The Effect of Tax System, Tax Understanding and Changes in Tax Rates on Compliance of MSME Taxpayers in West Bekasi District With Financial Condition as a Moderating Variable

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ABSTRACT

The purpose of this study was to determine the effect of the tax system, tax understanding and changes in tax rates on compliance of MSME taxpayers in West Bekasi District with financial condition as a moderating variable. The data source was obtained from a questionnaire survey in the form of a G-Form and using a sample of 100 respondents obtained from a population of 2723 MSME taxpayers at KPP Pratama Bekasi Barat in 2022. The results showed that the variables of Tax Understanding and Tax Rate Changes had an effect on MSME Taxpayer Compliance, while the Tax System Modernization variable had no effect on MSME Taxpayer Compliance. The moderating variable of Financial Condition strengthens the variables of Tax Understanding and Changes in Tax Rates on MSME Taxpayer Compliance, but the Financial Condition variable weakens the Tax System Modernization variable on MSME Taxpayer Compliance.

Keywords: *Tax System;Tax Understanding;Tax Rate, Financial Condition*.

INTRODUCTION

The Covid-19 pandemic has weakened economic growth in Indonesia for the past 3 years. In 2023, the issue of recession threat continues to weaken the largest country in Indonesia. This is the impact of the global financial crisis due to the pandemic that disrupts supply disruption between Russia and Ukraine related to monetary policy in developed economies. Seeing the increasingly uncertain economic problems, all business sectors up to micro are allegedly the right solution to overcome the recession if their existence can be maximized (Smesco.go.id, 2023).

In reality, the MSME sector is currently experiencing major problems with tax obligations such as not having a Taxpayer Identification Number so that it cannot use the incentive to reduce the MSME Final Income Tax rate of 0.5%, MSME owners who are not aware of their obligation to pay taxes and not a few MSME owners who are already aware of their tax obligations but due to complicated administration and limited knowledge, it is not uncommon to finally prefer to ignore it (Soeryanto, 2022).

According to the view of the Director General of Taxes at the Ministry of Finance, Suryo Utomo, the reality on the ground is that public or taxpayer compliance in reporting tax returns and paying taxes in 2022 is 83.2%. This figure actually decreased from the previous year, which was 84.07%. The number

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of taxpayers who are required to report SPT in Indonesia is 19.07 million in 2022. Sadya, 2023 revealed that with a compliance ratio of 83.2%, the number of taxpayers reporting tax returns only reached 15.82 million. Tax payer compliance in West Bekasi as follows. the level of compliance of MSME taxpayers at the KPP Pratama Bekasi Barat has decreased compliance with reporting SPT in 2022 by 2815, which previously in 2021 reached 2845 taxpayers. The Directorate General of Taxes has provided policies so that tax revenue can be maximized, including changes in the taxation system from the Official Assessment System to the Self Assessment System, which means a system that gives full authority to taxpayers, Tax Amnesty aims to make taxpayers get relief in paying taxes, the policy of reducing the tax rate from 1% to 0.5% for MSME players aims to help MSME taxpayers not feel objections and be free from their tax burden and there are tax incentives provided by the government so that MSME players can always survive during the Covid-19 pandemic (Hendrawati et al., 2018). The research objectives To determine the analysis of the effect of tax understanding, changes in tax rates, and modernization of the taxation system, on MSME taxpayer compliance. Then, analysis of the effect of financial conditions moderating tax understanding and financial conditions moderating the modernization of the tax system on tax payer compliance

LITERATURE REVIEW

Attribution Theory

Fritz Heider (1958) is the originator of attribution theory, he revealed that attribution theory is a theory that explains a person's behavior. The explanation in the theory is how the process of knowing the causes of behavior carried out by both others and oneself Hendrawati et al. (2018) revealed that attribution theory is a theory that details a person's behavior which can be seen from both internal and external angles. Internal includes nature, character, and attitude, while externally there is a pressure that forces a person to act or certain behaviors. Carolita & Rahardjo, (2012) state that attribution is a process where a person can make a conclusion about what factors can influence the behavior of others or themselves.

Compliance Theory

Compliance theory refers to the level of willingness and obedience of individuals, companies or other entities to comply with applicable tax laws in the country where the taxpayer lives or earns income Manrejo (2023: 1). Based on the Law of the Republic of Indonesia No. 9 of 1994 concerning General Rules and Procedures for Taxation article 1 Taxpayer is an individual or entity that according to the provisions of tax laws and regulations is determined to carry out tax obligations, including tax collectors or certain tax deductors.

Micro, Small and Medium Enterprises

According to Law No. 9 of 1994 article 1, a business entity is a form of business entity which includes a limited liability company, a partnership company, other companies, State or Regional Owned Enterprises by name and in any form, firms, partnerships, cooperatives, foundations or similar organizations, institutions, pension funds, permanent establishments, and other forms of business entities.

Tax Understanding

According to Martin Fishbein and Icek Ajzen's Theory of Reasoned Action (TRA) (1975) understanding of taxation is everything about taxes that is well understood and understood by taxpayers and taxpayers are able to explain back to others about taxation that is well understood and understood. Understanding Taxation, can be interpreted as a form of taxpayer who understands and knows about tax regulations and procedures and applies them to carry out tax activities, such as calculating, paying taxes, and reporting tax returns in accordance with a predetermined time (Risna & Priono, 2022).

Tax Rate Changes

The stipulation of the new MSME rate regulation is contained in Law No. 7 of 2021 concerning Harmonization of Tax Regulations. The government expanded the provision of a final income tax (PPh) facility of 0.5 percent for certain taxpayers who have a maximum gross turnover of IDR 4.8 billion a year. The expansion of the facility, also known as the 0.5 percent Final Income Tax for Micro, Small, and Medium Enterprises (MSMEs), is regulated by Government Regulation (PP) Number 55 of 2022 concerning Adjustments to applicable regulations in the Income Tax Sector.

Taxation System

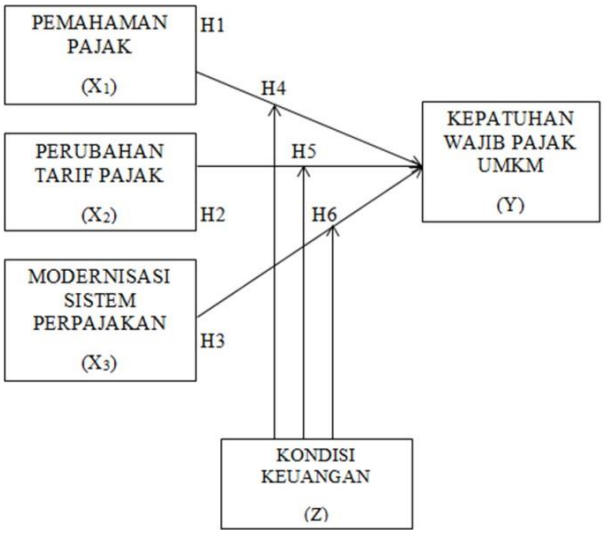
Based on the TAM (Technology Acceptance Model) theory according to Fred Davis (1986), it is used to analyze the factors that influence a system that can explain user behavior. 3 factors that influence the use of a system are perceived usefulness, perceived convenience, and perceived behavioral tendencies. The Directorate General of Taxes (DGT) has developed forms of systems including e-Registration which aims to register NPWP online, then e-Filling to report personal taxpayer tax returns online, e-Billing to make electronic deposit letters and get billing codes to pay taxes, e-Form for filling out SPT forms offline using applications and e-Invoicing to make VAT collection evidence online.

Financial Condition

Financial Condition is the financial ability of taxpayers to be able to meet all their needs, be it primary, secondary, or tertiary needs based on income earned without any assistance from outside parties in the form of loans, so it can be said that the individual's financial condition is very good (Risna & Priono, 2022).

Frame of mind

The framework in this study is as follows:



Source: Processed by researchers

Figure. 1 Research Framework

Based on the framework that has been made, namely the effect of tax understanding, changes in tax rates, and modernization of the tax system moderated by financial conditions on taxpayer compliance, the research hypothesis can be formulated as follows,

The effect of tax understanding on taxpayer compliance.

Efrinal and Ariyanti (2021) suggest that there is an effect of understanding the tax regulations of a taxpayer in channeling his tax obligations, as well as his understanding of the General Provisions and Procedures for Taxation (KUP) that have been determined. From this statement, the hypothesis can be formulated as follows:

H1: tax understanding affects taxpayer compliance

The effect of changes in tax rates on taxpayer compliance.

Hermawan & Ramadhan, 2020 suggest that the tax rate factor is one of the determinants of the level of taxpayer compliance. Tax rates that are clear and transparent and easy will attract the attention of taxpayers to try to carry out their tax obligations. From this statement, the hypothesis can be formulated as follows:

H2: changes in tax rates affect taxpayer compliance

The effect of tax system modernization on taxpayer compliance.

Putra, 2020 suggests that the application of system modernization can increase taxpayer compliance because a system that is easy to implement will tend to be attracted and implemented by its users. From this statement, the hypothesis can be formulated as follows:

H3: modernization of the tax system affects taxpayer compliance

The moderating effect of financial conditions between tax understanding and taxpayer compliance.

Alawiyah & Fatimah, 2022 suggest that people who are able to meet their primary, secondary, and tertiary needs with their own income without getting help from outside parties can be said to have very good financial conditions. From this statement, the hypothesis can be formulated as follows:

H4: financial condition moderates tax understanding on taxpayer compliance

The moderating effect of financial conditions between changes in tax rates on taxpayer compliance

Alawiyah (2022) suggests that financial conditions can strengthen the effect of changes in tax rates on MSME taxpayer compliance. The rates set by the government by looking at the financial condition of taxpayers will reduce the amount of tax rates charged so as to encourage taxpayers to comply with tax obligations. From this statement, the hypothesis can be formulated as follows:

H5: financial conditions moderate changes in tax rates on taxpayer compliance

The moderating effect of financial conditions between modernization of the tax system on taxpayer compliance

Hendrawati et al., 2018 suggests that we provide good service is an important factor because by utilizing information technology, the process will be more effective and efficient. From this statement, the hypothesis can be formulated as follows:

H6: financial conditions moderate the modernization of the tax system on taxpayer compliance

RESEARCH METHOD

1. Methods

In this study the authors used a quantitative approach. Cresweel, 2010 states that, this quantitative approach is the measurement of quantitative data and objective statistics by conducting scientific calculations sourced from a sample of people to answer a number of questions. The primary data source used comes from MSME players in West Bekasi District, Bekasi City.

2. Data Collection Methods

To measure the opinion of the questionnaire, a Likert scale was used. The questionnaire used in this study uses 5 alternative answers with the following scores: 1 = STS (Strongly Disagree); 2 = TS (Disagree); 3 = N (Neutral); 4 = S (Agree); 5 = SS (Strongly Agree)

3. Operational and Variable Measurement

Table. 1 Operational Variables

No.	Variables	Dimensions	Indicator	Measurement	Source
1	Tax Understanding (X1)	1. State of understanding and comprehensionof tax laws/regulations	1. Taxpayers understand and comprehend tax 2. Taxpayers know the purpose of paying taxes	Ordinal scale with Likert scaletechnique	Siti Kurnia Rahayu (2017)
		2. The state understands the advantages and disadvantages of paying taxes.	3. Taxes paid can support the development of the country. 4. Not paying taxes can be detrimental to the country.	Ordinal scale with Likert scaletechnique	Handayani et.al (2012)
2	Tax Rate Changes(X2)	1. Final Income Tax Rate Reduction in accordance with Government Regulation No.	1. The tariff reduction isvery appropriate. 2. The tax borne becomessmaller.	Ordinal scale with Likert scaletechnique	Rafika Sari, (2018)

Source: previous researches, data processed 2022

4. Data Analysis Method

This study collected data from respondents who filled out a questionnaire. then the data will be analyzed with the SPSS version 26 application. The data analysis methods that will be used in the study are Data Quality Test, Classical Assumption Test and Hypothesis Test.

FINDING AND DISCUSSION

Finding

After distributing questionnaires to 100 respondents to MSME players in West Bekasi District, the following results were obtained.

1) Validity Test

According to Sugiyono (2019: 175) the research results are valid if there is a similarity between the data collected and the data that actually occurs on the object under study. The critical number of table correlation (r-table) obtained is 0.1966 rounding 0.197 this figure is obtained from n-2 or 100 - 2 = 98 in the table r count. If there is an instrument item correlation coefficient below 0.197, it is declared invalid (Sugiyono, 2017: 125).

Table. 2 Validity Test Results

Variables	StatementItem	rcount	rtabel	Valid Decision
Tax Understanding (X1)	X1.1	0,501	0.197	Valid
	X1.2	0,710	0.197	Valid
	X1.3	0,705	0.197	Valid
	X1.4	0,715	0.197	Valid
	X1.5	0,664	0.197	Valid
Tax RateChange (X2)	X2.1	0,583	0.197	Valid
	X2.2	0,726	0.197	Valid
	X2.3	0,729	0.197	Valid
	X2.4	0,695	0.197	Valid
	X2.5	0,734	0.197	Valid
Taxation System (X3)	X3.1	0,554	0.197	Valid
	X3.2	0,502	0.197	Valid
	X3.3	0,853	0.197	Valid
	X3.4	0,665	0.197	Valid
	X3.5	0,730	0.197	Valid
Financial Condition (Z)	Z1	0,584	0.197	Valid
	Z2	0,706	0.197	Valid
	Z3	0,712	0.197	Valid
	Z4	0,687	0.197	Valid
	Z5	0,667	0.197	Valid
Taxpayer Compliance(Y)	Y1	0,544	0.197	Valid
	Y2	0,652	0.197	Valid
	Y3	0,671	0.197	Valid

	Y4	0,688	0.197	Valid
	Y5	0,622	0.197	Valid

Source: data processed, 2022

Based on the results of the validity test above, it shows that all statements totaling 25 statement items in this study have r count> r table, it means that all statements on the questionnaire for all existing variables are declared valid and can be used as research instruments.

2) Reliability Test

According to Sugiyono (2016: 185) shows that the Cronbach's Alpha value is acceptable if> 0.60, the closer to 1, the higher the internal consistent reliability.

Table 3. Reliability Test Results

Variables	Cronbach's Alpha	Description
Tax Understanding (X1)	0,704	Reliable
Tax Rate Change (X2)	0,727	Reliable
Taxation System (X3)	0,693	Reliable
Financial Condition (Z)	0,695	Reliable
Taxpayer Compliance (Y)	0,627	Reliable

Source: data processed, 2022

Based on the results of the reliability test, it shows that all research variables have a large enough coefficient, which is above 0.60. So it can be interpreted that the statement items of all research variables from the questionnaire are declared reliable or can be used.

Classical Assumption Test

1) Normality Test

The data normality test aims to see whether the data used is normally distributed or from a normal population or not. Ghozali (2018: 154) reveals that if the result of the significance number (Sig) is smaller than 0.05 then the data is not normally distributed, but on the contrary if the result is significance (Sig) or greater than 0.05 then the data is normally distributed.

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
	Asymp. Sig. (2-tailed)		.035[c]
Monte Carlo Sig.(2-tailed)	Sig.		.290[d]
	99% Confidence Interval	Lower Bound	.173
		Upper Bound	.407

Source: data processed, 2022

Based on the table above, it shows that the One-Sample Kolmogorov-Smirnov Test normality test with the Exact Monte Carlo technique at the 99% confidence level obtained a value of 0.407 which means greater than 0.05 so it can be interpreted that the residual data is normally distributed.

2) Multicollinearity Test

According to Ghozali (2018: 105) the method to test whether there is multicollinearity can be seen from the Variance Inflation Factor (VIF), the VIF value limit is ≤ 10 and the Tolerance value ≥ 0.10, it can be said that there is no multicollinearity, if VIF ≥ 10 and Tolerance value ≤ 0.10, multicollinearity can occur.

Table .5 Multicollinearity Test Results

Model	Colinearity Statistics	
	Tolerance	VIF
(Constant)		
Tax Understanding	0.946	1.057
Tax Rate Changes	0.767	1.304
Taxation System	0.726	1.377
Financial Condition	0.896	1.116

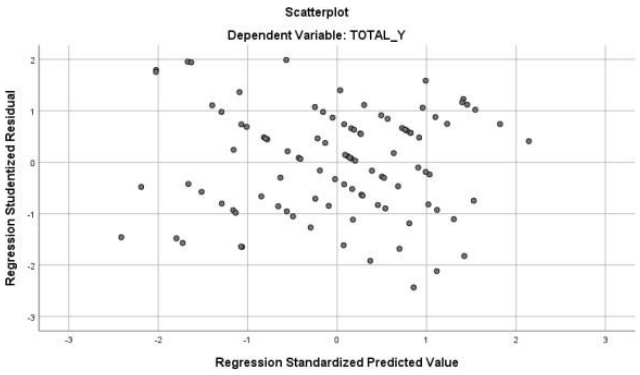
Source: data processed, 2022

Based on the table of multicolinerity test results above, it shows that there are no variables that have a Tolerance value of less than 0.10 and the results of the VIF value calculation show the same thing, no one variable has a value of more than 10. So it can be interpreted that there is no multicolinerity between the independent variables in the regression model.

3) Heteroscedasticity Test

Ghozali (2018: 137) reveals that the heteroscedasticity test intends to test whether in the regression tax system there is an inequality of variance from the residuals of one observation to another. If the variance from the residuals of one observation to another is constant, it is called homoscedasticity.

Figure. 2. Heteroscedasticity Test Results



Source: data processed, 2022

In the picture above, the scatterplot graph shows that there are no certain regular patterns such as waves, widening, and others. In accordance with the heteroscedasticity test guidelines, the data in this study does not occur heteroscedasticity or is called homoscedasticity so that this study is worthy of further testing.

Hypothesis Testing

1) Test t

Thomas' research in Swajarna's research (2012: 39) If the significance probability value is smaller or equal to <0.05 then H0 is rejected and Ha is accepted. If the probability of significance is greater or equal to <0.05 then H0 is accepted and Ha is rejected.

Table 6. Result of t test Coefficient. Dependent Variable: Taxpayer Compliance (Y)

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	5.859	2.809		2.086	.040
Tax Understanding (X1)	0.557	.066	.624	8.467	.000
Tax Rate Change (X2)	.246	.071	.282	3.450	.001
Modernization of the Taxation System (X3)	-.011	.075	-.012	-.144	.886
Financial Condition (Z)	-.083	.066	-.094	-1.248	.215

Source: data processed, 2022

Table 7. Result of t test Coefficient Dependent Variable: Taxpayer Compliance (Y)

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
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Tax Rate Change (X2)	0.246	0.071	0.282	3.450	0.001
Modernization of the Taxation System (X3)	-0.011	0.075	-0.012	-0.144	0.886
Financial Condition (Z)	-0.083	0.066	-0.094	-1.248	0.215

Source: data processed, 2022

Based on the results of the partial t test between the variables of Tax Understanding (X1), Changes in Tax Rates (X2), and the Taxation System (X3) and Financial Conditions (Z) as moderating variables that in this study only 2 independent variables, namely Tax Understanding (X1) with a value of 8.467 sig 0.000 and Changes in Tax Rates (X2) with a value of 3.450 sig 0.001 can be interpreted as having a positive and significant effect on the dependent variable Taxpayer Compliance (Y). While the

Independent variable Modernization of the Taxation System (X3) with a value of - 0.144 sig 0.886 and the moderating variable Financial Condition (Z) -1.248 sig 0.215 has no effect on the dependent variable.

T-test (MRA)

The results of the Moderation Test (t test) are carried out to determine whether the moderating variable strengthens or weakens the influence between the independent variable and the dependent variable.

Table 8. Moderation t test results Dependent Variable: Taxpayer Compliance (Y)

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	22.589	1.387		16.283	0.000
Financial Condition (Z)	-0.848	0.105	-0.966	-8.083	0.000
Tax Understanding (X1)*Financial Condition (Z)	0.026	0.003	0.798	8.546	0.000
Tax Rate Change(X2)*Financial Condition(Z)	0.011	0.003	0.354	3.158	0.002
Taxation System (X3)*Financial Condition (Z)	0.000	0.003	-0.010	-0.096	0.924

Source: data processed, 2022

Based on the results of the moderation test t test, the Financial Condition variable (Z) with a value of -8.083 sig 0.000 has no significant effect, Tax Understanding (X1) with a value of 8.546 sig 0.000 has a significant effect, Changes in Tax Rates (X2) with a value of 3.158 sig 0.000 has a significant effect, and the Taxation System (X3) -0.096 sig 0.924 has no effect on taxpayer compliance. So it can be interpreted that the Financial Condition variable as a moderating variable weakens the effect of the independent variable on the dependent variable.

2) Determination Coefficient Test

The coefficient of determination (R2) test according to Sujarweni (2015: 164) is used to determine the percentage of changes in non-independent variables caused by independent variables.

Table 9. Results of the Determination Coefficient Test Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.716[a]	0.513	0.492	1.728

Source: data processed, 2022

a. Predictors: (Constant), Tax Understanding, Tax Rate Change, Modernization of Taxation System, Financial Condition
b. Dependent Variable: Taxpayer Compliance

Based on the results of correlation and multiple regression analysis, it is shown in the table above that the coefficient of determination denoted by R square is 0.513. this means that the Taxpayer Compliance variable (Y) can be explained by the Tax Understanding variable (X1), Tax Rate Changes (X2), and the Taxation System (X3) by 48.7% or in other words the contribution of the independent variable to the dependent variable, namely Taxpayer Compliance (Y) is 51.3% and the remaining 48.7% is explained by other variables outside the four variables that have been studied such as tax socialization, tax sanctions, self-assessment system, and others.

Table 10. Test Results of Moderation Determination Coefficient Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	0.717[a]	0.514	0.493	1.726

Source: data processed, 2022

a. Predictors: (Constant), Tax Understanding * Financial Condition, Tax Rate Change * Financial Condition, Taxation System * Financial Condition
b. Dependent Variable: Taxpayer Compliance

Based on the results of correlation and multiple regression analysis shown in table 4.18 that the coefficient of determination denoted by R square is 0.514. this can be interpreted that the Taxpayer Compliance variable (Y) can be explained by the Tax Understanding variable (X1), Tax Rate Changes (X2), and the Taxation System (X3) moderated by Financial Condition (Z) by 51.4% or in other words the contribution of the independent variable to the dependent variable, namely Taxpayer Compliance (Y) is 51.4% and the remaining 48.6% is explained by other variables outside the four variables that have been studied such as tax socialization, tax penalties, self-assessment system, tax service quality, religiosity and others.

Discussions

Internal attribution theory and TRA theory are able to explain that taxpayers who understand the tax regulations for 0.5% MSME Final Income Tax can motivate taxpayers to comply with tax obligations. Knowledge of taxation is an important factor in increasing taxpayer compliance, the higher the tax knowledge possessed by taxpayers, the positive perception of taxes will arise so that taxpayer compliance with tax regulations will increase. The results of this analysis are in line with the research of Permata & Zahroh (2022), Risna & Priono (2022) and Yastini & Setiawan (2022) which state a significant positive effect on MSME taxpayer compliance.

The Tax Imposition Base (DPP) for the MSME Final Income Tax rate of 0.5% of gross income ranging from Rp. 500 million to Rp. 4.8 billion in a year is totaled from all outlets / outlets both central and branch. So it can be concluded that 75% of respondents in this study are not subject to 0.5% MSME Final Income Tax while 35% of respondents are subject to the 0.5% MSME Final Income Tax rate.

Internal attribution theory in this study is in line with compliance theory where the lower and fairer the tax rates provided by the government, the level of awareness of tax obligations on MSME taxpayer compliance will increase. The results of this data analysis are supported by the research of Sianipar & Sitompul (2022), Cahyani & Noviari (2019), Yastini & Setiawan (2022) and (Hermawan & Ramadhan, 2020) which state that changes in tax rates have a positive and significant effect.

The results of this data analysis are supported by the latest article cnbcindonesia.com (2023) which states that there are still many taxpayers who do not understand how to report SPT online, causing the Tax Office to be filled with taxpayers who are queuing to report SPT via e-Filling. Even though taxation facilities have been modernized, it does not make taxpayers able to take advantage of these technological facilities properly so that it affects taxpayer compliance in this case due to internal attribution theory factors, namely age, the increasing age, the memory will decrease. As well as the TAM theory is able to explain that the perceived ease factor affects each individual taxpayer to understand the ease of modernizing the tax system supported by routine tax socialization activities, it has the potential to increase taxpayer compliance. The results of this analysis are in line with research by Putra, (2017), Haryanti et al. (2022) and Primastiwi & Dwi (2021) which state that the Taxation System has no effect on Taxpayer Compliance.

Internal attribution theory is able to explain that the level of taxpayer financial condition, both increasing and decreasing, can be measured appropriately with an understanding of the understanding of the UMKM Final Income Tax regulations of 0.5%, so taxpayer compliance will increase. This research is supported by research by Ketut et al. (2023) which shows that financial conditions strengthen the effect of tax understanding on taxpayer compliance. Meanwhile, research is not in line stated by (Lalisu, 2021) that financial conditions have no effect or weaken the relationship between tax understanding and taxpayer compliance.

Attribution theory and compliance theory are able to explain the relationship between changes in tax rates on taxpayer compliance, where the lower and fairer the MSME Final Income Tax rate is with the taxpayer's financial condition, both increasing and decreasing, the taxpayer's compliance with tax obligations will increase. The results of this study are in line with (Alawiyah & Fatimah, 2022) which states that financial conditions and tax incentive policies have a significant effect. However, it is not in line with Lalisu's research (2021) which states that financial conditions have no significant effect on the relationship between changes in tax rates and taxpayer compliance due to financial conditions that cannot be measured precisely so that they tend to weaken the relationship between changes in tax rates and MSME taxpayer compliance.

External attribution theory fails to explain but internal factors are able to explain the relationship between modernization of the tax system on taxpayer compliance, one of the factors that influence attribution theory based on Weiner and Winarto (2015) is Ability, seen from the respondents

in this study dominated by taxpayers aged more than 41 years. Cognitive ability is the ability of thinking power which includes attention, orientation, memory, etc. Biological changes are experienced and are commonly associated with the aging process Ong et al. (2009). When entering old age, the ability of intelligence slowly decreases and it is difficult to keep up with technological advances so that it will affect the process of tax obligations. If taxpayers with good or bad financial conditions but understand tax regulations and technology, one way is to provide a power of attorney or be represented to expedite the SPT reporting process, taxpayer compliance will increase. This research is in line with Lalisu, (2021) which states that Financial Conditions have no effect on Modernization of the Taxation System on Taxpayer Compliance.

CONCLUSIONS

Tax understanding has an effect on MSME taxpayer compliance. The increasing understanding of MSME taxpayers regarding tax regulations will motivate taxpayer s to fulfill their tax obligations. Changes in tax rates affect MSME taxpayer compliance. If the tax rate charged to taxpayers is balanced or fair, it can increase their sense of compliance with tax obligations. The taxation system has no effect on MSME taxpayer compliance. The modernization of the system that is built and implemented does not allow taxpayers to understand how the benefits they receive are actually good, even though online-based services will make taxpayers more effective and efficient in complying with these tax regulations. Financial conditions strengthen the influence of tax understanding on MSME taxpayer compliance and changes in tax rates, But, weaken the effect of the taxation system on MSME taxpayer compliance.

LIMITATION & FURTHER RESEARCH

This study is only limited to the taxation aspects of the Dimensions of Tax System Modernization, Tax Understanding, Tax Rate Changes, Taxpayer Compliance, and MSMEs. Future research is expected to discuss more in-depth from an accounting point of view, such as corporate tax payment data. In addition, from the research object, only look at the research object recorded at the West Bekasi Primary KPP. Next research, maybe can compare analysis with tax object data in KPP Pratama in other districts in West Java Province and tax object data nationally in Indonesia.

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