

## **Integrating Tax Sanctions and Trust Through Tax Awareness to Explain MSME Taxpayer Compliance: The Theory of Planned Behavior Approach**

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### **Abstract**

**Introduction:** Taxes are a major source of state revenue, but the level of tax compliance among MSMEs in Indonesia remains relatively low despite this sector's significant contribution to the economy. This study aims to analyze behavioral factors influencing MSME taxpayer compliance using the Theory of Planned Behavior perspective. **Background Problem:** The gap between the growth in the number of MSMEs and low tax compliance indicates a behavioral problem. Therefore, the research question is: What is the role of tax sanctions and trust in the government in influencing MSME taxpayer compliance through tax awareness? **Novelty:** This study offers novelty by integrating law enforcement-based and trust-based compliance approaches by examining the mediating role of tax awareness, a phenomenon that has not been widely studied simultaneously in the MSME context. **Research Method:** This study uses a quantitative, causal, and associative approach with primary data in the form of questionnaires from 142 MSMEs in Madiun City. Data analysis was conducted using Smart Partial Least Squares (Smart-PLS) through testing of measurement and structural models. **Findings:** The results of this study indicate that tax sanctions and trust in the government have a positive influence on taxpayer awareness and tax compliance, and tax awareness is proven to significantly mediate this relationship. **Conclusion:** MSME tax compliance is influenced not only by sanction enforcement but also by psychological factors such as trust and tax awareness. These findings imply that tax policy needs to combine regulatory approaches and building public trust to sustainably improve tax compliance.

**Keywords:** Tax sanctions; Trust in government; Taxpayer awareness; Taxpayer compliance; Theory of Planned Behavior

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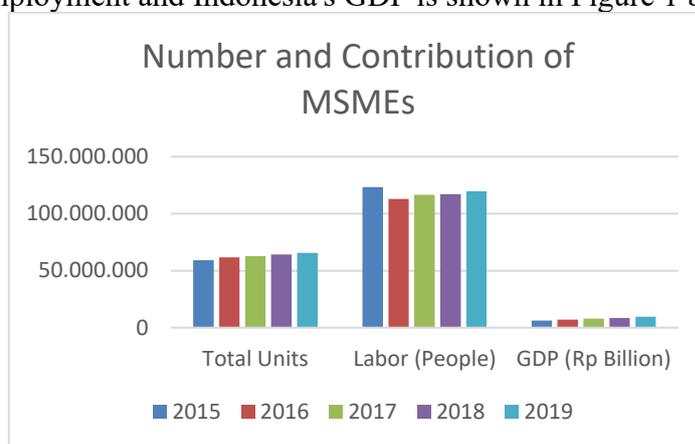
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### **INTRODUCTION**

Taxes are Indonesia's primary source of state revenue and play a strategic role in financing national development. In recent years, the government has continuously encouraged increased tax compliance by expanding the tax base, particularly in the Micro, Small, and Medium Enterprises (MSMEs) sector. The MSME sector plays a dominant role in the

national economy. The number of MSMEs in Indonesia continues to increase in line with the sector's strong contribution to employment and the growth of the national Gross Domestic Product (GDP). The increasing trend in the number of MSMEs and their contribution to employment and Indonesia's GDP is shown in Figure 1 below.



**Figure 1.** Trends in the number of MSMEs, the contribution of MSMEs in absorbing Labor, and GDP in Indonesia. Source: adoption from (Amah et al., 2021)

The results of data processing obtained from the Ministry of Cooperatives, Small and Medium Enterprises from BPS show an increase in the number of MSMEs in 2016 by 4,03% from the base year 2015, an increase of 2,06% in 2017, an increase of 2,02% in 2018, and an increase of 1,98% in 2019. The increase in the number of MSME units in Indonesia during the period 2015 to 2019 was accompanied by an increase in their role in contributing to GDP. The contribution of MSMEs in absorbing labor from 2015 to 2016 had decreased by 8,44%, but then increased in 2017 to 2019, with the percentage increase being 3,19%; 0,47%; and 2,21% respectively. In addition, during the same period, the role of MSMEs in absorbing labor tended to increase from 2015 to 2019, with the percentage increase between years being 12,54%, 11,57%, 9,64%, and 11,74%, respectively (Central Bureau of Statistics, 2019).

This significant contribution makes MSME taxpayer compliance a crucial factor in maintaining the country's fiscal sustainability. However, the level of MSME tax compliance in Indonesia still faces various structural and behavioral challenges. The number of MSMEs registered with a Taxpayer Identification Number (NPWP) in 2021 was only 2,3 million, while the total number of MSMEs registered by the Ministry of Cooperatives and Small and Medium Enterprises was 64.198.687, comprising 63.960.000 micro businesses, 193.959 small businesses, and 44.728 medium businesses (databoks.katadata, 2023). This gap is an indication that the level of tax compliance of MSMEs in Indonesia is still low (Suandipta, 2023).

Various studies show that MSMEs tend to have fluctuating levels of compliance due to low tax awareness, perceptions of administrative complexity, and low trust in the government as a manager of public funds (Khan & Tjaraka, 2024; Kiptum et al., 2024;

Mangoting et al., 2025; Michael et al., 2025; Nuryanah et al., 2023; Saptono et al., 2024; Subandi et al., 2025; Tahar et al., 2023). This condition confirms that tax compliance issues are not merely administrative but also behavioral.

From a behavioral perspective, the **Theory of Planned Behavior** (TPB) explains that individual behavior is influenced by intentions, which are formed from attitudes toward the behavior, subjective norms, and perceived behavioral control. (Ajzen, 1985, 1991). The TPB has become one of the most widely used theoretical frameworks in the study of social and economic behavior, including tax compliance behavior (Bosnjak et al., 2020). In the context of taxation, tax sanctions can represent perceived behavioral control, namely regulatory pressure (Bani-Khalid et al., 2022; Buzohera, 2025; Mohammed & Tangl, 2023; Taing & Chang, 2021), while trust in the government is related to the formation of positive attitudes and social norms towards tax obligations (Alshira'h, 2024; Belahouaoui & Attak, 2025; Cahyonowati, Ratmono, & Juliarto, 2023).

Tax sanctions act as a deterrent mechanism that increases compliance through the fear of the consequences of violations. When taxpayers believe that violations will result in real consequences, this will increase their compliance with their tax obligations. Several studies have found that tax sanctions have a significant effect on taxpayer compliance (Amah et al., 2021; Arifin et al., 2022; Farrar & King, 2023; Frecky & Waluyo, 2025; Rahmayanti et al., 2020; Rianti & Hidayat, 2021; Turyana & Supriatiningsih, 2025). However, other findings state that tax sanctions do not affect taxpayer compliance (Fuliyanto, 2022; Khatimah & Girindratama, 2024; Kurniawan & Daito, 2021). Tax sanctions do not always impact compliance because they only affect perceived behavioral control without directly shaping attitudes and compliance intentions. When perceived risks of non-compliance are low, sanctions fail to change taxpayers' behavioral intentions and therefore do not result in actual compliance.

Other research confirms that trust in government is an important psychological factor that drives taxpayers' willingness to comply voluntarily (Alshira'h, 2024; Appiah et al., 2024; Hassan et al., 2021). Trust in the government forms the taxpayer's belief that the taxes paid are managed transparently and used for the public interest, thereby increasing a positive attitude towards tax obligations (Al-Maghrebi et al., 2022; Beeri et al., 2022; Lorato et al., 2024). From the perspective of the Theory of Planned Behavior, a high level of trust strengthens behavioral intentions to comply because individuals view paying taxes as a socially valuable act (Hassan et al., 2021; Harinurdin et al., 2024; Saptono & Khozen, 2023). Several studies have found a positive influence of trust in the government on taxpayer compliance, including (Ali & Ahmad, 2014; Al-Maghrebi et al., 2022; Cahyonowati, Ratmono, & Juliarto, 2023; Kiptum et al., 2024; Tahar et al., 2023). Inconsistencies in the results were found by (Aini et al., 2025; Annisa & Suparna Wijaya, 2024; Novita et al., 2024; Rizalti & Iskandar, 2025).

Inconsistent research findings on the influence of tax sanctions on taxpayer compliance indicate that sanctions do not always work directly to shape compliance behavior. From the perspective of the Theory of Planned Behavior, external factors such as sanctions first influence an individual's cognitive processes by fostering awareness of the importance of tax obligations. Inconsistent results also occur in research on the influence of trust in the government on taxpayer compliance. This inconsistency indicates that the relationship between trust in the government and taxpayer compliance may not be direct, but

rather through certain psychological mechanisms such as tax awareness. Therefore, taxpayer awareness can act as a mediating mechanism explaining how perceptions of sanctions and trust in the government drive more consistent taxpayer compliance behavior. In accordance with the discussion of previous results and logical thinking based on the Theory of Planned Behavior, the hypotheses proposed include:

H1: Tax sanctions have a positive effect on MSME taxpayer compliance.

H2: Trust in the government has a positive effect on MSME taxpayer compliance.

H3: Tax sanctions have a positive effect on MSME taxpayer awareness.

H4: Trust in the government has a positive effect on MSME taxpayer awareness.

H5: Taxpayer awareness has a positive effect on MSME taxpayer compliance.

H6: Taxpayer awareness mediates the effect of tax sanctions on MSME taxpayer compliance.

H7: Taxpayer awareness mediates trust in the government on MSME taxpayer compliance.

This research offers a novel approach by examining the mediating role of tax awareness in bridging the influence of tax sanctions and trust in the government on taxpayer compliance among MSMEs. This model integrates enforcement-based compliance and trust-based compliance approaches into a more holistic conceptual framework. Thus, this research not only examines whether sanctions and trust are influential but also explains how and through what mechanisms these influences are formed. This study aims to analyze the mediating role of taxpayer awareness in the relationship between tax sanctions and trust in the government on taxpayer compliance among MSMEs based on the Theory of Planned Behavior perspective.

This research is urgently needed, considering that the Indonesian government is promoting tax administration transformation and expanding the MSME tax base as a strategy to increase the national tax ratio. Understanding the role of tax awareness as a mediator is expected to form the basis for formulating more effective policies, not only based on sanction enforcement but also on building public trust and increasing public fiscal awareness. The results of this research are expected to provide theoretical contributions to the development of tax compliance literature and practical contributions to tax authorities in designing strategies to continuously improve MSME taxpayer compliance.

## RESEARCH METHOD

This quantitative research was conducted using a causal associative approach. The study will explain the causal relationship between variables, namely examining the influence of Tax Sanctions and Trust in the Government on MSME Tax Compliance and the mediating role of Taxpayer Awareness between these influences. Primary data were obtained through questionnaires distributed to respondents who were MSMEs. Secondary data on the number of MSMEs was obtained from the Madiun City Cooperatives and MSMEs Office and then confirmed through the Madiun Primary Tax Service Office.

The selection of MSMEs in Madiun City as the research object is based on the gap between the relatively rapid growth in the number of MSMEs and their potential contribution to the regional economy, but not yet accompanied by an increase in tax revenue. Data shows



that the number of MSMEs in Madiun City experienced growth of 7.91% in 2018 and increased to 9.86% in 2019 (BPS-Statistic Indonesia Madiun Municipality, 2021). This increase is in line with the contribution of MSMEs to the Gross Domestic Product (GDP) of Madiun City, which is in the range of 57,3% to 60% (BPS-Statistic Indonesia Madiun Municipality, 2021). However, the contribution of MSMEs to regional tax revenues has actually shown a downward trend. Tax revenue from the MSME sector was recorded at IDR 13,290 billion in 2018, then decreased to IDR 10,878 billion in 2019 and again to IDR 10,577 billion in 2020 (Kantor Pelayanan Pajak Pratama Madiun, 2024). This decline is thought to be an indication of problems with the level of taxpayer compliance of MSMEs in Madiun City.

The population studied was 44.290 MSME taxpayers in Madiun City, as confirmed by the Madiun Pratama Tax Service Office. The sample size was calculated using the Slovin technique with a 10% margin of error. The formula is as follows (Sugiyono, 2021):

$$n = \frac{N}{1 + N(e)^2} \dots\dots\dots (1)$$

$$n = \frac{44.290}{1 + 44.290(0,1)^2}$$

$$n = 99,77$$

The minimum sample size required for representative research results is 99,77 respondents, which was then rounded up to 100. The researcher distributed questionnaires to 150 respondents using incidental sampling, but only 142 respondents agreed to complete the questionnaire. Therefore, the final sample size used in this study was 142 respondents. The following table presents the operational definitions and indicators for each research variable:

**Table 1.** Functional Definitions and Measures of Research Variables

<b>Variable</b>	<b>Definition</b>	<b>Indicator</b>
Tax Sanction	Tax sanctions reflect taxpayers' perceptions of the severity, certainty, and deterrent effect of penalties imposed by tax authorities, as a law enforcement mechanism that shapes compliance behavior (Vincent, 2021).	1. Severity of Penalty 2. Certainty of Punishment 3. Fairness of Enforcement 4. Deterrent Effect (Ntiamoah et al., 2025; Vincent, 2021)
Trust in Government	Trust in government refers to taxpayers' belief that public authorities act with integrity, competence, fairness, and commitment to public welfare in managing tax revenues, thereby fostering voluntary tax compliance (Appiah et al., 2024; Youde & Lim, 2022).	1. Government Integrity 2. Competence 3. Benevolence / Public Interest Orientation 4. Fairness and Transparency (Musah et al., 2026; Zheng et al., 2026)
Taxpayer awareness	Sensitive views or feelings arising from knowledge, beliefs and reasoning that direct Taxpayers to comply with the rules in the taxation system and provisions (Lleshaj et al., 2022)	1. Being aware of the tax regulations 2. Familiarity with tax function 3. Recognize that tax responsibilities must be

Variable	Definition	Indicator
Taxpayer Compliance	Commitment, belief Tan & Braithwaite (2018), motivation from within a person about desired tax system and a sense of moral responsibility to comply with their tax duties and rights justly in accordance with national laws and regulations (Amah, 2019; Amah et al., 2021)	<p>fulfilled in compliance with relevant laws</p> <ol style="list-style-type: none"> <li>4. Calculate taxes correctly and honestly</li> <li>5. Pay taxes correctly and honestly</li> <li>6. Report taxes correctly and honestly</li> <li>7. Understand that tax delays and reductions will be detrimental to the state</li> <li>8. Acknowledge that taxes are a form of community service to the state</li> <li>9. Accepting that taxes support national development</li> <li>10. Believe that taxes are to advance the welfare of the people</li> </ol> <p>(Assegaf &amp; Andesto, 2023; Lleshaj et al., 2022)</p> <ol style="list-style-type: none"> <li>1. Registering an NPWP voluntarily,</li> <li>2. Filling out the Annual Tax Return on time in accordance with laws and regulations,</li> <li>3. Obediently calculating the tax owed,</li> <li>4. Calculate taxes in real-time</li> <li>5. Pay taxes on time</li> <li>6. Report taxes on time</li> <li>7. Obediently paying tax arrears (if there are tax arrears).</li> <li>8. Comply with all sanctions if sanctions are imposed</li> </ol> <p>(Amah et al., 2021; Assegaf &amp; Andesto, 2023)</p>



Data analysis in this study includes descriptive statistics, measurement model evaluation, coefficient of determination and goodness of fit testing, and research hypothesis testing. Referring to Hair et al. (2013), the measurement model evaluation was conducted through convergent validity, discriminant validity, and construct reliability testing. Analysis of mediation relationships in the regression model was conducted using the Smart Partial Least Squares (Smart-PLS) approach.

## RESULTS AND DISCUSSION

Respondent characteristics analysis was conducted to provide a demographic profile of the MSMEs participating in this study. Demographic descriptions include business sector classification and respondent turnover levels, as presented in the following table:

**Table 2.** Respondent Characteristics

<b>Business Sector Profile of Respondents</b>		
Business Sector	Amount	Percentage
Culinary	49	34,51
Grocery store	15	10,56
Automotive	16	11,27
Mode	22	15,49
Other	40	28,17
<b>Total</b>	<b>142</b>	<b>100%</b>
<b>Respondent (MSMEs actors) Age</b>		
Age	Amount	Percentage
< 25	3	2,11
25 – 34	14	9,86
35 – 44	63	44,37
45 – 54	52	36,62
>55	10	7,04
<b>Total</b>	<b>142</b>	<b>100%</b>
<b>Age of MSMEs</b>		
Bussiness age	Amount	Percentage
1 – 5 years	9	6,34
6 – 10 years	48	33,80
11 – 15 years	59	41,55
>15 years	26	18,31
<b>Total</b>	<b>142</b>	<b>100 %</b>
<b>Bussiness Assets</b>		
Amount of Bussiness Assets	Amount	Percentage
< Rp 50 million*	6	4,23
Rp 50 million – < Rp 500 million*	79	55,63
Rp 500 million – Rp 10 billion*	57	40,14
<b>Total</b>	<b>142</b>	<b>100 %</b>
<b>Respondent's Business Turnover</b>		
Total One Year Turnover	Amount	Percentage
Less than Rp 500 million	20	14,08
Rp 500 million – Rp 4,800 billion	92	64,79
More than Rp 4,800 billion	30	21,13
<b>Total</b>	<b>142</b>	<b>100 %</b>

Source: The Processed Primary Data (2024) \* excluding the land and buildings where the business is located.

**Table 2** presents information regarding the characteristics of respondents. The research respondents consisted of 130 MSME Taxpayers described through five demographic criteria, namely based on business sector, respondent age, business age, amount of business assets, and business turnover. Based on business sector, the majority of MSMEs operate culinary businesses, accounting for 34,51%. Furthermore, based on respondent age, 44,37% of MSMEs are in the 35-44 age range, and 36,62% are in the 45-54 age range. The age of entrepreneurs is related to entrepreneurial orientation in developing MSMEs (Adelowo & Akinwale, 2022). Furthermore, based on the age of the business, most of the businesses run have reached the age range of 11-15 years, namely 41,55%. The maturity of MSMEs, reflected in their business age, represents an important indicator of organizational learning and operational stability that enables firms to improve productivity performance (Kumarasamy et al., 2024). More mature MSMEs tend to achieve higher and more stable levels of turnover or profit, which directly determine their tax base and consequently increase their exposure to income tax obligations. Therefore, business maturity not only reflects economic performance but also shapes the capacity and likelihood of MSMEs to participate more consistently in the tax system. Based on business assets, the most assets owned by businesses are in the range of IDR 50 million – < IDR 500 million (excluding the land and buildings where the business is located) at 55,63%. The availability of adequate assets functions as a financial buffer that enables firms to mitigate credit constraints and liquidity shocks while sustaining operational financing (Li et al., 2024). A stronger asset base enhances financial resilience and improves firms' cash flow stability, thereby increasing their capacity to meet financial obligations, including tax payments. Consequently, MSMEs with sufficient assets are more likely to demonstrate higher tax compliance, as financial stability reduces the risk of non-compliance driven by liquidity limitations. Finally, based on the level of business turnover, where the highest level of business turnover is in the range of IDR 500 million - IDR 4,800 billion owned by 92 MSMEs or 64,79%.

### Descriptive Statistics

The presentation of descriptive statistical results provides a statistical description (minimum value, maximum value, average and standard deviation) of each variable used in the research.

**Table 3.** Descriptive Statistic

Variable	N	Min	Max	Mean	Standard Deviation
Tax Sanct	142	12	37	41,27	4,351
Trust	142	13	39	32,41	4,673
Tax_Aw	142	10	50	43,60	5,221
Tax_Comp	142	11	40	32,85	4,153

Source: The Processed Primary Data (2024)

The standard deviation value describes the variation of the collected data. The collected and processed tax sanction data produced information with an average value of 41,27 and a standard deviation of 4,351. Then, the data on trust in the government had a smaller standard deviation value, namely 4,673 compared to the average value of 32,41. The data on taxpayer



awareness had a standard deviation value of 5,221 smaller than the mean value of 43,60. The data on taxpayer compliance also had a smaller standard deviation value, namely 4,153 compared to the average value of 32,85. The standard deviation value was smaller than the average value, meaning that the data on tax sanctions, trust in the government, awareness, and taxpayer compliance were concentrated around the average value. This indicates that the collected data is homogeneous data where the data values are in a small and uniform range.

Convergent validity is used to evaluate the level of agreement between each indicator and the latent construct or measured variable. Convergent validity testing is conducted by considering the outer loading value and the Average Variance Extracted (AVE) value. A summary of the convergent validity test results is presented in the following table.

**Table 4.** Factor Loading and AVE

No	Items	Loading Factor	AVE	Square Root AVE
1	Tax Sanction		0,771	0,878
	Tax Sanct 1	0,865		
	Tax Sanct 2	0,914		
	Tax Sanct 3	0,876		
	Tax Sanct 4	0,914		
	Tax Sanct 5	0,885		
	Tax Sanct 6	0,794		
	Tax Sanct 7	0,829		
	Tax Sanct 8	0,999		
2	Trust		0,872	0,934
	Trust 1	0,853		
	Trust 2	0,902		
	Trust 3	0,864		
	Trust 4	0,902		
	Trust 5	0,873		
	Trust 6	0,782		
	Trust 7	0,817		
	Trust 8	0,987		
3	Taxpayer Awareness		0,896	0,947
	Tax_Aw 1	0,834		
	Tax_Aw 2	0,86		
	Tax_Aw 3	0,764		
	Tax_Aw 4	0,894		
	Tax_Aw 5	0,838		
	Tax_Aw 6	0,82		
	Tax_Aw 7	0,888		
	Tax_Aw 8	0,901		
	Tax_Aw 9	0,966		
	Tax_Aw 10	0,891		
4	Taxpayer Compliance		0,862	0,928
	Tax_Comp 1	0,932		
	Tax_Comp 2	0,897		
	Tax_Comp 3	0,876		
	Tax_Comp 4	0,926		

No	Items	Loading Factor	AVE	Square Root AVE
	Tax_Comp 5	0,929		
	Tax_Comp 6	0,848		
	Tax_Comp 7	0,788		
	Tax_Comp 8	0,951		

Source: The Processed Primary Data (2024)

Table 4 presents the factor loading and Average Variance Extracted (AVE) values. All indicators in the tax sanctions variable showed factor loading values above 0,70 and AVE values exceeding the minimum limit of 0,50. These results indicate that the relationship between the indicators and the constructs has met the convergent validity criteria. Therefore, the participant responses were deemed valid and sufficient to support the research analysis. Similar findings were also shown for the variables of trust in government, taxpayer awareness, and taxpayer compliance, where all indicators had factor loading values above 0,70 and AVE values greater than 0,50. Furthermore, Table 5 presents the results of the discriminant validity test, which shows that the square root of the AVE value for each construct is higher than the correlation between the constructs, thus meeting the discriminant validity criteria.

**Table 5.** Testing for Discriminant Validity

	Tax Sanct	Trust	Tax_Aw	Tax_Comp
Tax Sanct	0,864			
Trust	0,817	0,891		
Tax_Aw	0,797	0,779	0,864	
Tax_Comp	0,895	0,883	0,782	0,885

Source: The Processed Primary Data (2024)

Discriminant validity was evaluated by comparing the square root of the Average Variance Extracted (AVE) for each construct with the highest correlation value among the other constructs (Hair et al., 2013). The test results showed that the square root of the AVE for each variable was greater than the correlation between the variables, thus meeting the criteria for discriminant validity. Therefore, each construct in this study can be considered to have sufficient ability to differentiate one another conceptually.

The questionnaire instrument used to measure the research variables or constructs was then tested through construct reliability testing. Composite reliability is considered a more representative measure of internal consistency because it considers the possible differences in the contribution of each indicator to the latent variable being measured (Cahyowati, Ratmono, & Dewayanto, 2023).

**Table 6.** Construct Reliability

Variable	Composite Reliable	Cronbach Alpha
Tax Sanct	0,813	0,817
Trust	0,783	0,715
Tax_Aw	0,801	0,756



Tax_Comp	0,827	0,814
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Source: The Processed Primary Data (2024)

Table 6 presents the Composite Reliability and Cronbach's Alpha values for each research variable. All constructs showed Composite Reliability values above 0,70 and Cronbach's Alpha values exceeding 0,60, thus the research instrument was declared to have an adequate level of reliability. These results indicate that all latent variables in the study are feasible and reliable for further analysis. After the evaluation criteria for the measurement model (outer model) were met, the analysis continued with the evaluation of the structural model (inner model), which included testing the coefficient of determination and Goodness of Fit (GoF). Table 7 below presents the Adjusted R<sup>2</sup> and AVE values.

**Table 7.** Adjusted R2 dan AVE

Variable	Adjusted R <sup>2</sup>	AVE
Tax Sanct		0,771
Trust		0,872
Tax_Aw		0,896
Tax_Comp	0,583	0,862

Source: The Processed Primary Data (2024)

The Adjusted R<sup>2</sup> value of 0,583 indicates that the independent variable is able to explain 58,3% of the variation in the dependent variable, while the remaining 41,7% is influenced by other factors outside the research model. To determine the Goodness of Fit (GoF) value of the model, the GoF value is calculated as follows:

$$GoF = \sqrt{AVE \times Adjusted R^2} \dots\dots\dots (2)$$

$$GoF = \sqrt{0,85 \times 0,583}$$

$$GoF = 0,704$$

The Goodness of Fit (GoF) value of 0,704 indicates that the model has a high level of suitability so it is suitable for further hypothesis testing.

In hypothesis testing, a 5% significance level is used as the basis for decision-making, where the alternative hypothesis is accepted if the p-value is less than 0,05. A summary of the hypothesis testing results is presented as follows:

**Table 8.** Summary of Hypothesis Test Results

Hypothesis	Path-Coefficient	P-Values	Decision
H1 Tax Sanc → Tax_Comp	0,527	0,000	Accepted
H2 Trust → Tax_Comp	0,258	0,002	Accepted
H3 Tax Sanc → Tax_Aw	0,275	0,017	Accepted
H4 Trust → Tax_Aw	0,309	0,000	Accepted
H5 Tax_Aw → Tax_Comp	0,323	0,000	Accepted
H6 Tax Sanc → Tax_Aw → Tax_Comp	0,274	0,001	Accepted
H7 Trust → Tax_Aw → Tax_Comp	0,320	0,001	Accepted

Source: The Processed Primary Data (2024)

**Hypothesis 1 is accepted.** Tax sanctions have a positive effect on MSME taxpayer compliance. The results of the study indicate that tax sanctions have a positive effect on MSME taxpayer compliance. This finding indicates that the stronger taxpayers' perceptions

of the existence and consequences of tax sanctions, the higher their tendency to comply with their tax obligations (Frecky & Waluyo, 2025; Ntiamoah et al., 2025; Rianti & Hidayat, 2021; Turyana & Supriatiningsih, 2025). The existence of sanctions functions as a behavioral control mechanism that increases awareness of the risks that arise if tax violations occur (Alm et al., 2022; Chan & Song, 2021; Nguyen, 2022; Okafor, 2023).

From the TPB perspective, this influence can be explained through the component of perceived behavioral control. Tax sanctions create the perception that tax authorities have the ability to monitor and prosecute violations, so taxpayers feel that non-compliance will be difficult without consequences (Al-Ttaffi et al., 2021; Farrar & King, 2023; Hasan et al., 2024; Youde & Lim, 2022). This condition increases the perception of external control, which encourages individuals to choose the behavior deemed safest, namely compliance with tax regulations (Ajzen, 1991, 2002). Furthermore, the presence of sanctions can also shape behavioral evaluations (behavioral beliefs) that non-compliance results in greater negative consequences than the benefits obtained (Hussein et al., 2023; Vincent, 2021; Zorzetto, 2025). Within the TPB framework, rational evaluation of these consequences strengthens the behavioral intention to comply, which is ultimately reflected in actual compliance behavior (*behavioral intention*) (Harinurdin et al., 2024; Mulatsih et al., 2024; Oseifuah, 2025; Taing & Chang, 2021).

**Hypothesis 2 is accepted.** Trust in the government has a positive effect on MSME taxpayer compliance. The results of the study indicate that trust in the government has a positive effect on MSME taxpayer compliance. This finding indicates that the higher the level of taxpayer confidence in the integrity, competence, and accountability of the government in managing tax revenues, the greater their tendency to fulfill their tax obligations voluntarily. Trust creates a perception of legitimacy towards the tax system so that tax payments are no longer viewed as a burden, but rather as a contribution to the provision of public goods and services. (Beeri et al., 2022; Fotiadis & Chatzoglou, 2021; Hasan et al., 2024; Mohammed & Tangl, 2023).

The Theory of Planned Behavior (TPB) perspective explains that trust in government plays a role in shaping attitudes toward behavior and subjective norms (Ajzen, 1991; Bosnjak et al., 2020). When taxpayers believe that the government uses taxes transparently and fairly, evaluations of their tax-paying behavior become more positive. Furthermore, the legitimacy of government institutions reinforces the social norm that tax compliance is the correct and socially desirable behavior, thereby increasing compliance intentions, which ultimately encourage actual compliance behavior (Adem et al., 2024; Belahouaoui & Attak, 2024, 2025; Okafor, 2023). Thus, the results of this study reinforce the view that MSME taxpayer compliance is influenced not only by law enforcement factors but also by the quality of psychological and institutional relationships between taxpayers and the government.

**Hypothesis 3 is accepted.** Tax sanctions have a positive effect on taxpayer awareness among MSMEs. This finding indicates that the existence of clear and firm tax sanctions can encourage taxpayers to better understand the rules and consequences of non-compliance, thereby increasing their awareness of tax obligations. According to the Theory



of Planned Behavior (TPB), this influence can be explained through the formation of behavioral beliefs and perceived behavioral control. Tax sanctions create the belief that non-compliant behavior will have negative consequences, so individuals conduct a rational evaluation of the tax behavior that must be carried out (Alm & Kasper, 2023; Al-Ttaffi et al., 2021; Dularif & Rustiarini, 2022). This evaluation encourages a more positive attitude towards awareness of tax responsibilities and increases compliance. Furthermore, the existence of sanctions strengthens the perception of behavioral control because taxpayers are aware of the existence of a monitoring and enforcement system that limits opportunities to evade tax obligations (Adem et al., 2024; Alshira'h, 2025; Owusu et al., 2022). Thus, within the TPB framework, tax sanctions act as external factors that influence the cognitive processes of taxpayers, which ultimately increase tax awareness as a prerequisite for the formation of sustainable compliance intentions and behavior.

**Hypothesis 4 is accepted.** Trust in the government has a positive effect on taxpayer awareness among MSMEs. This finding indicates that the higher the level of trust MSMEs have in the integrity, transparency, and accountability of the government in managing tax revenues, the higher their awareness of the importance of fulfilling their tax obligations. Trust creates the perception that taxes paid are used for the public good, thus enabling taxpayers to better understand the role of taxes as a social contribution, not merely an administrative obligation (Al-Maghrebi et al., 2022; Lorato et al., 2024; Scarpa & Signori, 2023). The TPB perspective explains that trust in government plays a role in shaping attitudes toward behavior and subjective norms. When taxpayers believe that the government carries out its fiscal functions fairly and responsibly, evaluations of tax-paying behavior become more positive. Furthermore, government legitimacy reinforces the social norm that tax compliance is appropriate and expected by the social environment. This condition encourages increased internal awareness of taxpayers regarding the importance of fulfilling their tax obligations (Anjarwi et al., 2025; Chen et al., 2026; Sawmar & Mohammed, 2021). In the TPB framework, the trust factor functions as a psychological determinant that strengthens the formation of positive beliefs and perceptions towards the tax system, thereby increasing taxpayer awareness as an initial stage before the formation of sustainable compliance intentions and behavior (Buzohera, 2025; Chen et al., 2026; Musah et al., 2026; Tumoro & Pandya, 2025).

**Hypothesis 5 is accepted.** Taxpayer awareness has a positive effect on MSME taxpayer compliance. This finding indicates that the greater MSMEs' awareness of the functions, benefits, and obligations of taxation, the greater their tendency to fulfill their tax obligations accurately and consistently. According to the Theory of Planned Behavior (TPB) perspective, taxpayer awareness is closely related to the formation of attitudes toward behavior and behavioral intentions (Ajzen, 1991, 2002; Bosnjak et al., 2020). A high level of awareness results in a positive evaluation of tax payment behavior, so individuals view compliance as valuable and important (Abdu & Adem, 2023; Nguyen et al., 2024; Oktris et al., 2024). Furthermore, awareness also strengthens individuals' beliefs about the consequences of both compliant and non-compliant behavior, ultimately increasing their intention to comply. For MSMEs, tax awareness acts as an internal factor that encourages voluntary compliance. Within the SDG framework, when taxpayers have a good understanding and awareness, compliance behavior is no longer solely influenced by external pressures such as sanctions, but arises from internally formed intentions.

**Hypothesis 6 is accepted.** Taxpayer awareness mediates the effect of tax sanctions on MSME taxpayer compliance. The existence of sanctions does not directly encourage compliance, but first increases taxpayer awareness of the importance of fulfilling tax obligations. The TPB perspective views tax sanctions as an external factor that shapes behavioral beliefs and increases perceived behavioral control, so that taxpayers are aware of the consequences of non-compliance and are encouraged to understand tax regulations more deeply (Heshamuddin et al., 2025; Matshona et al., 2024; Tefuttur et al., 2025). This increased awareness then forms a positive attitude and strengthens behavioral intentions to comply, which are ultimately reflected in actual compliance behavior (Aggarwal & Srivastava, 2024; Leering et al., 2022; Loen, 2025). Taxpayer awareness functions as a psychological mechanism that explains how regulatory pressure through sanctions can be internalized into more sustainable voluntary compliance among MSMEs.

**Hypothesis 7 is accepted.** Taxpayer awareness mediates trust in the government on MSME taxpayer compliance. This finding indicates that trust in the government does not directly drive compliance behavior, but rather first increases taxpayer awareness regarding the importance of taxes in development and their responsibilities as citizens. The Theory of Planned Behavior (TPB) views that trust in the government shapes attitudes toward behavior and subjective norms, where taxpayers who view the government as a credible and accountable institution tend to have positive evaluations of tax obligations (Abodher et al., 2025; Adegbedzi et al., 2025; Agbetunde et al., 2022; Mebratu, 2024). This evaluation then increases internal awareness, which further strengthens behavioral intentions to comply and is manifested in tax compliance (Al-Okaily, 2024; Dann et al., 2022; Hermanto et al., 2022; Trifan et al., 2023). Taxpayer awareness acts as a psychological mechanism that explains how institutional trust is translated into voluntary and sustainable tax compliance behavior of MSMEs.

## CONCLUSION

This study aims to analyze the role of taxpayer awareness as a mediating variable in the relationship between tax sanctions and trust in the government on MSME taxpayer compliance. The results show that tax sanctions and trust in the government have a positive effect on taxpayer awareness and MSME taxpayer compliance. Furthermore, taxpayer awareness is proven to act as a mediating mechanism that explains how external factors such as regulatory pressure and institutional trust can be translated into tax compliance behavior. These findings strengthen the TPB perspective that tax compliance is influenced not only by external control factors, but also by cognitive and psychological processes that shape individual intentions and behavior.

Practically, this research contributes to tax authorities by demonstrating that sanctions-based policies need to be balanced with efforts to increase public trust and tax education to build sustainable taxpayer awareness. An approach that combines law enforcement and institutional trust-building has the potential to increase voluntary compliance, particularly in the MSME sector, which is characterized by limited tax literacy.



However, this study has several limitations. First, the study was conducted only on MSMEs in one region, thus limiting the generalizability of the results. Second, the use of questionnaire-based data may introduce bias into respondents' perceptions. Third, the research model focuses on specific psychological variables and therefore does not include other factors such as the quality of tax services, digital tax literacy, or regulatory complexity. Based on these limitations, further research is recommended to expand the scope of the study area, use a longitudinal approach, and add institutional and technological variables to gain a more comprehensive understanding of MSME tax compliance behavior. From a policy perspective, the government is expected to emphasize not only sanction enforcement but also improve transparency in tax management, service quality, and adaptive tax education programs for MSMEs to strengthen tax awareness and compliance sustainably.

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### AUTHORSHIP CONTRIBUTION STATEMENT

The first author contributed to the conceptualization of the study, development of the theoretical framework, design of the methodology, and oversight of the overall research process and refinement of the manuscript. The second author was responsible for data analysis, interpretation of the research results, and critical revision of the article's substance. The third author played a role in validating the methodology, sharpening the discussion, and academic editing of the manuscript. The fourth author contributed to data collection, initial data processing, literature review, and preparation of the first draft under the direction and supervision of the writing team. All authors have read and approved the final version of the manuscript for publication.

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