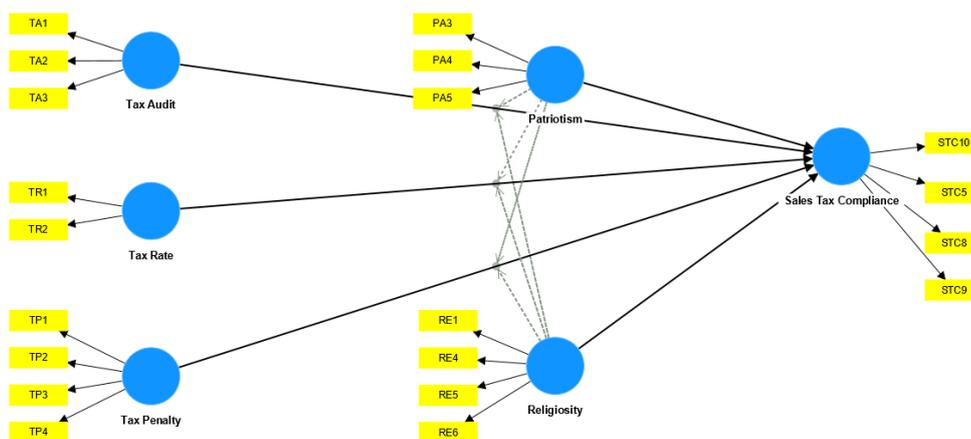
$$\sqrt{GoF} = \sqrt{(0.607 \times 0.413)}$$

$$\sqrt{GoF} = \sqrt{0.251}$$

$$GoF = 0.501$$

According to the calculations above, the Goodness of Fit (GoF) value in this study is 0.501 and falls into the GoF large group.

Based on the graphical output, hypothesis testing is performed using the bootstrapping resampling method, with the findings presented in the figure below.



**Figure 1. Hypothesis Test**

Table 5. Hypothesis Result

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Tax Audit	0.053	0.053	0.095	0.564	0.286
Tax Rate	0.079	0.075	0.084	0.943	0.173
Tax Penalty	0.072	0.096	0.077	0.935	0.175
Patriotism	0.478	0.466	0.087	5.505	<b>0.000*</b>
Religiosity	0.204	0.212	0.101	2.010	<b>0.022*</b>
Patriotism x Tax Audit	-0.062	-0.083	0.108	0.577	0.282
Patriotism x Tax Rate	0.135	0.145	0.11	1.231	0.109
Patriotism x Tax Penalty	-0.088	-0.08	0.106	0.829	0.204
Religiosity x Tax Audit	0.105	0.088	0.088	1.197	0.116
Religiosity x Tax Rate	0.043	0.035	0.113	0.382	0.351
Religiosity x Tax Penalty	-0.142	-0.124	0.094	1.51	<b>0.066**</b>

Source: Data Proceed (2023)

The prior hypothesis stated that Tax Audit has a positive and significant effect on MSME Sales Tax Compliance. The original sample value (O) was 0.053 determined in the processed data, the t-statistics value was 0.564, and the p-value was 0.286 or  $> 0.05$ . According to the results of the data processing, tax audits have no effect on sales tax compliance. Therefore, this study does not support H1. According to the findings of this study, tax audit has no significant effect on sales tax compliance. The findings are consistent with the findings of Nugrahanto & Nasution (2019) who discovered that tax audits have no effect on tax compliance. Compared to companies that owned a higher resource, tax audits on an MSME scale are typically more limited in scope. MSMEs typically still utilize a traditional financial recording system because the scope of their businesses is still relatively small, which leads to frequent unintentional errors in taxation and financial reporting. In addition, the limitations of financial recording have an effect on the information that MSMEs may provide, which is still not good because it is disorganized or even not available entirely. If MSME sales transactions are not presented clearly, tax audits will be difficult to carry out and ineffective. This may be the cause of the lack of significant effect that tax audits have on sales tax compliance.

The preceding hypothesis stated that the tax rate has a positive and significant influence on MSME sales tax compliance. The data processing results in this study show that the original sample value (O) is 0.079, the t-statistics value is 0.943, and the p-value is 0.173 or greater than 0.05. According to the results of this data processing, the tax rate has no significant influence on sales tax compliance. Therefore, this study does not support H2. According to the findings of this study, tax rates have no significant effect on sales tax compliance. This research supports the findings of Alshira'h et al. (2021) and Zulma (2020) who discovered that the tax rate had no effect on sales tax compliance. The insignificance of the tax rate's influence on sales tax compliance may indicate that a high or low sales tax rate, regardless of firm size, type of goods, or sector, has no effect on MSME taxpayers' decision to comply with tax legislation. According to Law No. 7 of 2021 on Harmonisation of Tax Regulations, the VAT rate is fixed at 11% and applies equally to all taxable goods and services. The lack of significant impact of tax rates on sales tax compliance may be due to the fact that there are other factors that are of greater importance to MSMEs than tax rates. Since MSMEs are in a growth phase, their main focus is on improving their business operations. MSMEs place a higher priority on successful sales and other business operations, making tax rates a less important factor when it comes to

complying with tax regulations. Therefore, tax rates do not have a significant impact on sales tax compliance.

The previously presented hypothesis was that the tax penalty has a positive and significant impact on MSME sales tax compliance. Based on the processed data, the original sample value (O) was 0.072, with t-statistics of 0.935 and a p-value of 0.175 or greater than 0.05. According to the findings of this data analysis, the tax penalty has no significant effect on sales tax compliance. Therefore, this study does not support H3. The granting of penalties or sanctions when failing to comply with obligations in paying taxes is applied in order to enable the public to have compliant behavior in the payment of taxes. However, in this study, tax penalties do not significantly affect tax compliance. This study supports the research carried out by Ma'ruf & Supatminingsih (2020). This demonstrates that tax penalties have no effect on compliance with paying taxes, implying that even if sanctions are enforced when not paying taxes, they cannot significantly boost compliance with paying taxes, particularly for MSME entrepreneurs. This situation can arise when micro, small and medium enterprises (MSMEs) view tax penalties as significant but prioritize efforts to grow their business in the early stages and develop strategies to compete effectively in the market. In addition, the limited capacity of tax authorities to monitor large numbers of MSMEs due to resource constraints also plays an important role. By 2022, the number of MSMEs in Indonesia has reached 8.71 million units (Anastasya, 2023). As a result, MSMEs may find that they are less likely to face sanctions. According to the preceding hypothesis, patriotism has a significant positive effect on sales tax compliance. The data processing findings show that the original sample value (O) is 0.478, the t-statistics value is 5.505, and the p-value is 0.000 or  $< 0.05$ . Patriotism has a positive and significant effect on sales tax compliance, according to the results of the data analyzed. Therefore, this study supports H4. Mamadzhanov (2021) argues that people who have patriotism in themselves will always be proud of their country, so that their soul will have a high sense of care for their country. This sense of caring can be shown in various ways, one of which is by being obedient when paying taxes. Apart from that, a person who has a spirit of patriotism can be interpreted as a person who upholds the values of his nation. MSMEs with a strong patriotism likely to have strong objectives and feelings about following norms and laws for their country. According to the findings of this study, patriotism has a significant and positive effect on sales tax compliance. One way to show their patriotism is by complying with sales tax. This study is consistent with the research conducted by (Wati et al., 2022) which stated patriotism has significantly influence tax compliance.

It was previously assumed that religiosity has a significant and positive impact on sales tax compliance. According to the data processing results, the original sample value (O) is 0.204, the t-statistics value is 2.010, and the p-value is 0.022 or below 0.05. According to the results of the data analysis, religiosity has a positive and significant effect on sales tax compliance. Therefore, this study supports H5. Religion emphasizes its adherents that God always listens, observes and knows all individual behavior and that there is accountability for the actions of each individual (Elshaer et al., 2021). So that people who have a high level of religiosity will always do the right thing and avoid violating things such as not paying taxes. MSME entrepreneurs who have high religiosity will try to comply with all applicable regulations because of their awareness and belief in the value of religiosity inherent in them. MSME entrepreneurs tend to see violations of laws or regulations that have been established as a form of disregard for the religious values they believe in. Such transgressions can be considered sins that they do not wish to reap. The result of this study indicates the level of religiosity has a significant and positive influence on tax compliance. This study is in line with research

conducted by Utama et al. (2022) and Budiarto et al. (2018) stated religiosity has a significant influence on tax compliance. It demonstrates that MSME taxpayers in Indonesia will consider their religious values in order to comply with tax rules.

Previously, the hypothesis put forward was that patriotism moderates tax audits and MSME sales tax compliance. The original sample value (O) in this study is -0.062, with a t-statistics value of 0.577 and a p-value of 0.282 or greater than 0.05. According to the findings of this data processing, patriotism has no effect on the relationship between tax audit and sales tax compliance. Therefore, this study does not support H6.

Mayapada et al. (2021) stated that corruption cases that occur in the country, as well as violations committed by state officials will affect the individual's spirit of patriotism. Apart from that, criminal acts such as corruption, collusion and nepotism carried out by tax officials have an impact on low public trust. This low level of trust in the government can affect the spirit of patriotism of MSMEs, causing a tendency to be reluctant to pay taxes and comply with tax regulations. Even if a tax audit is carried out, MSMEs have the possibility to question whether the taxes paid have been managed properly by the tax agency. The findings of this study indicates that patriotism among MSME taxpayers cannot be used to mitigate tax audits and sales tax compliance due to a lack of patriotism when considering the situation of state authorities implicated in criminal crimes that affect the state.

According to the preceding hypothesis, patriotism moderates the relationship between tax rate and MSME sales tax compliance. The data processing results in this study show that the original sample value (O) is 0.135, with a t-statistics value of 1.231 and a p-value of 0.109 or greater than 0.05. According to the findings of this data analysis, patriotism does not moderate the association between tax rate and sales tax compliance. Therefore, this study does not support H7. Patriotism was unable to moderate the tax rate or sales tax compliance in the present study. According to Mayapada et al. (2021), the spirit of patriotism should be fostered by the government through concrete evidence that can facilitate the country heading in a better direction and convince its citizens to do something because it is good to do it in the interests of the nation and state. For example, the government is approaching MSME entrepreneurs regarding education regarding tax rates and providing projections of the country's development if MSME entrepreneurs contribute through taxes. However, counseling like this seems to be rarely carried out so that the spirit of patriotism of entrepreneurial MSMEs may not be well maintained. Therefore, in this study, patriotism does not moderate tax rates and sales tax compliance.

Previous hypothesis suggested that patriotism moderates the connection between tax penalties and MSME sales tax compliance. Based on the data processing results in this study, show that the original sample value (O) is -0.088, the t-statistics value is 0.829, and the p-value is 0.204 or greater than 0.05. According to the findings of this data analysis, patriotism does not moderate the relationship between tax fines and sales tax compliance. Therefore, this study does not support H8. This study shows that patriotism cannot moderate tax penalties and sales tax compliance. According to the deterrence theory, which holds that punishments may deter tax non-compliance, Indonesians also have a propensity to expect that state officials will face the same treatment should they violate or engage in criminal activity against their nation. Mayapada et al. (2021) states that citizens' sense of patriotism can be raised through policies that are felt to be able to facilitate the state well and enforced by a government that can be trusted. However, based on Transparency International Indonesia (2023), Indonesia is still facing difficulties in eradicating corruption with Corruption Perception Index score of 34/100 ranking 110th out of 180 countries. The Corruption Perception Index (CPI) rates public-sector

corruption on a scale of 0 (extremely corrupt) to 100 (very clean). Moreover, in reality many corruptors are still punished lightly. Light sentences for corruption can have the effect of reducing the respect and trust of MSME entrepreneurs in state officials who should be trusted to manage the state well, but instead carry out actions for personal interests. This low sense of trust results in the individual's level of patriotism being reduced because they feel that their previous sacrifice or obedience for the homeland instead of being able to develop the country is used by corrupt officials coupled with the imposition of sentences that are light or not commensurate with the crime. As a result, it is claimed that the low level of patriotism possessed by MSME enterprises is the reason why patriotism is unable to moderate tax penalties and sales tax compliance.

The previously suggested hypothesis stated that religiosity moderates the relationship between tax audit and MSME sales tax compliance. The results of this study's processed data show that the original sample value (O) is 0.105, with a t-statistics value of 1.197 and a p-value of 0.116 or greater than 0.05. According to the findings of this data analysis, religiosity has no effect on the association between tax audit and sales tax compliance. Therefore, this study does not support H9. According to this study, religiosity has no effect on tax audits or sales tax compliance. This is possible since actual tax audits in the field are still uncommon for enterprises classed as MSMEs. One indicator that audits are still infrequently performed at the MSME level is the difficulty for MSMEs to acquire loans from banks (Suyono, 2017). He claims that the majority of small and medium-sized firms are not bankable since banks typically only lend money to companies whose financial records can be relied upon, or, to put it another way, have undergone an audit. In fact, one of the shortcomings of MSMEs in general is that they usually still record their financials simply or do not record them properly, so the possibility of being subject to a tax audit is still rare, especially if their income has not yet reached the large figure of IDR 4.8 billion in one year. According to Elshaer et al. (2021), people with high religiosity feel worried if their attitudes are not in line with God's commands. Religious MSMEs understand that their every behavior will always be under God's supervision. Meanwhile, even though MSMEs have high religiosity, they tend not to feel that this is a violation or mistake against their religiosity values, but rather is purely a deficiency or inability to carry out records properly. Therefore, high religiosity is neither able to strengthen nor weaken the effect of tax audits on sales tax compliance because tax audits of MSME businesses are rarely carried out.

According to the previous hypothesis, religiosity moderates the association between tax rate and MSME sales tax compliance. The original sample value (O) in this study is 0.043, with a t-statistics value of 0.382 and a p-value of 0.351 or greater than 0.05. According to the findings of this data analysis, religiosity has no impact on the relationship between tax rate and sales tax compliance. Therefore, this study does not support H10. This study shows that religiosity is unable to moderate the tax rate and the association with sales tax compliance. Religiosity cannot moderate tax rate and sales tax compliance due to the possibility that each person shows tax compliance behavior not only based on religiosity, it could also be through individual awareness of the obligations that must be carried out. According to Faisal & Yulianto (2019), a person's understanding of religion can become self-control to comply with regulations and at the same time, if religiosity has gone to the extreme then perceptions can change, such as prioritizing relationships with God over relationships with other humans such as tax authorities. Therefore, religiosity and its influence on sales tax compliance still depends on each individual so it cannot moderate tax rate with sales tax compliance.

According to the previously proposed hypothesis, religiosity moderates the relationship between tax fines and MSME sales tax compliance. According to the findings of this study's data processing, the original sample value (O) is -0.142, with a t-statistics value of 1.510 and a p-value of 0.066 or below 0.1. According to the findings of this data analysis, religiosity can modify the association between tax rate and sales tax compliance. Therefore, this study supports H11. According to the findings of this study, religiosity can moderate tax penalties and sales tax compliance. This suggests that the religiosity of MSME taxpayers influences tax compliance. The current study is consistent with research by Benk et al. (2016) and Pihany & Andriani (2022) state that religiosity influences tax compliance. MSME taxpayers with high religiosity tend to avoid violating established regulations or laws so that they are free from tax penalties. If MSME taxpayers are subject to sanctions, it means they have committed a violation that is not justified by their religious teachings. Usually, high religiosity makes a person reluctant to fall into sin through violations or mistakes made in their daily lives. As a result, the higher a person's religiosity, the less likely that person will face penalties because they will gladly follow the tax regulations that have been established.

## CONCLUSION

The purpose of this study is to determine how tax audits, tax rates, and tax penalties affect sales tax compliance, with patriotism and religiosity serving as moderating variables. This study concludes that there are 2 variables, namely patriotism and religiosity which can significantly influence sales tax compliance. This implies that other factors such as tax audit, tax rate, and tax penalty are insufficient to explain sales tax compliance. Furthermore, religiosity is able moderate the association between tax penalties and sales tax compliance. Religiosity, on the other hand, failed to moderate the relationship between tax rates and tax audits and sales tax compliance. Another moderating variable, patriotism, cannot moderate the relationship between tax audit, tax rate, and tax penalty on sales tax compliance.

These findings shed the importance of religiosity and patriotism on taxpayer, where instead of moderating variables, these two factors are more suitable to be placed as main factor considered directly on tax compliance. Therefore, to maintain tax compliance, it is urge to use the personal believe approach, as if pay tax properly will be part of the implementation of worship. Further, we also highlight the love of country spirit in encouraging people for paying taxes. This finding implies that instead of framing tax compliance as sacrifice of taxpayer, it will be suggested to frame it as part of the loyalty of country citizen to their homeland.

There are various limitations to this study, including the sample size that is quite small, as it solely includes MSMEs, limited literature discussing sales tax compliance with patriotism and religiosity as moderating variables also difficulties in collecting MSME data that have been registered as Taxable Entrepreneurs and conducted in a short time. Therefore, this study still has a broad scope of MSMEs, both Taxable Entrepreneurs and Non-Taxable Entrepreneurs.

The present study's finding assumes that the government can implement strategies or make efforts to boost patriotism, particularly among taxpayers. Apart from that, this study is also useful for individual taxpayers and religious leaders in instilling religious values to be applied in daily life, including tax compliance behavior. This study is likely to add to the limited number of literature that addresses the impact of tax audits, tax rates, and tax penalties on sales tax compliance in the context of moderate patriotism and religiosity. This study adds 1 moderating variable, namely religiosity from previous This study may reinforce social identity theory since patriotism, as an independent variable, has a strong influence on sales tax

compliance. Apart from that, this study is also able to prove the theory of planned behavior because religiosity as an independent variable can significantly influence sales tax compliance.

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