



## The Effect of Tax Knowledge, Subjective Norms and Tax Sanctions on Individual Taxpayer Compliance with Tax Awareness as a Mediating Variable: A Study of MSME Entrepreneurs at Bengkulu Primary Tax Office

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**Abstract:** This study examines the effect of tax knowledge, subjective norms, and tax sanctions on the compliance of micro, small, and medium enterprise (MSME) individual taxpayers, with tax awareness acting as a mediating variable. Tax compliance among MSME taxpayers remains a major challenge for tax authorities, particularly in developing countries where voluntary compliance is essential for sustainable revenue collection. This research adopts a quantitative approach using survey data collected from 98 MSME individual taxpayers registered at the Bengkulu Dua Primary Tax Office, Indonesia. The sampling technique applied was convenience sampling, and data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings indicate that tax knowledge, subjective norms, and tax awareness have a positive and significant effect on taxpayer compliance. In contrast, tax sanctions do not have a direct significant effect on compliance. The mediation analysis reveals that tax awareness partially mediates the relationship between tax knowledge and subjective norms on taxpayer compliance, while fully mediating the effect of tax sanctions on compliance. These results highlight the importance of strengthening taxpayer awareness through education and social influence rather than relying solely on punitive measures to enhance MSME tax compliance.

**Keywords:** Tax Knowledge, Subjective Norms, Tax Awareness, Taxpayer Compliance

### INTRODUCTION

Tax compliance remains a critical issue in many developing countries, including Indonesia, where tax revenue plays a vital role in supporting national development and public services. Despite various policy reforms and administrative improvements implemented by the government, the level of individual taxpayer compliance, particularly among Micro, Small, and Medium Enterprises (MSMEs), remains relatively low. MSMEs constitute a significant portion of Indonesia's economic structure, yet their contribution to tax revenue is often constrained by low compliance rates, limited tax knowledge, and behavioral factors influencing compliance decisions (Wulandari et al., 2015; Zaikin et al., 2022).

Tax compliance behavior is not solely determined by economic factors but is also influenced by psychological and social aspects. Tax knowledge is widely recognized as a fundamental determinant of compliance, as taxpayers who understand tax regulations, rights, and obligations are more likely to comply voluntarily. Adequate tax knowledge reduces uncertainty and errors in fulfilling tax obligations and increases taxpayers' confidence in the tax system (Ardiansyah & Irawan, 2022; Wijaya & Yanti, 2023). However, empirical findings indicate that knowledge alone does not always guarantee compliance, suggesting the presence of other intervening factors.

In addition to knowledge, subjective norms play an important role in shaping taxpayer behavior. Based on the Theory of Planned Behavior, subjective norms refer to perceived social pressure from family members, peers, or business networks that influence an individual's intention to comply with tax regulations (Ajzen, 1991). For MSME taxpayers, social influence from business communities and the surrounding environment may significantly affect compliance decisions. Several studies have confirmed that subjective norms positively influence taxpayer compliance, although the magnitude of this effect varies across contexts (Sudirman, 2020; Zaikin et al., 2022)

Another factor frequently associated with tax compliance is tax sanctions. Tax sanctions are designed to deter non-compliant behavior by imposing administrative or legal penalties on taxpayers who violate tax laws. From a deterrence perspective, stricter and more certain sanctions are expected to increase compliance levels. However, empirical evidence regarding the effectiveness of tax sanctions remains mixed. Some studies find a positive effect of sanctions on compliance, while others report insignificant or indirect effects, indicating that sanctions may influence compliance through psychological mechanisms rather than direct enforcement alone (Wulandari & Wahyudi, 2022; Wijaya & Yanti, 2023).

One psychological factor that may explain these inconsistent findings is taxpayer awareness. Taxpayer awareness reflects an individual's internal motivation and consciousness to fulfill tax obligations voluntarily, based on an understanding of the importance of taxes for public welfare and national development. Awareness is considered a key mediating variable that connects external factors, such as tax knowledge, subjective norms, and tax sanctions, with actual compliance behavior. Previous studies suggest that higher taxpayer awareness strengthens voluntary compliance and may mediate the relationship between cognitive, social, and regulatory factors and taxpayer compliance (Wulandari et al., 2015; Zaikin et al., 2023).

Empirical evidence on the mediating role of taxpayer awareness, particularly among individual MSME taxpayers, remains limited and context specific. Moreover, studies focusing on MSME taxpayers at the local tax office level in Indonesia are still relatively scarce. Therefore, this study aims to examine the effect of tax knowledge, subjective norms, and tax sanctions on individual MSME taxpayer compliance, with taxpayer awareness as a mediating variable, using data from taxpayers registered at KPP Pratama Bengkulu Dua. By employing Structural Equation Modeling using the Partial Least Squares approach, this study seeks to provide a more comprehensive understanding of taxpayer compliance behavior and contribute empirical evidence to the tax compliance literature, particularly in the context of MSMEs in developing economies.

## **METHOD**

This study adopts a quantitative research approach with an associative research design to examine the causal relationships among variables. The objective of this research is to analyze the influence of tax knowledge, subjective norms, and tax sanctions on individual MSME taxpayer compliance, with taxpayer awareness serving as a mediating variable. A quantitative approach is appropriate because it allows for hypothesis testing based on empirical data and follows a deductive reasoning framework, where theoretical assumptions are tested using observable phenomena (Sugiyono, 2013; Indriantoro & Supomo, 2011).

## RESULTS AND DISCUSSION

### Descriptive Statistics

This study involved 98 MSME individual taxpayers registered at the Bengkulu Dua Primary Tax Office. Descriptive statistical analysis was conducted to provide an overview of respondents' perceptions of each research variable, including tax knowledge, subjective norms, tax sanctions, tax awareness, and taxpayer compliance. The descriptive statistics include minimum values, maximum values, means, and standard deviations, which reflect the distribution and central tendency of the data.

**Table 1. Descriptive Statistics of Research Variables**

Name	Mean	Min	Max	Standard deviation
Tax Knowledge	11.459	6	15	2.696
Subjective Norms	15.654	9	20	3.239
Tax Sanctions	16.255	8	20	3.341
Tax Awareness	16.010	8	20	3.587
Taxpayer Compliance	21.163	10	25	3.831

Source: Primary Data, 2026

This study involved 98 MSME individual taxpayers registered at the Bengkulu Dua Primary Tax Office. Descriptive statistical analysis was conducted to provide an overview of respondents' perceptions of each research variable, including tax knowledge, subjective norms, tax sanctions, tax awareness, and taxpayer compliance. The descriptive statistics include minimum values, maximum values, means, and standard deviations, which reflect the distribution and central tendency of the data.

The results show that tax knowledge has a relatively high mean value, indicating that most respondents possess a good understanding of tax regulations, procedures, and obligations. This suggests that MSME taxpayers in the research area are generally aware of fundamental tax concepts, which may support voluntary compliance behavior. The relatively low standard deviation indicates that respondents' perceptions of tax knowledge are fairly homogeneous.

Subjective norms also demonstrate a high mean score, implying that social influence from family members, peers, and the surrounding business environment plays an important role in shaping taxpayers' attitudes toward tax compliance. This finding indicates that compliance behavior among MSME taxpayers is not only an individual decision but is also influenced by social expectations within their community.

The descriptive results for tax sanctions show a moderately high mean value, reflecting that respondents are aware of the existence of administrative and legal penalties for tax non-compliance. However, the slightly higher variability compared to other variables suggests differences in how taxpayers perceive the severity and effectiveness of tax sanctions. This variation may explain why sanctions do not uniformly translate into compliant behavior.

Tax awareness records one of the highest mean values among all variables, indicating that respondents generally recognize the importance of paying taxes as a civic duty and contribution to national development. The low standard deviation suggests a consistent level of awareness among respondents, reinforcing the role of internal motivation in driving compliance.

Finally, taxpayer compliance shows a high mean value, suggesting that most MSME individual taxpayers perceive themselves as compliant in terms of timely reporting, accurate calculation, and payment of tax obligations. The relatively small standard deviation indicates that compliance behavior is fairly consistent across respondents.

Measurement Model Evaluation Before testing the structural relationships, the measurement model was evaluated to assess validity and reliability. Convergent validity was

examined using outer loadings and Average Variance Extracted (AVE), while reliability was assessed using Composite Reliability (CR).

**Table 2. Validity and Reliability Results**

Name	AVE	Composite Reliability
Tax Knowledge	0.702	0.858
Subjective Norms	0.729	0.823
Tax Sanctions	0.593	0.775
Tax Awareness	0.736	0.883
Taxpayer Compliance	0.658	0.881

Source: Primary Data, 2026

All constructs meet the recommended threshold values, indicating that the measurement model is valid and reliable. This confirms that the indicators adequately represent their respective latent variables.

### Structural Model Evaluation Inner Model

The structural model was evaluated to examine the predictive power of the model and to test the proposed hypotheses. The assessment of the inner model includes the coefficient of determination R square, path coefficients, and hypothesis testing using the bootstrapping procedure in SmartPLS 4.

### Coefficient of Determination R Square

The coefficient of determination indicates the model’s explanatory power in predicting endogenous variables. The results are presented in Table 3

**Table 3. Coefficient of Determination R Square**

Endogenous Variable	R Square	Interpretation
Tax Awareness	0.583	Moderate
Taxpayer Compliance	0.627	Substantial

Source: Primary Data, 2026

The R square value for Taxpayer Awareness is 0.583, indicating that 58.3 percent of the variance in taxpayer awareness is explained by tax knowledge, subjective norms, and tax sanctions. Meanwhile, the R square value for Taxpayer Compliance is 0.627, meaning that 62.7 percent of the variance in taxpayer compliance is explained by tax knowledge, subjective norms, tax sanctions, and taxpayer awareness. These results indicate that the structural model has moderate explanatory power.

### Structural Model and Hypothesis Testing

Hypothesis testing was conducted using bootstrapping with a significance level of 5 percent. The decision rule is based on a t statistic greater than 1.96 and a p value less than 0.05. The results are presented in Table 4.

**Table 4. Path Coefficients and Hypothesis Testing**

Relationship	Path Coefficient	T statistics	P Value	Result
Tax Knowledge → Taxpayer Compliance	0.213	2.721	0.007	Supported
Subjective Norms → Taxpayer Compliance	0.206	3.160	0.002	Supported
Tax Sanctions → Taxpayer Compliance	0.043	0.604	0.546	Not Supported
Tax Knowledge → Taxpayer Awareness	0.438	5.394	0.000	Supported
Subjective Norms → Taxpayer Awareness	0.287	4.066	0.000	Supported
Tax Sanctions → Taxpayer Awareness	0.225	2.652	0.008	Supported
Taxpayer Awareness → Taxpayer Compliance	0.463	4.658	0.000	Supported

Source: Primary Data, 2026

The results indicate that tax knowledge has a positive and significant effect on taxpayer compliance with a path coefficient of 0.213 and a p value of 0.007. This finding suggests that an increase in tax knowledge leads to higher compliance among individual MSME taxpayers registered at KPP Pratama Bengkulu Dua.

Subjective norms also have a positive and significant effect on taxpayer compliance with a path coefficient of 0.206 and a p value of 0.002. This result indicates that social influence plays an important role in encouraging taxpayers to comply. However, tax sanctions do not have a significant direct effect on taxpayer compliance, as indicated by a p value of 0.546.

Regarding the mediating variable, tax knowledge, subjective norms, and tax sanctions significantly influence taxpayer awareness. Tax knowledge has the strongest effect on awareness with a coefficient of 0.438. Furthermore, taxpayer awareness has a significant positive effect on taxpayer compliance with a path coefficient of 0.463 and a p value of 0.000. This result indicates that awareness plays a crucial role in strengthening compliance behavior.

### Mediation Analysis

Mediation testing was conducted using specific indirect effects. The results are presented in Table 5.

**Table 5. Indirect Effects and Mediation Testing**

Indirect Relationship	Indirect Effect	T Statistics	P Value	Mediation Type
Tax Knowledge → Taxpayer Awareness → Compliance	0.203	3.521	0.000	Partial Mediation
Subjective Norms → Taxpayer Awareness → Compliance	0.133	2.947	0.003	Partial Mediation
Tax Sanctions → Taxpayer Awareness → Compliance	0.104	2.219	0.027	Full Mediation

Source: Primary Data, 2026

The results indicate that taxpayer awareness significantly mediates the relationship between tax knowledge and taxpayer compliance. The indirect effect value is 0.203 with a T statistic of 3.521 and a p value of 0.000, indicating statistical significance. Since the direct effect of tax knowledge on compliance is also significant, taxpayer awareness functions as a partial mediator in this relationship. Similarly, taxpayer awareness partially mediates the effect of subjective norms on taxpayer compliance. The indirect effect is 0.133 with a T statistic of 2.947 and a p value of 0.003. Because the direct effect remains significant, the mediation type is classified as partial mediation.

In contrast, taxpayer awareness fully mediates the relationship between tax sanctions and taxpayer compliance. Although the indirect effect is significant with a value of 0.104, a T statistic of 2.219, and a p value of 0.027, the direct effect of tax sanctions on taxpayer compliance is not significant. This indicates that tax sanctions influence compliance only through increasing taxpayer awareness rather than through direct enforcement pressure.

### Discussion

#### Effect of Tax Knowledge on Taxpayer Compliance

The results of this study indicate that tax knowledge has a significant effect on taxpayer compliance. This finding suggests that a higher level of understanding of tax regulations, procedures, and taxpayer rights and obligations encourages individuals to comply with their tax responsibilities. Taxpayers with adequate tax knowledge are more capable of calculating,

paying, and reporting taxes accurately and on time, which reduces errors and non compliance behavior.

This result is consistent with the Theory of Planned Behavior proposed by Ajzen (1991), which explains that knowledge shapes behavioral beliefs and strengthens perceived behavioral control, leading to higher compliance intentions and behavior. In the taxation context, tax knowledge enhances voluntary compliance by increasing taxpayers' confidence in managing tax obligations and fostering positive attitudes toward the tax system. Individuals who understand the role of taxation in financing public services and national development tend to demonstrate stronger internal motivation to comply with tax regulations.

The findings of this study are supported by previous empirical research. Wulandari et al. (2015) found that tax knowledge positively influences taxpayer compliance by improving understanding of tax obligations and procedures. Ardiansyah & Irawan (2022) also reported that higher tax knowledge leads to better compliance among individual taxpayers. Furthermore, Wijaya and Yanti (2023) confirmed that tax knowledge significantly improves compliance among MSME taxpayers, while Zaikin et al. (2022) emphasized that tax knowledge is more effective when strengthened by taxpayer awareness. These findings confirm that tax knowledge is a key determinant of taxpayer compliance and should be strengthened through continuous tax education programs.

### **Effect of Subjective Norms on Taxpayer Compliance**

The results of this study indicate that subjective norms have a significant effect on taxpayer compliance. This finding suggests that social pressure from family members, peers, and the surrounding business environment influences individual decisions to comply with tax regulations. When taxpayers perceive that important people in their social environment expect them to fulfill their tax obligations, they are more likely to demonstrate compliant behavior.

This result is consistent with the Theory of Planned Behavior proposed by Ajzen (1991), which explains that subjective norms shape behavioral intentions through perceived social expectations. In the context of MSME taxpayers, encouragement and normative pressure from business partners and professional networks can increase compliance behavior. Taxpayers who operate in environments where tax compliance is considered a social norm tend to perceive non compliance as socially undesirable, which strengthens their intention to comply.

The findings of this study are supported by previous empirical research. Sudirman (2020) found that subjective norms positively influence taxpayer compliance, particularly among individual taxpayers. Zaikin et al. (2022) also reported that social influence significantly affects compliance behavior and strengthens voluntary compliance. These findings confirm that subjective norms play an important role in shaping taxpayer compliance and highlight the importance of social and community based approaches in tax compliance strategies.

### **Effect of Tax Sanctions on Taxpayer Compliance**

The hypothesis testing results in Rinda's thesis indicate that tax sanctions do not have a significant direct effect on taxpayer compliance. The bootstrapping output shows that the p value of the direct relationship between tax sanctions and taxpayer compliance is greater than 0.05, which means the hypothesis is not supported. This finding suggests that the existence of penalties and administrative sanctions stipulated in tax regulations does not automatically increase compliance behavior among MSME individual taxpayers registered at KPP Pratama Bengkulu Dua. Although sanctions are formally regulated and legally binding, they are not sufficient to directly influence compliance decisions.

When examined through the Theory of Planned Behavior proposed by Ajzen (1991), tax sanctions can be positioned within the construct of perceived behavioral control. Perceived behavioral control reflects an individual's perception of the ease or difficulty of performing a behavior, including the perceived consequences of not performing it. In the context of taxation,

sanctions represent external control mechanisms that increase the perceived consequences of non compliance. However, the findings of this study indicate that perceived external pressure in the form of sanctions does not significantly translate into behavioral intention or actual compliance. This suggests that compliance behavior among MSME taxpayers is not primarily driven by fear of punishment but rather by internal cognitive and normative factors.

The Theory of Planned Behavior also explains that behavior is influenced by three main determinants, namely attitude toward the behavior, subjective norms, and perceived behavioral control. In this study, tax knowledge and subjective norms significantly influence compliance, while tax sanctions do not have a direct effect. This pattern indicates that compliance is more strongly shaped by cognitive understanding and social influence than by coercive control. Furthermore, the results show that tax sanctions significantly affect taxpayer awareness, which subsequently influences taxpayer compliance. This finding suggests that sanctions operate indirectly by strengthening internal awareness rather than by directly shaping intention. In other words, sanctions contribute to compliance only when they enhance taxpayers' realization of their obligations and responsibilities.

Empirical research supports this interpretation. Zaikin et al., (2023) found that sanctions tend to influence compliance indirectly through awareness and internal motivation. Similarly, behavioral taxation literature emphasizes that voluntary compliance is more sustainable when it is based on internalized responsibility rather than fear of penalties. Therefore, in line with the Theory of Planned Behavior (Ajzen, 1991), the findings indicate that psychological and normative determinants are more dominant predictors of taxpayer compliance than deterrence based mechanisms alone. The results of this study are not consistent with the findings of Nugrahani & Suryaningsum (2023), Ardiansyah & Irawan (2022), and Haryanti et al., (2022), who reported that tax sanctions have a significant effect on taxpayer compliance.

### **The Effect of Tax Knowledge on Taxpayer Awareness**

The hypothesis testing results indicate that tax knowledge has a positive and statistically significant effect on taxpayer awareness. The structural model evaluation shows that the path coefficient from tax knowledge to taxpayer awareness is positive, with a T statistic greater than 1.96 and a p value below 0.05. These findings confirm that an increase in tax knowledge significantly enhances taxpayer awareness among MSME individual taxpayers. This result suggests that when taxpayers understand tax regulations, calculation procedures, reporting mechanisms, and their rights and obligations, they develop a stronger awareness of the importance of fulfilling their tax responsibilities.

From a theoretical perspective, this finding is consistent with the Theory of Planned Behavior proposed by (Ajzen, 1991). According to this theory, behavior is influenced by intention, which is shaped by attitudes, subjective norms, and perceived behavioral control. Tax knowledge contributes to the formation of behavioral beliefs by providing accurate information about taxation. This cognitive foundation shapes positive attitudes toward taxation and strengthens internal awareness of tax obligations. In this context, taxpayer awareness represents the internalization of knowledge into moral commitment and civic responsibility. Therefore, knowledge serves as a cognitive antecedent that stimulates awareness before influencing compliance behavior.

Empirical studies further support this relationship. (Wulandari (2015) found that tax knowledge significantly increases taxpayer awareness and strengthens compliance behavior. Similarly, Sari & Saryadi (2019) reported that higher levels of tax understanding contribute positively to taxpayer awareness, particularly among individual taxpayers. Their findings indicate that knowledge enhances taxpayers' perception of the importance of taxes for public development, thereby fostering internal responsibility. Additional studies such as Yogi Ardiansyah and Irawan (2022) also demonstrate that tax literacy plays a crucial role in shaping awareness and compliance. Overall, these findings confirm that tax knowledge is a

fundamental determinant of taxpayer awareness. Strengthening tax education programs and improving access to clear and comprehensive tax information are therefore essential strategies to enhance taxpayer awareness and promote sustainable voluntary compliance.

### **The Effect of Subjective Norms on Taxpayer Awareness**

The hypothesis testing results indicate that subjective norms have a positive and statistically significant effect on taxpayer awareness. The structural model evaluation shows that the path coefficient from subjective norms to taxpayer awareness is positive, with a T statistic exceeding 1.96 and a p value below 0.05. These findings demonstrate that stronger social pressure or encouragement from important reference groups significantly increases taxpayer awareness among MSME individual taxpayers. This result confirms that social influence plays an important role not only in shaping compliance behavior directly but also in strengthening internal awareness regarding tax obligations.

This finding is consistent with the Theory of Planned Behavior proposed by Ajzen (1991) According to this theory, subjective norms refer to an individual's perception of social pressure from significant others to perform or not perform a particular behavior. In the taxation context, subjective norms arise from encouragement or expectations from family members, colleagues, business partners, and the surrounding community. When taxpayers perceive that important people expect them to comply with tax regulations, they tend to internalize these expectations. This internalization process strengthens taxpayer awareness, which reflects a psychological recognition of tax obligations as a social and civic responsibility. Therefore, subjective norms function as a social mechanism that transforms external expectations into internal awareness.

Empirical findings cited in the thesis also support this relationship. Sari and Saryadi (2019) reported that social influence significantly enhances taxpayer awareness by shaping perceptions of responsibility toward taxation. Wulandari et al. (2015) found that subjective norms positively affect both awareness and compliance behavior, indicating that social environments contribute to the development of internal motivation. Similarly, studies such as Zaikin et al. (2022) show that social norms play an important role in strengthening taxpayers' moral awareness and compliance intention. Overall, these findings confirm that subjective norms are a significant determinant of taxpayer awareness. Strengthening positive social influence through community engagement, peer influence, and public campaigns may therefore enhance taxpayers' internal awareness and ultimately improve voluntary compliance behavior among MSME individual taxpayers.

### **The Effect of Tax Sanctions on Taxpayer Awareness**

The hypothesis testing results indicate that tax sanctions have a positive and statistically significant effect on taxpayer awareness. The structural model evaluation shows that the path coefficient from tax sanctions to taxpayer awareness is positive, with a T statistic greater than 1.96 and a p value below 0.05. These findings demonstrate that stricter and clearly understood tax sanctions significantly increase taxpayer awareness among MSME individual taxpayers. This result implies that the existence of administrative penalties, fines, and other legal consequences enhances taxpayers' recognition of their tax obligations and the risks associated with non compliance.

From a theoretical perspective, this finding can be explained through Deterrence Theory proposed by Becker (1968). According to this theory, individuals make rational decisions by comparing the potential benefits of non compliance with the potential costs in the form of sanctions. When tax sanctions are perceived as certain and severe, taxpayers become more cautious and aware of the legal consequences of violating tax regulations. In this context, sanctions function not only as punitive instruments but also as preventive mechanisms that raise awareness regarding the importance of complying with tax obligations. The results

indicate that sanctions first influence the psychological dimension in the form of awareness before ultimately affecting compliance behavior.

This finding is consistent with previous empirical studies cited in the thesis. Wulandari et al. (2015) reported that tax sanctions significantly influence taxpayer awareness and strengthen compliance behavior. Sari and Saryadi (2019) also found that the perception of strict tax penalties increases taxpayers' consciousness of their obligations. Similarly, Zaikin et al. (2022) emphasized that enforcement mechanisms are more effective when they enhance taxpayers' internal awareness. Overall, these findings confirm that tax sanctions play an important role in shaping taxpayer awareness. Effective enforcement policies, combined with clear communication regarding the consequences of non compliance, can therefore increase awareness and support sustainable voluntary compliance among MSME individual taxpayers.

### **Effect of Taxpayer Awareness on Taxpayer Compliance**

The hypothesis testing results indicate that taxpayer awareness has a positive and statistically significant effect on taxpayer compliance. The bootstrapping analysis shows that the path coefficient between taxpayer awareness and taxpayer compliance is positive, with a p value less than 0.05 and a T statistic greater than 1.96. These results demonstrate that higher levels of taxpayer awareness lead to higher levels of compliance among MSME individual taxpayers. This finding confirms that internal awareness regarding tax obligations plays a crucial role in shaping responsible compliance behavior.

From a theoretical perspective, this finding can be explained through the Theory of Planned Behavior proposed by Ajzen (1991). In this framework, awareness contributes to the formation of positive attitudes toward compliance and strengthens behavioral intention. When taxpayers are aware of the importance of taxation for public finance and national development, they develop a stronger moral commitment to fulfilling their obligations. Awareness also reinforces perceived behavioral control, as individuals who understand their responsibilities tend to feel more capable of complying with tax regulations. Therefore, taxpayer awareness becomes a key psychological determinant that bridges intention and actual compliance behavior.

This result is also consistent with behavioral taxation theory, which emphasizes voluntary compliance rather than enforced compliance. Voluntary compliance arises when taxpayers comply based on internal motivation, moral obligation, and civic responsibility. Empirical studies support this conclusion. Wulandari (2015) found that taxpayer awareness significantly influences compliance behavior. Zaikin et al., (2023) reported that awareness strengthens the relationship between regulatory and social factors and compliance. Similarly, Ardiansyah & Irawan (2022) demonstrated that higher levels of awareness are associated with improved compliance among individual taxpayers. Overall, these findings indicate that strengthening taxpayer awareness is essential for achieving sustainable compliance. Policies aimed at increasing tax compliance should therefore focus not only on enforcement mechanisms but also on educational and awareness building programs that foster internal responsibility and moral commitment among taxpayers.

### **Taxpayer Awareness in Mediating the Effect of Tax Knowledge on Taxpayer Compliance**

The mediation analysis demonstrates that taxpayer awareness plays a central role in explaining taxpayer compliance behavior. The results show that taxpayer awareness partially mediates the relationship between tax knowledge and taxpayer compliance, partially mediates the relationship between subjective norms and taxpayer compliance, and fully mediates the relationship between tax sanctions and taxpayer compliance. These findings indicate that awareness functions as a key psychological mechanism that transforms cognitive, social, and regulatory factors into actual compliance behavior among MSME individual taxpayers.

From the perspective of the Theory of Planned Behavior proposed by Ajzen (1991), compliance behavior is influenced by attitude toward the behavior, subjective norms, and perceived behavioral control, which collectively shape behavioral intention. In this framework, tax knowledge contributes to the formation of beliefs and attitudes by increasing taxpayers' understanding of tax regulations and obligations. Subjective norms reflect social pressure from important others that influences intention to comply. Tax sanctions represent external control mechanisms that relate to perceived behavioral control. However, the findings suggest that these determinants do not operate uniformly. While tax knowledge and subjective norms influence compliance both directly and indirectly, tax sanctions affect compliance only through taxpayer awareness. This pattern confirms that internal cognitive and normative processes are more influential than coercive enforcement mechanisms alone.

The full mediation of tax sanctions indicates that deterrence mechanisms, as explained in Deterrence Theory (Becker, 1968), do not directly determine compliance behavior. Although sanctions increase the perceived cost of non compliance, they must first enhance taxpayers' awareness of their legal and moral responsibilities before influencing behavior. This suggests that the effectiveness of enforcement depends on the extent to which taxpayers internalize regulatory consequences. In contrast, tax knowledge and subjective norms exert both direct and indirect effects, indicating that cognitive understanding and social influence have a stronger behavioral impact.

Empirical research supports this integrated interpretation. Wulandari (2015) found that taxpayer awareness strengthens the relationship between tax knowledge and compliance. Zaikin et al., (2023) reported that sanctions and social norms are more effective when they increase internal awareness. Yogi Ardiansyah and Irawan (2022) also emphasized the importance of knowledge in improving compliance behavior. The consistency between these findings and the present results reinforces the conclusion that sustainable taxpayer compliance is largely driven by internalized awareness rather than by external pressure alone.

Overall, the integrated mediation results highlight that strengthening taxpayer awareness is essential for achieving voluntary and sustainable compliance. Policy strategies should therefore combine tax education, social norm reinforcement, and fair enforcement mechanisms. By enhancing awareness, external factors such as knowledge dissemination, social influence, and sanctions can be transformed into responsible and consistent compliance behavior among MSME individual taxpayers.

### **Taxpayer Awareness in Mediating the Effect of Subjective Norms on Taxpayer Compliance**

The mediation testing results indicate that taxpayer awareness partially mediates the relationship between subjective norms and taxpayer compliance. The bootstrapping analysis shows that the indirect effect of subjective norms on taxpayer compliance through taxpayer awareness is statistically significant, with a p value less than 0.05 and a T statistic greater than 1.96. At the same time, the direct effect of subjective norms on taxpayer compliance remains statistically significant. These findings confirm the presence of partial mediation, meaning that subjective norms influence compliance both directly and indirectly through taxpayer awareness. This suggests that social influence not only shapes compliance behavior directly but also strengthens internal awareness, which subsequently enhances compliance.

From the perspective of the Theory of Planned Behavior proposed by Ajzen (1991), subjective norms refer to perceived social pressure from significant others, such as family members, peers, or members of the business community, to perform or not perform a particular behavior. According to this theory, subjective norms influence behavioral intention, which ultimately leads to actual behavior. In the taxation context, when taxpayers perceive that important individuals in their social environment expect them to comply, they are more likely to internalize these expectations. This internalization process increases taxpayer awareness

regarding the importance of fulfilling tax obligations. Therefore, awareness functions as a psychological mechanism that translates external social pressure into voluntary compliance behavior.

The partial mediation result indicates that subjective norms operate through two pathways. First, social influence directly encourages taxpayers to comply in order to maintain social approval and avoid negative judgment. Second, subjective norms enhance taxpayers' cognitive and moral awareness, which then strengthens their intention to comply. This finding aligns with behavioral taxation literature that emphasizes the importance of social norms in shaping tax morale and compliance behavior. Empirical evidence supports this conclusion. Zaikin et al., (2023) found that social norms significantly influence taxpayer compliance, particularly when taxpayers possess strong internal awareness. Wulandari & Wahyudi (2022) also reported that awareness plays a mediating role in transforming external influences into compliance behavior. Overall, these findings indicate that strengthening positive social norms and increasing taxpayer awareness are essential strategies for promoting sustainable voluntary tax compliance among MSME individual taxpayers.

### **Taxpayer Awareness in Mediating the Indirect Effect of Tax Sanctions on Taxpayer Compliance**

The mediation testing results in Rinda's thesis indicate that taxpayer awareness fully mediates the relationship between tax sanctions and taxpayer compliance. The bootstrapping analysis shows that the direct effect of tax sanctions on taxpayer compliance is not statistically significant, as indicated by a p value greater than 0.05. However, the indirect effect through taxpayer awareness is statistically significant, with a p value less than 0.05 and a T statistic exceeding 1.96. These findings demonstrate that tax sanctions do not directly influence compliance behavior. Instead, their effect operates through increasing taxpayer awareness, which subsequently leads to higher compliance. Therefore, taxpayer awareness functions as a full mediator in this relationship.

From the perspective of Deterrence Theory, originally developed in economic models of crime by Becker (1968), compliance is expected to increase when the probability of detection and the severity of sanctions are high. The theory assumes that individuals behave rationally and will comply when the expected cost of non compliance exceeds its potential benefits. In the taxation context, tax sanctions serve as formal deterrent instruments designed to discourage violations. However, the findings of this study suggest that the deterrent effect does not operate automatically. Sanctions do not directly alter taxpayer behavior unless they first influence taxpayers' cognitive evaluation and awareness of their legal responsibilities. This indicates that the classical deterrence mechanism is insufficient on its own to explain compliance behavior among MSME taxpayers.

The full mediation result implies that sanctions function more effectively as a psychological signal rather than as a purely punitive mechanism. When taxpayers understand the existence, certainty, and consequences of sanctions, they develop greater awareness of their obligations. This awareness strengthens internal control and moral consideration, which ultimately drives compliance behavior. In other words, sanctions influence compliance not through fear alone but through the internalization of regulatory norms. This finding refines Deterrence Theory by suggesting that perceived certainty and severity of punishment must be cognitively processed and transformed into awareness before influencing behavior.

Empirical research supports this interpretation. Zaikin et al., (2023) found that sanctions often influence compliance indirectly through awareness and moral responsibility. Similarly, behavioral taxation studies indicate that deterrence mechanisms are more effective when combined with educational and awareness building strategies. Therefore, the findings of Rinda's thesis contribute to the literature by demonstrating that enforcement policies should not rely solely on punitive measures. Instead, sanctions should be accompanied by socialization

and education programs that enhance taxpayer awareness, thereby transforming external pressure into sustainable voluntary compliance. Overall, integrating the findings with Deterrence Theory suggests that while sanctions remain an important regulatory instrument, their effectiveness depends on how they shape taxpayer awareness and internal motivation. Sustainable compliance is achieved not merely through fear of punishment but through informed and conscious responsibility.

## CONCLUSION

This study concludes that tax compliance among MSME individual taxpayers is significantly influenced by both cognitive and social factors. Tax knowledge and subjective norms are proven to have a positive and significant effect on taxpayer compliance, indicating that a higher level of understanding of tax regulations and stronger social encouragement from the surrounding environment increase the likelihood of voluntary compliance. These findings confirm that compliance behavior is not solely driven by regulatory enforcement but is also shaped by taxpayers' knowledge and social interactions.

Furthermore, the results demonstrate that tax sanctions do not directly influence MSME individual taxpayer compliance. This finding suggests that punitive measures alone are insufficient to encourage compliant behavior, particularly when sanctions are perceived as avoidable or weakly enforced. However, tax sanctions significantly affect tax awareness, indicating that sanctions play an indirect role by shaping taxpayers' understanding of the consequences of non-compliance rather than directly motivating compliance behavior.

Tax awareness is found to be a critical determinant of taxpayer compliance and serves as an important mediating variable in this study. Tax awareness partially mediates the relationship between tax knowledge and subjective norms on taxpayer compliance, implying that increased knowledge and positive social pressure enhance compliance both directly and through heightened awareness. In contrast, tax awareness fully mediates the effect of tax sanctions on compliance, meaning that sanctions influence compliance only when they succeed in increasing taxpayers' internal awareness and sense of responsibility.

Overall, these findings emphasize that improving MSME taxpayer compliance requires a balanced approach that prioritizes education, socialization, and awareness-building alongside regulatory enforcement. Strengthening tax knowledge and fostering supportive social norms are more effective strategies for enhancing voluntary compliance than relying solely on sanctions. This study contributes to behavioral tax compliance literature by highlighting the central role of tax awareness as a psychological mechanism linking external factors to compliance behavior and provides practical implications for tax authorities in designing more effective compliance strategies for MSME taxpayers.

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