

# Tax Digitalization, Tax Incentives and Smes Taxpayer Compliance: The Moderating Role Of Public Trust

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## ABSTRACT

In 2022 the government is trying to continue to increase the tax ratio. One of which is by maximizing taxpayer compliance, including for Small and Medium Enterprises (SMEs) sector. Fiscal review in 2022 estimated that SMEs in Special Region of Yogyakarta growth has reached an average of 8.45 percent per year with turnover growth reaching 1.37 percent per year. However, the growth in the number of SMEs is not accompanied by greater tax revenues as indicated by the low tax revenues of SMEs. This study examines the effect of tax digitalization and tax incentives on SMEs taxpayer compliance, moderated by public trust. The research data was collected by distributing questionnaires online and offline. Based on 75 respondents which were determined by the purposive sampling method, the results of the SEM-PLS analysis show that tax digitalization and tax incentives have positive effect on SMEs taxpayer compliance as hypothesized. Meanwhile, instead of moderating the two independent variables on SME taxpayer compliance, public trust becomes an important variable that can improve SME taxpayer compliance. The finding would suggest that local governments can increase the participation of SMEs as a support for local revenue by encouraging tax compliance through tax digitalization and tax incentives as well as public trust.

**Keywords:** Tax Digitization, Tax Incentives, Public Trust, Taxpayer Compliance, SMEs.

## INTRODUCTION

In Indonesia, taxes are the largest revenue for the state. According to data taken from the Central Statistics Agency for 2022, it is stated that a percentage of tax revenue contributes more than 70% of domestic revenue. Taxes as part of state revenue are used to finance all forms of state needs, both for financing national development and for people's welfare. The tax ratio is used to measure the level of tax revenue. In 2019 Indonesia's tax ratio reached 9.77%, but in 2020 it decreased by 8.33% due to the co-pandemic. After that, in 2021 Indonesia's tax ratio will increase again. The government is trying to continue to increase the tax ratio. One of them is by maximizing taxpayer compliance and to increase tax compliance, the government makes various policies through the Directorate General of Taxes, including Micro, Small and Medium Enterprises (SMEs).

The government's efforts to improve tax compliance by making policies related to ease and relief related to SMEs because SMEs have a contribution to the gross domestic product of 60.4% and SMEs are estimated to grow by an average of 1.37%. (Kajian Fiskal Regional D.I. Yogyakarta Triwulan I Tahun 2022, 2022).

In recent years, SMEs have been one of the drivers of the economy in Indonesia, because they can survive in times of crisis and have a role in improving people's welfare. It is estimated that SMEs grow an average of 8.45 percent per year and turnover grows an average of 1.37

percent per year (D.I. Yogyakarta Regional Fiscal Study Quarter I Year 2022, 2022). One of them is in the area of the Special Region of Yogyakarta (DIY). Yogyakarta is a province that is a tourist destination and a city with various cultures, has a large number of SMEs actors, or around 324,000 according to data from the Central Statistics Agency. SMEs are engaged in various types of industries that can drive the economy of the people in DIY. In Yogyakarta, the high growth of SMEs is not accompanied by high tax revenues either. Tax revenue in Yogyakarta is recorded at less than 2% (Kajian Fiskal Regional D.I. Yogyakarta Triwulan I Tahun 2022, 2022).

Research conducted by Ndal & Wahyudi (2022), Wulandari (2021) states that a person's compliance in fulfilling his tax obligations can be caused by various factors, including tax digitization, tax incentives, tax sanctions, knowledge and understanding, service quality, and taxpayer trust has a positive effect on taxpayer compliance. Based on the research above, several factors influence taxpayer compliance in paying their obligations. Perceived convenience, namely digitization in tax services can affect taxpayer compliance due to the ease of reporting tax returns (SPT). Another factor that is thought to affect compliance is tax incentives. Tax incentives relate to the imposition of taxes paid by taxpayers. Tax incentives are given so as not to burden taxpayers in fulfilling their obligations.

Based on the decision of the Directorate General of Taxes Number Kep-88/PJ/2004, e-filling took effect and was established in 2004. According to research Umayaksa & Mulyani (2020) Tax digitization will increase SMEs tax compliance, because the better the facilities provided the more effective and efficient the SMEs taxpayers will fulfill their tax obligations. In addition, the government also provides relief in the form of incentives by issuing the Law on Harmonization of Tax Regulations on October 7, 2021, stipulating the final income tax for SMEs with a gross turnover or business turnover of up to 500 million. Pradnyani et al (2022) Tax incentives can increase tax compliance because SMEs feel that they are given relief in paying their obligations.

This research focuses on the variables of tax digitization and tax incentives on tax compliance. This research is different from previous studies because it adds a moderating variable, namely public trust. Public trust is the trust of citizens in government actions to do what is right and considered fair and actually functions. Taxpayers who believe that the tax revenue authority acts fairly and well will have a positive perception of government programs and tend to comply with tax regulations (Cullen et al., 2021). The government provides convenience in the form of digital services and payment relief in the form of incentives. This effort is expected to increase tax compliance. However, for taxpayers who do not have trust in the government, it is not certain that the convenience and relief efforts provided can support taxpayers to comply with paying their obligations.

If taxpayers have trust in the government, such as they believe digitalization can provide convenience and incentives can provide relief, then taxpayers will voluntarily pay taxes. Public trust as moderator is supported by research Francis (2019) who examines the effect of tax amnesty on tax compliance in Nigeria with political trust as a moderator. The research revealed that even though taxpayers know and understand the functions and benefits of taxes, and know about filling out tax files, compiling financial reports, and calculating and paying taxes, they will not necessarily behave tax compliantly, because they do not have trust in the tax authorities and the government. Based on this, tax compliance behavior can be strengthened by public trust in the government.

This study adds public trust as a moderating variable. To prove that public trust is expected to strengthen the relationship between tax digitization and tax incentives for taxpayer compliance. The government provides digital services and incentives that are expected to increase tax compliance. However, taxpayers who do not have trust in the government will still choose not to comply. The results of this study are expected to be able to provide additional

information for consideration in making policies for the government in providing digital services that make it easier for taxpayers and incentives that can motivate taxpayers to fulfill their tax obligations. As well as being information for the government about the importance of increasing public trust so that taxpayers are more obedient in paying their obligations. This phenomenon is important to study because SMEs taxpayers are a potential source of large tax revenues if the government can increase tax compliance. In addition, this study uses the questionnaire method to describe the relationship between tax digitization, tax incentives, public trust, and tax compliance variables.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### ***Theory of Planned Behavior (TPB)***

The theory of Planned Behavior is a development of the Theory of Reasoned Action (TRA). Ajzen (1991) proposing the Theory of Planned Behavior reveals that individual behavior can be predicted by a person's intention to behave. The behavior is based on three determining factors, namely behavioral beliefs, normative beliefs, and control beliefs.

### **TAX SMEs**

Government Regulation Number 46 of 2013 concerning Income Tax (PPh) on income received or earned by taxpayers who have a certain gross turnover, or what is known as the SMEs tax, is a new government policy to increase tax revenue from the SMEs sector. Government Regulation Number 46 of 2013 Article 2 Paragraph (1).

### **SMEs Tax Incentives**

Tax incentives according to UNCTAD (United Nations Conference on Trade and Development) are all forms of incentives that reduce the tax burden. Tax incentives are often applied to developing countries to keep their economy moving. The provision of tax incentives is carried out as a government response due to a decrease in the productivity of business actors.

### **Effect of Tax Digitization on SMEs Taxpayer Compliance**

Tax digitization is a tax reform program as a form of performance improvement to make it more effective and efficient. Pasal 3 paragraph (1) of the KUP Law stipulates that every taxpayer fills out an SPT correctly, completely and clearly, in Indonesian using Latin letters, Arabic numerals, and rupiah currency units, and signs and submits it to the Directorate office. Tax General. Meanwhile, increasing SMEs taxpayer compliance has been carried out by the government in various ways, one of which is with digital tax services.

This is related to the taxpayer's belief that technology will support and reduce the taxpayer's barriers to paying their obligations. The easier and more useful tax digitization is, the SMEs taxpayer will find it helpful compared to not using technology, so it is one of the factors that influence SMEs taxpayer compliance. In research Aini & Nurhayati (2022), Pradnyani et al (2022) Sentanu & Budiarta (2019) that tax digitalization has a positive effect on taxpayer compliance because it can eliminate the burden on taxpayers in reporting their taxes.

H1: Tax digitization has a positive effect on SMEs taxpayer compliance.

#### **Effect of Tax Incentives on SMEs Taxpayer Compliance**

To increase taxpayer compliance, the government has issued a tax incentive policy that can be utilized by SMEs. The policy regarding tax incentives for SMEs is contained in the harmonization of the Government's Tax Regulations (UU HPP) which stipulates the exemption of final income tax for SMEs with a gross turnover of up to Rp. the difference from the minimum gross circulation limit.

Taxpayers in carrying out their tax obligations are influenced by motivation and encouragement from other people. Tax incentives are a motivator to ease the tax burden borne by taxpayers. Alfina & Diana (2021), Cahyani & Noviani (2019) Latief et al (2020) gives the result that tax incentives have a positive effect on taxpayer compliance. If tax incentives are given, then taxpayer compliance will increase, because it can ease the tax burden for taxpayers and motivate taxpayers.

H2: Tax incentives have a positive effect on SMEs taxpayer compliance.

#### **Moderation Effect of Public Trust on the Relationship between Tax Digitization and SMEs Taxpayer Compliance**

Tax digitization is one of the innovations from the Directorate General of Taxes to make it easier for taxpayers to carry out their obligations to pay taxes. Taxpayers in carrying out their tax obligations are influenced by beliefs about the consequences they have. Public trust is a behavior that arises if the taxpayer has confidence in the government regarding its tax system. Tax digitization coupled with taxpayer trust in applications made by the government, will further strengthen SMEs taxpayer compliance in paying their obligations. Due to the security, convenience, and reliability of personal data in making payment obligations.

H3: Public Trust strengthens the positive influence of tax digitization on SMEs taxpayer compliance.

#### **Moderation Effect of Public Trust on the Relationship between Tax Incentives and SMEs Taxpayer Compliance**

Tax incentives are special provisions given by the government in the form of a reduction or exemption from the tax burden borne by the taxpayer himself. Public Trust as a moderator has a close relationship because it can explain that the trust of the taxpayer is one of the factors that motivate compliance in paying taxes. This is because public trust can be linked to if taxpayers benefit directly from tax incentives, then this will strengthen the relationship between tax incentives and taxpayer compliance.

H4: Public Trust strengthens the positive influence of tax incentives on SMEs taxpayer compliance.

#### **METHOD**

The subjects in this study were SMEs taxpayers in the city of Yogyakarta who had NPWP according to the provisions of the Directorate General of Taxes. The sampling technique in this study used purposive sampling, namely the sample was taken based on consideration of certain characteristics according to the research objectives. Sources of data were collected by distributing questionnaires within one month by visiting SMEs entrepreneurs in the city of Yogyakarta.

#### **Dependent Variables**

The dependent variable in this study is SMEs taxpayer compliance. Taxpayer compliance is obedience that is carried out by the taxpayer and is based on rules or conditions that are required to be carried out by the taxpayer himself (Jatmiko, 2006). To measure taxpayer compliance, this study uses 6 questions. These questions use research indicators Atarwaman (2020) modified, namely:

- a. Taxpayers voluntarily register themselves to have an NPWP
- b. Calculating and paying tax obligations
- c. Pay tax shortfalls
- d. Fill out, report and submit SPT

#### **Moderation Variable**

The moderating variable in this study is public trust. In a study conducted by Nangih & Dick (2018) revealed that staff corruption and delays in the judicial process hurt tax compliance. Low tax compliance is a moderating effect of Digeria Francis' political trust (2019).

A high level of trust ensures high tax compliance behavior among taxpayers Abodher et al (2016, Levi & Stoker (2000), Verberne (2017). The indicators in this study refer to research LE et al., (2021), that is:

- Trust in the tax law system
- Trust in the government's tax system
- Believe that taxes are used for the benefit of the people and development

### Independent Variables

The independent variables in this study are tax digitization and tax incentives. Tax digitization is also a facility provided by the government and accessed online for the implementation of community obligations in the form of payment of obligations. This study uses indicators Wulandari (2021), that is:

- It's easy for taxpayers to report their SPT
- Digital processes can save costs incurred
- Tax calculations can be done quickly and accurately
- Makes it easy to fill out, report, and submit SPT

Furthermore, tax incentives are taxes that are offers or policies originating from the government through the use of taxes on certain activities such as giving contributions in the form of money given for quality activities or activities. (Dewi et al., 2020). The indicators used in this study modify the research Latief et al (2020), that is:

- There are tax regulations
- Benefits of giving tax incentives
- The impact of the regulations made

### RESULT AND DISCUSSION

The object of this research is SMEs in the city of Yogyakarta with 103 questionnaires. However, of these only 75 questionnaires could be processed because as many as 28 questionnaires were incomplete and the respondents did not have NPWP, so to avoid bias and ambiguity in the analysis the researcher did not use these questionnaires for processing.

The characteristics of the respondents indicate the identity of SMEs respondents who are followed by SMEs trade, service, production, and SMEs partners respondents.

### Descriptive Statistical Analysis

**Table 1.** Descriptive Statistical Test Result of The Research Variable

Variable	Min	Max	Mean	Std. Deviation
KP	12	20	16,93	1,891
DP	15	35	28,33	3,633
IP	10	20	15,35	2,402
PT	13	25	19,09	3,103
N	75			

Source: Data processed, 2020

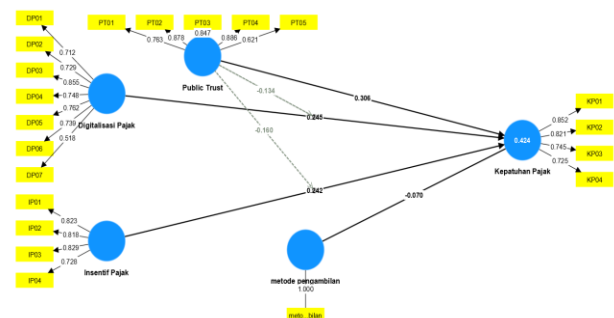
The results of the descriptive statistical test in Table 1 above show that the amount of data processed is 75 data. The tax compliance variable shows a minimum respondent value of 8.00 and a maximum respondent value of 20.00 with an average value (mean) of 16.93 and a standard deviation of 1.891. meaning that the average respondent's level of tax compliance is high because the average value obtained is closer to the maximum value than the minimum value. The tax digitization variable shows a minimum respondent value of 15.00 and a maximum respondent value of 35.00 with an average value (mean) of 28.33 and a standard deviation of 3.633. meaning that the average tax digitization respondent is high because the average value obtained is close to the maximum value compared to the minimum.

The tax incentive variable shows a minimum respondent value of 10.00 and a maximum respondent value of 20.00 with an average (mean) value of 15.35 and a standard deviation of 2.402 meaning that the average tax incentive respondent is high because the average value is obtained closer to the maximum value than the minimum. The public trust variable shows a minimum respondent value of 13.00 and a maximum respondent value of 25.00 with an average value (mean) of 19.09 and a standard deviation of 3.103. meaning that the average public trust respondent is high because the average value obtained is closer to the maximum value than the minimum. So, it can be concluded that all variables have a high influence on SMEs respondents.

### Outer Model

The measurement model or outer model can show how indicators can explain latent variables to be measured. This model can be used to assess the validity and reliability of the model. Construct validity was assessed using convergent validity and discriminant validity. While reliability will be assessed using Cronbach alpha and composite reliability. The following are the results of testing the measurement model or outer model using the SmartPLS v.4.0 application.

**Picture 1.** Outer Model



Source: Output SmartPLS v.4.0

**Table 2.** Outer Model Before Modification

Variable Laten	Code	Outer Loading	AVE
taxpayer compliance	KP01	0.852	0,532
	KP02	0.821	
	KP03	0.745	
	KP04	0.725	
tax digitization	DP01	0.694	0,641
	DP02	0.729	
	DP03	0.855	
	DP04	0.748	
	DP05	0.762	
	DP06	0.739	
	DP07	0.518	
tax incentives	IP01	0.823	0,620
	IP02	0.818	
	IP03	0.829	
	IP04	0.728	
Public Trust	PT01	0.763	0,648
	PT02	0.878	
	PT03	0.847	
	PT04	0.886	
	PT05	0.621	

Source: Output SmartPLS v.4.0

A construct can be said to be valid if it produces a value above 0.70 or according to Chin in (Susanto et al., 2020) valid if above 0.05 with the condition that the output construct reliability and validity meet the criteria. Based on the output of Table 2 above, several indicators do not meet the requirements, namely indicators DP01, DP07 and PT05. So that these indicators must be eliminated to meet the required rule of thumb requirements.

**Table 3.** Outer Model after Modification

Variable Laten	Code	Outer Loading	AVE
taxpayer compliance	KP01	0.853	0,599
	KP02	0.820	
	KP03	0.748	
	KP04	0.722	
tax digitization	DP02	0.737	0,641
	DP03	0.866	
	DP04	0.771	
	DP05	0.743	
	DP06	0.744	
tax incentives	IP01	0.823	0,620
	IP02	0.818	
	IP03	0.829	

	IP04	0.728	
Public Trust	PT01	0.764	0,722
	PT02	0.884	
	PT03	0.862	
	PT04	0.883	

Source: Output SmartPLS v.4.0

Based on Table 3 above, all indicators have shown several more than 0.70 and have met the criteria for the outer loading test requirements and the AVE value above 0.5. So that all variables in this study can be said to be valid.

#### Average variance extracted (AVE)

Based on table 4 above, shows that the AVE root value of all variables in this study has a greater value when compared to the value of the relationship between variables. So it can be concluded that all variables are valid.

The variable that has the largest AVE value is a public trust, while the variable that has the smallest AVE value is tax compliance.

**Table 4.** Average variance extracted

	DP	IP	KP	PT	Col. Method
Digitalisasi Pajak	0.774				
Insentif Pajak	0.331	0.801			
Kepatuhan Pajak	0.454	0.458	0.787		
Public trust	0.328	0.397	0.502	0.850	
Metode pengambilan	0.012	0.033	- 0.067	- 0.163	1.000

Source: Output SmartPLS v.4.0

#### Cross Loading

Based on Table 5 above, shows that the indicator value of each construct for all variables shows a value above 0.5. Because the results of AVE, composite reliability and Cronbach alpha are above 0.5, they can be maintained (Hair Jr et al., 2017). In addition, the results obtained show a correlation in each indicator with the construct having the highest value in itself compared to other correlations.

**Table 5.** Cross Loading

	DP	IP	KP	PT	Metode Pengambilan
DP02	0.737	0.230	0.315	0.206	-0.111
DP03	0.866	0.396	0.399	0.299	0.146
DP04	0.771	0.193	0.297	0.273	0.097
DP05	0.743	0.151	0.263	0.122	-0.105
DP06	0.744	0.256	0.430	0.317	-0.021
IP01	0.308	0.823	0.379	0.370	-0.051
IP02	0.323	0.818	0.334	0.279	0.084
IP03	0.229	0.829	0.422	0.344	0.049
IP04	0.203	0.728	0.315	0.267	0.029
KP01	0.446	0.524	0.853	0.507	-0.056
KP02	0.376	0.298	0.820	0.298	-0.019
KP03	0.157	0.266	0.748	0.331	-0.053
KP04	0.377	0.271	0.722	0.390	-0.082
PT01	0.219	0.367	0.403	0.764	-0.056
PT02	0.290	0.323	0.394	0.884	-0.179
PT03	0.244	0.261	0.432	0.862	-0.191
PT04	0.352	0.395	0.470	0.883	-0.126
Metode pengambilan	0.012	0.033	-0.067	-0.163	1.000

Source: Output SmartPLS v.4.0

### Reliability

The research criteria for the level of reliability of a construct can be seen from Cronbach's alpha and composite reliability. According to Sofyani, (2016) states that if the value of Cronbach's alpha and composite reliability is more than 0.6 then the construct is said to be reliable.

Based on table 6 below, it shows that the value of Cronbach's alpha and composite reliability for all constructs in this study is above 0.6. Thus it can be concluded that reliability in this study is fulfilled or all constructs are reliable.

**Table 6.** Cronbach's Alpha dan Composite Reliability

	Cronbach's Alpha	Composite Reliability
tax digitization	0.833	0.849
tax incentives	0.813	0.824
taxpayer compliance	0.799	0.842
Public Trust	0.871	0.875

Source: Output SmartPLS v.4.0

### Inner Model

The inner model can be used to predict the relationship between latent variables. PLS, evaluation on the inner model is useful for improving the relationship between latent variables. The inner model can be analyzed by looking at the R-Square value or the determinant coefficient ( $R^2$ ) and the path coefficient ( $\beta$ ).

**Table 7.** Adjusted R-Square

R-square adjusted
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taxpayer compliance	0,386
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Source: Output SmartPLS v.4.0

Structural model research is carried out by looking at the value of Adjusted R-Square or  $R^2$  for each latent variable as the predictive power of the structural model. The higher the value of Adjusted R-Square means the better the prediction model of the research model.

The results from Table 7 show that the value of Adjusted R-Square ( $R^2$ ) for the tax compliance variable is 0.386 or 38.6%. This means that 38.6% of the tax compliance variable is influenced by its exogenous variables, namely tax digitization, tax incentives, and public trust. And the remaining 61.4% is influenced by other factors outside of this study.

### Hypothesis Testing

In testing the hypothesis, it has conditions that must be met as criteria for fulfilling a hypothesis, namely the original sample, t-statistics, and p-value. The original sample is said to be fulfilled if it shows the direction of the hypothesis (positive and negative). Meanwhile, the t-statistic value is 1.66 and the probability value (p-value) is  $<0.05$ , so it can be said to be significant. The following are the results of testing the hypothesis shown in table 8.

**Tabel 8.** Path Coefficien

Hypothesis	Original Sample(o)	t-statistic	p-values	Keterangan
DP -> KP $H_1$	0.273	2.724	0.003	Terdukung
IP-> KP $H_2$	0.240	2.235	0.013	Terdukung
PT->KP $H_5$	0.306	2.787	0.003	Terdukung
PT x DP-> KP $H_3$	-0.106	0.903	0.183	Tidak Terdukung
PT x IP-> KP $H_4$	-0.161	1.248	0.106	Tidak Terdukung

Source: Output SmartPLS v.4.0

### Hypothesis 1 (H1) Testing

Tax digitization of SMEs taxpayer compliance shows a positive original sample value of 0.273 with a t-statistic value of 2.724 > 1.66 and a probability value (p-value) of 0.003 < 0.05. This shows that the results of descriptive statistics regarding tax digitization and SMEs tax compliance are by hypothesis 1 which states that tax digitization has a positive effect on SMES taxpayer compliance.

The context in this study is that tax payment technology will make it easy for SMEs to make tax payments assisted by an internet connection. This is supported by the government with the existence of e-filling programs, e-SPT, E-billing, and so on. So that with this it can support and encourage taxpayers to fulfill their tax obligations. The existence of a positive signal in the ease of paying taxes will increase taxpayer compliance. The easier it is for taxpayers to access and pay them, the higher the interest in fulfilling their tax obligations.

So, SMEs taxpayer compliance can be increased by improving the quality of digital tax services making it easier for taxpayers to report and pay taxes. This research is in line with the research conducted by Aini & Nurhayati (2022), Pradnyani et al (2022), Sentanu & Budiarta (2019)

### Hypothesis 2 (H2) Testing

Tax incentives for SMEs taxpayer compliance show a positive original sample value of 0.240 with a t-statistic value of 32.235 > 1.66 and a probability value (p-value) of 0.013. This shows that the results of descriptive statistics regarding tax incentives and tax compliance are by hypothesis 2, tax incentives have a positive effect on SMEs taxpayer compliance.

Taxpayers use tax incentives as a form of motivation to ease their tax burden in carrying out their tax obligations, thereby increasing compliance. So, SMEs taxpayer compliance can be increased by providing

incentives or relief in paying and reporting taxes. This research is in line with research conducted by This research is supported by Alfina & Diana (2021), Cahyani & Noviari (2019), Latief et al (2020)

### Hypothesis 3 (H3) Testing

Tax digitization of SMEs taxpayer compliance moderated by public trust shows an original value of 59 negative samples of 0.106 with a t-statistic value of 0.903 < 1.66 and a probability value (p-value) of 0.183 > 0.05. The results of this study indicate that public trust does not strengthen the relationship between tax digitization and tax compliance, because taxpayers do not yet believe digital tax services can make it easier for them, because most SMEs entrepreneurs personally have difficulty using digital services so they use the services of other people or have not independently accessed these digital services and are afraid of making mistakes in data input. The results of this study are different from research LE et al (2021) only conducted in Vietnam, this research expands into SMEs in Indonesia, precisely in the city of Yogyakarta. So it is possible that the SMEs studied still do not understand reporting and calculating taxes.

### Hypothesis 4 (H4) Testing

Tax incentives for SMEs taxpayer compliance moderated by public trust show a negative original sample value of 0.161 with a t-statistic value of 1.248 < 1.66 and a probability value (p-value) of 0.106 > 0.05. The results of testing the hypothesis for the public trust variable show that public trust does not strengthen the effect of tax incentives on SMEs taxpayer compliance. That is, public trust does not strengthen the relationship between tax incentives and tax compliance. This is because the majority of SMEs taxpayers still do not know about the tax incentive policy provided by the government to SMEs entrepreneurs, so some respondents have not directly felt the benefits of the incentives.

It was explained that what is related to the determinants of behavior is the individual's perception of whether it is easy or not to manifest a behavior, and the tax incentives intended in this study will provide relief for SMEs in carrying out their tax obligations. Someone who has public trust will be more obedient in paying their tax obligations if they believe that the tax is used for the construction of facilities and infrastructure. Research on public trust as a moderator is very difficult to find. And this research expands on the findings (Francis, 2019).

### Hypothesis 5 (H5) Testing

Public trust SMEs taxpayer compliance shows a positive original sample value of 0.306 with a t-statistic value of 2.787 < 1.66 and the probability value (p-value) is



0.003 < 0.05. The results of testing the hypothesis for the public trust variable show that public trust effect SMEs taxpayer compliance.

However, for taxpayers who do not have trust in the government, it is not certain that the convenience and relief efforts provided can support taxpayers to comply with paying their obligations. This study reveals that public trust as an independent variable can influence tax compliance

This study reveals that public trust as an independent variable can influence tax compliance. This research reveals that even though taxpayers know and understand the functions and benefits of taxes, and know about filling out tax files, compiling financial reports, and calculating and paying taxes, they will not necessarily behave tax compliantly, because they do not have trust in the tax authorities and the government.

## CONCLUSION

Based on the testing and analysis of the data that has been carried out, it can be concluded as follows:

- a. Tax digitization has a positive effect on SMEs taxpayer compliance. This research proves that the higher the use of tax digitization, the higher the tax compliance. A taxpayer will try to fulfill his tax obligations if it is facilitated in the process of reporting and paying taxes. Tax digitization efforts such as the availability of digital services such as e-filing, e-SPT, and e-billing.
- b. Tax incentives have a positive effect on SMEs taxpayer compliance. This research proves that tax incentives can increase taxpayer compliance. A taxpayer will comply in fulfilling his tax obligations if he is given relief in the form of a reduction in the tax burden. These tax incentive efforts motivate taxpayers to comply with paying taxes.
- c. Public trust does not moderate the positive effect of tax digitization on SMEs taxpayer compliance and public trust does not moderate the positive effect of tax incentives on SMEs taxpayer compliance. This research also cannot prove that public trust can moderate the relationship between tax digitization and tax incentives on tax compliance. However, public trust has a positive effect on SMEs tax compliance. Therefore, Public trust is an important variable for measuring tax compliance. This is because, for taxpayers who do not have trust in the government, it is not certain that the convenience and relief efforts provided can support taxpayers to comply with paying their obligations.

## LIMITATIONS

The number of respondents in this study is not too large. This is because researchers require several things, namely:

- d. Researchers only focus on SMEs in Yogyakarta who have paid taxes and have an NPWP. Even most SMEs do not have an NPWP because their turnover is still small and they do not understand how to make one. So it is quite difficult for researchers to find SMEs respondents who know and understand SMEs taxes.
- e. There was reluctance to fill out the questionnaire because respondents were afraid of being misused.

## RECOMMENDATIONS

The suggestions that researchers can give are:

- a. The research variables used can be tested and reused in further research by adding interview techniques to support the findings so that the research results obtained are more accurate.
- b. Broaden the number of respondents and not only focus on SMEs in Yogyakarta.

## REFERENCE

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