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TAXPAYER AWARENESS MEDIATES SOCIALIZATION AND TAX UNDERSTANDING ON MSME COMPLIANCE IN MOJOKERTO

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Abstract

This study aims to analyze the role of taxpayer awareness in mediating the effect of tax socialization and tax understanding on MSME taxpayer compliance in Mojokerto. This research used a quantitative approach with an explanatory research design. The population consisted of MSME taxpayers in Mojokerto, while the sampling technique used purposive sampling with criteria of MSME actors who actively run businesses and already have a Taxpayer Identification Number (NPWP). Data were collected through questionnaires distributed directly to respondents using a five-point Likert scale. The data analysis technique employed Structural Equation Modeling-Partial Least Square (SEM-PLS) with SmartPLS 4 software. The results showed that tax socialization and tax understanding had a positive and significant effect on taxpayer awareness. Taxpayer awareness also had a positive and significant effect on MSME taxpayer compliance. Furthermore, taxpayer awareness was proven to mediate the effect of tax socialization and tax understanding on taxpayer compliance. These findings indicate that taxpayer compliance is not formed solely through tax information and technical understanding, but also through the internalization of taxpayer awareness. Therefore, strengthening taxpayer awareness is considered important in improving voluntary tax compliance among MSMEs.

Keywords: *Tax Socialization, Tax Understanding, Taxpayer Awareness, Taxpayer Compliance, MSMEs.*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in national economic growth by creating employment opportunities, increasing community income, and strengthening regional economies. However, the increasing number of MSMEs has not been accompanied by a proportional increase in tax compliance. Low compliance among MSME taxpayers remains a challenge in optimizing state revenue, particularly in the Income Tax sector. This condition indicates that improving taxpayer compliance among MSMEs remains an important issue, especially in terms of tax socialization, tax understanding, and taxpayer awareness. Tax socialization is conducted to provide information regarding taxpayers' rights and obligations, while tax understanding reflects taxpayers' ability to comprehend tax regulations, procedures, and provisions. In addition, taxpayer awareness is considered an essential factor in encouraging voluntary tax compliance because taxpayers who understand the importance of taxation for national development tend to fulfill their obligations more responsibly.

Several previous studies have reported inconsistent findings regarding the relationship between tax socialization, tax understanding, taxpayer awareness, and taxpayer compliance. Research by Sofianty & Udin (2025), Marsilla & Fauzihardani (2023), and Lia Lestari & Luk Fuadah (2025) found that tax socialization and tax understanding positively affect MSME taxpayer compliance. In contrast, Faradilla et al. (2024) revealed that tax socialization did not significantly influence MSME taxpayer compliance, while Nifanngeljau & Sularsih (2020) showed that tax understanding had no significant direct effect on taxpayer compliance. These inconsistent findings indicate the existence of an empirical gap and suggest that other factors may influence the relationship between tax socialization, tax understanding, and taxpayer compliance. In this context, taxpayer awareness is assumed to play a mediating role in strengthening taxpayer compliance behavior among MSMEs.

This study applies Compliance Theory, the Theory of Planned Behavior (TPB), and the Theory of Tax Compliance to explain MSME taxpayer compliance behavior. Compliance Theory emphasizes that compliance is influenced by understanding regulations and awareness of tax obligations. The Theory of Planned Behavior explains that behavior is shaped by attitudes, subjective norms, and perceived behavioral control, while the Theory of Tax Compliance highlights the influence of economic, social, and psychological factors on taxpayers' willingness to comply. Based on these considerations, this study aims to examine the role of taxpayer awareness in mediating the influence of tax socialization and tax understanding on MSME taxpayer compliance in Mojokerto.

2. RESEARCH METHOD

This study employs a quantitative methodology with an explanatory framework to examine the mediating role of taxpayer awareness in the relationship between tax socialization, tax comprehension, and taxpayer compliance among MSMEs. The research was carried out among MSMEs in Mojokerto that possess a Taxpayer Identification Number (NPWP).

The study population comprised all MSMEs in Mojokerto. The sample method employed was purposive sampling, with the criteria consisting of MSMEs that are operational and registered taxpayers. Data were collected via direct delivery of questionnaires to respondents on a five-point Likert scale.

This study's independent variables are tax socialization and tax understanding, with MSME taxpayer compliance as the dependent variable. Tax awareness functions as a mediating variable elucidating the connection between tax socialization and tax comprehension regarding MSME taxpayer compliance. The measurement indicators for each variable were established based on prior research and tailored to the MSME setting.

The data analysis method employed was Structural Equation Modeling-Partial Least Squares (SEM-PLS) utilizing SmartPLS 4 software. The analysis was conducted via outer model and inner model testing. Outer model testing was employed to assess the validity and reliability of the construct via loading factor values, Average Variance Extracted (AVE), composite reliability, and Cronbach's alpha. Simultaneously, inner model testing was conducted to examine the interrelations among variables using route coefficient values, R-squared, and the assessment of direct and indirect impacts.

3. RESULTS AND DISCUSSION

RESULTS

3.1 Sample Characteristics and Analytical Introduction

Prior to evaluating the research model and hypotheses, it is essential to elucidate the attributes of data collection and the procedure of final sample determination in this study. The researcher employed a multi-channel method for data collecting, collaborating with the Directorate General of Taxes (DGT) and the Cooperatives and MSMEs Office. This study utilized a response-based methodology, yielding secondary data derived from the participation of 600 respondents who completed the questionnaire. The precise quantity of questionnaires disseminated by the Mojokerto Pratama Tax Office (KPP Pratama) cannot be ascertained, as the distribution was executed solely through the agency's internal channels, each possessing distinct distribution mechanisms.

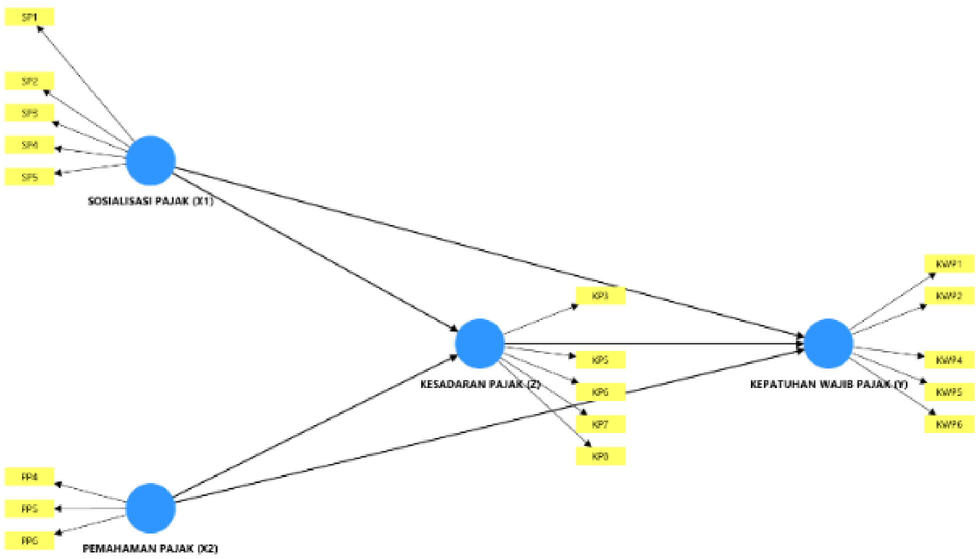
A multi-stage selection process was subsequently executed according to predetermined purposive sample criteria for the 600 replies obtained. According to the screening process, 182 respondents were excluded for not residing or operating a business in Mojokerto City, 154 respondents were excluded for lacking a Taxpayer Identification Number (NPWP), and 139 responses were disqualified due to incomplete or inconsistent questionnaire submissions. A total of 125 individuals were acquired through this screening process, all of whom concurrently satisfied the research criteria. The final sample of 125 was designated as the clean data utilized for all subsequent stages of model analysis using SmartPLS 4, specifically for outer model and inner model evaluation.

3.2 Evaluation of Measurement Models (*Outer Model*)

Outer model evaluation was performed to assess the validity and reliability of the study constructs prior to testing the indicator model. Assessment encompassed convergent validity, discriminant validity, and construct reliability.

Initial estimation findings indicated that some indicators failed to satisfy convergent validity criteria, necessitating their deletion and subsequent model re-estimation. Out of the

33 initial indicators, 15 were discarded due to their outer loading values being below the established minimum threshold. Following re-evaluation, 18 indicators satisfied the criterion for convergent validity, with outer loading values over 0.70. The conclusive measurement model is illustrated in Figure 1.



Source: Processed by researchers, 2026
Figure 1 Measurement Model Path Diagram (Outer Model)

Based on the re-estimation results after indicator elimination, the measurement model shows that all remaining indicators have met the convergent validity criteria with outer loading values above 0.70. These results indicate that the indicators used are able to adequately represent the research constructs. The outer loading values for each indicator are presented in the following table:

Table 1 Convergent Validity Test

	TAXPAYER COMPLIANCE (Y)	TAXPAYER AWARENESS (Z)	TAX UNDERSTANDING (X2)	TAX SOCIALIZATION (X1)	DESCRIPTION
KP3		0.772			Valid
KP5		0.741			Valid
KP6		0.774			Valid
KP7		0.772			Valid
KP8		0.712			Valid
KWP1	0.745				Valid
KWP2	0.723				Valid
KWP4	0.738				Valid
KWP5	0.756				Valid
KWP6	0.804				Valid

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	TAXPAYER COMPLIANCE (Y)	TAXPAYER AWARENESS (Z)	TAX UNDERSTANDING (X2)	TAX SOCIALIZATION (X1)	DESCRIPTION
PP4			0.846		Valid
PP5			0.804		Valid
PP6			0.834		Valid
SP1				0.776	Valid
SP2				0.741	Valid
SP3				0.741	Valid
SP4				0.744	Valid
SP5				0.769	Valid

Source: Processed by researchers, 2026

The results of the convergent validity test presented in the table above indicate that all indicators in the variables of tax socialization (X1), tax comprehension (X2), tax awareness (Z), and taxpayer compliance (Y) possess factor loading values over 0.70, hence confirming their convergent validity (Musyaffi et al., 2022). The results demonstrate that all indicators sufficiently describe the research constructs, and no indicators necessitate further removal. Consequently, the measurement model in this study satisfies convergent validity and is appropriate for subsequent analysis.

Table 2 Discriminant Validity

	TAXPAYER COMPLIANCE (Y)	TAXPAYER AWARENESS (Z)	TAX UNDERSTANDING (X2)	TAX SOCIALIZATION (X1)
KP3	0.474	0.772	0.385	0.416
KP5	0.489	0.741	0.379	0.469
KP6	0.538	**0.774**	0.4	0.436
KP7	0.548	0.772	0.442	0.407
KP8	0.434	0.712	0.321	0.334
KWP1	0.745	0.512	0.427	0.469
KWP2	0.723	0.523	0.514	0.434
KWP4	0.738	0.374	0.488	0.504
KWP5	0.756	0.537	0.446	0.513
KWP6	**0.804**	0.532	0.544	0.516
PP4	0.539	0.448	**0.846**	0.599
PP5	0.501	0.327	0.804	0.621
PP6	0.554	0.485	0.834	0.641
SP1	0.478	0.337	0.473	**0.776**
SP2	0.486	0.435	0.441	0.741
SP3	0.488	0.489	0.655	0.741

	TAXPAYER COMPLIANCE (Y)	TAXPAYER AWARENESS (Z)	TAX UNDERSTANDING (X2)	TAX SOCIALIZATION (X1)
SP4	0.46	0.355	0.608	0.744
SP5	0.517	0.435	0.63	0.769

Source: Processed by researchers, 2026

The results of the discriminant validity test, as presented in the table above, indicate that all indicators exhibited the highest loading values on their respective assessed constructs in comparison to other constructs. The results demonstrate that each concept is distinctly identifiable, so confirming that the study model satisfies the criteria for discriminant validity and is appropriate for subsequent examination.

Table 3 Composit Validity

	Cronbach's alpha	**Ket**	**Composite reliability (rho_c)**	**Ket**
TAXPAYER COMPLIANCE (Y)	0.809	Reliabel	0.868	Reliabel
TAXPAYER AWARENESS (Z)	0.811	Reliabel	0.868	Reliabel
TAX UNDERSTANDING (X2)	0.772	Reliabel	0.868	Reliabel
TAX SOCIALIZATION (X1)	0.811	Reliabel	0.868	Reliabel

Source: Processed by researchers, 2026

The reliability test results presented in the table indicate that all research variables possess a Composite Reliability value over 0.70 and a Cronbach's Alpha above 0.60, hence confirming their dependability (Hair et al., 2020); (Sugiyono, 2023). The taxpayer compliance variable (Y) exhibited a Cronbach's Alpha of 0.809 and a Composite Reliability of 0.868, whilst the tax awareness variable (Z) demonstrated a Cronbach's Alpha of 0.811 and a Composite Reliability of 0.868. Additionally, the tax comprehension variable (X2) exhibited a Cronbach's Alpha of 0.772 and a Composite Reliability of 0.868, whereas the tax socialization variable (X1) recorded a Cronbach's Alpha of 0.811 and a Composite Reliability of 0.868. The results demonstrate that all study constructs exhibit strong internal consistency and effectively measure variables reliably and consistently.

Upon confirming that the measurement model (outer model) satisfies the validity and reliability standards, the subsequent step is to evaluate the structural model (inner model). Inner model testing is performed to assess the model's capacity to elucidate the links among latent variables and to investigate the direct and indirect effects between the variables in this study.

3.3 Evaluation of the Structural Model (Inner Model and Hypothesis Testing)

The evaluation of the inner model was performed using R-square, Q-square, path coefficients, and hypothesis testing to ascertain the correlations among the study variables. The test outcomes are displayed in the subsequent table:

Table 4 Results of the Determination Coefficient Test

	R-Square	***R-Square* adjusted**
TAXPAYER COMPLIANCE (Y)	0.583	0.573
TAXPAYER AWARENESS (Z)	0.326	0.315

Source: Processed by researchers, 2026

The coefficient of determination (R-Square) quantifies the model's capacity to elucidate endogenous variables. The test results indicate that the taxpayer compliance variable (Y) has an R-Square value of 0.583 and an adjusted R-Square of 0.573, signifying that 58.3% of the variation in taxpayer compliance is attributable to the variables in the model, with the remainder affected by external factors not considered in the study. The tax awareness variable (Z) exhibits an R-Square value of 0.326 and an adjusted R-Square of 0.315, signifying that the model accounts for 32.6% of the variance in tax awareness, with the balance attributable to external factors not encompassed by the research model. These results suggest that the research model possesses a moderate capacity to elucidate the link between variables.

Table 5 Prediction Relevance

	Q^2predict	**RMSE**	**MAE**
TAXPAYER AWARENESS (Z)	0.296	0.852	0.717
TAXPAYER COMPLIANCE (Y)	0.44	0.76	0.587

Source: Processed by researchers, 2026

The predictive relevance test (Q-Square) indicates that the Tax Awareness (Z) variable has a Q^2 value of 0.296, while the Taxpayer Compliance (Y) variable has a Q^2 value of 0.440. A Q^2 score exceeding zero signifies that the model possesses sufficient predictive relevance. The RMSE and MAE values for the Taxpayer Compliance variable are lower than those for Tax Awareness, demonstrating superior predictive capability for the Taxpayer Compliance variable.

Table 6 Path Coeficient

	Path coefficients
TAXPAYER AWARENESS (Z) -> TAXPAYER COMPLIANCE (Y)	0.399
TAX UNDERSTANDING (X2) -> TAXPAYER COMPLIANCE (Y)	0.270

TAX UNDERSTANDING (X2) -> TAXPAYER AWARENESS (Z)	0.233
TAX SOCIALIZATION (X1) -> TAXPAYER COMPLIANCE (Y)	0.224
TAX SOCIALIZATION (X1) -> TAXPAYER AWARENESS (Z)	0.375

Source: Processed by researchers, 2026

The route coefficient test results indicate that tax awareness exerts the most significant beneficial impact on MSME taxpayer compliance, with a coefficient value of 0.399. The findings suggest that heightened tax awareness can promote improved taxpayer compliance. Moreover, tax socialization positively influences tax awareness with a correlation of 0.375, and tax comprehension positively affects tax awareness with a coefficient of 0.233. The data suggest that tax socialization and comprehension influence taxpayer awareness, hence enhancing MSME taxpayer compliance.

Table 7 Results of Hypothesis Testing of Direct and Indirect Effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
TAXPAYER AWARENESS (Z) -> TAXPAYER COMPLIANCE (Y)	0.399	0.402	0.07	5.669	0.000
TAX UNDERSTANDING (X2) -> TAXPAYER COMPLIANCE (Y)	0.27	0.268	0.133	2.032	0.021
TAX UNDERSTANDING (X2) -> TAXPAYER AWARENESS (Z)	0.233	0.237	0.105	2.209	0.014
TAX SOCIALIZATION (X1) -> TAXPAYER COMPLIANCE (Y)	0.224	0.227	0.144	1.559	0.060
TAX SOCIALIZATION (X1) -> TAXPAYER AWARENESS (Z)	0.375	0.378	0.105	3.576	0.000
TAX UNDERSTANDING (X2) -> TAXPAYER AWARENESS (Z) -> TAXPAYER COMPLIANCE (Y)	0.093	0.095	0.047	1.992	0.023
TAX SOCIALIZATION (X1) -> TAXPAYER AWARENESS (Z) -> TAXPAYER COMPLIANCE (Y)	0.15	0.153	0.053	2.829	0.002

Source: Processed by researchers, 2026

The hypothesis testing results indicate that tax knowledge and tax comprehension positively and significantly influence MSME taxpayer compliance. Nonetheless, tax socialization does not exert a substantial direct influence on taxpayer compliance. Nonetheless, tax socialization and comprehension have been demonstrated to markedly enhance tax awareness.

The findings of the indirect impact test demonstrate that tax awareness mediates the relationship between tax socialization, tax comprehension, and MSME taxpayer compliance. These findings suggest that enhanced taxpayer compliance is affected not just by direct tax socialization and comprehension but also by the cultivation of taxpayer awareness.

DISCUSSION

The research findings indicate that taxpayer awareness is essential in connecting the effects of tax socialization and tax comprehension on MSME taxpayer compliance. These data suggest that taxpayer compliance evolves gradually through the internalization of taxpayer awareness.

The Role of Tax Socialization in Influencing Taxpayer Awareness

The results reveal that tax socialization does not directly encourage MSME taxpayer compliance, but significantly contributes to increasing taxpayer awareness. This finding indicates that the effectiveness of tax socialization lies more in shaping taxpayers' awareness and perceptions regarding tax obligations rather than immediately changing compliance behavior. Information delivered through tax socialization may increase taxpayers' understanding of taxation; however, without internal awareness, such information is not always sufficient to produce direct compliance behavior.

This condition demonstrates that MSME taxpayer compliance is influenced not only by access to tax information, but also by psychological and behavioral factors. Tax socialization functions as an initial stimulus that encourages taxpayers to recognize the importance of taxes and understand their responsibilities as citizens. As taxpayer awareness increases, taxpayers become more likely to voluntarily fulfill their tax obligations. Therefore, taxpayer awareness acts as an important intermediary mechanism between tax socialization and taxpayer compliance.

The findings support the Theory of Planned Behavior, which explains that individual behavior is influenced by attitudes, awareness, and perceived behavioral control. In this context, tax socialization contributes to shaping taxpayers' attitudes and awareness before compliance behavior is formed. The results are also consistent with Zaikin et al. (2022), who found that tax socialization positively affects taxpayer awareness.

On the other hand, this study also provides an explanation for previous inconsistent findings. Faradilla et al. (2024), found that tax socialization did not significantly affect MSME taxpayer compliance. The present study indicates that the insignificant direct relationship may occur because tax socialization primarily influences compliance indirectly through taxpayer awareness rather than through a direct behavioral effect. This finding highlights that the success of tax socialization programs depends not only on the delivery of tax information, but also on their ability to build internal taxpayer awareness and voluntary compliance behavior.

Comprehension of Taxation as a Determinant Influencing Taxpayer Awareness

The findings of this study indicate that tax comprehension has a positive and significant effect on taxpayer awareness among MSMEs. This result suggests that a higher level of tax knowledge encourages taxpayers to better understand the importance of fulfilling their tax obligations. Taxpayers who comprehend tax regulations, procedures, and reporting mechanisms tend to develop stronger awareness regarding their responsibilities as contributors to state revenue. In this context, tax comprehension not only functions as technical knowledge but also strengthens taxpayers' internal motivation to comply voluntarily.

From the perspective of Compliance Theory, understanding tax regulations can encourage individuals to behave more compliantly because taxpayers become more aware of the legal and social consequences of taxation. Likewise, the Theory of Planned Behavior explains that knowledge can shape positive attitudes and perceived behavioral control, which subsequently increase taxpayer awareness. This condition demonstrates that taxpayer awareness emerges not solely from external pressure or sanctions, but also from taxpayers' personal understanding of the importance of taxes for economic development and public welfare.

However, the findings also imply that tax comprehension alone may not automatically lead to direct compliance behavior. Some taxpayers may already possess adequate knowledge of taxation but still fail to comply consistently due to other factors, such as low trust in government, administrative complexity, or economic limitations faced by MSMEs. This explanation strengthens the argument that taxpayer awareness acts as an important psychological mechanism linking tax comprehension to taxpayer compliance. Therefore, awareness becomes a crucial element in transforming tax knowledge into actual compliance behavior.

These findings are consistent with the study of by Zaikin et al. (2022), which found that tax comprehension positively influences taxpayer awareness. Nevertheless, the results differ from Venti & Sandra (2021), who argued that tax comprehension is not always the primary determinant of taxpayer awareness. The inconsistency between these findings may be influenced by differences in research settings, taxpayer characteristics, and the level of tax education received by respondents. In the context of MSMEs in Mojokerto, tax comprehension appears to play a more dominant role in shaping taxpayer awareness because MSME taxpayers generally require a clearer understanding of taxation procedures to build confidence and responsibility in fulfilling their obligations.

The Significance of Taxpayer Awareness in Enhancing MSME Tax Compliance

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The findings of this study indicate that taxpayer awareness has a positive and significant effect on MSME taxpayer compliance in Mojokerto City. This result suggests that taxpayer compliance is influenced not only by administrative factors, such as tax socialization and tax understanding, but also by internal awareness that encourages taxpayers to recognize the importance of fulfilling their tax obligations voluntarily. Higher taxpayer awareness increases the likelihood of MSME taxpayers complying with tax regulations consistently and responsibly.

The results further show that taxpayer awareness acts as an important mediating factor between tax socialization, tax understanding, and taxpayer compliance. Although tax socialization and tax understanding are expected to improve compliance, their effects may not always occur directly. In some situations, taxpayers may already receive tax-related information and understand tax regulations, yet they may still fail to comply if they lack sufficient awareness regarding the importance of taxation. This condition explains why several previous studies reported insignificant direct relationships between tax socialization, tax understanding, and taxpayer compliance. Therefore, taxpayer awareness becomes an essential mechanism that transforms tax knowledge and socialization into actual compliance behavior among MSMEs.

These findings support the Theory of Planned Behavior, which explains that individual behavior is influenced by awareness, beliefs, attitudes, and behavioral intentions. Taxpayer awareness reflects an internal intention that motivates taxpayers to comply with tax obligations after receiving tax-related information and understanding tax regulations.

The findings of this study are in line with the research conducted by Zaikin et al. (2022) which found that taxpayer awareness positively affects taxpayer compliance. The study explained that taxpayers with higher awareness tend to understand the importance of taxes for public welfare and national development, thereby encouraging voluntary compliance behavior.

Similarly, Venti & Sandra (2021), also demonstrated that taxpayer awareness has a significant effect on taxpayer compliance. Their study emphasized that taxpayer awareness encourages individuals to fulfill their tax obligations not only because of sanctions or external pressure, but also because of personal responsibility and understanding of the role of taxes in supporting government activities and public services.

In addition, the findings of this study also provide an explanation for previous inconsistent results concerning the direct effect of tax socialization and tax understanding on taxpayer compliance. The present study indicates that taxpayer awareness may function as an intervening variable that strengthens the relationship between these variables and MSME taxpayer compliance.

The Role of Taxpayer Awareness in Mediating the Effect of Tax Socialization on MSME Taxpayer Compliance

The results of this study indicate that taxpayer awareness mediates the effect of tax socialization on MSME taxpayer compliance. These findings show that tax socialization does not directly encourage compliance behavior, but instead strengthens taxpayer awareness first, which subsequently influences taxpayers to comply with their tax obligations voluntarily. Therefore, the effectiveness of tax socialization is not only determined by the delivery of tax information, but also by its ability to build taxpayers' internal awareness regarding the importance of fulfilling tax obligations.

This finding reflects that MSME taxpayer compliance is formed through a gradual psychological process. Tax information delivered through socialization activities serves as an initial stimulus that increases taxpayers' understanding and awareness of taxation. When taxpayers develop awareness of the importance of taxes for national development and public welfare, they are more likely to demonstrate consistent compliance behavior. This condition suggests that taxpayer awareness acts as an important internal factor that strengthens the relationship between tax socialization and taxpayer compliance.

The findings of this study support the Theory of Planned Behavior, which explains that individual behavior is influenced by attitudes, awareness, beliefs, and behavioral intentions. In this study, taxpayer awareness becomes an important psychological mechanism that connects tax socialization with taxpayer compliance behavior among MSMEs. Effective tax socialization encourages taxpayers to develop positive perceptions and awareness toward taxation, which ultimately influences their intention to comply voluntarily.

The results of this study are also consistent with several previous studies that emphasized the importance of taxpayer awareness in improving taxpayer compliance. However, this study also highlights that the influence of tax socialization becomes stronger when taxpayer awareness is involved as a mediating factor rather than merely relying on direct informational approaches. In contrast, Venti & Sandra (2021)) found that taxpayer awareness did not significantly mediate the relationship between tax socialization and taxpayer compliance. Similarly, Zaikin et al. (2022), reported that taxpayer awareness was unable to strengthen the influence of tax socialization on taxpayer compliance. These differences may occur because of variations in taxpayer characteristics, levels of tax understanding, and the effectiveness of tax socialization programs implemented in different research settings. Therefore, the findings of this study provide additional empirical evidence that taxpayer awareness plays a significant role in strengthening MSME taxpayer compliance in Mojokerto.

The Role of Taxpayer Awareness in Mediating the Effect of Tax Understanding on MSME Taxpayer Compliance

The findings of this study indicate that tax understanding influences MSME taxpayer compliance through taxpayer awareness as a mediating variable. These results suggest that tax understanding does not directly encourage compliant behavior; instead, it first increases taxpayer awareness, which subsequently strengthens taxpayer compliance. In this context, taxpayer awareness becomes an important mechanism that connects tax knowledge with the compliance behavior of MSME taxpayers.

This condition shows that taxpayer compliance cannot be formed solely through technical understanding of tax regulations and procedures. Tax understanding needs to be internalized into taxpayer awareness so that taxpayers develop a voluntary commitment to fulfill their tax obligations consistently. Therefore, taxpayer awareness plays an important role in transforming tax understanding into actual compliance behavior among MSMEs.

The results of this study support the Theory of Planned Behavior, which explains that individual behavior is influenced by awareness, intention, and behavioral control. Taxpayers who possess a better understanding of taxation tend to develop stronger awareness regarding the importance of taxes for national development, which ultimately encourages compliance behavior. In addition, the findings are also consistent with Compliance Theory, which states that compliance is influenced not only by knowledge of regulations but also by awareness of obligations.

The findings of this study are in line with the research conducted by Venti & Sandra (2021) hich explained that tax understanding contributes to increasing taxpayer awareness before encouraging compliance behavior. Likewise, Zaikin et al. (2022), emphasized that awareness is an important psychological factor in strengthening taxpayer compliance among MSMEs. These findings indicate that taxpayer awareness functions as an important intermediary variable in the relationship between tax understanding and taxpayer compliance.

However, several previous studies have shown different results. Venti & Sandra (2021) found that taxpayer awareness did not significantly mediate the relationship between tax understanding and taxpayer compliance because taxpayers tended to comply due to administrative demands rather than internal awareness. Similarly, Zaikin et al. (2022) reported that taxpayer awareness was unable to strengthen the direct relationship between tax understanding and taxpayer compliance among MSMEs. These inconsistent findings indicate that the mediating role of taxpayer awareness may vary depending on taxpayer characteristics, social conditions, and the effectiveness of tax education programs implemented in each region.

Furthermore, the findings of this study demonstrate that taxpayer awareness is essential in connecting the influence of tax socialization and tax understanding on MSME taxpayer compliance in Mojokerto. Tax compliance is not only shaped through the dissemination of tax information or technical understanding of tax regulations but also through the process of internalizing tax values and responsibilities among taxpayers. In this regard, taxpayer awareness acts as a moral and psychological driver that encourages taxpayers to fulfill their obligations voluntarily and consistently.

The findings also imply that tax socialization and tax understanding will improve taxpayer compliance more effectively when they are able to strengthen taxpayer awareness first. Therefore, strategies to improve MSME taxpayer compliance should not only focus on administrative and technical aspects of taxation but also consider psychological and behavioral dimensions. More interactive and educational tax socialization programs that are tailored to the characteristics of MSMEs are necessary to strengthen taxpayer awareness and encourage sustainable compliance behavior.

4. CONCLUSION

This study concludes that taxpayer awareness significantly mediates the influence of tax socialization and tax understanding on MSME taxpayer compliance in Mojokerto City. The findings show that tax socialization and tax understanding increase taxpayer awareness, which subsequently encourages voluntary taxpayer compliance. Thus, taxpayer awareness serves as an important intermediary factor in strengthening MSME taxpayer compliance behavior.

The findings imply that efforts to improve MSME taxpayer compliance should not only focus on delivering tax information and improving tax understanding but also on strengthening taxpayer awareness through more educational, interactive, and targeted tax socialization programs. These results also support the importance of integrating psychological and behavioral approaches into tax compliance strategies for MSMEs.

This study is limited to MSMEs in Mojokerto City, so the findings may not fully represent MSME taxpayers in other regions with different economic and social characteristics. In addition, this study only examined taxpayer awareness as a mediating variable. Therefore, future studies are recommended to involve broader research areas and include other variables, such as taxpayer trust, tax sanctions, service quality, or digital taxation systems, to provide a more comprehensive understanding of MSME taxpayer compliance behavior.

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